



Norwood Systems Limited

ABN 15 062 959 540

and its controlled entities

APPENDIX 4D

Interim Financial Report

31 December 2022

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Corporate directory**Current Directors**

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

Company Secretary

Mr Stuart Usher

Registered & Principal Office

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Nedlands, WA 6009

Postal: 4 Leura Street,
Nedlands, WA 6009

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Email: info@norwoodsystems.com

Website: www.norwoodsystems.com

Auditors

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283 Rokeby Road

SUBIACO WA 6008

Telephone: +61 (0)8 9426 0666

Solicitors

Steinepreis Paganin

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Perth WA 6000

Share Registry

Advanced Share Registry Limited

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NEDLANDS WA 6009

Telephone: 1300 113 258 (within Australia)
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Securities Exchange

Australian Securities Exchange

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ASX Code NOR

Bankers

Bankwest

150 Rokeby Road

Subiaco WA 6008

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Results for Announcement to the Market

for the half-year Ended 31 December 2022

1 REPORTING PERIOD (item 1)			
■ Report for the period ended:	31 December 2022		
■ Previous corresponding period is half-year ended:	31 December 2021		
2 RESULTS FOR ANNOUNCEMENT TO THE MARKET	Movement	Percentage %	Amount \$
■ Revenues from ordinary activities (item 2.1)	Decrease	(3.29) to	508,009
■ Loss from ordinary activities after tax attributable to members (item 2.2)	Increase in Losses	111.94 to	(968,308)
■ Loss from after tax attributable to members (item 2.3)	Increase in Losses	111.94 to	(968,308)
a. Dividends (items 2.4 and 5)		Amount per Security ¢	Franked amount per security %
■ Interim dividend		nil	n/a
■ Final dividend		nil	n/a
■ Record date for determining entitlements to the dividend (item 2.5)	n/a		
b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):			
1. Revenue represents interest earned and service revenue.			
3 DIVIDENDS (item 3) AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS			
Nil.			
a. Details of dividend or distribution reinvestment plans in operation are described below (item 6):			
Not applicable			
4 RATIOS		Current period	Previous corresponding period
a. Financial Information relating to 4b:		\$	\$
Earnings for the period attributable to owners of the parent		(968,308)	(456,886)
Net assets/(liabilities)		(547,910)	(835,135)
Less: Intangible assets		-	-
Net tangible assets/(liabilities)		(547,910)	(835,135)
		No.	No.
Fully paid ordinary shares		387,400,000	340,047,768
b. Net tangible assets/ (liability) backing per share (cents) (item 4):		(0.141)	(0.246)

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Results for Announcement to the Market

for the half-year Ended 31 December 2022

5 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 5)

a. Control gained over entities

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

b. Loss of control of entities

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

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

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

6 DETAILS OF ASSOCIATES AND JOINT VENTURES: (item 6)

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

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

Current period	Previous corresponding period
N/A	N/A

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

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

Directors' report

Your directors present their report on the consolidated entity, consisting of Norwood Systems Limited (**Norwood Systems or the Company**) and its controlled entities (collectively **the Group**), for the half-year ended 31 December 2022.

1. Directors

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

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

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

2. Operating and financial review

2.1. Operations review

Norwood Systems Limited (Norwood) is pleased to announce its H1FY23 operational results, showcasing the Company's growth and success in the market of advanced AI conversational agents.

As a leader in the consumer-focused market for AI agents deployable by communication service providers (CSPs), Norwood provides fast, efficient, and cost-effective service platforms that enable CSPs to deliver new, monetisable AI-powered services.

One of the key highlights of the period was the successful completion of the development stage for several contracts under the global technology and services relationship with Infosys.

One of these projects, in particular, has triggered active contractual and technical discussions with the end customer, a Tier 1 CSP, for a productisation of the CogVoice service that was being trialled by the CSP. Norwood is also pleased to announce it has now secured (post H1FY23) a second, additional, paid Proof-of-Value CogVoice project with a North American CSP.

Norwood's cutting-edge CogVoice platform, which offers highly fluid natural language interaction and responsiveness in customer engagement, possibly unparalleled in the field, is the technology cornerstone of both these CSP engagements. CogVoice as a breakthrough voice solution is designed for mass adoption and scale, with low-cost implementation, best-in-class latency, and 4G/5G compatibility. The Company is currently filing patents around key operating aspects of the CogVoice platform.

CogVoice

1. **A revolutionary new AI voice platform**
Enabling Operators to deliver differentiated **cognitive voice engagement applications**
2. **Breakthrough voice dialog performance**
Near-flawless natural language fluidity and intent detection when engaging with callers
3. **Designed for mass adoption and scale**
Low-cost, hyper-scale & 4G /5G compatible, supporting high-volume operator use cases

norwood

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Directors' report

Norwood sees a substantial market opportunity for advanced AI conversational agents, and it believes it is well positioned to capture a significant share of this market through its unique and innovative offering. The size of the market is driven by the growing demand for AI-powered services from consumers, and the increasing willingness of CSPs to invest in new technologies to meet that demand.

Norwood's AI conversational agents stand out in the market due to their unique features and benefits, which differentiate them from other offerings in the market. The CogVoice platform offers near-flawless natural language fluidity and responsiveness in customer engagement, with low-cost implementation, best-in-class latency, and 4G/5G compatibility. This makes it ideal for mass adoption and scale by CSPs of any size.

Norwood has now established itself as a market leader in advanced AI conversational agents for CSPs, with multiple Proof-of-Concept projects with operators in North America and APAC, and is conducting ongoing dialogues with other operators in Europe and the Americas. This demonstrates the value that CSPs see in Norwood's innovative solutions, which can transform the way CSPs engage with and deliver new value to their customers.

Norwood has also maintained its strong relationship with Spark NZ, recently signing a variation to its voicemail service agreement with the telecommunications company. This updated agreement includes a fee structure that is locked in for the next three years, reflecting the strong working relationship that Norwood has built with Spark over the past four and a half years.

With the continued leadership of CEO Paul Ostergaard and newly appointed strategic advisor Ronan Dunne, Norwood is, at the date of this report, showcasing its CogVoice offerings at the MWC Barcelona conference. The conference provides an opportunity for the Company to meet with key CSPs from North America, APAC, and Europe as part of Norwood's international face-to-face marketing outreach program.

Norwood remains committed to strong financial discipline, with a reduction in net operating costs relative to the prior corresponding period, and this will be a continued key focus of management for the remainder of FY23 and beyond.

In summary, Norwood believes it is positioned extremely well for the coming quarters, with a full pipeline and recent wins and/or successful project completions in Australia and abroad:

- Norwood Systems is a leader in the consumer-focused market for advanced AI conversational agents, offering fast, efficient, and cost-effective service platforms for communication service providers.
- The Company has won multiple Proof-of-Concept projects with operators in North America and APAC, and is in ongoing dialogues with CSPs in APAC, Europe and the Americas, demonstrating the value that such CSPs see in Norwood's innovative solutions.
- Norwood's CogVoice platform offers unique features and benefits, including highly fluid natural language interaction, best-in-class latency, 4G/5G compatibility, and low-cost implementation, positioning the Company for significant growth in the growing market for AI conversational agents.

2.2. Financial Review

a. Operating results

For the half-year ended 31 December 2022 the Group delivered a loss before tax of \$968,308 (31 December 2021: \$456,886 loss), representing an increase in losses.

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. Details of the Company's assessment in this regard can be found in Note 1.1.2 Statement of significant accounting policies: Going Concern on page 11.

2.3. Events Subsequent to Reporting Date

Subsequent to 31 December 2022, the Company entered into a loan agreement with Balmain Resources Pty Ltd, a company controlled by director, Dr John Tarrant for an amount of \$300,000. The Company has drawn \$60,000 on 28 February 2023.

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements at Note 12 Events subsequent to reporting date.

Directors' report

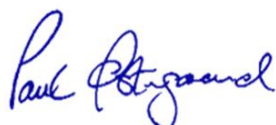
2.4 Future Developments, Prospects and Business Strategies

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

3. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2022 has been received and can be found on page 6 of the interim financial report.

Signed in accordance with a resolution of directors made pursuant to s306(3) of the *Corporations Act 2001* (Cth).



PAUL OSTERGAARD

Managing Director

Dated this Tuesday, 28 February 2023

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HALL CHADWICK 

To the Board of Directors,

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

As lead audit Director for the review of the financial statements of Norwood Systems Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours Faithfully


HALL CHADWICK WA AUDIT PTY LTD


MARK DELAURENTIS ^{CA}
Director

Dated this 28th day of February 2023
Perth, Western Australia

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Condensed consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2022

	Note	6 months to 31 Dec 2022 \$	6 months to 31 Dec 2021 \$
<i>Continuing operations</i>			
Revenue	3.1	508,009	525,284
Other income	4.1	534,711	468,560
Sales and marketing expenses		(19,600)	(19,063)
Patent, research and development expenses		(13,868)	(87,164)
IT Infrastructure Costs		(139,858)	(145,260)
Employee and director benefits expense		(1,000,577)	(755,552)
Listing expense		(60,179)	(20,941)
Share based payment expense		(426,000)	-
Consultancy and subcontractor fees		(80,807)	(41,063)
Finance Costs		(30,364)	(18,175)
Accountancy, audit and legal expenses		(90,661)	(177,559)
Other expenses		(20,616)	(37,600)
Travel and entertainment expenses		(52,866)	(89)
Administration expenses		(32,923)	(47,984)
Depreciation and amortisation expenses		(42,709)	(100,280)
Loss before tax		(968,308)	(456,886)
Income tax expense		-	-
Net loss for the half-year		(968,308)	(456,886)
Other comprehensive loss for the half-year, net of tax		-	-
Total comprehensive loss attributable to members of the parent entity		(968,308)	(456,886)
<i>Loss per share:</i>			
Basic and diluted loss per share (cents per share)	5.3	(0.27)	(0.17)

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

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APPENDIX 4DInterim Financial Report
31 December 2022**NORWOOD SYSTEMS LIMITED**

AND CONTROLLED ENTITY

ABN 15 062 959 540

Condensed consolidated statement of financial position

as at 31 December 2022

	Note	31 Dec 2022 \$	30 June 2022 \$
<i>Current assets</i>			
Cash and cash equivalents	6.1	254,372	496,931
Trade and other receivables	7.1	76,663	273,032
Total current assets		331,035	769,963
<i>Non-current assets</i>			
Plant and equipment		64,916	32,798
Right of use assets	8.1	78,890	115,040
Total non-current assets		143,806	147,838
Total assets		474,841	917,801
<i>Current liabilities</i>			
Trade and other payables	9.1	532,094	491,623
Lease liabilities	8.2	83,403	117,247
Provisions		215,565	269,144
Loans payable	10.1	154,332	848,642
Total current liabilities		985,394	1,726,656
<i>Non-current liabilities</i>			
Provision		37,357	26,280
Total non-current liabilities		37,357	26,280
Total liabilities		1,022,751	1,752,936
Net (liabilities)		(547,910)	(835,135)
<i>Equity</i>			
Issued capital	11.1	32,955,490	32,179,354
Reserves		9,818,968	9,339,571
Accumulated losses		(43,322,368)	(42,354,060)
Total net asset deficiency		(547,910)	(835,135)

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

Condensed consolidated statement of changes in equity

for the half-year ended 31 December 2022

	Note	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total net asset deficiency \$
<i>Balance at 1 July 2021</i>		30,958,991	9,164,081	(41,270,592)	(1,147,520)
Loss for the half-year attributable owners of the parent		-	-	(456,886)	(456,886)
Other comprehensive income for the half-year attributable owners of the parent		-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent		-	-	(456,886)	(456,886)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the half-year (net of costs)	11.1.1	303,620	-	-	303,620
Share based payment	14.1	60,000	-	-	60,000
<i>Balance at 31 December 2021</i>		31,322,611	9,164,081	(41,727,478)	(1,240,786)
<i>Balance at 1 July 2022</i>		32,179,354	9,339,571	(42,354,060)	(835,135)
Loss for the half-year attributable owners of the parent		-	-	(968,308)	(968,308)
Other comprehensive income for the half-year attributable owners of the parent		-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent		-	-	(968,308)	(968,308)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the half-year (net of costs)	11.1.1	776,136	-	-	776,136
Share based payment	14.1	-	426,000	-	426,000
Options issued	11.2	-	53,397	-	53,397
<i>Balance at 31 December 2022</i>		32,955,490	9,818,968	(43,322,368)	(547,910)

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

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APPENDIX 4DInterim Financial Report
31 December 2022**NORWOOD SYSTEMS LIMITED**

AND CONTROLLED ENTITIES

ABN 13 615 321 189

Condensed consolidated statement of cash flows
for the half-year ended 31 December 2022

Note	6 months to 31 Dec 2022 \$	6 months to 31 Dec 2021 \$
<i>Cash flows from operating activities</i>		
Receipts from customers	720,476	635,444
Government grants received	463,721	390,333
Interest received	47	126
Payments to suppliers and employees	(1,328,517)	(1,196,869)
Net cash (used in) / provided by operating activities	(144,273)	(170,966)
<i>Cash flows from investing activities</i>		
Purchase of plant and equipment	(38,677)	-
Net cash used in investing activities	(38,677)	-
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares	179,338	323,000
Proceeds from issue of options	53,397	-
Payments for capital raising costs	-	(19,380)
Repayment of borrowings	(447,895)	(358,541)
Proceeds from borrowings	189,395	152,100
Payments for the principal portion of lease liabilities	(33,844)	(37,584)
Proceeds from convertible notes	-	100,000
Net cash provided by / (used in) financing activities	(59,609)	159,595
Net increase/(decrease) in cash held	(242,559)	(11,371)
Cash and cash equivalents at the beginning of the half-year	496,931	58,474
Cash and cash equivalents at the end of the half-year	254,372	47,103

6.1

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

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Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

Note 1. Statement of significant accounting policies

These are the condensed consolidated financial statements and notes of Norwood Systems Limited (**Norwood Systems or the Company**) and controlled entities (collectively **the Group**). Norwood Systems is a company limited by shares, domiciled and incorporated in Australia.

The financial statements were authorised for issue on 28 February 2023 by the directors of the Company.

1.1. Basis of preparation

This interim financial report is intended to provide users with an update on the latest annual financial statements of Norwood Systems Limited and controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Group for the year ended 30 June 2022, together with any public announcements made during the half-year.

1.1.1. Statement of compliance

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

1.1.2. Going Concern

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

The Group incurred a loss for the half-year of \$968,308 (31 December 2021: \$456,886 loss) and a net operating cash out-flow of \$144,273 (31 December 2021: \$170,966 out-flow). As at 31 December 2022 the Group had a working capital deficiency of \$654,359 (30 June 2022: \$956,693 deficiency).

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

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

- The Company has entered into a loan agreement with Balmain Resources Pty Ltd ("Lender"), a company controlled by director, Dr John Tarrant for an amount of \$300,000. The Company has drawn \$60,000 on 28 February 2023, with the remaining \$240,000 can be drawn up to 6 March 2023;
- Management have prepared a cashflow forecast for the next 12 months from the date of this report that indicates the operating cash inflows will be sufficient to meet expenses and other financial obligations as and when they are due;
- Managing cash flows in line with available funds; and
- The Group has the ability to raise funds from equity sources and has a successful record for past raisings that gives the board confidence that it can complete further capital raisings if required.

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

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

1.1.3. Use of estimates and judgments

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

Note 1. Statement of significant accounting policies

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

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

The judgements, estimates and assumptions applied in the condensed financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2022.

1.2. New and Amended Standards Adopted by the Group

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

Note 2. Company details**The registered and principal office of the Company is:**

Street: 4 Leura Street,
Nedlands, WA 6009
Australia

Postal: 4 Leura Street,
Nedlands, WA 6009

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Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

Note 3. Revenue

3.1. Revenue

World Phone revenue

World Voicemail revenue

Corona revenue

Other revenue

	6 months to 31 Dec 2022	6 months to 31 Dec 2021
	\$	\$
	(8,963)	15,425
	378,189	442,149
	98,783	5,710
	40,000	62,000
	508,009	525,284

3.2. 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 2022	World Apps revenue	World Voicemail	Corona Revenue	Other revenue
At a point in time	-	-	-	40,000
Over time	(8,963)	378,189	98,783	-
Total	(8,963)	378,189	98,783	40,000

Geographical Regions – 31 Dec 2022	World Apps revenue	World Voicemail	Corona Revenue	Other revenue
New Zealand	-	292,492	-	-
Australia	-	-	98,783	-
Rest of the World	(8,963)	85,697	-	40,000
Total	(8,963)	378,189	98,783	40,000

Timing of revenue recognition – 31 Dec 2021	World Apps revenue	World Voicemail	Corona Revenue	Other revenue
At a point in time	-	-	-	62,000
Over time	15,425	442,149	5,710	-
Total	15,425	442,149	5,710	62,000

Geographical Regions – 31 Dec 2021	World Apps revenue	World Voicemail	Corona Revenue	Other revenue
New Zealand	81	364,257	-	-
Australia	464	-	5,710	-
Rest of the World	14,879	77,892	-	62,000
Total	15,424	442,149	5,710	62,000

APPENDIX 4D

Interim Financial Report
31 December 2022

NORWOOD SYSTEMS LIMITED

AND CONTROLLED ENTITIES

ABN 13 615 321 189

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2022

Note 4. Loss before income tax

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

4.1. Other Income

- Interest income
- Government grant income

6 months to 31 Dec 2022	6 months to 31 Dec 2021
\$	\$
47	126
534,664	468,434
534,711	468,560

Note 5. Loss per share (EPS)

5.1. Reconciliation of earnings to profit or loss

Loss for the half-year

Loss used in the calculation of basic and diluted EPS

6 months to 31 Dec 2022	6 months to 31 Dec 2021
\$	\$
(968,308)	(456,886)
(968,308)	(456,886)

5.2. Weighted average number of ordinary shares outstanding during the half-year used in calculation of basic EPS

6 months to 31 Dec 2022	6 months to 31 Dec 2021
No.	No.
356,977,707	267,980,274

5.3. Earnings per share

Basic EPS (cents per share)

Note	6 months to 31 Dec 2022	6 months to 31 Dec 2021
	¢	¢
5.4	(0.27)	(0.17)

5.4. As at 31 December 2022 the Group has 181,390,180 unissued shares under options (31 December 2021: 165,402,426). The Group does not report diluted earnings per share on losses generated by the Group.

Note 6. Cash and cash equivalents

6.1. Current

Cash at bank

31 Dec 2022	30 June 2022
\$	\$
254,372	496,931
254,372	496,931

Note 7. Trade and other receivables

7.1. Current

Trade Receivables

Other Receivables

Provision of loan receivable

Prepaid Expenses

31 Dec 2022	30 June 2022
\$	\$
68,626	271,508
73,710	111,596
(73,571)	(110,072)
7,898	-
76,663	273,032

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

Note 8. Right of use assets

8.1. Non-current

Right of use asset - Buildings

Accumulated amortisation

8.2. Lease liabilities

Current

Non-current

Note 9. Trade and other payables

9.1. Current

Unsecured

Trade payables

Accruals and other payables

Contract liabilities

	31 Dec 2022	30 June 2022
	\$	\$
	322,580	322,580
	(243,690)	(207,540)
	78,890	115,040
	83,403	117,247
	-	-
	83,403	117,247
	31 Dec 2022	30 June 2022
	\$	\$
	121,559	156,433
	317,389	258,143
	93,146	77,047
	532,094	491,623

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Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

Note 10. Borrowings**10.1. Current**

	Note	31 Dec 2022 \$	30 June 2022 \$
R&D Loan Facility Payable	10.2	130,736	308,631
Accrued Interest	10.2	3,596	15,011
Director loan Payable – Paul Ostergaard	10.3	20,000	45,000
Director loan Payable – Dr John Tarrant	10.4	-	480,000
		154,332	848,642

10.2. During the period, the Company received advance funding on its expected FY2022 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 for the quarter from July to September 2022 period.
- 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 June 2023.
- Final Maturity Date: 30 November 2023 and expected to be paid in October 2023.
- Norwood has the option to repay earlier without penalties.
- Interest Rate: 14% per annum, and default rate of 18% (from 1 December 2023 until the loan is repaid in full).
- Security: Secured against the R&D refund receivable from the ATO in October 2023.
- 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.

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

During the period ended 31 December 2022, the Company has repaid \$25,000 to Paul Ostergaard.

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

Key Terms and Conditions:

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

During the period ended 31 December 2022, the Convertible Notes were fully converted into Fully Paid Ordinary Shares.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

Note 11. Equity

11.1. Issued capital	Note	6 months to 31 Dec 2022 No.	12 months to 30 June 2022 No.	6 months to 31 Dec 2022 \$	12 months to 30 June 2022 \$
Fully paid ordinary shares at no par value		387,400,000	340,047,768	32,955,490	32,179,354
11.1.1. Ordinary shares					
At the beginning of the half-year/year		340,047,768	260,504,864	32,179,354	30,958,991
Shares issued during the half-year/year					
■ July 2021- Shares issued as consideration for professional services received	11.1.2	-	2,500,000	-	-
■ Sep 2021 - Shares issued pursuant to the exercise of unlisted ZEPO Options with \$nil exercise price		-	1,200,000	-	-
■ Oct 2021 - Shares issued under Placement		-	19,000,000	-	323,000
■ Feb 2022 – Conversion of Convertible Notes		-	12,500,000	-	300,000
■ Mar 2022 – Shares issued as consideration for professional services received		-	1,836,933	-	27,774
■ June 2022 – Shares issued under Rights Issue		-	42,505,971	-	637,590
■ Oct 2022 – Shares issued to an employee	11.1.3	4,943,238	-	76,500	-
■ Nov 2022 – Conversion of convertible Notes		32,000,000	-	480,000	-
■ Nov 2022 – Shares issued as director remuneration	11.1.4	2,686,567	-	40,298	-
■ Nov 2022 – Shares issued pursuant to the exercise of unlisted options with \$0.024 exercise price		2,007,937	-	48,190	-
■ Dec 2022 – Shares issued pursuant to the exercise of unlisted options with \$0.024 exercise price		5,464,490	-	131,148	-
■ Dec 2022 – Shares issued in lieu of cash payment for consulting services		250,000	-	5,000	-
Transaction costs relating to share issues					
■ Cash		-	-	-	(57,635)
■ Equity based		-	-	(5,000)	(10,366)
At the end of the half-year/year		387,400,000	340,047,768	32,955,490	32,179,354

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

11.1.3. Shares issued to an employee in accordance with a variation of employment salary sacrifice.

11.1.4. Shares issued as director's remuneration in line with shareholder approval on 26 October 2022.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

Note 11 Equity (cont.)

11.2. Options	Note	6 months to	12 months to	6 months to	12 months to
		31 Dec 2022	30 June 2022	31 Dec 2022	30 June 2022
		No.	No.	\$	\$
Options		181,390,180	100,163,956	9,713,968	9,339,571
At the beginning of the half-year/year		100,163,956	68,821,636	9,339,571	9,164,081
Options issued/(lapsed) during the half-year/year:					
■ Expiry of options		-	(67,621,636)	-	-
■ Sep 2021 - Exercise of options		-	(1,200,000)	-	85,808
■ Feb 2022 –Directors Options Issued		-	15,000,000	-	79,316
■ Mar 2022 – Options Placement		-	39,657,985	-	-
■ Jun 2022 – Free attaching options issued under the Rights Issue		-	42,505,971	-	-
■ Jun 2022 –Advisors options issued		-	3,000,000	-	10,366
■ Nov – 2022 – Free attaching options on conversion of Convertible Notes		32,000,000	-	-	-
■ Nov 2022 – Director Options Issued	11.2.1	26,698,651	-	53,397	-
■ Nov 2022 – Directors Options Issued	14.2.1	30,000,000	-	321,000	-
■ Nov 2022 - Exercise of options		(2,007,937)	-	-	-
■ Dec 2022 - Exercise of options		(5,464,490)	-	-	-
At the end of the half-year/year		181,390,180	100,163,956	9,713,968	9,339,571

11.2.1. Options with an issue price of \$0.002 per option, exercisable at \$0.08 and expiring 3 March 2023 issued to directors as approved by shareholders on 26 October 2022.

11.3. Performance rights

Performance rights		6 months to	12 months to	6 months to	12 months to
		31 Dec 2022	30 June 2022	31 Dec 2022	30 June 2022
		No.	No.	\$	\$
At the beginning of the half-year/year		-	-	-	-
Performance rights issued / expired during the half-year/year:					
● Issued	14.2.1.c	10,000,000	-	105,000	-
At the end of the half-year/year		10,000,000	-	105,000	-

Note 12. Events subsequent to reporting date

Subsequent to 31 December 2022, the Company entered into a loan agreement with Balmain Resources Pty Ltd, a company controlled by director, Dr John Tarrant for an amount of \$300,000. The Company has drawn \$60,000 on 28 February 2023.

Other than noted above, there has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future reporting periods.

Note 13. Contingent liabilities

There has been no change in contingent liabilities since the last reporting period.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

Note 14. Share-based payments

14.1. Share-based payments:

- Recognised in profit and loss (expenses)

Gross share-based payments

14.2. Share-based payment arrangements in effect during the half-year

14.2.1. Recognised in profit or loss

a. Advisor shares

31 December 2022

Nil.

31 December 2021

2,500,000 shares to be issued to an advisor in relation to advisory services with a total value of \$60,000 for the fair value of services rendered.

b. Directors Options

Following shareholder approval, the Company issued 30,000,000 Options to Directors on 18 November 2022, on the following terms:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
30,000,000	18 November 2025	\$0.024	Various

(1) Unquoted option issued to Directors were valued at \$321,000 (2021: \$nil).

c. Director Performance Rights

At the Company's General Meeting held on 26 October 2022, shareholder approval was obtained to issue performance rights that will convert into shares.

These performance rights are issued to Mr Paul Ostergaard, managing director, on terms as detailed below:

Class of Performance Right	Performance Condition	Performance rights No.	Milestone Date	Expiry Date	Performance Condition Satisfied
A	Vested upon the achievement of annualised revenue of a minimum \$5,000,000 on or before the financial year ended 30 June 2026 in any twelve-month financial period, as independently verified by the Company's auditors.	5,000,000	30 June 2026	30 November 2028	No
B	Vested upon the achievement of annualised revenue of a minimum \$10,000,000 on or before the financial year ended 30 June 2028 in any twelve-month financial period, as independently verified by the Company's auditors.	5,000,000	30 June 2028	30 November 2028	No

(1) The performance rights were valued at \$105,000.

Note	6 months to 31 Dec 2022 \$	6 months to 31 Dec 2021 \$
14.2.1	426,000	60,000
	426,000	60,000

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Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

Note 14 Share-based payments (continued)**14.3. Fair value of options granted during the half-year**

The weighted average fair value of options granted during the half-year was \$0.0107 (31 December 2021: \$nil). These values were calculated using the Black-Scholes option pricing model, applying the following inputs to options:

Note Reference	14.2.1.b
Grant date	18.11.2022
Grant date share price	\$0.021
Option exercise price	\$0.024
Number of options issued	30,000,000
Remaining life (years)	3.0
Expected share price volatility	81.41%
Risk-free interest rate	3.15%
Value per option	\$0.0107

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

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

14.4. Fair value of performance rights granted during the half-year

Note Reference	14.2.1.c	14.2.1.c
Class of performance rights	A	B
Grant date	18.11.2022	18.11.2022
Grant date share price	\$0.021	\$0.021
Assume vesting probability	50%	50%
Number of performance rights issued	5,000,000	5,000,000
Remaining life (years)	3.6	5.6
Value per right	\$0.021	\$0.021

Note 15. Operating segments

The Group has identified its operating segment based on the internal reports that are reviewed and used by the Board of Directors (Chief operating decision maker) in assessing performance and determining the allocation of resources.

The financial information presented in the consolidated statement of comprehensive income and the consolidated statement of financial position is the same as that presented to the chief operating decision maker.

Unless stated otherwise, all amounts reported to the Board of Directors as the chief operating decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group. During the current period, the Group is considered to operate in one segment, being voice telecommunication services.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2022

Note 16. Related party transactions

16.1. KMP and related party transactions

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

Entity	Nature of transactions	KMP	Total Transactions		Receivable/(Payable) Balance	
			6 months to 31 Dec 2022	12 months to 30 June 2022	6 months to 31 Dec 2022	12 months to 30 June 2022
			\$	\$	\$	\$
Paul Ostergaard	Convertible notes	Paul Ostergaard	-	(100,000)	-	-
Paul Ostergaard	Loan	Paul Ostergaard	25,000	(45,000)	(20,000)	(45,000)
Balmain Resources Pty Ltd	Convertible notes	Dr John Tarrant	-	(480,000)	-	(480,000)
Avicena Systems Pty Ltd	Software development Services	Dr John Tarrant (appointed as director of Avicena Systems Pty Ltd on 05.11.2022) Paul Ostergaard (resigned as director of Avicena Systems Pty Ltd on 29.07.2021)	-	104,000	-	-

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

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 half-year are as follows:

	6 months to 31 Dec 2022 \$	12 months to 30 June 2022 \$
Opening balance payable by the Group	40,469	40,469
Provision for loan receivable	(40,469)	(40,469)
	-	-

Ostergaard Family Trust - Mr Paul Ostergaard – Managing Director

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

	6 months to 31 Dec 2022 \$	12 months to 30 June 2022 \$
Opening balance payable by the Group	33,101	33,101
Provision for loan receivable	(33,101)	(33,101)
	-	-

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

	6 months to 31 Dec 2022 \$	12 months to 30 June 2022 \$
Opening balance payable by the Group	36,501	36,501
Repayment	(36,501)	-
Provision for loan receivable	-	(36,501)
	-	-

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Directors' declaration

The Directors of the Group declare that:

1. The condensed financial statements and notes, are in accordance with the *Corporations Act 2001* (Cth) and:

(a) comply with Accounting Standard AASB 134: Interim Financial Reporting; and

(b) give a true and fair view of the financial position as at 31 December 2022 and of the performance for the half-year ended on that date of the Group.

2. in the directors' opinion 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 and is signed for and on behalf of the Directors by:



PAUL OSTERGAARD

Managing Director

Dated this Tuesday, 28 February 2023

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

Conclusion

We have reviewed the accompanying half-year financial report of Norwood Systems Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration.

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

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1.1.2 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$968,308 during the half year ended 31 December 2022. As stated in Note 1.1.2, these events or conditions, along with other matters as set forth in Note 1.1.2, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

A handwritten signature in black ink that reads "Hall Chadwick".

HALL CHADWICK WA AUDIT PTY LTD

A handwritten signature in black ink that reads "Mark DeLaurentis".

MARK DELAURENTIS CA
Director

Dated this 28th day of February 2023
Perth, Western Australia

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