Interim Report
June 2017

Wellington's purpose is to deliver connected solutions to solve our customers' refrigeration energy consumption and system control problems through the development of advanced motors, intelligent control solutions, and 'Internet of Things' data services. Our personal service, reliable products, smart solutions and relentless pursuit of excellence will ensure we lead the competition and build a world class company.

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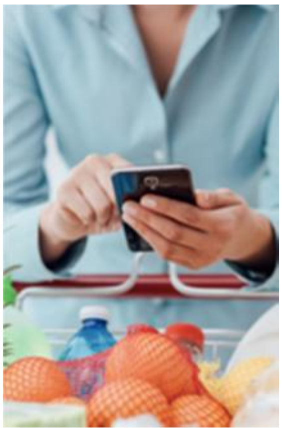
Our Partner Network

Since the beginning of 2017 Wellington's partnership network has delivered over 680,000 motors and 110,000 SCS Connect 'Cloud Connected' controllers to customers across the world. This is twice as many controllers as delivered in all of 2016.



In addition to its hardware manufacturing partners, Wellington is adding software technology partners to its network, such as iProximity who partner with Wellington to provide proximity based digital marketing services.

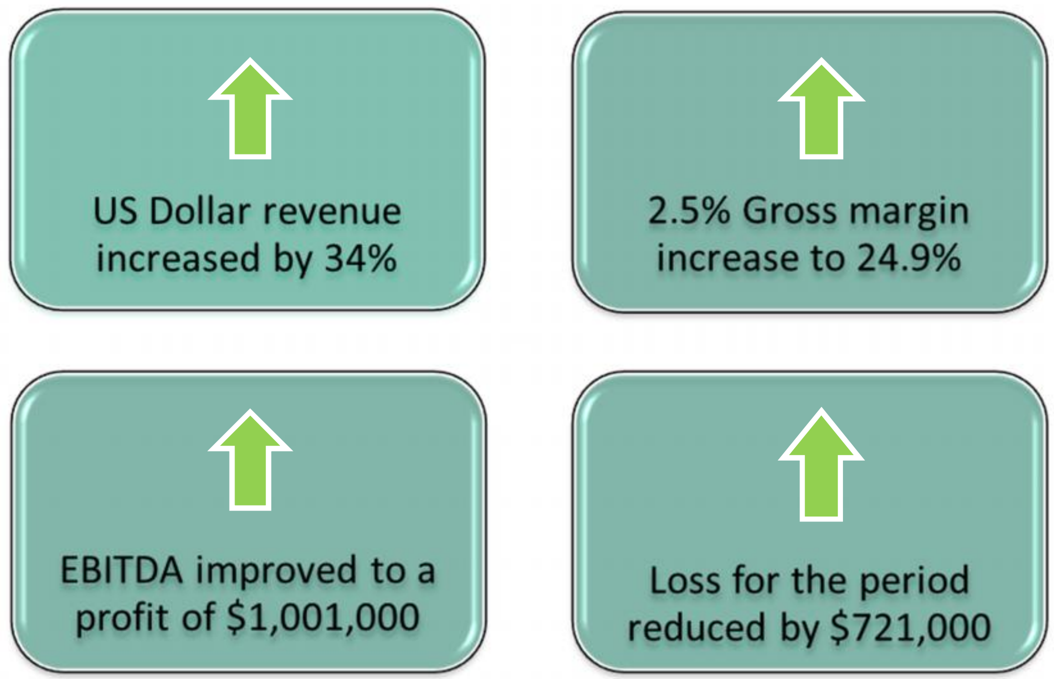
Wellington's global partner network supports its customers in the development and delivery of products, supply chain solutions and new technology roadmaps. The developing partner network is a fundamental part of how Wellington innovates and delivers value for customers to support the rapid expansion of its service offering with a focus on meeting the 'unmet' needs of the market.

The Company's network of partners, with factories in Vietnam, China and Malaysia, and development centres in Australia and New Zealand, ensures effective supply for all of its products and solutions and provides customers with delivery certainty.

Our supply chain network specialises in complex electronics manufacturing, motor mechanical assembly, plastics design, plastics injection moulding and design support capabilities.

Customer-focused teams are located in New Zealand, Mexico, Brazil, China, Singapore, Turkey, Italy, Canada and the USA, working around the clock to ensure that Wellington 'delivers' for customers.

1st Half 2017 Financial Highlights



Revenue for the six months ended June 2017 increased to US$17.1 million from US$12.7 million for the same period in 2016. In NZD terms, revenue increased to $23.8 million ($18.7 million H1 2016).

Gross Margin increased from 22.4% (H1 2016) and 24.0% (2016 FY) to 24.9% for H1 2017.

Earnings before interest, taxation, depreciation, amortisation and impairment (EBITDA) was a profit of $1,001,000 which is an increase of $956,000 on that recorded for H1 2016. The Company's first ever EBIT profit (Earnings before interest and taxation) was recorded.

Loss for the period was $522,000 which is a $721,000 improvement on the $1,243,000 loss for H1 2016. This loss included net costs in connection with the preference shares amounting to $519,000 ($736,000 H1 2016).

Chairman and CEO Report

Financial Highlights

- ✓ **Significant Revenue Growth** - Revenue for the 6 months ended 30 June 2017 was $24 million, a 27% increase compared to the same period last year. This improvement was delivered through increasing demand for the ECR2 motor and SCS Connect products and notable growth in its ECR92 motor.

- ✓ **Gross margin improving to 24.9%** - Further product cost reductions were realised from ongoing supply chain improvement activities. Higher margins in the SCS Connect business were offset somewhat by price concessions and thus lower margins in the EC Motor business.

- ✓ **Positive EBITDA of $1 million and a first ever EBIT profit** - Earnings before interest, taxation, depreciation, amortisation and impairment (EBITDA) was a profit of $1,001,000 which is an increase of $956,000 compared to the same period last year and $797,000 greater than the result for the full 2016 year. Earnings before interest and taxation (EBIT) was a profit of $181,000 which is an improvement of $884,000 compared to the same period last year.

- ✓ **Loss reduced to $522,000** – The loss for the period after taxation reduced from a loss of $1,243,000 for the comparable period last year and a loss of $2,478,000 for the full 2016 year.

  The loss for the period is stated after recognising costs in connection with the mandatory convertible preference shares. The preference shares converted to ordinary shares in May 2017. The loss for the period and EBITDA has been adjusted below to remove these costs which are not relevant when assessing trading performance.

		$000's	
	H1 2017	H1 2016	FY 2016
EBITDA	**1,001**	45	204
Currency revaluation of the preference shares – loss / (gain)	**(61)**	234	121
EBITDA adjusted	**$940**	$279	$325
Loss for the period	**(522)**	(1,243)	(2,478)
Currency revaluation of the preference shares – (gain) / loss	**(61)**	234	121
Amortisation of the preference shares	**329**	377	786
Change in fair value of the embedded option	**126**	-	-
Preference shares coupon	**125**	125	252
Loss for the period adjusted	**($3)**	($507)	($1,319)

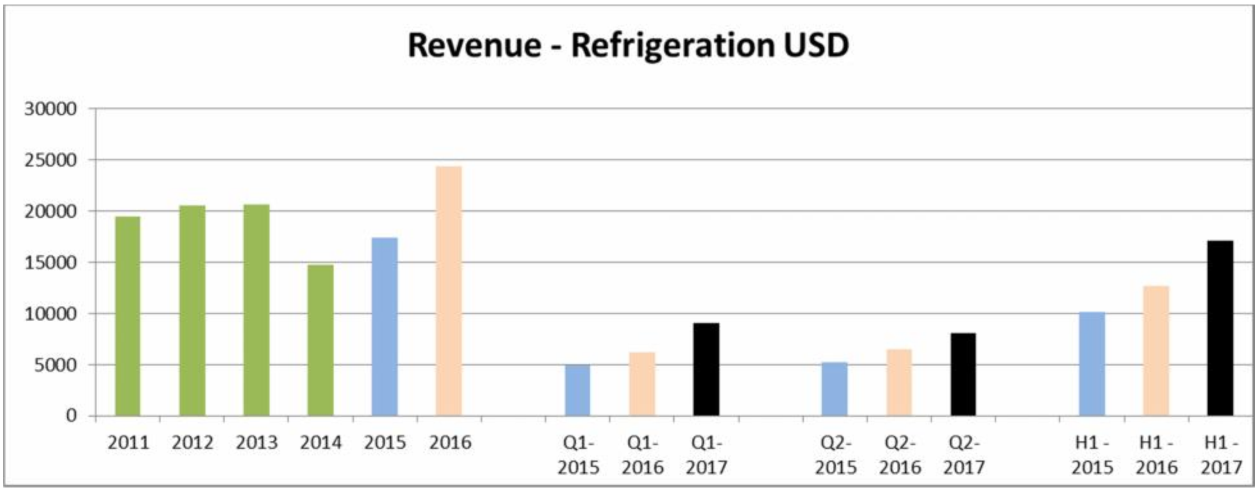
The effective NZD / USD rate in the period was 0.71 compared to 0.68 for the 1st half 2016.

- ✓ **Cash at $1.2 million** – Cash at the end of the period was $1.2m. This is slightly down on expectations due to some large customers unilaterally extending their payment terms. Inventory also increased due to the impact of higher production volumes on component stocks and to the strategic decision to carry more in-market stock as the business worked to counter competitors with factories in customer markets.

- ✓ **Renewed debt finance** – The extension of the $2,000,000 Smartshares Limited loan facility, which now expires in March 2019. This working capital debt facility is assisting the business to support the increasing competitive nature of customer working capital needs.

- ✓ **Exclusive partnership announced with iProximity –** An exclusive worldwide distribution agreement was signed with Australian based proximity based digital marketing company iProximity. iProximity's digital marketing tools (iPX), when coupled with Wellingtons SCS Connect data platform are already delivering the consumer engagement experience and enabling the *Smarter Cooler* for beverage brands in a number of field trials.

Revenue



Revenue growth trend (including SCS Connect, Data Services and Motors)

The strong demand we experienced in Q1 2017 weakened slightly in Q2 as we experienced customers reducing demand for the third quarter earlier than usual. We also experienced a large customer deciding to move from a single source model with Wellington to a dual source model, and while our revenue wasn't impacted significantly in the first half, this will have an impact in the second half of 2017.

US Dollar revenue growth in Q1 (compared to the same quarter last year) was 47% while in Q2 it was 24%. This is attributed to the Americas and APAC regions experiencing customer demand at higher levels than the same period in 2016.

Latin America US Dollar revenue increased 35% compared to 2016. This growth is attributed to Wellington winning several new customers with its SCS Connect products and growing EC motor share with existing customers. A particular highlight was the success seen on both ECR2 motors and SCS Connect in new Central American markets.

USA and Canada grew 230%, attributed primarily to strong demand for the new ECR2 motor as OEM's prepared for the new Department of Energy 2017 (DOE17) energy standards. Notable in this region was our US distribution partner East West winning a major USA air movement manufacturer in the non-refrigeration market, for the ECR2 motor.

Asia Pacific region (APAC) grew 8% with increased ordering patterns from major customers for ECR and SCS products. The Chinese market is still a developing one for EC motors. The business is winning new customers in China with its non-EC shaded pole motor range offer. The focus in the APAC region is maintaining support of our South East Asian customer base while winning global brand customers for SCS Connect.

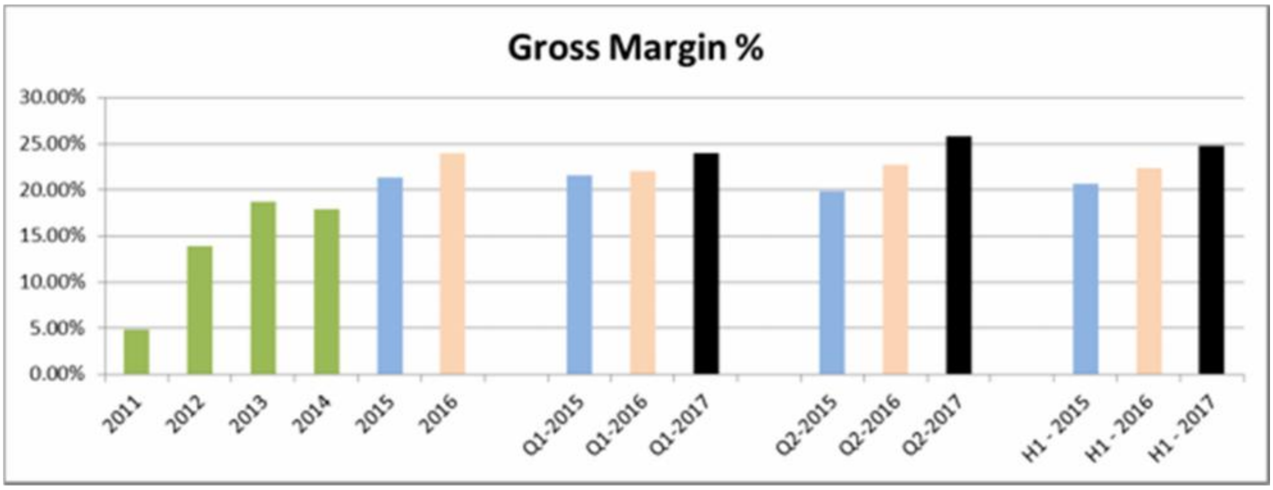
Europe, Middle East and Africa (EMEA) revenue was down 22%. The EMEA market continues to be the company's most competitive, price sensitive and politically unstable market. The company is currently reviewing its strategy in the EMEA market both at a product and skill investment level.

Gross profit

Gross Margin improved to 25% and is expected to increase further over coming months as demand for the higher margin SCS Connect product continues to grow. EC Motor margin growth will occur at a slower rate as much of the readily accessible product cost reduction opportunities have been realised. All suppliers in Vietnam, China and Malaysia are continuing to support Wellington with further cost improvements as our volumes grow.

The company recognises that over time, hardware, electronic and electrical components come under increasing price pressure from competitive solutions and customer driven commoditisation, while supply chain cost reductions are harder to achieve as commodity prices fluctuate and in many cases increase.

The company's strategy continues to focus on the development of higher value-added hardware and software services, with a specific focus on digital products and services, such as its digital marketing toolset (in partnership with iProximity), as one of the ways it expects to counter hardware commoditisation longer term.



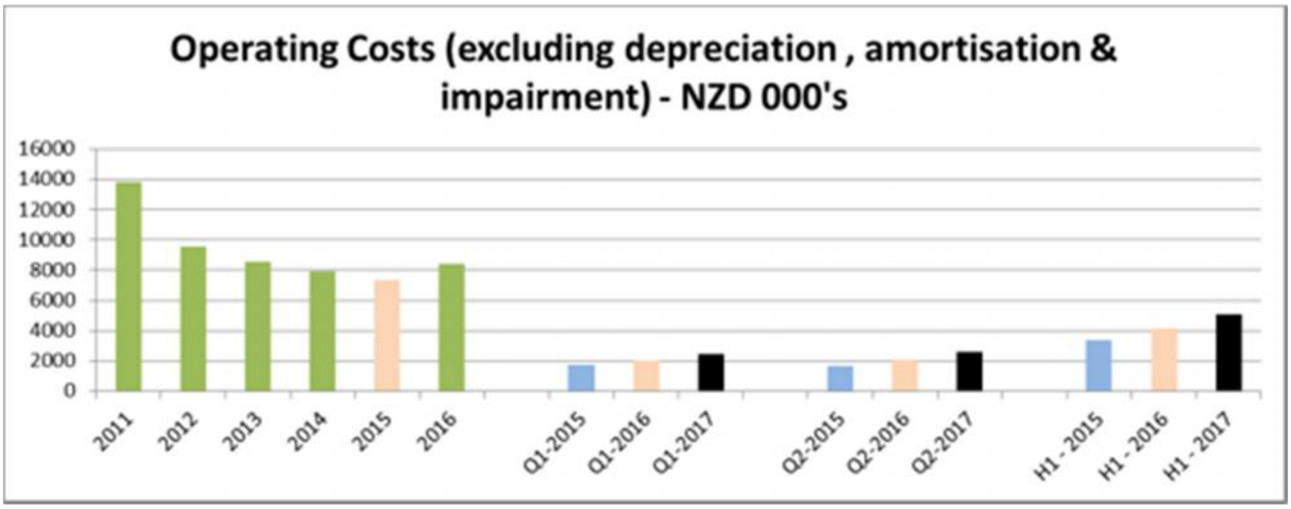
Gross Margin Trend

Operating costs

The chart below shows the trend in operating costs over the last six and a half years. This demonstrates our continued cost management excellence and our measured approach to adding new skills in support of our growth strategy.

In the first half of 2017 we continued to add a number of new key skills, necessary to win and support new business. Examples of these new skills and their location were:

- A new Latin American based senior sales manager focused on South and Central America business development
- An Atlanta USA based global customer programme manager for supporting customers SCS and Connectivity Solutions
- A new engineering manager, based in New Zealand, to ensure our expanding product portfolio is commercialised and managed effectively
- Additional software engineers, focused on App development and firmware development software testing



Operating Cost Trends

The investment in skills over the first six months of 2017 is consistent with our strategy of execution excellence, new IoT product development and capitalising on new customer opportunities.

Operating costs for the six months ended 30 June 2017 increased to $5.1m from $4.2m for the comparable period last year. Staff costs increased by $1m compared to the same period in 2016 due to the addition of necessary new skills highlighted above and the flow through effect of selected salary adjustments in 2016 to retain key skills.

Headcount globally has increased from 55 (December 2015) to 60 (June 2016), to 63 (December 2016) and now 67 (June 2017). Revenue per employee increased to $355,000 for the 6 months ended 30 June 2017 compared to $311,000 for the comparable period in 2016.

Balance Sheet

Operating activities generated a cash inflow for the period of $0.3 million ($0.6 million in 2016). This result was impacted by a $0.6 million increase in working capital due to increased sales, some customers taking longer than agreed terms to pay and also higher inventories. We will be working to reduce working capital over coming months; however we expect the customer pressure on terms and inventory to continue.

Inventory at 30 June 2017 was $4.1 million, a $0.7 million increase since 31 December 2016. This slight increase in inventory is in part a result of additional strategic inventory in customer regions to manage short lead-time orders. Wellington continues operating at above 7 inventory turns per annum, compared to the 3 turns seen at the end of 2014.

During the period Wellington invested $1.2 million in plant & equipment and new product development, consistent with the same period last year.

Cash at the end of the period was $1.2 million compared with $2.1 million at 31 December 2016.

On June 3rd 2017 the company renewed its debt facility agreement with Smartshares (formerly SuperLife), extending the expiry date of the facility to March 2019. This additional surety on working capital finance will assist in managing the volatile payment schedules of global OEM’s and continue to support strategic in-market inventory. The continued support from Smartshares was greatly appreciated.

Product update – Working towards the Smarter Cooler

The company now has a broader range of motors and is developing a range of digital products and services, based around SCS Connect, to help it grow in existing and new markets.

Sales of recently released SCS Connect and ECR2 motor products in the first half continue to demonstrate that our new product strategy is progressing well and that those products will continue to win new customers and gain access to new markets.

The Smarter Cooler: SCS Connect and Digital Solutions – The Wellington team is developing a range of products that are focused on delivering our new *'Smarter Cooler'* platform.

Commercial refrigeration systems fitted with Wellington Drive's **SCS™** connected refrigeration controller already lead the way in Smart Cooler Technology.

The Smarter Cooler concept combines Wellington's SCS Connect System with iProximity's **iPX**™ beacon management platform and other micro-location, contextual digital marketing technology to engage and interact with customers at their point of purchase in front of the cooler.

The Smarter Cooler's management system is cloud-based, allowing for the simple management of proximity based marketing campaigns on globally deployed coolers.

Some selected examples of what a Wellington and iProximity Smarter Cooler platform can offer are:

- Wake a consumer's phone with a branded message, in a store with an **SCS**™ enabled Smarter Cooler
- Deliver contextual, personalised promotions based on consumer purchasing habits
- Deliver partnering opportunities by engaging with retail partner Apps
- Drive messages to digital signage based on who is standing close by
- Build real-time data insights on consumer actions
- Understand marketing campaign attribution with complete end to end analysis
- Engage consumers with personalised and relevant offers driving brand engagement.

Wellington and iProximity are presently developing and demonstrating the Smarter Cooler technology to several prospective clients and launched a major customer trial in the first half of 2017.

The SCS Connect hardware platform is now being adopted by two major global beverage brands in their coolers. The majority of the SCS Connect driven revenue from these brands is coming from Latin America and EMEA regions, with developing market opportunities in Asia and the USA expected to turn to revenue in late 2017 and 2018.

Customers are continuing to test the cloud based business reporting tools, equipment-monitoring solutions and iProximity digital marketing tools, and modify their own operating systems to ensure they can use them to best effect. We are finding that all customers are requiring modifications to reporting software, operating system firmware and software tools, generally to suit their particular business needs, and new software products are being created to support individual customer rollouts.

We continue to market the SCS Connect solution in new countries, and are exploring new market segments beyond beverage coolers where the SCS Connect solution and iProximity marketing tools could add value.

ECR Motors – Our newest ECR2 motor continues to drive the addition of new customers, in the beverage cooler, supermarket display and food service sectors, and more recently adjacent markets that require airflow solutions. Our legacy ECR01 and ECR92 products continue to grow also, in particular our lowest cost ECR92 motor which is winning business in low cost beverage coolers.

Product Roadmap – With our Smarter Cooler concept under development and both the SCS Connect and ECR2 motor now in the market, it is important that the team reflects on how to further broaden and deepen its customer offerings.

Learning's associated with recent product launches are informing the team on where to focus next:

1. Customers require choices in connectivity technologies that are based on the specific applications and business models in different geographies. Bluetooth is great technology for mass adoption, however customers also need alternate, real time, communication technologies;

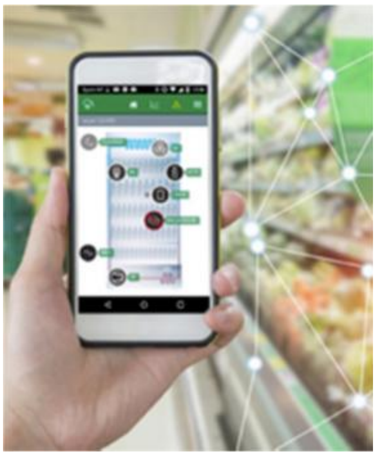
2. Internet of Things (IoT) devices, such as our SCS Connect, require a wide range of supporting software and digital solutions to really add value to the customer's business and ensure they buy our product versus a competitor's. The customisation needs are greater than we first expected and require incremental software and customer management skills, however they do increase the value of the overall solution we sell;

3. Cost remains important for IoT hardware, and customers require choices on the functionality, look and feel of hardware depending on their end market and application;

4. There are attractive markets for IoT solutions outside of beverage coolers, and with our 'beachhead' in large beverage brands we have a perfect reference customer base that is sending new customers to us. With respect to IoT opportunities; our partner based proximity driven digital marketing has application across the food and beverage retail sector, however it will require significant development and customer support to maximise leverage; and

5. Cost remains an important factor in any EC Motor, therefore the next EC motor product needs to keep lowest cost as a core principle. Many of our larger competitors have a broader range of products, so we need to continue adding motors to our portfolio while being very selective to find 'use areas' that our competition do not meet.

As we gather and discuss these learning's, it gives us the confidence to make further investment in both EC motor and IoT platforms. This may take the form of design enhancements on both ECR2 motors and SCS Connect, new versions of EC motors and IoT devices, accessories that compliment both EC motors and IoT devices, new software and services supporting our IoT platforms and a broader range of digital marketing solutions.



We continue to work on three core business development and product development areas:

1. **A broader portfolio of IoT devices and Smarter Cooler solutions serving beverage and non-beverage markets.** This includes hardware to suit specific market needs, customer specific software, fleet management services and digital marketing solutions that help customers connect with consumers and better manage their cooler fleet;

2. **Higher performance EC motors and airflow accessories** to further improve refrigeration performance, lower the total cost of the refrigeration solution and gain broader access to higher value refrigeration markets; and

3. **Joint product development initiatives with our partner network** in Australia, Vietnam and China to bring a new range of low cost and highly functional motor and connectivity products to market. This is line with our market diversification strategy.

iProximity – Wellington's proximity based digital marketing partner

In the early part of 2017 a strategic relationship was formed with Australian digital marketing company iProximity, and its two founders David Burden and Rohan Lean.


David and Rohan describe the iProximity missions as:

"iProximity provides technology, platforms and software that connects digital information with physical spaces. We mesh Beacons, NFC, RFID, IoT sensors, IoT Platforms, smartphones and digital signs through our cloud-based rules and management platform to your data systems delivering results and experiences that engage, surprise and delight. We focus on building bespoke IoT solutions and powering contextual, proximity information and marketing services."

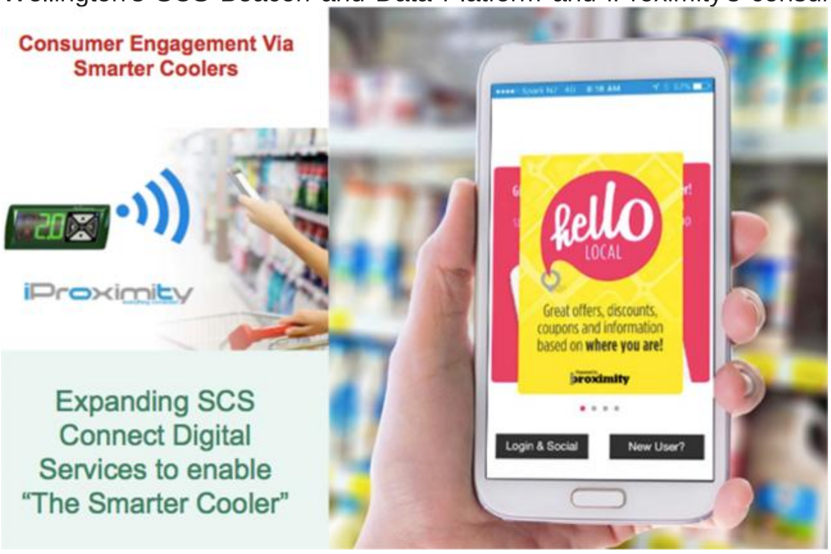
After more than twelve months of searching for a credible proximity based digital marketing provider to compliment the SCS platform, the Wellington team decided on iPX, and indeed is already using its SCS Connect incorporating the iPX tools in a number of trials with global brand customers.

The iProximity toolset origins come from deep experience developing consumer engagement campaigns and programmes using mobile-based applications, including the internet and mobile marketing.

The iProximity founders leveraged their technology and marketing skills, and commercial success forming iProximity in 2014, and deploying the proximity based marketing system with many Australian and New Zealand clients.

iProximity leads the development of commercially successful digital solutions using a range of technologies and leveraging outsourced software development partners. Customers outside of the Wellington relationship include Australasian Airports, Universities, local governments and retail brands – its Smart Cities and Citizen engagement model underpins its connectivity and connected user offering.

The vision of Wellington and iProximity is to take a combined digital marketing offering to large global food and beverage retailers came together through the Smarter Cooler concept. Using Wellington's SCS Beacon and Data Platform and iProximity's consumer engagement and content management system, the partnership is already demonstrating to customers how connected coolers, that communicate with the consumer and deliver branded messaging and retail offers, can increase product sales.



With this new partnership Wellington is truly moving away from being a pure hardware provider, ensuring it offers a wide range of software and services that compliment its IoT hardware offering. iProximity gains broader access to large global retail customers demanding proximity based information and marketing services and through Wellington's growing fleet of SCS Connect devices can access one of the largest installed bases of beacons in the world.

2017 Strategic Priorities Update

Our focus for 2017 is biased towards the sales and support of our new products, further improving our operating systems to deal with high growth rates, and commencing the next stage of our product innovation programme so that we can maintain revenue growth beyond 2017.

1. Successfully deliver the SCS Connect production programme for new customers
2. Start developing market opportunities for SCS Connect beyond carbonated soft drink
3. Seek technology & channel partnerships to broaden the SCS Connect digital services offering
4. Commence development projects for the next phase of EC Motor product roadmap
5. Commence upgrade of our company-wide management information system to support year on year growth.

The roll-out of the new SCS Connect programme is gathering pace. New market opportunities for the SCS Connect platform, driven in part by the addition of new digital marketing services, are increasing in markets beyond the initial beverage segment. We are seeing increasing interest from clients focused in the food display sector and also in other non-carbonated soft drink areas such as beer. New 'non-cooler' based beverage opportunities are also coming to light in areas such as back-bar and fountain systems.

SCS™ CLOUD CONNECTED by Wellington

The proximity based marketing solution, powered by iProximity, is currently being tested in supermarkets with a large beverage brand and that trial is progressing well. It is too early to predict adoption outcomes and timelines as a result of this trial project, but at a minimum the exposure the company gets on its new service offering to this major global brand is significant.

The team continues to look for further strategic partnerships in the digital services space to compliment the SCS platform, and where it makes more sense to partner versus developing new skills and products from a zero base.

The team is reassessing where it will focus for new EC motor developments. It is likely that the focus will continue to be supermarket display case and food service OEM customers and potentially other non-beverage related markets where the team believes the opportunity for value added solutions is more attractive.

The team is also currently completing its joint development programme with East West with the aim of offering an EC motor based electronic Fan Coil product early in 2018. The Fan Coil is not a refrigeration motor, as it is designed to support East West's ventilation customers in the USA market. Wellington and East West share the design costs and ultimately the returns for this product. This project has taken longer than expected due to unforeseen technical challenges in the motor hardware, but is expected to complete over the coming 6 months.

At this point in the financial year, and with capital being prioritised towards growth projects, the company is deferring new investment in new growth supporting systems. Whilst this is not optimal for the company's future growth execution it is a necessary decision to ensure we apply our limited capital resources in the most appropriate manner. Wellington continues to manage capital investments tightly but is undertaking small investments where necessary to support growth. An example is the implementation of an upgraded Customer Relationship Management (CRM) system and an upgrade to the existing IT system and related business processes.

Outlook

2017

The Company will continue to build on the success of its new products, winning new EC motor customers, expanding the SCS Connect customer base and developing markets for its new digital services, including the iPX proximity based digital marketing solution.

Consistent with the expected seasonality in our business, and due to some large customers, mainly in Latin America, deferring some demand into Q4 and Q1 2018, we are expecting a small EBITDA loss in Q3, returning to profit in Q4.

We have the usual minimal order visibility for the fourth quarter; however we expect revenues to increase again, broadly in line with the second quarter of 2017.

For the full year revenue is expected to grow in the 25% to 35% range while EBITDA is expected to be between $1.5 million and $2.1 million.

Whilst the company has finalised extended debt support with Smartshares it is envisaged that these funds will be used almost exclusively for working capital management and to support customer growth. Whilst the board believes this debt finance is adequate to run the day to day business, it also holds a view that a fast growing technology company requires increased flexibility to support a broad range of growth opportunities. With continued revenue growth in the 30% range, a number of large customer opportunities in the funnel requiring additional resources, several new products being researched particularly in the digital space, expected growth in the iProximity partnership, and further technology partnerships being contemplated, the board and management are continually assessing the best options with respect to further growth capital needs.

2018

From 'Beyond the Motor' to 'Beyond the Device', Wellington is now proving it can be a major player in the IoT and digital solutions market for commercial refrigeration customers and is also starting to explore new non-refrigeration markets.

The Wellington team believes connectivity and digital solutions underpin the mid to long-term future of the business and accordingly intends to focus resources and investment in that space. The company is not a pure-play Software Services business – rather it will continue to develop a range of connected hardware and a supporting suite of digital products and services around that hardware eco-system, using both internal expertise and technology partnerships.

With commitment to its brand promise, continuing innovation in the software and digital services space and broader adoption of its hardware, the team expects to continue its growth and profit expansion.

The management of new customers, and helping them through the product adoption processes, will be critical as will managing a much broader range of customer relationships. It is anticipated that the need for new skills will continue as the business continues to grow. Focus on the 'Internet of Things' business will require additional skills in developing and managing the software and services needed to support customers in that space. New partnerships will also be sought that enable further products and access to new markets – with examples of potential target areas being image recognition and alternate communications technologies.

Preliminary forecasts for 2018 show continued growth in SCS Connect and ECR motors volumes driving revenue growth in the 20% to 30% range. This would see the company generating positive operating cash flow and also achieving its first net profit.

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Tony Nowell, CNZM	Greg Allen
Chairman	Chief Executive

Footnote:
EBITDA (Earnings before interest, taxation, depreciation, amortisation and impairment) and EBIT (Earnings before interest and taxation) are non-GAAP earnings figures that equity analysts tend to focus on for comparable company performance analysis. The Company considers that EBITDA is a useful financial indicator because it avoids the distortions caused by the differences in amortisation and impairment policies and the impact of fair value changes. The calculation of EBITDA is set out on page 13.

Gross margin is the gross profit percentage calculated from revenue and gross profit.

Consolidated Interim Statement of Comprehensive Income

	Note	Six months ended Unaudited 30 Jun 2017 $000s	30 Jun 2016 $000s	Year ended Audited 31 Dec 2016 $000s
Revenue	2.1,2.2	**23,775**	18,665	35,274
Cost of goods sold		**(17,865)**	(14,486)	(26,821)
Gross profit		**5,910**	4,179	8,453
Other income	2.3	**151**	29	206
Operating expenses	2.4	**(5,060)**	(4,163)	(8,455)
Earnings before interest, taxation, depreciation and amortisation		**1,001**	45	204
Depreciation	3.5	**(142)**	(135)	(274)
Amortisation	3.6	**(654)**	(613)	(1,234)
Impairment	3.6	**(24)**	-	-
Earnings before interest and taxation		**181**	(703)	(1,304)
Finance income	4.2	**5**	6	8
Finance expenses	4.2	**(700)**	(531)	(1,131)
Loss before income tax		**(514)**	(1,228)	(2,427)
Income tax expense		**(8)**	(15)	(51)
Loss for the period		**(522)**	(1,243)	(2,478)
Other comprehensive income:				
Items that may be reclassified subsequently to the profit or loss:				
Exchange differences on translating operations		**(268)**	(228)	(485)
Cash flow hedge		**92**	(24)	(21)
Income tax relating to comprehensive income		**-**	-	-
Other comprehensive loss for the period		**(176)**	(252)	(506)
Total comprehensive loss for the period		**($698)**	($1,495)	($2,984)
Loss for the period attributable to the Owners of the Company		**($522)**	($1,243)	($2,478)
Total comprehensive loss attributable to the Owners of the Company		**($698)**	($1,495)	($2,984)
Basic earnings per share – cents	2.6	**(0.20)**	(0.48)	(0.96)
Diluted earnings per share – cents	2.6	**(0.20)**	(0.48)	(0.96)

The above Consolidated Interim Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Interim Statement of Movements in Equity

	Note	Share capital $000s	Accumulated losses $000s	Other reserves $000s	Total equity $000s
Unaudited for the six months ended 30 June 2017					
Equity at beginning of period		**117,192**	**(112,126)**	**(2,317)**	**2,749**
Loss for period		**-**	**(522)**	**-**	**(522)**
Other comprehensive income:					
Exchange differences on translation operations		**-**	**-**	**(268)**	**(268)**
Cash flow hedge		**-**	**-**	**92**	**92**
Income tax relating to other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income		**-**	**(522)**	**(176)**	**(698)**
Share option compensation expensed		**-**	**-**	**47**	**47**
Contributions of equity net of costs	4.3	**6,417**	**-**	**-**	**6,417**
Equity at end of period		**$123,609**	**($112,648)**	**($2,446)**	**$8,515**
Unaudited for the six months ended 30 June 2016					
Equity at beginning of period		117,184	(109,648)	(1,938)	5,598
Loss for period		-	(1,243)	-	(1,243)
Other comprehensive income:					
Exchange differences on translation operations		-	-	(228)	(228)
Cash flow hedge		-	-	(24)	(24)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(1,243)	(252)	(1,495)
Share option compensation expensed		-	-	38	38
Contributions of equity net of costs	4.3	7	-	-	7
Equity at end of period		$117,191	($110,891)	($2,152)	$4,148

Consolidated Interim Statement of Movements in Equity - continued

	Note	Share capital $000s	Accumulated losses $000s	Other reserves $000s	Total equity $000s
Audited for year ended 31 December 2016					
Equity at beginning of period		117,184	(109,648)	(1,938)	5,598
Loss for period		-	(2,478)	-	(2,478)
Other comprehensive income:					
Exchange differences on translation operations		-	-	(485)	(485)
Cash flow hedge				(21)	(21)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(2,478)	(506)	(2,984)
Share option compensation expensed		-	-	127	127
Contributions of equity net of costs		8	-	-	8
Equity at end of period		$117,192	($112,126)	($2,317)	$2,749

The above Consolidated Interim Statement of Movements in Equity should be read in conjunction with the accompanying notes.

Consolidated Interim Statement of Financial Position

	Note	Unaudited **30 Jun 2017** **$000s**	 30 Jun 2016 $000s	Audited 31 Dec 2016 $000s
Current Assets				
Cash and cash equivalents		**1,157**	2,518	2,099
Trade and other receivables	3.1	**11,450**	7,814	9,015
Derivative financial instruments		**58**	-	-
Inventories	3.2	**4,133**	3,958	3,461
Total current assets		**16,798**	14,290	14,575
Non-Current Assets				
Plant and equipment	3.5	**918**	1,015	999
Intangible assets	3.6	**6,076**	5,428	5,914
Total non-current assets		**6,994**	6,443	6,913
Total assets		**23,792**	20,733	21,488
Current Liabilities				
Trade and other payables	3.3	**12,426**	10,252	10,348
Deferred income	2.2	**988**	454	591
Provisions	3.4	**316**	244	253
Borrowings – current portion	4.1	**26**	5,588	7,499
Derivative financial instruments		**-**	-	14
Total current liabilities		**13,756**	16,538	18,705
Non-Current Liabilities				
Borrowings	4.1	**1,521**	47	34
Total liabilities		**15,277**	16,585	18,739
Net assets		**$8,515**	$4,148	$2,749
Equity				
Contributed equity	4.3	**123,609**	117,191	117,192
Accumulated losses		**(112,648)**	(110,891)	(112,126)
Other reserves		**(2,446)**	(2,152)	(2,317)
Total equity		**$8,515**	$4,148	$2,749

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

Consolidated Interim Cash Flow Statement

	Note	Six months ended Unaudited 30 Jun 2017 $000s	Six months ended Unaudited 30 Jun 2016 $000s	Year ended Audited 31 Dec 2016 $000s
Cash flows from operating activities				
Receipts from customers exclusive of GST/VAT		**22,361**	16,903	32,805
Payments to suppliers and employees exclusive of GST/VAT		**(21,540)**	(16,381)	(32,789)
Interest received		**5**	6	8
Interest paid		**(288)**	(154)	(345)
Taxation received / (paid)		**23**	(25)	(69)
Net GST/VAT (paid) / received		**(250)**	258	342
Net cash inflow / (outflow) from operating activities		**311**	607	(48)
Cash flows from investing activities				
Payments for plant and equipment		**(108)**	(181)	(287)
Payments for intangible assets		**(1,134)**	(931)	(1,930)
Proceeds from sale of plant and equipment		**4**	1	2
Net cash outflow from investing activities		**(1,238)**	(1,111)	(2,215)
Cash flows from financing activities				
Cash proceeds from share issues, net of issue costs		**(12)**	7	8
Smartshares Limited borrowing	4.1	**-**	-	1,500
Finance lease borrowing		**-**	76	76
Finance lease repayments		**(14)**	(6)	(17)
Net cash inflow from financing activities		**(26)**	77	1,567
Net decrease in cash and cash equivalents		**(953)**	(427)	(696)
Cash and cash equivalents at the beginning of the financial period		**2,099**	2,880	2,880
Effect of exchange rate movements on cash		**11**	65	(85)
Cash and cash equivalents at end of period		**$1,157**	$2,518	$2,099

The above Consolidated Interim Cash Flow Statement should be read in conjunction with the accompanying notes.

	Six months ended Unaudited		Year ended Audited
	30 Jun 2017	30 Jun 2016	31 Dec 2016
	$000s	$000s	$000s

Reconciliation of loss for the period to net cash inflow / (outflow) from operating activities

Loss after taxation for the period	**(522)**	(1,243)	(2,478)
Adjustments for:			
Depreciation, amortisation and impairment	**820**	748	1,508
Gain on disposal of plant & equipment	**(4)**	(1)	(2)
Share based payments	**47**	38	127
Amortisation of borrowing	**329**	377	786
Change in fair value of embedded option	**126**	-	-
Inventory provision movements	**(3)**	(176)	(251)
Doubtful debt provision movements	**(44)**	(3)	(4)
Provision for warranty movements	**63**	76	38
Net foreign exchange differences	**84**	(127)	(278)
Increase in trade and other receivables	**(2,391)**	(1,888)	(3,093)
(Increase) / decrease in inventories	**(669)**	(70)	490
Increase in trade and other payables	**2,475**	2,876	3,109
Net cash inflow / (outflow) from operating activities	**$311**	$607	($48)

The above reconciliation should be read in conjunction with the accompanying notes.

Notes to the Interim Financial Statements

for the six months ended 30 June 2017

1. Basis of preparation

1.1 General Information

Wellington Drive Technologies Limited (the "Company") and its subsidiaries (together the "Group") develop, manufacture, market and sell energy saving, electronically-commutated (EC) motors, connected controllers and fans for worldwide use.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 21 Arrenway Drive, Rosedale, Auckland 0632.

These consolidated interim financial statements have been approved for issue on 24 August 2017 and have not been audited.

These interim financial statements do not include all the notes and disclosures set out in the annual report. As a result, this report should be read in conjunction with the annual financial statements for the year ended 31 December 2016.

1.2. Accounting Policies

The consolidated interim financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and NZ IAS 34, 'Interim Financial Reporting'.

The Company and its subsidiaries are profit oriented entities.

All significant accounting policies adopted in the preparation of these consolidated interim financial statements have been applied on a basis consistent with those used in the audited financial statements of the Group for the year ended 31 December 2016. Trade and other payables comparative amounts in the statement of financial position have been reclassified to conform to the current year's presentation. Refer to Note 3.3 for more details.

(a) Going concern convention

While the Company meets its day-to-day working capital requirements out of its available cash resources, cash flows are a critical part of ensuring the business continues to operate in line with the business strategy adopted by the Directors.

The Group is experiencing significant revenue growth following the launch of its ERC2 and SCS Connect products. Cash flow forecasts include revenue growth projections and other significant assumptions, including anticipated demand for new products, expected margins, anticipated development costs, expected foreign currency exchange rate fluctuations and working capital requirements, all of which create uncertainty to the forecast results. Actual results and cash flows may vary materially from forecast. The Directors have a number of operational options available to them, to manage this uncertainty including cost management and seeking additional funding.

In preparing these interim financial statements, the Directors have applied the principles of going concern on the basis that current cash reserves and cash flow forecasts show the Company will generate cash sufficient to meet its debts as they fall due for a minimum of 12 months from signing these interim financial statements.

(b) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is US Dollars because its purchase and sale of product is mainly denominated in US Dollars.

The consolidated interim financial statements are presented in New Zealand dollars, rounded to the nearest thousand, which is the Group's presentation currency. The presentation currency remains New Zealand dollars due to the Company's shareholder base being concentrated in New Zealand.

2. Results for the period

2.1 Segment information

(a) Reportable segments

At 30 June 2017, the Group is organised on a global basis into one operating segment – the marketing, sale, manufacture and development of electric motors and associated electronics and software. The interim financial statements therefore reflect the results and financial position of the segment.

(b) Geographical segments

The Group operates in three main geographical areas, although it is managed on a global basis.

Revenue by Destination	Six months ended **30 Jun 2017** **$000s**	 30 Jun 2016 $000s	Year ended 31 Dec 2016 $000s
Americas	**19,395**	13,575	27,257
Asia / Pacific (APAC)	**2,005**	1,950	3,300
Europe / Middle East / Africa (EMEA)	**2,375**	3,140	4,717
Total	**$23,775**	$18,665	$35,274

Revenue is allocated above based on the country in which the customer is located.

2.2 Revenue

	Six months ended **30 Jun 2017** **$000s**	 30 Jun 2016 $000s	Year ended 31 Dec 2016 $000s
Product revenue	**23,633**	18,681	35,211
Services revenue	**142**	(16)	63
Total	**$23,775**	$18,665	$35,274

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, excluding GST / VAT, rebates and discounts and after eliminating sales within the Group.

Sale of Goods – sales are recognised when legal title or possession is transferred to the buyer which is usually when delivery of the goods to the customer takes place.

Sale of services – revenue from the provision of services is recognised when services are rendered to the buyer.

The Company has received income in previous years amounting to USD 212,000 in connection with the development of a new motor product. This income has been deferred and will be recognised in the income statement when the motor development is completed and products are sold pursuant to a licence agreement. The Company has also received revenue of USD 372,000 in the period (June 2016: USD 155,000) from the sale of data services for its SCS Connect product. That income also has been deferred and will be recognised in the income statement over the service period. Service periods range from 1 to 10 years.

2.3 Other income

	Six months ended **30 Jun 2017** **$000s**	 30 Jun 2016 $000s	Year ended 31 Dec 2016 $000s
Net foreign exchange gains (note 2.5)	**126**	-	88
Licence fees	**17**	27	55
Other	**8**	2	63
Total	**$151**	$29	$206

2.4 Operating expenses

	Six months ended 30 Jun 2017 $000s	30 Jun 2016 $000s	Year ended 31 Dec 2016 $000s
Employee benefits	**3,882**	3,063	6,308
Net foreign exchange losses (note 2.5)	**-**	29	-
Rental expense relating to operating leases	**143**	145	287

2.5 Foreign exchange gains / (losses)

Net foreign exchange gains and losses included in other income (note 2.3) and other operating expenses (note 2.4) include an unrealised gain / loss arising from the revaluation of NZD denominated convertible preference shares. The Company's functional currency is USD so NZD debt is required to be revalued at the period end exchange rate and the resulting gain / loss recognised in the statement of comprehensive income.

	Six months ended 30 Jun 2017 $000s	30 Jun 2016 $000s	Year ended 31 Dec 2016 $000s
Gain / (loss) on revaluation of the preference shares	**61**	(234)	(121)
Net foreign exchange gains from operations	**65**	205	209
Total net foreign exchange gains / (losses)	**$126**	($29)	$88

2.6 Earnings per share

Earnings per share ('EPS') is the amount of post-tax profit attributable to each share.

Basic EPS of a loss of 0.20 cents (June 2016 – loss of 0.48 cents) is calculated by dividing the loss attributable to equity holders of the Company of $525,000 (June 2016 - $1,243,000) by the weighted average number of ordinary shares on issue during the year of 256,939,967 (June 2016 – 256,896,000*).

Diluted EPS of a loss of 0.20 cents (June 2016 - loss of 0.48 cents) reflects any commitments the Group has to issue shares in future that would decrease EPS. The weighted average number of ordinary shares is compared with the number of shares that would have been issued assuming the exercise of share options.

As at 30 June, the following instruments existed that are, or were, potentially dilutive of future earnings per share, but were not included in the calculation of diluted EPS for that year because the effect in that year would have been antidilutive:

Numbers of shares	30 Jun 2017	30 Jun 2016
Part paid shares	**12,703,070**	12,482,655
US employee share options	**1,914,601**	1,818,386

* The June 2016 weighted average number of ordinary shares on issue for the purpose of the basic and diluted EPS calculation includes 25,211,740 preference shares being the minimum number of ordinary shares that will be issued upon conversion (note 4.1). These shares were converted to ordinary shares in May 2017.

3. Operating assets and liabilities

3.1. Trade and other receivables

	30 Jun 2017 $000s	30 Jun 2016 $000s	31 Dec 2016 $000s
Trade receivables	**10,608**	7,423	8,504
Provision for doubtful debts	**(104)**	(144)	(148)
Net trade receivables	**10,504**	7,279	8,356
Prepayments	**239**	319	269
VAT/GST refunds due	**620**	174	274
Income tax refund due	**1**	24	32
Other receivables	**86**	18	84
	$11,450	$7,814	$9,015

3.2. Inventories

	30 Jun 2017 $000s	30 Jun 2016 $000s	31 Dec 2016 $000s
Finished goods – at cost	**2,726**	3,168	2,432
Work in progress – at cost	**1,176**	592	731
Raw materials – at cost	**299**	332	369
Less inventory provisions	**(68)**	(134)	(71)
Total inventories	**$4,133**	$3,958	$3,461

3.3 Trade and other payables

	30 Jun 2017 $000s	30 Jun 2016 $000s	31 Dec 2016 $000s
Trade payables	**11,375**	9,470	9,547
Accrued expenses	**244**	430	391
Employee entitlements	**807**	352	410
	$12,426	$10,252	$10,348

3.4 Provisions

Warranty provisions	**30 Jun 2017 $000s**	30 Jun 2016 $000s	31 Dec 2016 $000s
Carrying amount at start of period	**253**	215	215
Additional provisions recognised	**168**	76	93
Amounts used	**(93)**	(38)	(51)
Exchange adjustment	**(12)**	(9)	(4)
Carrying amount at end of period	**$316**	$244	$253

The Group sells electric motors with warranty periods of up to five years. The terms of the warranty provide that the Company will repair or replace items that fail to perform satisfactorily. A provision is recognised based on historical data and average levels of repairs and warranty claims experienced by the Group. It is expected that the provision will be utilised within one year as any product failures are typically exhibited within one year of sale.

3.5 Plant and equipment

	30 Jun 2017 $000s	30 Jun 2016 $000s	31 Dec 2016 $000s
Net book amount at start of period	**999**	1,009	1,009
Additions	**108**	181	287
Depreciation	**(142)**	(135)	(274)
Disposals	**-**	-	-
Exchange adjustment	**(47)**	(40)	(23)
Net book amount at end of period	**$918**	$1,015	$999

Depreciation			
Plant and equipment	**213**	108	212
Office equipment, furniture & fittings	**59**	27	62
	$272	$135	$274

Sale of plant and equipment			
Gain on disposal	**$4**	$1	$2

Capital commitments

Capital commitments contracted for at 30 June 2017 amounted to $179,000 (June 2016 $153,000)

3.6 Intangible assets

	30 Jun 2017 $000s	30 Jun 2016 $000s	31 Dec 2016 $000s
Net book amount at start of period	**5,914**	5,300	5,300
Additions	**1,134**	931	1,930
Amortisation	**(654)**	(613)	(1,234)
Impairment	**(24)**	-	-
Exchange adjustment	**(294)**	(190)	(82)
Net book amount at end of period	**$6,076**	$5,428	$5,914

Amortisation and impairment			
Amortisation of intangible assets	**$653**	$613	$1,234
Impairment of intangible assets	**$24**	$ -	$ -

Research and development			
Research and development costs expensed	**$500**	$292	$648
Development time capitalised	**($605)**	($606)	($1,262)

4. Capital and financing costs

4.1 Borrowings

	30 Jun 2017 $000s	30 Jun 2016 $000s	31 Dec 2016 $000s
Current portion			
Mandatory convertible preference shares	**-**	5,565	5,974
Loan facility – Smartshares Limited	**-**	-	1,500
Finance lease liability	**26**	23	25
	$26	$5,588	$7,499
Non-Current portion			
Loan facility – Smartshares Limited	**1,500**	-	-
Finance lease liability	**21**	47	34
	$1,521	$47	$34

Mandatory convertible preference shares

On 19 May 2014 the Company issued $5,042,346 of mandatory convertible preference shares at an issue price of $0.20 per share, bearing a fixed coupon rate of 5% per annum, payable six monthly in arrears. In May 2017 the convertible preference shares mandatorily converted to ordinary shares on a 1:1 basis.

The preference shares were recognised initially as a liability at fair value, net of transaction costs incurred, and were subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value (being 25,211,740 shares at $0.25) was recognised in the statement of comprehensive income over the period to conversion using the effective interest method. The coupon on these shares was recognised in as an interest expense.

	Six months ended		Year ended
	30 Jun 2017 $000s	30 Jun 2016 $000s	31 Dec 2016 $000s
Liability at start of period	**5,974**	5,188	5,188
Amortisation	**329**	377	786
Change in fair value of embedded option	**126**	-	-
Converted to ordinary shares at fair value	**(6,429)**	-	-
Liability at end of period	**$-**	$5,565	$5,974

The effective interest rate on the liability was 19.15% taking into account costs of issue.

Loan facility – Smartshares Limited

In September 2016 the Company secured a $2 million unsecured loan facility from Smartshares Limited (formerly SuperLife Limited), a shareholder. The loan facility initially had a one year term. In June 2017 the Company agreed an extension of the facility to March 2019. Interest is payable quarterly at 14.75% pa (until September 2017) and 15.75% thereafter. The facility has been drawn down to $1.5 million at balance date. A $20,000 annual revolver fee is payable.

Finance lease liability

In March 2016 the Company entered into a 36 month equipment lease. The amount financed was $76,000 and repayments in the period ended 30 June 2017 amounted to $14,000 (2016 - $6,000). The effective interest rate is 9%.

4.2 Finance income and expenses

	Six months ended 30 Jun 2017 $000s	30 Jun 2016 $000s	Year ended 31 Dec 2016 $000s
Finance income			
Change in fair value of embedded option	**-**	-	-
Other interest income	**5**	6	8
	$5	$6	$8
Finance expense			
Amortisation of preference shares	**329**	377	786
Change in fair value of embedded option	**126**	-	-
Preference shares coupon	**125**	125	252
Interest payable to Smartshares Limited	**110**	-	43
Other interest	**10**	29	50
	$700	$531	$1,131

4.3 Contributed equity

	30 Jun 2017 Shares	30 Jun 2016 Shares	**30 Jun 2017 $000s**	30 Jun 2016 $000s
Ordinary shares – fully paid (a)	**257,097,352**	231,684,047	**123,572**	117,155
Ordinary shares – partly paid (b)	**12,703,070**	12,482,655	**37**	36
US employee share options (c)	**1,914,601**	1,818,386	**-**	-
Preference shares (note 4.1)	**-**	25,211,740	**-**	-
Total shares and options on issue	**271,715,023**	271,196,828	**$123,609**	$117,191

(a) Ordinary shares – fully paid

	30 Jun 2017 Shares	30 Jun 2016 Shares	**30 Jun 2017 $000s**	30 Jun 2016 $000s
Opening balance of ordinary shares on issue	**231,684,047**	231,684,047	**117,155**	117,155
- Mandatory convertible preference shares that converted to ordinary shares in May 2017 at 25.5 cents each	**25,211,740**	-	**6,429**	-
- Part paid shares exercised	**201,565**	-	**18**	-
- NZX charges relating to these transactions	**-**	-	**(30)**	-
Ordinary fully paid shares on issue at period end	**257,097,352**	231,684,047	**$123,572**	$117,155

All ordinary shares are authorised and have no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held.

(b) Ordinary shares – partly paid

	Six months ended 30 Jun 2017 Shares	30 Jun 2016 Shares	30 Jun 2017 $000s	30 Jun 2016 $000s
Partly paid shares on issue at start of period	**12,904,635**	8,993,524	**37**	29
Issued	**-**	3,489,131	**-**	7
Exercised	**(201,565)**	-	**-**	-
Ordinary part paid shares on issue at period end	**12,703,070**	12,482,655	**$37**	$36

(c) US employee share options (numbers)

	30 Jun 2017	30 Jun 2016
Options outstanding at start of period	**1,914,601**	1,058,373
Granted	**-**	760,013
Outstanding at end of period	**1,914,601**	1,818,386

5. Other information

5.1 Related party transactions

(a) Directors

The names of persons who are directors of the Company are on page 29.

(b) Key management personnel and compensation

Key management personnel compensation is set out below. Key management personnel comprises of the Directors, the Chief Executive Officer (CEO) and all the senior executives that report directly to the CEO.

	Six months ended 30 Jun 2017 $000s	Six months ended 30 Jun 2016 $000s
Salaries, fees and other short term benefits	**1,007**	820
Share based remuneration	**35**	29
Directors remuneration	**70**	84
Total	**$1,112**	$933

(c) Employee share based remuneration

Equity settled, share based compensation is provided to employees via the Wellington Partly Paid Share Scheme and Wellington Employees Share Option Plan. The fair value of the employee services received in exchange for the grant of part paid shares or options are recognised as an expense over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when the partly paid share proceeds are received or options are exercised.

5.2 Contingencies and commitments

There are no material contingent liabilities or assets (December 2016:$nil).

5.3 Net tangible asset backing

	Six months ended 30 Jun 2017 $000s	30 Jun 2016 $000s	Year ended 31 Dec 2016 $000s
Total net assets	**8,515**	4,148	2,749
Less intangible assets	**6,076**	5,428	5,914
Net tangible assets	**2,439**	(1,280)	(3,165)
Number of ordinary shares in issue (000's)	**257,097**	231,684	231,684
Net tangible assets per share (NTA)	**$0.009**	(0.006)	($0.014)

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Directory

Directors

Tony Nowell, *Chairman*
Dr Lisbeth Jacobs
John McMahon
Gottfried Pausch

Senior Staff

Greg Allen, *Chief Executive Officer*
Steven Hodgson, *Senior Vice President Commercial*
David Howell, *Chief Technical Officer*
Howard Milliner, *Chief Financial Officer*
Marc Tinsel, *Head of Manufacturing*
Peter Barnes, *Global Quality Leader*
Ali Karahasanoğlu, *Sales Director, Europe / Eurasia*
Erick Layseca-Flores, *Business Development Manager, Americas*
Gerardo Gonzalez, *VP Intelligent Systems Business Unit*
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Wellington

Interim Report
June 2017

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