



Wellington® Interim Report
June 2018

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There are statements in this document that are "forward-looking statements". As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Wellington, its operations, the markets in which it competes and other factors (some of which are beyond the control of Wellington).

All references in this document to \$ or "dollars" are references to New Zealand dollars unless otherwise stated.

Wellington's financial year is 31 December.

The Wellington business is changing

The Wellington business is changing rapidly, as customers' needs and priorities progress and the world moves ever faster towards a digital future. Food and beverage customers, while still focused on energy efficiency and cost reduction, are increasing their efforts to acquire technologies that will help them connect directly with consumers. Food and beverage brands are increasingly leveraging connectivity solutions, software solutions and associated products to improve sales revenues and margins.

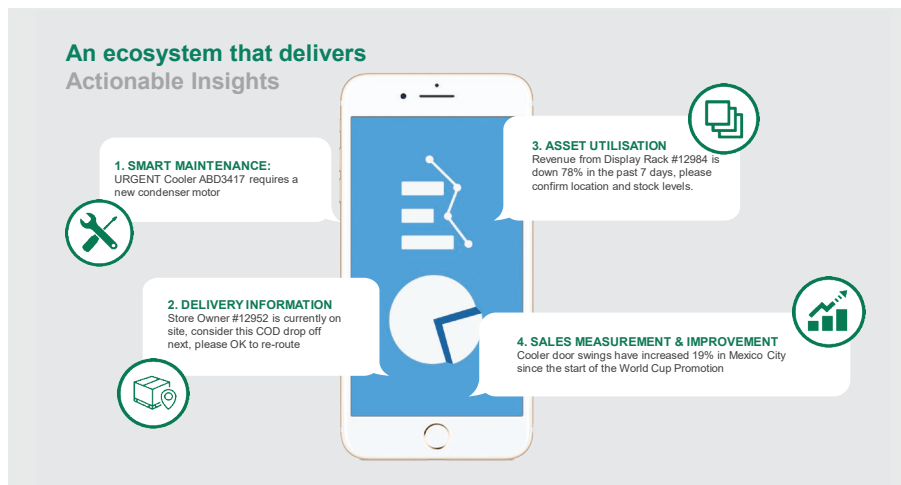
Wellington is constantly adapting to these changing market dynamics by developing new IoT (Internet of Things) solutions such as SCS™ Connect, and energy efficient motors such as ECR2™, for existing and new customers. Revenue from these new products has increased fourfold in the last two years as the company has developed IoT product lines within the traditional bottle cooler segment and in new markets such as supermarket display and food service.

Wellington is no longer simply a motor company. It is developing and acquiring IoT technologies that help food and beverage brands better manage their point of sale equipment (including coolers) and help them grow their sales by enabling direct connection with the consumer. Wellington is providing actionable insights into point of sale equipment that directly improves business performance for food and beverage customers.

New investments in IoT solutions and software services, and a focus on EC motors outside of the traditional bottle cooler market, has led to the exploration of opportunities in the broader food and beverage segment.

2018 will see the finalisation of the company's 2022 Vision and a refreshed growth strategy. This will be delivered through an expanding range of products and services, winning customers in new adjacent markets. All of this is underpinned by the company's core strengths in execution, 'customer first' driven product development, engineering expertise and customer service.

Wellington's purpose is to deliver actionable insights and solutions that assist our customers to improve their business performance. We achieve this with the development of Internet of Things (IoT) solutions and energy-efficient motors for leading food and beverage brands as well as refrigerator manufacturers. Our personal service, reliable products, smart solutions and relentless pursuit of excellence drives us and continues to lead in the market.



Products and Solutions

Wellington continues to develop a broad range of products to serve the food and beverage market, ranging from energy efficient motors, IoT hardware and data services, and the digital solutions needed for our customers to connect directly with retailers and consumers.

Currently Wellington's branded product offerings include:



IoT Hardware – IoT products designed to track and manage coolers and connect wirelessly with the consumer in front of the cooler or food dispenser. Products include SCS™ Connect, SCS™ Motion Sensor and SCS™ Click, all of which are used to deliver fleet management and connectivity capability for food and beverage brand customers.



Proximity Technology – A range of industry standard connectivity solutions, customised to meet customers' needs and either embedded in Wellington hardware or offered as standalone products through iProximity. The Company is able to offer standalone Bluetooth beacons, Near Field Communication (NFC) tags and QR codes based consumer engagement solutions. The proximity technologies enable consumers to interact with the cooler, display shelf or other point of sale equipment, and get information and promotions on the product they wish to purchase.



Smarter Coolers Platform - Data and reporting services built around mobile apps. SCS™ Field, SCS™ SalesForce and SCS™ Report provide the management platform to deliver a range of point of sale fleet management services to customers. Our newly released SCS™ Retailer is a retailer app that enables store management to control and improve the performance of customers' in-store systems. This platform comes installed on every SCS™ Connect and SCS™ Click sold and is integrated with the iProximity mobile app set. Wellington has an 'App Centric' approach to delivering tools to clients.



Software as a Service – the iProximity iPX™ IoT platform, built on the Cloud, provides the enterprise system that gives customers the ability to engage directly with the consumer, manage large promotion campaigns, and deliver content at 'point of sale' in front of the cooler or food dispenser.



Energy Efficient EC Motors – The next generation ECR2 platform and the more mature ECR1, ECR82 and ECR92 platforms continue to deliver low cost, highly reliable and efficient airflow solutions to refrigeration manufacturers. These are electronic motors designed to improve reliability, reduce operating costs and reduce the carbon footprint of commercial coolers. The new ECF™ Fanpack brand is focused on delivering a fully integrated airflow solution to supermarket equipment manufacturers.



Standard shaded pole motors – For customers wanting the economy of shaded pole motors, Wellington offers a range of Q frame shaded pole fan motors under our AirMoVent™ (AMV) brand. These motors are designed for lower cost bottle cooler applications and are often used as a precursor to a customer investing in ECR™ motors.

Chairman and CEO Report

Financial Highlights



- ✓ **Significant revenue growth** – New Zealand dollar revenue for the 6 months ended 30 June 2018 was \$28.1 million, an 18% increase compared to the same period last year. This compared to previous guidance of an increase of around 10%. Revenue in the second quarter was \$16.3 million, compared to \$11.1 million for the same quarter in 2017, a 47% increase. Second quarter revenue was the largest single quarter revenue in the company's history.
- ✓ **Gross margin increased by \$1m** - Gross margin increased from \$5.9 million in first half 2017, to \$6.9 million this half year at a consistent 25% rate.
- ✓ **Earnings improvement** - Earnings before interest, taxation, depreciation, amortisation and impairment (EBITDA) for the first half improved to \$1.1 million compared to \$1.0 million for the same period in 2017. Earnings before interest and taxation (EBIT) improved to \$0.3 million compared to \$0.2 million in 2017.
- ✓ **Loss reduced** – The company made a net loss of \$0.2 million for the half, an improvement on the \$0.5 million loss for the same period last year. The improvement in net loss is more than the relative EBITDA improvement due to the cessation of preference share interest costs in May 2017.
- ✓ **Cash at \$2.6 million** – The company generated operating and investing cash inflows in the first half of \$0.5 million, compared to a cash outflow of \$0.9 million for the same period in 2017, a \$1.4 million improvement. Cash at 30 June 2018 was \$2.6 million compared to \$1.6 million at 31 December 2017. Net debt at 30 June was \$0.6 million versus net debt of \$1.0 million at December 2017.

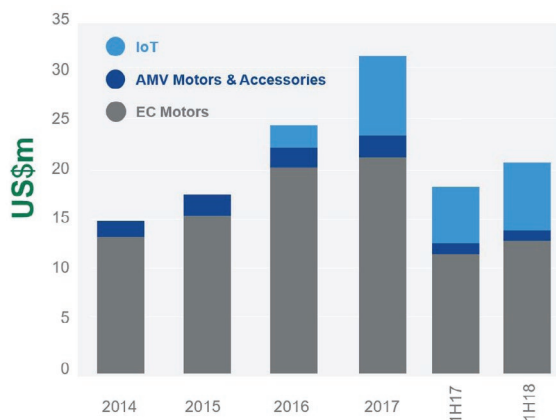
- ✓ **iProximity acquisition completed** – The acquisition of iProximity, an Australian based digital marketing company, was completed on 2 July 2018.
- ✓ **IOT & New products drive growth** – New products continued to gain strong uptake, contributing 65% of sales during the half. IoT hardware grew 45% and IoT data 88% during the half.
- ✓ **Customer wins** - The company added its first dairy products customer to the portfolio, with deliveries of the SCS Connect IoT platform starting in the first quarter. This customer is expected to reach US\$1 million of revenue by early 2019 and is an indicator of how Wellington's IoT solutions are being used beyond carbonated soft drink brands. The dairy sector is an important target market for the IoT platform. This platform will help improve management of in-store dairy coolers and facilitate improved management of food quality and loss for the industry.

Revenue

Overall revenues grew a pleasing 18% this half year. Wellington's US\$ revenue for the largest region (the Americas) grew by 28% due to strong sales of ECR2 motors and the SCS Connect IoT platform. The main supermarket and food display OEM customer in the USA continued to adopt ECR2 in more of its cooling applications. Asia-Pacific revenue was flat year-on-year as regional customers moved more slowly than expected towards IoT adoption and brands reduced their cooler placements. EMEA region US\$ revenue was down 12%, driven by lower volumes from bottle cooler customers in markets impacted by macro-economic difficulties, such as Turkey and Southern Europe. EMEA did, however, see significant growth in its supermarket display customer base as ECR2 motor US\$ revenues increased by 83% over the comparable period in 2017.

Consistent Growth

Revenue by Business



Revenue growth continues to be driven by IoT and ECR2 motor product sales. In first quarter 2018, motors represented 66% of the company's US\$ revenue while IoT solutions were 29%. In second quarter, motors were 64% of the company's total US\$ revenue while IoT solutions were 32%.

Wellington is continuing to diversify beyond its historic reliance on the bottle cooler EC motor market. SCS Connect hardware sales were 45% higher than for the comparable period in 2017. SCS Data revenues continued to grow with US\$0.7 million invoiced in the half, an 88%

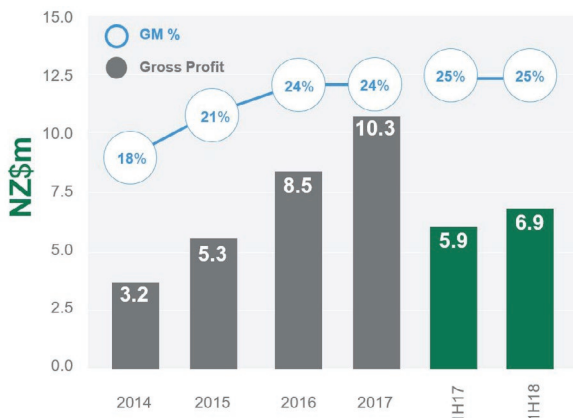
increase versus 2017. The ECR2 motor unit sales were 46% higher and they now surpass ECR01 motor volumes, which while lower than ECR2, did increase by 12%. Sales to the company's two largest supermarket and food service refrigeration customers continued to grow - together they contributed 31% of total ECR2 motor sales.

Gross profit

The company came under price pressure in its EC motor business towards the end of 2017 and responded to remain competitive. Additional one-time costs of \$0.2 million, a 0.9% impact on gross margin, were incurred to successfully manage the global electronic component shortage situation. These incremental spot buying costs ensured alternate components were secured and that all customer demand in the period was met. Component shortages are easing, but are expected to continue well into 2019.

Margin Expansion

Gross margin \$ continues to increase



Operating costs

Operating costs for the period were consistent in percentage terms at 21% of revenue (1H18: \$5.9m; 1H17: \$5.1m). Operating spending increased as the company continued to invest in the skills and infrastructure required to realise strategic opportunities. This supports a broadening product range and diversifying customer base. To support further growth an investment has been made in talent in key areas such as customer management, marketing and software development.

Profitability was also affected by capitalisation of development time reducing by \$0.4 million as some development engineers were redeployed to modifying existing products to resolve component shortage issues rather than development of future products.

Balance Sheet

The company generated cash in the first half. Cash at 30 June 2018 was \$2.6 million compared to \$1.6 million at 31 December 2017. Net debt at 30 June was \$0.6 million versus net debt of \$1.0 million at December 2017. Operating cash flows for the six months amounted to \$1.8 million, up from \$0.3 million for the corresponding period in 2017. Net operating and investing cash flows (or free cash flow) amounted to \$0.5 million for the six months, a \$1.4 million improvement.

Inventory management continued to be a highlight with 7.6 inventory turns achieved in the six months, compared to 4.6 turns for the same period last year. However, several customers have recently mandated higher levels of locally held inventory to support shorter lead-times and increased product mix, which will increase Wellington's stock levels during the second half of the year. In the second quarter, one of the company's larger customers decided to extend payment terms for all its suppliers, because of beverage brands extending their terms. This extended payment cycle is expected to continue for the foreseeable future.

The US\$0.6m loan from Meta Capital Limited was repaid on 31 May 2018. A new loan for US\$0.6m from Meta Capital was advanced on 29 June 2018 to partially fund the iProximity acquisition settlement and support extended terms with selected customers. After the period end, a \$2.5 million loan was secured from Onimeg Investments (refer detail in Outlook section below).

2018 Strategic Priorities Update

The focus for 2018 is a refresh of the company's long-range vision and growth strategy; one that best aligns investment and plans with the changing nature of customers' needs and further product offerings. Initiatives and actions are being worked on to deliver sales growth and position the business to achieve its long term aspirational growth objectives.

The top priorities for 2018 are:

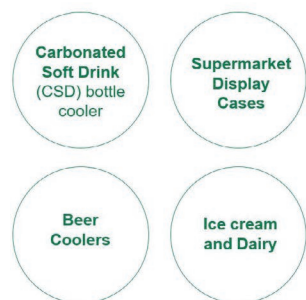
- 1 Complete the development of Wellington's 2022 vision
- 2 Complete and leverage the iProximity acquisition to support sales growth and end market expansion
- 3 Develop new market opportunities for Wellington's IoT solutions beyond the carbonated soft drink market
- 4 Commence new product development projects for IoT hardware, software and EC motors
- 5 Complete the upgrade of the company-wide management information system to enable growth strategy

The company's updated growth vision for 2022 is being finalised as part of its fourth quarter planning cycle. The growth plans that accompany this vision are expected to include the development new IoT and EC Motor products, developing new customers in existing food and beverage markets and accessing new adjacent markets. IoT and digital solutions will be key themes in the updated growth plan, underpinned by EC Motors.

What's next?

Current Markets

Consumer Facing Refrigeration



Possible Adjacent Markets



iProximity field trials continue into the second half of 2019, with projects ranging from helping customers in the ambient food sector track and manage their display shelf assets to partnering with refrigeration manufacturers and brands on providing Apps to connect with consumers and storekeepers.

After working through the first half on an important customer collaboration projects, in September 2018 the company was pleased to announce a collaboration with New Zealand based Skope Industries in the development of its new ActiveCore™ Refrigeration Product range. Wellington supported Skope in the development of its Skope Connect App and Skope enhanced ActiveCore's™ energy efficient credentials by using Wellington's ECR2 motors.

The company has now completed an upgrade of its IT systems, include upgraded security for its servers and data storage and a migration to Microsoft 365 Cloud based IT services. This is a first step in ensuring the company utilises the latest and most advanced IT and information systems as it continues to grow its revenues and provide IoT and Data services to its customers, services that require robust data storage and security systems.

Our Apps Drive Customer Adoption

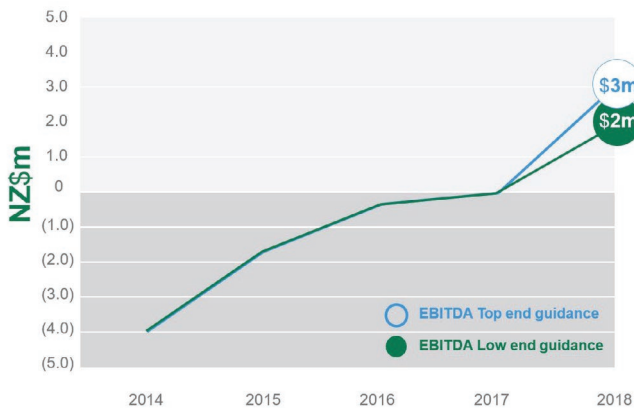


Outlook 2018

Revenue for the second half of 2018 is expected to be consistent with the first half, with EBITDA around \$1 million. The previous guidance of EBITDA between \$2 to 4 million is being narrowed to between \$2 to \$3 million, and the achievement of a net profit remains a target. Wellington should generate a positive operating cash flow in FY2018.

Improved Earnings and Cashflow

Guidance tightened to NZ\$2-3m



The extension of customer payment terms, the increased demand for higher levels of locally-held inventory, the opportunity to accelerate investment in several high growth IoT projects and repayment of existing debt caused the board to explore and review a range of funding alternatives to ensure a significant rate of growth continues.

As a result of this review, on 3 September the company announced that it had secured a \$2.5 million loan from Onimeg

Investments. This loan is for a 12-month term and will be used to fund the repayment of the \$2 million loan from Smartshares Limited that is due to be repaid in March 2019. The Meta Capital Limited loan of US\$600,000 has also been extended to a June 2019 repayment date. With these new facilities in place the company is well positioned to repay existing debt, manage changes in customer payment terms and locally-held customer inventory, and to commence investment in new IoT projects.


Tony Nowell, CNZM
Chairman


Greg Allen
Chief Executive Officer

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 9.

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

Consolidated Interim Statement of Comprehensive Income

		Six months ended Unaudited 30 Jun 2018 \$000s	30 Jun 2017 \$000s	Year ended Audited 31 Dec 2017 \$000s
	Note			
Revenue	2.1,2.2	28,042	23,775	43,308
Cost of goods sold		(21,127)	(17,865)	(32,967)
Gross profit		6,915	5,910	10,341
Other income	2.3	108	151	251
Operating expenses	2.4	(5,928)	(5,060)	(10,054)
Earnings before interest, taxation, depreciation, amortisation and impairment		1,095	1,001	538
Depreciation	3.5	(153)	(142)	(301)
Amortisation	3.6	(673)	(654)	(1,245)
Impairment	3.6	-	(24)	-
Earnings before interest and taxation		269	181	(1,008)
Finance income	4.2	2	5	45
Finance expenses	4.2	(364)	(700)	(934)
Loss before income tax		(93)	(514)	(1,897)
Income tax expense		(88)	(8)	(83)
Loss for the period		(181)	(522)	(1,980)
Other comprehensive income:				
<i>Items that may be reclassified subsequently to the profit or loss:</i>				
Exchange differences on translating operations		262	(268)	(121)
Cash flow hedge		(18)	92	15
Income tax relating to comprehensive income		-	-	-
Other comprehensive income / (loss) for the period		244	(176)	(106)
Total comprehensive gain (loss) for the period		\$63	(\$698)	(\$2,086)
Loss for the period attributable to the Owners of the Company		(\$181)	(\$522)	(\$1,980)
Total comprehensive gain (loss) attributable to the Owners of the Company		\$63	(\$698)	(\$2,086)
Basic earnings per share – cents	2.5	(0.07)	(0.20)	(0.77)
Diluted earnings per share – cents	2.5	(0.07)	(0.20)	(0.77)

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 2018					
Equity at beginning of period		123,608	(114,106)	(2,367)	7,135
Adjustment arising on adoption of NZ IFRS 15		-	(19)	-	(19)
Comprehensive income:					
Loss for period		-	(181)	-	(181)
Other comprehensive income:					
Exchange differences on translation operations		-	-	262	262
Cash flow hedge		-	-	(18)	(18)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(181)	244	63
Share option compensation expensed		-	-	8	8
Contributions of equity net of costs	4.3	-	-	-	-
Equity at end of period		\$123,608	(\$114,306)	(\$2,115)	\$7,187

Unaudited for the six months ended 30 June 2017

Equity at beginning of period		117,192	(112,126)	(2,317)	2,749
Comprehensive income:					
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	6,416	-	-	6,416
Equity at end of period		\$123,608	(\$112,648)	(\$2,446)	\$8,514

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 2017					
Equity at beginning of period		117,192	(112,126)	(2,317)	2,749
Comprehensive income:					
Loss for period		-	(1,980)	-	(1,980)
Other comprehensive income:					
Exchange differences on translation operations		-	-	(121)	(121)
Cash flow hedge		-	-	15	15
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(1,980)	(106)	(2,086)
Share option compensation expensed		-	-	56	56
Contributions of equity net of costs		6,416	-	-	6,416
Equity at end of period		\$123,608	(\$114,106)	(\$2,367)	\$7,135

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 2018 \$000s	Unaudited 30 Jun 2017 \$000s	Audited 31 Dec 2017 \$000s
Current Assets				
Cash and cash equivalents		2,589	1,157	1,563
Trade and other receivables	3.1	17,822	11,450	11,690
Derivative financial instruments		-	57	6
Inventories	3.2	3,486	4,133	3,025
Total current assets		23,897	16,797	16,284
Non-Current Assets				
Plant and equipment	3.5	1,228	918	948
Intangible assets	3.6	7,337	6,076	6,931
Investments	3.7	175	-	-
Total non-current assets		8,740	6,994	7,879
Total assets		32,637	23,791	24,163
Current Liabilities				
Trade and other payables	3.3	19,472	12,426	12,703
Deferred income	2.2	1,426	446	526
Provisions	3.4	423	316	377
Borrowings – current portion	4.1	2,980	26	591
Derivative financial instruments		125	-	-
Total current liabilities		24,426	13,214	14,197
Non-Current Liabilities				
Borrowings	4.1	177	1,521	2,007
Deferred income	2.2	847	542	824
Total non-current liabilities		1,024	2,063	2,831
Total liabilities		25,450	15,277	17,028
Net assets		\$7,187	\$8,514	\$7,135
Equity				
Contributed equity	4.3	123,608	123,608	123,608
Accumulated losses		(114,306)	(112,648)	(114,106)
Other reserves		(2,115)	(2,446)	(2,367)
Total equity		\$7,187	\$8,514	\$7,135

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

Consolidated Interim Cash Flow Statement

		Six months ended Unaudited 30 Jun 2018 \$000s	30 Jun 2017 \$000s	Year ended Audited 31 Dec 2017 \$000s
	Note			
Cash flows from operating activities				
Receipts from customers exclusive of GST/VAT		23,313	22,361	41,406
Payments to suppliers and employees exclusive of GST/VAT		(21,134)	(21,540)	(40,605)
Interest received		2	5	45
Interest paid		(290)	(288)	(522)
Taxation (paid) / received		(101)	23	(24)
Net GST/VAT received / (paid)		4	(250)	957
Net cash inflow from operating activities		1,794	311	1,257
Cash flows from investing activities				
Payments for plant and equipment		(374)	(108)	(260)
Payments for intangible assets		(725)	(1,134)	(2,358)
Payment – deposit for iProximity acquisition		(163)	-	-
Proceeds from sale of plant and equipment		-	4	-
Net cash outflow from investing activities		(1,262)	(1,238)	(2,618)
Cash flows from financing activities				
Cash proceeds from share issues, net of issue costs		-	(12)	(13)
New loan drawdowns	4.1	1,143	-	1,083
Loan repayments	4.1	(848)	-	-
Finance lease borrowing		251	-	-
Finance lease repayments		(20)	(14)	(25)
Net cash inflow from financing activities		526	(26)	1,045
Net increase / (decrease) in cash and cash equivalents		1,058	(953)	(316)
Cash and cash equivalents at the beginning of the financial period		1,563	2,099	2,099
Effect of exchange rate movements on cash		(32)	11	(220)
Cash and cash equivalents at end of period		\$2,589	\$1,157	\$1,563

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

Notes to the Interim Financial Statements

for the six months ended 30 June 2018

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. The company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

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 2017.

These consolidated interim financial statements have been approved for issue on 29 August 2018 and have not been audited.

1.2. Accounting Policies

These consolidated interim financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with New Zealand International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*. The group is a for-profit entity for the purposes of financial reporting.

Other than as disclosed below, 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 2017.

Application of NZIFRS 15 Revenue from Contracts from Customers – Application of NZIFRS 15 which became effective on 1 January 2018 resulted in a contract with an overseas distributor being treated as an agency service contract instead of a principal goods purchase and sale contract. This resulted in a reduction in revenue and cost of sales for the six months ended 30 June 2018 with an adjustment to accumulated losses brought forward for the impact on prior periods.

Application of NZIFRS 9 Financial Instruments – Application of NZIFRS 9 which became effective on 1 January 2018 had no impact on these financial statements.

(a) Going concern convention

The group reported a loss after tax of \$181,000 (2017: \$522,000) and cash flows inflows from operating activities of \$1,794,000 (2017: \$311,000) for the six months ended 30 June 2018. As at 30 June 2018, the group had cash of \$2,589,000 (2017: \$1,157,000) and net assets of \$7,187,000 (2017: \$8,514,000). As at 30 June 2018, the group had excess current liabilities over current assets of \$529,000. On 2 July 2018 the group paid A\$1.1 million on closing the acquisition of iProximity.

The group is forecasting to be EBITDA profitable in 2018, is targeting the achievement of a net profit and is forecasting to generate cash inflows from its operating activities. Forecasts include judgements and estimates over key assumptions relating to future revenue growth, gross margins, operating costs and capital expenditure. It should be noted that by their very nature forecasts include inherent uncertainty and actual results may vary from those forecasts.

The company has since balance date received an offer of funding which will enable the repayment of the Smartshares Limited loan on due date. The offer is for a \$2.5 million loan repayable in September 2019. Meta Capital has also offered to extend the repayment date of its loan into 2019. It is the considered view of the Directors that the Group will have access to adequate resources to meet its ongoing obligations for at least a period of 12 months from the date of signing these consolidated financial statements.

On this basis, the Directors have assessed it is appropriate to adopt the going concern basis in preparing its 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 2018, 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.

	Six months ended 30 Jun 2018 \$000s	30 Jun 2017 \$000s	Year ended 31 Dec 2017 \$000s
Revenue by Destination			
Americas	24,043	19,395	35,939
Asia / Pacific (APAC)	1,962	2,005	3,562
Europe / Middle East / Africa (EMEA)	2,037	2,375	3,807
Total	\$28,042	\$23,775	\$43,308

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

2.2 Revenue

	Six months ended 30 Jun 2018 \$000s	30 Jun 2017 \$000s	Year ended 31 Dec 2017 \$000s
Product revenue	27,858	23,633	43,081
Services revenue	184	142	227
Total	\$28,042	\$23,775	\$43,308

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 672,000 in the period (June 2017: USD 372,000) 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 2018 \$000s	30 Jun 2017 \$000s	Year ended 31 Dec 2017 \$000s
Net foreign exchange gains	106	126	215
Other	2	25	36
Total	\$108	\$151	\$251

Net foreign exchange gains arise from normal trading activities except for the 6 months to 30 June 2017 when the amount included a \$61,000 gain arising from the revaluation of the mandatory convertible preference shares which converted into ordinary shares in May 2017 (Year ended 31 December 2017 – a \$60,000 gain).

2.4 Operating expenses

	Six months ended 30 Jun 2018 \$000s	30 Jun 2017 \$000s	Year ended 31 Dec 2017 \$000s
Employee benefits	4,258	3,882	7,810
Rental expense relating to operating leases	159	143	270

2.5 Earnings per share

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

Basic EPS of a loss of 0.07 cents (June 2017 – loss of 0.20 cents) is calculated by dividing the loss attributable to equity holders of the company of \$181,000 (June 2017 - \$522,000) by the weighted average number of ordinary shares on issue during the year of 257,041,576 (June 2017 – 256,939,967).

Diluted EPS of a loss of 0.07 cents* (June 2017 - loss of 0.20 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 2018	30 Jun 2017	31 Dec 2017
Part paid shares	12,703,070	12,703,070	12,703,070
US employee share options	1,914,601	1,914,601	1,914,601

* The June 2018 weighted average number of ordinary shares on issue for the purpose of the diluted EPS calculation includes 18,897,928 ordinary shares being the maximum number of ordinary shares that may be issued for deferred consideration pursuant to the acquisition of iProximity (refer to note 5.3).

3. Operating assets and liabilities

3.1. Trade and other receivables

	30 Jun 2018 \$000s	30 Jun 2017 \$000s	31 Dec 2017 \$000s
Trade receivables	16,948	10,608	11,146
Provision for doubtful debts	(113)	(104)	(107)
Net trade receivables	16,835	10,504	11,039
Prepayments	316	239	325
VAT/GST refunds due	585	620	259
Income tax refund due	14	1	22
Other receivables	72	86	45
	\$17,822	\$11,450	\$11,690

3.2. Inventories

	30 Jun 2018 \$000s	30 Jun 2017 \$000s	31 Dec 2017 \$000s
Finished goods – at cost	2,661	2,726	2,271
Work in progress – at cost	639	1,176	549
Raw materials – at cost	281	299	267
Less inventory provisions	(95)	(68)	(62)
Total inventories	\$3,486	\$4,133	\$3,025

3.3 Trade and other payables

	30 Jun 2018 \$000s	30 Jun 2017 \$000s	31 Dec 2017 \$000s
Trade payables	17,840	11,375	11,233
Employee entitlements	887	807	1,179
Income tax payable	-	-	49
Accrued expenses	745	244	242
	\$19,472	\$12,426	\$12,703

3.4 Provisions

	30 Jun 2018 \$000s	30 Jun 2017 \$000s	31 Dec 2017 \$000s
Warranty provisions			
Carrying amount at start of period	377	253	253
Additional provisions recognised	118	168	300
Amounts used	(95)	(93)	(175)
Exchange adjustment	23	(12)	(1)
Carrying amount at end of period	\$423	\$316	\$377

The group sells products with warranty periods of up to five years. The terms of the warranty provide that the group 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 2018 \$000s	30 Jun 2017 \$000s	31 Dec 2017 \$000s
Net book amount at start of period	948	999	999
Additions	374	108	260
Depreciation	(153)	(142)	(301)
Disposals	-	-	-
Exchange adjustment	59	(47)	(10)
Net book amount at end of period	\$1,228	\$918	\$948
Depreciation			
Plant and equipment	117	107	229
Office equipment, furniture & fittings	36	35	72
	\$153	\$142	\$301
Sale of plant and equipment			
Gain on disposal	\$-	\$4	\$-

Capital commitments

Capital commitments contracted for at 30 June 2018 amounted to \$169,000 (June 2017 \$179,000)

3.6 Intangible assets

	30 Jun 2018 \$000s	30 Jun 2017 \$000s	31 Dec 2017 \$000s
Net book amount at start of period	6,931	5,914	5,914
Additions	725	1,134	2,358
Amortisation	(673)	(654)	(1,245)
Impairment	-	(24)	-
Exchange adjustment	354	(294)	(96)
Net book amount at end of period	\$7,337	\$6,076	\$6,931
Amortisation and impairment			
Amortisation of intangible assets	\$673	\$654	\$1,221
Impairment of intangible assets	-	\$24	\$24

3.7 Investments

On 28 February 2018 the company signed an agreement with iProximity, an Australian based innovative proximity marketing solutions and consumer intelligence company. The agreement is an option expiring 28 August 2018 and allows the company to acquire all the shares in iProximity. On 22 May 2018 the company gave notice that it will exercise its option. See also note 5.3 for the impact.

4. Capital and financing costs

4.1 Borrowings

	30 Jun 2018 \$000s	30 Jun 2017 \$000s	31 Dec 2017 \$000s
Current portion			
Loan facility – Smartshares Limited	2,000	-	-
Loan facility – Meta Capital Limited	890	-	564
Finance leases	90	26	27
	\$2,980	\$26	\$591
Non-Current portion			
Loan facility – Smartshares Limited	-	1,500	2,000
Finance leases	177	21	7
	\$177	\$1,521	\$2,007

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 with the lender an extension of the facility to March 2019. Interest is payable quarterly at 15.75% pa (14.75% until September 2017). The facility has been drawn down to \$2.0 million at balance date. A \$20,000 annual revolver fee is payable.

Loan facility – Meta Capital Limited

In November 2017 the company secured a USD 600,000 unsecured loan facility from Meta Capital Limited, a company related to a director. USD 400,000 was drawn down in December 2017 and USD 200,000 in January 2018. The loan was repaid in May 2018. A new unsecured loan facility was entered into in May 2018 and USD 600,000 drawn down in June 2018. The loan is repayable in December 2018. Interest is payable at 12.5%.

4.2 Finance income and expenses

	Six months ended 30 Jun 2018 \$000s	30 Jun 2017 \$000s	Year ended 31 Dec 2017 \$000s
Finance income			
Change in fair value of embedded option	-	-	-
Other interest income	2	5	45
	\$2	\$5	\$45
Finance expense			
Convertible preference shares:			
-Amortisation of liability	-	329	329
-Preference shares coupon	-	125	82
-Change in fair value of embedded option	-	126	126
	-	580	587
Interest payable to Smartshares Limited	155	110	244
Interest payable to Meta Capital Limited	49	-	8
Other interest	160	10	145
	\$364	\$700	\$934

4.3 Contributed equity

	30 Jun 2018 Shares	30 Jun 2017 Shares	30 Jun 2018 \$000s	30 Jun 2017 \$000s
Ordinary shares – fully paid (a)	257,097,352	257,097,352	123,571	123,571
Ordinary shares – partly paid (b)	12,703,070	12,703,070	37	37
US employee share options (c)	1,914,601	1,914,601	-	-
Total shares and options on issue	271,715,023	271,715,023	\$123,608	\$123,608

(a) Ordinary shares – fully paid

	30 Jun 2018 Shares	30 Jun 2017 Shares	30 Jun 2018 \$000s	30 Jun 2017 \$000s
Opening balance of ordinary shares on issue	257,097,352	231,684,047	123,571	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	-	19
- NZX charges relating to these transactions	-	-	-	(32)
Ordinary fully paid shares on issue at period end	257,097,352	257,097,352	\$123,571	\$123,571

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

	30 Jun 2018 Shares	Six months ended 30 Jun 2017 Shares	30 Jun 2018 \$000s	30 Jun 2017 \$000s
Partly paid shares on issue at start of period	12,703,070	12,904,635	37	37
Issued	-	-	-	-
Exercised	-	(201,565)	-	-
Ordinary part paid shares on issue at period end	12,703,070	12,703,070	\$37	\$37

(c) US employee share options (numbers)

	30 Jun 2018	30 Jun 2017
Options outstanding at start of period	1,914,601	1,914,601
Granted / Exercised	-	-
Outstanding at end of period	1,914,601	1,914,601

5. Other information

5.1 Related party transactions

(a) Directors

The names of persons who are directors of the company are on page 24.

(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 2018 \$000s	Six months ended 30 Jun 2017 \$000s
Salaries, fees and other short term benefits	987	1,007
Share based remuneration	4	35
Directors remuneration	70	70
Total	\$1,061	\$1,112

(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.

(d) Meta Capital Limited loan

Meta Capital Limited is a company associated with a director, Mr J McMahon. Note 4.1 sets out details of the agreements with Meta Capital Limited and the amounts outstanding at balance dates. Interest paid / payable to Meta Capital Limited is disclosed in note 4.2.

(e) Smartshares Limited loan

Smartshares Limited is a substantial security holder. Note 4.1 sets out details of the agreements with Smartshares Limited and the amounts outstanding at balance dates. Interest paid / payable to Smartshares Limited is disclosed in note 4.2.

5.2 Contingencies and commitments

There are no material contingent liabilities or assets (June 2018).

5.3 Subsequent events

On 28 February 2018 the company signed an agreement with iProximity, an Australian based innovative proximity marketing solutions and consumer intelligence company. The agreement is an option expiring 28 August 2018 and allows the company to acquire all the shares in iProximity. The consideration for the acquisition if the company exercises its option includes both up-front payments and three year cash and share-based earn out targets as follows:

- Payment of a non-refundable deposit of A\$150,000, in consideration of the option;
- A\$1.1m in cash on closing (i.e. at exercise of the option);
- Payment of up to a further A\$500,000 based on meeting specified EBIT targets (for iProximity's existing business) for FY2018 and FY2019; and
- The future issue to the Vendors of fully paid ordinary shares ("Consideration Shares") in the capital of Wellington in tranches based on meeting specified EBIT targets for the business purchased for the period ending 31 December 2020 (as to 50% of the shares) and also based on Wellington's SCS™ Connect System controller sales performance for the same period (as to the other 50% of the shares). Consideration Shares not "earned" by 31 December 2020 are forfeited.

On 22nd May the company gave notice that it will exercise its option to acquire all the shares in iProximity Pty Limited (iPX) on 2 July 2018. A\$1,100,000 was paid on 2 July 2018. The maximum number of Consideration Shares that may be issued to the Vendors (i.e. assuming 100% achievement of EBIT and SCS™ sales objectives) is 18,897,928.

The acquisition was completed on 2 July 2018. The accounting for the acquisition is currently under review and is not completed.

5.4 Reconciliation of loss for the period to net cash inflow from operating activities

	Six months ended Unaudited 30 Jun 2018 \$000s	30 Jun 2017 \$000s	Year ended Audited 31 Dec 2017 \$000s
Loss after taxation for the period	(181)	(522)	(1,980)
Adjustments for:			
Depreciation, amortisation and impairment	826	820	1,546
Gain on disposal of plant & equipment	-	(4)	-
Share based payments	8	47	56
Amortisation of borrowing	-	329	329
Change in fair value of embedded option	-	126	126
Inventory provision movements	33	(3)	(9)
Doubtful debt provision movements	6	(44)	(41)
Provision for warranty movements	46	63	124
Net foreign exchange differences	(4)	(313)	181
Increase in trade and other receivables	(6,138)	(2,391)	(2,634)
Increase in deferred income	923	397	759
(Increase) / decrease in inventories	(494)	(669)	445
Increase in trade and other payables	6,769	2,475	2,355
Net cash inflow from operating activities	1,794	\$311	\$1,257

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*
David Burden, *VP IoT Products and Marketing Solutions*
Ali Karahasanoğlu, *Sales Director, Europe / Eurasia*
Erick Layseca-Flores, *Business Development Manager, Americas*
Gerardo Gonzalez, *VP Intelligent Systems Business Unit*
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