

Norwood First Half Financial Report for FY21

Highlights

- Net positive operational cashflow for the half year period of \$104,325, compared to an operational cash flow of negative \$416,000 in the prior corresponding period
- Cash receipts from customers for the half year period totalled \$598,000, an increase of 29.85% compared to the prior corresponding period of \$441,281
- Successfully launched Spark NZ's on-premises visual voicemail solution, developed by Norwood
- Agreement with global leader in cognitive artificial intelligence, Amelia, to reinvent the telco voicemail service category
- Software development contract from Avicena Systems relating to COVID-19 screening technology
- During the period, \$117,000 raised via the issue of New Options, further \$18,000 raised subsequent to period end, as well as \$220,000 via two Share Placement also completed subsequent to period end.

'Sharing Economy' telecommunications pioneer Norwood Systems Ltd (Norwood or the Group) (ASX: NOR) is pleased to provide the Group's interim financial report for the half year ended 31 December 2020.

The Group continues to significantly improve its operating cash flow, achieving net positive operational cashflow for the half year period of \$104,325, compared to an operational cash flow of negative \$416,000 in the prior corresponding period.

Norwood contributed to the launch of a multi-site, geo-redundant and internally hosted visual voicemail solution, in conjunction with other subcontractors, for Spark NZ. During the period, Spark NZ successfully launched the solution and it is now integrated into Spark's virtualised network and computer infrastructure.

The Company is bolstering the artificial intelligence (AI) capabilities of its World Voicemail offering, after entering into a Teaming Agreement in the half with IPSoft company, Amelia, a global leader in cognitive AI.

Additionally, Norwood signed a contract with Avicena Systems for software development relating to Avicena's highly scalable Automated Lamp Testing System, which is being developed for the initial purpose of screening for the COVID-19 virus.

Norwood Managing Director and CEO, Paul Ostergaard, said:

"This half demonstrated that Norwood is going from strength-to-strength, on both a financial and operational level.

"Financially, we achieved net positive operational cashflow, underpinned by a growth in receipts from customers by nearly one third and a continued strategic emphasis on controlling costs.

"While we are encouraged by these financial results, the Company remains highly focused on securing further contracts that will generate near-term revenue in conjunction with maintaining a prudent approach to controlling cash outflows.

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"On an operational level, we deepened our relationship with a key customer, Spark NZ, with the successful launch of a visual voicemail solution we contributed to developing. This is a highly credible reference client for Norwood Systems and we believe it will help the Company to achieve further project wins in the telco sector.

"This half we embarked on a major voicemail development project to re-invent the entire voicemail category, broadening the capabilities of our flagship World Voicemail offering via the agreement with Amelia. We have received great anecdotal feedback on this project from our partners and clients and are looking forward enthusiastically to launching this new service in partnership with Amelia.

"Our contract with Avicena Systems highlights the value that third parties place on our perennially evolving technological capabilities. The relationship with Avicena also diversifies the Company's sources of near-term income, further improving the overall financial performance of the business.

"Our medium-term focus is firmly set on continuing to develop our high-quality telco voicemail service offerings and our broader technological capabilities, in order to translate the positive operational momentum into long-term value creation for our shareholders.

"I would like to thank our shareholders for their continued support in us and look forward to updating the market on our commercialisation objectives over the coming financial periods."

Authorised for release by Paul Ostergaard, Managing Director of the Company.

<ENDS>

Company

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About Norwood Systems

Norwood Systems Ltd (ASX: NOR) is revolutionizing mobile voice, messaging, data and cyber security services through its pioneering award-winning virtual mobile services platform, Corona® and associated Apps.

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 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 and has achieved a 4+ App Store rating on all published Apps.

Norwood Systems listed on the ASX in June 2015 and trades with the stock ticker NOR.

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Appendix 4D

ABN: 15 062 959 540

Given in accordance with ASX Listing Rule 4.2A



Appendix 4D

SUMMARY OF RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2020

The following is a summary of the financial results for the six-month period ended 31 December 2020 (previous corresponding period 31 December 2019). Unless otherwise stated all figures are provided in AUD.

Comparison to previous period	Increase/ (Decrease)	Six months ended 31 Dec 2020 \$	Six months ended 31 Dec 2019 \$
Revenue from continuing operations	62.89%	466,500	286,398
Profit/(loss) from ordinary activities after tax attributable to members	91.50%	(78,109)	(918,851)
Net profit/(loss) for the half year attributable to members	91.50%	(78,109)	(918,851)

Brief explanation of above figures

The net loss attributable to the members of the Group for the half year ended 31 December 2020 amounted to \$78,109 representing an improvement of 91.50% compared to prior period. This is attributed to the improvement of revenue, with an increase of 62.89% and continued prudent cost management. Please refer to the Review of Operations on page 4 of the attached Half Yearly Report for the period ended 31 December 2020 for further detail.

Dividends

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

Earnings result

The net loss of Norwood Systems Ltd for the half year ended 31 December 2020 after providing for income tax was \$78,109 (31 December 2019: \$918,851).

Earnings Per Share (EPS)

	31 Dec 2020	31 Dec 2019
Basic loss per share (cents per share)	(0.03)	(0.43)
Weighted average number of ordinary shares used in the calculation of basic earnings per share (after shares consolidation)	247,860,512	211,997,230

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

Net Tangible Asset (NTA) Backing Per Share

	31 Dec 2020	30 June 2020
Net tangible asset backing per share (cents per share)	(0.27)	(0.33)

Emphasis of Matter

Please refer to page 24 of the Half Yearly Report for the period ended 31 December 2020 for more information regarding an emphasis of matter on material uncertainty regarding going concern.



Mr Paul Ostergaard
Managing Director
26 February 2021

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Half Yearly Report

For the half year ended 31 December 2020

ABN: 15 062 959 540

This half yearly financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Norwood Systems Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.



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Corporate Information

Directors:

Mr Paul Ostergaard
Managing Director

Mr Mike Edwards
Non-Executive Director

Mr Giles Everist
Non-Executive Director

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Mr Steven Wood

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NOR

Directors' Report

For the six months ended 31 December 2020

The Directors of Norwood Systems Limited present the following report for the Half Year ended 31 December 2020.

Principal Activities

The principal activities during the period include:

- Developed and successfully launched Spark NZ's on-premises visual voicemail solution
- Agreement with global leader in cognitive artificial intelligence, Amelia, to bolster the capabilities of its World Voicemail offering
- Software development contract from Avicena Systems relating to COVID-19 screening technology
- \$116,713 raised via the issue of New Options, further \$18,000 raised subsequent to end of half
- \$100,000 raised via a Share Placement completed in January 2021, and another \$120,000 raised via a Share Placement in February 2021.

Review of Operations

Sales and Commercialisation Activities

Norwood currently has live telco pilots in Australia, Africa, Asia and North America at various stages of progression and hopes to report in further detail on these pilots as they develop. The Company is confident at present that potentially material progress will continue to proceed with one or more of these prospects during FY21. Norwood is also continuing its business development efforts to establish formal partnership agreements with two potential large-scale distribution partners as previously advised. Discussions with both parties are progressing and still afoot, and the pace of interactions with one of these has picked up encouragingly over the last quarter. The Company will report to the market as and when material developments take place with either or both parties.

Product Development Activities

Spark NZ

On 16 October 2020, Norwood announced that Spark NZ had gone live with Norwood's on-premises visual voicemail services, which are now integrated into Spark's virtualised network and computer infrastructure. The advanced visual voicemail offering provides a modern voicemail interface for users to visually browse and manage voicemail messages through an App. Voicemail messages are transcribed with advanced speech recognition technology, enabling users simply to read their voicemail messages, similarly to text messages, and also enables several other benefits such as textbased search and urgent voicemail alerts. While the App is free for consumers to download, Norwood has a fee arrangement with Spark NZ related to the number of downloads that the App receives. Norwood anticipates that the revenue associated with Spark NZ will ramp up as the year progresses and downloads and subscriber numbers increase.

Amelia Partnership

On 23 November 2020, Norwood announced that it entered into a Teaming Agreement (Agreement) with global leader in cognitive artificial intelligence (AI), Amelia, an IPsoft company (Amelia). The Agreement encompasses collaborating on developing and jointly offering a radical improvement to existing telco-hosted personal call completion services. The mutual goal is to replace "canned" recorded voicemail greetings with a dynamic and engaging virtual persona who can answer and screen your calls. The new service will utilise Norwood's new Voice Assistant offering, which is a value-added offering that extends and enhances Norwood's flagship World Voicemail telco service. It leverages Amelia's cognitive intelligence capabilities to provide an automated, interactive voice platform that seamlessly helps and screens inbound callers, much like a real personal assistant would be able to. Norwood is expecting to be able to launch private telco operator beta trials of this revolutionary service in FY21.

Corporate

Capital Raising

During the period, Norwood successfully completed an Option Placement, raising a total of \$116,713 before costs. The Board continues to manage the capital requirements of the Group to ensure the capital needs of the Group in the coming half will be met. Net proceeds from the Option Placement are geared towards pursuing material licensing deals and revenue generating contacts related to World Voicemail. The Company is seeing robust commercial interest in World Voicemail, and discussion remains on foot with a number of telcos and telco partners worldwide.

R&D Tax Rebate & Funding Arrangement

Norwood received a tax offset receipt of \$656,031 as an R&D rebate from the ATO in relation to FY20 R&D activities. The funds were applied to the retirement of the R&D tax offset funding agreement noted in the Quarterly Activity report for the period ended 30 September 2020 (see ASX announcement 30 October 2020) with approximately \$92,000 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 period ended 31 December 2020 in relation to FY20 R&D activities. Based on September 2020 quarter R&D activities, the Group receiving funding of \$97,000 in October 2020. Subsequent to period end, the Group will apply for an additional funding based on December 2020 R&D activities.

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.

Events Subsequent to Reporting Period

Subsequent to period end Norwood has worked on securing additional financing and working capital for the business.

Capital Raisings

Norwood successfully completed a Placement in January 2021, issuing 4.35 million fully paid ordinary shares at \$0.023 per share to existing shareholders and sophisticated investors and raised \$100,000 before costs. Another Placement was completed in February 2021, issuing 6.65 million fully paid ordinary shares at \$0.018 per share to existing shareholders and sophisticated investors and raised \$120,000 before costs. In addition, the Company also issued 9,000,000 Listed Options at \$0.002 each and raised a total \$18,000 before costs. The Listed Options issued were part of the shortfall offer under the Prospectus dated 3 November 2020.

Research and Development Funding Facility

At 31 December 2020, the Group had utilised a loan facility which enables the Group to receive advance funding on its expected FY20 research and development (R&D) rebate. The first advance received in the period related to R&D activities in the September 2020 quarter. Subsequent to period end, the Group will apply for an additional funding based on December 2020 R&D activities.

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

Results

The Group has made a positive gross underlying margin on product and services sales for the half year ended 31 December 2020. This gives the Group significant confidence in the scalability of Norwood's operating model and that increasing sales over time would lead to overall positive margins, as positive margin on sales start to overtake fixed costs on R&D and other items. Following the announcement of the Spark NZ contract and upfront revenue received, the Group expects revenue to grow in the following reporting period.

The net loss attributable to members of the Group for the half year ended 31 December 2020 amounted to \$78,109. This is in contrast to a net loss over the same period a year prior, which amounted to \$918,851

Included in the net loss incurred at 31 December 2020 was:

- Non-cash, share based payment expense of \$7,497 in contrast to \$139,172 at 31 December 2019. The expense relates to equity instruments issued to employees, directors and advisors of the Group as described in Note 10;
- Sales and marketing expenses of \$71,655 in contrast to \$76,605 at 31 December 2019. These expenses relate to overall Group promotion as well as marketing of the Group's products and customer acquisition costs; and
- Reduction of administration, other expenses, compliance costs from \$646,111 in the 6 months to 31 December 2019 to \$336,834 in the current period reflecting the Group's focus on prudent cost management.

At 31 December 2020 Norwood holds \$55,579 in cash, and the Directors remain confident in Norwood's ability to fund further growth.

Dividends

There were no dividends paid or declared during the period.

Significant Changes in State of Affairs

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

Likely Developments and Expected Results of Operation

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

Signed in accordance with a resolution of the Directors.

Mr Paul Ostergaard



Managing Director
26 February 2021

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Financial Report

For the half year ended 31 December 2020

ABN: 15 062 959 540



Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Note	31 Dec 2020 \$	31 Dec 2019 \$
Revenue	4	466,500	286,398
Interest and other revenue	4	(175)	1,415
Government grant income	4	984,731	712,997
Sales and marketing expenses		(71,655)	(76,305)
Patent, research and development expenses		(103,527)	(124,193)
IT Infrastructure Cost		(109,537)	(158,208)
Employee and director benefits expense		(910,370)	(914,844)
Listing expense		(28,774)	(67,065)
Share based payment expense	11	(7,497)	(57,172)
Consultancy and subcontractor fees		(33,681)	(83,707)
Rent		(2,952)	(4,948)
Finance Cost		(14,565)	(37,748)
Accountancy, audit and legal expenses		(124,006)	(140,344)
Other expenses		(27,553)	(64,645)
Travel and entertainment		(1,586)	(67,154)
Administration expenses		(50,860)	(78,447)
Depreciation and amortisation		(42,602)	(44,881)
Loss before income tax		(78,109)	(918,851)
Income tax benefit/(expense)		-	-
Loss after tax for the period attributable to the members of Norwood Systems Ltd		(78,109)	(918,851)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to the members of Norwood Systems Ltd		(78,109)	(918,851)
Basic and diluted loss per share (cents per share)	5	(0.03)	(0.43)

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 31 DECEMBER 2020

	Note	31 Dec 2020 \$	30 June 2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents		55,579	152,730
Trade and other receivables		88,082	160,794
Contract assets		10,787	10,787
Total Current Assets		154,448	324,311
Non-Current Assets			
Plant and equipment		112,071	120,714
Right to use assets	6	74,972	109,310
Total Non-Current Assets		187,043	230,024
TOTAL ASSETS		341,491	554,335
LIABILITIES			
Current Liabilities			
Trade and other payables	8	498,148	450,183
Lease liabilities	6	72,244	81,425
Provisions		178,506	207,687
Loan payable	7	99,508	432,914
Contract liabilities		110,188	20,228
Total Current Liabilities		958,594	1,192,437
Non-Current Liabilities			
Provisions		50,864	62,628
Lease liabilities	6	-	32,452
Total Non-Current Liabilities		50,864	95,080
TOTAL LIABILITIES		1,009,458	1,287,517
NET LIABILITIES		(667,968)	(733,182)
EQUITY			
Issued capital	9	30,663,991	30,644,878
Reserves	10	9,146,081	9,021,872
Accumulated losses		(40,478,040)	(40,399,932)
TOTAL NET ASSET DEFICIENCY		(667,968)	(733,182)

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 SIX MONTHS ENDED 31 DECEMBER 2020

	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2020	30,644,878	9,021,872	(40,399,932)	(733,182)
Profit for the period	-	-	(78,109)	(78,109)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(78,109)	(78,109)
<i>Transaction with owners, directly recorded in equity</i>				
Shares or options issued, net of transaction costs	1,113	116,713	-	117,827
Share based payment	18,000	7,497	-	25,497
Total transactions with owners	19,114	124,210	-	143,324
Balance at 31 December 2020	30,663,991	9,146,081	(40,478,040)	(667,968)

	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 period	-	-	(918,851)	(918,851)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(918,851)	(918,851)
<i>Transaction with owners, directly recorded in equity</i>				
Shares issued, net of transaction costs	383,890	-	-	383,890
Share based payment	64,000	57,172	-	121,172
Total transactions with owners	447,890	57,172	-	505,062
Balance at 31 December 2019	29,980,477	8,992,872	(39,427,558)	(454,209)

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 SIX MONTHS ENDED 31 DECEMBER 2020

	Note	31 Dec 2020 \$	31 Dec 2019 \$
Cash flows from operating activities			
Receipts from customers		598,076	441,281
Government grants received		984,731	712,997
Interest received		173	526
Payments to suppliers and employees		(1,436,151)	(1,541,432)
Finance costs		(42,503)	(29,828)
Net cash flows from/(used) in operating activities		104,326	(416,456)
Cash flows from investing activities			
Purchase of plant & equipment		-	(11,680)
Maturity of term deposit		31,096	-
Net cash flows used in investing activities		31,096	(11,680)
Cash flows from financing activities			
Proceeds from issue of shares and options		117,826	600,000
Capital raising costs		-	(16,109)
Repayment of borrowings		(504,693)	(617,998)
Proceed from borrowings		195,202	274,100
Payments for the principal portion of lease liabilities		(40,908)	(37,956)
Net cash flows from financing activities		(232,573)	202,037
Net decrease in cash and cash equivalents		(97,151)	(226,100)
Cash and cash equivalents at the beginning of the period		152,730	407,082
Cash and cash equivalents at the end of the period		55,579	180,982

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

Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

NOTE 1: BASIS OF PREPARATION

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

The half year financial report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. The half year financial report should be read in conjunction with the annual financial report of Norwood Systems Ltd as at 30 June 2020 which was prepared in accordance with the requirements of the *Corporations Act 2001* and applicable Australian Accounting Standards. It is also recommended that the half year financial report be considered together with any public announcements made by the Group during the period 1 July 2020 to the date of this report in accordance with the continuous disclosure obligations of the ASX Listing Rules. The financial report is presented in Australian currency.

Going Concern

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 review report for the half year ended 31 December 2020 the Group recorded a loss of \$78,109, had net cash inflows from operating activities of \$104,325 and is in a net liability position of \$667,967 at period end. 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;
- Creditors totalling \$99,273 have provided confirmation they will extend payment terms until such time as the Group has the ability to settle invoices;
- 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;
- The completion of two Placements to professional and sophisticated investors in January and February 2021 to raise \$220,000, and the Company has ASX listing rule placement capacity to utilise if required;
- Active cost management has continued;

Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

NOTE 1: BASIS OF PREPARATION (CON'T)

Going Concern (Con't)

- Securing and drawing down on part of an R&D tax offset funding agreement to the amount of \$88,000 before costs subsequent to period end;
- Ability to draw down further R&D tax offset funding at the end of current quarter; and
- Cash on hand of \$55,579 at 31 December 2020.

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.

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

NOTE 2: BASIS OF ACCOUNTING

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

Significant Judgements and Key Assumptions

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

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

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

NOTE 3: ADOPTION OF ACCOUNTING POLICIES

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2020.

Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

NOTE 4: REVENUE AND OTHER INCOME

	31 Dec 2020 \$	31 Dec 2019 \$
Revenue and other income		
Sales revenue		
World Phone revenue	36,125	88,668
World Voicemail revenue	296,098	139,092
Corona revenue	34,277	54,013
Other revenue	100,000	4,625
Total sales revenue	466,500	286,398
Other revenue		
Interest revenue	175	526
Total other revenue	175	526
Total revenue	466,675	286,924
Other income		
Miscellaneous income	-	889
Government grant income	984,731	712,997
Total other income	984,731	713,886

(a) 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 – 31 Dec 2020	World Apps revenue	Corona Revenue	World Voicemail revenue	Other revenue
At a point in time	-	-	-	100,000
Over time	36,125	34,276	296,098	-
Total	36,125	34,276	296,098	100,000

Geographical Regions – 31 Dec 2020	World Apps revenue	Corona Revenue	World Voicemail revenue	Other revenue
New Zealand	64	-	230,582	-
Australia	19,305	34,276	-	100,000
Rest of the World	16,756	-	65,516	-
Total	36,125	34,276	296,098	100,000

Timing of revenue recognition – 31 Dec 2019	World Apps revenue	Corona Revenue	World Voicemail	Other revenue
At a point in time	-	-	-	4,625
Over time	88,668	54,013	139,092	-
Total	88,668	54,013	139,092	4,625

Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

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

Geographical Regions – 31 Dec 2019	World Apps revenue	Corona Revenue	World Voicemail	Other revenue
New Zealand	687	-	139,092	-
Australia	5,513	54,013	-	4,625
Rest of the World	82,467	-	-	-
Total	88,668	54,013	139,092	4,625

(b) Assets and liabilities related to contracts with customers

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

	31 Dec 2020 \$	30 June 2020 \$
Current contract assets relating to the World Voicemail	10,787	10,787
Total contract assets	10,787	10,787

NOTE 5: PROFIT/(LOSS) PER SHARE

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

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

	31 Dec 2020 \$	31 Dec 2019 \$
Loss used in the calculation of basic and diluted loss per share	(78,109)	(918,851)
Basic loss per share attributable to equity holders	(0.03)	(0.43)

	Number	Number
Weighted average number of ordinary shares outstanding during the half year used in calculation of basic and diluted loss per share (after shares consolidation)	247,860,512	211,997,230

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

Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

NOTE 6: LEASE ASSETS AND LEASE LIABILITIES

	31 Dec 2020 \$	30 June 2020 \$
Right of Use Assets		
Right of use asset - Buildings	177,987	177,987
Accumulated amortisation	(103,015)	(68,677)
	74,972	109,310
Lease Liabilities		
Current	72,244	81,425
Non-current	-	32,452
	72,244	113,877

NOTE 7: LOAN PAYABLE

	31 Dec 2020 \$	30 June 2020 \$
Current:		
R&D Loan Facility Payable	97,000	408,029
Unexpired Interest	2,508	24,885
Total Loan Payable	99,508	432,914

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 2021
 - Norwood has the option to repay earlier without penalties
- Interest Rate: 14% per annum
- 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 expenditure

Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

NOTE 8: TRADE AND OTHER PAYABLES

	31 Dec 2020	30 June 2020
	\$	\$
Current:		
Trade payables	222,035	202,040
Other creditors and accruals	276,113	248,143
Total Trade and Other Payables	498,148	450,183

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 9: ISSUED CAPITAL

	31 Dec 2020	30 June 2020
	\$	\$
249,489,672 (30 June 2020: 247,838,755) fully paid ordinary Shares (after shares consolidation)	30,663,991	30,644,878
Total	30,663,991	30,644,878

	No.	\$
Opening balance – 1 July 2019	2,076,510,283	29,532,587
Sept 2019 – Shares issued as consideration for professional services received	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	69,166,666	209,000
December 2019 – Share consolidation (1:10)	(2,009,423,552)	-
February 2020 - Shares issued under placement	5,138,387	206,000
March 2020 - Shares issued under placement	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	-	12,000
Cost of share issue	-	(22,710)
Closing balance – 30 June 2020	247,838,755	30,644,878

	No.	\$
Opening balance – 1 July 2020	247,838,755	30,644,878
Nov 2020 - Shares issued pursuant to options exercised ⁽ⁱ⁾	13,614	1,089
Nov 2020 - Shares issued pursuant to options exercised ⁽ⁱ⁾	306	24
Dec 2020 - Shares issued pursuant to ZEPO options exercised ⁽ⁱⁱ⁾	800,000	-
Dec 2020 - Shares issued as consideration for professional services received ⁽ⁱⁱⁱ⁾	837,698	9,000
Dec 2020 – Shares to be issued as consideration for professional services received ^(iv)	-	9,000
Closing balance – 31 December 2020	249,490,373	30,663,991

Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

NOTE 9: ISSUED CAPITAL (Cont)

The following shares in Norwood Systems Limited were granted during the half- year ended 31 December 2020:

- (i) Total of 13,920 shares in the Company were pursuant to the exercise of 13,920 NOROA Listed Options with \$0.08 exercise price.
- (ii) 800,000 shares in the Company were issued pursuant to the exercise of 800,000 unlisted NOROA ZEPO options.
- (iii) 837,698 shares in the Company were issued in satisfaction of outstanding invoices in relation to advisory services with a total value of \$21,000 (\$12,000 was recognised in 30 June 2020 financial year).
- (iv) Shares to be issued to advisor in relation to advisory services with a total value of \$9,000.

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.

NOTE 10: SHARE BASED PAYMENT RESERVE

	No.	\$
Opening balance – 1 July 2019	626,487,112	8,935,700
September 2019 – NOROA listed options	121,666,667	13,462
September 2019 – ZEPO options issued to KMP and consultants	12,000,000	40,504
October 2019 – NOROA listed options (Placement)	66,666,667	-
December 2019 – Shares consolidation (1:10)	(744,138,294)	-
February 2020 – Free attaching NOROA listed options	5,000,000	-
March 2020 – Free attaching NOROA listed options	4,000,000	-
June 2020 – Free attaching NOROA listed options	15,363,637	-
Share based payments – further vesting value of options	-	32,206
Closing balance – 30 June 2020	107,045,790	9,021,872
Opening balance – 1 July 2020	107,045,790	9,021,872
Dec 2020 – Listed Options Issued ⁽ⁱ⁾	58,356,636	116,713
Share based payments – further vesting value of options	-	7,496
Closing balance – 31 December 2020	165,402,426	9,146,081

- (i) Norwood released a Prospectus for Options Placement on 4 December 2020 and Supplementary Prospectus dated 24 December 2020, to offer 101,880,789 new options at an issue price of \$0.002 per option. At 31 December 2020 58,356,636 Listed Options were issued and the Company raised \$116,713.

Nature and Purpose of Reserve

The share based payment reserve records the value of securities issued to the Group's directors, employees, and third parties.

Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

NOTE 11: SHARE BASED PAYMENTS

Share based payments during the half year ended 31 December 2020 are summarised below.

(a) Recognised Share Based Payment Expense

	31 Dec 2020 \$	31 Dec 2019 \$
Expense arising from equity settled share-based payment transactions through issue of share capital and options	7,497	57,172
Consulting expenses settled through issue of share capital and options	18,000	82,000
	25,497	139,172

(b) Shares Granted During the Half Year

The Group granted the following fully paid ordinary shares as share based payments during the half year to 31 December 2020:

- (a) 837,698 shares having a total value of \$21,000 were granted as consideration for professional services received during the period. The value was determined with reference to the vendor's invoice.

(c) Options Granted During the Half Year

There were no options granted during the half year to 31 December 2020 as share based payments.

Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

NOTE 12: 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 Group operates in one segment, voice telecommunication services.

NOTE 13: RELATED PARTY TRANSACTIONS

Norwood and Avicena Systems Pty Ltd, of which Paul Ostergaard is a Director, entered into an agreement on 3rd of November 2020 whereby Norwood to undertake software development relating to Avicena's prototype machine. Under the agreement, Norwood shall provide physical facilities as required to support the timely development of the prototype software on the machine. Norwood received a fixed fee of \$100,000 excluding GST, 70% of the fee was invoiced on execution of the agreement and the remaining 30% was invoiced on completion. The full amount of the fixed fee received during the period. These services were provided on normal commercial terms and at arm's length. No amount remained outstanding as at 31 December 2020.

There were no other related party payments made during the period.

NOTE 14: EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to period end Norwood has worked on securing additional financing and working capital for the business.

Capital Raisings

Norwood successfully completed a Supplementary Options Placement in January 2021, issuing 9 million Listed Options at \$0.002 per option to existing shareholders and sophisticated investors and raised \$18,000 before costs.

In addition, Norwood also successfully completed a Placement in January 2021, issuing 4,347,826 fully paid ordinary shares at \$0.023 per share to existing shareholders and sophisticated investors and raised \$100,000 before costs.

Furthermore, in February 2021, NOR completed a Placement by issuing 6,666,665 fully paid ordinary shares at \$0.018 per share to existing shareholders and sophisticated investors and raised \$120,000 before costs.

Research and Development Funding Facility

At 31 December 2020, the Group had utilised a loan facility which enables the Group to receive advance funding on its expected FY20 research and development (R&D) rebate. The first advance received in the period related to R&D activities in the September 2020 quarter. Subsequent to period end, the Group will apply for an additional funding based on December 2020 R&D activities.

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

Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

NOTE 15: CONTINGENT LIABILITIES

The Directors are not aware of any other contingent liabilities that may arise from the Group's operations as at 31 December 2020.

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Director's Declaration

The directors of the Group declare that:

- 1) the financial statements comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - a) comply with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
 - b) give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance of the half year ended on that date.
- 2) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Mr Paul Ostergaard

Managing Director

26 February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Norwood Systems Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Norwood Systems Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and 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 conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

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Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO


Dean Just

Director

Perth, 26 February 2021

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

As lead auditor for the review of Norwood Systems Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 26 February 2021

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