

Norwood Annual Financial Report for FY20

Highlights

- Continued to enhance **World Voicemail** with further functionality and differentiation, culminating in the successful launch of **Version 3.5 of World Voicemail**
- Ongoing relationship with **Spark NZ** continues to go from strength to strength, with material purchase orders and positive contract variations during FY20
- Customer receipts were \$1,051,614 a rise of 89% compared to FY19
- Operating cash outflows were down 53% compared to FY19
- Increasing customer receipts in conjunction with ongoing optimisation of internal operating costs supporting the targeted goal of achieving a cashflow break even quarter during early FY21
- Raised \$1.05 million in capital throughout the year, assisting with enhanced telco contract deployments and underpinning working capital requirements amid COVID-19
- Received an Australian Tax Office (ATO) Research and Development (R&D) Grant of \$712,997
- COVID-19 financial impact has stabilised, with limited productivity disruption as a result of a smooth transition to working from home operations

‘Sharing Economy’ and ‘Communications as a Service’ pioneer Norwood Systems Limited (Norwood or the Company) (ASX: NOR) is pleased to provide its financial report for the year ended 30 June 2020.

This announcement is authorised for release by the Board of the Company.

<ENDS>

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Company

Paul Ostergaard
CEO and Founder

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Investor Relations

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Background

Norwood Systems Limited (ASX: NOR) is revolutionising mobile voice, messaging, data and cyber security services through its pioneering award-winning virtual mobile services platform, Corona® and its award-winning Apps, World Phone®, World Message™, World Secure™, World Wi-Fi™ and most recently World Voicemail™. The Company's breakthrough offerings deliver Over the Top (OTT) connectivity, knowledge and intelligence services. Norwood's products and services are targeted at a broad spectrum of prospective customers from individuals through to large enterprises and government agencies.

Norwood Systems provides voice, messaging, data and cyber-security services to consumers, enterprises, and carriers globally, leveraging its federated telecommunications service network and partnerships. Its mission is to deliver disruptive scalable on-premises and cloud-hosted Telco-scale services that are mediated by ultra-high-quality Smartphone Apps to streamline and simplify how users around the world can access affordable, high-quality communications and security services – anywhere, anytime.

Norwood Systems is increasingly focusing on a significant pipeline of Telco prospects, in particular for its highly scalable and innovative World Voicemail platform. Increasingly Norwood is working with major partners to build profitable client relationships addressing targeted Telco opportunities. Norwood has worked to establish significant partnerships for Norwood's Enterprise (B2B) offerings and for Norwood's Loyalty offerings. Most recently, Norwood has expanded its partnership strategy to target the Telco segment for its World Voicemail platform. The Company now has significant partnerships-in-progress for the Telco Voicemail market, some of which are expected to be finalised and announced in the first half of the new financial year.

Norwood has delivered services to more than 6 million customers since launching its platform in mid-2014, servicing people in 200+ countries & territories and 5000+ cities worldwide. The World Message™ App, gives users seamless and cost-effective international SMS and instant messaging functionality. These two Apps form the core of Norwood's revolutionary Virtualised Business Mobile Services (VBMS) platform, which in turn forms the basis for Norwood's Enterprise Compliance and Enterprise CRM services.

Norwood's World Wi-Fi™ App gives users seamless access to millions of Wi-Fi Access points around the world. World Secure™ provides unique cyber-defence for individuals and corporations' employees when they leave their established security perimeter, protecting them automatically when people use potentially unsafe Wi-Fi networks.

Norwood's most recent platform, World Voicemail™, re-imagines how Telco operators can transform their basic, commoditised voicemail service into a super-charged engagement platform that those operators can use to interact naturally with their subscribers at a far higher frequency than would otherwise be possible.

Norwood's industry peers have recognised the value of its transformative innovations, highlighted by Norwood reaching the finals of Australia's highly-regarded National iAwards programme in the past six years running (2014-2019), and winning a National iAward in 2014, 2015 and 2017, succeeding in highly-contested judging sessions of Australia's best IT innovations in those years.

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Appendix 4E

ABN: 15 062 959 540

Given in accordance with ASX Listing Rule 4.3A



Appendix 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

The following sets out the requirements of the Appendix 4E with the stipulated information either provided here or cross-referenced to the 30 June 2020 Annual Financial Report, which is attached.

The following is a summary of the financial results for the financial year ended 30 June 2020 for Norwood Systems Limited and its controlled entities. Unless otherwise stated all figures are provided in AUD.

1. Company details & reporting period

Norwood Systems Limited and its controlled entities (“the Group”)

Year Ended	Previous Corresponding Period
30 June 2020	30 June 2019

2. Results for announcement to the market

Comparison to previous period	Increase/ (Decrease)	30 June 2020 \$	30 June 2019 \$
Revenue from continuing operations	66.57%	870,015	522,327
Loss from ordinary activities after tax attributable to members	(37.63%)	(1,891,225)	(3,032,364)
Net loss for the year attributable to members	(37.63%)	(1,891,225)	(3,032,364)

3. Commentary on the results

Refer to the Review of Operations on page 14 of the attached Annual Financial Report for the period ended 30 June 2020.

4. Statement of Profit or Loss & Other Comprehensive Income with notes to the statement

Refer to the attached Annual Financial Report for the year ended 30 June 2020:

- Consolidated Statement of Profit or Loss and Other Comprehensive Income
- Notes to the Consolidated Financial Statements

5. Statement of Financial Position with notes to the statement

Refer to the attached Annual Financial Report for the year ended 30 June 2020:

- Consolidated Statement of Financial Position
- Notes to the Consolidated Financial Statements

6. Statement of Cash Flows with notes to the statement

Refer to the attached Annual Financial Report for the year ended 30 June 2020:

- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

Appendix 4E (Cont'd)

SUMMARY RESULTS FOR THE YEAR ENDED 30 JUNE 2020

7. Dividends

There were no dividends declared or paid during the year.

8. Statement of Changes in Equity

Refer to the attached Annual Financial Report for the year ended 30 June 2020:

- Consolidated Statement of Changes in Equity
- Notes to the Consolidated Financial Statements

9. Earnings Per Share (EPS)

	30 June 2020	30 June 2019
Basic loss per share (cents per share)	(0.85)	(2.05)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	222,237,632	148,171,551

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.

10. Net Tangible Asset (NTA) Backing Per Share

	30 June 2020	30 June 2019
Net tangible asset backing per share (cents per share)	(0.330)	(0.0273)

11. Entities over which control has been gained during the year

Not applicable.

12. Any other significant information needed by an investor to make an informed assessment of the Group's financial performance and position

All significant information has been included elsewhere in this document or in the Annual Financial Report for the year ended 30 June 2020.

13. Audit qualification or review

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

14. Signed



Mr Paul Ostergaard
Managing Director
31 August 2020

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Annual Report

For the year ended 30 June 2020

ABN: 15 062 959 540



norwood
connect globally, locally™

Corporate Information

Directors:

Mr Paul Ostergaard
Managing Director

Mr Mike Edwards
Non-Executive Director

Mr Giles Everist
Non-Executive Director

Company Secretary:

Mr Steven Wood

Auditors:

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Subiaco, WA 6008
Telephone: +61 8 6382 4600

Share Registry:

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16 Milligan St,
Perth, WA 6000

Bankers:

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150 Rokeby Road,
Subiaco, WA 6008

Westpac Banking Corporation
Level 14, 109 St Georges Terrace,
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Home Securities Exchange:

Australian Securities Exchange Limited
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Perth, WA 6000

ASX Code:

NOR

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About

Norwood Systems



About Norwood Systems

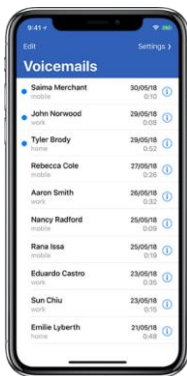
Norwood Systems is revolutionising mobile voice, messaging, data and cyber security services through its pioneering award-winning mobile services platform, Corona® and its award-winning Apps, World Phone®, World Message™, World Wi-Fi™, World Secure™ and most recently World Voicemail™. Its mission is to deliver disruptive end-user communications apps that streamline and simplify how users around the world can access affordable, high-quality telecommunications services – anywhere, anytime.

Norwood’s current core focus is on the Telco market for its popular World Voicemail platform.

Telco

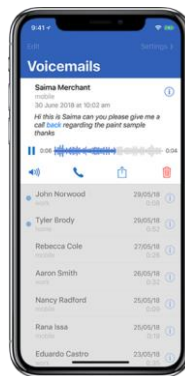
Norwood Systems has re-focused its Telco go-to-market strategy to emphasise Norwood’s new World Voicemail platform.

Easy to use



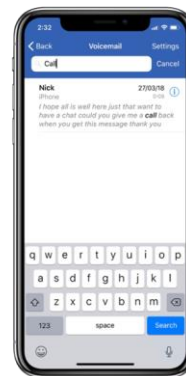
State-of-the-art user experience on both iOS and Android

Personalised



Multi-language voicemail transcription. User interface is localisable into your choice of language. Can also be delivered via SMS or email

Powerful



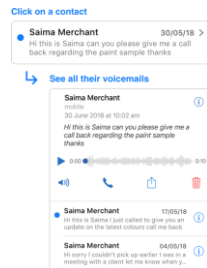
Revolutionary text-searchable voicemail archive to create user ‘stickiness’ and reduce churn

World Voicemail, at its most basic level, transforms a hard-to-use dial-up voicemail service for an end user into a high-quality visual user experience, delivered by Norwood’s World Voicemail App. Norwood has received extremely positive feedback from end users and prospective Telco clients on the general transformative quality of using the World Voicemail App. Long short-term memory (LSTM) is an artificial recurrent neural network (RNN) architecture used in the field of deep learning

Transcribed, searchable audio



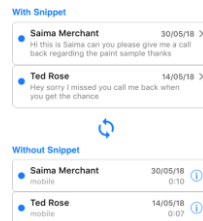
Grouping of messages by sender (threading)



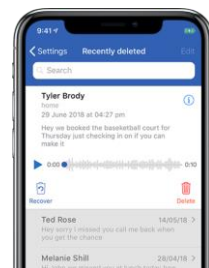
Machine learning “Urgency Filter”



Transcription snippets at a glance



On-device deleted message recovery



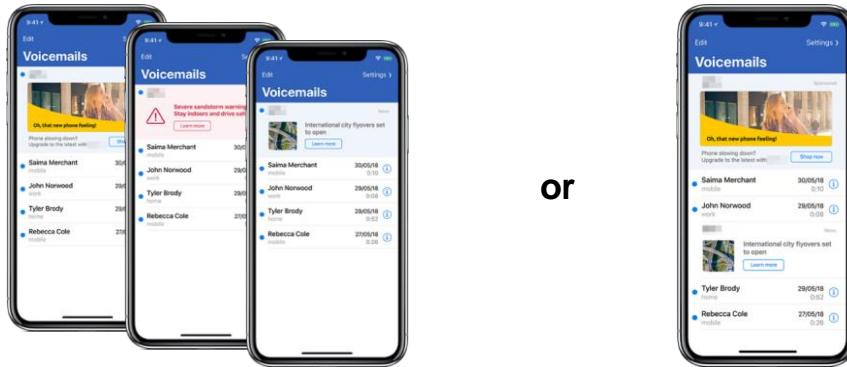
Now using Norwood’s internally developed RNN-LSTM speech-to-text neural network layers to augment recognition

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It is well recognised that Telcos around world are facing a severe commoditisation of their service offerings. For example, many mobile plans now offer unlimited local minutes and text messages and differentiate primarily on plan price and the amount of 3G/4G data provided.

Offers / Alerts / News – single-message feed

Multi-message feed

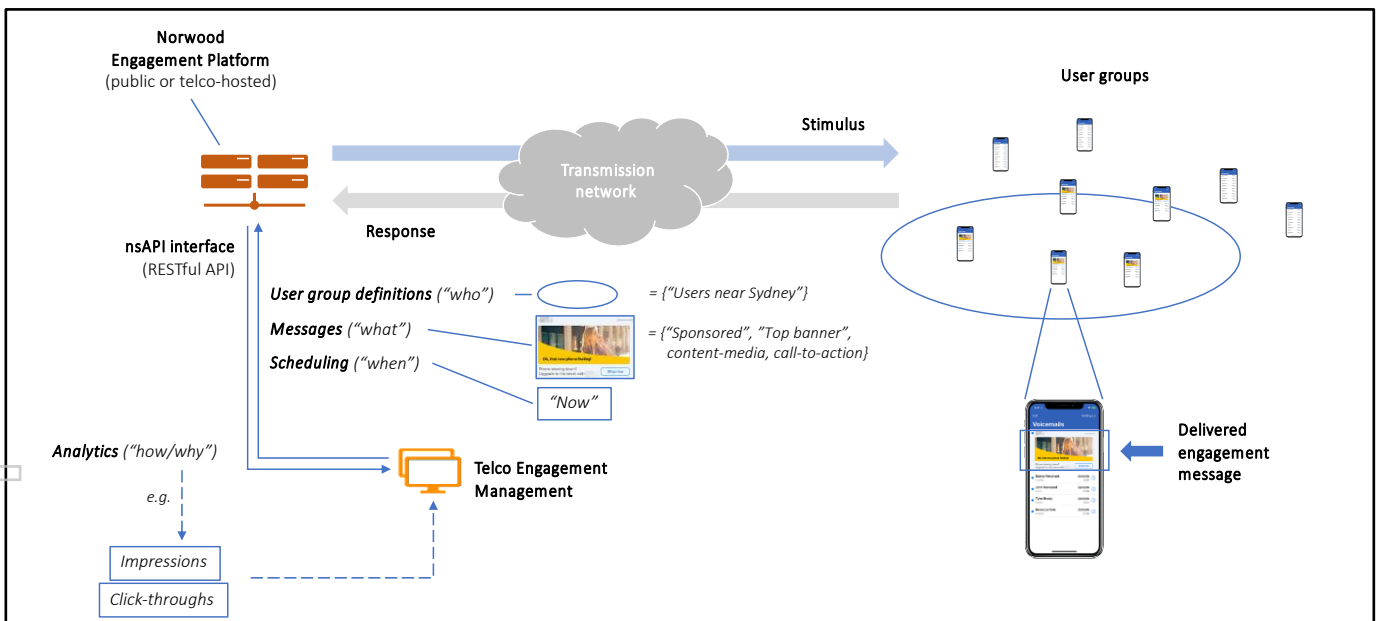


or

A variety of news, alert and promotional channels can be combined to **drive customer engagement KPIs**

At a fundamental level, Norwood is positioning the World Voicemail platform as a *tool* to help Telcos combat this commoditisation and to help drive additional subscriber engagement without appearing to spam or interrupt those subscribers. When subscribers check their voicemails using World Voicemail, Telcos have their customers’ attention and eyeballs, offering the opportunity for additional visual engagement as depicted below.

Such engagement visuals are enabled through the World Voicemail platform’s “Engagement Application Programming Interface (API)”, which enables the Telcos to interact directly with subscribers in an unobtrusive manner when on the World Voicemail screen.



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Managing Director's Remarks



Managing Director's Remarks

As a Company, we are delighted to present the Norwood Systems Limited (Norwood) FY20 annual financial report. Despite the unprecedented economic challenges presented by COVID-19, the Company significantly advanced its core strategy during the year. This was underpinned by the continued enhancement of the **World Voicemail** platform and positive progress on the important Spark NZ contract.

Norwood is confident that the **World Voicemail** platform can help Telcos drive up engagement with their subscriber base and the revenue generating contract with Spark NZ is a tribute to this. Our business development activities throughout the year have been to progress our innovative **World Voicemail** technology to capture these substantial Telco opportunities.

We continue to maintain strong financial discipline, which has cascaded through to a reduction in cash operating costs. In addition to a reduction in operating costs, we have seen an increase in our receipts from customers, including the long-term, annually recurring revenue from the Spark contract. Decreasing costs and increasing revenues has pivoted Norwood to emerge from COVID-19 in a robust financial position.

Results

Pleasingly, our significant investment in technology and marketing, as well as our strong financial discipline, translated into improved financial performance. Norwood delivered a net loss for the year ending 30 June 2020 of \$1,891,225, which is a significant improvement on the prior corresponding period (year ending 30 June 2019: \$3,032,364). On the back of our continuously improving results, we are targeting a cash flow break even quarter in FY21. Prior to 30 June 2020, the Company successfully completed placements to raise \$1.05 million (before costs). Further to this, Norwood received an Australian Tax Office (ATO) Research and Development (R&D) Grant of \$712,997 in September 2019. 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 Norwood continued to develop and enhance the platform to further strengthen the Company's position to target the \$1 billion telco market for legacy voicemail service replacement. **World Voicemail**'s evolving capabilities are being positively received by our growing pipeline of telco prospects.

World Voicemail is both available for Android and iOS smartphone users and helps Telcos to drive subscriber engagement, while enabling modernisation of their voicemail delivery in their network. Going forward, the Company will continue to focus almost exclusively on the World Voicemail Telco opportunities identified. Norwood continues to have detailed interaction with very credible partners in the Telco space, and we are excited about the future near and mid-term opportunities that we see in front of us.

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 that will deliver a minimum estimated committed revenue to Norwood of approximately NZ\$1.1 million over four years, with targeted revenue to Norwood of approximately NZ\$2.0 million over that period. Noting the Company Update on 14 April 2020, Norwood is already making positive strides towards achieving this revenue target, as during FY20 the Company reached an agreement with **Spark NZ** to receive NZ\$350,000 under a contract variation to provide additional **World Voicemail** services.

To conclude, Norwood has delivered significant positive progress in an uncertain and volatile COVID-19 impacted economic environment. This was highlighted by the continued development of **World Voicemail**, the **Spark NZ** contract going from strength to strength, and a broad improvement of our bottom line. The **Spark NZ** contract win represents a huge validation of our technology, while delivering a significant long-term and stable income stream to our business.

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 operations as COVID-19 reached Western Australia. As a result, Norwood experienced limited productivity disruption from the pandemic.

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

I look forward to updating you in FY21 and beyond.

Mr Paul Ostergaard
Managing Director
31 August 2020

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Directors' Report

For the year ended 30 June 2020

ABN: 15 062 959 540





Directors

Your Directors present their report together with the financial proclamations of the Group comprising of Norwood Systems Limited and the entities it controlled for the financial year ended 30 June 2020. So as to consent to the arrangements of the Corporations Act 2001, the Directors' report as follows:

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

Paul Ostergaard
Managing Director

Michael Edwards
Non-Executive Director

Giles Everist
Non-Executive Director

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Particulars of Directors, Company Secretary and Executive Management



Paul Ostergaard

Managing Director

The Founder of Norwood Systems and the key driver of Norwood's strategic vision for delivering its portfolio of advanced Over-The-Top (OTT) communications and security 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 vendor servicing the growing needs of Telcos worldwide for modernised mobile services that can engage and delight their subscribers. Responsible for the company's overall strategic direction, he founded Norwood Systems in 2011.

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 a dozen 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, ETRE and the Bluetooth SIG conferences. In 2015, Paul was named to Engineers Australia's list of Top 100 Most Influential Engineers in Australia.

Other current directorships of ASX listed companies: Nil

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



Michael Edwards

Independent, Non-Executive Director

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.

Other current directorships of ASX listed companies:

Non-Executive Director – DE Mem Ltd

Non-Executive Chairman - Firefly Resources Ltd

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

Non-Executive Director – Digital Wine Ventures Limited

Non-Executive Director – Esense-Lab Ltd

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Particulars of Directors, Company Secretary and Executive Management (Cont'd)



Giles Everist

Independent, Non-Executive Director

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, and Monadelphous. Mr Everist has previously chaired ASX listed companies and brings outstanding corporate governance credentials and superb finance capabilities to the Board of Norwood.

Mr Everist is a current Director of ASX listed company Austal Limited and Chief Financial Officer of Macmahon Holdings 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.

Other current directorships of ASX listed companies:

Non-Executive Director – Austal Limited

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

None

Steven Wood

Company Secretary

Mr Wood has specialised in corporate advisory, company secretarial & financial management services professionally since 2011. Mr Wood is a Chartered Accountant, and has been involved in various private and seed capital raisings as well as successful ASX listings, whilst also providing company secretarial and financial management services to both ASX and unlisted public and private companies.

Mr Wood started his career in the Perth office of Pitcher Partners where he spent several years in their corporate re-structuring division.



Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Particulars of Directors, Company Secretary and Executive Management (Cont'd)

Steven Tot

General Manager Enterprise & Vice President Sales

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

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

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



Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Principal Activities

The principal activities during the year include:

- Released version 3.0 of **World Voicemail** in October 2019, which included improved voicemail transcription quality and support for 16 language localisations, in parallel to voicemail server platform upgrades.
- Released version 3.5 of **World Voicemail** in May 2020, with new, unique support for novel spam filtering capabilities powered by machine learning.
- Received first material purchase order for NZ\$244,000 from **Spark NZ**, under four-year contract that was signed in FY19 that has a minimum estimated commitment of NZ\$1.1 million.
- Further NZ\$350,000 received from **Spark NZ** to provide additional World Voicemail services.
- Completed a 10 for 1 consolidation of securities on issue.
- Broadening of Norwood's relationships with key partners and prospective partners.

Results

The net loss attributable to members of the Group for the year ended 30 June 2020 amounted to \$1,891,225 (2019: \$3,032,364).

Dividends

There were no dividends paid or declared during the year.

Review of Operations

Sales and Commercialisation Activities

Norwood's Current Focus – The Telco Voicemail Market

Norwood Systems last year (FY2019) re-focused its Telco go-to-market strategy to emphasise Norwood's new World Voicemail platform. World Voicemail transforms a Telco's "last-century" dial-up voicemail service for an end-user into a high-quality visual user experience, mediated by Norwood's World Voicemail App technologies.

The Company has continued an outreach to Telcos and MVNOs during the year to promote the value of its technology platforms, software and services, resulting both in contracts and intents by Telcos to pilot one or more of Norwood's communications services offerings.

It is well recognised that Telcos around world are facing a severe commoditisation of their service offerings. For example, many mobile plans now offer unlimited local minutes and text messages and differentiate primarily on plan price and the amount of 3G/4G data provided.

Norwood is positioning the World Voicemail platform as a tool to help Telcos combat this commoditisation and to help drive additional subscriber engagement without appearing to spam or interrupt those subscribers. When subscribers check their voicemails using World Voicemail, Telcos have their customers' attention and eyeballs, offering the opportunity for additional visual engagement.

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Spark NZ contract

During the period, Norwood was pleased to announce positive updates related to the substantial contract it signed with **Spark NZ** in FY19.

The contract is anticipated for four years and includes committed upfront payments for initial development, installation and commissioning works to be supplied by Norwood for smartphone App software development and associated software component licenses, as well as recurring fees for a baseline minimum number of user licenses over the contract period.

This contract is a significant achievement for Norwood – the supply of software licences, white label Apps and professional services will deliver a minimum estimated committed revenue to Norwood of approximately NZ\$1.1 million. The Company is targeting revenue of approximately NZ\$2.0 million.

In the first half of FY20 Norwood received its first material purchase order for NZ\$244,000 from Spark. In the second half of FY20 a further NZ\$350,000 was received from Spark to provide additional World Voicemail services, as part of a positive contract variation.

Spark is New Zealand's leading digital services provider and one of the largest companies by value on the New Zealand Stock Exchange. As of 30 June 2018, Spark had 2.4 million mobile connections and 700,000 broadband connections.

Product Development Activities

World Voicemail 3.0

The Group launched a version 3.0 of its flagship service, **World Voicemail**, during the first half of the 2020 financial year. Key new World Voicemail end-user features as part of the version 3.0 updated included;

- Improved voicemail message transcription quality
- Full support for Apple's iOS 13, including support for the iOS 13 dark-mode appearance
- Automatic voicemail forwarding to email – "voicemail delegation"
- The ability to read or listen to voicemails directly from the iPhone lock-screen
- Support for 16 new languages to support global distribution

World Voicemail 3.5

The Group released major new advancements in version 3.5 of World Voicemail, which was launched in the second half of the 2020 financial year. The update primarily encompassed the inclusion of AI-powered 'Spam Filtering and Tagging' capabilities for Telcos and consumers. This allows customers to 'mute' or hide inbound telemarketing and nuisance calls, either manually or automatically, through Norwood's new advanced machine learning filter. These capabilities were developed in response to the overwhelming surge in spam and robocalls received by people worldwide and the corresponding demand from telco operators worldwide.

Norwood's World Voicemail telco-scale platform architecture features "continuously available" service delivery technologies, using cutting-edge server and distributed database technologies. It is currently able to scale to more than 100 million subscribers per telco.

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Corporate

The Company held a live audio Question and Answer ("Q&A") Investor Webinar session with the CEO and Founder Mr Paul Ostergaard on 9 June 2020.

Capital Raising

In October 2019, Norwood received a firm commitment from Pinnacle Corporate Finance Pty Ltd to raise \$200,000 via the placement of approximately 66.7 million fully paid ordinary shares at \$0.003 per share (pre-consolidation). In addition, the Company also completed a second placement in December 2019 and raised \$200,000 via the issue of 66.7 million fully paid ordinary shares at \$0.003 per share (pre-consolidation).

Norwood completed a 10 for 1 consolidation of its securities in December 2019 as approved by shareholders at the AGM. As a result of the Consolidation, the number of the Company's shares on issue was reduced from 2,232,693,616 existing shares to 223,270,063. The consolidation applied equally to all shareholders, individual shareholdings were reduced in the same ratio as the total number of shares. The consolidation capital was applied to all listed and unlisted options at the time of the consolidation. These options were consolidated on the same basis as the shares with the existing price amended in inverse proportion to the consolidation ratio. The expiry dates of the options did not change.

In June 2020, Norwood raised \$250,000 via the placement of 11,363,638 ordinary shares at \$0.022 per share together with one free attaching listed option with an exercise price of \$0.08 and an expiry date of 31 October 2020 (post-consolidation).

The Board continues to manage the capital requirements of the Group to ensure the capital needs of the Group in the coming quarter will be met. This consideration includes the possibility of other material revenue generating contracts additional to the Spark NZ contract.

R&D Tax Rebate & Funding Arrangement

Norwood received a tax offset receipt of \$712,997 as an R&D rebate from the ATO in relation to FY19 R&D activities during the year. The funds were applied to the retirement of the R&D tax offset funding agreement noted in the financial report for the year ended 30 June 2019, and approximately \$203,000 in remaining surplus from the rebate being applied to working capital purposes.

The R&D receipts have allowed the Group to sustain R&D momentum, which so far has included the delivery of a new visual voicemail service, World Voicemail, new sentiment analysis capabilities for World Phone and Corona, and regular product updates for World Phone, World Message and World Wi-Fi.

The Group has utilised the R&D tax offset funding arrangement in the year ended 30 June 2020 in relation to FY20 R&D activities. Based on September 2019, December 2019, and March 2020 quarterly activities, the Group received a total funding of \$510,046 during the year ended 30 June 2020. The June 2020 quarter R&D funding is anticipated to be received in the September quarter.

Cost Reduction Initiative

During the period, Norwood conducted a thorough review of its cloud-based server infrastructure to identify further operational efficiencies and cost savings. This has led to a number of important adaptations, implementations currently underway, to how Norwood consumes third party cloud services. The Company is confident that these operational changes will deliver significant additional savings to its cloud infrastructure costs over the current and future periods.

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Significant Changes in State of Affairs

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

Likely Developments & Expected Results of Operations

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

Matters subsequent to the End of the Financial Year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial years.

Environmental Regulation and Performance

The Directors believe that the Group has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations. The Group's operations comply with NGER Act 2007.

Indemnification and Insurance of Directors and Officers

During the financial year, the Company incurred a premium of \$17,500 excluding GST and stamp duty (2019: \$36,000) to insure the Directors and Secretary of the Company.

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Directors' Interests in the Shares and Options of the Company

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

Director	Shares		Options	
	Held Directly	Held Indirectly	Held Directly	Held Indirectly
Paul Ostergaard	-	20,172,349	-	2,400,000
Michael Edwards	-	615,078	-	1,300,000
Giles Everist	-	125,000	-	1,300,000
Total	-	20,912,427	-	5,000,000

Meetings of Directors

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

Board of Directors	Meetings Attended	Meetings Eligible to Attend
Paul Ostergaard	12	12
Michael Edwards	12	12
Giles Everist	12	12

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 2020. The information contained in this report has been audited as required by section 308(3C) of the Corporations Act 2001. The information provided includes remuneration disclosures that are required under Accounting Standard AASB 124 "Related Party Disclosures". These disclosures have been transferred from the Financial Report.

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

Key Management Personnel

Directors:

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

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Remuneration Report (Audited) (Cont'd)

Executives:

Mr Steven Tot	General Manager Enterprise & Vice President Sales	Appointed 19 October 2015
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Remuneration Policies

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

Fixed Remuneration

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

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

Performance-Linked Remuneration

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

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

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

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Remuneration Report (Audited) (Cont'd)

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 three financial years.

	2020	2019	2018	2017
Net profit / (loss)	(\$1,891,225)	(\$3,032,364)	(\$4,044,223)	(\$6,753,359)
Share price	\$0.021	\$0.05	\$0.07	\$0.15
Change in share price ¹	(\$0.029)	(\$0.02)	(\$0.08)	(\$0.15)
Earnings per share	(\$0.85)	(\$2.05)	(\$3.40)	(\$6.80)

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

¹Norwood completed a 10 for 1 consolidation of its securities in December 2019. The consolidation had no material effect on the percentage interest of each individual shareholder and the aggregate value of each shareholder's holding did not change as a result of the consolidation. The 2019, 2018 and 2017 columns have been adjusted to reflect the share capital consolidation that occurred during the current year.

Service Agreements

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

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

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

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Remuneration Report (Audited) (Cont'd)

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

Mr Paul Ostergaard – Managing Director

- Term of Agreement – ongoing subject to annual review.
- Remuneration – \$286,000 per annum plus superannuation at statutory rates up to 16 March 2019. Mr Ostergaard took a \$50,000 reduction in salary effective from 17 March 2019.
- Termination Provisions – 6 months' written notice or payment of 6 months' base salary

Mr Ostergaard's remuneration was effective from 1 July 2018.

Mr Steven Tot – General Manager Enterprise & Vice President Sales

- Term of Agreement – ongoing subject to annual review.
- Remuneration – \$180,000 per annum plus superannuation at statutory rates.
- Car Allowance – \$15,000 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.

Non-Executive Directors

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.
- Non-Executive Directors' Fees of \$45,000 per annum.
- There is no notice period stipulated to terminate the contract by either party.

Total remuneration for all Non-Executive Directors, last voted upon by shareholders, is not to exceed \$310,000 per annum and fees are set based on fees paid to other Non-Executive Directors of comparable companies. Directors' base fees are presently set at \$45,000 per annum.

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

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Remuneration Report (Audited) (Cont'd)

Hedging Exposure

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

Remuneration of Key Management Personnel

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

Key Management Personnel of Norwood Systems Limited

2020 Key Management Personnel	2020		Post-Employment Benefits	Share Based Payments	Total \$	Performance Related %
	Salary & Fees \$	Non- Monetary \$	Superannuation \$	Options \$		
Executive Directors						
Mr Paul Ostergaard	\$268,065	-	\$25,466	-	\$293,531	-
Total Executive Directors	\$268,065	-	\$25,466	-	\$293,531	-
Non-Executive Directors						
Mr Michael Edward	\$45,000	-	-	\$26,317	\$71,317	-
Mr Giles Everest	\$41,096	-	\$3,904	\$26,317	\$71,317	-
Total Non-Executive Directors	\$86,096	-	\$3,904	\$52,634	\$142,634	-
Total Directors	\$354,161	-	\$29,370	\$52,634	\$436,165	-
Executives						
Mr Steven Tot	\$190,000	-	\$18,050	-	\$208,050	-
Total Executives	\$190,000	-	\$18,050	-	\$208,050	-
Total	\$544,161	-	\$47,420	\$52,634	\$644,215	-

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Remuneration of Key Management Personnel (Cont'd)

Key Management Personnel	2019		Post-Employment Benefits	Share Based Payments	Total	Performance Related %
	Salary & Fees \$	Non-Monetary \$	Superannuation \$	Options \$		
Executive Directors						
Mr Paul Ostergaard	\$269,616	-	\$25,614	-	\$295,230	-
Total Executive Directors	\$269,616	-	\$25,614	-	\$295,230	-
Non-Executive Directors						
Mr Michael Edward	\$45,000	-	-	\$11,671	\$56,671	-
Mr Amit Pau ⁽¹⁾	\$27,535	-	-	-	\$27,535	-
Mr Giles Everest	\$41,096	-	\$3,904	\$11,671	\$56,671	-
Total Non-Executive Directors	\$113,631	-	\$3,904	\$23,342	\$140,877	-
Total Directors	\$383,247	-	\$29,518	\$23,342	\$436,107	-
Executives						
Mr Steven Tot	\$195,000	-	\$18,525	\$118,359	\$331,884	-
Total Executives	\$195,000	-	\$18,525	\$118,359	\$331,884	-
Total	\$578,247	-	\$48,043	\$141,701	\$767,991	-

⁽¹⁾Mr Amit Pau resigned on 18 Sept 2018.

Share Based Compensation

The Company granted the following NOROA and ZEPO options as share based payments in the FY 2020. These options are not dependent upon satisfaction of performance conditions and have been issued to increase goal congruence between Shareholders and Directors.

Tranche	Number of Options Issued	Issue Date	Vesting Date	Expiry Date	Exercise Price	Total Value(i)	Recipient	% Vested as at 30 June 2020
ZEPO	800,000	27 Aug 2019	1 year after the issue date	20 Sept 21	Nil	\$32,000	400,000 to Michael Edwards	84%
							400,000 to Giles Everist	
NOROA	1,000,000	27 Aug 2019	Immediately	31 Oct 20	\$0.08	\$8,975	500,000 to Michael Edwards	100%
							500,000 to Giles Everist	

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Remuneration of Key Management Personnel (Cont'd)

In the absence of third party vendor invoices and any other information providing a more reliable indication of fair value, all options issued 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
ZEPO	-	100%	0.72%	2	Nil	\$0.04 ¹
NOROA	-	100%	0.72%	1	0.08	\$0.04 ¹

¹Post-consolidation share price

Share Holdings of Key Management Personnel

The number of ordinary shares of Norwood Systems Limited held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2020 is as follows:

Directors and Executives	Held at 30 June 2019	On Market Purchase During the Year	Other Changes ¹	Held at 30 June 2020
Mr Paul Ostergaard	201,723,481	-	(181,551,132)	20,172,349
Mr Michael Edwards	6,150,770	-	(5,535,692)	615,078
Mr Giles Everist	1,250,000	-	(1,125,000)	125,000
Mr Steven Tot	100,000	-	(90,000)	10,000
Total	209,224,251	-	(188,301,824)	20,922,427

⁽¹⁾ Share consolidation 1:10 in December 2019.

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Remuneration of Key Management Personnel (Cont'd)

Option Holdings of Key Management Personnel

The number of options of Norwood Systems Limited held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2020 is as follows:

Directors and Executives	Tranche	Grant Date	Held at 30 June 2019	% Vested	Granted	Exercised	Expired	Held at 30 June 2020	Unvested at 30 June 2020 ²	Max. \$ to vest at 30 June 2020
Mr Paul Ostergaard	A	27 Nov 2015	1,900,000	100%	-	-	-	1,900,000	-	-
	M	15 Dec 2017	250,000	100%	-	-	-	250,000	-	-
	N	15 Dec 2017	250,000	100%	-	-	-	250,000	-	-
			2,400,000¹		-	-	-	2,400,000¹	-	-
Mr Giles Eversit	ZEPO	29 Nov 2018	400,000	100%	-	-	-	400,000	-	-
	ZEPO	27 Aug 2019	-	84%	400,000	-	-	400,000	64,000	2,499
	NOROA	27 Aug 2019	-	100%	500,000	-	-	500,000	-	-
			400,000¹		900,000	-	-	1,300,000¹	64,000	2,499
Mr Michael Edwards	ZEPO	29 Nov 2018	400,000	100%	-	-	-	400,000	-	-
	ZEPO	27 Aug 2019	-	84%	400,000	-	-	400,000	64,000	2,499
	NOROA	27 Aug 2019	-	100%	500,000	-	-	500,000	-	-
			400,000¹		900,000	-	-	1,300,000¹	64,000	2,499
Mr Steven Tot	D	27 Nov 2015	500,000	100%	-	-	-	500,000	-	-
	J	2 Aug 2016	100,000	100%	-	-	-	100,000	-	-
			600,000¹		-	-	-	600,000¹	-	-

(1) Share consolidation 1:10 in December 2019. All numbers presented on post consolidation basis.

(2) For accounting purposes

Performance Share Holdings of Key Management Personnel

There are no performance shares of Norwood Systems Limited held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2020.

Other Transactions with Key Management Personnel

The Company previously agreed to the provision of a non-recourse loan to Mr Paul Ostergaard pursuant to its employee incentive scheme (Employee Share Plan) to subscribe for 40,000,000 shares (Loan Shares) in the Company. The non-recourse loan was only to be advanced, and the Loan Shares were only to be issued in the event that the Company executed a binding agreement with a global telecommunications company (Telco) vendor on or before 31 December 2019 (Ostergaard Condition). As the conditions were not met on the specified date, no Loan Shares have been issued and no loan receivable was recorded as at 30 June 2020.

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Key Management Personnel Loans

Ocean Broadband Ltd (Mr Paul Ostergaard – Managing Director)

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

	2020	2019
	\$	\$
Opening balance payable by the Group	40,469	40,469
Provision for loan receivable	(40,469)	-
Total payable by / (receivable due to) the Group	-	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:

	2020	2019
	\$	\$
Opening balance payable by the Group	33,101	22,101
Loan proceeds (advanced)	-	11,000
Provision for loan receivable	(33,101)	-
Total payable by / (receivable due to) the Group	-	33,101

Mr Paul Ostergaard – Managing Director

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

	2020	2019
	\$	\$
Opening balance payable by the Group	36,501	36,501
Provision for loan receivable	(36,501)	-
Total payable by / (receivable due to) the Group	-	36,501

Voting of Shareholders at last year's Annual General Meeting

Norwood Systems Limited received more than 83.39% of "yes" votes on its remuneration report for the 2019 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

- END OF AUDITED REMUNERATION REPORT-

Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

Auditor & Non-Audit Services

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

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

During the year there were no fees paid or payable for non-assurance services provided by the auditor of the Group (2019: nil).

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2020 has been received and can be found on page 48.

Proceedings on Behalf of the Company

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

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

Options over unissued ordinary shares

No share options were converted into share capital during the year ended 30 June 2020 (2019: 2,500,000 pre-consolidation ZEPO options were converted into share capital). At the date of this report the following options over ordinary shares in Norwood Systems Limited are on issue and outstanding:

Tranche	No. of Options ¹	Exercise Price	Expiry Date
NOROP4	950,000	\$1.98	27 Nov 2020
NOROP5	950,000	\$2.97	27 Nov 2020
NOROP7	500,000	\$1.35	27 Nov 2020
NOROP11	265,000	\$0.57	2 Aug 2021
NOROP15	250,000	\$0.23	15 Dec 2020
NOROP16	250,000	\$0.28	15 Dec 2020
NOROP17	800,000	\$0.00	14 Dec 2020
NOROA	101,880,789	\$0.08	31 Oct 2020
ZEPO	1,200,000	\$0.00	27 August 2021
Total	107,045,789		

⁽¹⁾ Share consolidation 1:10 completed in December 2019.

Directors' Report (Cont'd)
FOR THE YEAR ENDED 30 JUNE 2020

Signed in accordance with a resolution of the Directors.



Mr Paul Ostergaard
Managing Director
31 August 2020

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF NORWOOD SYSTEMS LIMITED

As lead auditor of Norwood Systems Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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



Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth, 31 August 2020

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Financial Report

For the year ended 30 June 2020

ABN: 15 062 959 540



Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
Revenue	4	870,015	522,327
Interest and other revenue		944	10,612
Government grant income	4	820,997	878,986
Sales and marketing	5	(159,052)	(441,766)
Patent, research and development		(207,973)	(142,898)
Information technology infrastructure cost		(232,067)	(561,287)
Employee and director benefits expense	5	(1,756,384)	(1,819,575)
ASX & share registry fees		(123,747)	(137,089)
Share based payment expense	19	(86,172)	(218,923)
Consultancy and subcontractor fees		(206,915)	(233,295)
Rent		(4,008)	(99,057)
Finance costs		(65,298)	(53,678)
Accountancy, audit and legal fees		(253,339)	(197,310)
Other expenses		(211,484)	(207,744)
Travel and entertainment		(76,091)	(124,423)
Administration expenses		(111,074)	(184,554)
Depreciation		(89,577)	(22,690)
Loss before income tax		(1,891,225)	(3,032,364)
Income tax benefit	6	-	-
Loss after tax for the year attributable to the members of Norwood Systems Limited		(1,891,225)	(3,032,364)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to the members of Norwood Systems Limited		(1,891,225)	(3,032,364)
Loss per share for the year attributable to the members of Norwood Systems Limited			
Basic and diluted loss per share (cents per share) for the year	7	(0.85)	(2.05)

The above 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 2020

	Note	2020 \$	2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	152,730	407,082
Trade and other receivables	9	160,794	420,719
Contract assets	4	10,787	53,773
Total Current Assets		324,311	881,574
Non-Current Assets			
Plant and equipment		120,714	129,925
Right to use assets	10	109,310	-
Total Non-Current Assets		230,024	129,925
TOTAL ASSETS		554,335	1,011,499
LIABILITIES			
Current Liabilities			
Trade and other payables	11	450,183	323,888
Lease liabilities	10	81,425	-
Provisions		207,687	199,591
Loan payable	12	432,914	452,899
Contract Liabilities		20,228	30,586
Total Current Liabilities		1,192,437	1,006,964
Non-Current Liabilities			
Provisions		62,628	44,955
Lease liabilities	10	32,452	-
Total Non-Current Liabilities		95,080	44,955
TOTAL LIABILITIES		1,287,517	1,051,919
NET ASSETS/(LIABILITIES)		(733,182)	(40,420)
EQUITY			
Issued capital	13	30,644,878	29,532,587
Reserves	14	9,021,872	8,935,700
Accumulated losses	15	(40,399,932)	(38,508,707)
TOTAL EQUITY/(NET ASSET DEFICIENCY)		(733,182)	(40,420)

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

Consolidated Statement of Changes of Equity

FOR THE YEAR ENDED 30 JUNE 2020

	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2019	29,532,587	8,935,700	(38,508,707)	(40,420)
Loss for the year	-	-	(1,891,225)	(1,891,225)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(1,891,225)	(1,891,225)
<i>Transaction with owners, directly recorded in equity</i>				
Issue of ordinary shares, net of transaction costs	1,036,291	-	-	1,036,291
Share to be issued	12,000	-	-	12,000
Share based payment	64,000	86,172	-	150,172
Total transactions with owners	1,112,291	86,172	-	1,198,463
Balance at 30 June 2020	30,644,878	9,021,872	(40,399,932)	(733,182)

	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2018	27,193,337	8,693,074	(35,476,343)	410,068
Loss for the year	-	-	(3,032,364)	(3,032,364)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(3,032,364)	(3,032,364)
<i>Transaction with owners, directly recorded in equity</i>				
Issue of ordinary shares, net of transaction costs	2,321,250	23,703	-	2,344,953
Share to be issued	18,000	-	-	18,000
Share based payment	-	218,923	-	218,923
Total transactions with owners	2,339,250	242,626	-	2,583,376
Balance at 30 June 2019	29,532,587	8,935,700	(38,508,707)	(40,420)

The above 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 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		1,051,614	555,260
Other income		-	18,683
Government grants received		820,997	869,481
Payments to suppliers and employees		(3,154,546)	(4,272,023)
Interest received		944	1,434
Interest paid		(48,084)	(8,595)
Net cash flows used in operating activities	17	(1,329,075)	(2,835,760)
Cash flows from investing activities			
Purchase of plant & equipment		(11,689)	(3,183)
Net cash flows used in investing activities		(11,689)	(3,183)
Cash flows from financing activities			
Proceeds from the issue of shares	9 & 13	1,243,400	1,941,169
Share issue costs		(17,200)	(104,717)
Radium loan repayment		(569,915)	(397,688)
Proceeds from loan		510,046	427,406
Payments for the principal portion of lease liabilities		(79,919)	-
Proceed from convertible notes		-	300,000
Net cash flows from financing activities		1,086,412	2,166,170
Net decrease in cash and cash equivalents		(254,352)	(672,773)
Cash and cash equivalents at the beginning of the year		407,082	1,079,855
Cash and cash equivalents at the end of the year	8	152,730	407,082

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: REPORTING ENTITY

Norwood Systems Limited is a listed public Company incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the “consolidated entity” or “Group”). A description of the nature of the Company’s operations and its principal activities is included in the Directors’ Report which does not form part of this financial report. The consolidated financial statements were authorised by the Board of Directors on the date of signing the Directors’ Declaration.

NOTE 2: BASIS OF PREPARATION

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

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

Compliance with AIFRS ensures that the Financial Statements and Notes comply with International Financial Reporting Standards.

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

Going Concern

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

As disclosed in the financial statements, the Group incurred a loss of \$1,891,225 and had net cash outflows from operating activities of \$1,329,075 and a net asset deficiency of \$733,182. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

The ability of the entity to continue as a going concern is dependent on securing additional funding through capital raising activities and the securing of material revenue generating contracts to continue its operational and marketing activities.

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 Directors have assessed the cash flow requirements for the 12 month period from the date of approval of the financial statements and its impact on the Group and believe there will be sufficient funds to meet the Group’s working capital requirements;
- The working capital deficiency contains amounts not currently owing but will be due and settled within the next 12 months. The Directors are satisfied additional funds will be available when these obligations are due;
- The Directors anticipate generation of revenues as a result of provision of the Group’s products and services;
- Creditors totalling approximately \$45,000 have provided confirmation they will extend agreed payment terms;
- The Group is in ongoing discussions with remaining creditors which will be settled upon funding through a debt or equity event. At the date of this report, the Group has not received any demands for payment from creditors;
- Active cost cutting measures have continued;

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: BASIS OF PREPARATION (Cont'd)

Going Concern (Cont'd)

- Key shareholders have confirmed willingness to financially support the Group via a debt or equity event;
- Securing and drawing down on part of an R&D tax offset funding agreement to the amount of approximately \$99,000 subsequent to period end;
- Ability to draw down further R&D tax offset funding at the end of current quarter;
- The entity anticipate to receive its FY20 R&D rebate of approximately \$656,000 and this is secured against the Company's R&D Loan Facility;
- Cash on hand of \$152,730 as at 30 June 2020; and
- A history of successfully completing capital raisings over the preceding financial period, including via a placement, an entitlement issue and the issue of convertible notes. The Directors are monitoring the impact of the Coronavirus (COVID-19) pandemic on an ongoing basis. Currently, there does not appear to be either any significant impact upon the ability of the Group to raise additional funding through the capital market.

The Group continues to negotiate with a number of potential customers for its products. Should any of these negotiations be successful, based on its current modelling, the Group understands that due to the technology having already been developed, there will be minimal further capital required and the margins on any likely engagements will deliver surplus cash flows to the Group.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that 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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 20.

Significant Judgements and Key Assumptions

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

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

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

Share Based Payments

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: BASIS OF PREPARATION (Cont'd)

Significant Judgements and Key Assumptions (Cont'd)

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates, specific knowledge about the individual debtor's financial position and forward looking external industry information in line with the expected credit loss model.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation charges for its plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

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 company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company 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 company unfavorably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

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

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

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Norwood Systems Limited and its subsidiaries (the Group) as at 30 June 2020 or for any time during the year.

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

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

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

(b) Financial Assets and Financial Liabilities

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

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

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

Financial assets not measured at fair value comprise:

- I. loans and receivables with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method.
- II. All financial liabilities are measured at amortised cost using the effective interest rate method. The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or un-collectability.
- III.

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

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

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Patents & Development Expense

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

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

(e) New Accounting Standards and Interpretations

New and Amended Standards adopted by the Group

The Group's assessment of the impact of these new or amended Australian Accounting Standards and Interpretations that have come into effect for annual reporting periods beginning on or after 1 July 2019 are set out below.

AASB 16 Leases

The Group has adopted AASB 16 using the modified retrospective approach from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provision in the standard.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which has previously been classified as "operating leases" under the principles of AASB 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 7.92% as of 1 July 2019. Reclassifications and an adjustment as a result of the new leasing standard was recognised in the financial statements.

AASB 16 'Leases' did not have a significant impact on the current period. The current profit before income tax expense was reduced by \$4,540. This included an increased depreciation and amortisation expense of \$68,677, increased finance costs of \$13,596 and reduced rental expense under AASB 17 of \$79,960. As at 30 June 2020, net current assets were reduced by \$81,425 (attributable to current lease liabilities) and net assets were reduced by \$4,566 (attributable to right-of-use assets and lease liabilities).

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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.

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under -residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Practical expedients applied

In applying AASB16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Reliance on previous assessment on whether leases are onerous;
- The accounting for operating leases with a remaining term of less than 12 months as at 1 July 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the leases term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB117 and IFRIC4 Determining whether an Arrangement contains a Lease.

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4: REVENUE AND OTHER INCOME

	2020	2019
	\$	\$
Revenue		
World Apps revenue	89,405	126,762
Corona Revenue	111,756	114,036
World Voicemail	668,854	281,529
Total revenue	870,015	522,327
Government Grants		
JobKeeper	108,000	-
Export Market Development Grants	-	9,504
Research and Development Grant	712,997	869,482
Total government grant income	820,997	878,986

(a) Accounting policies and significant judgements

Interest Revenue

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

World Apps & Corona Revenue

World Apps and Corona revenue is majority prepaid and subsequently amortised based on usage. Any prepaid revenue is recognised only when the Company has satisfied the relevant performance obligation, being the provision of call connections. Revenue is recognised on a straight line basis over the usage period.

World Voicemail

The World Voicemail stream to date consists of mobile phone application piloting, integration and implementation services under fixed-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the work performed does not create an asset of alternative use to the Group and the Group has an enforceable to right to payment for performance to date. This is determined based on the actual labour time spent relative to the total expected labour time required. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change.

Other revenue

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

Government Grants

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

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4: REVENUE AND OTHER INCOME (Cont'd)

JobKeeper

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(b) 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 2020	World Apps revenue	Corona Revenue	World Voicemail
At a point in time	-	-	-
Over time	89,405	111,756	668,854
Total	89,405	111,756	668,854

Geographical Regions – 30 June 2020	World Apps revenue	Corona Revenue	World Voicemail
New Zealand	1,019	-	565,403
Australia	29,085	111,756	-
Rest of the World	59,301	-	103,451
Total	89,405	111,756	668,854

Timing of revenue recognition – 30 June 2019	World Apps revenue	Corona Revenue	World Voicemail
At a point in time	-	-	-
Over time	126,762	114,036	281,529
Total	126,762	114,036	281,529

Geographical Regions – 30 June 2019	World Apps revenue	Corona Revenue	World Voicemail
New Zealand	2,997	-	235,806
Australia	12,911	114,306	-
Rest of the World	110,855	-	45,723
Total	126,762	114,036	281,529

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4: REVENUE AND OTHER INCOME (Cont'd)

(c) Assets and liabilities related to contracts with customers

The group recognised the following assets and liabilities related to contracts with customers:

	2020 \$	2019 \$
Current contract assets relating to the World Voicemail	10,787	53,773
Total contract assets	10,787	53,773

In adopting AASB 15, the group recognised a contract asset in relation to the World Voicemail fixed-price contracts whereby the customer pays the fixed amount based on a payment schedule. As the services rendered by the company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. Nil revenue was recognised in the current reporting period relating to carried-forward contract liabilities or performance obligations satisfied in a prior year.

Critical judgement in allocating transaction price

The World Voicemail fixed-price contract has a number of performance obligations, and the transaction price was allocated to the performance obligations based on work programs detailed in the contract.

NOTE 5: MATERIAL PROFIT AND LOSS ITEMS

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

	2020 \$	2019 \$
Employee and Director Benefits		
Director's fees	314,922	383,247
Employee wages	1,299,039	1,275,929
Superannuation	142,423	160,399
Total employee and director benefits	1,756,384	1,819,575
Sales and Marketing		
Google customer acquisition fee	-	23,273
Marketing costs	4,120	-
Sales commissions	55,269	-
Sales and marketing consultants	99,663	418,493
Total sales and marketing	159,052	441,766

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 6: INCOME TAX

Major components of income tax expense

	2020 \$	2019 \$
(a) The major components of income tax expense/(benefit) comprise of:		
Current tax benefit	-	-
Deferred tax benefit	-	-
	-	-
(b) Reconciliation of prima facie tax on continuing operations to income tax expense / (benefit):		
The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Accounting loss before income tax	(1,891,225)	(3,032,364)
Prima facie income tax payable on loss before income tax at 27.5%	(520,087)	(833,900)
Add/(Less) Tax effect of:		
Non-deductible differences	27,582	512,962
Non-assessable income	(201,657)	
Research and development grant income	414,732	(238,831)
Current year losses not recognised	279,430	559,770
Income tax expense attributable to profit	-	-
(c) Current tax liability		
Current tax relates to the following:		
Current tax liabilities/(assets)		
Opening balance	-	-
Income Tax	-	-
	-	-
(d) Deferred Tax		
<i>Deferred Tax Assets/(Liabilities) balance comprises:</i>		
Provision for loan receivable	30,512	-
AASB 6 Lease adjustment	1,113	-
PPE	61,203	72,764
Accruals	14,086	17,819
Provisions – Annual and Long Service Leave	74,336	67,250
Capital Raising Costs	21,010	22,733
Business Related Costs	61,551	131,723
DTA/DTL not recognised	(8,953,052)	(8,682,869)
Tax and capital losses	8,689,241	8,370,440
Net Deferred Tax	-	-

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 6: INCOME TAX (Cont'd)

(e) Deferred income tax(revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in DTA	(314,543)	(588,167)
(Decrease)/increase in DTL	30,196	(20)
Offset against DTA/DTL not recognised	284,348	588,187
	<hr/>	<hr/>
	-	-
(f) Deferred income tax related to items charged or credited directly to equity		
Decrease/(increase) in DTA	4,950	28,417
(Decrease)/increase in DTL	-	-
Offset against DTA/DTL not recognised	(4,950)	(28,417)
	<hr/>	<hr/>
	-	-
(g) Deferred tax assets not brought to account		
Temporary differences	263,675	312,429
Operating tax losses	8,107,036	7,788,235
Capital losses	582,205	582,205
	<hr/>	<hr/>
	8,952,917	8,682,869

At 30 June 2020, the Group has an unrecognised deferred tax asset of \$8,952,917 (2019: \$8,682,869) in relation to historical losses incurred by the Company. No deferred tax assets have been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The benefit for tax losses will only be obtained if:

- the Company derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
- there are no changes in tax legislation in Australia which will adversely affect the Company in realising the benefit from the deductions for the losses.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 6: INCOME TAX (Cont'd)

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Norwood Systems Limited and its wholly-owned Australian subsidiary have not formed an income tax consolidated group under the tax consolidation regime.

NOTE 7: LOSS PER SHARE

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

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

	2020	2019
	\$	\$
Loss used in the calculation of basic and diluted loss per share	(1,891,225)	(3,032,364)
Basic loss per share attributable to equity holders (cents per share)	(0.85)	(2.05)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	222,237,632	148,171,551

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.

I. Basic earnings per share

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

II. Diluted earnings per share

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

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 8: CASH AND CASH EQUIVALENTS

	2020	2019
	\$	\$
Cash at bank	152,730	407,082
Total Cash and Cash Equivalents	152,730	407,082

Cash at bank earns interest at floating rates based on daily bank rates. Refer to note 22 on financial instruments for details on the Group's exposure to risk in respect of its cash balance. Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

NOTE 9: TRADE AND OTHER RECEIVABLES

	2020	2019
	\$	\$
Current:		
Trade Receivables	93,206	24,329
Other Receivables	178,049	186,004
Provision of loan receivable ¹	(110,954)	-
Share capital raising receivable	-	200,000
Prepaid Expenses	493	10,387
Total Trade and Other Receivables	160,794	420,719

¹The loan receivable from Paul Ostergaard were provided for during the current year and refer to note 23 for further disclosure.

Trade accounts and other receivables are initially valued at fair value, less any allowance for expected credit losses using the expected credit loss model under AASB 9. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid. As at 30 June 2020, \$110,954 amounts had been impaired. Prepaid expenses refer to amounts paid for goods and services in advance, and these amounts are amortised over the period of time to which the service relates.

NOTE 10: RIGHT TO USE ASSETS AND LEASE LIABILITIES

The group have recognised the below balances in the current period in relation to AASB 16.

	2020
	\$
Right of Use Assets	
Right of use asset - Buildings	177,987
Accumulated amortisation	(68,677)
	109,310
Lease Liabilities	
Current	81,425
Non-current	32,452
	113,877

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 11: TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Current:		
Trade payables	202,040	132,207
Other creditors and accruals	248,143	191,680
Total Trade and Other Payables	450,183	323,888

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

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

NOTE 12: LOAN PAYABLE

	2020	2019
	\$	\$
Current:		
R&D Loan Facility Payable	408,029	429,713
Unexpired Interest	24,885	23,186
Total Loan Payable	432,914	452,899

During the period, the Company received advance funding on its expected FY2020 R&D rebate from Radium Capital. Refer to 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 2020
 - Norwood has the option to repay earlier without penalties
- Interest Rate: 14% per annum, and default rate of 18% (from 1 October 2020 until the loan is repaid in full).
- 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.

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 13: ISSUED CAPITAL

	2020	2019
	No. of Shares	No. of Shares
Issued Ordinary Shares – no par value (fully paid)	247,838,755	2,076,510,283
Total	247,838,755	2,076,510,283

	No.	\$
Opening balance – 1 July 2018	1,327,430,485	27,193,337
Dec 2018 – Issue of shares as consideration for professional services received ^(a)	3,350,000	16,000
Dec 2018 – Conversion of ZEPOs	2,500,000	-
Dec 2018 – Shares issued under rights issue	109,040,259	545,201
March 2019 – Issue of shares as consideration for professional services received ^(b)	2,200,000	9,000
March 2019 – Shares issued under placement	66,666,667	200,000
April 2019 - Shares issued under placement	87,526,019	262,578
May 2019 – Shares issued for conversion of a convertible note ¹	100,000,000	300,000
May 2019 - Shares issued under rights issue	121,553,782	364,662
May 2019 – Shares issued under rights issue	256,243,071	768,729
June 2019 – Shares to be issued as consideration for professional services received ^(c)	-	18,000
May 2019 – Cost of share issue	-	(144,920)
Closing balance – 30 June 2019	2,076,510,283	29,532,587

1. The Company completed a placement of a Convertible Note with a face value of \$300,000 on 5 March 2019. The noteholder could convert the notes into fully paid ordinary shares at \$0.003 per share together with one free-attaching NOROA Option for every shares issued by giving 2 business days' notice. The convertible note had a maturity date of 21 June 2019 and an interest rate of 12% per annum in cash. The note was converted into shares on 25 May 2019. Interest accrued of \$7,397 in respect of the convertible note has been settled in cash to the noteholder. This completed the Company's obligations under the convertible note.

Gain on Conversion of Debt to Equity

The following shares in Norwood Systems Limited were granted during the financial year ended 30 June 2019:

- 3,350,000 shares in the Company were issued in satisfaction of outstanding invoices in relation to advisory services with a total value of \$16,000.
- 2,200,000 shares in the Company were issued in satisfaction of outstanding invoices in relation to advisory services with a total value of \$9,000. The fair value of these shares was \$6,600 based on the issue price of \$0.003. The Group has recognised a gain of \$2,400 in relation to the difference between the invoice amount and the fair value of shares issued to extinguish the liability.
- 8,000,000 shares and 5,000,000 NOROA Listed Options (free attaching options with exercise price of \$0.008 and expiry date of 31 October 2020) are to be issued in satisfaction of outstanding invoices in relation to advisory services with a total value of \$18,000.

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 13: ISSUED CAPITAL (Cont'd)

	No	\$
Opening balance – 1 July 2019	2,076,510,283	29,532,587
Sept 2019 – Shares issued as consideration for professional services received ²	20,350,000	55,000
October 2019 – Shares issued under placement	66,666,666	200,000
December 2019 – Shares issued under placement and shares issued to advisors ³	69,166,666	209,000
December 2019 – Share consolidation (1:10) ⁴	(2,009,423,552)	-
February 2020 - Shares issued under placement ⁵	5,138,387	206,000
March 2020 - Shares issued under placement ⁶	8,066,667	203,000
June 2020 – Shares issued under placement	11,363,638	250,000
June 2020 - Shares to be issued as consideration for professional services received ⁷	-	12,000
Cost of share issue	-	(22,710)
Closing balance – 30 June 2020	247,838,755	30,644,877

- 10,350,000 shares (pre-consolidation) in the Company were issued in satisfaction of outstanding invoices in relation to advisory services with a total value of \$33,000. In addition 10,000,000 shares (pre-consolidation) in the Company were issued to the underwriter as capital raising cost with a total value of \$40,000. Out of the total value of \$40,000, a total value of service for \$18,000 was received and recognised in FY2019.
- 2,500,000 (pre-consolidation) shares in the Company were issued in satisfaction of outstanding invoices in relation to advisory services with a total value of \$9,000.
- Norwood received shareholder approval at the Company's Annual General Meeting to consolidate its issued capital through the conversion of every 10 existing securities into 1 security. The consolidation of capital was applied to all listed and unlisted options at the time of the consolidation.
- 138,387 shares were issued to an advisor for services provided with a total value of \$6,000.
- 66,667 shares were issued to an advisor for services provided with total value of \$3,000.
- Shares to be issued to an advisor in relation to advisory services with a total value of \$12,000.

The Company has unlimited authorised capital. There are no restrictions on distributions of dividends or repayment of capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Capital Management

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14: SHARE BASED PAYMENT RESERVE

	2020	2019
	No. of Options	No. of Options
Issued Options	107,045,790	626,487,112
	No.	\$
Opening balance – 1 July 2018	154,313,806	8,693,074
Dec 2018 – Issue of free attaching Listed Options (i)	109,040,259	-
Dec 2018 – Director options	8,000,000	21,699
Dec 2018 – Conversion of ZEPOs	(2,500,000)	-
Dec 2018 – Option expiry & cancellation	(111,413,806)	(33,751)
March 2019 – Listed Options to be issued to underwriter (ii)	-	10,791
May 2019 - Issue of free attaching Listed Options (i)	221,553,782	-
May 2019 - Issue of free attaching Listed Options (i)	256,243,071	-
May 2019 – Listed Option to be issued to underwriter (iii)	-	12,912
June 2019 - Option expiry & cancellation	(8,750,000)	-
Share Based Payments – Further vesting value of options	-	230,974
Closing balance – 30 June 2019	626,487,112	8,935,700

- (i) Issue of free attaching listed options (ASX: NOROA) to the rights issue completed in December 2018 and May 2019. Listed Options have an exercise price of \$0.008 and expire 31 October 2020.
- (ii) Additional 15,000,000 listed options are to be issued to the underwriter with the same term and condition of the free attaching options of exercise price of \$0.008 and expire 31 October 2020, subject to shareholders approval (shareholder approval received subsequent to period end).
- (iii) Additional 20,000,000 listed options are to be issued to the underwriter with the same term and condition of the free attaching options of exercise price of \$0.008 and expire 31 October 2020, subject to shareholders approval (shareholder approval received subsequent to period end).

	No.	\$
Opening balance – 1 July 2019	626,487,112	8,935,700
September 2019 – NOROA listed options ^{(i) & (ii)}	121,666,667	13,462
September 2019 – ZEPO options issued to KMP and consultants ⁽ⁱⁱⁱ⁾	12,000,000	40,504
October 2019 – NOROA listed options (Placement)	66,666,667	-
December 2019 – Shares consolidation (1:10) ^(iv)	(744,138,294)	-
February 2020 – Free attaching NOROA listed options	5,000,000	-
March 2020 – Free attaching NOROA listed options ^(v)	4,000,000	-
June 2020 – Free attaching NOROA listed options ^(v)	15,363,637	-
Share based payments – further vesting value of options	-	32,206
Closing balance – 30 June 2020	107,045,790	9,021,872

- i. An additional 15,000,000 NOROA listed options (pre-consolidation) were issued to the underwriter with the same terms and conditions of the free attaching options (exercise price of \$0.008 and expiry 31 October 2020), subject to shareholders approval (shareholder approval received on 29 May 2020).
- ii. Included in total NOROA listed options issued was 66,666,667 NOROA listed options (pre-consolidation) issued to the underwriter (refer to point iii), 15,000,000 NOROA listed options (pre-consolidation) issued to an advisor. NOROA listed options have an exercise price of \$0.008 and expire on 31 October 2020.
- iii. Issue of unlisted ZEPO options to KMPS and consultant. The ZEPO options have a nil exercise price and expire on 20 September 2021 with a 12 months vesting condition.

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14: SHARE BASED PAYMENT RESERVE (Cont'd)

- iv. Norwood received shareholder approval at the Company's Annual General Meeting to consolidate its issued capital through the conversion of every 10 existing securities into 1 securities. The consolidation of capital was also applied to all listed and unlisted options at the time of the consolidation.
- v. 4,000,000 free attaching NOROA Listed options were issued as part of a placement, and the remaining 4,000,000 free attaching NOROA Listed options are subject to shareholder approval which subsequently received on 29 May 2020, and the options were issued in June 2020.

For further details in regards to movements in options share based payments during the year ended 30 June 2020, refer to Note 19.

NOTE 15: ACCUMULATED LOSSES

	2020	2019
	\$	\$
Accumulated Losses	(40,399,932)	(38,508,707)
Opening balance	(38,508,707)	(35,476,343)
Net loss for the financial year	(1,891,225)	(3,032,364)
Total	(40,399,932)	(38,508,707)

NOTE 16: GROUP ENTITIES

Parent Entity

While the accounting parent of the Group is Norwood Systems (Aust) Pty Ltd, the legal and ultimate parent of the Group is Norwood Systems 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.

Name	Country of Incorporation	% Equity Interest 2020	% Equity Interest 2019
Norwood Systems Ltd	Australia	100%	100%
Norwood Systems (UK) Pty Ltd	Australia	100%	100%
Norwood Incorporated	USA	100%	100%

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 17: OPERATING CASH FLOW INFORMATION

	2020	2019
	\$	\$
Reconciliation of cash flow from operations with loss after income tax		
Loss for the year	(1,891,225)	(3,032,364)
Non-cash items:		
Shares issued as consideration for services provided	15,809	25,000
Share based payments	86,172	218,923
Depreciation	89,577	22,690
Changes in Assets and Liabilities		
(Increase) / Decrease in Trade and Other Receivables	302,911	43,935
Increase / (Decrease) in Trade and Other Payables	41,912	(115,470)
Increase / (Decrease) in Provisions	25,769	1,526
Cash flows used in operations	(1,329,075)	(2,835,760)

During the financial year ended 30 June 2020, there were nil non-cash investing activities (2019: nil).

NOTE 18: AUDITOR'S REMUNERATION

	2020	2019
	\$	\$
The auditor of Norwood Systems Limited is BDO Audit (WA) Pty Ltd		
Amounts received or due and receivable by BDO for:		
Audit and review services	45,764	22,514
	45,764	22,514

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 19: SHARE BASED PAYMENTS

Share based payments made during the financial year ended 30 June 2020 are summarised below.

(a) Recognised Share Based Payment Expense

	2020	2019
	\$	\$
Expense arising from equity settled share based payment transactions through issue of share capital and options	86,172	178,768
Consulting expenses settled through issue of share capital and options	64,000	-
	150,172	178,768

(b) Options Granted During the Year

The Company granted the following ZEPO options as share based payments in the FY 2020. These options are not dependent upon satisfaction of performance conditions and have been issued to increase goal congruence between Shareholders and Directors.

Number of Options	Class of Options	Grant Date	Exercise Price	Expiry Date	Vesting Date	Disposal Restriction
1,500,000*	NOROA ¹	27 Aug 2019	\$0.08	14 months from date of issue	Immediately	None
1,200,000*	ZEPO ²	27 Aug 2019	Nil	2 years from date of issue	12 months from date of issue	None

*Number of options mentioned in the table above is post consolidation (1:10)

1. In respect of the 1,500,000 NOROA listed options (post-consolidation), 500,000 options (post-consolidation) were issued to Mike Edwards (non-executive director), 500,000 options (post -consolidation) were issued to Giles Everist (non-executive director), and 500,000 options (post-consolidation) were issued to Steven Wood (company secretary).
2. In respect of the 1,200,000 ZEPO unlisted options (post-consolidation), 400,000 options (post -consolidation) were issued to Mike Edwards (non-executive director), 400,000 options (post-consolidation) were issued to Giles Everist (non-executive director), and 400,000 options (post-consolidation) were issued to Steven Wood (company secretary).

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 19: SHARE BASED PAYMENTS (Cont'd)

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

Type of Options	Dividend yield	Expected volatility	Risk-free interest rate	Expected life of options (years)	Option exercise price	Share price at grant date	Fair value
NOROA	-	100%	0.72%	14 months	\$0.08	\$0.004	\$13,462
ZEPO	-	100%	0.72%	2 years	Nil	\$0.004	\$48,000

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

(c) Summary of Options Granted

Tranche	Grant Date	Exercise Price	Expiry	Held at 30 June 2020
NOROP4	27 Nov 2015	\$1.98	27 Nov 2020	950,000
NOROP5	27 Nov 2015	\$2.97	27 Nov 2020	950,000
NOROP7	27 Nov 2015	\$1.35	27 Nov 2020	500,000
NOROP11	2 Aug 2016	\$0.57	2 Aug 2021	265,000
NOROP15	15 Dec 2017	\$0.23	15 Dec 2020	250,000
NOROP16	15 Dec 2017	\$0.28	15 Dec 2020	250,000
NOROP17	14 Dec 2018	\$0.000	14 Dec 2020	800,000
NOROP	27 Aug 2019	\$0.08	31 Oct 2020	1,500,000
ZEPO	27 Aug 2019	\$0.000	20 Sept 2021	1,200,000
				6,665,000*

*Number of options mentioned in the table above is post consolidation (1:10)

	2020	WAEP	2019	WAEP
Outstanding at the beginning of the year	39,650,000	\$0.07	154,313,806	\$0.07
Granted during the year	-	-	-	-
Exercised during the year	-	-	(2,500,000)	-
Issued during the year	2,700,000	\$0.05	8,000,000	\$0.03
Share consolidation (1:10) during the year	(35,685,000)			
Expired during the year	-	-	(120,163,806)	-
Outstanding at the end of the year	6,665,000	\$0.07	39,650,000	\$0.07

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 19: SHARE BASED PAYMENTS (CONT'D)

(e) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life of options outstanding at 30 June 2020 is 0.61 years (2019: 1.49 years).

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

The range of exercise prices for options outstanding at the end of the year was \$Nil - \$0.923 (2019: Nil - \$0.076).

(g) Weighted Average Fair Value

The weighted average fair value of options granted during the current year was \$30,910 (2019: \$27,300).

(h) Shares issued for consideration of services

During the financial year, the following shares were issued to an advisor in consideration for services in relation to corporate advisory during the year:

Share Based Payment	Number of shares	\$ Value
Sept 2019 - Issue of Shares as consideration for professional services received (a)	20,350,000	73,000
Dec 2019 - Issue of Shares as consideration for professional services received (b)	2,500,000	9,000
March 2020 – Issue of shares as consideration for professional services received (c)	138,378	\$6,000
June 2020 - Issue of shares as consideration for professional services received (d)	66,667	\$3,000

- 10,350,000 shares (pre-consolidation) in the Company were issued in satisfaction of outstanding invoices in relation to advisory services with a total value of \$33,000 (\$18,000 was recorded in FY2019). In addition 10,000,000 shares (pre-consolidation) in the Company were issued to the underwriter as capital raising cost with a total value of \$40,000.
- 2,500,000 shares (pre-consolidation) in the Company were issued in satisfaction of outstanding invoices in relation to advisory services with a total value of \$9,000.
- 138,378 shares (post-consolidation) in the Company were issued in satisfaction of outstanding invoices in relation to advisory services with a total value of \$6,000.
- 66,667 shares (post-consolidation) in the Company were issued in satisfaction of outstanding invoices in relation to advisory services with a total value of \$3,000.

Share Based Payments

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 20: PARENT ENTITY INFORMATION

	2020	2019
	\$	\$
Assets		
Current assets	108,805	81,241
Non-current assets	-	-
Total Assets	108,805	81,241
Liabilities		
Current liabilities	158,007	121,661
Non-current liabilities	-	-
Total Liabilities	158,007	121,661
Net Assets/(Deficiency)	(49,202)	(40,420)
Equity		
Issued capital	41,873,688	40,762,895
Reserves	11,036,979	10,950,807
Accumulated losses	(52,959,869)	(51,754,122)
Total Net Asset Deficiency	(49,202)	(40,420)
Loss of the parent entity	(1,205,747) ⁽¹⁾	(34,390,822) ⁽¹⁾
Total comprehensive loss of the parent entity	(1,205,747) ⁽¹⁾	(34,390,822) ⁽¹⁾

⁽¹⁾ Loss includes impairment of intercompany loan of \$629,128 (2019: \$19,440,409) and impairment of investment in subsidiaries of nil (2019: \$13,051,606).

The contingent liabilities of the Company are the same as the contingent liabilities of the Group as disclosed at note 25.

NOTE 21: 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.

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.

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 21: SEGMENT INFORMATION (Cont'd)

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.

NOTE 22: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

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

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

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

(b) Significant Accounting Policies

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

(c) Credit Risk

i. Exposure to Credit Risk

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

	2020	2019
	\$	\$
Financial Assets - Current		
Cash and cash equivalents	152,730	407,082
Trade and other receivables	160,794	420,719
Total Financial Assets	313,524	827,801

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: FINANCIAL INSTRUMENTS (Cont'd)

As at 30 June 2020, there were no financial assets neither past due nor impaired except on the Loan Receivable from Director (2019: nil).

ii. Interest Rate Risk

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

	Range of Effective Interest Rate	Carrying Amount	Interest Rate Exposure			Total
			Variable Interest Rate	Non-Interest Bearing	Fixed Interest Rate	
Consolidated 2020	(%)	\$	\$	\$	\$	\$
Financial Assets - Current						
Cash and cash equivalents	0-0.75	152,730	152,730	-	-	152,730
Consolidated 2019						
Financial Assets - Current						
Cash and cash equivalents	0 - 3	407,082	407,082	-	-	407,082

iii. Trade and Other Receivables

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

	Carrying Amount	Not past Due and not impaired	Credit Risk Exposure			Impaired Financial Assets
			1-3 Months	3 Months to 1 Year	1 Year to 5 Years	
Consolidated 2020	\$	\$	\$	\$	\$	\$
Financial Assets - Current						
Trade and other receivables	160,794	160,794	-	-	-	-
Consolidated 2019						
Financial Assets - Current						
Trade and other receivables	420,719	420,719	-	-	-	-

(d) Liquidity Risk

i. Exposure to Liquidity Risk

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

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: FINANCIAL INSTRUMENTS (Cont'd)

	2020 \$	2019 \$
Financial Liabilities - Current		
Trade and other payables	450,183	323,888
Loan Payable	432,914	452,899
Total Financial Liabilities	883,097	776,787

ii. Contractual Maturity Risk

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

2020 Financial Instrument	6-12 months \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$	Total \$
Financial Assets					
Cash	152,730	-	-	-	152,730
Other debtors	160,794	-	-	-	160,794
Total financial assets	313,524	-	-	-	313,524

Financial Liabilities					
Trade payables	202,040	-	-	-	202,040
Other payables	248,143	-	-	-	248,143
Loan Payable	432,914	-	-	-	432,914
Total financial liabilities	883,097	-	-	-	883,097

2019 Financial Instrument	6-12 months \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$	Total \$
Financial Assets					
Cash	407,082	-	-	-	407,082
Other debtors	420,719	-	-	-	420,719
Total financial assets	827,801	-	-	-	827,801

Financial Liabilities					
Trade payables	132,207	-	-	-	132,207
Other payables	191,680	-	-	-	191,680
	452,899	-	-	-	452,899
Total financial liabilities	776,787	-	-	-	776,787

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: FINANCIAL INSTRUMENTS (Cont'd)

(e) Market Risk

i. Currency Risk

The Group's primary operations were in Australia and New Zealand during the year ended 30 June and therefore exposed to foreign exchange risk, primarily in the NZ dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through debtor balances generated from NZ client and as at the year ended 30 June 2020, the balance is \$70,114 (2019: Nil).

ii. Interest Rate Risk

The Group's only exposure to interest rate risk is Cash as set out in Note 22(c)(ii). The group is not exposed to debt interest rate risk in 2020 as the R&D facility incurs a fixed interest rate (2019: no exposure as borrowings bear interest at a fixed rate).

iii. Sensitivity Disclosure Analysis

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

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

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

	Carrying Amount	Interest Rate Risk			
		+1% Profit	+1% Equity	-1% Profit	-1% Equity
2020	\$	\$	\$	\$	\$
Financial Assets - Current					
Cash and cash equivalents	152,730	1,527	1,527	(1,527)	(1,527)
2019					
Financial Assets - Current					
Cash and cash equivalents	407,082	4,071	4,071	(4,071)	(4,071)

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 23: RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Compensation

Information on remuneration of all Directors and key management personnel is contained in the Remuneration Report within the Directors' Report.

The aggregated compensation paid to Directors and key management personnel of the Group is as follows:

	2020 \$	2019 \$
Short-term employee benefits	544,161	578,247
Post-employment benefits	47,420	48,043
Share Based Payment	52,634	23,342
Total	644,215	649,632

(b) 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. There is no formal agreement in place in relation to the loan receivable from Paul Ostergaard.

Movements in the loan account during the year are as follows:

	2020 \$	2019 \$
Opening balance receivable by the Group	40,469	40,469
Provision for loan receivable	(40,469)	-
Total receivable due to the Group	-	40,469

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 23: RELATED PARTY TRANSACTIONS (Cont'd)

(b) Loans with Key Management Personnel (Cont'd)

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:

	2020	2019
	\$	\$
Opening balance payable by the Group	33,101	22,101
Loan proceeds (advanced)	-	11,000
Provision for loan receivable	(33,101)	-
Total payable by / (receivable due to) the Group	-	33,101

Mr Paul Ostergaard – Managing Director

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

	2020	2019
	\$	\$
Opening balance payable by the Group	36,501	36,501
Provision for loan receivable	(36,501)	-
Total payable by / (receivable due to) the Group	-	36,501

Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 24: MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial years.

NOTE 25: COMMITMENT AND CONTINGENT LIABILITIES

The Directors are not aware of any other commitment and contingent liabilities that may arise from the Group's operations as at 30 June 2020.

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Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2020

In the Directors' opinion:

- a. the accompanying financial statements set out on pages 30 to 64 and the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and
 - ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2020.

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

On behalf of the Directors



Mr Paul Ostergaard
Managing Director
31 August 2020

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 2020, 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 report, including a summary of significant accounting policies and the directors' declaration.

In our opinion 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 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. 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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Share Based Payments

Key audit matter	How the matter was addressed in our audit
<p>During the financial year ended 30 June 2020, the Group issued options to consultants, directors and key management personnel, which have been accounted for as share-based payments, as disclosed in Note 19 of the financial report.</p> <p>The Group's policy for accounting for share-based payments and significant judgements applied to these arrangements are disclosed in Note 2 of the financial report.</p> <p>Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of share-based payments, we consider the Group's accounting for share-based payments to be a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Reviewing the relevant agreements to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements; • Holding discussions with management to understand the share-based payment transactions in place; • Reviewing management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation models used and assessing the valuation inputs; • Involving our valuation specialists to assess the reasonableness of management's valuation inputs, where necessary; • Assessing the allocation of the share-based payment expense over the relevant vesting period; and • Assessing the adequacy of the related disclosures in Notes 2 and 19 of the financial report.

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Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 preparing the financial report, the directors are responsible for assessing the ability of the group 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 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 26 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Norwood Systems Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO


Dean Just

Director

Perth, 31 August 2020

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ASX Additional Information

FOR THE YEAR ENDED 30 JUNE 2020

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

SHAREHOLDINGS

The issued capital of the Company at 7 August 2020 is 247,838,755 ordinary fully paid shares. All ordinary shares carry one vote per share. The Company has used the cash it had at the time of admission to the Official List of the ASX in accordance with its stated business objectives.

TOP 20 SHAREHOLDERS AS AT 7 AUGUST 2020 (UNCONSOLIDATED HOLDINGS)

		No of Shares Held	% Held
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	19,033,542	7.68
2	7SUNDAYS PTY LTD	14,655,000	5.91
3	PAUL FREDERICK NORWOOD OSTERGAARD	13,066,922	5.27
4	BNP PARIBAS NOMINEES PTY LTD	11,486,573	4.63
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,869,382	3.98
6	MR KINGSLEY BRYAN BARTHOLOMEW	5,906,610	2.38
7	3STRZS PTY LTD	4,545,455	1.83
8	NETWEALTH INVESTMENTS LIMITED	4,489,226	1.81
9	MR RYAN GRAHAM HOLLINGSWORTH	4,158,737	1.68
10	MR MATTHEW PHILLIP ANTONEL	4,001,000	1.61
11	MR SIMON SALIBA	4,000,000	1.61
12	SAINT CHAPELLEPTY LTD	3,333,334	1.34
13	LEON CAPITAL PTY LTD	3,205,151	1.29
14	GOLDFIRE ENTERPRISES PTY LTD	3,141,000	1.27
15	BLAMNCO TRADING PTY LTD	2,681,818	1.08
16	OCEAN BROADBAND LTD	2,647,480	1.07
17	T & N ARGYRIDES INVESTMENTS PTY LTD	2,500,000	1.01
17	OLOLA5 PTY LTD	2,500,000	1.01
18	MR JON NORMAN COATES	2,346,074	0.95
19	GRANGE CONSULTING GROUP PTY LTD	2,345,054	0.95
20	E EQUITIES PTY LTD	2,151,890	0.87
	Total	122,064,248	49.25
	Balance of register	125,774,507	50.75
	Grand total	247,838,755	100.00

ASX Additional Information (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

RANGE & LOCATION OF SHAREHOLDERS

Shares Range	No. of Holders	No. of Shares
100,001 and Over	273	221,063,450
10,001 to 100,000	642	22,546,436
5,001 to 10,000	298	2,290,305
1,001 to 5,000	626	1,762,613
1 to 1,000	881	175,951
Total	2,720	247,838,755
Holdings less than a marketable parcel	1,994	6,820,586

Shareholders by Location	No. of Holders	No. of Shares
Australian holders	2,623	243,933,912
Overseas holders	97	3,904,843
Total	2,720	247,838,755

VOTING RIGHTS

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

RESTRICTED SECURITIES

There are no restricted securities.

SUBSTANTIAL SHAREHOLDER NOTICES AS AT 7 AUGUST 2020

	No. of Shares Held	% Held
1 APSEC Funds Management PTY Ltd	29,856,055	12.0%
2 Paul Ostergaard	20,172,349	8.14%
3 7Sundays Pty Ltd	14,655,000	6.20%

ASX Additional Information (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

OPTION HOLDINGS

The Company has the following classes of unlisted options on issue at 7 August 2020 as detailed below. Options do not carry any rights to vote.

Class	Terms	No. of Options
NOROP4	Exercisable at \$1.98 expiring on or before 27 November 2020	950,000
NOROP5	Exercisable at \$2.97 expiring on or before 27 November 2020	950,000
NOROP7	Exercisable at \$1.35 expiring on or before 27 November 2020	500,000
NOROP11	Exercisable at \$0.57 expiring on or before 2 August 2021	265,000
NOROP15	Exercisable at \$0.23 expiring on or before 15 December 2020	250,000
NOROP16	Exercisable at \$0.28 expiring on or before 15 December 2020	250,000
NOROP17	Exercisable at \$0.000 expiring on or before 15 December 2020	800,000
ZEPO	Exercisable at \$0.000 expiring on or before 27 August 2021	1,200,000
		5,165,000

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

Holder	Unlisted Options							
	NOROP4	NOROP5	NOROP 7	NOROP1 1	NOROP15	NOROP1 6	NORO P17	ZEPO
Mr Paul Ostergaard	950,000 100%	950,000 100%	-	-	250,000 100%	250,000 100%	-	-
Mr Steven Tot	-	-	500,000 100%	100,000 37.74%	-	-	-	-
Mr Mike Edwards	-	-	-	-	-	-	400,000 50%	400,000 33%
Mr Giles Everist	-	-	-	-	-	-	400,000 50%	400,000 33%
Mr Steven Wood	-	-	-	-	-	-	-	400,000 33%
Total	950,000	950,000	500,000	100,000	250,000	250,000	800,000	1,200,000
Balance of register	-	-	-	265,000	-	-	-	-
Total Number of Holders	1	1	1	7	1	1	2	3

ASX Additional Information (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2020

OPTION HOLDINGS (Cont'd)

(i) LISTED OPTIONS

Listed options (NOROA) of the Company at 7 August 2020 is 101,880,789.

TOP 20 OPTIONHOLDERS AS AT 20 AUGUST 2019 (UNCONSOLIDATED HOLDINGS)

		No of Listed Options Held	% Held
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	20,052,233	19.68
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,142,910	9.96
3	AJAVA HOLDINGS PTY LTD	6,670,000	6.55
4	NETWEALTH INVESTMENTS LIMITED	6,666,667	6.54
5	KHAKI INVESTMENTS PTY LTD	6,594,900	6.47
6	7SUNDAYS PTY LTD	5,000,000	4.91
7	CS THIRD NOMINEES PTY LIMITED	4,586,654	4.50
8	3STRZS PTY LTD	4,545,455	4.46
9	BNP PARIBAS NOMINEES PTY LTD	3,528,411	3.46
10	SAINT CHAPELLEPTY LTD	3,333,334	3.27
11	A&J ANDONOVSKI INVESTMENTS PTY LTD	2,426,280	2.38
12	WOODROFFE INVESTMENTS (VIC) PTY LTD	2,000,000	1.96
13	K I BEDDING PTY LTD	2,000,000	1.96
14	MR RYAN GRAHAM HOLLINGSWORTH	1,700,000	1.67
15	ARCO IRIS TRADING PTY LTD	1,304,546	1.28
16	LEON CAPITAL PTY LTD	1,181,818	1.16
17	MR MATTHEW PHILLIP ANTONEL	1,100,000	1.08
18	MANNABURRA INVESTMENT PTY LTD	1,100,000	1.08
19	BLAMNCO TRADING PTY LTD	1,015,151	1.00
20	MR ZANE ERIC GRAY	1,000,250	0.98
	Total	87,515,276	85.90
	Balance of register	14,365,513	14.10
	Grand total	101,880,789	100.00

RANGE & LOCATION OF OPTIONHOLDERS

Shares Range	No. of Holders	No. of Listed Options
100,001 and Over	56	98,423,695
10,001 to 100,000	69	2,862,636
5,001 to 10,000	41	306,979
1,001 to 5,000	99	245,530
1 to 1,000	104	41,949
Total	369	101,880,789
Holdings less than a marketable parcel	339	9,987,734

Shareholders by Location	No. of Holders	No. of Listed Options
Australian holders	364	101,863,243
Overseas holders	5	17,546
Total	369	101,880,789

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Corporate Governance Statement

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

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

Board of Directors

Role of the Board

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

To fulfil this role, the Board is responsible for the overall Corporate Governance of the entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management’s goals and ensuring the integrity of risk management, internal control legal compliance and management information systems. It is also responsible for approving and monitoring financial and other reporting. The Company has a board charter for review on its website and includes the roles, responsibilities, and accountability of the company secretary.

Board Processes

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

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

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

Director Education

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

Corporate Governance Statement (Cont'd)

Independent Professional Advice and Access to Company Information

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

Composition of the Board

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

The Board currently has a majority of independent Directors. Directors have been selected to bring specific skills and industry experience to the Company. The Board has an expansive range of relevant industry experience, financial, legal and other skills and expertise to meet its objectives. The current board composition includes two independent Directors and one non-independent Director.

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

- the Board should comprise not more than ten Directors and not less than three Directors. This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate materialises;
- a majority of Directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies;
- the Chairman should not also be the Chief Executive Officer;
- the Board should comprise Directors with a broad range of expertise both nationally and internationally;
- Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter Directors are subject to re-election at least every three years. The tenure for executive Directors is linked to their holding of executive office; and
- the Board assumes the role of Nomination Committee due to the size, nature and scope of the Company.

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

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

Corporate Governance Statement (Cont'd)

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

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

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

Remuneration

The Board formed a Remuneration Committee despite the limited size and nature of the operations of the Company. The Remuneration Committee reviews remuneration packages and policies applicable to the Directors and employees. The Company has a documented Remuneration Committee charter, approved by the Board. The remuneration committee met once during the financial year.

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

The total remuneration for all non-executive Directors, last voted upon by shareholders, is not to exceed \$310,000 per annum. The current remuneration for each non-executive Director is \$45,000 per annum. Non-executive Directors do not receive bonuses.

Remuneration Report

The Remuneration Report is set out above and forms part of the Directors' Report for the financial year ended 30 June 2020.

Audit Committee

The Board formed an Audit Committee despite the limited size and nature of the operations of the Company. The Company has a documented Audit Committee charter, approved by the Board. The external auditors and audit committee met twice during the financial year.

The Chief Financial Officer and Company Secretary has declared in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the year ended 30 June 2020 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

Corporate Governance Statement (Cont'd)

The responsibilities of the Audit Committee, also assumed by the Board include:

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

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

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

Nomination Committee

The Board assumes the role of the Nomination Committee because of the limited size and nature of the operations of the Company. The Company has a documented Nomination Committee charter, approved by the Board, and it is available on the company's website.

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

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

Corporate Governance Statement (Cont'd)

Size and Composition of the Board

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

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

Selection Process of New Directors

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

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

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

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

Corporate Governance Statement (Cont'd)

Performance Appraisal

The Board shall:

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

Risk Management

Oversight of the Risk Management System

The Board has implemented a risk management system for assessing, monitoring and managing operational, financial reporting, and compliance risks for the Company. Because of the limited size and scope of the Company's operations, management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board assesses the financial reporting risk management and associated compliance and controls on an ongoing basis. The operational and other risk management compliance and controls are also assessed on an ongoing basis. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the group. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back (at least annually) on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards. Given the present size of the Company, these assessments are reviewed by the Board as a whole and not through a separate internal audit function.

Risk Profile

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

Corporate Governance Statement (Cont'd)

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

Risk Management and Compliance and Control

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

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

Comprehensive practices have been established to ensure:

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

Financial Reporting

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

Assessment of Effectiveness of Risk Management

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

Corporate Governance Statement (Cont'd)

Ethical Standards

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

Conflict of Interest

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

Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned is not present at the meeting whilst the item is considered. Details of Director - related entity transactions with the entity are set out in note 23.

Code of Conduct

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

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

Corporate Governance Statement (Cont'd)

Trading in General Company Securities by Directors and Employees

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

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

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

Communication with Shareholders

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

In summary, the Continuous Disclosure policy operates as follows:

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

Corporate Governance Statement (Cont'd)

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

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

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

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

Gender Diversity

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

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

The Company currently has no female board members, and two female employees.

Corporate Governance Statement (Cont'd)

ASX Principals of Good Corporate Governance

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

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

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

ASX Principle	Reference/comment	
Principle 1: Lay solid foundations for management and oversight		
1.5	The Board should establish a diversity policy	The Company has not adopted an express policy specifically addressing achievement of gender diversity. Due to the current limited size of the Board, the Board does not consider it necessary to have a gender diversity policy but will consider adopting a policy in the future. Furthermore, the Company has not set any objectives for achieving gender diversity. Should a gender diversity policy be considered appropriate for the Company in the future due to increases in size of the organisation, the policy will specifically deal with the objectives for achieving diversity. The Company's corporate code of conduct provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace.
Principle 2: Structure the Board to add value		
2.1	The Board should establish a nomination committee	Given the size of the Board there is no formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new Directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to this process.
Principle 7: Recognise and manage risk		
7.1-2	The Board should establish an risk committee	The Company does not have a Risk Committee. The Board believes that, with only three Directors on the Board, the Board itself is the appropriate forum to deal with this function. The board continuously reviews and addresses risk facing the Company.

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