

ASX ANNOUNCEMENT

18 February 2016

Norwood Releases 2016 Half Year Results

Achievements during the Half Year

- **World Phone** App successfully launched on both the iOS and Android platforms
- 2.7 million **World Phone** downloads in the period, active users in more than 200 countries and 5100 cities
- Establishment of dual revenue streams, with first **World Phone** and **CORONA** sales recorded during the period
- Continued development of the **World Phone** App and **CORONA** platform
- Implementation of growth strategy including several top-level management appointments to strengthen the Group's corporate and consumer go-to-market teams
- Marketing costs are trending downwards and are now under \$1 per acquired user
- Established strategic partnerships with Booking.com, Stripe and Peppermint Innovation
- Completed two oversubscribed capital raisings, securing a total of \$7.1 million to assist in future growth
- Strong cash position of A\$6.5 million

"Sharing Economy" telecommunications pioneer Norwood Systems Ltd ("Norwood" or "the Company") (ASX: NOR) is pleased to announce its maiden interim financial result for the six months ended 31 December 2015. During this period the Company has made excellent progress on its growth plans, particularly the successful launch of World Phone, the establishment of dual revenue streams, reduction of customer acquisition costs and a strong cash position.

The launch of **World Phone** has been highly successful with 2.7 million **World Phone** downloads recorded at 31 December 2015, with the download trend continuing into the second half. **World Phone** was launched on iOS in July 2015 and Android in November 2015 and since then has active users in more than 200 countries and 5100 cities. World Phone has delivered solid revenue growth for the period and pleasingly Norwood has been reducing its marketing costs, so the cost of acquiring a user is now less than \$1.

CORONA has also been a focus for the Company and a number of enhancements for the platform are already underway. **CORONA** forms an important part of Norwood's growth plans and there is significant upside expected to be delivered by platform enhancements and an invigorated relationship building campaign being led by VP of Sales, Mr Steve Tot, formerly a senior executive with Telstra.

Norwood Systems' CEO and Founder, Paul Ostergaard, commented:

"I am very pleased to present our first interim result as a listed company, after what has been an intense ramp up and growth period for Norwood. The Company has made strong progress on all fronts during this period and is very well positioned to continue this growth into the next reporting period."

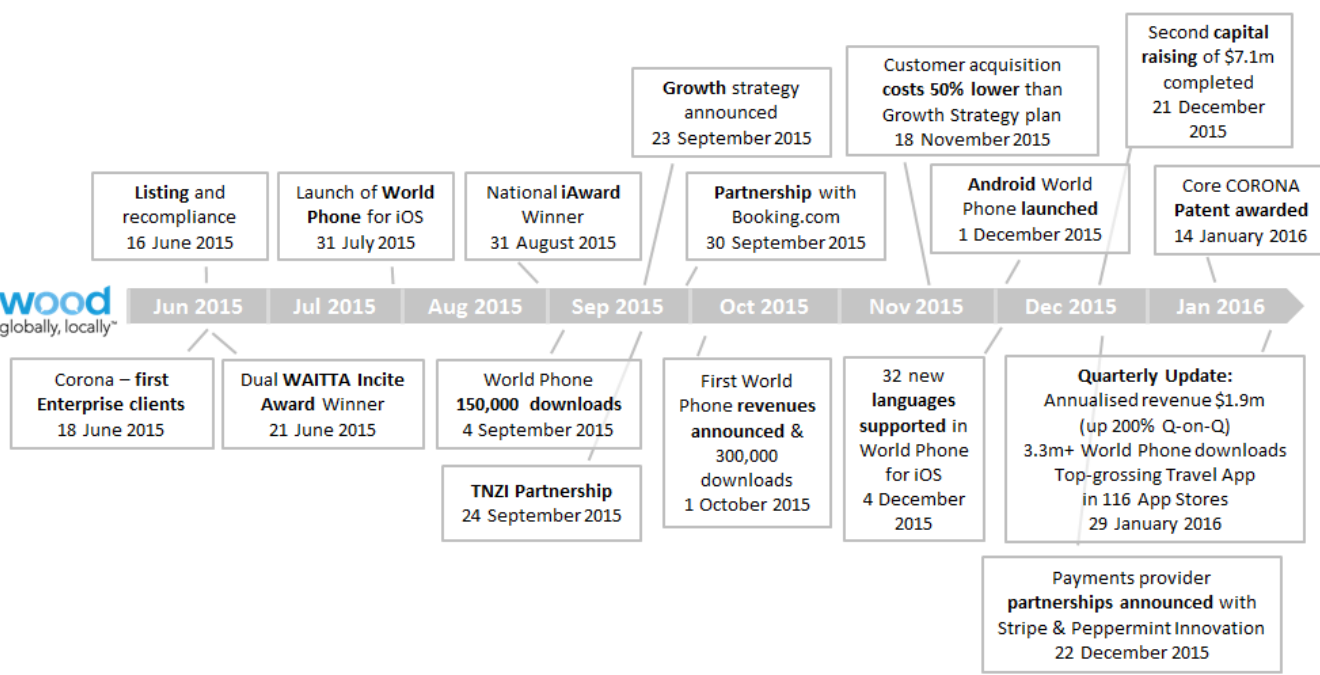


Image 1 - Norwood Systems Progress since listing

Norwood will be releasing a further update on World Phone downloads and revenues this quarter tomorrow on 19 February and on approximately 25 March, after which the Company will move in line with the market standard of quarterly updates for revenue reporting, as per ASX Listing Rule requirements.

The Company also held an online Q&A with shareholders on 17 February, the full transcript of which is available at <http://norwoodsystems.com/investor/ceo-chat/>

-ENDS-

For Further information, please contact:

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Background

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

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

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

About Norwood Systems

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

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

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

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



World Phone

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ABN 15 062 959 540

APPENDIX 4D

for the half year ended 31 December 2015

given in accordance with ASX Listing Rule 4.2A

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NORWOOD SYSTEMS LTD
ABN 15 062 959 540

For the half-year ended 31 December 2015
Results for Announcement to Market

SUMMARY RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2015

The following is a summary of the financial results for the period ended 31 December 2015 (previous corresponding period 31 December 2014). Unless otherwise stated all figures are provided in AUD.

Comparison to previous period	Increase/ (Decrease)	Six months ended 31 Dec 2015 \$	Six months ended 31 Dec 2014 \$
Revenue from continuing operations	100%	308,290	-
Loss from ordinary activities after tax attributable to members	1375%	9,966,384	675,710
Net loss for the half year attributable to members	1375%	9,966,384	675,710

Brief explanation of above figures

Refer to the Review of Operations on page 8 of the attached Interim Financial Report for the period ended 31 December 2015.

Dividends

There were no dividends declared or paid during the period and the directors do not recommend that any dividend be paid.

Earnings result

The net loss of Norwood Systems Ltd for the half-year ended 31 December 2015 after providing for income tax was \$9,966,384 (31 December 2014: \$675,710).

Earnings Per Share (EPS)

	31 Dec 2015	31 Dec 2014
Basic loss per share (cents per share)	1.26	0.18
Weighted average number of ordinary shares used in the calculation of basic earnings per share	788,791,292	368,058,888

The amount used as the numerator in calculating basic EPS is the same as the net profit/(loss) reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Net Tangible Asset (NTA) Backing Per Share	31 Dec 2015	31 Dec 2014
Net tangible asset backing per share (cents per share)	0.82	0.01



Mr Paul Ostergaard
Managing Director
18 February 2016

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INTERIM FINANCIAL REPORT

for the half year ended 31 December 2015

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Norwood Systems Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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This interim financial report covers Norwood Systems Limited ("Norwood" or the "Company"), consisting of the Company and its subsidiaries ("the Group").

On 8 June 2015 Norwood Systems Limited acquired 100% of the share capital of Norwood Systems (Aust) Pty Ltd. Under the Australian Accounting Standards Norwood Systems (Aust) Pty Ltd was deemed to be the accounting acquirer. The acquisition has been accounted for as a share based payment by which Norwood Systems (Aust) Pty Ltd acquired the net assets and listing status of Norwood Systems Ltd; further details in relation to this transaction can be found in the Company's 30 June 2015 Annual Report.

As the deemed acquirer Norwood Systems (Aust) Pty Ltd has accounted for the acquisition of Norwood Systems Ltd from 8 June 2015. Accordingly, the interim consolidated financial statements of Norwood Systems Ltd have been prepared as a continuation of the business and operations of Norwood Systems (Aust) Pty Ltd. The comparative information for the 6 months ended 31 December 2014 presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and related notes is that of Norwood Systems (Aust) Pty Ltd as presented in its last set of interim financial statements. The comparative information for the 12 months ended 30 June 2015 presented in the Consolidated Statement of Financial Position and related notes is that of the Group as presented in its 30 June 2015 Annual Report.

Norwood Systems Limited is a company limited by shares, incorporated and domiciled in Australia. The financial report is presented in Australian dollars.

The Company has the power to amend and reissue the financial report.

CORPORATE INFORMATION

Directors:

Mr Paul Ostergaard
Managing Director

Mr Michael Edwards
Non-Executive Chairman

Mr Amit Pau
Non-Executive Director

Mr Giles Everist
Non-Executive Director

Company Secretary:

Mr Brett Tucker

Auditors:

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Share Registry:

Link Market Services Limited
Level 4 Central Park
152 St Georges Terrace
PERTH WA 6000

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Telephone: + 61 8 9200 3505

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

Postal Address:

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WEST PERTH WA 6872

Home Securities Exchange:

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

ASX Code:

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**DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015**

The Directors of Norwood Systems Limited present the following report for the half-year ended 31 December 2015.

DIRECTORS

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

Name	Period of Directorship
Mr Paul Ostergaard <i>Managing Director</i>	Appointed 8 June 2015
Mr Michael Edwards <i>Non-Executive Chairman</i>	Appointed 20 January 2015
Mr Amit Pau <i>Non-Executive Director</i>	Appointed 8 June 2015
Mr Giles Everist <i>Non-Executive Director</i>	Appointed 18 November 2015

ABOUT NORWOOD SYSTEMS

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

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

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

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

PRINCIPAL ACTIVITIES

The principal activities during the period included:

- Launch of the World Phone App on both the iOS and Android platforms;
- Continued development of the **World Phone** App and **CORONA** platform;
- Implementation of growth strategy including several top-level management appointments to strengthen the Group's corporate and consumer go-to-market teams; and
- Establishment of dual revenue streams, with first **World Phone** and **CORONA** sales recorded during the period.

REVIEW OF OPERATIONS

Operations - Telecommunications

The half year ended 31 December 2015 has been a period of great progress for Norwood. During this period, the Company launched its **World Phone** App, has grown downloads, increased revenue, strengthened its balance sheet and advanced other product offerings such as the **CORONA** platform.

World Phone was officially launched on the iOS platform in July 2015 and the Android platform in November 2015. By 31 December 2015 cumulative downloads totalled 2.7 million, represented by 1.6 million on the iOS platform and 1.1 million on the Android platform, with active users in more than 200 countries and 5100 cities.

Norwood earns revenue from the portion of the installed **World Phone** user base that converts into making purchases. These may be 'one-off' in nature such as additional calling minutes inside **World Phone** and Booking.com commissions, or subscription revenue – which is primarily comprised of leasing local numbers and plans, such as the ultimate flat rate monthly plan.

Having proven **World Phone** market adoption during the half year, Norwood is now focusing on the following strategic priorities:

- Creating a multi-service App portfolio through the release of two new Apps: **World Message** and **World Wi-Fi**, to support diverse end-user communication needs beyond just voice services;
- Integrating the Company's corporate and end user platforms, **CORONA** and the **World Apps**, to support a true continuum of use cases; from individual use through to SMBs; through to Enterprises; through to Carriers;
- Building a flexible and powerful credit management and monetisation framework to maximise the economic potential of both of the initiatives and Norwood's ongoing services; and
- Considering White Label carrier licensing as a pathway to scale.

Norwood is investing heavily in enhancing its Apps and Services portfolios, as well as setting up new channels to market by:

- Enhancing **CORONA**;
- Expanding the go-to-market focus; and
- Augmenting Telephony service offerings to include Messaging and Data services.

For the coming period, Norwood will also be focused on driving increased revenue generation from the **World Phone** customer base, whilst managing down the acquisition cost of new customers.

Operations - Exploration

At 31 December 2015 the Company continues to hold four permits in Burkina Faso which are under agreement with SEMAFO Inc which grants a working right and option to purchase the permits to a subsidiary of SEMAFO in return for exploration funding and cash payments.

Remaining payments due under the option agreements with SEMAFO are \$US55,000 on 19 March 2016, \$US30,000 on 8 May 2016 and \$US70,000 on 19 March 2017, in addition to exploration spend by SEMAFO on the Burkina permits.

All other Burkina Faso involvements were terminated as at 30 June 2015, allowing the Company to focus on the growth and development of its telecommunications business.

RESULTS

Following the launch of **World Phone** in July, **World Phone** downloads have translated to cumulative revenue of \$270,471 at 31 December 2015. Steady revenue growth was achieved by the Company during the reporting period, which has continued subsequent to period end.

NORWOOD SYSTEMS LTD
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The net loss attributable to members of the Group for the half year ended 31 December 2015 amounted to \$9,966,384 (2014: \$675,710). Of the net loss incurred at 31 December 2015:

- Non-cash, share based payment expenses of \$4,366,813 relate to equity instruments issued to employees, directors and advisors of the Company as described in Note 16;
- Sales and marketing expenses of \$2,956,575 relate to overall Company promotion as well as marketing of the Company's products and customer acquisition costs; and
- Research and development expense of \$900,477 relates to **World Phone** and **CORONA** development and enhancements.

At 31 December 2015 Norwood had on hand \$6,503,687 in cash, making the Company well placed to continue expansion activities in 2016.

DIVIDENDS

There were no dividends paid or declared during the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Apart from as set out above there have been no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report or the financial statements.

LIKELY DEVELOPMENTS & EXPECTED RESULTS OF OPERATIONS

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

MATTERS SUBSEQUENT TO THE END OF THE PERIOD

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Signed in accordance with a resolution of the Directors.



Mr Paul Ostergaard
Managing Director
18 February 2016

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

As lead auditor for the review of Norwood Systems Ltd for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 18 February 2016

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NORWOOD SYSTEMS LTD
ABN 15 062 959 540

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2015

	Note	Consolidated 31 Dec 2015 \$	Parent 31 Dec 2014 \$
Revenue	5	308,290	-
Other income	5	257,657	-
Cost of sales		(333,532)	-
Sales and marketing expenses		(2,956,575)	-
Administration and operating expenses	6	(1,915,701)	(353,793)
Employee and director benefits	6	(957,421)	(277,072)
Share based payments	16	(4,366,813)	-
Interest		(2,289)	(44,845)
Loss before income tax		(9,966,384)	(675,710)
Income tax benefit		-	-
Loss after tax for the period attributable to the members of Norwood Systems Ltd		(9,966,384)	(675,710)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to the members of Norwood Systems Ltd		(9,966,384)	(675,710)
Basic and diluted loss per share (cents per share)	7	(1.26)	(0.18)

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

NORWOOD SYSTEMS LTD
ABN 15 062 959 540

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	Consolidated 31 Dec 2015 \$	Consolidated 30 June 2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	6,443,242	4,546,059
Trade and other receivables	9	590,387	171,534
Total Current Assets		7,033,629	4,717,593
Non-Current Assets			
Plant and equipment		43,745	1,778
Total Non-current Assets		43,745	1,778
TOTAL ASSETS		7,077,374	4,719,371
LIABILITIES			
Current Liabilities			
Trade and other payables	10	1,389,424	214,044
Provisions	11	121,073	60,261
Deferred revenue	12	55,225	-
Total Current Liabilities		1,565,722	274,305
Non-Current Liabilities			
Provisions	11	36,703	54,499
Total Non-Current Liabilities		36,703	54,499
TOTAL LIABILITIES		1,602,425	328,804
NET ASSETS		5,474,949	4,390,567
EQUITY			
Issued capital	13	18,947,757	12,171,805
Reserves	14	4,515,897	352,984
Accumulated losses		(17,988,705)	(8,134,222)
TOTAL EQUITY		5,474,949	4,390,567

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

NORWOOD SYSTEMS LTD
ABN 15 062 959 540

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the six months ended 30 June 2015

	Parent			Total
	Issued Capital	Option Reserve	Accumulated Losses	
	\$	\$	\$	\$
Balance at 1 July 2014	1,250,224	-	(2,251,266)	(1,001,042)
Loss for the period	-	-	(675,710)	(675,710)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(675,710)	(675,710)
<i>Transaction with owners, directly recorded in equity</i>				
Shares to be issued post balance date	75,000	-	-	75,000
Total transactions with owners	75,000	-	-	75,000
Balance at 31 December 2014	1,325,224	-	(2,926,976)	(1,601,752)

	Consolidated			Total
	Issued Capital	Option Reserve	Accumulated Losses	
	\$	\$	\$	\$
Balance at 1 July 2015	12,171,805	352,984	(8,134,222)	4,390,567
Loss for the period	-	-	(9,966,384)	(9,966,384)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(9,966,384)	(9,966,384)
<i>Transaction with owners, directly recorded in equity:</i>				
Issue of Ordinary Shares, net of transaction costs	6,775,952	-	-	6,775,952
Issue of Options	-	4,274,813	-	4,274,813
Expiry of Options	-	(111,900)	111,900	-
Total transactions with owners	6,775,952	4,162,913	111,900	11,050,765
Balance at 31 December 2015	18,947,757	4,515,897	(17,988,705)	5,474,949

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

NORWOOD SYSTEMS LTD
ABN 15 062 959 540

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015

	Note	Consolidated 31 Dec 2015 \$	Parent 31 Dec 2014 \$
Cash flows from operating activities			
Receipts from customers		214,647	-
Government grants received		257,657	-
Interest received		36,326	-
Payments to suppliers and employees		(5,256,863)	(521,404)
Interest paid		(1,488)	-
Net cash flows used in operating activities		(4,749,721)	(521,404)
Cash flows from investing activities			
Purchase of plant & equipment		(45,556)	(1,049)
Net cash flows used in investing activities		(45,556)	(1,049)
Cash flows from financing activities			
Proceeds from issue of shares		7,100,000	-
Share issue costs		(371,802)	-
Pre-transaction equity contribution from Norwood Systems Ltd		-	75,000
Proceeds from issue of convertible notes		-	175,000
Proceeds from related party borrowings		-	33,506
Director and related party loans advanced	18(a)	(35,738)	-
Repayment of related party borrowings		-	(23,000)
Proceeds from borrowings		-	264,375
Net cash flows from financing activities		6,692,460	524,881
Net increase in cash and cash equivalents		1,897,183	2,428
Cash and cash equivalents at the beginning of the period		4,546,059	25,365
Cash and cash equivalents at the end of the period	8	6,443,242	27,793

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 1: BASIS OF PREPARATION

The half-year financial report is a general purpose financial report prepared in accordance with AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

The half-year financial report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. The half-year financial report should be read in conjunction with the annual financial report of Norwood Systems Ltd as at 30 June 2015 which was prepared in accordance with the requirements of the *Corporations Act 2001* and applicable Australian Accounting Standards. It is also recommended that the half-year financial report be considered together with any public announcements made by the Company during the period 1 July 2015 to the date of this report in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The financial report is presented in Australian currency.

Going Concern

For the half year ended 31 December 2015 the Group recorded a loss of \$9,966,384 and had net cash outflows from operating activities of \$4,749,721.

While the Group has cash on hand of \$6,503,687 at 31 December 2015, the Group's cashflow forecast for the period ended 31 December 2016 reflects that the Group will require additional working capital through equity over that period in order to meet the Group's stated strategic objectives.

The Directors are satisfied they will be able to raise additional working capital as required and thus it is appropriate to prepare the financial statements on a going concern basis. In arriving at this position the Directors have considered the following matters:

- The completion of an over-subscribed placement to professional and sophisticated investors during the half year to raise \$5,600,000;
- The completion of an over-subscribed Share Purchase Plan prospectus offer during the half year to raise \$1,500,000; and
- The successful launch of the Group's **World Phone** Application during the half year.

In the event the Group is unable to raise additional funds to meet the Group's ongoing working capital requirements, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

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

NOTE 2: BASIS OF ACCOUNTING

The half-year financial report has been prepared on the basis of historical cost, except where stated. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

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

Reverse Acquisition

On 8 June 2015 Norwood Systems Limited acquired 100% of the share capital of Norwood Systems (Aust) Pty Ltd. Under the Australian Accounting Standards Norwood Systems (Aust) Pty Ltd was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a share based payment by which Norwood Systems (Aust) Pty Ltd acquired the net assets and listing status of Norwood Systems Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 2: BASIS OF ACCOUNTING (CONTINUED)

Accordingly the consolidated financial statements of Norwood Systems Ltd have been prepared as a continuation of the business and operations of Norwood Systems (Aust) Pty Ltd. As the deemed acquirer Norwood Systems (Aust) Pty Ltd has accounted for the acquisition of Norwood Systems Ltd from 8 June 2015.

The implications of the acquisition on the interim financial statements are as follows:

Statement of Profit or Loss and Other Comprehensive Income

- The 31 December 2015 Consolidated Statement of Profit or Loss and Other Comprehensive Income reflects the total comprehensive loss of Norwood Systems Ltd and the total comprehensive loss of Norwood Systems (Aust) Pty Ltd for the period 1 July – 31 December 2015.
- The 31 December 2014 Statement of Profit or Loss and Other Comprehensive Income reflects only the total comprehensive loss of Norwood Systems (Aust) Pty Ltd for the six months ended 31 December 2014.

Statement of Financial Position

- Both the 31 December 2015 and 30 June 2015 Consolidated Statement of Financial Position reflect the consolidated position of Norwood Systems Ltd and Norwood Systems (Aust) Pty Ltd.

Statement of Changes in Equity

- The 31 December 2015 Consolidated Statement of Changes in Equity reflects:
 - The consolidated equity position of Norwood Systems Ltd and Norwood Systems (Aust) Pty Ltd as at 1 July 2015.
 - The total comprehensive result of Norwood Systems Ltd and Norwood Systems (Aust) Pty Ltd for the period 1 July – 31 December 2015.
 - The consolidated equity position of Norwood Systems Ltd and Norwood Systems (Aust) Pty Ltd as at 31 December 2015.
- The 31 December 2014 Statement of Changes in Equity reflects only Norwood Systems (Aust) Pty Ltd for the six months ended 31 December 2014.

Statement of Cash Flows

- The 31 December 2015 Consolidated Statement of Cash Flows reflects:
 - The consolidated cash position of Norwood Systems Ltd and Norwood Systems (Aust) Pty Ltd as at 1 July 2015.
 - The transactions of Norwood Systems Ltd and Norwood Systems (Aust) Pty Ltd for the period 1 July – 31 December 2015.
 - The consolidated cash position of Norwood Systems Ltd and Norwood Systems (Aust) Pty Ltd at 31 December 2015.
- The 31 December 2014 Statement of Cash Flows reflects only Norwood Systems (Aust) Pty Ltd for the six months ended 31 December 2014.

Equity Structure

The equity structure (the number and type of equity instruments issued) in the 31 December 2015 financial statements reflects the consolidated equity structure of Norwood Systems Ltd and Norwood Systems (Aust) Pty Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 2: BASIS OF PREPARATION (CONTINUED)

The 31 December 2014 comparatives reflect the equity structure of only Norwood Systems (Aust) Pty Ltd.

Earnings Per Share

The weighted average number of shares outstanding for the six ended 31 December 2015 is based on the weighted average number of shares of Norwood Systems Ltd that are outstanding from 1 July – 31 December 2015.

The 31 December 2014 comparative weighted average number of shares is based on Norwood Systems (Aust) Pty Ltd's historical weighted average number of shares multiplied by the exchange ratio.

Significant Judgements and Key Assumptions

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

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

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

Note 16: Share Based Payments

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

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

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

NOTE 3: ADOPTION OF ACCOUNTING POLICIES

Apart from as set out below, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2015.

Following significant growth and development of the Company and its operations during the six months ended 31 December 2015 the Group has adopted the following accounting policies for the first time during the period:

(a) Foreign Currency Translation

The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency for Norwood Systems Limited and each of its controlled entities.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 3: ADOPTION OF ACCOUNTING POLICIES (CONTINUED)

(b) Trade and Other Receivables

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

Trade receivables are generally due for settlement within 45 days.

(c) Revenue Recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and any criteria specific to the type of sale have been met as set out below. The Group bases its estimates on historical results, the type of transaction, agents' reports, and internal estimates.

Revenue is measured at the fair value of consideration received or receivable.

(i) World Phone Revenue

Revenue from the sale of the Group's **World Phone** Application is recognised in the period in which the services are rendered.

Advance billings to customers give rise to provisions for unearned revenue in respect of services which have not been rendered as at the end of the reporting period. Expenses directly attributable to the unearned revenue are deferred until the revenue is recognised.

Where services are provided by the Group over a fixed period, revenue and corresponding expenses are recognised pro-rata over the service period.

(ii) Advertising Revenue

The Group generates advertising revenue through the promotion of third party services within the World Phone application.

Advertising revenue is recognised in the period in which advertising services are rendered by the Group, to the extent that revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

(iii) Interest Revenue

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

(iv) Government Grants

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

(d) Promotional Minutes

The Group incentivises customers through the issue of promotional minutes.

Promotional minutes issued to customers for downloading or sharing the World Phone application are recognised by the Group as a sales and marketing expense as there is no direct link between promotional minutes issued and revenue generated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 3: ADOPTION OF ACCOUNTING POLICIES (CONTINUED)

Promotional minutes issued to customers for utilising third party services advertised within the World Phone application are recognised by the Group as a cost of sale as these minutes result in the generation of advertising revenue.

Promotional minute expenses are recognised at the time of customer consumption.

NOTE 4: ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the half-year ended 31 December 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies as a result of the adoption of new and revised accounting standards.

The Directors have reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2015. The Directors have decided against early adoption of any new Standards and Interpretations. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies as a result of accounting standards issued not yet effective.

NOTE 5: REVENUE AND OTHER INCOME

	Consolidated	Parent
	31 Dec 2015	31 Dec 2014
	\$	\$
Revenue and other income		
Sales revenue		
World Phone revenue	270,471	-
Other revenue	1,140	-
Total sales revenue	271,611	-
Other revenue		
Interest revenue	36,679	-
Total other revenue	36,679	-
Total revenue	308,290	-
Other income		
Government grant income – research and development grant	257,657	-
Total other income	257,657	-

NORWOOD SYSTEMS LTD
ABN 15 062 959 540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 6: LOSS

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

	Consolidated 31 Dec 2015 \$	Parent 31 Dec 2014 \$
Accountancy costs	110,331	19,298
Administration expenses	266,952	6,305
Consultancy and subcontractor fees	230,521	197,559
Depreciation	3,590	-
Electricity and telephone	9,743	4,993
IT operations	132,142	-
Legal fees	18,317	6,451
Other expenses	70,678	16,361
Rental expense relating to operating leases	62,946	46,501
Research and development expenses	900,477	48,526
Travel and entertainment	110,004	7,799
Total administration and operating expenses	1,915,701	353,793
Director and employee wages	677,755	248,578
Superannuation	55,387	28,494
Payroll tax	163,457	-
Leave entitlements	43,015	-
Commissions	17,807	-
Total employee and director benefits	957,421	277,072

NOTE 7: LOSS PER SHARE

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

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

	Consolidated 31 Dec 2015 \$	Parent 31 Dec 2014 \$
Loss used in the calculation of basic and diluted loss per share	9,966,384	675,710
Basic loss per share attributable to equity holders	1.26	0.18
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	788,791,292	368,058,888

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated 31 Dec 2015 \$	Consolidated 30 June 2015 \$
Cash at bank	6,443,242	4,546,059
Total Cash and Cash Equivalents	6,443,242	4,546,059

Cash at bank earns interest at floating rates based on daily bank rates.

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated 31 Dec 2015 \$	Consolidated 30 June 2015 \$
Current:		
Restricted cash	60,445	-
Trade debtors	75,322	134
Related party loan – Ostergaard Family Trust (note 18(a))	54,478	18,739
Related party loan – Ocean Broadband Ltd (note 18(a))	40,469	40,469
Other receivables	91,684	77,778
Prepaid expenses	267,989	34,414
Total Trade and Other Receivables	590,387	171,534

NOTE 10: TRADE AND OTHER PAYABLES

	Consolidated 31 Dec 2015 \$	Consolidated 30 June 2015 \$
Current:		
Trade payables	1,107,186	132,225
Accruals	282,238	81,819
Total Trade and Other Payables	1,389,424	214,044

Trade payables are non-interest bearing and are normally settled on 60-day terms.

NOTE 11: PROVISIONS

	Consolidated 31 Dec 2015 \$	Consolidated 30 June 2015 \$
Current:		
Employee benefits provision	121,073	60,261
Non-Current:		
Employee benefits provision	36,703	54,499
Total Provisions	157,776	114,760

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

NORWOOD SYSTEMS LTD
ABN 15 062 959 540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 12: DEFERRED REVENUE

	Consolidated 31 Dec 2015 \$	Consolidated 30 June 2015 \$
Current:		
World Phone deferred revenue	55,225	-
Total Deferred Revenue	55,225	-

Advance billings to customers give rise to provisions for unearned revenue in respect of services which have not been rendered as at the end of the reporting period.

NOTE 13: ISSUED CAPITAL

	Consolidated 31 Dec 2015 \$	Consolidated 30 June 2015 \$
867,609,598 (30 June 2015: 773,859,598) fully paid ordinary Shares	18,947,757	12,171,805
Total	18,947,757	12,171,805

	No.	\$
Opening balance – 1 July 2014	1,558,243	1,250,224
June 2015 – Norwood Systems (Aust) Pty Ltd shares eliminated on completion of Norwood Systems Ltd acquisition	(1,558,243)	-
June 2015 – Norwood Systems Ltd shares on issue at acquisition date	130,800,710	-
June 2015 – Issue of Shares for cash pursuant to the Public Offer	275,000,000	5,500,000
June 2015 – Issue of Shares as consideration for the acquisition of Norwood Systems (Aust) Pty Ltd	257,060,790	3,531,619
June 2015 – Issue of Shares on conversion of Norwood Systems (Aust) Pty Ltd convertible notes	82,042,337	1,640,847
June 2015 – Issue of Shares to settle Norwood Systems (Aust) Pty Ltd creditors	18,302,230	366,045
June 2015 – Issue of Shares to the original Norwood (Aust) Pty Ltd investors	9,073,265	181,465
June 2015 – Issue of Shares to settle Norwood (Aust) Pty Ltd loan from Ostergaard Family Trust	1,580,266	31,605
Costs of share issues	-	(330,000)
Closing balance – 30 June 2015	773,859,598	12,171,805
July 2015 – Issue of Shares as consideration for professional services received (note 16(b))	1,000,000	20,000
Nov 2015 – Issue of Shares for cash pursuant to a placement to professional and sophisticated investors	70,000,000	5,600,000
Dec 2015 – Issue of Shares for cash pursuant to a Share Purchase Plan prospectus offer	18,750,000	1,500,000
Dec 2015 – Issue of Shares as consideration for professional services received (note 16(b))	4,000,000	92,000
Costs of share issues	-	(436,048)
Closing balance – 31 December 2015	867,609,598	18,947,757

The Company has unlimited authorised capital.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 14: SHARE BASED PAYMENT RESERVE

	Consolidated 31 Dec 2015 \$	Consolidated 30 June 2015 \$
95,974,485 (30 June 2015: 25,970,401) issued Options	4,515,897	352,984
	4,515,897	352,984
	No.	\$
Opening balance – 1 July 2014	-	-
June 2015 – Norwood Systems Ltd options on issue at acquisition date	9,000,000	-
June 2015 – Issue of options to Norwood advisors and management	1,970,401	40,984
June 2015 – Issue of advisor options	15,000,000	312,000
Closing balance – 30 June 2015	25,970,401	352,984
Oct 2015 – Option expiry	(1,000,000)	(41,900)
Nov 2015 – Issue of options to Norwood directors, employees, and advisors (note 16(c))	71,004,084	4,156,184
Nov 2015 – Option expiry	(2,000,000)	(70,000)
Dec 2015 – Issue of options to Norwood director (note 16(c))	2,000,000	118,629
Closing balance – 31 December 2015	95,974,485	4,515,897

Nature and Purpose of Reserve

The share based payment reserve records the value of share options issued to the Company's directors, employees, and third parties. The value of the amount disclosed during the period 1 July 2014 – 30 June 2015 reflects the value of options issued by Norwood Systems Ltd post reverse acquisition.

NOTE 15: PERFORMANCE SHARES AND RIGHTS

PERFORMANCE SHARES

	Consolidated 31 Dec 2015 \$	Consolidated 30 June 2015 \$
78,869,761 (30 June 2015: 78,869,761) Class A Performance Shares	-	-
78,869,761 (30 June 2015: 78,869,761) Class B Performance Shares	-	-
	-	-
	No.	\$
Opening balance – 1 July 2014	-	-
June 2015 – Issue of Class A Performance Shares as consideration for the acquisition of Norwood Systems (Aust) Pty Ltd	78,869,761	-
June 2015 – Issue of Class B Performance Shares as consideration for the acquisition of Norwood Systems (Aust) Pty Ltd	78,869,761	-
Closing balance – 30 June 2015	157,739,522	-
Movement during the period	-	-
Closing balance – 31 December 2015	157,739,522	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 15: PERFORMANCE SHARES AND RIGHTS (CONTINUED)

Terms and Conditions of Performance Shares

Class A Performance Shares each convert to one ordinary fully paid share upon Norwood generating gross revenue of at least \$200,000 from two separate third party contracts in any 12 month period (which may be the same 12 month period or different 12 month periods for each contract). The expiry date of the Class A Performance Shares is 8 December 2017.

Class B Performance Shares each convert to one ordinary fully paid share upon Norwood generating gross revenue for any 12 month consecutive period of at least \$3,000,000. The expiry date of the Class B Performance Shares is 8 June 2018.

No Class A or Class B Performance Share milestones were met during the current interim period. No Performance Shares were cancelled or converted to ordinary shares during the current interim period.

Consistent with 30 June 2015, no value has been allocated the Performance Shares at 31 December 2015 due to the significant uncertainty of meeting the two performance milestones which are based on future events.

PERFORMANCE RIGHTS

	Consolidated	Consolidated
	31 Dec 2015	30 June 2015
	\$	\$
3,927,774 (30 June 2015: nil) Class A Performance Rights	-	-
3,927,774 (30 June 2015: nil) Class B Performance Rights	-	-
	-	-
	No.	\$
Opening balance – 1 July 2014	-	-
Movement during the period	-	-
Closing balance – 30 June 2015	-	-
Dec 2015 - Issue of Class A Performance Rights to Norwood senior executive (note 16(d))	3,927,744	-
Dec 2015 - Issue of Class B Performance Rights to Norwood senior executive (note 16(d))	3,927,744	-
Closing balance – 31 December 2015	7,855,488	-

Terms and Conditions of Performance Rights

Class A Performance Rights each convert to one ordinary fully paid share upon Norwood generating gross revenue of at least \$200,000 from two separate third party contracts in any 12 month period (which may be the same 12 month period or different 12 month periods for each contract). The expiry date of the Class A Performance Rights is 13 December 2017.

Class B Performance Rights each convert to one ordinary fully paid share upon Norwood generating gross revenue for any 12 month consecutive period of at least \$3,000,000. The expiry date of the Class B Performance Rights is 13 June 2018.

No Class A or Class B Performance Right milestones were met during the current interim period. No Performance Rights were cancelled or converted to ordinary shares during the current interim period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 16: SHARE BASED PAYMENTS

Share based payments made during the half year ended 31 December 2015 are summarised below. There were no share based payments made during the half year ended 31 December 2014.

(a) Recognised Share Based Payment Expense

	Consolidated 31 Dec 2015	Parent 31 Dec 2014
	\$	\$
Expense arising from equity settled share based payment transactions	4,366,813	-

(b) Shares Granted During the Half Year

The Company granted the following fully paid ordinary shares as share based payments during the half year to 31 December 2015:

- 1,000,000 Shares having a total value of \$20,000 were granted as consideration for professional services received prior to 30 June 2015. As the services were received prior to 30 June 2015, the expense was recorded at 30 June 2015 with the corresponding share issue completed in July 2015. The value was determined with reference to the vendor's invoice.
- 4,000,000 Shares having a total value of \$92,000 were granted as consideration for professional services received during the period. The value was determined with reference to the vendor's invoice.

(c) Options Granted During the Half Year

The Company granted the following unlisted options as share based payments during the half year to 31 December 2015:

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

⁽ⁱ⁾ Total value expensed pro-rata over the vesting period where applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 16: SHARE BASED PAYMENTS (CONTINUED)

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

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

(d) Performance Rights Granted During the Half Year

3,927,774 Class A and 3,927,774 Class B Performance Rights were granted to a senior executive of the Company on 29 December 2015.

Class A Performance Rights convert upon Norwood generating gross revenue of at least \$200,000 from two separate third party contracts in any 12 month period (which may be the same 12 month period or different 12 month periods for each contract). The expiry date of the Class A Performance Rights is 13 December 2017.

Class B Performance Rights convert upon Norwood generating gross revenue for any 12 month consecutive period of at least \$3,000,000. The expiry date of the Class B Performance Rights is 13 June 2018.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 17: SEGMENT INFORMATION

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

	Voice Telecommunications Services	Corporate	Total
Segment revenue and other income			
Sales revenue	271,611	-	271,611
Interest received	-	36,679	36,679
Government grant income	257,657	-	257,657
Total revenue and other income	529,268	36,679	565,947
Segment expenses			
Operating expenses	(5,807,538)	(354,390)	(6,161,928)
Share based payment expenses	(3,592,863)	(773,950)	(4,366,813)
Loss before depreciation	(8,871,133)	(1,091,661)	(9,962,794)
Depreciation	(3,590)	-	(3,590)
Loss before income tax	(8,874,723)	(1,091,661)	(9,966,384)
Segment assets and liabilities			
Cash	647,560	5,795,682	6,443,242
Trade and other receivables	460,683	129,704	590,387
Plant and equipment	43,745	-	43,745
Trade and other creditors	(1,212,166)	(177,258)	(1,389,424)
Provisions	(157,776)	-	(157,776)
Deferred revenue	(55,225)	-	(55,225)
Net assets/(liabilities)	(273,179)	5,748,128	5,474,949
Comparatives			
<i>Parent– for the 6 months ended 31 December 2014</i>			
Segment revenue			
Interest received	-	-	-
Government grant income	-	-	-
Other income	-	-	-
Total revenue	-	-	-
Segment expenses			
Operating expenses	(675,710)	-	(675,710)
Loss before depreciation	(675,710)	-	(675,710)
Depreciation	-	-	-
Loss before income tax	(675,710)	-	(675,710)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 17: SEGMENT INFORMATION (CONTINUED)

	Voice Telecommunications Services	Corporate	Total
<i>Consolidated – as at 30 June 2015</i>			
Segment assets and liabilities			
Cash	379,095	4,166,964	4,546,059
Trade and other receivables	67,347	104,187	171,534
Plant and equipment	1,779	-	1,779
Trade and other creditors	(109,452)	(104,591)	(214,044)
Provisions	(114,761)	-	(114,761)
Net assets	224,009	4,166,560	4,390,567

NOTE 18: RELATED PARTY TRANSACTIONS

(a) Loans with Key Management Personnel

Ocean Broadband Ltd (Mr Paul Ostergaard – Managing Director, appointed 8 June 2015)

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

	Consolidated 31 Dec 2015 \$	Consolidated 30 June 2015 \$
Opening balance receivable due to/(payable by) the Group	40,469	(128,258)
Loan proceeds received	-	63,668
Repaid through the issue of 6,678,583 shares in the Company	-	105,059
Total receivable due to the Group	40,469	40,469

The loan is non-interest bearing and has no set date of repayment.

Ostergaard Family Trust (Mr Paul Ostergaard – Managing Director, appointed 8 June 2015)

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

	Consolidated 31 Dec 2015 \$	Consolidated 30 June 2015 \$
Opening balance	18,739	-
Loan proceeds received	-	24,906
Repaid through the issue of 9,579 shares in the Company	-	(24,906)
Loans advanced	35,739	18,739
Total receivable due to the Group	54,478	18,739

The loan is non-interest bearing and has no set date of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2015

NOTE 18: RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other Transactions with Key Management Personnel

Options were granted to directors during the period as set out in Note 16(c).

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

Shadwick Nominees Pty Ltd (Mr Michael Edwards – Non-Executive Chairman from 8 June 2015, Executive Director from 20 January 2015 – 8 June 2015)

Shadwick Nominees Pty Ltd, a Company of which Mr Michael Edwards is a Director, provided Non-Executive Chairman services to the Company during the half year. A total amount of \$24,000 (2014: nil) was incurred to Shadwick Nominees Pty Ltd for the above services during the half year ended 31 December 2015. The total amount of fees due to Shadwick Nominees Pty Ltd as at 31 December 2015 was nil (30 June 2015: \$8,000).

Ariadne Capital Ltd (Mr Amit Pau – Non-Executive Director, appointed 8 June 2015)

Ariadne Capital Ltd, a Company of which Mr Amit Pau is a Director, provided marketing and strategic advice to the Company during the half year. The total amount incurred and paid to Ariadne Capital in relation to these services during the half year was \$90,000. The total amount of fees due to Ariadne Capital as at 31 December 2015 was nil (30 June 2015: nil).

SHP Marketing Solutions Ltd (Mr Amit Pau – Non-Executive Director, appointed 8 June 2015)

SHP Marketing Solutions Ltd, a Company of which Mr Amit Pau is a Director, provided Non-Executive Director services to the Company during the half year. A total amount of \$19,710 (2014: nil) was incurred to SHP Marketing Solutions Ltd for the above services during the half year ended 31 December 2015. The total amount of fees due to SHP Marketing Solutions Ltd as at 31 December 2015 was \$3,285 (30 June 2015: \$3,285).

The Nevern Group Pty Ltd (Mr Giles Everist – Non-Executive Director, appointed 18 November 2015)

The Nevern Group Pty Ltd, a Company of which Mr Giles Everist is a Director, provided Non-Executive Director services to the Company during the half year. A total amount of \$5,256 (2014: nil) was incurred to the Nevern Group Pty Ltd for the above services during the half year ended 31 December 2015. The total amount of fees due to The Nevern Group Pty Ltd as at 31 December 2015 was nil (30 June 2015: nil).

NOTE 19: EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

NOTE 20: CONTINGENT LIABILITIES

The Group has a contingent liability in respect of promotional minutes issued to and unconsumed by customers as at the reporting date. If the full balance of promotional minutes on issue were to be consumed by customers, the maximum cost to the Group is estimated to be \$210,987. The ultimate cost that will be incurred by the Group, if any, is dependent upon a variety of factors including customer consumption, consumption timing, prevailing USD:AUD exchange rates, and supply agreements.

The Directors are not aware of any other contingent liabilities that may arise from the Group's operations as at 31 December 2015.

DIRECTORS' DECLARATION

The directors of the Group declare that:

- (a) the financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - i. comply with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the Group's financial position as at 31 December 2015 and of its performance of the half year ended on that date.
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Mr Paul Ostergaard
Managing Director
18 February 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Norwood Systems Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Norwood Systems Ltd, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Norwood Systems Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

BDO



Phillip Murdoch

Director

Perth, 18 February 2016

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