



# **Norwood Systems Limited**

ABN 15 062 959 540

and its controlled entities

## **ANNUAL REPORT**

**30 June 2022**

**Corporate directory****Current Directors**

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

**Company Secretary**

Mr Stuart Usher *(appointed 8 October 2021)*

**Registered & Principal Office**

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## Managing Director's Remarks

As a Company, we are pleased to present the Norwood Systems Limited (Norwood) FY22 annual financial report.

FY22 was a year of consolidation, transformation, and renewal for Norwood Systems, as we methodically built a strong platform to deliver long-term growth.

During the fiscal year, the Company consolidated its operational performance for its core Communication Service Provider (CSP) visual voicemail service offering, World Voicemail, underpinned by increased receipts and reduced cash burn, as restrictions due to COVID-19 abated.

Meanwhile, the Company has started to see the fruits emerge from an intensive two-year research and development programme, focused on building the next generation of "cognitive voice" service platforms. Unlike the market for CSP voicemail platforms, which can be characterised as a mature market segment for CSPs, cognitive voice service platforms represent a brand-new opportunity for CSPs to refresh, revitalise and remonetise their ageing, largely undifferentiated voice offerings.

Norwood's motivation for investing in cognitive voice service offerings was to drive further innovation and demand from CSPs, providing the impetus for shorter, more profitable sales cycles for its CSP service offerings. Gratifyingly, this strategy is now starting to pay off for the Company and the entire business is looking forward to a highly active FY23, largely focused on the new frontier of CSP-hosted cognitive voice services and applications, whilst continuing to maintain and further develop its historical voicemail service offerings.

In FY22, Norwood further bolstered its relationship with Spark NZ, a core Norwood customer for its CSP voicemail platform, with further updates and improvements being added to the Spark Voicemail platform supplied by Norwood over the course of the fiscal year.

As a result, the Company saw positive progress in relation to this long-standing **Spark NZ** contract, securing several purchase orders amounting to NZD\$682,000 received from Spark NZ post-FY22 end. This is an increase on the purchase orders received from Spark NZ during FY22 and lays a solid cornerstone for further growth in FY23.

The Infosys partnership established in FY22 is continuing to flourish beyond the two contracts Norwood has won through this relationship, with both companies actively pursuing potential future joint commercial activities together. Mid-FY22 the Company also renewed its board in line with the positive evolution of our strategic direction, with the three new non-executive board members taking a proactive role in helping to drive the Company to a much higher level of performance. I have been delighted with the contributions made by the new members of the board thus far and am confident their contributions will have a substantial impact on the company over the coming FY23.

### Results

Our significant investment in technology and marketing, as well as our strong financial discipline, translated into improved financial performance. Net of R&D tax rebates and JobKeeper payments, Norwood continued to improve its core operating metrics for the year ending 30 June 2022 with revenue increasing 15% to approximately \$922,000 and our net loss after tax narrowing 9% to \$1.08 million. Our net loss after tax has improved consistently year on year since FY19 where the net loss amounted to \$3.02 million and Norwood anticipates this positive trajectory will continue in FY23 and beyond.

With an enhanced focus on prudent cost control emerging we are positioned extremely well to translate our expanded revenue base into increased earnings.

During the year, the Company successfully completed placements of 61,505,971 ordinary shares to raise \$960,590. Norwood also issued convertible notes to Managing Director, Paul Ostergaard, in May 2021 and raising a further \$100,000 from his personal investment in the Company.

Further to this, Norwood received an Australian Tax Office (ATO) Research and Development (R&D) Grant of \$390,000 in November 2021. This coupled with constant prudent cash control and increasing customer cash receipts, gives the Board confidence that the short-term capital requirements of the Company are in hand.

### World Voicemail

After launching **World Voicemail** in FY19, throughout FY20 and FY21 Norwood continued to develop and enhance the platform to further strengthen the Company's position to target the CSP market for legacy voicemail service replacements.

Norwood completed a major milestone during FY22 with the release of Version 4 of its industry-leading **World Voicemail** platform. This release incorporated some of the world's most advanced voice recognition and transcription software. With a plethora of other features, World Voicemail's advanced transcription capability makes it arguably the world's best visual voicemail platform available on the market today for CSPs interested in upgrading their ageing non-visual voicemail platforms, or for end-users using the publicly available **World Voicemail** app.

In FY19, Norwood signed a four-year contract with **Spark NZ** for the supply of World Voicemail software licences, white label World Voicemail Apps and professional services. Post-FY22, long-term customer Spark NZ supplied the Company with several Purchase Orders worth approximately NZD\$682,000 for services to be provided across FY23 relating to the contract, which is a testament to the robust and ongoing relationship between the two companies.

Prior to this Agreement, Norwood had received other Purchase Orders from Spark NZ, notably a Purchase Order worth approximately NZD\$639,000 announced in early FY22 for services to be provided across FY22 relating to the contract.

### **Cognitive Voice Services**

As previously noted, Norwood has invested considerable resources over the past two years in developing cutting-edge software. One such focus has been on utilising conversational AI and Natural Language Understanding (NLU) engines to provide a brand-new service (or services) based on Cognitive Voice capabilities, complementing Norwood's existing World Voicemail service offerings.

In late FY22, Norwood passed a further critical milestone by releasing the first beta releases for its new, revolutionary AI-powered "Cognitive Voice Services Platform", referred to as "Aïda" in previous updates and announcements. The Company intends to re-brand Aïda in the near term, in line with its most recent positioning of the platform and derivative applications that have arisen, targeting the global CSP market.

The Company was delighted to secure an early paid proof-of-concept for Aïda from a Tier 1 CSP in the Australian market via its developing partnership with Infosys. Following this win, Norwood has been seeing highly encouraging interest in potential applications derived from the core Aïda platform by CSPs in multiple regions around the world.

Norwood's current focus in this space, which comprises the core R&D and marketing direction of the Company, is to leverage the potential of emerging conversational AI technologies to bring to market compelling, brand-new "Cognitive Voice" applications for CSPs.

These new intelligent, AI-powered voice service platforms can provide CSPs with new ways to monetise their ageing Voice networks, providing novel sources of new revenue, whilst delighting and surprising their subscribers. New services can be created through the deployment of high-quality virtual personal assistants that are based on the powerful available conversational AI engines, as well as Norwood's own unique intellectual property, developed internally over the past two years.

These exciting technological developments Norwood is progressing, in tandem with the early positive response from CSPs on these propositions and our improved financial position has brought considerable internal optimism about the Company's future.

I'd like to extend a special thanks to our employees, who all did their part to facilitate a smooth transition to working from home as COVID-19 reached Western Australia. As a result, Norwood experienced limited productivity disruption from the pandemic.

We are in a healthy operational and financial position to build on this positive momentum and execute potential future contracts. As a Company we continue to be extremely confident about our future and are looking forward to the year ahead.

I look forward to updating you during the course of FY23 on these exciting new opportunities being progressed by Norwood.

**PAUL OSTERGAARD**

Managing Director 28 September 2022

## Directors' report

Your directors present their report on the consolidated entity, consisting of Norwood Systems Limited (**NOR or the Company**) and its controlled entities (collectively **the Group**), for the financial year ended 30 June 2022.

Norwood is listed on the Australian Securities Exchange (ASX:NOR).

### 1. Directors

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

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

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. For additional information of Directors including details of the qualifications of Directors please refer to paragraph 6 Information relating to the directors of this Directors Report.

### 2. Company secretary

The following person held the position of Company Secretary at the end of the financial year:

■ Mr Stuart Douglas Usher	( <i>appointed 8 October 2021</i> )
Qualifications	<input type="checkbox"/> B.Bus, CPA, Grad Dip CSP, MBA, FGIA, FCIS
Experience	<input type="checkbox"/> Mr Usher is a CPA and Chartered Company Secretary with 25 years of extensive experience in the management and corporate affairs of publicly listed companies. He holds an MBA from the University of Western Australia and has extensive experience across many industries focusing on Corporate & Financial Management, Strategy & Planning, Mergers & Acquisitions, and Investor Relations & Corporate Governance.

### 3. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 30 June 2022.

### 4. Significant Changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial year ended 30 June 2022 other than disclosed elsewhere in this Annual Report.

### 5. Operating and financial review

#### 5.1. Nature of Operations Principal Activities

The principal activities during the year include:

- Formed a new global technology and services supply relationship with Infosys in H2 FY22, already securing two contracts under the relationship:
- The supply of a subscription-based communications solution to a Germany-based client of Infosys
- Delivery of a Proof of Concept product for a Tier 1 telco operator in Australia (and Infosys client).
- Received a NZD\$639,000 Purchase Order from Spark NZ in H1 FY22, continuing the long-term relationship with NZ's main telco.
- Raised more than \$1.5m over the FY, resulting in a strengthened balance sheet position at the end of the financial year.
- Bolstered the Board with key appointments of highly-credentialled industry leaders.
- Successfully launched World Voicemail Version 4.0, which builds on earlier releases, with V4.0 supporting a significantly improved, AI-powered speech-to-text transcription engine.
- Witnessed encouraging early commercial demand for Aida Intelligent Assistant service, with the service launched as a paid beta to selected customers and partners late in FY22.

## Directors' report

### 5.2. Operations Review

We are delighted to present the Norwood Systems Limited (Norwood) FY22 operational report.

As a Company, we provide solutions to communications service providers (CSPs), both directly and via intermediaries. The Company's most successful core proposition to date has been in the area of voicemail services. In addition to such services, the Company is now starting to benefit from a two-year long research and development campaign to deliver new "cognitive" AI-based solutions.

The sales and partnerships we have confirmed during 2021-22 span both the heritage suite of voicemail services and also increasingly the Company's newer AI-based services, which is the major focus of Norwood's ongoing sales and business development activity.

In FY22, Norwood laid the platform for long-term and sustainable growth, as the Company expanded its revenue base with major new relationships that have led to new contracts from blue chip clients, enhancing its operational capabilities and position in the market for CSP-hosted value-added service platforms.

Over the past four years, Norwood has steadily increased its core revenues from clients (net of R&D tax credits and JobKeeper payments) whilst showing ongoing improvements in its core operating losses.

Core operating metrics <sup>1</sup>	FY 2019	FY 2020	FY 2021	FY 2022
Core Revenue (\$)	71,602	492,099	804,012	922,197
Net profit/(loss) (\$)	(3,018,521)	(2,012,222)	(1,190,858)	(1,083,468)

With most of the effects of the pandemic behind the Company, and with the borders to Western Australia finally opening, the company also witnessed a resurgence of business development activity in the second half of FY 2022, as detailed below.

Norwood formed a global technology and services supply relationship with Infosys during the second half of the fiscal year and has already secured two contracts under this relationship.

This included the supply of an innovative subscription-based communications solution to a Germany-based client of Infosys, which has the potential to generate ongoing recurring revenue beyond the initial 12-month scope. Norwood was also awarded another contract under the relationship to deliver a proof-of-concept product for a Tier 1 telco operator in Australia.

The work Norwood is delivering under the global technology relationship with Infosys leverages the Company's elastically scalable, high-availability, cloud-native platform architecture that it has developed for deploying its core communications service platforms.

The Company also continued to make strong progress on its key contract with long-term customer Spark NZ. Early in FY22, Spark NZ supplied Norwood with a purchase order worth approximately NZD\$639,000 (c. AUD\$603,000) for services to be provided across the 2022 financial year.

This large purchase order represents another forward step in the continued positive evolution of the relationship with Spark NZ, after an agreement between the Company and Spark NZ was initially announced in January 2020.

Norwood made substantial strides in developing its emerging technological solutions in FY22, which will help underpin long-term growth. This included the successful release of the World Voicemail Version 4.0, which built on earlier releases with support for a new, significantly improved, AI-powered speech-to-text transcription engine.

The launch of Norwood's World Voicemail Version 4.0 platform and associated core technologies enables the Company to deliver significant additional utility and differentiation in the worldwide telco voicemail market.

Norwood also significantly progressed its Aida service, which is targeted at CSPs who are interested in modernising their general inbound voice call completion network services, to serve as a 5G Voice Innovation Service for such CSPs' small and midsize business (SMB) or prosumer subscribers.

Aida has a "dynamic transactional memory" that aids the service considerably in building robust and engaging dialogue flows. The Company has pitched Aida to both prospective CSPs and vendor partners, receiving a positive response which culminated in the first contract secured via Infosys.

<sup>1</sup> Unaudited, adjusted for R&D Tax and JobKeeper payments.

## Directors' report

Following this, in the June quarter of FY22, Norwood successfully launched beta releases of the first productised service for the Aida Intelligent Assistant service to selected customers and partners.

### 5.3. Corporate

#### *Capital Raising*

On 12 October 2021, Norwood announced that it had received firm commitments to raise \$0.3 million via a Share Placement of 17,647,058 ordinary shares and \$0.1 million via a Convertible Notes issue.

The Share Placement was conducted at \$0.017 per share to sophisticated investors, a 4.3% premium to the Company's 15-day VWAP prior to the capital raise.

ACNS Capital Markets Pty Ltd T/A Alto Capital ("Alto") was Lead Manager to the Placement. As announced on 21 October 2021, Alto closed the placement oversubscribed by \$23,000, to raise \$323,000.

The Company also executed a binding term sheet and issued 4,166,667 Convertible Notes with a face value of \$0.024 each to Paul Ostergaard, Managing Director of the Company, to raise \$100,000.

The funds raised were utilised to successfully obtain new telco contracts, as well as further enhancing the Company's flagship World Voicemail product, including the forthcoming revolutionary Intelligent Assistant service.

On 28 March 2022, Norwood announced that it had executed a binding terms sheet and issued 280,000 convertible notes with a face value of \$1 each to Balmain Resources Pty Ltd, a Company controlled by Non-executive Director Dr John Tarrant, to raise \$280,000 for the Company.

Also on 28 March 2022, Norwood announced that the Board had agreed to fully subscribe for the NOROC Shortfall Options in accordance with its Prospectus dated 16 February 2022 ('NOROC Option Offer').

The NOROC Option Offer offered up to 66,356,636 NOROC Options. The Options had an issue price of \$0.002 per option, exercisable at \$0.08 expiring 3 March 2023. The Company announced on 3 March 2022, the shortfall amount of 34,457,676 Options and an allotment at that time of 7,759,025 options under the shortfall offer, leaving a net shortfall of 26,698,651 options.

On 5 May 2022, Norwood announced it had executed a fully underwritten 1 for 7 Non-renounceable Rights Entitlement issue to raise \$637,590 ("the offer"). The offer also included a 1 for 1 free attaching option exercisable at 2.4 cents expiring 31 December 2023. The \$0.015 Offer issue price represented a 25% premium to the Company's previous closing price of \$0.012.

On 23 June 2022, Norwood announced that it had executed a deed of variation to a convertible note binding term sheet for an additional 200,000 convertible notes with a face value of \$1 each to Balmain Resources Pty Ltd, a Company controlled by Non-executive Director Dr John Tarrant. The convertible note issue to Dr Tarrant raised \$200,000 for the Company. The initial convertible note was executed and announced to ASX on 28 March 2022.

Funds raised from these capital raisings ensure that Norwood is well capitalised to execute on its current client projects, as well as existing service innovation projects, such as the Aida platform, which is designed to provide new options for telco partners in how they handle voice calls on their networks.



## Directors' report

### *Board Changes*

Norwood is positioning itself for a phase of growth following the highly promising internal and external testing of the Aida Intelligent Assistant service, as well as positive CSP responses to the Company's ongoing updates to its World Voicemail service platform.

In light of these promising developments, Norwood refreshed its board composition to enhance the breadth of leadership experience and expertise required to underpin the next phase of growth for the Company.

On H1 FY22, Norwood announced Mr Stuart Usher had been appointed as Company Secretary and Chief Financial Officer (CFO), replacing Mr Steven Wood who has resigned from the role due to other work commitments.

Mr Usher is a CPA and Chartered Company Secretary with 25 years of extensive experience in the management and corporate affairs of publicly listed companies.

In H2 FY22, Norwood appointed highly credentialled industry leaders with extensive track records across the telco and broader technology space; as Phil Marsland, Philip Otley, and Dr John Tarrant joined the Company's board.

Phil Marsland was formerly Head of Customer Marketing and Head of PostPay at Vodafone UK and now runs his own consultancy utilising skills he developed in senior roles at a range of top tier companies including Capital One Bank Europe plc, American Express, Virgin Active and Applied Predictive Technologies. He has a strong commercial knowledge of business drivers that drive performance, growing both larger and smaller businesses alike.

Philip Otley is an expert in defining and creating strategic growth platforms and digital and data-powered business models. He has served as Partner/Senior Executive & Pricing Strategy Practice Leader for Accenture (ACN), as Senior Partner & Global Co-lead of the Marketing Strategy Practice for Prophet, and a Partner in the Digital Services practice of PwC Australia. Mr Otley has a proven track record of applying balanced strategic, commercial, and creative approaches to achieve organic and M&A driven growth.

Dr John Tarrant has extensive and deep professional networks from a career spanning over 40 years across the finance, legal, mining and energy sectors. Dr Tarrant has a Doctor of Philosophy and a Doctor of Juridical Science, both in law.

The trio joined CEO and Founder Paul Ostergaard on the Norwood board.

### 5.4. Outlook

Norwood heads into FY23 in the strongest operational position it has been in for a number of years. The Company is exposed to tangible growth opportunities on several fronts, including the strong potential to secure additional work via its global technology relationship with Infosys.

Norwood has successfully completed one contract under the relationship that subsequently demonstrated the Company's operational excellence and responsiveness to Infosys, as well as continuing to progress the other contract.

The Company is also continuing to evolve its World Voicemail service and application, which underpins Norwood's purchase order from Spark NZ and Norwood's underlying relationship with Spark NZ.

The highly promising Aida Intelligent Assistant service offers another tangible avenue of growth for Norwood, and the Company will expand its test releases of the service in the coming months.

Over FY23, Norwood will focus on consolidating its stronger revenue base and boosting cost efficiencies.

Norwood has enhanced its balance sheet strength to capitalise on the outlined opportunities, with a bolstered cash position at 30 June 2022 of \$497,000, compared to \$114,000 at 31 March 2022 and \$58,474 at 30 June 2021.

## Directors' report

### 5.5. Financial Review

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 year of \$1,083,468 (2021: \$870,660 loss) and a net cash out-flow from operating activities of \$1,091,663 (2021: \$402,946 out-flow). As at 30 June 2022, the Company had a working capital deficit of \$956,693 (2021: \$1,242,344 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:

- Director loans as at 30 June 2022 of \$480,000 are anticipated to be approved at the upcoming Annual General Meeting to be converted into shares of the Company;
- 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.

The Group's revenue for the year ended 30 June 2022 was recorded at \$1,229,100 as compared with the previous year ended 30 June 2021 which recorded \$1,050,831.

The net liabilities of the Group have decreased from 30 June 2021 by \$312,385 to \$(835,135) at 30 June 2022 (2021: \$(1,147,520) net liabilities).

As at 30 June 2022, the Group's cash and cash equivalents increased from 30 June 2021 by \$438,457 to \$496,931 at 30 June 2022 (2021: \$58,474). Refer to the Operations Review above for additional business segment performance.

### 5.6. Key Business Risks

The Group is subject to various risk factors. Some of these are specific to its business activities while others are of a more general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of the Group.

#### a. Impact of Coronavirus (COVID-19) Pandemic

Norwood continues to consider the implications of the COVID-19 pandemic on its business. Throughout 2022, NOR has continued to manage the risk that COVID-19 poses to the health and safety of its workforce across all jurisdictions that it operates in. COVID-19 also poses implications to other risks highlighted including financial; operational; supply-chain; and employee management, including attracting and retaining talent.

## Directors' report

### b. Strategic Risk

Norwood operates in a client-focused industry and is therefore exposed to the evolving preferences and requirements of its clients. The Company is focused on mitigating strategic risk by engaging with senior leaders at key clients and potential clients on a highly frequent basis. These engagements ensure that the Company's products and services remain relevant and attractive to the market.

### c. Financing Risk

The Company requires capital to progress its business strategy and capture future growth opportunities. Financing risk is being mitigated by recent recapitalisation efforts, which have strengthened Norwood's balance sheet significantly. The Company has entered the 2023 fiscal year with more cash on hand than at any point in FY22, and a more substantial revenue base than it has had in its history.

### d. Key Man Risk

Norwood operates in a highly-specialised industry and is subsequently reliant on the specialised expertise and experience of a relatively small number of individuals, particularly in leadership positions. The Company is mitigating the key man risk by strengthening its leadership team, such as the board refresh it conducted during FY22, and by actively having high-level plans in place in the event of incapacity of key leaders.

### e. Laws, regulations and geopolitical landscape

Norwood operates in a highly regulated industry in all markets in which goods are manufactured and sold. Changing geopolitical landscapes and regulations in each of these jurisdictions may impact many aspects of our operations, including tax assessment and dividend payments to the Group and all aspects of the supply chain (access to raw materials, production, manufacturing, pricing, marketing, advertising, labour, distribution, and product sales). Remaining compliant with, abreast of, and responsive to changes (some of which can significantly impact the nature of operations in these markets) requires diligent monitoring and responsiveness by the business.

### f. Cybersecurity and data management

Data and information security is essential to protect business critical intellectual property and data privacy. Continuing advances in technology, systems, and communication channels mean increasing amounts of private and confidential data are now stored electronically. This, together with increasing cybercrime, heightens the need for robust data security measures.

### g. Key partnerships

Norwood relies on select key markets and customers (distributors and retailers) to support sales and delivery of strategic initiatives. Suboptimal performance of these markets or key customers, and/or detrimental shifts in market power, could have a significant impact on Norwood's ability to deliver against strategic initiatives.

### h. People and culture

Norwood's ability to deliver on strategic targets is reliant on retaining and attracting experienced, skilled, and motivated talent. It also requires strong, resilient, and effective leaders as the business grows at pace.

### i. Safety, health and wellbeing

Norwood cares about the physical and psychological safety, health and wellbeing of our customers, team members and business partners, including employees of our suppliers. We are committed to creating a safe and supportive environment for everyone working with, using, and impacted by our products and brand. Throughout the COVID-19 pandemic and in the last 2 years in particular, Norwood has ensured that measures were in place to protect our team members and business partners as a matter of priority.

### j. Consumer and marketplace

Unanticipated changes in consumer preferences and demand, or competitive pressures that significantly alter the market landscape (for example COVID-19, online channel growth, acquisitions, aggressive price wars) can have adverse effects on the business's ability to capture growth opportunities or effectively manage inventory and supply.

### k. Significant business interruption

Norwood's current scope of operations could expose it to a range of business disruption risks, such as environmental catastrophes, pandemics (such as COVID-19), natural and manmade hazards and incidents, or politically motivated violence or actions. Significant business disruption could result in Norwood's sites or employees being harmed or threatened, loss of key infrastructure, impacts to supply chain, manufacturing and inventory shortages or loss, financial and reputation impacts.

## Directors' report

### I. Business transformation

The business continues to focus on transformation initiatives that support effective and efficient end-to-end processes. Delivery of these initiatives will be critical to Norwood's ability to optimise our existing asset base and drive efficiencies while sustaining growth.

### 5.7. 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 13 Events subsequent to reporting date on page 55.

### 5.8. 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.

### 5.9. Environmental Regulations

The Group's operations are not subject to any other significant environmental regulations in the jurisdictions it operates in, namely Australia, New Zealand and the United States.

## 6. Information relating to the directors

### ■ Mr Paul Ostergaard

☐ Managing Director  
Non-independent

#### Qualifications

☐ BE, MBA

#### Experience

☐ The Founder of Norwood Systems and the key driver of Norwood's strategic vision for delivering its portfolio of advanced telco service platform solutions. Responsible for the company's overall strategic direction, he founded Norwood Systems in 2011.

The Company's current vision is to create a new class of telco network platform vendor servicing the growing needs of Telcos worldwide for modernised mobile services that can engage and delight their subscribers.

Paul has a 30-year track record of success and innovation in the high-technology sector, having worked in senior executive roles in start-ups and large corporations across the North American, European and Asia-Pacific regions. Prior to Norwood Systems, Paul founded several companies in the wireless communications sector including the original Norwood Systems Limited, the award-winning technology pioneer in fixed mobile convergence platforms, founded in 1999. Previously, Paul headed the global platform marketing strategy for a US\$1 billion systems platform at 3Com Corporation, leading the platform's brand and core technology development across seven divisions and 37 product lines. During his tenure at 3Com, worldwide market share for this platform increased to an all-time peak of 35% with sales increasing at an average of 50% p.a. to reach US\$1.2 billion in annual revenues.

Paul holds a Bachelor of Electronic Engineering from the University of Western Australia and holds an MBA from INSEAD, Fontainebleau, France. Paul has been recognised with more than twenty honours and awards over his career, including several from UWA post-graduation. Paul holds 11 patents in telecommunications spanning US, EU and Australian jurisdictions and speaks a total of four languages.

He was previously a finalist in the Ernst & Young Entrepreneur of the Year competition (London region) and has been invited to speak at events such as Catalyst, ETR and the Bluetooth SIG conferences. In 2015, Paul was named to Engineers Australia's list of Top 100 Most Influential Engineers in Australia.

#### Interest in Shares and Options

☐ 36,505,682 Ordinary Shares  
3,333,333 Options

#### Directorships held in other listed entities during the three years prior to the current year

☐ None

## Directors' report

■ **Mr Philip Marsland**

## Qualifications

## Experience

## Interest in Shares and Options

## Directorships held in other listed entities during the three years prior to the current year

■ **Mr Philip Otley**

## Qualifications

## Experience

## Interest in Shares and Options

## Directorships held in other listed entities during the three years prior to the current year

■ **Dr John Tarrant**

## Qualifications

- ☐ Non-executive Director (*appointed 31 January 2022*)  
Independent
- ☐ BA (Hons), MA Oxon; MBA (INSEAD) with Distinction
- ☐ Mr Marsland has had a thirty five year career covering strategic advisory, marketing and general management. He now runs his own consultancy providing strategic and management consulting to business leaders using skills he developed in senior roles at a range of top tier companies including Capital One Bank Europe plc, American Express, Virgin Active and Applied Predictive Technologies.  
His more recent senior executive roles include Arrow Global Group plc (CEO UK), and Lloyds Bank (Consumer Finance Strategic Analytics Director).  
Mr Marsland has an MBA (with Distinction) from INSEAD, France and a BA (Hons), MA in Physics from Oxford University.  
Mr Marsland has strong commercial knowledge of business drivers that drive performance, growing both larger and smaller businesses alike
- ☐ 82,485 Ordinary Shares  
5,000,000 Options
- ☐ None
- ☐ Non-executive Director (*appointed 31 January 2022*)  
Independent
- ☐ BA, MBA
- ☐ Mr Otley is an expert in defining and creating strategic growth platforms and digital and data-powered business models. He has served as Partner/Senior Executive & Pricing Strategy Practice Leader for Accenture (ACN), as Senior Partner & Global Co-lead of the Marketing Strategy Practice for Prophet, and a Partner in the Digital Services practice of PwC Australia. Mr Otley has a proven track record of applying balanced strategic, commercial, and creative approaches to achieve organic and M&A driven growth.
- ☐ Nil Ordinary Shares  
5,000,000 Options
- ☐ None
- ☐ Non-executive Director (*appointed 31 January 2022*)  
Non-independent
- ☐ PhD, SJD, LL.M(Legal Practice), MDefStud, LL.M(CrimPros), LL.B(Hons), BSc(Grad), BCom, BA, GradDipEd, DipArts, DipFinMangt, GradDipTax, GradDipIL, GradDipAdvMilLaw, GradDipMilLaw, GradCertLawTchg, GCJ, GradCertConstrPrac, GCertOnline Learning (HED), PCert.Arbitration, CPA, CTA, F Fin, MAusIMM

## Directors' report

## Experience

- ☐ Dr Tarrant has had a forty-year career in diverse roles including in accounting and finance, the legal profession, the mining and oil and gas industries, including twenty-five years as an entrepreneur, and as legal academic.

John has served as a director of a wide range of companies in Australia, Canada and the United Kingdom including listed and unlisted companies. The various companies have been active in the mining and oil and gas industries, the higher education sector and in investment activities. He has served in several roles including Managing Director, Chairperson and Chair of audit and other committees.

Dr Tarrant has a Doctor of Philosophy and a Doctor of Juridical Science, both in law, masters degrees in law and defence studies, and bachelor degrees in arts, commerce, law and science.

Dr Tarrant is a member of CPA Australia, FINSIA, The Tax Institute, the Australasian Institute of Mining and Metallurgy and the New South Wales Bar Association. He is a barrister and Public Notary in New South Wales.

## Interest in Shares and Options

- ☐ 27,831,901 Ordinary Shares  
19,980,270 Options

## Directorships held in other listed entities during the three years prior to the current year

- ☐ None

## ■ Mr Michael Edwards

- ☐ Non-executive Director (*resigned 31 January 2022*)  
Non-independent

## Qualifications

- ☐ BBus, BSc

## Experience

- ☐ Mr Edwards is a Geologist and Economist with over 20 years' experience in Senior Management in both the private and public sector. He has a Bachelor of Business (Economics and Finance) from Curtin University of Technology and a Bachelor of Science (Geology) from the University of Western Australia. He spent three years with Barclays Australia in their Corporate Finance department and then 8 years as an Exploration and Mine Geologist with companies such as Gold Mines of Australia, Eagle Mining and International Mineral Resources. Since 2010 Mr Edwards has been consulting to numerous companies conducting project evaluations and deal structuring across a wide range of commodities and countries.

Mr Edwards is an Authorised Representative of Alto Capital, a Perth based Investment and Corporate Advisory firm and has been involved in the successful capital raising and ASX listings of many companies.

## Interest in Shares and Options

- ☐ 1,375,583 Ordinary Shares  
Nil Options

## Directorships held in other listed entities during the three years prior to the current year

- ☐ Non-Executive Chairman - Barra Resources Limited  
Non-Executive Chairman - Greenstone Resources Limited  
Non-Executive Director - De.Mem Limited  
Non-Executive Director - Auroch Minerals Limited

Former Non-Executive Chairman - Firefly Resources Ltd

## ■ Mr Giles Everist

- ☐ Non-executive Director (*resigned 31 January 2022*)  
Non-independent

## Qualifications

- ☐ Chart Acct (UK) BSc (Hons)

## Directors' report

### Experience

- Mr Everist joined the Board of Norwood Systems as a Non-Executive Director in November 2015. Mr Everist has extensive corporate and financing experience, having held executive financial roles at Coopers and Lybrand, Rio Tinto, Fluor Australia, Monadelphous and Macmahon. Mr Everist has previously chaired ASX listed companies and brought outstanding corporate governance credentials and superb finance capabilities to the Board of Norwood.
- Mr Everist is a current Director of ASX listed company Austal Limited, Mr Everist has previously sat on the boards of technology start-ups such as APE Mobile, which specialises in paperless apps for the construction industry, and Qodeo, which produces time and money saving tools, data & connectivity for the global venture community. Mr Everist is a Chartered Accountant and a member of the Institute of Chartered Accountants (England and Wales). He holds a Bachelor of Sciences (Honours) in Mechanical Engineering from the University of Edinburgh.

### Interest in Shares and Options

- 925,000 Ordinary Shares  
Nil Options

### Directorships held in other listed entities during the three years prior to the current year

- Non-Executive Director – Austal Limited

## 7. Meetings of directors and committees

During the financial year, there were eight circular resolutions and five meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year are stated in the following table.

	DIRECTORS' MEETINGS		REMUNERATION AND NOMINATION COMMITTEE		FINANCE AND OPERATIONS COMMITTEE		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Paul Ostergaard	5	5	<i>At the date of this report, the Audit, Nomination, and Finance and Operations Committees comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.</i>					
Philip Marsland	5	5						
Philip Otley	5	5						
Dr John Tarrant	5	5						
Michael Edwards	-	-						
Giles Everist	-	-						

## 8. Indemnifying officers or auditor

### 8.1. Indemnification

The Company has paid premiums to insure each of the current and former Directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The Company has not given any further indemnity or entered into any other agreements to indemnify or pay or agree to pay insurance premiums.

No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an auditor of the Company

### 8.2. Insurance premiums

The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.



## Directors' report

### 9. Options

#### 9.1. Unissued shares under option

At the date of this report, the unissued ordinary shares of the Company under option (listed and unlisted) are as follows:

Grant Date	Date of Expiry	Exercise Price \$	Number under Option	Vested & Exercisable
8 February 2022	8 February 2025	0.024	15,000,000	15,000,000
4 March 2022	3 March 2023	0.080	39,657,985	39,657,985
15 June 2022	31 December 2023	0.024	45,505,971	45,505,971
			100,163,956	100,163,956

No person entitled to exercise the option has any right by virtue of the option to participate in any share issue of any other body corporate.

#### 9.2. Shares issued on exercise of options

No ordinary shares have been issued by the Company during the financial year as a result of the exercise of options (2021: nil).

### 10. Non-audit services

During the year, Hall Chadwick WA Audit Pty Ltd (**Hall Chadwick**), the Company's auditor, provided no non-audit services (2021: BDO Audit (WA) Pty Ltd \$nil), in addition to their statutory audits. Non-audit fees amounted to \$nil (2021: BDO Audit (WA) Pty Ltd \$nil). Details of remuneration paid to the auditor can be found within the financial statements at Note 17 Auditor's Remuneration on page 57.

In the event that non-audit services are provided by Hall Chadwick, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth). These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

### 11. Proceedings on behalf of company

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

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

### 12. Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Norwood Systems Ltd support and have substantially adhered to the best practice recommendations set by the ASX Corporate Governance Council. For a detailed analysis of the Company's Corporate Governance Policies, visit the corporate governance section of our website at [www.norwoodsystems.com](http://www.norwoodsystems.com).

### 13. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2022 has been received and can be found on page 21 of the annual report.



## DIRECTORS' REPORT

## 14. Remuneration report (audited)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Company for the year ended 30 June 2022. The information in this remuneration report has been audited as required by s308(3C) of the *Corporations Act 2001* (Cth).

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

► Key management personnel (KMP)

This remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether Executive or otherwise) of the parent company, and includes those Executives in the Parent and the Group receiving the highest remuneration. KMP comprise the directors of the Company and key executive personnel:

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

## 14.1. Remuneration Policies

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

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

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

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

## a. Fixed Remuneration

Fixed remuneration consists of base remuneration, as well as employer contributions to superannuation funds. Remuneration levels are, if necessary reviewed annually by the Board through a process that considers individual and overall performance of the entity. If required, external consultants provide analysis and advice to ensure the Directors' and senior executives' remuneration is competitive in the market place.

## DIRECTORS' REPORT

## 14. Remuneration report (audited)

## b. Performance-Linked Remuneration

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

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

The Directors assess the performance of the Group with regard to the price of the Company's ordinary shares listed on the ASX and the market capitalisation of the Company with Group financial performance. As the Company matures, greater emphasis will be placed on performance-linked remuneration.

The Company currently has incentives incorporated into executive service agreements based on the execution of material revenue generating contracts which should have direct correlation to company performance.

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

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

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

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

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

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

	2022	2021	2020	2019	2018
	\$	\$	\$	\$	\$
Loss after income tax	(1,083,468)	(870,660)	(1,891,225)	(3,032,364)	(4,044,223)

The factors that are considered to affect total shareholders return (TSR) are summarised below:

	2022	2021	2020	2019	2018
Share price at financial year end (\$)	0.012	0.015	0.021	0.05	0.07
Total dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (\$)	(0.38)	(0.34)	(0.85)	(2.05)	(3.40)

## c. Service Agreements

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

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

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

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

**DIRECTORS' REPORT****14. Remuneration report (audited)****(1) Mr Paul Ostergaard – Managing Director**

- Term of Agreement – ongoing subject to annual review.
- Remuneration – \$236,000 per annum plus superannuation at statutory rates from 17 March 2019.
- Termination Provisions – 6 months' written notice or payment of 6 months' base salary.

Mr Ostergaard's remuneration was effective from 17 March 2019.

**(2) Mr Stevan Tot – General Manager Enterprise & Vice President Sales**

- Term of Agreement – ongoing subject to annual review.
- Remuneration – \$126,000 per annum plus superannuation at statutory rates from 1 April 2021. In line with the variation dated 1 April 2021, a further \$76,500 (equivalent to 17 months at \$4,500 per month) are anticipated to be converted to shares.
- Car Allowance – \$15,000 up to 29 February 2020.
- Bonuses – Mr Tot is entitled to the following bonus payments:
- An amount of \$120,000 bonus per annum payable for meeting agreed targets. The bonus is paid by meeting a mix of individual performance targets (70%) and Company performance targets (30%) which is calculated and paid quarterly. Individual performance targets include revenue generated by corporate accounts, number of corporate end user licenses and closing of major accounts (>\$200k annualised revenue). Company performance targets include company revenue growth, profitability and reduction in cash burn and total number of end users. Bonus accelerators are applicable where the bonus is multiplied by 1.5 for performance >100% and <125% and 2.5 for performance >125% with no upper cap.

**(3) Senior executive and executive director remuneration**

Senior Executives, including Executive Directors, are engaged under the terms of individual employment contracts. Such contracts are based upon standard terms drafted by the Company's lawyers. Executive Directors do not receive any directors' fees in addition to their remuneration arrangements. Base salary/consulting fees are set to reflect the market salary for a position and individual of comparable responsibility and experience. Base salary/consulting fees are regularly compared with the external market and during recruitment activities generally. It is the policy of the Company to maintain a competitive salary structure to ensure continued availability of experienced and effective management and staff.

**d. Non-Executive Director Remuneration**

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

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

- Term of Agreement – ongoing subject to annual review.
- There is no notice period stipulated to terminate the contract by either party.

Total remuneration for all Non-Executive Directors, last voted upon by shareholders, is not to exceed \$310,000 per annum and fees are set based on fees paid to other Non-Executive Directors of comparable companies.

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

**e. Voting and comments made at the Company's 2021 Annual General Meeting (AGM)**

At the Annual General Meeting held on 31 January 2022, the remuneration report for the 2021 financial year was approved. The Group did not employ a remuneration consultant during the year.

## DIRECTORS' REPORT

## 14. Remuneration report (audited)

## 14.2. Directors and KMP remuneration

Details of the remuneration of the Directors and KMP of the Group (as defined in AASB 124 *Related Party Disclosures*) are set out in the following table.

2022 – Group										
Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity / Perf. Rights	Options	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Mr Paul Ostergaard	235,998	-	-	-	23,600	-	-	-	-	259,598
Mr Philip Marsland <sup>(1)</sup>	-	-	-	-	-	-	-	-	28,603	28,603
Mr Philip Otley <sup>(1)</sup>	-	-	-	-	-	-	-	-	28,603	28,603
Dr John Tarrant <sup>(1)</sup>	-	-	-	-	-	-	-	-	28,603	28,603
Mr Michael Edwards <sup>(2)</sup>	26,250	-	-	-	-	-	-	-	-	26,250
Mr Giles Everist <sup>(2)</sup>	23,975	-	-	-	-	-	-	-	-	23,975
Mr Stevan Tot	126,000	-	-	1,349	12,600	-	-	-	-	139,949
	412,223	-	-	1,349	36,200	-	-	-	85,809	535,581

<sup>(1)</sup> Appointed as Non-executive Director on 31 January 2022.

<sup>(2)</sup> Resigned as Non-executive Director on 31 January 2022.

2021 – Group										
Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity	Options	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Mr Paul Ostergaard	253,879	-	-	(5,678)	24,118	-	-	-	-	272,319
Mr Michael Edwards	45,000	-	-	-	-	-	-	-	2,499	47,499
Mr Giles Everist	41,096	-	-	-	3,904	-	-	-	2,499	47,499
Mr Stevan Tot	180,000	-	-	(2,219)	15,818	-	-	-	-	193,599
	519,975	-	-	(7,897)	43,840	-	-	-	4,998	560,916

## 14.3. Share-based compensation

The Group believes that encouraging its directors and executives to become shareholders is the best way of aligning their interests with those of its shareholders. At present the Group does not have an employee share option plan.

15,000,000 options were issued as share based compensation during the year (2021: nil).

There were no equity instruments issued during the year to Directors as a result of options exercised that had previously been granted as compensation.

## Directors' report

## 14. Remuneration report (audited)

## 14.4. KMP equity holdings

## a. Fully paid ordinary shares of Norwood Systems Limited held by each KMP

The number of ordinary shares of Norwood Systems Limited held, directly, indirectly or beneficially, by each KMP, including their personally-related entities for the year ended 30 June 2022 is as follows

2022 – Group					
Group KMP	Balance at start of year/ appointment No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year/at date of resignation No.
Mr Paul Ostergaard	20,172,349	-	-	16,333,333	36,505,682
Mr Philip Marsland <sup>1</sup>	82,485	-	-	-	82,485
Mr Philip Otley <sup>1</sup>	-	-	-	-	-
Dr John Tarrant <sup>1</sup>	12,000,000	-	-	15,831,901	27,831,901
Mr Stevan Tot	11,819	-	-	-	11,819
Mr Michael Edwards <sup>2</sup>	975,583	-	400,000	-	1,375,583
Mr Giles Everist <sup>2</sup>	525,000	-	400,000	-	925,000
	33,767,236	-	800,000	32,165,234	66,732,470

<sup>(1)</sup> Appointed as Non-executive Director on 31 January 2022.

<sup>(2)</sup> Resigned as Non-executive Director on 31 January 2022.

## b. Options in Norwood Systems Limited held by each KMP

The number of options over ordinary shares in Norwood Systems Limited held, directly, indirectly or beneficially, by each KMP, including their personally-related entities for the year ended 30 June 2022 is as follows:

2022 – Group							
Group KMP	Balance at start of year/ appointment No.	Granted as Remuneration during the year No.	Exercised during the year No.	Other changes during the year No.	Balance at end of year/ at date of resignation No.	Vested and Exercisable No.	Not Vested No.
Mr Paul Ostergaard	-	-	-	3,333,333	3,333,333	-	3,333,333
Mr Philip Marsland <sup>1</sup>	-	5,000,000	-	-	5,000,000	-	5,000,000
Mr Philip Otley <sup>1</sup>	-	5,000,000	-	-	5,000,000	-	5,000,000
Dr John Tarrant <sup>1</sup>	-	5,000,000	-	14,980,270	19,980,270	-	19,980,270
Mr Stevan Tot	351,820	-	-	-	351,820	-	351,820
Mr Michael Edwards <sup>2</sup>	900,000	-	-	(900,000)	-	-	-
Mr Giles Everist <sup>2</sup>	900,000	-	-	(900,000)	-	-	-
	2,151,820	15,000,000	-	16,513,603	33,665,423	-	33,665,423

<sup>(1)</sup> Appointed as Non-executive Director on 31 January 2022.

<sup>(2)</sup> Resigned as Non-executive Director on 31 January 2022.

## Directors' report

## 14. Remuneration report (audited)

## 14.5. Options issued as part of remuneration

During the year, 15,000,000 options were granted to KMP of the Company as remuneration (2021: Nil).

2022 KMP	Number Options Granted During the Year	Grant Date	Fair Value per Option	Exercise Price per Option	Expiry Date	Number Options Vested During the 2022 Year	Number Options Vested During the 2021 Year
Mr Philip Marsland	5,000,000	08.02.2022	\$0.0057	\$0.024	08.02.2025	5,000,000	-
Mr Philip Otley	5,000,000	08.02.2022	\$0.0057	\$0.024	08.02.2025	5,000,000	-
Dr John Tarrant	5,000,000	08.02.2022	\$0.0057	\$0.024	08.02.2025	5,000,000	-

## 14.6. Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

## 14.7. KMP Loans

Loans with KMP or their related parties.

Mr Paul Ostergaard – Managing Director

	30 June 2022 \$	30 June 2021 \$
Convertible notes <sup>1</sup>	-	(200,000)
Loan <sup>2</sup>	(45,000)	

<sup>1</sup> On 17 May 2021 (as varied on 11 August 2021 and 2 December 2021), the Company entered into an unsecured convertible note facility (Convertible Note Facility) with Paul Ostergaard for the issue of 8,333,333 convertible notes (Notes) to the value of \$200,000, the conversion of the Notes into Shares being subject to the receipt of shareholder approval.

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

As at 10 February 2022, 12,500,000 ordinary shares were issued in connection with the full conversion of 12,500,000 convertible debt securities @ \$0.024 per share.

<sup>2</sup> On 25 February 2022, Paul Ostergaard provided a loan of \$45,000, repayable within 12 months, is unsecured and non-interest bearing.

Ocean Broadband Ltd - Mr Paul Ostergaard – Managing Director

Ocean Broadband Ltd, a company of which Mr Paul Ostergaard is a Director and Shareholder, shared office space and employees with Norwood Systems (Aust) Pty Ltd until approximately 30 June 2015. A loan balance has arisen between Norwood Systems (Aust) Pty Ltd and Ocean Broadband Ltd as a result of these shared transactions and cash transfers. There is no formal loan agreement in place between the Company and Mr Paul Ostergaard or his related entities. Movements in the loan account during the year are as follows:

	30 June 2022 \$	30 June 2021 \$
Opening balance payable by the Group	40,469	40,469
Provision for loan receivable	(40,469)	(40,469)
	-	-

**Directors' report****14. Remuneration report (audited)****14.7 KMP Loans (cont.)**

Ostergaard Family Trust - Mr Paul Ostergaard – Managing Director

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

	30 June 2022 \$	30 June 2021 \$
Opening balance payable by the Group	33,101	33,101
Provision for loan receivable	(33,101)	(33,101)
	-	-

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

	30 June 2022 \$	30 June 2021 \$
Opening balance payable by the Group	36,501	36,501
Provision for loan receivable	(36,501)	(36,501)
	-	-

Dr John Tarrant – Non-executive Director

	30 June 2022 \$	30 June 2021 \$
Convertible notes <sup>3</sup>	(480,000)	-

<sup>3</sup> On 28 March 2022 (as varied on 23 June 2022), the Company entered into an unsecured convertible note facility (Convertible Note Facility) with Balmain Resources Pty Ltd, a Company controlled by Non-executive Director Dr John Tarrant, for the issue of 480,000 convertible notes (Notes) to the value of \$480,000, the Notes are automatically deemed to convert into Shares on receipt of shareholder approval or otherwise redeemed by 31 October 2022. The upcoming General Meeting will be on 26 October 2022.

**14.8. Other transactions with KMP and or their Related Parties**

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

**Avicena Systems Pty Ltd**

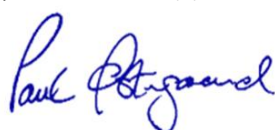
Avicena Systems Pty Ltd, a Company where Mr Paul Ostergaard was a director provides software development services. Mr Paul Ostergaard resigned as a director of Avicena Systems Pty Ltd on 29 July 2021.

There have been no other transactions in addition to those described in the tables or as detailed in Note 16 Related party transactions.

	30 June 2022 \$	30 June 2021 \$
	104,000	-

**END OF REMUNERATION REPORT**

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).



**Mr Paul Ostergaard**

Managing Director

Dated this Wednesday, 28 September 2022

HALL CHADWICK 

To the Board of Directors,

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

As lead audit Director for the audit of the financial statements of Norwood Systems Limited for the financial year ended 30 June 2022, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Yours Faithfully

*Hall Chadwick*  
HALL CHADWICK WA AUDIT PTY LTD

*Mark Delaurentis*  
MARK DELAURENTIS CA  
Director

Dated this 28<sup>th</sup> day of September 2022  
Perth, Western Australia



**Consolidated statement of profit or loss and other comprehensive income**

for the year ended 30 June 2022

	Note	2022 \$	2021 \$
<i>Continuing operations</i>			
Revenue	1.1	1,229,100	1,050,831
Other income	1.2	468,757	1,050,741
Sales and marketing		(37,035)	(109,736)
Patent, research and development		(118,272)	(163,082)
Information technology infrastructure cost		(277,040)	(232,497)
Employee and director benefits expense	2.1	(1,545,363)	(1,666,830)
ASX & share registry fees		(74,299)	(78,166)
Share based payment expense		(85,808)	(7,496)
Consultancy and subcontractor fees		(68,089)	(112,289)
Finance costs		(35,014)	(35,530)
Accountancy, audit and legal fees		(214,925)	(342,060)
Other expenses		(85,682)	(52,005)
Travel and entertainment		(435)	(2,752)
Administration expenses		(92,682)	(85,720)
Depreciation		(146,681)	(84,069)
Loss before tax		(1,083,468)	(870,660)
Income tax expense	4.1	-	-
<b>Net loss for the year</b>		<b>(1,083,468)</b>	<b>(870,660)</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income attributable to members of the parent entity</b>		<b>(1,083,468)</b>	<b>(870,660)</b>
<i>Earnings per share:</i>		¢	¢
Basic loss per share (cents per share)	18.4	(0.38)	(0.34)
Diluted loss per share (cents per share)	18.4	N/A	N/A

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

**Consolidated statement of financial position**

as at 30 June 2022

	Note	2022 \$	2021 \$
<i>Current assets</i>			
Cash and cash equivalents	5.1	496,931	58,474
Trade and other receivables	5.2	273,032	122,475
<b>Total current assets</b>		<b>769,963</b>	<b>180,949</b>
<i>Non-current assets</i>			
Plant and equipment		32,798	106,261
Right of use assets	6.1	115,040	40,634
<b>Total non-current assets</b>		<b>147,838</b>	<b>146,895</b>
<b>Total assets</b>		<b>917,801</b>	<b>327,844</b>
<i>Current liabilities</i>			
Trade and other payables	5.3	491,623	691,108
Lease liabilities	6.1	117,247	43,940
Borrowings	5.4	848,642	491,462
Provisions	6.2	269,144	196,783
<b>Total current liabilities</b>		<b>1,726,656</b>	<b>1,423,293</b>
<i>Non-current liabilities</i>			
Provisions	6.2	26,280	52,071
<b>Total non-current liabilities</b>		<b>26,280</b>	<b>52,071</b>
<b>Total liabilities</b>		<b>1,752,936</b>	<b>1,475,364</b>
<b>Net liabilities</b>		<b>(835,135)</b>	<b>(1,147,520)</b>
<i>Equity</i>			
Issued capital	7.1	32,179,354	30,958,991
Reserves	7.3	9,339,571	9,164,081
Accumulated losses		(42,354,060)	(41,270,592)
<b>Total equity</b>		<b>(835,135)</b>	<b>(1,147,520)</b>

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

**Consolidated statement of changes in equity**

for the year ended 30 June 2022

	Note	Issued Capital	Options Reserve	Accumulated Losses	Total equity
		\$	\$	\$	\$
<i>Balance at 1 July 2020</i>		30,644,878	9,021,872	(40,399,932)	(733,182)
Loss for the year attributable to owners of the parent		-	-	(870,660)	(870,660)
Other comprehensive income for the year attributable to owners of the parent		-	-	-	-
Total comprehensive income for the year attributable to owners of the parent		-	-	(870,660)	(870,660)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the year (net of costs)	7.1	221,113	-	-	221,113
Share based payment		9,000	7,496	-	16,496
Shares to be issued		84,000	-	-	84,000
Issue of listed options		-	134,713	-	134,713
Balance at 30 June 2021		30,958,991	9,164,081	(41,270,592)	(1,147,520)
<i>Balance at 1 July 2021</i>		30,958,991	9,164,081	(41,270,592)	(1,147,520)
Loss for the year attributable to owners of the parent		-	-	(1,083,468)	(1,083,468)
Other comprehensive income for the year attributable to owners of the parent		-	-	-	-
Total comprehensive income for the year attributable to owners of the parent		-	-	(1,083,468)	(1,083,468)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the year (net of costs)	7.1	1,220,363	10,366	-	1,230,729
Options granted during the year	7.2	-	165,124	-	165,124
Balance at 30 June 2022		32,179,354	9,339,571	(42,354,060)	(835,135)

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

**Consolidated statement of cash flows**

for the year ended 30 June 2022

	Note	2022 \$	2021 \$
<i>Cash flows from operating activities</i>			
Receipts from customers		1,066,973	1,168,327
Government grants received		390,333	1,050,731
Payments to suppliers and employees		(2,549,292)	(2,621,293)
Interest received		323	10
Finance costs		-	(721)
<b>Net cash used in operating activities</b>	5.1.2.a	(1,091,663)	(402,946)
<i>Cash flows from investing activities</i>			
Purchase of plant and equipment		(3,032)	(939)
<b>Net cash used in investing activities</b>		(3,032)	( 939)
<i>Cash flows from financing activities</i>			
Proceeds from issue of shares	7.1	1,039,906	355,827
Payments for capital raising costs		(57,635)	-
Proceeds of borrowings		358,631	376,266
Repayment of borrowings		(316,464)	(546,553)
Payments for the principal portion of lease liabilities		(71,286)	(75,911)
Proceeds from convertible notes		580,000	200,000
<b>Net cash provided by financing activities</b>		1,533,152	309,629
<b>Net increase / (decrease) in cash and cash equivalents held</b>		438,457	(94,256)
Cash and cash equivalents at the beginning of the year		58,474	152,730
<b>Cash and cash equivalents at the end of the year</b>	5.1	496,931	58,474

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

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

In preparing the 2022 financial statements, Norwood Systems Limited has grouped notes into sections under five key categories:

■ Section A: How the numbers are calculated .....	27
■ Section B: Risk .....	48
■ Section C: Group structure .....	53
■ Section D: Unrecognised items .....	55
■ Section E: Other Information .....	56

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 presentation of the notes to the financial statements is supported by the IASB's Disclosure Initiative. As part of this project, the AASB made amendments to AASB 101 Presentation of Financial Statements which have provided preparers with more flexibility in presenting the information in their financial reports.

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

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**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 entity, including:

- (a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.
- (b) analysis and sub-totals.
- (c) information about estimates and judgements made in relation to particular items.

Note	1. Revenue and other income	2022 \$	2021 \$
<b>1.1 Revenue</b>			
	World Apps revenue	32,435	48,419
	Corona Revenue	225,769	48,314
	World Voicemail	866,896	640,149
	Other revenue	104,000	-
	Software development	-	313,949
		1,229,100	1,050,831
<b>1.2 Other Income</b>			
	Interest income	323	10
	Government grant income	468,434	1,050,731
		468,757	1,050,741

**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.

Timing of revenue recognition – 30 June 2022	World Apps revenue	World Voicemail	Corona Revenue	Other revenue
At a point in time	-	-	-	104,000
Over time	32,435	866,896	225,769	-
<b>Total</b>	32,435	866,896	225,769	104,000

Geographical Regions – 30 June 2022	World Apps revenue	World Voicemail	Corona Revenue	Other revenue
New Zealand	108	697,721	-	-
Australia	464	-	225,769	-
Rest of the World	31,863	169,176	-	104,000
<b>Total</b>	32,435	866,897	225,769	104,000

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 1 Revenue and other income (cont.)****1.3 Disaggregation of revenue from contracts with customers (cont.)**

Timing of revenue recognition – 30 June 2021	World Apps revenue	World Voicemail	Corona Revenue	Other revenue
At a point in time	-	-	-	-
Over time	362,368	640,149	48,314	-
<b>Total</b>	<b>362,368</b>	<b>640,149</b>	<b>48,314</b>	<b>-</b>

Geographical Regions – 30 June 2021	World Apps revenue	World Voicemail	Corona Revenue	Other revenue
New Zealand	131	498,556	-	-
Australia	334,791	-	48,314	-
Rest of the World	27,446	141,593	-	-
<b>Total</b>	<b>362,368</b>	<b>640,149</b>	<b>48,314</b>	<b>-</b>

**1.4 Accounting policy****1.4.1 Revenue from contracts with customers**

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:

Step 1: Identify the contract with a customer;

Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations; and

Step 5: Recognise the revenue as the performance obligations are satisfied.

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer distinct goods or services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with a customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 1 Revenue and other income (cont.)**

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- i. the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- ii. the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- iii. the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

**1.4.2 Revenue from sale of goods and development fees and licensing fees**

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when the customer obtains control of that asset. Revenue is recognised when the goods are shipped to the customer.

**1.4.3 Revenue from rendering of services**

Revenue from monitoring services (subscriptions) is recognised over time, as the customer simultaneously receives and consumes the services performed by the Group (i.e. monitoring of an alarm system by Norwood Systems).

**1.4.4 Interest income**

Interest revenue is recognised in accordance with Note 3.1 Finance income and expenses.

**Note 2. Loss before income tax**2022  
\$2021  
\$

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

**2.1. Employment costs**

■ Directors' Fees	286,223	300,152
■ Employee wages	1,130,280	1,227,928
■ Superannuation	128,860	138,750
	<b>1,545,363</b>	<b>1,666,830</b>



**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 2 Loss before income tax (cont.)****2.1.1. Accounting policy****a. Short-term benefits**

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

**b. Other long-term benefits**

The Group's obligation in respect of long-term employee benefits other than defined benefit plans, such as long service leave, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

**c. Retirement benefit obligations: Defined contribution superannuation funds**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

**d. Termination benefits**

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

**e. Equity-settled compensation**

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, considering the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

**Note 3. Other Significant Accounting Policies related to items of profit and loss****3.1. Finance income and expenses**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest revenue is recognised on a time proportionate basis that considers the effective yield on the financial asset.

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare 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. All other borrowing costs are recognised in income in the period in which they are incurred.

Foreign currency gains and losses are reported on a net basis.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

Note	4. Income tax	2022 \$	2021 \$
4.1.	<b>Income tax expense</b>		
	Current tax	-	-
	Deferred tax	-	-
		-	-
	Deferred income tax expense included in income tax expense comprises:		
	■ Increase / (decrease) in deferred tax assets	4.6 -	-
	■ (Increase) / decrease in deferred tax liabilities	-	-
		-	-
4.2.	<b>Reconciliation of income tax expense to prima facie tax payable</b>		
	The prima facie tax payable/(benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
	Accounting loss before tax	(1,083,468)	(870,660)
	Prima facie tax on operating loss at 25% (2021: 26%)	(270,867)	(226,372)
	Add / (Less) tax effect of:		
	<input type="checkbox"/> Research and development expenditure	302,707	279,990
	<input type="checkbox"/> Entertainment	79	190
	<input type="checkbox"/> Penalties and fines	172	208
	<input type="checkbox"/> Non-assessable items	(117,109)	(22,750)
	<input type="checkbox"/> Research and development grant income	-	(170,568)
	<input type="checkbox"/> Share based payments	21,452	1,949
	<input type="checkbox"/> Non-deductible legal fees	-	2,476
	<input type="checkbox"/> Offset against DTL/Not recognised	63,566	134,877
	Income tax expense/(benefit) attributable to operating loss	-	-
	Less rebates:		
	<input type="checkbox"/> Tax rebate for Research and Development	-	-
	Income tax expense / (benefit)	-	-
		%	%
4.3.	The applicable weighted average effective tax rates attributable to operating profit are as follows:	-	-
	a. The tax rates used in the above reconciliations is the corporate tax rate of 25% (2021: 26%) payable by the Australian corporate entity on taxable profits under Australian tax law.		

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

Note	4	Income tax (cont.)	2022 \$	2021 \$
4.4.		Balance of franking account at year end of the parent	nil	nil
4.5.		<b>Current tax liabilities</b>		
		Income tax payable	-	-
4.6.		<b>Deferred tax assets</b>		
		Provision for loan receivable	27,518	39,248
		Plant and equipment	34,676	46,964
		Plant and equipment under lease	-	11,289
		Accruals	17,598	33,957
		Provisions – Annual and Long Service Leave	73,856	64,702
		Capital Raising Costs	6,967	13,555
		Business Related Costs	20,281	33,463
		Tax and capital losses	7,622,281	7,816,407
		DTA/DTL not recognised	(7,803,210)	(8,059,585)
			( 33)	-
		Set-off deferred tax liabilities	33	-
		Net deferred tax assets	-	-
4.7.		<b>Tax losses and deductible temporary differences</b>		
		Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:		
		■ Operating tax losses	7,622,281	7,816,407
		■ Capital losses	529,278	550,449
		■ Temporary differences	180,646	232,522
			8,332,205	8,599,378

4.8. Potential deferred tax assets attributable to tax losses have not been brought to account at 30 June 2022 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- the company continues to comply with conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates consider both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions.

The parent company has accumulated tax losses of \$7,622,281 (2021: \$7,816,407) which are expected to be available indefinitely for offset against future taxable profits of the parent company in which the losses arose. The recoupment of these losses is subject to assessment by the Australian Taxation Office.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 4 Income tax (cont.)****4.9. Accounting policy**

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date, in each jurisdiction.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Norwood Systems Limited recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated group.

Where the Group receives the Australian Government's Research and Development Tax Incentive, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 5. Financial assets and financial liabilities****5.1. Cash and cash equivalents**

Cash at bank

2022	2021
\$	\$
496,931	58,474
496,931	58,474

**5.1.1.** The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 8 Financial risk management.

**5.1.2. Cash Flow Information****a. Reconciliation of cash flow from operations to loss after income tax**

Loss after income tax

Cash flows excluded from loss attributable to operating activities

*Non-cash flows in loss from ordinary activities:*

■ Depreciation and amortisation

■ Net share-based payments expensed

■ Shares issued as consideration for services provided

■ Rent and finance costs relate to leases

*Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:*

■ (Increase)/decrease in receivables

■ (Decrease)/increase in trade and other payables

■ Increase/(decrease) in provisions

Cash flow (used in) from operations

2022	2021
\$	\$
(1,083,468)	(870,660)
146,681	84,069
85,809	7,496
27,774	93,000
-	5,974
(150,556)	49,104
(164,472)	249,530
46,569	(21,459)
(1,091,663)	(402,946)

**b. Credit and loan standby arrangement with banks**

The Group has no credit standby facilities.

**c. Non-cash investing and financing activities****2022**

During the year, and as detailed in in Note 7.1:

- 12,500,000 ordinary shares issued in connection with the conversion of convertible debt securities @ \$0.024 per share.

**2021**

None.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 5 Financial assets and financial liabilities (cont.)****5.1 Cash and cash equivalents (cont.)****5.1.3. Reconciliation of liabilities arising from financing activities**

	Note	2020 \$	Cash flows \$	Non-cash changes			2021 \$
				Acquisitions \$	Foreign Exchange \$	Other Changes \$	
Directors loan Payable	5.4	-	200,000	-	-	-	200,000
R&D Loan Facility Payable	5.4	-	278,828	-	-	12,634	291,462
Total liabilities from financing activities		-	478,828	-	-	12,634	491,462

	Note	2021 \$	Cash flows \$	Non-cash changes			2022 \$
				Acquisitions \$	Foreign Exchange \$	Other Changes \$	
Directors loan Payable	5.4	200,000	625,000	-	-	(300,000)	525,000
R&D Loan Facility Payable	5.4	291,462	17,169	-	-	15,011	323,642
Total liabilities from financing activities		491,462	642,169	-	-	(284,989)	848,642

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 5 Financial assets and financial liabilities (cont.)**

5.2. Trade and other receivables		Note	2022 \$	2021 \$
<b>5.2.1. Current</b>				
Trade Receivables			271,508	163,625
Provision for doubtful debt			-	(40,000)
Other Receivables			111,596	109,454
Provision of loan receivable		5.2.3	(110,072)	(110,954)
Prepaid Expenses			-	350
			273,032	122,475

**5.2.2.** The Group's exposure to credit rate risk is disclosed in Note 8 Financial risk management.

**5.2.3.** Provision of loan receivable from Paul Ostergaard and related entities were provided for during the prior year.

**5.2.4.** The average credit period on sales of goods and rendering of services ranges from 30 to 60 days. Interest is not charged. No allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction.

**5.2.5. Accounting policy**

Trade receivables are generally due for settlement within periods ranging from 30 to 60 days. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance. (see also Note 5.5.1).

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 5 Financial assets and financial liabilities (cont.)****5.3. Trade and other payables****5.3.1. Current***Unsecured*

Trade payables

Accruals and other payables

Contract liabilities

	2022 \$	2021 \$
Trade payables	156,433	266,361
Accruals and other payables	258,143	336,128
Contract liabilities	77,047	88,619
	491,623	691,108

**5.3.2.** Trade payables are non-interest bearing and are normally settled on 30-day terms. Other payables are non-trade payables, are non-interest bearing and have an average term of 1 month.

**5.3.3. Accounting policy****a. Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.



**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 5 Financial assets and financial liabilities (cont.)**

5.4. Borrowings	Note	2022 \$	2021 \$
<b>Current</b>			
R&D Loan Facility Payable	5.4.1	308,631	278,828
Accrued Interest	5.4.1	15,011	12,634
Director loan Payable – Paul Ostergaard	5.4.2	45,000	200,000
Director loan Payable – Dr John Tarrant	5.4.3	480,000	-
		848,642	491,462

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

**Key Facility Terms:**

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

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

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

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

**Key Terms and Conditions:**

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

As at 10 February 2022, 12,500,000 ordinary shares were issued in connection with the full conversion of 12,500,000 convertible debt securities @ \$0.024 per share.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 5 Financial assets and financial liabilities (cont.)****5.4 Borrowings (cont.)**

**5.4.3.** On 28 March 2022, the Company entered a binding term sheet and issued 280,000 convertible notes with a face value of \$1 per note to Balmain Resources Pty Ltd a Company controlled by Non-executive Director Dr John Tarrant, raised \$280,000. Further on 23 June 2022, the Company entered into a deed of variation to convertible note binding term sheet for an additional 200,000 convertible notes with face value of \$1 each to Balmain Resources Pty Ltd, to raise an additional \$200,000.

**Key Terms and Conditions:**

- Each note has a face value of \$1;
- The convertible notes are automatically deemed to convert into Shares and Options on receipt of Shareholder Approval or otherwise redeemed by 31 October 2022;
- Principal amount of \$480,000;
- Maturity date: 31 October 2022;
- Each note will be convertible into Shares at a conversion price of \$0.015 plus a free attaching Options per Share issue on conversion, exercisable at \$0.024 per option expiring 31 December 2023;
- Interest: nil

**5.4.4. Accounting policy****a. Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 5 Financial assets and financial liabilities (cont.)****5.5. Other Significant Accounting Policies related to Financial Assets and Liabilities****5.5.1. Investments and other financial assets****a. Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (**OCI**) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (**FVOCI**).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

**b. Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

**c. Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (**FVPL**), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**i. Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 5 Financial assets and financial liabilities (cont.)****5.5. Other Significant Accounting Policies related to Financial Assets and Liabilities****ii. Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**d. Impairment**

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 6. Non-financial assets and financial liabilities**

6.1. Leases	Note	2022 \$	2021 \$
<b>6.1.1. Right of use assets</b>			
Right of use asset - Buildings		322,580	177,987
Accumulated amortisation		(207,540)	(137,353)
		115,040	40,634
<b>6.1.2. Lease liabilities</b>			
Current		117,247	43,940
Non-current		-	-
		117,247	43,940
<b>6.1.3.</b>	Additions to the right-of-use assets during the 2022 financial year were \$144,593 (2021: \$nil).		
<b>6.1.4. Amounts recognised in the consolidated statement of profit or loss and other comprehensive income</b>		2022 \$	2021 \$
Depreciation charge of right-of-use assets		70,186	68,677
Interest expense (included in finance cost)		3,831	5,975
		74,017	74,652

The total cash outflow for leases in 2022 was \$71,286 (2021: \$75,911).

**6.1.5. Accounting policy****a. Recognition and measurement**

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

**i. Right of Use Asset**

The Group recognises a right of use asset at the commencement date of the lease. The right of use asset is initially measured at cost. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove or restore the leased asset, less any lease incentives received.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 6 Non-financial assets and financial liabilities(cont.)****6.1 Leases (cont.)***i Right of Use Asset (cont.)*

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities. The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

*ii. Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payment to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the assessment of lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payments occurs. The present value of lease payments is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The amount of lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**b. Extension and termination options**

An extension options is included in a property of the Group. This is used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension option held is exercisable only by the group and not by the respective lessor.

**6.1.6. Critical judgements in determining the lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 6 Non-financial assets and financial liabilities(cont.)****6.2. Provisions****6.2.1. Current**

Employee entitlements

**6.2.2. Non-current**

Employee entitlements

**6.2.3. Movements in Carrying Amounts***Carrying amount at 1 July 2021*

Additions

Disposals

Amounts used during the year

*Carrying amount at 30 June 2022***6.2.4. Description of provisions**

- a. *Provision for employee benefits* represents amounts accrued for annual leave (**AL**) and long service leave (**LSL**). The current portion for this provision includes the total amount accrued for AL entitlements and the amounts accrued for LSL entitlements that have vested due to employees having completed the required period of service. The Group does not expect the full amount of AL or LSL balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

**6.2.5. Accounting policy**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

	2022 \$	2021 \$
	269,144	196,783
	269,144	196,783
	26,280	52,071
	26,280	52,071
	Employee entitlements \$	Total \$
	248,854	248,854
	71,560	71,560
	-	-
	(24,990)	(24,990)
	295,424	295,424

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 6 Non-financial assets and financial liabilities(cont.)****6.2 Provisions (cont.)**

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting date.

**6.3. Other Significant Accounting Policies related to Non-Financial Assets and Liabilities****6.3.1. Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy at note 4.9) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.



**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 7. Equity**

7.1. Issued capital	Note	2022 No.	2021 No.	2022 \$	2021 \$
Fully paid ordinary shares at no par value		340,047,768	260,504,864	32,179,354	30,958,991
<b>7.1.1. Ordinary shares</b>					
At the beginning of the year		260,504,864	247,838,755	30,958,991	30,644,878
Shares issued during the year:					
■ Nov 2020 - Shares issued pursuant to the exercise of 13,614 NOROA Listed Options with \$0.08 exercise price		-	13,614	-	1,089
■ Nov 2020 - Shares issued pursuant to the exercise of 306 NOROA Listed Options with \$0.08 exercise price		-	306	-	24
■ Dec 2020 - Shares issued pursuant to the exercise of 800,000 unlisted NOROA ZEPO options		-	800,000	-	-
■ Dec 2020 - Shares issued as consideration for professional services received		-	837,698	-	9,000
■ Jan 2021 - Shares issued under Placement		-	4,347,826	-	100,000
■ Feb 2021 - Shares issued under Placement		-	6,666,665	-	120,000
■ July 2021 - Shares issued as consideration for professional services received	7.1.2	2,500,000	-	-	84,000
■ Sep 2021 - Shares issued pursuant to the exercise of unlisted ZEPO Options with \$nil exercise price		1,200,000	-	-	-
■ Oct 2021 - Shares issued under Placement		19,000,000	-	323,000	-
■ Feb 2022 – Conversion of Convertible Notes		12,500,000	-	300,000	-
■ Mar 2022 – Shares issued as consideration for professional services received		1,836,933	-	27,774	-
■ June 2022 – Shares issued under Rights Issue		42,505,971	-	637,590	-
Transaction costs relating to share issues					
■ Cash		-	-	(57,635)	-
■ Equity based	19	-	-	(10,366)	-
At end of the year		340,047,768	260,504,864	32,179,354	30,958,991

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 7 Equity (cont.)****7.1 Issued capital (cont.)**

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

**7.1.3.** Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

**7.1.4. Accounting policy**

Ordinary issued capital is recorded at the consideration received. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

**7.2. Options**

	2022 No.	2021 No.	2022 \$	2021 \$
Options and performance shares	100,163,956	68,821,636	9,339,571	9,164,081
At the beginning of the period	68,821,636	107,045,790	9,164,081	9,021,872
Options issued/(lapsed) during the year:				
■ Oct 2020 - Exercise of options	-	(13,920)	-	-
■ Dec 20 - Listed Options issued	-	58,356,636	-	116,713
■ Jan 21 - Listed Options Issued	-	9,000,000	-	18,000
■ Expiry of options	(67,621,636)	(105,566,870)		
■ Share Based Payments – Further vesting value of options 19	-		-	7,496
■ Sep 2021 - Exercise of options 19	(1,200,000)		-	
■ Feb 2022 –Directors Options Issued 19	15,000,000	-	85,808	-
■ Mar 2022 – Options Placement	39,657,985	-	79,316	-
■ Jun 2022 – Free attaching options issued under the Rights Issue	42,505,971	-	-	-
■ Jun 2022 –Advisors options issued 19	3,000,000	-	10,366	-
At end of the year	100,163,956	68,821,636	9,339,571	9,164,081

**7.3. Reserves**

	2022 \$	2021 \$
Share-based payment reserve 7.3.1	9,339,571	9,164,081
	9,339,571	9,164,081

**7.3.1. Share-based payment reserve**

The share-based payment reserve records the value of options and performance shares issued by the Company to its employees or consultants.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**SECTION B. RISK**

*This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.*

**Note 8. Financial risk management****8.1. Financial Risk Management Policies**

This note presents information about the Group's exposure to the risks, its objectives, policies and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts payable and receivable.

The Group does not speculate in the trading of derivative instruments.

A summary of the Group's financial assets and liabilities is shown below:

	Floating Interest Rate \$	Fixed Interest Rate \$	Non- interest Bearing \$	2022 Total \$	Floating Interest Rate \$	Fixed Interest Rate \$	Non- interest Bearing \$	2021 Total \$
Financial Assets								
□ Cash and cash equivalents	496,931	-	-	496,931	58,474	-	-	58,474
□ Trade and other receivables	-	-	273,032	273,032	-	-	122,475	122,475
<b>Total Financial Assets</b>	<b>496,931</b>	<b>-</b>	<b>273,032</b>	<b>769,963</b>	<b>58,474</b>	<b>-</b>	<b>122,475</b>	<b>180,949</b>
Financial Liabilities								
Financial liabilities at amortised cost								
□ Trade and other payables	-	-	491,623	491,623	-	-	691,108	691,108
□ Borrowings	-	323,642	525,000	848,642	-	491,462	-	491,462
<b>Total Financial Liabilities</b>	<b>-</b>	<b>323,642</b>	<b>1,016,623</b>	<b>1,340,265</b>	<b>-</b>	<b>491,462</b>	<b>691,108</b>	<b>1,182,570</b>
<b>Net Financial Assets / (Liabilities)</b>	<b>496,931</b>	<b>(323,642)</b>	<b>(743,591)</b>	<b>(570,302)</b>	<b>58,474</b>	<b>(491,462)</b>	<b>(568,633)</b>	<b>(1,001,621)</b>

**8.2. Specific Financial Risk Exposures and Management**

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate and equity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor are its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Managing Director authorises expenditure however the Group has an expenditure matrix whereby authority is received from the full board.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 8 Financial risk management (cont.)****8.2.1. Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board as a whole.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

■ **Credit risk exposures**

The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with financial institutions residing in Australia, wherever possible.

**8.2.2. Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and 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. The Group's ability to raise equity funding in the market is paramount in this regard.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 8 Financial risk management (cont.)**

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The financial liabilities of the Group include trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

■ **Contractual Maturities**

The following are the contractual maturities of financial assets and liabilities of the Group:

	Within 1 Year		Greater Than 1 Year		Total	
	2022 \$	2021 \$	2022 \$	2021 \$	2022 \$	2021 \$
Financial liabilities due for payment						
Trade and other payables	491,623	691,108	-	-	491,623	691,108
Borrowings	848,642	491,462	-	-	848,642	491,462
<b>Total contractual outflows</b>	<b>1,340,265</b>	<b>1,182,570</b>	<b>-</b>	<b>-</b>	<b>1,340,265</b>	<b>1,182,570</b>
Financial assets						
Cash and cash equivalents	496,931	58,474	-	-	496,931	58,474
Trade and other receivables	273,032	122,475	-	-	273,032	122,475
<b>Total anticipated inflows</b>	<b>769,963</b>	<b>180,949</b>	<b>-</b>	<b>-</b>	<b>769,963</b>	<b>180,949</b>
<b>Net (outflow) / inflow on financial instruments</b>	<b>(570,302)</b>	<b>(1,001,621)</b>	<b>-</b>	<b>-</b>	<b>(570,302)</b>	<b>(1,001,621)</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

**8.2.3. Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities minimally expose it to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group does not enter into derivative financial instruments including foreign exchange forward contracts to hedge against financial risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

**a. Interest rate risk**

The company and the Group are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 8 Financial risk management (cont.)**

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

**b. Price risk**

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

**8.2.4. Sensitivity Analyses**

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit \$	Equity \$
<b>a. Interest rates</b>		
<b>Year ended 30 June 2022</b>		
±100 basis points change in interest rates	± 4,969	± 4,969
<b>Year ended 30 June 2021</b>		
±100 basis points change in interest rates	± 585	± 585

**8.2.5. Net Fair Values****a. Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the table in Note 8.1 and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 8 Financial risk management (cont.)**

Financial instruments whose carrying value is equivalent to fair value due to their nature include:

- Cash and cash equivalents;
- Trade and other receivables; and
- Trade and other payables.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

**Note 9. Capital Management**

The Group manages 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 capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

The working capital position of the Group was as follows:

	Note	2022 \$	2021 \$
Cash and cash equivalents	5.1	496,931	58,474
Trade and other receivables	5.2	273,032	122,475
Trade and other payables	5.3	(491,623)	(691,108)
Borrowings	5.4	(848,642)	(491,462)
Leases	6.1.2	(117,247)	(43,940)
Current provisions	6.2	(269,144)	(196,783)
Working capital position		(956,693)	(1,242,344)

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**SECTION C. GROUP STRUCTURE**

*This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:*

- (a) changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation;*
- (b) transactions with non-controlling interests; and*
- (c) interests in joint operations.*

*A list of significant subsidiaries is provided in note 10. This note also discloses details about the Group's equity accounted investments.*

**Note 10. Interest in subsidiaries****10.1. Information about principal subsidiaries**

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

	Country of Incorporation	Class of Shares	Percentage Owned	
			2022	2021
■ Norwood Systems Limited	Australia	Ordinary	100.0	100.0
■ Norwood Systems (UK) Limited	UK	Ordinary	100.0	100.0
■ Norwood Systems Inc.	USA	Ordinary	100.0	100.0

**Note 11. Other Significant Accounting Policies related to Group Structure****11.1. Basis of consolidation**

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

**11.1.1. Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to variable returns from another entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
  - the recognised amount of any non-controlling interests in the acquiree; plus
  - if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;
- less

- the net recognised amount of the identifiable assets acquired and liabilities assumed.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.



**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 11 Other Significant Accounting Policies related to Group Structure (cont.)****11.1.1 Business combinations (cont.)**

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

**11.1.2. Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceased.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of controlled entities is contained in Note 10 Interest In Subsidiaries of the financial statements.

**11.1.3. Loss of control**

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interests are measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**11.1.4. Transactions eliminated on consolidation**

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**SECTION D. 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 – see note 4 Income tax.*

**Note 12. Commitments**

There are no commitments as at 30 June 2022 (2021: Nil).

**Note 13. 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 14. Contingent liabilities**

There are no other contingent liabilities as at 30 June 2022 (2021: Nil).

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**SECTION E. 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 15. Key Management Personnel compensation (KMP)**

The names and positions of KMP are as follows:

■ Mr Paul Ostergaard	Managing Director
■ Mr Philip Marsland	Non-executive Director ( <i>appointed 31 January 2022</i> )
■ Mr Philip Otley	Non-executive Director ( <i>appointed 31 January 2022</i> )
■ Dr John Tarrant	Non-executive Director ( <i>appointed 31 January 2022</i> )
■ Mr Michael Edwards	Non-executive Director ( <i>resigned 31 January 2022</i> )
■ Mr Giles Everist	Non-executive Director ( <i>resigned 31 January 2022</i> )
■ Mr Stevan Tot	General Manager Enterprise & Vice President Sales

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 are provided in the Remuneration report table on page 17.

	2022 \$	2021 \$
Short-term employee benefits	413,572	512,078
Post-employment benefits	36,200	43,840
Share-based payments	85,809	4,998
Total	535,581	560,916

**Note 16. Related party transactions**

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. During the year, the following entities provided services to the Group.

Entity	Nature of transactions	KMP	Total Transactions		Receivable/(Payable) Balance	
			2022 \$	2021 \$	2022 \$	2021 \$
Paul Ostergaard	Convertible notes	Paul Ostergaard	(100,000)	(200,000)	-	(200,000)
Paul Ostergaard	Loan	Paul Ostergaard	(45,000)	-	(45,000)	-
Balmain Resources Pty Ltd	Convertible notes	Dr John Tarrant	(480,000)	-	(480,000)	-
Avicena Systems Pty Ltd	Software development Services	Paul Ostergaard (resigned as director of Avicena Systems Pty Ltd on 29 July 2021)	104,000	-	-	-

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

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 16 Related party transactions (cont.)**

Ocean Broadband Ltd, a company of which Mr Paul Ostergaard is a Director and Shareholder, shared office space and employees with Norwood Systems (Aust) Pty Ltd until approximately 30 June 2015. A loan balance has arisen between Norwood Systems (Aust) Pty Ltd and Ocean Broadband Ltd as a result of these shared transactions and cash transfers. There is no formal loan agreement in place between the Company and Mr Paul Ostergaard or his related entities. Movements in the loan account during the year are as follows:

	30 June 2022 \$	30 June 2021 \$
Opening balance payable by the Group	40,469	40,469
Provision for loan receivable	(40,469)	(40,469)
	-	-

Ostergaard Family Trust - Mr Paul Ostergaard – Managing Director

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

	30 June 2022 \$	30 June 2021 \$
Opening balance payable by the Group	33,101	33,101
Provision for loan receivable	(33,101)	(33,101)
	-	-

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

	30 June 2022 \$	30 June 2021 \$
Opening balance payable by the Group	36,501	36,501
Provision for loan receivable	(36,501)	(36,501)
	-	-

**Note 17. Auditor's remuneration**

Remuneration of the auditor for:

■ Auditing or reviewing the financial reports:

- ☐ Hall Chadwick WA Audit Pty Ltd (**Hall Chadwick**)
- ☐ BDO Audit (WA) Pty Ltd

	2022 \$	2021 \$
	20,000	-
	19,296	62,749
	39,296	62,749

**Notes to the consolidated financial statements**

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Note	18. Earnings per share (EPS)	Note	2022 \$	2021 \$
18.1.	<b>Reconciliation of earnings to profit or loss</b>			
	Loss for the year		(1,083,468)	(870,660)
	Less: loss attributable to non-controlling equity interest		-	-
	Loss used in the calculation of basic and diluted EPS		(1,083,468)	(870,660)
			2022 No.	2021 No.
18.2.	<b>Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS</b>		284,299,660	252,792,827
	Weighted average number of dilutive equity instruments outstanding	18.5	N/A	N/A
18.3.	<b>Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS</b>		284,299,660	252,792,827
			2022 ¢	2021 ¢
18.4.	<b>Earnings per share</b>			
	Basic EPS (cents per share)	18.5	(0.38)	(0.34)
	Diluted EPS (cents per share)	18.5	N/A	N/A
18.5.	As at 30 June 2022 the Group has 100,163,956 unissued shares under option (2021: 68,821,636). The Group does not report diluted earnings per share on losses generated by the Group. During the year, the Group's unissued shares under option and partly-paid shares were anti-dilutive.			

Note	19. Share-based payments	Note	2022 \$	2021 \$
19.1.	<b>Share-based payments:</b>			
	▪ Recognised in profit and loss (expenses)	19.2.1	113,582	100,496
	▪ Recognised in equity (transaction costs)	19.2.2	10,366	-
	Gross share-based payments		123,948	100,496

**19.2. Share-based payment arrangements in effect during the year****19.2.1. Share-based payments recognised in profit or loss***a. Directors Options (30 June 2022)*

Following shareholder approval, the Company issued 15,00,000 Options to Directors on 8 February 2022, on the following terms:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
15,000,000	8 February 2025	\$0.024	Immediately

Unquoted options issued to Directors were valued at \$85,808 (2021: \$nil).

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 19 Share-based payments (cont.)****19.2.1 Share-based payments recognised in profit or loss (cont.)***b. Directors and former Company Secretary Options (30 June 2021)*

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

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

Unquoted options issued to Directors and former Company Secretary were valued at \$nil (2021: \$7,496). Options exercised at September 2021, refer note 7.2.

*c. Advisors' shares**30 June 2022*

Total of 1,836,933 shares in the Company were issued to an advisor in relation to advisory services with a total value of \$27,774 for the fair value of services rendered.

*30 June 2021*

837,698 shares in the Company were issued on 21 December 2020 in satisfaction of outstanding invoices in relation to advisory services with a total value of \$9,000.

2,500,000 shares in the Company were issued to an advisor in July 2021 in relation to advisory services with a total value of \$84,000 for the fair value of services rendered during the year ended 30 June 2021.

**19.2.2. Share-based payments recognised in equity***a. Advisors' options*

Following shareholder approval, the Company issued 3,000,000 Options to Advisors on 15 June 2022, on the following terms:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
3,000,000	31 December 2023	0.024	Immediately

Unquoted options issued to advisors were valued at \$10,366 (2021: \$nil).

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 19 Share-based payments (cont.)****19.3. Fair value of options granted during the 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 year was \$0.001 (2021: \$nil). These values were calculated using the Black-Scholes option pricing model, applying the following inputs to options:

Note Reference	19.2.1.a	19.2.2.a
Grant date:	08.02.2022	15.06.2022
Grant date share price:	\$0.014	\$0.014
Option exercise price:	\$0.024	\$0.024
Number of options issued:	15,000,000	3,000,000
Remaining life (years):	3.0	1.5
Expected share price volatility:	82.79%	82.79%
Risk-free interest rate:	1.46%	3.31%
Value per option	\$0.0057	\$0.0035

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 consolidated financial statements**

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**Note 19 Share-based payments (cont.)****19.3.1. Accounting policy**

The Group has provided payment to service providers and related parties in the form of share-based compensation whereby services are rendered in exchange for shares or rights over shares, *equity-settled transactions*. The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate valuation model for services provided by employees or where the fair value of the goods or services received cannot be reliably estimated.

For goods and services received where the fair value can be determined reliably the goods and services and the corresponding increase in equity are measured at that fair value. The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

At each balance date, the entity revises its estimates of the number of options with non-market vesting conditions that are expected to become exercisable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant parties become fully entitled to the award, *vesting date*.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

**19.3.2. Key estimate****a. Share-based payments**

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted. The fair value of options granted is measured using the Black-Scholes option pricing model. The model uses assumptions and estimates as inputs. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 19.3.



**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 20. Operating segments****20.1. 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.

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

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

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of revenue generated. 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.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 21. Parent entity disclosures**

Norwood Systems Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Norwood Systems Limited did not enter into any trading transactions with any related party during the year.

**21.1. Financial Position of Norwood Systems Limited**

	2022 \$	2021 \$
Current assets	32,018	37,060
Non-current assets	-	-
<b>Total assets</b>	<b>32,018</b>	<b>37,060</b>
Current liabilities	158,791	407,025
Non-current liabilities	480,000	-
<b>Total liabilities</b>	<b>638,791</b>	<b>407,025</b>
<b>Net assets/(liabilities)</b>	<b>(606,773)</b>	<b>(369,965)</b>
<i>Equity</i>		
Issued capital	43,408,163	42,187,800
Reserves	11,237,966	11,062,475
Accumulated losses	(55,252,902)	(53,620,240)
<b>Total equity</b>	<b>(606,773)</b>	<b>(369,965)</b>

**21.2. Financial performance of Norwood Systems Limited**

	2022 \$	2021 \$
Loss for the year	(1,632,662)	(660,372)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(1,632,662)</b>	<b>(660,372)</b>

**21.3. Guarantees**

There were no guarantees entered into by Norwood Systems Limited for the debts of its subsidiaries as at 30 June 2022 (2021: none).

**21.4. Contractual commitments**

The parent company has no capital commitments at 30 June 2022 (2021: \$nil). The parent company's other commitments are disclosed in Note 12 Commitments.

**21.5. Contingent liabilities**

There were no contingent liabilities as at 30 June 2022 (2021: none).

## Notes to the consolidated financial statements

for the year ended 30 June 2022

### Note 22. 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 years presented, unless otherwise stated.

#### 22.1. Basis of preparation

##### 22.1.1. 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).

##### 22.1.2. Basis of accounting

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (**AAS Board**) and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**), and the *Corporations Act 2001* (Cth).

Australian Accounting Standards (**AASBs**) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

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

##### 22.1.3. 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 year of \$1,083,468 (2021: \$870,660 loss) and a net cash out-flow from operating activities of \$1,091,663 (2021: \$402,946 out-flow). As at 30 June 2022, the Company has a working capital deficit of \$956,693 (2021: \$1,242,344 working capital deficit), as disclosed in Note 9 of the Capital Management note.

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:

- Director loans as at 30 June 2022 of \$480,000 are anticipated to be approved at the upcoming Annual General Meeting to be converted into shares of the Company;
- 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.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 22. Statement of significant accounting policies**

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.

**22.1.4. Comparative figures**

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

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.

**22.1.5. New and Amended Standards Adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2021:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**22.2. Value added taxes**

Value-added tax (**VAT**) is the generic term for the broad-based consumption taxes that the Group is exposed to such as: Australia (**Goods and Services Tax** or **GST**) and in the USA (**Sales Tax**), hereafter collectively referred to as **GST**.

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (or jurisdictional equivalent) is included as a current asset or liability in the balance sheet.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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

**22.3. Foreign currency transactions and balances****22.3.1. Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the legal parent entity's functional and presentation currency. The functional currency of Norwood Systems Inc. is the United States Dollar.

**22.3.2. Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange rate differences arising on the translation of monetary items are recognised in the profit or loss except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange rate differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 22. Statement of significant accounting policies****22.3.3. Group companies and foreign operations**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

**22.4. 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 year are discussed in Note 22.4.1.

**22.4.1. 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 year are discussed below.

- a. Key estimate – Taxation  
Refer 4.8 in the Income Tax note.
- b. Key estimate – Share-based payments  
Refer Note 19 Share-based payments

**22.4.2. Coronavirus (COVID-19) pandemic**

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

**22.5. Fair Value****22.5.1. Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable AASB.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly unforced transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 22. Statement of significant accounting policies**

For non-financial assets, the fair value measurement also considers a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

**22.5.2. Fair value hierarchy**

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

**22.5.3. Valuation techniques**

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

**22.6. New Accounting Standards and Interpretations not yet mandatory or early adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**Notes to the consolidated financial statements**

for the year ended 30 June 2022

**Note 23. Company details**

**The registered and principal office of the Company is:**

*Street:* 4 Leura Street,  
Nedlands, WA 6009  
Australia

**Directors' declaration**

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 22 to 68, are in accordance with the *Corporations Act 2001* (Cth) and:
  - (a) comply with Accounting Standards;
  - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 22.1 to the financial statements; and
  - (c) give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Group.
  - (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);
2. in the directors' opinion 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 made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



**PAUL OSTERGAARD**

Managing Director

Dated this Wednesday, 28 September 2022





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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Norwood Systems Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 22.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Material Uncertainty Related to Going Concern

We draw attention to Note 22 in the financial report, which indicates that the Group incurred a net loss of \$1,083,468 during the year ended 30 June 2022. As stated in Note 22, these events or conditions, along with other matters as set forth in Note 22, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Revenue Recognition</b></p> <p>As disclosed in Note 1, the Group generates a significant portion of its revenue from customer contracts for the provision of mobile phone application and other software piloting, integration, and implementation.</p> <p>The application of AASB 15 <i>Revenue from Contracts with Customers</i> ('AASB 15') is subject to significant judgements in respect of the identification of separate performance obligations and the recognition of revenue at either a point in time or over time.</p> <p>Revenue recognition is a key audit matter due to the quantum of revenue generated from contracts and the nature of the key estimates and judgments.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Reviewing the relevant agreements and holding discussions with management to obtain an understanding of the contractual nature and terms and conditions of the revenue agreements;</li> <li>• Assessing the Group's revenue recognition policies for compliance with Australian Accounting Standards, in particular AASB 15;</li> <li>• Agreeing, for a sample of revenue transactions, the amounts recorded by the Group to supporting documentation to confirm the existence and accuracy of the revenue recognised;</li> <li>• Performing cut-off testing to ensure that revenue transactions around year-end have been recorded in the correct reporting period; and</li> <li>• Assessing the adequacy of the related disclosures in Note 1 of the financial report.</li> </ul>

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 22, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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 the Company, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

*Hall Chadwick*  
HALL CHADWICK WA AUDIT PTY LTD

*Mark Delaurentis*  
MARK DELAURENTIS CA  
Director

Dated this 28<sup>th</sup> day of September 2022  
Perth, Western Australia

## Additional Information for Listed Public Companies

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

### 1 Capital as at 8 September 2022.

#### a. Ordinary share capital

340,055,705 ordinary fully paid shares held by 2,421 shareholders.

#### b. Unlisted Options over Unissued Shares

Number of Options	Exercise Price \$	Expiry Date	Number of Holders
39,657,985	0.080	3 March 2023	52
45,505,971	0.024	31 December 2023	127
15,000,000	0.024	8 February 2025	3
<b>100,163,956</b>			

#### c. Voting Rights

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares:** Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- **Unlisted Options:** Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.

#### d. Substantial Shareholders as at 8 September 2022.

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Paul Frederick Norwood Ostergaard	36,019,561	10.59
Balmain Resources Pty Ltd	27,831,901	8.18
J P Morgan Nominees Australia Pty Limited	23,679,279	6.96

#### e. Distribution of Shareholders as at 8 September 2022.

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	863	163,072	0.05
1,001 – 5,000	537	1,468,015	0.43
5,001 – 10,000	237	1,804,538	0.53
10,001 – 100,000	499	17,823,449	5.24
100,001 – and over	285	318,796,631	93.75
	<b>2,421</b>	<b>340,055,705</b>	<b>100.00</b>

#### f. Unmarketable Parcels as at 8 September 2022

At the date of this report there were 1,906 shareholders who held less than a marketable parcel of shares holding 8,327,483 shares.

#### g. On-Market Buy-Back

There is no current on-market buy-back.

#### h. Restricted Securities

The Company has no restricted securities



## Additional Information for Listed Public Companies

## i. 20 Largest Shareholders — Ordinary Shares as at as at 8 September 2022

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	PAUL FREDERICK NORWOOD OSTERGAARD	36,019,561	10.59
2.	BALMAIN RESOURCES PTY LTD	27,831,901	8.18
3.	J P MORGAN NOMINEES AUSTRALIA PTY LTD	23,679,279	6.96
4.	BNP PARIBAS NOMINEES PTY LTD	14,174,304	4.17
5.	7SUNDAYS PTY LTD <EUROPE A/C>	12,571,429	3.70
6.	MS ANNE-MARIE DEBELAK	12,000,000	3.53
7.	MR RYAN GRAHAM HOLLINGSWORTH	10,119,843	2.98
8.	MR MATTHEW PHILLIP ANTONEL	7,957,661	2.34
9.	MS JUE YING LIAO	5,934,559	1.75
10.	MR KINGSLEY BRYAN BARTHOLOMEW	5,906,610	1.74
11.	B DONOVAN PTY LTD <B DONOVAN SUPER A/C>	5,644,117	1.66
12.	WALNOR PTY LTD	5,100,000	1.50
13.	3STRZS PTY LTD <SIR KEN TOGIRLS A/C>	5,096,240	1.50
14.	TERSA PTY LTD <T & L HOLLINGSWORTH S/F A/C>	3,257,143	0.96
15.	MR DANNY ADAMOPOULOS	3,169,698	0.93
16.	MR HEMANT KUMAR VANMALI <SUNI-JAY A/C>	3,159,235	0.93
17.	HEGARTY FINANCIAL INVESTMENTS PTY LTD <HEGARTY SUPER FUND A/C>	2,840,051	0.84
18.	BILL JOHN REAL ESTATE PTY LTD <THE JOHN FAMILY SUPERAN A/C>	2,685,000	0.79
19.	BLAMNCO TRADING PTY LTD	2,681,818	0.79
20.	GOLDFIRE ENTERPRISES PTY LTD	2,385,845	0.70
<b>TOTAL</b>		<b>192,214,294</b>	<b>56.54</b>

## j. Unquoted Securities Holders Holding More than 20% of the Class as at 8 September 2022

## ■ Unlisted Options (Exercise price \$0.08, Expiry Date: 03.03.2023)

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
1. J P MORGAN NOMINEES AUSTRALIA PTY LTD	23,045,454	58.11
<b>TOTAL</b>	<b>23,045,454</b>	<b>58.11</b>
<b>TOTAL UNLISTED OPTIONS</b>	<b>39,657,985</b>	

## ■ Unlisted Options (Exercise price \$0.024, Expiry Date: 31.12.2023)

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
BALMAIN RESOURCES PTY LTD	14,858,608	32.65
<b>TOTAL</b>	<b>14,858,608</b>	<b>32.65</b>
<b>TOTAL UNLISTED OPTIONS</b>	<b>45,505,971</b>	

## Additional Information for Listed Public Companies

■ *Unlisted Options (Exercise price \$0.024, Expiry Date: 08.02.2025)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
PHILIP SINCLAIR MARSLAND	5,000,000	33.34
PHILIP JOHN OTLEY	5,000,000	33.33
DR JOHN PATRICK TARRANT	5,000,000	33.33
<b>TOTAL</b>	<b>15,000,000</b>	<b>100.00</b>
<b>TOTAL UNLISTED OPTIONS</b>	<b>15,000,000</b>	

2 The Company Secretary is Stuart Usher.

3 **Principal registered office**

As disclosed in Note 23 Company details on page 68 of this Annual Report.

4 **Registers of securities**

As disclosed in the Corporate directory on page i of this Annual Report.

5 **Stock exchange listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, As disclosed in the Corporate directory on page i of this Annual Report.

6 **Use of funds**

The Company has used its funds in accordance with its initial business objectives.

