

Wellington Annual Report 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). As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements. In particular, Wellington's operations and results are significantly influenced by the extent to which energy efficient motor technology is promoted in Wellington's key markets, competitor product development and demand and pricing, fluctuations in key commodity prices or costs in the countries of Wellington's suppliers, availability of key components, relative exchange rates and profitability of customers, all of which can have a substantial impact on Wellington's results of operations and financial condition. Other risks include customer concentration risk and misuse of, and challenge to, Wellington's intellectual property.

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

Wellington's financial year is 31 December.

Wellington's business is evolving

As the world moves ever faster towards a digital future, Wellington's business is evolving to support the changing needs and priorities of its broadening customer base.

Wellington is seeing an increased effort by customers to utilise technologies that will connect them wirelessly to their point-of-sale refrigeration equipment and also connect directly to consumers to drive sales revenue and margin growth. This includes the adoption of Internet of Things (IoT) connectivity solutions, embedded software solutions and associated products.

Wellington's food and beverage customers also remain focused on energy efficiency and cost reduction solutions that will help them to achieve their sustainability goals.

The mega-trend of a rapidly growing and broadly developing IoT technology market, in areas such as Intelligent Retail, Industrial IoT, Smart Homes and Smart Cards, Smart Cities and Commercial Transport, is one that Wellington is seeking to participate in with its Wellington Connect IoT Platform.

Wellington's growth as a supplier to the broader food and beverage market, beyond its historic focus on the carbonated soft drink cooler market, is being enabled by increased investment in IoT hardware and software and continued development of its range of energy efficient electronically commutated (EC) motors.



The global market for IoT is expected to grow from \$151B in 2018 to \$1.567T by 2025.

Source:

Columbus, L. (2018). 2018 Roundup of Internet of Things Forecasts and Market Estimates.

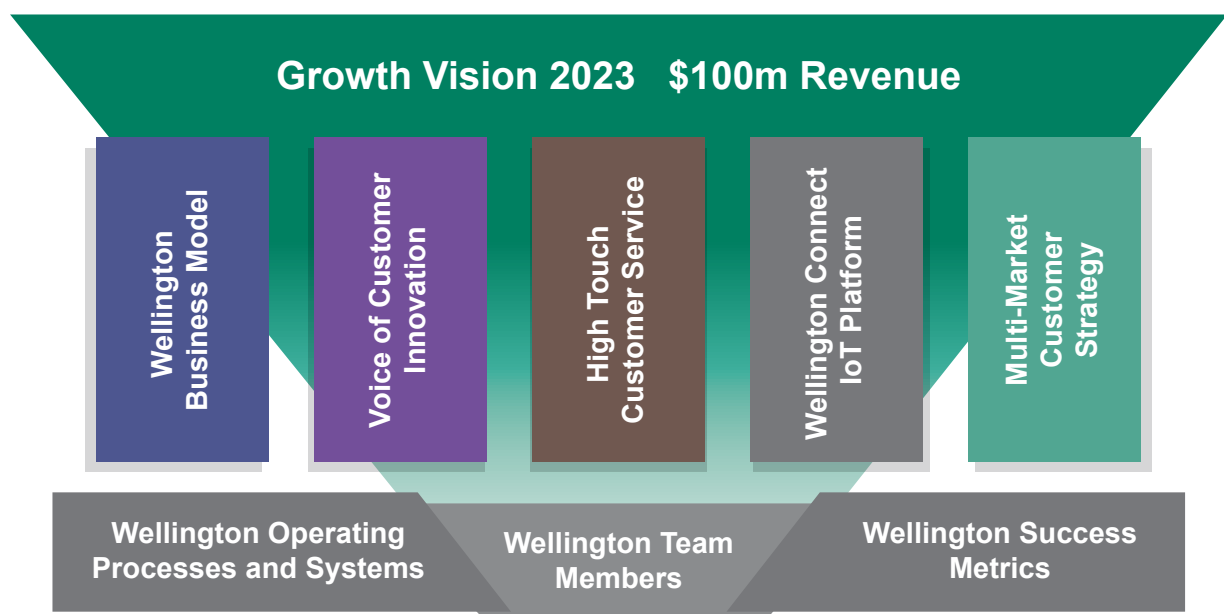
Lueth, K.L (2018). State of the IoT 2018: Number of IoT devices now at 7B – Market accelerating.

Growth strategy

Wellington's vision is to deliver revenue above \$100m within the next five years. To achieve this vision, the company is committed to a growth strategy that delivers the best user experience to its customers through a combination of advanced hardware, software and services.

Over the past three years the company has expanded its focus towards IoT products and software solutions, shipping more than 500,000 Wellington Connect SCS™ units to a range of global food and beverage brands. The next five years will see the company continue to adapt to the fast-changing digital needs of its customers, with new IoT solutions being offered, and new customers and markets being developed.

Wellington's growth strategy consists of five strategic pillars:

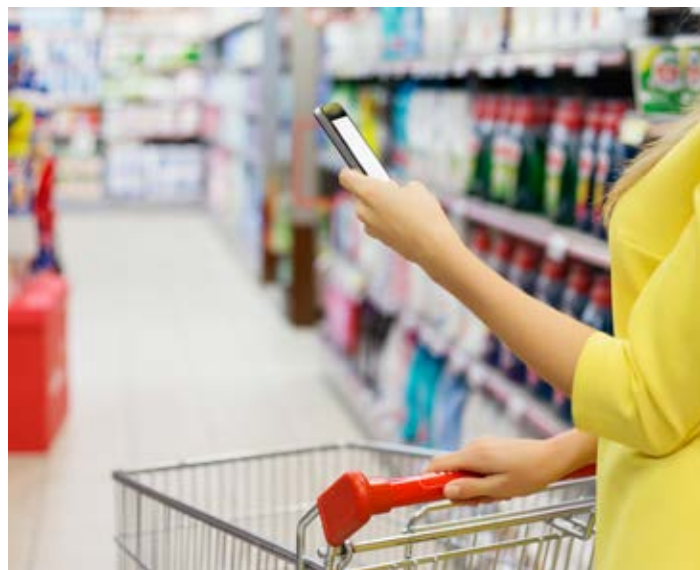


1. Wellington business model

Wellington's business is developed around a cash generative operating model, with a fully out-sourced supply chain to reduce working capital and deliver high inventory turns. It features multi-year data and digital contracts paid for upfront, with a working capital structure that optimises and aims to balance customer and supplier payment terms.

2. Voice of customer innovation

Wellington's approach to innovation is about solving customer problems. Continued investment in research, development and technical marketing skills is critical to achieving long-term growth. Wellington will continue to work on new IoT and EC motor technologies that its customers need to improve their food and beverage cooler and point of sale (POS) solutions.



3. 'High Touch' customer service

The company develops products that ultimately touch the consumer. The company is investing in world-class talent to support product development, product delivery and quality, product implementation and after-market service. Support teams are located near customers in every region in which the company operates.

4. Wellington Connect IoT platform

Digital products at Wellington are not just about technology, they are also about people and processes. The company has developed the Wellington Connect IoT platform, a services-based architecture built on the Cloud with an interoperable set of applications and services to help customers better manage their food and beverage POS equipment.

5. Multi-market customer strategy

Wellington is focused on investing in and growing its IoT business with large food and beverage brands, and exploring adjacent markets outside carbonated soft drink (CSD) bottle coolers. This has resulted in new customer wins in the dairy, beer and food sectors and new ECR2™ motor customers within supermarket display and food service sectors. The company continues to explore adjacent market opportunities in areas such as food quality, snacks and groceries and transport.

Products and solutions

Wellington has three business verticals: Wellington Connect™ IoT, Smart Cities and Wellington ECR® motors.

Wellington Connect IoT platform

A comprehensive eco-system of hardware, wireless and digital solutions for coolers, freezers and ambient displays, Wellington's IoT ecosystem offers cooling equipment control, cooler fleet management, POS and maintenance insights and proximity-based marketing direct to the consumers mobile device.

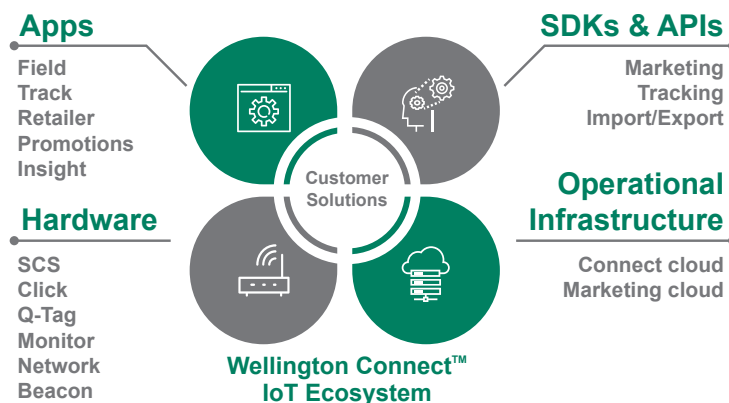
Wellington's IoT platform consists of:

- **Applications (apps) and software tools:** A range of apps that deliver digital services, such as the Promotions App powered by iProximity software, and the Insights App that provides analysis and reporting on cooler fleet data captured by Wellington's platform;
- **Wirelessly connected hardware:** The Wellington Connect hardware family, such as the Connect SCS and Connect Monitor, ensures POS equipment is connected to the internet;
- **Software Development Kits (SDKs) and Application Programming Interface Software (APIs):** Developed to ensure Wellington's platform connects with third party apps and enterprise platforms. An expanding range of APIs ensure seamless operation with an expanding number of customer enterprise systems; and
- **Cloud-based operational infrastructure:** Wellington Connect Cloud and Wellington Marketing Cloud provide the data platform to ensure that a food and beverage retail brand can monitor and manage the performance of its equipment.



The company's research activity is focused on new areas of technology such as artificial intelligence (AI), machine learning, image recognition and wireless sensors.

Wellington Connect IoT platform



Smart Cities

iProximity, which Wellington acquired in July 2018, has a small but growing IoT business directed at helping cities engage with citizens and tourists through the delivery of contextual proximity information and marketing services.

Wellington's Smart Cities business provides technology platforms and software that connects digital information with physical spaces. This technology manages beacons, near field communication (NFC), radio frequency identification (RFID) and IoT devices, IoT platforms, smartphones and digital signs through an iProximity developed cloud-based management platform.

Wellington Smart Cities is providing solutions to several Australian city councils and is exploring a number of new tourism and city related projects.

Using Bluetooth technology and the iProximity platform, the company is helping connect tourists and citizens to city council information.



Wellington ECR[®] motors

Wellington's ECR2, ECR1[™], ECR82[™] and ECR92[™] platforms continue to deliver low-cost, highly reliable and efficient airflow solutions to refrigeration manufacturers.



These electronic motors are designed to improve reliability, reduce operating costs and reduce the carbon footprint of commercial coolers. The ECF[™] Fanpack brand is focused on delivering a fully integrated airflow solution to supermarket equipment manufacturers.

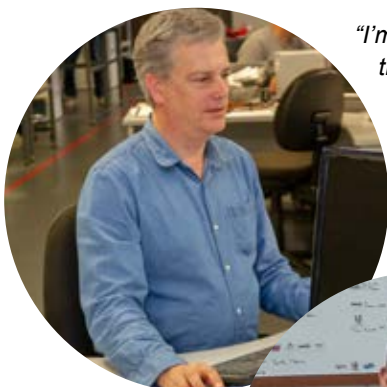
The Wellington ECR2 motor started shipping to customers in mid 2015, with 50,000 units sold in that first year. In 2018, one major North American customer in the beverage and food service market, which had started with the company in 2015, scaled its use of ECR2 to over

200,000 units. The total amount of ECR2 units sold to all customers in 2018 was 650,000 units. Given the success of the ECR2 platform, Wellington intends to broaden the ECR2 range to include a higher power version and cost-optimised models.

Team members

Wellington's business is built around the strength of its team and the depth of its customer relationships. Wellington's people work hard to develop compelling products, solve customers' problems and reduce supply chain costs. The team is dedicated to ensuring that Wellington continually improves its performance and ultimately delivers a positive return for shareholders. Below are three key staff members who work every day to deliver value to customers.

Andre Groen – Software Team Lead, New Zealand



"I'm a recent addition to the Wellington software team in Auckland and I understand that our customers are our business and need to be our main priority. I have a background in embedded systems programming and related electronics systems.

I've diversified my experience to include full-stack web and Cloud systems, as well as mobile app development. I use this experience to help the growing software team plot our course and provide our customers with better value."

Jorge Civeira – Commercial Manager, Andean Zone and Central America



"I have been with Wellington for two years, and have commercial responsibility for the Andean zone, Caribe and Central America.

My key duties are to scout prospects and run the commercial process to create opportunities for new clients. I also implement the Connect SCS solutions in the field and provide after-sale activities.

I work very closely with our talented engineering department to achieve the best results, as well as our new business unit, iProximity Marketing, in commercial and forecast areas. We have had a great reception for our connectivity solutions and are working on big accounts that will allow us to expand to new areas."

Andoni Cosgaya – Engineering and Customer Implementation Manager, Mexico

"I work out of the Mexico office managing the American engineering team. This team implements the Connect SCS solutions and supports the use and adoption of our motors and controllers. They are also the main point of contact for service requests, training and quality issues.

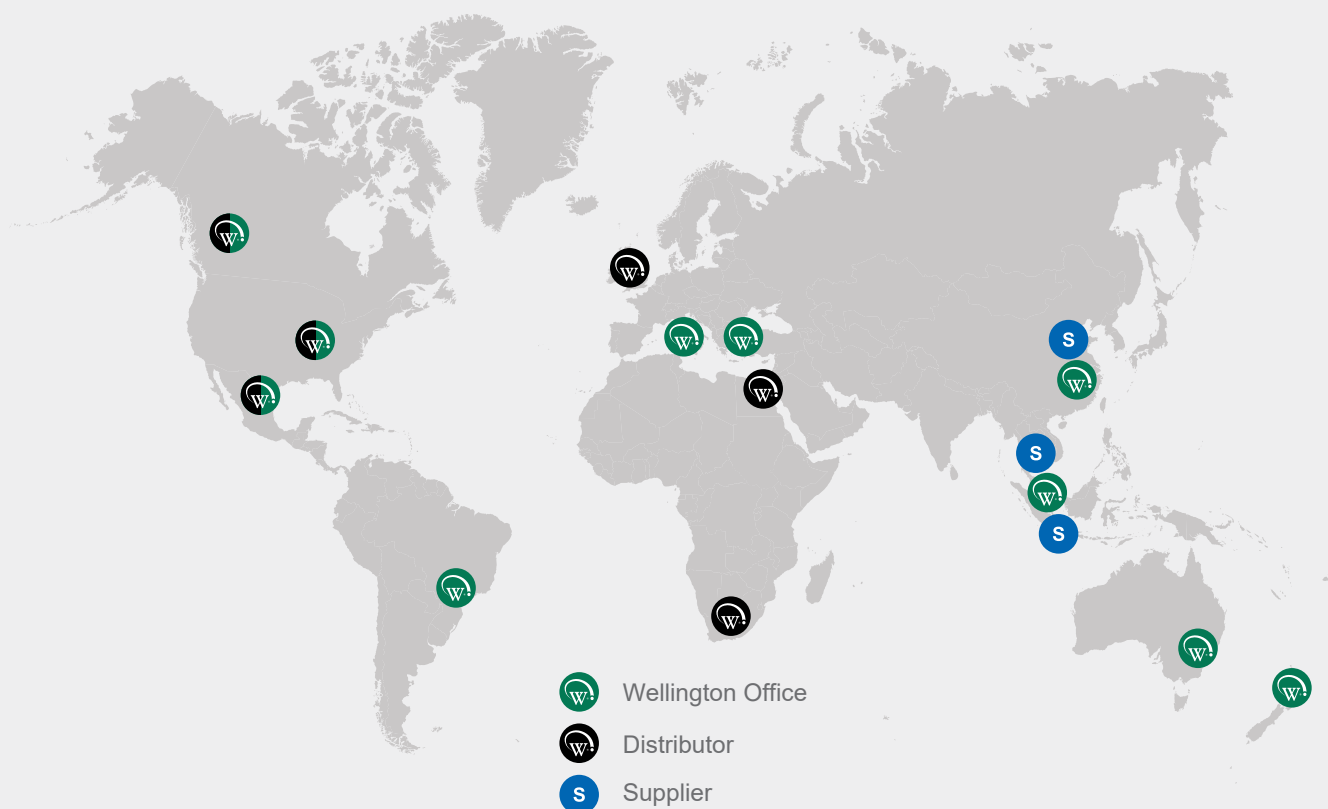
I assist the business development team by providing technical support for trial programmes with potential customers. I like to think of my team as a key part of Wellington's business. We provide first-line contact to our customers and help develop and adapt our offerings to real market applications, strengthening our market presence and facilitating future growth."

Customer solutions network

Wellington's customer-focused teams are dispersed throughout the world – from New Zealand, Mexico, Brazil and China, to Singapore, Turkey, Italy, Canada, Australia and the USA. They work around the clock to ensure the best possible results for Wellington's customers.

Hardware and software solutions are developed at Wellington's customer innovation centre in Auckland, New Zealand with the support of East West Manufacturing's design and manufacturing team in Vietnam and Match-Well in Changzhou, China.

With supply-chain partner factories in Vietnam, China and Malaysia specialising in mechanical assembly, plastics design, injection moulding and electronics manufacture, plus regional distribution partners in the UK and USA, Wellington has global reach. This ensures that customers receive personal attention and a high-quality product range that is manufactured and delivered on time.



2018 Business highlights

Wellington®

Revenue growth of 36%

increasing to \$58.8m, with significant growth in new IoT business

Wellington IoT revenue increased 67% to \$17.2m

Positive EBITDA of \$2.5m
Positive EBIT of \$0.5m

Revenue contribution from Wellington IoT and ECR2 was \$35.1m, up from \$20.3m in 2017

IoT data services invoiced revenue was \$2.1m, up from \$1.0m in 2017. First purchase orders for digital marketing software.

Successful acquisition and integration of iProximity, an Australian digital marketing solutions company.

Report of the Chairman and Chief Executive Officer

2018 was a transformational year for the company that saw improvements across all of its key performance and financial metrics.

Metric \$	2018	2017	Change
Revenue	\$58.8m	\$43.3m	+36%
<i>Wellington Connect IoT revenue</i>	<i>\$17.2m</i>	<i>\$10.3m</i>	<i>+67%</i>
<i>ECR motor revenue</i>	<i>\$38.6m</i>	<i>\$30.3m</i>	<i>+27%</i>
Gross profit	\$14.3m	\$10.3m	+38%
Gross margin %	24.3%	23.9%	+1.6%
EBITDA	\$2.5m	\$0.5m	+358%
EBIT	\$0.5m	(\$1.0m)	+145%
Loss for the year	(\$0.7m)	(\$2.0m)	+64%
Operating cash flows	\$1.8m	\$1.3m	+47%

These results are the consequence of a strategy that correctly identified the opportunity presented by the global IoT mega-trend and also diversified the customer base for EC motors beyond CSD bottle coolers.

The company achieved an Earnings Before Interest and Taxation (EBIT) result of \$0.5m compared to a loss of \$1.0m in 2017. This first positive EBIT result represented an important milestone for the company as it fully funded the amortisation of its capitalised R&D investment.

Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment (EBITDA) was a profit of \$2.5m. This EBITDA result includes a \$0.3m gain due to the adoption of NZ IFRS 16 accounting requirements for leases. The net loss for the year was \$0.7m, a \$1.3m improvement on the \$2.0m loss in 2017.

The company's growth trend continued with \$58.8m of revenue, a 36% improvement and a \$2m improvement in EBITDA on 2017.

IoT revenue continued to grow rapidly at a rate of 67%, and EC motor revenues also grew 27%, mostly due to ECR2 growth, and some one-time demand dynamics with one regional customer. IoT contributed \$17.2m in revenue, compared to \$10.3m in 2017.

Wellington is now moving more of its resources and customer focus to the development of its Wellington Connect IoT solutions for food and beverage brands. The Wellington Connect IoT platform is an integral part of food

and beverage customers' cooler fleet management systems, with over 500,000 connected devices installed (with data services) today and projected to reach close to 1,000,000 in 2020.

In 2018 the company secured further high interest debt financing with Onimeg Investments and Meta Capital, and more recently successfully secured much lower cost retail bank finance from the Bank of New Zealand (BNZ). Debt was the preferred funding source, rather than equity, to meet short to medium term working capital and new growth project needs. No new equity capital has been raised since 2015. In 2018, the company was also impacted by unusual component



shortages, which resulted in additional costs of \$0.5m. With a \$0.5m pre-tax loss, and taking into account \$0.9m of interest costs and \$0.5m of extraordinary component costs, the company's operating and profit performance improvement is well on track.

In 2018, Wellington launched the next exciting phase of its growth journey, with five strategic pillars underpinning its aspirational five-year revenue goal. This revenue goal will deliver expanding margins and a clear path to profitability, built on the success of the Wellington Connect IoT strategy and ECR2 motor platform.

In the achievement of this goal, the business will be guided by success metrics including revenue growth, margin expansion, revenue per customer, revenue per employee, software dollar contribution and new customer additions for both IoT products and EC motors.

Revenue

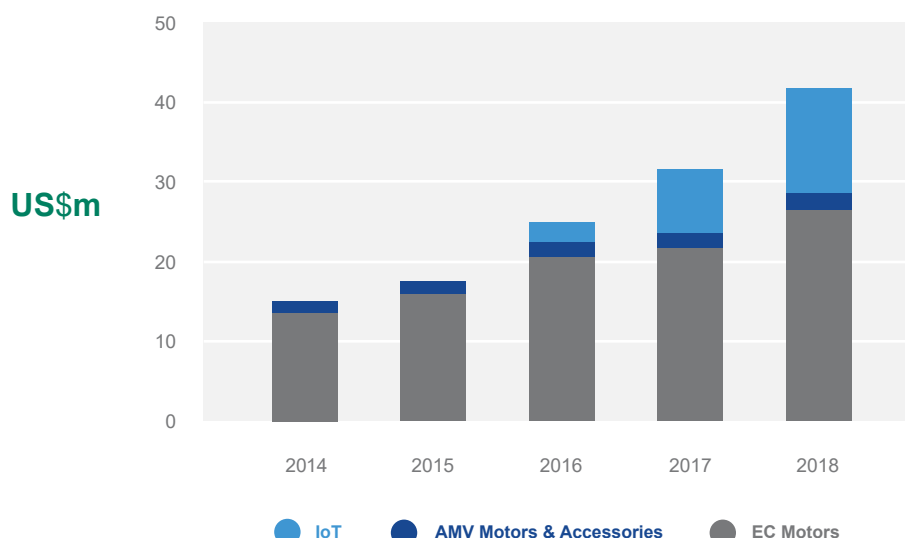
New Zealand dollar revenue for the year ended 31 December 2018 was \$58.8m, compared to \$43.3m in 2017, a 36% increase. Wellington's earnings guidance for the 2018 year was for H2 revenue to be consistent with the first half. Actual H2 revenue was \$30.7m, a 9% improvement compared to H1 revenue of \$28.0m.

	2018 \$000's	2017 \$000's	2016 \$000's	2015 \$000's	CAGR
Q1	11,849	12,699	9,205	6,555	16%
Q2	16,200	11,093	9,488	7,031	23%
Q3	12,642	7,787	6,335	5,080	26%
Q4	18,070	11,729	10,246	5,906	32%
Total	58,761	43,308	35,274	24,572	24%

Revenue in the fourth quarter was \$18.1m, compared to \$11.7m for the same quarter in 2017 - a 54% increase. December was the company's highest ever revenue month.

Business performance

Revenue by business



Wellington IoT

Revenue billings from IoT products, comprising Connect SCS hardware, data and reporting services, and iProximity, software was \$17.2m. This was a \$6.9m increase over 2017. Invoicing of IoT data services revenue increased 105% from \$1.0m to \$2.1m. Wellington Connect SCS hardware revenue was 67% higher than for the comparable period in 2017. The amount of SCS data revenue held on the balance sheet is \$2.5m, to be recognised over the period of customers' data contracts, which vary from one to ten years in duration.

Wellington ECR motors

ECR2 motor unit sales were 75% higher and they now surpass ECR1 motor volumes, which while lower than ECR2, did increase by 5%. Sales to the company's two largest supermarket and food service refrigeration customers continued to grow, together contributing 42% of total ECR2 motor sales. ECR growth rates in 2018 were positively impacted by higher than normal demand from a Brazilian customer, expected to be one-off in nature.

Sales regions

Latin American revenue increased 34% with the business benefiting from new Wellington Connect IoT customers in Central and South America. Growth in this region was also assisted by higher than normal motor sales in Brazil, as a result of helping a customer resolve short term issues with a competitive motor provider and supporting a customer with restocking following a factory fire.

Wellington's revenue from the USA and Canada increased 66% to \$10.1m, compared to \$6.1m last year. ECR2 sales were particularly strong in the USA with a large beverage and food service manufacturer and through the distribution channel of the company's strategic partner East West. IoT sales are not yet significant in the USA and Canada region, however several advanced trials and low level deployments are underway with two global beverage brands.

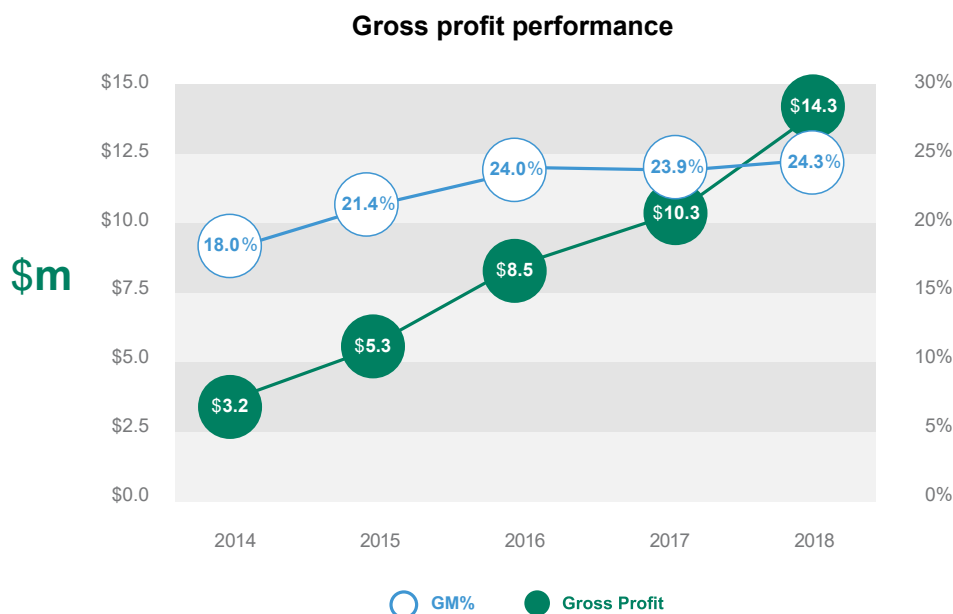
Revenue from the Asia-Pacific (APAC) and Europe, Middle East and Africa (EMEA) regions also grew year-on-year at 20% and 10% respectively, albeit from a lower base.

The APAC region contains most of the the company's non-electronic (shaded pole) motor business and this remained steady with a large global cooler manufacturer in South East Asia. Several IoT projects are underway in the Asia region, however the company was impacted by some compatibility issues between Connect SCS Hardware and Customer coolers. These issues are being resolved and it is possible that the projects will re-gather pace over the coming year.

The EMEA region benefited from significant growth with a relatively new customer for the ECR2 product. This region is at a much earlier stage of IoT adoption and is the most competitive region for IoT solutions due to European based competitors located close to key customers. This region remains a key target for future IoT and motor growth, and will require further investment in sales and technical marketing skills located close to target customers.

Gross margin

Gross margin for 2018 was 24.3% compared to 23.9% in 2017. While the gross margin percentage was slightly lower than the company expected, gross profit dollars improved by \$3.9m. This reflects increasing sales of more profitable IoT solutions and the marginal contribution of lower priced, but higher volume, EC motors.



The company came under price pressure in its EC motor business towards the end of 2017 and through 2018, and responded accordingly to remain competitive. In addition, one-time costs of \$0.5m were incurred to successfully manage supply constraints in the global electronic components market. These component shortages also had the effect of diverting development resources from new product development to product redesign necessary to incorporate alternative components. This reduction in available time for development activities contributed to a reduction in capitalised time from \$2.2m in 2017 to \$1.6m in 2018. Component shortages are easing somewhat but are expected to continue into 2019.

Innovation

The company's innovation, customer and supply chain teams continued to grow, adding 12 new members in 2018, taking the total Wellington team to 79. This strategic investment has added skills and expertise, focused on software development, software testing, electronics engineering, marketing and customer programme management.

The company's product development roadmap in 2018 was focused on several key areas:

IoT:

- new Wellington Connect hardware devices to broaden the IoT platform;
- IoT platform upgrades to improve useability and deployment in the field;
- new software functionality to support customers' cooler fleet management needs;
- new map-based location and digital marketing software development; and
- Smart Cities upgrades to support new projects in Australia.

EC motors:

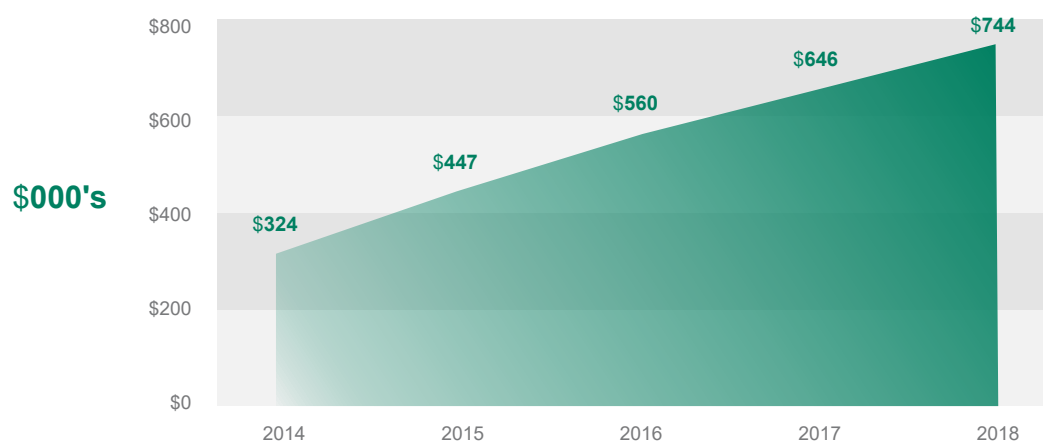
- expansion of the successful ECR2 platform; and
- development of a low-cost motor platform specifically designed for smaller coolers and freezers.

Operating costs

Operating spending increased as the company continued to invest in the skills and infrastructure required to support a broadening product range and diversifying customer base. This has required additional personnel in areas such as customer management, marketing and software development. Wellington expects to continue investing in IoT software engineering and customer-facing skills to facilitate the ongoing expansion of its software services and hardware product offerings.

Operating costs for the period amounted to \$11.9m, or 20% of revenue, compared to \$10.1m and 23% of revenue last year. Revenue per employee increased from \$646,000 to \$744,000.

Productivity performance



Cash and working capital performance

Cash at 31 December 2018 was \$0.9m compared to \$1.6m at 31 December 2017. Extended payment terms for key customers in the third and fourth quarters was the main reason for this unusually low cash balance, a situation which is improving in the early part of 2019. Net debt (being borrowings excluding lease liabilities less cash) at 31 December 2018 was \$3.0m versus net debt of \$1.0m at December 2017. Adoption of the new accounting standard for leases resulted in a \$1.7m increase in borrowings in 2018 for leases previously treated as operating expenses.

Operating cash flows for the twelve months amounted to \$1.8m, up from \$1.3m for the corresponding period in 2017. Net operating and investing cash flows amounted to a \$2.0m outflow for the twelve months, including \$1.4m paid on acquisition of iProximity.

Inventory management continued to be a highlight in 2018, with 11 inventory turns achieved in the year to 31 December, compared to 10 turns for the same period last year. The company's advanced supply chain and customer demand management processes have underpinned this transformation in working capital, from low single digit inventory turns only a few years ago.

The average number of days sales in trade receivables during 2018 was generally in the 70-80 days range, with some customers requiring up to 120 days terms. Extended payment cycles are expected to continue with some customers for the foreseeable future.

Debt

In October 2017, the company secured a loan from Meta Capital Limited, a company owned and controlled by a director of Wellington, John McMahon. This US\$0.6m loan was repaid on 31 May 2018, and a new loan for US\$0.6m was advanced on 29 June 2018. The loan is unsecured and interest is currently payable at 12.5% per annum. This was used to partially fund settlement of the iProximity acquisition and to support extended terms with selected customers.

In September 2018, to support short-term working capital requirements for expected growth in fourth quarter 2018 and first quarter 2019, the company secured a \$2.5 million loan from Onimeg Investments Limited, a company owned and controlled by the family interests of Michael Chamberlain. The loan has a 12-month term and is to be repaid on 17 September 2019. This is an unsecured loan, with interest payable at 16% per annum, on a quarterly basis in arrears.

The company has also secured a \$1.5m trade finance facility from the BNZ, which was undrawn at 31 December 2018. The interest cost for this facility is at the BNZ base rate, plus a margin of 300 basis points. The facility has no expiry, but the facility limit can be reduced by the bank at any time and an EBITDA gross interest covenant applies.

With respect to short-term debt due to mature in the current financial year, the company expects to be able to meet its repayment obligations in 2019.

Acquisitions

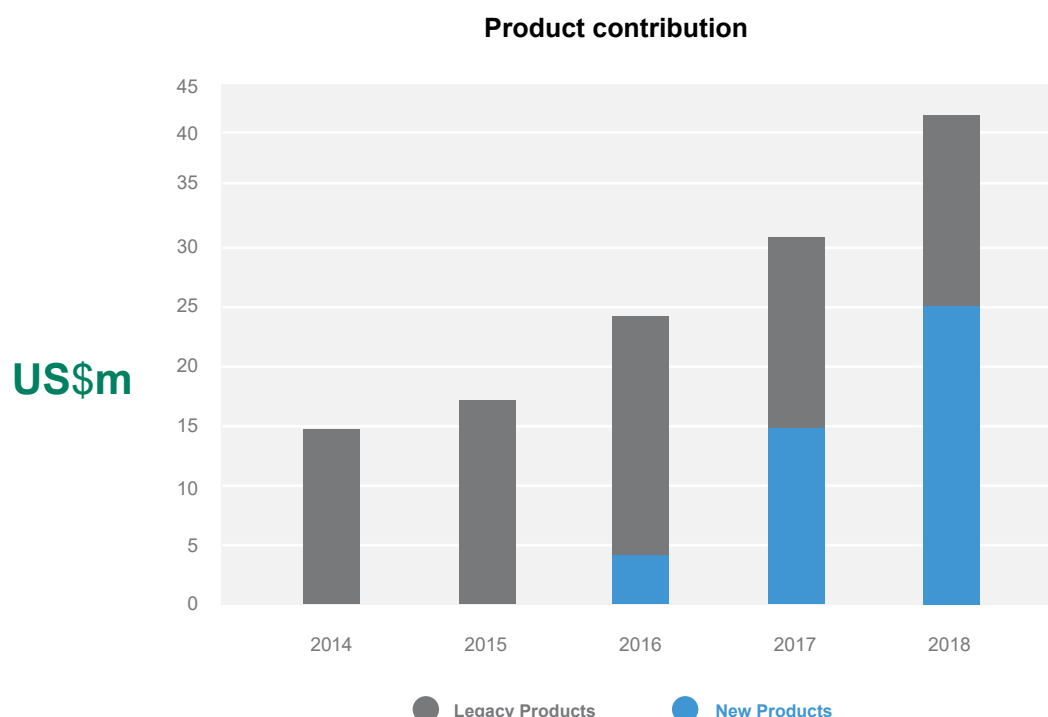
The acquisition of iProximity was completed on 2 July 2018. The company paid a total cash amount of AU\$1.3m. In addition, the consideration for the purchase of the iProximity shares included the future issue of fully paid ordinary shares in the capital of Wellington in tranches based upon meeting specified EBIT targets and Wellington SCS controller sales performance targets for the period to 31 December 2020.

This was the company's first acquisition and was completed to enhance the Wellington Connect IoT platform with proximity-based digital marketing tools. The combination of Wellington and iProximity allows Wellington's customers to directly engage with consumers "at the point of purchasing decision", in front of the cooler or food dispenser. The integration of iProximity's software was completed in fourth quarter 2018 and was in part responsible for securing a large new win with a global beer brand.

The impact on earnings from iProximity was not significant for the 2018 year. However, in 2019, Wellington will earn revenue from food and beverage customers starting to use its marketing solutions.

Performance against 2018 priorities

For 2018, the focus was a refresh of the company's growth vision and growth strategy, ensuring continued momentum in the winning of new customers and the growth of its newer ECR2 and Wellington Connect IoT products. As a result, those new products continued to be an increasing share of the company's revenues.



The year's sales performance established a platform from which the company can deliver on longer term growth objectives. The company also made significant investments in the skills and the management information systems necessary to accelerate its growth strategy and support future operational scalability.

Performance against priorities:

1. Complete the development of the next phase of Wellington's growth vision

In 2018 the company set an aspirational goal of achieving revenues of \$100m within the next five years. Achieving a CAGR of around 15% would deliver this vision, and over the last three years that run-rate has been achieved. Whilst 2019 will likely see growth rates at lower levels and possibly even flat compared to 2018 because of a pull-back in the EC motor business, the company believes that due to continued high growth rates in IoT, the longer-term growth momentum allows it to set this overall goal for growth.

2. Complete and leverage the iProximity acquisition to support sales growth and end-market expansion

In 2018, the iProximity digital marketing software platform was fully integrated into the Wellington Connect IoT eco-system. The digital marketing platform was directly responsible for helping secure a new customer win with a large global beer brand. The company also commenced a trial with a North American food retailer and received its first orders for iProximity software.

3. Develop new market opportunities for Wellington's IoT solutions beyond the CSD market

The winning of a global beer brand for Wellington's Connect IoT platform was a major milestone in diversifying the business to be less reliant on the CSD market. A proof-of-concept IoT connectivity and asset management for retail shelf project was also implemented with a snacks brand, in partnership with a retail chain. This project developed additional learnings on solutions needed for the groceries and snacks market.

4. Commence new product development projects for IoT hardware, software and EC motors

R&D projects were hindered by the need to re-design existing products to accommodate new components required to resolve global electronic shortages. These re-design projects were successful with no customer revenue being lost because of component shortages. The knock-on impact of this was progress on new products slowed and some product activity delayed into 2019. Some progress was made on the design of a new ECR2 motor derivative, a new Connect SCS device, and research on a new wireless product. During 2018, many new software features were introduced into the Wellington Connect IoT platform.

5. Complete the upgrade of the company-wide management information system to enable growth strategy

The company invested in an upgrade of its Information Technology (IT) systems, moving to Microsoft 365 cloud-based IT services. This upgrade included improvements to its data storage and security infrastructure. In 2019, the company will commence an upgrade of its Enterprise Resource Planning (ERP) system to ensure its financial, planning and delivery tools are scalable to support customer and product growth.

In 2019, the team will continue to implement the Wellington growth strategy with the following priorities:

1. Successful execution of several new customer IoT adoption programs, including an expansion of the successful OEM program launched with SKOPE Industries;
2. Expansion of engineering resources to ensure the development of new IoT hardware and software and EC motor products necessary to fuel top line growth;
3. Add expertise that enables the company to deploy and support digital marketing in its main customer market and enter new adjacent markets;
4. Develop new customers for the Wellington Smart Cities platform; and
5. Plan and commence implementation of a new company-wide ERP system.

Governance

At the 2018 Annual Shareholder Meeting, Chairman Tony Nowell announced his decision to retire at the completion of the 2018 financial year. Wellington subsequently embarked on a review of its Board structure to bring in additional new skills in support of achieving the company's new growth strategy. The recently announced appointments of John Scott and Keith Oliver to the Board of Directors are a result of this review.

The Board and Wellington team would like to recognise outgoing Chairman Tony Nowell, Director of Wellington for the last 9 years and Chairman for 8 of those years. Mr. Nowell's leadership has helped guide the company through its financial turn-around and has seen the start of the new Wellington Connect IoT business that is underpinning its future direction and growth. The Board and Wellington team wish Mr. Nowell every success in his next endeavours.

Business risks and opportunities

The company views the uncertain global macroeconomic back-drop, highlighted by continued global trade challenges and recent downgrades by large global tech companies, as reasons to be prudent about its 2019 outlook. Initial demand forecasts for EC motors from some major customers have been muted and are showing signs of being lower than in 2018. Accordingly, the company is forecasting lower volumes and revenue for motors in 2019. Margin pressure is also likely to continue in the EC motor market because of competitive pricing, partly offset by some easing of component supply constraints that affected production costs in 2018.

The Wellington team is working on various strategies to continue the growth of its bottle cooler EC motor business, including new cost optimised EC motor products and new supply chain strategies. However, in the short-to-medium term, pricing in the lower margin end of the bottle cooler EC motor market could cause the company to proactively reduce its market share.

Conversely, Wellington's IoT business is expected to continue its strong growth in 2019 with several new programmes underway with new customers and new IoT products being developed. The company will ensure it continues to invest in software and hardware engineering and customer project skills to support these new products and customers. While the overall demand picture for IoT remains healthy, this is an evolving area for many businesses and the company is therefore subject to timing risks as individual customers adapt their IoT roll-out plans.

2019 outlook

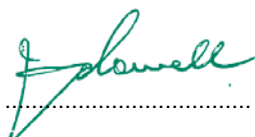
The first quarter of 2019 is looking relatively strong and Wellington anticipates revenues higher than the same period in 2018, coupled with improved EBITDA performance.

IoT demand forecasts continue to look robust, with this part of the business expecting continued full year revenue growth of around 30%. IoT is anticipated to contribute close to 41% of total revenues. Gross margin for the IoT business is expected to increase due to an improved product mix, and in part due to the expanding nature of higher margin data and software revenue.

During 2019, Wellington will continue to focus on investment in new software development, customer-facing skills, new customer IoT programmes and expanding its ECR2 motor platform. Wellington's revenue diversification strategy will continue by broadening IoT growth beyond its historical CSD beverage market focus and obtaining new customers for its ECR2 motor range.

With initial forecast weakness in EC motor demand and planned competitive strategies in the lower end of the bottle cooler market negatively impacting volumes, countered somewhat by expected growth in IoT, the company's total revenue in 2019 is expected to be flat to slightly up when compared to 2018. The company's business mix is changing and increasingly targeted to its higher margin IoT software and hardware products. Accordingly, EBITDA, net profit and operating cashflow are expected to be higher in 2019 when compared to 2018.

The Board and Wellington team would like to thank you for your support. We look forward to a successful 2019 and continued growth for the company over the next several years.



Tony Nowell, CNZM
Chairman



Greg Allen
Chief Executive Officer

Note 1: EBITDA (i.e. Earnings before Interest, Taxation, Depreciation, Amortisation and Impairment) is a non-GAAP earnings figure that equity analysts tend to focus on for comparable company performance analysis. The company considers that it is a useful financial indicator because it avoids the distortions caused by the differences in amortisation and impairment policies.

Directors

Tony Nowell, CNZM - Independent Chairman

Non-executive

Appointed March 2010 - Chairman December 2010.

Mr Nowell was appointed a director of Wellington in March 2010, and chairman in December 2010. He is an experienced company leader in major New Zealand and international businesses, chairs the Omega Lamb primary growth partnership between the New Zealand government and primary industry participants, and completed an eight-year term as chair of Scion (the New Zealand Forest Research Institute) in August 2018. He is a Board member of New Zealand Food Innovation (Auckland) and retired in 2017 from Food Standards Australia New Zealand. He represented New Zealand on the APEC Business Advisory Council from 2006 to 2016; in 2016 he also completed a six-year term as a member of the Export Advisory Board of Business New Zealand. Mr Nowell was formerly chief executive of Zestril International, and Griffin's Foods Limited, and the deputy chair of Leadership New Zealand. Prior to returning to New Zealand business in 2000, from an extended period working with international business, Mr Nowell was regional vice president of Sara Lee Asia, president director of Sara Lee Indonesia and president director of L'Oréal Indonesia.



Dr Lisbeth Jacobs - Independent Director

Non-executive

Appointed May 2013.

Dr Jacobs, a native of Belgium, holds a PhD in Materials Engineering from the University of Auckland and a Master of Science in Materials Engineering from the Katholieke Universiteit Leuven, Belgium, where she also completed a post-graduate degree in business studies. Dr Jacobs has completed the Executive General Management programme at CEDEP-INSEAD, France. Dr Jacobs is currently Executive Director International at UniServices, a wholly owned subsidiary of the University of Auckland. In this role Dr Jacobs is responsible for all commercial activities that the University of Auckland undertakes outside of New Zealand and Australia. She is a member of the Board of Energia Potior, a joint venture between UniServices and Yunca, which delivers technology solutions to the global aluminium industry. Dr Jacobs is chairwoman and legal representative of the University of Auckland Innovation Institute China in Hangzhou, China, a wholly foreign-owned entity operating as the newly established commercialisation and innovation branch of UniServices. Before taking up her current role, Dr Jacobs was director of strategy and development at The Icehouse, following a 13-year career with global corporate Bekaert, a world market and technology leader in steel wire and steel cord products and applications. Dr Jacobs held a range of positions at Bekaert including business development, strategy, mergers and acquisitions and research and development management, both in Belgium and China. Dr Jacobs is Honorary Consul of Belgium since August 2013.



Mr Gottfried Pausch - Independent Director

Non-executive

Appointed December 2013.

Mr Pausch currently serves as an independent director of McKay Ltd in Whangarei, Blackhawk Tracking Systems Ltd in Auckland and as executive chairman of Aucom Electronics Ltd in Christchurch. He is a director for one of the National Science Challenges, an initiative of the Ministry of Business, Innovation and Employment (MBIE).



The Science for Technological Innovation National Science Challenge aims to tackle New Zealand's big high-tech challenges and to grow the economy. The research areas include materials, manufacturing and design, sensors, robotics and automation, plus IT data analytics and modelling.

Mr Pausch was the former CEO at Actronic Technologies and an executive in residence at The Icehouse. This follows a 22-year career with German engineering and electronics conglomerate Siemens, one of the world's leading suppliers of products, solutions and services in the field of technology. During this period, he held the positions of CEO Siemens Energy Services Ltd and managing director of Siemens New Zealand. Mr Pausch holds an electrical engineering degree from Austria and a master's degree in business administration from Duke University in the USA.

Mr John McMahon - Independent Director

Non-executive

Appointed October 2014.

Mr McMahon has over 20 years' experience in the Australasian equity markets, predominantly as an equity analyst covering industries including telecommunications, media, gaming, transport and industrials. He was a former head of research and head of equities for ABN AMRO NZ and was managing director of ASB Securities for three years. John now manages his own investment portfolio through Sydney-based Auro Investment Management and is chairman of NZAX-listed Solution Dynamics Ltd (SDL). He has a Bachelor of Commerce (Honours), an MBA and is a CFA (Chartered Financial Analyst) charterholder.



Mr John Scott - Independent Director

Non-executive

Appointed February 2019.

Mr Scott is currently executive vice president, product management vice president and a member of the corporate executive committee for Navico, a specialist electronics company and a world leader in marine electronics for the recreational market. He is concurrently chief operating officer, Asia Pacific region for Navico. Previous roles include global marketing, global operations and global product management roles with Navico, Brunswick Navman, plus business development engineering and project engineering roles with Ericsson/Volex (communications). He graduated from University of Auckland in 1997 with a Bachelor of Engineering, majoring in mechanical engineering. Mr Scott has 20 years of global experience in managing large multi-site supply chain operations, including design, technical support, procurement and delivery, with global pricing, maintenance and margin responsibility. He has been actively involved in multiple acquisition events and fundraising activities. He has an in-depth knowledge of the rapidly developing dynamics of global electronics supply, big data and IoT growth opportunities, and experience of Asia, European and North American markets.



Mr Keith Oliver - Independent Director

Non-executive

Appointed March 2019.

Mr Oliver was appointed director at Wellington in March 2019. He is also an independent director at Rakon Limited, Chairman of Blackhawk Tracking Limited, and Chairman of Healthvision (New Zealand) Limited. He has worked for more than 20 years' in CEO, director and chairman roles, and has extensive experience expanding technology businesses in USA, South America, Europe, Asia and Australia. Mr Oliver was Chairman of Actronic Technologies for 10 years, and Chairman of Compac Sorting Equipment Limited, where he also held leadership and board director roles. Mr Oliver has crown company governance experience in science and health, having worked as a director of New Zealand's Institute of Environmental Science and Research Limited (ESR). Prior to his governance roles, Mr Oliver had a 20-year career in telecommunications, broadcasting, strategic planning and private equity investment in New Zealand, Australia, and Europe.



Management

Greg Allen - Chief Executive Officer

Mr Allen was appointed CEO of Wellington in November 2011. Prior to joining Wellington, Mr Allen spent 23 years working internationally leading business development, supply chain and manufacturing organisations in Europe, North America and Asia. He is an experienced supply chain and business leader, having previously been responsible for the industrial and green technology business unit for Celestica, a highly regarded multinational supply chain services provider. Prior to Celestica, Mr Allen led a Canadian public company focused on VOIP products and also held senior roles with global contract manufacturing and engineering services companies. Originally from New Zealand, and with a technical background gained from six years in the New Zealand armed forces, Mr Allen brings to Wellington a broad market experience covering many industrial segments such as telecommunications, aerospace, capital equipment, consumer products and enterprise computing.



Steve Hodgson - Senior Vice President Commercial

Mr Hodgson is currently Senior Vice President Commercial, and leads the company's regional sale teams and corporate development activities. Mr Hodgson joined Wellington in August 2008 and at that time was responsible for investor relations, capital market activities, and all aspects of corporate strategy. He was appointed Vice President Corporate Services in 2009 and Chief Financial Officer in 2010. His responsibilities included supporting the CEO and the Board in developing and executing strategic plans; leading the corporate services team (finance, IT, legal, and human resource functions); and managing investor relations and funding programmes. Prior to joining Wellington, Mr Hodgson worked in equities research for 20 years and most recently was the head of research for Macquarie Securities in New Zealand from 2003 to 2008. He holds a BMS (Hons) from Waikato University with majors in accounting and economics.



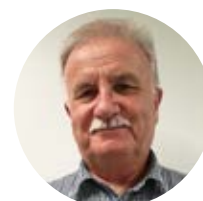
David Howell - Chief Technical Officer

Mr Howell is currently Chief Technology Officer and is responsible for the company's future technology roadmap and managing the product engineering and software development teams. Mr Howell joined Wellington as Engineering Manager in 1999. He has previously worked in new product development roles for Rover Group (UK), Fisher and Paykel Healthcare Corporation Ltd, and Tru-Test Ltd. He holds a BE (Hons) and DipBus from the University of Auckland and an MSc from Cranfield (UK). He is listed as inventor on 14 families of international patent applications, including several of Wellington's core patents.



Howard Milliner - Chief Financial Officer

Mr Milliner joined Wellington in November 2012 as CFO, overseeing all financial and administrative operations and helps shape the overall strategy and direction for the company. He holds a BCom from University of Auckland and is a chartered accountant. He was previously CFO of a NZ-listed engineering business for 14 years and was the CEO and CFO of that company for seven of those years. Mr Milliner has had extensive experience in business acquisition and sales.



Mark Tinsel - Vice President, Supply Chain and Operations

Mr Tinsel is Vice President, Supply Chain and Operations, responsible for the manufacturing, sustaining engineering, supply chain and revenue planning. Mr Tinsel joined Wellington in 2013 as the programme manager for sustaining engineering and was promoted to Head of Manufacturing in 2015 and Vice President in 2019. Prior to Wellington, he worked as a project manager for Electrix, balancing multiple projects, budgets and multidisciplinary teams. Mr



Tinsel worked for 15 years for International Safety Laboratories (UL, Nemko) based in Auckland and London as a manager and was recognised as an authorised signatory for company Technical Reporting for international safety standards.

Peter Barnes - Global Quality Leader

Mr Barnes is currently Global Quality Manager, responsible for product quality, quality improvement and all company processes and procedures. Mr Barnes joined Wellington in 2003 as a senior electronic design engineer, he held many positions within the engineering team before changing his career direction and moving into quality management. Prior to starting at Wellington, Mr Barnes worked at a small start-up company as a design engineer where they developed an electronic shower for domestic applications.



David Burden - Vice President, IoT Products and Marketing Services

Mr Burden joined Wellington in 2018 as part of the iProximity acquisition. He is an Australian entrepreneur with 30 years of experience leading start-ups and building successful technology businesses. He founded what became Australia's largest and best-recognised interactive and mobile services company, Legion Interactive. After selling Legion to the Photon Group in 2005, he stayed for two years as executive chairman, during which time he also headed Photon Group's "digital pillar" businesses. In 2008, he joined the ASX-listed digital media company Webfirm Group (now Adslot) as group CEO. Within three years he took it from a valuation of A\$2m to a peak of A\$120m. BRW named Webfirm Group Australia's seventh-fastest growing company of 2008 in its annual Fast 100 report. It was the only Australian company to feature in the top five Deloitte Technology Fast 50 companies in both 2008 and 2009. In December 2013 Mr Burden and Rohan Lean established an exciting new IoT company iProximity, with a focus on proximity marketing and information services. iProximity was acquired by Wellington in July 2018.



Sales and marketing leadership



Erick Layseca

Business Development Director
Americas



Ali Karahasanoglu

Sales Director
Europe, Middle East and Africa



Clayton Thomas

Sales and Marketing Director
Asia Pacific



Gerardo Gonzalez

Strategic Business Development
IoT solutions

The companies customers, sales operations and strategic business development activities are led by an experienced global team, located close to customer locations. Mr Gonzalez, Mr Layseca, Mr Thomas and Mr Karahasanoglu all have significant experience in customer management, with a range of technical and commercial skills to help develop and deliver customer solutions to meet Wellington's sales objectives.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

	Note	2018 \$000s	2017 \$000s
Revenue	2.2	58,761	43,308
Cost of sales		(44,505)	(32,967)
Gross profit		14,256	10,341
Other income	2.3	151	251
Operating expenses	2.4	(11,943)	(10,054)
Earnings before interest, taxation, depreciation, amortisation & impairment		2,464	538
Depreciation	3.2	(536)	(301)
Amortisation & impairment	3.3	(1,475)	(1,245)
Profit / (loss) before interest & taxation		453	(1,008)
Finance income	4.2	7	45
Finance expenses	4.2	(912)	(934)
Loss before income tax		(452)	(1,897)
Income tax expense	2.5a	(261)	(83)
Loss for the year		(713)	(1,980)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to the profit or loss:</i>			
Exchange differences on translation of foreign operations	4.5b	306	(121)
Cash flow hedge, net of tax	4.5c	(18)	15
Other comprehensive income / (loss) for the year		288	(106)
Total comprehensive loss for the year		(\$425)	(\$2,086)
Loss for the year attributable to the Owners of the company		(\$713)	(\$1,980)
Total comprehensive loss attributable to the Owners of the company		(\$425)	(\$2,086)
Basic earnings per share – cents	2.6	(0.28)	(0.77)
Diluted earnings per share – cents	2.6	(0.28)	(0.77)

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

Consolidated Statement of Movements in Equity

for the year ended 31 December 2018

2018	Note	Share capital \$000s	Accumulated losses \$000s	Other reserves \$000s	Total equity \$000s
Balance at 1 January 2018		123,608	(114,106)	(2,367)	7,135
Adjustment on adoption of NZ IFRS 9, NZ IFRS 15 and NZ IFRS 16 (net of tax)	1.2e	-	(367)	-	(367)
Restated total equity at 1 January 2018		123,608	(114,473)	(2,367)	6,768
Comprehensive Income					
Loss for year		-	(713)	-	(713)
Other comprehensive income					
Exchange differences on translation of foreign operations	4.5b	-	-	306	306
Cash flow hedge	4.5c	-	-	(18)	(18)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(713)	288	(425)
Share option compensation expensed	4.5a	-	-	12	12
Contributions of equity, net of costs	4.3	19	-	-	19
Balance at 31 December 2018		\$123,627	(\$115,186)	(\$2,067)	\$6,374
2017	Note	Share capital \$000s	Accumulated losses \$000s	Other reserves \$000s	Total equity \$000s
Balance at 1 January 2017		117,192	(112,126)	(2,317)	2,749
Comprehensive Income					
Loss for year		-	(1,980)	-	(1,980)
Other comprehensive income					
Exchange differences on translation of foreign operations	4.5b	-	-	(121)	(121)
Cash flow hedge	4.5c	-	-	15	15
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(1,980)	(106)	(2,086)
Share option compensation expensed	4.5a	-	-	56	56
Contributions of equity, net of costs	4.3	6,416	-	-	6,416
Balance at 31 December 2017		\$123,608	(\$114,106)	(\$2,367)	\$7,135

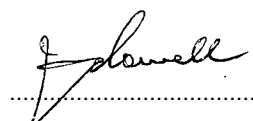
The above Consolidated Statement of Movements in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

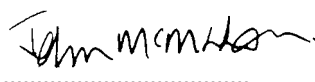
as at 31 December 2018

	Note	2018 \$000s	2017 \$000s
Current Assets			
Cash and cash equivalents	3.1a	933	1,563
Trade and other receivables	3.1b	17,978	11,690
Derivative financial instruments	6.4	-	6
Inventories	3.1c	4,890	3,025
Total current assets		23,801	16,284
Non-Current Assets			
Property, plant and equipment	3.2	2,854	948
Intangible assets	3.3	8,970	6,931
Total non-current assets		11,824	7,879
Total assets		35,625	24,163
Current Liabilities			
Trade and other payables	3.1d	20,212	12,703
Contract liability	2.2	620	526
Provisions	3.1e	415	377
Derivative financial instruments	6.4	10	-
Borrowings	4.1	4,148	591
Total current liabilities		25,405	14,197
Non-Current Liabilities			
Borrowings	4.1	1,494	2,007
Contract liability	2.2	2,352	824
Total non-current liabilities		3,846	2,831
Total liabilities		29,251	17,028
Net assets		\$6,374	\$7,135
Equity			
Contributed equity	4.3	123,627	123,608
Accumulated losses	4.4	(115,186)	(114,106)
Other reserves	4.5	(2,067)	(2,367)
Total equity		\$6,374	\$7,135

For and on behalf of the Board



Director
1 March 2019



Director
1 March 2019

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

Consolidated Cash Flow Statement

for the year ended 31 December 2018

	Note	2018 \$000s	2017 \$000s
Cash flows from operating activities			
Receipts from customers exclusive of GST/VAT		54,973	41,406
Payments to suppliers and employees exclusive of GST/VAT		(52,058)	(40,605)
Interest paid		(912)	(522)
Interest received		7	45
Taxation paid		(274)	(24)
Net GST/VAT received		113	957
Net cash inflow from operating activities		1,849	1,257
Cash flows from investing activities			
Payments for property, plant and equipment	3.2	(836)	(260)
Payments for intangible assets	3.3	(1,690)	(2,358)
Payment on acquisition of iProximity Pty Limited	6.1b	(1,367)	-
Net cash outflow from investing activities		(3,893)	(2,618)
Cash flows from financing activities			
Cash proceeds / (costs) from ordinary shares	4.3	19	(13)
New loans	4.1	3,643	1,083
Loan repayments	4.1	(2,348)	-
Finance lease borrowing		251	-
Lease repayments		(247)	(25)
Net cash inflow from financing activities		1,318	1,045
Net decrease in cash and cash equivalents		(726)	(316)
Cash and cash equivalents at the beginning of the financial period		1,563	2,099
Effect of exchange rate movements on cash		96	(220)
Cash and cash equivalents at end of year	3.1a	\$933	\$1,563

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

1. Basis of preparation

This section sets out the group's significant accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a note, that policy is stated in the note to which it relates.

1.1 General Information

Wellington Drive Technologies Limited (the "company") and its subsidiaries (together the "group") develop Internet of Things (IoT) solutions and manufacture, market and sell energy saving, electronically commutated (EC) motors, connected controllers and fans for worldwide use.

The company is a limited liability incorporated and domiciled in New Zealand. The address of its registered office is 21 Arrenway Drive, Rosedale, Auckland 0632 New Zealand. 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 consolidated financial statements have been approved for issue by the Board of Directors on 1 March 2019.

1.2 Summary of Significant Accounting Policies

(a) Basis of preparation

These consolidated financial statements of the group have been prepared in accordance with generally accepted accounting practice in New Zealand. The group is a for-profit entity for the purposes of financial reporting. The consolidated financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Entities reporting

The financial statements are for the consolidated group which is the economic entity comprising of Wellington Drive Technologies Limited and its subsidiaries.

Historical cost convention

These financial statements have been prepared under the historical cost convention except for derivative financial information which is measured at fair value.

New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for the reporting period commencing 1 January 2018:

- NZ IFRS 9 Financial Instruments
- NZ IFRS 15 Revenue from Contracts with Customers
- NZ IFRS 16 Leases (early adopted)

The group had to change its accounting policies and make certain retrospective adjustments following the adoption of these standards. This is disclosed in note 1.2(e).

New standards, amendments and interpretations not yet adopted

There are no new accounting standards, amendments and interpretations issued that are mandatory for future periods that are likely to have a material impact on the financial statements prepared by the company.

Going concern assumption

The group reported a loss after tax of \$713,000 (2017: \$1,980,000) and cash inflows from operating activities of \$1,849,000 (2017: \$1,257,000) for the year ended 31 December 2018. As at 31 December 2018, the group had cash of \$933,000 (2017: \$1,563,000), borrowings falling due for repayment in the next 12 months of \$4,148,000 (2017: \$591,000) and net current liabilities of \$1,604,000 (2017: net current assets of \$2,087,000).

The company closely monitors its cash requirements as described in note 5.1(d). In December 2018, the group secured a \$1,500,000 trade finance facility from a bank which was undrawn at balance date. After balance date, the company secured an option to extend the repayment date of the US\$600,000 loan from Meta Capital Limited, from June 2019 to March 2020.

In assessing the adoption of the going concern principle in the preparation of the financial statements, the directors have reviewed and adopted the group future cash flow forecast (forecast) to 31 March 2020. In preparing the forecast, management also considered known events and conditions beyond 31 March 2020. The group is forecasting for 2019 to be a year of further profit expansion with EBITDA higher than for 2018 and to generate cash flows from operations that will support investing activities and repayment of borrowings on their due date. This forecast includes judgments and estimates over key assumptions relating to future revenue, gross margins, operating costs and capital expenditure and the ability to manage those costs to respond to changes that might arise between actual and forecast cash flows over the forecast period. The forecast also includes future cash inflows of \$1,325,000 from employees for the exercise of partly paid ordinary shares and US employee options, the exercise of which depends on circumstances at the time.

Management have considered several risk scenarios, including mitigating actions that would be undertaken in the event actual cash flows vary adversely from forecast. These actions include deferring planned increases in headcount and delaying capital expenditure, if required, where this expenditure does not adversely impact sale growth and margins. The group can also take extended payment terms from its major supplier. It should be noted that by their very nature, forecasts include inherent uncertainty and actual results may vary.

Given the nature of the judgments and estimates noted above and the management's ability to take mitigating actions, 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) Principles of consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect these returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given and equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the group.

(c) Foreign currency translation

(i) 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. Subsidiaries and operations in the USA, China, Brazil, Turkey, Mexico, Italy, Australia and Singapore use their local currency as the functional currency.

The consolidated 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.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(iii) Foreign operations

The results and balance sheets of all foreign operations that have a functional currency different from New Zealand dollars are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the Statement of Financial Position;
- income and expenses for each Statement of Comprehensive Income are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- all resulting exchange differences are recognised in other comprehensive income as a separate component of equity.

(d) Critical accounting estimates

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed in the following notes to the financial statements:

Area of estimation

- Going concern assumption – note 1.2a
- Development costs – capitalisation of expenses and impairment testing – note 3.3

(e) Changes in accounting policies

This note explains the impact of the adoption of NZ IFRS 9 Financial Instruments, NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 16 Leases on the group's financial statements.

The new accounting policy for each standard adopted are detailed in:

NZ IFRS 9 - note 3.1(b)

NZ IFRS 15 - note 2.2

NZ IFRS 16 - note 6.5

The adjustments arising from NZ IFRS 15, NZ IFRS 9 and NZ IFRS 16 are recognised in the opening balance sheet on 1 January 2018. The following table shows the adjustments recognised for each individual line item as recognised in the opening balance sheet without restating comparative information. The adjustments are explained in more detail by accounting standard below.

Consolidated Statement of Financial Position	2017 as originally presented \$000s	NZ IFRS 15 \$000s	NZ IFRS 9 \$000s	NZ IFRS 16 \$000s	1 January 2018 Restated \$000s
Current assets					
Cash and cash equivalents	1,563	-	-	-	1,563
Trade and other receivables	11,690	(175)	(10)	-	11,505
Derivative financial instruments	6	-	-	-	6
Inventories	3,025	66	-	-	3,091
Total current assets	16,284	(109)	(10)	-	16,165
Non-Current Assets					
Plant and equipment	948	-	-	1,461	2,409
Intangible assets	6,931	-	-	-	6,931
Total non-current assets	7,879	-	-	1,461	9,340
Total assets	24,163	(109)	(10)	1,461	25,505
Current Liabilities					
Trade and other payables	12,703	-	-	-	12,703
Contract liabilities	526	-	-	-	526
Provisions	377	-	-	-	377
Borrowings	591	-	-	178	769
Total current liabilities	14,197	-	-	178	14,375
Non-Current Liabilities					
Borrowings	2,007	-	-	1,531	3,538
Contract liabilities	824	-	-	-	824
Total non-current liabilities	2,831	-	-	1,531	4,362
Total liabilities	17,028	-	-	1,709	18,737
Net assets	\$7,135	(\$109)	(10)	(\$248)	\$6,768
Equity					
Contributed equity	123,608	-	-	-	123,608
Accumulated losses	(114,106)	(109)	(10)	(248)	(114,473)
Other reserves	(2,367)	-	-	-	(2,367)
Total equity	\$7,135	(\$109)	(10)	(\$248)	\$6,768

NZ IFRS 9 Financial instruments

NZ IFRS 9 replaces the provisions of NZ IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Financial assets are assets that are cash, equity instruments and / or a contractual right to receive cash or another financial asset. The group's financial assets include cash, accounts receivable and forward foreign exchange contracts. Financial liabilities are contractual obligations to deliver cash or another financial asset or a contract that will or may be settled by delivering equity. The group's financial liabilities include trade payables, borrowings and forward foreign exchange contracts.

The adoption of NZ IFRS 9 resulted in changes in accounting policies and adjustments recognised in the financial statements, disclosed in note 3.1(b). Financial assets are measured at fair value upon initial recognition and subsequently at amortised cost or fair value through other comprehensive income. As a result of the transition to NZ IFRS 9, the group reclassified a portion of trade receivables from amortised cost to fair value through other comprehensive income because the group's business model is to hold these receivables to collect and sell (note 3.1(b)). All other financial assets continue to be measured at amortised cost. The group's financial liabilities are measured initially at fair value and subsequently at amortised cost. The group has no material

hedging arrangements.

In relation to the change in impairment methodology, the group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase in the loss allowance on 1 January 2018 of \$10,000 for all trade receivables with an equivalent increase in accumulated losses at that date. The loss allowance increased by a further \$6,000 for trade receivables during the current reporting period. In accordance with the transitional provisions in NZ IFRS 9, comparative figures have not been restated.

There was no other impact on financial assets and financial liabilities.

NZ IFRS 15 Revenue from Contracts with Customers

The group has adopted NZ IFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the opening balance sheet. The group applied NZ IFRS 15 with the cumulative effect of applying the accounting standard for the first time recognised at the date of initial application of 1 January 2018.

The adoption of NZ IFRS 15 resulted in a contract with an overseas distributor being treated as an agency service contract instead of principal goods purchase and sale contract. The company has an agreement with a distributor in Brazil whereby that distributor transacts on behalf of the company. Previously the group recognised revenue on delivery of product to that distributor. Under NZ IFRS 15, revenue is only recognised upon delivery of that product by the distributor to the ultimate customer. The distributor does not have an unconditional obligation to pay for the product until it receives payment from the end customer.

The impact of adopting NZ IFRS 15 on the results for 2018 was to reduce reported revenue by \$88,000, reduce reported gross profit by \$165,000 and reduce reported EBITDA by \$182,000. Inventory increased by \$486,000 and trade receivables decreased by \$864,000.

If comparative amounts for the 2017 year had been restated, revenue for the 2017 financial year would have increased by \$157,000, gross profit increased by \$7,000 and operating expenses increased by \$36,000. Accumulated losses at 31 December 2017 would have increased by \$29,000. Amounts disclosed at 31 December 2017 for trade and other receivables would have decreased by \$175,000 and inventory increased by \$66,000.

NZ IFRS 16 Leases

The group has adopted NZ IFRS 16 retrospectively from 1 January 2018 but has not restated comparatives for the 2017 reporting period as permitted under the specific transition provisions in the standard.

On adoption of NZ IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2018. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2018 was 6.6%.

	2018 \$000s
Operating lease commitments disclosed as at 31 December 2017	652
Add adjustment for different treatment of property lease renewal option	1,581
Less short-term leases recognised on a straight-line basis as an expense	(50)
Discounted using the group's incremental borrowing rate of 6.6%	(474)
Add finance lease liabilities recognised as at 31 December 2017	34
Lease liability recognised as at 1 January 2018	\$1,743

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. Property, plant and equipment increased by \$1,461,000 on 1 January 2018. The net impact on accumulated losses on 1 January 2018 was \$248,000.

In applying NZ IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to leases with reasonably similar characteristics; and
- Short term leases of less than 12 months and low-value assets (US\$5,000 or less) are recognised as an operating expense in the Statement of Comprehensive Income.

2. Results for the year

This section focuses on the results and performance for the group and how those numbers are calculated.

2.1 Segment information

An operating segment is a component of an entity that engages in business activities from which it earns revenues and incurs expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available.

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer supported by the Management Team who report directly to the CEO.

(a) Reportable segments

The group is organised on a global basis into one operating segment - marketing, sale, manufacture and development of IoT solutions, electric motors and associated electronics. The 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 from external customers by geographic areas	2018 \$000s	2017 \$000s
Americas	50,282	35,939
Asia / Pacific (APAC)	4,286	3,562
Europe / Middle East / Africa (EMEA)	4,193	3,807
Total	\$58,761	\$43,308

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

APAC revenue includes \$143,000 (2017 – \$7,000) from New Zealand customers.

Major Customers

The group has four major customers (defined as customers representing 10% or more of revenues) accounting for invoiced revenues of \$31,395,000 (2017: two customers accounting for invoiced revenues of \$22,457,000), all within the Americas geographic segment.

Total non-current assets	2018 \$000s	2017 \$000s
Americas	34	20
Asia / Pacific (APAC) – mainly in New Zealand	11,692	7,853
Europe / Middle East / Africa	98	6
Total	\$11,824	\$7,879

Total non-current assets are allocated based on where the assets are located.

2.2 Revenue

	2018 \$000s	2017 \$000s
Sales of goods revenue – recognised at a point in time	58,171	43,081
Services revenue – recognised over time	590	227
	\$58,761	\$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. The group disaggregates revenue from contracts with customers by geographical regions, which is detailed in note 2.1(b).

(a) Sale of Goods

The group manufactures and sells a range of energy efficient motors and IoT hardware to the food and beverage market. Sales are recognised when control has transferred to the buyer which is usually when delivery of the goods to the buyer pursuant to the Incoterms that apply, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered in accordance with the pre-agreed Incoterms between the group and the buyer, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales arrangement, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

Some of the sale of goods are subject to CIF (Cost, Insurance and Freight) Incoterms. The group considers these freight services to be a distinct service. For these sales, the total sales price is allocated to the separate performance obligations, being the product and the insurance and freight costs. Further, the group considers itself an agent only in the provision of the freight services. Revenue for the CIF element is recognised only to the extent of the margin for providing the agent services. However, there are limited sales under CIF terms and the impact on revenue is estimated to be minor.

The group has in-market distributors in China and Brazil to supply goods to buyers in those markets who require local delivery. These distributors transact as agents. The group is the principal in these transactions. Sales of product are recognised when these distributors deliver the product to buyers at which point control has passed to the buyer.

Product may be sold with retrospective volume rebates based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebates. Accumulated experience and customer knowledge are used to determine the rebate amounts using the expected value method and revenue is only recognised to the extent that it is highly probable significant reversals will not occur. The liability to pay volume rebates is recognised (included in trade and other payables) in respect of sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of 30 - 120 days which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point of time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sale of services

Associated with the supply of IoT hardware, the group supplies a range of data, SAS and reporting services, all installed on every SCS Connect and SCS Click sold and are distinct services from the sale of goods. Revenue from the provision of such services is recognised when services are rendered to the buyer. Contracts typically cover a period from hardware supply of anywhere from 1 to 10 years, dependent on customer requirements. Contracts specify the price for the provision of the services. Revenue from such contracts is recognised on a straight-line basis over the contract term because the customer receives and uses the benefits simultaneously.

The group has received revenue in previous years amounting to \$US212,000 in connection with the development of a new motor product. This revenue has been deferred as a contract liability and will be recognised in the income statement when the motor development is complete, and products are sold pursuant to a licence agreement.

Contract liabilities	2018 \$000s	2017 \$000s
Carrying amount at start of year	1,350	591
On acquisition of iProximity Pty Limited (note 6.1b)	18	-
Invoiced in the year	2,063	1,004
Recognised	(590)	(227)
Exchange adjustment	131	(18)
Carrying amount at end of year	\$2,972	\$1,350

2.3 Other Income

	2018 \$000s	2017 \$000s
Net foreign exchange gains	144	215
Other income	7	36
	\$151	\$251

2.4 Operating expenses

(a) Employee benefits

	2018 \$000s	2017 \$000s
Wages and salaries and other short-term benefits	8,986	7,754
Employee share options expense	12	56
Employee benefits	\$8,998	\$7,810

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The group recognises a liability and an expense for bonuses and creates a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.5 Income tax expense

Current and deferred income tax

The income tax expense or revenue for the year is the tax payable on the current period's taxable income (based on the national income tax rate for each jurisdiction) adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred

tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Goods and Services Tax (GST) and Value Added Tax (VAT)

The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST and VAT. All items in the Statement of Financial Position are stated net of GST and VAT, except for receivables and payables, which include GST and VAT invoiced.

(a) Income tax expense

The company and group have unrecognised tax losses available to carry forward and offset against current year taxable income. Taxation of \$261,000 (2017: \$83,000) is payable in respect of some overseas subsidiaries.

(b) Unrecognised tax losses

	2018 \$000s	2017 \$000s
Reported loss for period before tax	(452)	(1,897)
Non-deductible / non-assessable items	98	355
Less unrecognised timing differences	2,361	1,185
Net loss for tax purposes	2,007	(357)
Losses carried forward from prior years	(101,788)	(100,474)
Adjustment of prior periods	(1,353)	71
Overseas taxable income	(676)	(401)
Exchange adjustments	217	(627)
Losses available to carry forward to future years	(\$101,593)	(\$101,788)

Of the total consolidated losses available to carry forward to future years, \$903,000 (2017 - \$1,968,000) arises in the USA and is subject to their continuity requirements. USA Federal tax losses expire after 15 to 20 years, depending on when those losses were incurred. During the 2018 year no USA Federal tax losses expired (2017 - None).

(c) Unrecognised deferred tax balances

The group has not recognised income tax losses and temporary differences as a future income tax benefit due to the uncertainty of their recoverability in the immediate future. Losses available to be carried forward are subject to the shareholder continuity requirements of the New Zealand Income Tax Act 1994 and the countries in which the losses have arisen. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and they relate to the same tax authority. The New Zealand corporate tax rate of 28% has been used to determine the below unrecognised deferred tax assets:

	2018 \$000s	2017 \$000s
Doubtful debts	36	30
Inventory provisions and eliminations	121	45
Employee benefits	293	269
Other timing differences	1,098	699
Tax losses to carry forward	28,450	28,501
Unrecognised net deferred tax asset	\$29,998	\$29,544

(d) Imputation credits

The group has no imputation credits available (2017 – \$nil) and no movements occurred in the Imputation Credit Account (2017 – \$nil).

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 0.28 cents (2017 – loss of 0.77 cents) is calculated by dividing the loss attributable to equity holders of the company of \$713,000 (2017 – (\$1,980,000)) by the weighted average number of ordinary shares in issue during the year of 257,235,719 (2017 – 257,041,576).

Diluted EPS of a loss of 0.28 cents (2017 - loss of 0.77 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 31 December, 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 anti-dilutive:

	Number of shares	
	2018	2017
Part paid shares	12,460,638	12,703,070
US employee share options	1,818,385	1,914,601

3. Operating assets and liabilities

This section focuses on the assets used to generate the group's trading performance and the liabilities incurred as a result.

3.1 Working capital

Working capital represents the assets and liabilities the group generates through its trading activities. The group therefore defines working capital as cash, trade and other receivables, inventory and trade and other payables.

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	2018 \$000s	2017 \$000s
Cash on hand and at bank	372	835
Call deposits	485	652
Short term bank deposit	76	76
	\$933	\$1,563

The carrying amount of the group's cash and cash equivalents is denominated in the following currencies:

NZ\$	147	151
US\$	614	1,370
Other	172	42
	\$933	\$1,563

(b) Trade and other receivables

Trade receivables are recognised initially at the value of the invoice sent to the customer. The group generally holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method. The carrying amounts of the trade receivables also includes a \$1,970,000 receivable which is subject to a factoring arrangement without recourse. Under this arrangement the group holds the trade receivable with the object to collect and sell the contractual cash flows and therefore measures them subsequently at fair value through other comprehensive income. The receivables are de-recognised from the balance sheet when the cash is received through the factoring arrangement. Any fair value adjustments accumulated within other comprehensive income are recycled through the profit and loss account upon de-recognition of the receivable. As at the year end, no impact was recorded within other comprehensive income as a result of this arrangement. Trade receivables are generally due for settlement no more than 120 days from the date of recognition.

From 1 January 2018, the group applied the simplified approach permitted by NZ IFRS 9 which requires expected lifetime credit losses to be recognised from initial recognition of the trade receivable. Trade receivables are written off when there is no reasonable expectation of recovery.

NZ IFRS 9 requires the group to calculate expected credit losses on trade receivables using a provision matrix. The group has reviewed its credit loss experience over the period from 2013 to 2017 and has determined that the credit loss experience over that period was 0.1% of revenue. Consideration has been given to market environmental factors to determine whether future conditions will impact. The provision for credit loss at balance date has been calculated at 0.1% (2017: 0.1%).

	2018 \$000s	2017 \$000s
Trade receivables	16,900	11,146
Provision for loss allowance	(130)	(107)
Net trade receivables	16,770	11,039
Prepayments	475	325
VAT/GST refunds due	617	259
Income tax refund due	35	22
Other receivables	81	45
	\$17,978	\$11,690

The carrying amount of the group's trade and other receivables is denominated in the following currencies:

NZ\$	317	49
US\$	16,407	10,706
EUR	70	112
Other	1,184	823
	\$17,978	\$11,690

Provision for loss allowance		
Carrying amount at start of year	107	148
Adjustment on adoption of NZ IFRS 9	10	-
Increase / (decrease) in loss allowance	7	(39)
Exchange adjustment	6	(2)
Carrying amount at end of year	\$130	\$107

The increase in provision is recognised within 'Operating expenses' in the Statement of Comprehensive Income.

(c) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory based on first in first out. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Management reviews inventory on a line by line basis. Judgments are made about expected selling prices and obsolescence based on forecast sales. A provision is recognised for inventory which is expected to sell for less than cost.

	2018 \$000s	2017 \$000s
Finished goods – at cost	3,449	2,271
Work in progress – at cost	1,244	549
Raw materials – at cost	342	267
Less inventory provisions	(145)	(62)
Total inventories	\$4,890	\$3,025

All inventories are subject to a security interest.

Cost of inventories recognised as an expense and included in cost of sales \$42,670,000 (2017: \$31,434,000).

(d) Trade and other payables

Trade payables are recognised at the value of the invoice received from a supplier. These amounts represent liabilities for goods and services provided to the group prior to balance date. The amounts are unsecured and are usually paid within 90 days of recognition.

	2018 \$000s	2017 \$000s
Trade payables	18,138	11,233
Employee entitlements	1,337	1,179
Income tax payable	-	49
Accrued expenses	737	242
	\$20,212	\$12,703

The carrying amount of the group's trade and other payables is denominated in the following currencies:

NZ\$	1,849	1,625
US\$	17,896	10,468
Other	467	610
	\$20,212	\$12,703

(e) Provisions

Provisions are recognised when the group has a present legal or constructive obligation because of past events, is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The group sells goods 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 has been 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.

	2018 \$000s	2017 \$000s
Warranty provision		
Carrying amount at start of year	377	253
Additional provisions recognised	137	300
Amounts used	(124)	(175)
Exchange adjustment	25	(1)
Carrying amount at end of year	\$415	\$377

3.2 Plant & equipment

All property, plant and equipment are stated at historical cost less depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items and the costs of bringing the asset to the location and condition for it to be capable of operating in the manner intended.

Costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost net of their residual values, over their estimated useful lives, as follows:

	Useful Life
Plant and equipment	3 – 15 years
Property	12 years
Office equipment, furniture and fittings	3 – 15 years

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Plant and equipment can be analysed as follows:

	Plant & equipment \$000s	Office equipment, furniture & fittings \$000s	Property \$000s	Total \$000s
At 31 December 2016				
Cost	5,196	1,796	-	6,992
Accumulated depreciation and impairment	(4,380)	(1,460)	-	(5,840)
Exchange adjustment	(35)	(118)	-	(153)
Net book amount	<u>\$781</u>	<u>\$218</u>	<u>-</u>	<u>\$999</u>
Year ended 31 December 2017				
Opening net book amount	781	218	-	999
Additions	230	30	-	260
Depreciation	(229)	(72)	-	(301)
Exchange adjustment	(11)	1	-	(10)
Closing net book amount	<u>\$771</u>	<u>\$177</u>	<u>-</u>	<u>\$948</u>
At 31 December 2017				
Cost	5,426	1,826	-	7,252
Accumulated depreciation and impairment	(4,609)	(1,532)	-	(6,141)
Exchange adjustment	(46)	(117)	-	(163)
Net book amount	<u>\$771</u>	<u>\$177</u>	<u>-</u>	<u>\$948</u>
Year ended 31 December 2018				
Opening net book amount	771	177	-	948
Adjustment on adoption of NZ IFRS 16 (note 6.5)	24	8	1,429	1,461
Additions	746	90	-	836
Depreciation	(250)	(107)	(179)	(536)
Exchange adjustment	52	52	41	145
Closing net book amount	<u>\$1,343</u>	<u>\$220</u>	<u>\$1,291</u>	<u>\$2,854</u>
At 31 December 2018				
Cost	6,216	1,928	2,078	10,222
Accumulated depreciation and impairment	(4,879)	(1,643)	(828)	(7,350)
Exchange adjustment	6	(65)	41	(18)
Net book amount	<u>\$1,343</u>	<u>\$220</u>	<u>\$1,291</u>	<u>\$2,854</u>

Depreciation	2018 \$000s	2017 \$000s
Plant and equipment	250	229
Office equipment, furniture & fittings, and property	286	72
	\$536	\$301

Capital commitments

Capital commitments contracted for at 31 December 2018 amounted to \$361,000 (2017 - \$41,000).

3.3 Intangible assets

Research, development and patent costs

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Statement of Comprehensive Income as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design to produce new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. This involves the use of judgement. Development costs are capitalised once it can be demonstrated that the asset is supported by future economic benefits. Management considers the following criteria when making its judgment as to when it is appropriate to commence capitalisation of development costs:

- technical feasibility of completing the development so that it will be available for use or sale;
- intention to complete the development;
- ability to use the developed asset or sell it;
- existence of a market;
- availability of adequate technical, financial and other resources to complete and commercialise the development; and
- ability to measure reliably the expenditure attributable to the development.

All capitalised development costs met the criteria as outlined above.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

Development expenditure which does not meet the criteria for capitalisation is recognised in the Statement of Comprehensive Income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, up to a maximum of 10 years for motors and up to a maximum of 5 years for SCS Controllers. Judgment is involved in determining this period of benefit. For motors, the group considered the earlier versions of motors and the length of time from completion to continued sales contribution; whereas for SCS controllers, the group considered that 5 years is an appropriate life given the inherent risk of rapid technological change.

Patents

Capitalised patent costs are amortised on a straight-line basis over the period of expected benefit no longer than the life of the patent, up to a maximum of 20 years.

Computer software

Acquired computer software licences are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Impairment testing of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Intangible assets can be analysed as follows:

	Internally Generated Development costs \$000s	Patents \$000s	Goodwill \$000s	Other \$000s	Total \$000s
At 31 December 2016					
Cost	10,243	1,361	-	675	12,279
Accumulated amortisation	(5,152)	(922)	-	(487)	(6,561)
Exchange adjustment	206	13	-	(23)	196
Net book amount	\$5,297	\$452	\$-	\$165	\$5,914
Year ended 31 December 2017					
Opening net book amount	5,297	452	-	165	5,914
Additions	2,311	45	-	2	2,358
Amortisation and impairment	(1,130)	(102)	-	(13)	(1,245)
Exchange adjustment	(86)	(9)	-	(1)	(96)
Closing net book amount	\$6,392	\$386	\$-	\$153	\$6,931
At 31 December 2017					
Cost	12,554	1,406	-	677	14,637
Accumulated amortisation	(6,282)	(1,024)	-	(500)	(7,806)
Exchange adjustment	120	4	-	(24)	100
Net book amount	\$6,392	\$386	\$-	\$153	\$6,931
Year ended 31 December 2018					
Opening net book amount	6,392	386	-	153	6,931
Additions	2,149	73	896	4	3,122
Amortisation and impairment	(1,368)	(98)	-	(9)	(1,475)
Exchange adjustment	362	22	-	8	392
Closing net book amount	\$7,535	\$383	\$896	\$156	\$8,970
At 31 December 2018					
Cost	14,703	1,479	896	681	17,759
Accumulated amortisation	(7,650)	(1,122)	-	(509)	(9,281)
Exchange adjustment	482	26	-	(16)	492
Net book amount	\$7,535	\$383	\$896	\$156	\$8,970

The goodwill relates to the provisional goodwill from the iProximity Pty Limited acquisition (note 6.1(b)).

Included within internally generated development costs is \$2,329,000 (2017: \$2,237,000) for projects underway and not complete at balance date. This cost is not yet being amortised. An impairment assessment has been performed at 31 December 2018 considering costs to complete the developments, costs to set up the manufacturing capability, estimates of market volume and price and estimated manufacturing unit costs.

Amortisation and impairment	2018 \$000s	2017 \$000s
Amortisation of intangible assets	1,475	1,221
Impairment of intangible assets	-	24
	\$1,475	\$1,245

4. Capital and financing costs

This section sets out the group's capital structure and shows how it finances its operations and growth.

To finance the group's activities (now and in the future) the Board monitors and determines the appropriate capital structure for Wellington to execute strategy and to deliver its business plan.

4.1 Borrowings

	2018 \$000s	2017 \$000s
Current portion		
Loan facility – Smartshares Limited	500	-
Loan facility – Meta Capital Limited	894	564
Loan facility – Onimeg Investments Limited	2,500	-
Other borrowings	254	27
Liability at end of year	\$4,148	\$591
Non-Current portion		
Loan facility – Smartshares Limited	-	2,000
Other borrowings	1,494	7
Liability at end of year	\$1,494	\$2,007

Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after balance date. Borrowing costs are expensed when incurred.

Loan facility – Smartshares Limited

The company has a \$2 million unsecured loan facility from Smartshares Limited, a shareholder. The facility expires on 22 March 2019. \$1,500,000 was repaid in September 2018 and \$500,000 remains owing as at 31 December 2018. Interest is payable quarterly at 15.75% pa. A \$20,000 annual revolver fee is payable.

Loan facility – Meta Capital Limited

The loan outstanding at 31 December 2017 and an additional US\$200,000 during the year from Meta Capital Limited, a company related to a director, was repaid in May 2018. In June 2018 the company borrowed a further US\$ 600,000 which is due for repayment on 28 June 2019. Interest is payable at 12.5% on repayment (16.5% from October 2018 on extension of the repayment date).

Loan facility – Onimeg Investments Limited

In September 2018 the company borrowed \$2,500,000 from Onimeg Investments Limited. The loan is due for repayment on 17 September 2019 and is unsecured. Interest is payable at 16% pa on a quarterly basis in arrears.

Other borrowings

Comprises lease liabilities in respect of “right of use” assets accounted for in 2018 under NZ IFRS 16 Leases (see note 6.5).

4.2 Finance

	2018 \$000s	2017 \$000s
Finance income		
Other interest income	7	45
	\$7	\$45
Finance expenses		
Mandatory convertible preference shares	-	537
Interest paid / payable – Smartshares Limited	248	244
Interest paid / payable – Meta Capital Limited	108	8
Interest paid / payable – Onimeg Investments Limited	119	-
Other interest expense	437	145
	\$912	\$934

4.3 Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	2018 Shares	2017 Shares	2018 \$000s	2017 \$000s
Ordinary shares – fully paid	257,436,000	257,097,352	123,590	123,571
Ordinary shares – partly paid	12,460,638	12,703,070	37	37
US employee share options	1,818,385	1,914,601	-	-
Total shares and options on issue	271,715,023	271,715,023	\$123,627	\$123,608

(a) Ordinary shares – fully paid

Opening balance of ordinary shares on issue	257,097,352	231,684,047	123,571	117,155
Issue of ordinary shares during the year:				
• Conversion of Preference Shares	-	25,211,740	-	6,429
• Exercise of part paid shares	338,648	201,565	19	19
• Share issue costs	-	-	-	(32)
Ordinary fully paid shares on issue at year end	257,436,000	257,097,352	\$123,590	\$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

Partly paid shares outstanding at start of year	12,703,070	12,904,635	37	37
Issue of partly paid shares during the year:	-	-	-	-
Exercise of part paid shares during the year	(242,432)	(201,565)	-	-
Ordinary part paid shares on issue at year end	12,460,638	12,703,070	\$37	\$37

For further details of part paid shares see 6.2c

(c) US employees share options (numbers)

	2018 Share Options	2017 Share Options
Options outstanding at start of year	1,914,601	1,914,601
Issue of U.S. employee options during the year:	(96,216)	-
Outstanding at end of year	1,818,385	1,914,601

4.4 Accumulated losses

	2018 \$000s	2017 \$000s
Opening balance	(114,106)	(112,126)
Adjustment on adoption of NZ IFRS 9, NZ IFRS 15 and NZ IFRS 16 (net of tax)	(367)	-
Loss for the year	(713)	(1,980)
Surrendered & lapsed employee share option scheme benefits	-	-
Accumulated losses at end of year	(\$115,186)	(\$114,106)

4.5 Other reserves

	2018 \$000s	2017 \$000s
Share option compensation reserve	316	304
Currency translation reserve	(2,383)	(2,689)
Hedging reserve	-	18
	(\$2,067)	(\$2,367)

(a) Share Option Compensation Reserve

	2018 \$000s	2017 \$000s
Share based compensation recognised at start of year	304	248
Net compensation expensed	12	56
Surrendered & lapsed share option scheme transferred to accumulated losses	-	-
	\$316	\$304

(b) Currency Translation Reserve

	2018 \$000s	2017 \$000s
Opening balance	(2,689)	(2,568)
Movements for the year	306	(121)
	(\$2,383)	(\$2,689)

(c) Hedging reserve

	2018 \$000s	2017 \$000s
Opening balance	18	3
Cash flow hedge fair value (losses) / gains for the year	(18)	15
Tax on fair value (losses) / gains	-	-
	\$-	\$18

5. Risk

This section presents information about the group's exposure to financial and commercial risks; the group's objectives, policies and processes for managing those risks.

5.1 Key financial risks

The group's principal financial instruments comprise receivables, payables, cash and cash equivalents, borrowings and derivatives.

The group manages its exposure to the key financial risks – market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The group enters into derivative transactions (principally forward currency contracts) to manage currency risks.

(a) Financial market risk

Foreign currency risk

The group operates internationally and is exposed to foreign currency risk arising from various currency exposures. Presently the group's revenue is based on US\$ pricing and invoicing is almost entirely US\$ denominated. The company's functional currency is US\$. The majority of the group's product, manufacturing and logistics cost is invoiced and settled in US\$. This provides a strong natural hedge position between revenues and costs. US\$ funds are converted to NZ\$ to meet New Zealand operational costs as required.

The group is primarily exposed to changes in other currencies against the US\$ exchange rate. The group's exposure to foreign currency risk at the end of the reporting period, expressed in NZ\$ was:

	2018		2017	
	Carrying amount \$000s	Currencies other than US\$ \$000s	Carrying amount \$000s	Currencies other than US\$ \$000s
Cash	933	319	1,563	193
Trade and other receivables	17,503	1,096	11,365	984
Trade and other payables	(20,212)	(2,316)	(12,703)	(2,235)
Borrowings	(5,642)	(4,748)	(2,598)	(2,034)

The sensitivity of profit or loss to changes in the exchange rates arises mainly from changes in other currencies against the US\$ exchange rate. The impact on post tax profit holding all other variables constant at 10% sensitivity movement is as follows:

	2018 \$000s	2017 \$000s
US\$ exchange rate increase 10% relative to other currencies	407	1,767
US\$ exchange rate decrease 10% relative to other currencies	(407)	139

The impact on other components of equity is not material because of minimal foreign forward exchange contracts designated as cash flow hedges.

The impact of a change in NZ\$ exchange rates on the reported NZ\$ EBITDA result (excluding any gains / losses arising on financial assets and liabilities summarised above) is demonstrated in the table below.

	Reported in NZ\$ \$000s	If NZ\$ / US\$ rate had been 0.60 \$000s	If NZ\$ / US\$ rate had been 0.80 \$000s
Revenue	58,761	68,017	51,112
Gross profit	14,256	16,502	12,400
Operating income	151	153	150
Operating expenses (excluding depreciation & amortisation)	(11,943)	(12,480)	(11,470)
EBITDA	\$2,464	\$4,175	\$1,080

Interest Rate Risk

The interest rate on all borrowings is fixed. There is no other interest-bearing debt.

The group has cash deposits in various currencies to facilitate trading in the countries in which it has a presence. Most of the cash deposits are held in either NZ\$ or US\$.

The impact of a 1% increase / decrease in interest rates over a one-year period on the closing cash balance is not significant.

(b) Credit risk

The group generally trades with customers and banking counterparties who are well established. While there are individually significant customers, the group takes out trade credit insurance to provide better security. Receivables balances are managed by and reported regularly to senior management according to credit management policies and procedures. The amount outstanding at balance date represents the maximum exposure to credit risk.

At balance sheet date, trade receivables of \$565,000 were past due but not considered impaired (2017 - \$187,000). Of this amount \$120,000 (2017 - \$120,000) was 3 months or more overdue.

The group enters into forward foreign exchange contracts within specified policy limits and only with counterparties approved by directors.

Cash and cash equivalents are deposited with several financial institutions in New Zealand and overseas. \$371,000 is deposited with a major NZ trading bank with a Standard and Poors rating of AA- (2017: \$637,000 AA-) and \$176,000 (2017: \$656,000) with Western Union. The remaining balance of \$386,000 (2017: \$270,000) is held across several territories and non-performance of obligations by the relevant banks is not expected due to the credit rating of the counter parties considered.

(c) Liquidity risk

The group maintains regular forecasts of liquidity based on expected cash flows. The table below analyses the group's financial liabilities into relevant groups based on the remaining period at the reporting date to the end of the contractual date.

The amounts disclosed are the contractual undiscounted cash flows.

\$000's	2018			2017		
	Less than 6 months	7 to 12 months	More than 12 months	Less than 6 months	7 to 12 months	More than 12 months
Trade and other payables	20,108	-	-	12,577	-	-
Borrowings	1,394	2,500	-	754	158	2,079
Lease liabilities	131	123	1,494	13	14	7
	\$21,633	\$2,623	\$1,494	\$13,344	\$172	\$2,086

Trade and other payables above exclude any liabilities for tax (including payroll taxes), statutory liabilities and deferred income.

(d) Capital risk management

The company closely monitors its cash requirements. During the year the company secured a short-term loan from Onimeg Investments Limited, a \$1,500,000 trade finance facility from BNZ, a short-term loan from Meta Capital Limited and negotiated flexibility in its payment terms with major suppliers. It has also deferred some capital expenditure investment to 2019.

The company has not been subject to any externally imposed capital requirements during the period.

6. Other information

This section includes other information that must be disclosed to comply with accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

6.1 Subsidiaries

- (a) The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.2b.

	Country of incorporation	Class of Shares	2018	2017
Wellington Drive Sales Ltd	New Zealand	Ordinary	100%	100%
Wellington Drive Technologies US, Inc	USA	Ordinary	100%	100%
Wellington Motor Teknolojileri San Tic Ltd Sti	Turkey	Ordinary	100%	100%
Wellington Italia Srl	Italy	Ordinary	100%	100%
Wellington Drive Technologies Pte Ltd	Singapore	Ordinary	100%	100%
Wellington Refrigeration Singapore Pte Ltd	Singapore	Ordinary	100%	100%
Wellington Latin America Services SA de CV	Mexico	Ordinary	100%	100%
Wellington Mexico Tecnologia SA de CV	Mexico	Ordinary	100%	100%
iProximity Pty Limited	Australia	Ordinary	100%	-

All subsidiaries have a common balance date of 31 December.

(b) Summary of acquisition

On 2 July 2018 the company acquired 100% of the issued share capital of iProximity Pty Limited, an Australian based innovative proximity marketing solutions and consumer intelligence company. The consideration for the acquisition comprises up-front payments of AU\$1,250,000 and three-year cash and share-based earn out targets as follows:

- AU\$500,000 based on meeting specified EBIT targets (for iProximity's existing business) for the 2018 and 2019 financial years;
- The issue of fully paid ordinary shares in the company in tranches based on meeting specified EBIT targets for the period ending 31 December 2020 (9,448,964 shares) and based on Wellington's SCS Connect System controller unit sales for the same period (9,448,964 shares).

The purchase consideration is:

	\$000s
Cash paid	1,367
Contingent consideration	-
Total purchase consideration	\$1,367

As detailed above, additional consideration may be payable in cash on 31 March 2020. The potential undiscounted amount payable is A\$500,000. In addition, up to 18,897,928 ordinary shares in Wellington may be issued.

The liability for contingent consideration has not yet been determined and will be finalised for inclusion in the interim financial statements for the six months ended 30 June 2019.

Acquisition related costs of \$16,000 are included in operating expenses in the Consolidated Statement of Comprehensive Income and in operating cash flows in the consolidated cash flow statement.

Provisionally determined fair value of the assets and liabilities at the date of acquisition are as follows:

	\$000s
Intangible assets - platform	536
Trade and other receivables	18
Trade and other payables	(65)
Contract liabilities	(18)
Net identifiable assets acquired	471
Provisional goodwill	896
Net assets acquired	\$1,367

The goodwill is attributable to the profit impact that the acquired business is expected to have on the group's business.

The acquired business contributed revenues of \$37,000 and a loss of \$187,000 to the group from 2 July 2018 to 31 December 2018. It is not practical to determine the impact on revenue and profitability of the group if the business had been acquired on 1 January 2018 because different accounting policies were adopted by the acquired business and salaries for employees were not market related.

The initial accounting for the acquisition is incomplete due to the absence of reliable forecast information to enable the assessment of contingent consideration.

6.2 Related party transactions

(a) Directors

The names of persons who are directors of the company are on pages 18 and 19.

(b) Key management personnel and compensation

Key management personnel compensation is set out below. Key management personnel comprise the Directors including the Chief Executive Officer (CEO) and all the senior executives who report directly to the CEO.

	2018 \$000s	2017 \$000s
Salaries, fees and other short-term benefits	1,873	1,767
Share based remuneration	6	40
Directors' remuneration	141	139
Total	\$2,020	\$1,946

(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.

Ordinary shares – partly paid

Issue date	Earliest date to exercise	Expiry exercise date	Share hurdle price (cents)	Partly paid share price (cents)	Balance payable on exercise (cents)	Outstanding at 2018 (numbers)	Outstanding at 2017 (numbers)
24 Jun 2013	24 Jun 2017	24 Jun 2019	16.29	16.29	15.79	1,635,665	1,635,665
18 Jun 2014	18 Jun 2017	18 Jun 2019	14.22	14.22	13.72	1,260,587	1,260,587
23 Jul 2014	23 Jul 2017	23 Jul 2019	14.73	14.73	14.23	1,890,216	1,890,216
1 Jul 2015	1 Jul 2017	1 Jul 2019	5.21	5.21	5.11	2,316,840	2,316,840
1 Jul 2015	1 Jul 2018	1 Jul 2020	5.65	5.65	5.53	1,647,784	1,890,216
20 Apr 2016	31 Mar 2017	31 Mar 2019	9.43	9.43	9.23	3,287,566	3,287,566
30 Sep 2016	30 Sep 2019	30 Sep 2021	18.17	18.17	17.81	421,980	421,980
						12,460,638	12,703,070

A Partly Paid Share Scheme was established in June 2008, to enable certain employees to acquire shares in the company. After the earliest date to exercise, provided the market price for the company's shares is, at that date, equal to or greater than the hurdle price stated above (and on or before 2 years after the earliest exercise date), employees can settle the unpaid balance of their part-paid shares and transfer the shares to their name or the name of their nominated trustee.

The April 2016 issue of part paid shares is subject to the company achieving specific financial performance targets in the 2016 financial year or at the discretion of the directors pursuant to the rules of the Scheme.

Wellington Drive Technologies Share Scheme Trustee Limited (WSST) acts as trustee holding the part-paid shares on behalf of employees. These partly paid shares are not quoted on the NZX and are not tradable.

Mr Greg Allen, the company's Chief Executive, was issued 1,260,587 partly paid shares in June 2014, 2,316,840 shares in 2015 and a further 1,218,073 in April 2016 subject to terms outlined above.

Fair value is assessed at the date that the partly paid shares or share options are granted using a binomial option pricing model that takes into account the exercise price, the three year term of the partly paid shares or options, the exercise criteria, the likelihood of staff turnover, the non-tradable nature of the partly paid share or option, the share price at the issue or grant date, the volatility of the returns on the underlying share and the risk-free interest rate for the term of the partly paid share or option.

U.S. employee share options

In June 2010 the Company established the United States Employees Share Option Plan under which the Company can issue up to 3,000,000 options. The price at which options can be exercised under the United States Share Option Plan is the closing sales price on the date of the grant plus a 30% premium. Further details of share options granted are summarised below:

Grant date	Expiry date	Exercise price (cents)	Outstanding at 2018 (numbers)	Outstanding at 2017 (numbers)
24 Jun 2013	24 Jun 2019	16.9	288,647	288,647
23 Jul 2014	23 Jul 2019	14.3	288,647	288,647
21 Aug 2014	21 Aug 2019	12.2	96,216	96,216
1 Jul 2015	1 Jul 2019	5.59	288,647	384,863
20 Apr 2016	31 Mar 2019	11.7	760,013	760,013
30 Sep 2016	30 Sep 2020	18.2	96,215	96,215
			1,818,385	1,914,601

(d) Meta Capital Limited loan

Meta Capital Limited is a company associated with a director, Mr J McMahon (see note 4.1).

(e) Smartshares Limited loan

Smartshares Limited is a substantial security holder (see note 4.1).

6.3 Contingencies

There are no material contingent liabilities or assets (2017 - \$nil).

6.4 Financial instruments by category

	2018 \$000s	2017 \$000s
Assets per Statements of Financial Position		
Loans and Receivables		
Trade and other receivables	16,851	11,084
Cash and cash equivalents	933	1,563
Derivatives used for hedging (at fair value)		
Derivative financial instruments	-	6
	\$17,784	\$12,653
Liabilities per Statements of Financial Position at amortised cost		
Trade and other payables	20,212	12,577
Borrowings	5,642	2,598
Derivatives used for hedging (at fair value)		
Derivative financial instruments	10	-
	\$25,864	\$15,175

Fair value estimation

The only financial instruments carried at fair value are derivatives comprising forward foreign exchange contracts and the embedded option in the preference shares.

The forward exchange contract has been classified as Level 2 and the embedded option as Level 3.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (Level 3)

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

6.5 Leases

The Statement of Financial Position shows the following amounts related to leases of right-of-use assets:

Right-of-use assets	2018 \$000s	2017 \$000s
Properties	1,291	-
Plant & equipment	45	-
Office equipment and furniture & fittings	5	-
Total	\$1,341	\$-

Lease liabilities in respect of right-of-use assets*

Current	187	-
Non-current	1,345	-
Total	\$1,532	\$-

* included within borrowings. In the previous year, the group only recognised lease liabilities in relation to leases that were classified as “finance leases” under NZ IAS 17 Leases.

Additions to the right-of-use assets during the 2018 financial year is disclosed at note 3.2.

The Consolidated Statement of Comprehensive Income shows the following amounts related to right-of-use leases:

Depreciation charge for right-of-use assets	2018 \$000s	2017 \$000s
Properties	179	-
Plant & equipment	15	-
Office equipment and furniture & fittings	3	-
Total	\$197	\$-

Interest expense on lease liabilities	\$106	\$-
Expense relating to short-term leases (included in operating expenses)	\$51	\$-

The total cash outflow for right-of-use leases during the 2018 financial year was \$178,000. Lease repayments in the Consolidated Cash Flow Statement includes \$69,000 (2017: \$25,000) for leases previously classified as finance leases under NZ IAS 17.

The group’s leasing activities and how these are accounted for:

The group leases property, equipment and cars. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms for equipment and cars tend to be industry standard. Other leases are negotiated on an individual basis.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to Statement of Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments based on an index or rate
- Amounts expected to be payable by the lessee under residual value guarantees

- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments or penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Statement of Comprehensive Income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets of a value of US\$5,000 or less.

Lease renewal options are included in the property lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the renewal option. Renewal options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

6.6 Other disclosures

	2018 \$000s	2017 \$000s
Auditors remuneration		
PricewaterhouseCoopers (PwC):		
- Audit of financial statements of the group	155	104
- Procedures over interim financial statements of the group	7	7
Audit of subsidiaries by other auditors – Thong & Lim	7	11
Total remuneration for audit and non-audit services	\$169	\$122

6.7 Cash flow information

(a) Reconciliation of loss for the year to net cash inflow from operating activities

	2018 \$000s	2017 \$000s
Loss for the year	(713)	(1,980)
Adjustments for:		
Depreciation, amortisation & impairment	2,011	1,546
Share based payments	12	56
Amortisation of borrowing	-	329
Change in fair value of embedded option	-	126
Inventory provision movement	83	(9)
Loss allowance provision movement	13	(41)
Provision for warranty movement	38	124
Net foreign exchange differences	(402)	181
Increase in trade and other receivables	(6,293)	(2,634)
Increase in contract liabilities	1,604	759
(Increase) / decrease in inventories	(1,948)	445
Increase in trade and other payables	7,444	2,355
Net cash inflow from operating activities	\$1,849	\$1,257

(b) Net debt reconciliation

	2018 \$000s	2017 \$000s
Cash and cash equivalents	933	1,563
Borrowings – repayable within one year	(4,148)	(591)
Borrowings – repayable after one year	(1,494)	(2,007)
Net debt	(\$4,709)	(\$1,035)

All borrowings are at fixed interest rates, with borrowings movements disclosed in note 4.1. Increase in cash during the year of \$630,000 (2017: \$1,879,000 increase) included \$96,000 increase (2017: \$220,000 decrease) of exchange rate movements.



Independent auditor's report

To the shareholders of Wellington Drive Technologies Limited

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of movements in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying consolidated financial statements of Wellington Drive Technologies Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out agreed upon procedures over the interim financial statements of the Group. The provision of this service has not impaired our independence as auditors of the Group.

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: NZ\$587,000, which represents approximately 1% of revenue.

We chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We have determined that there is one key audit matter:

- Evaluating future cash flow forecast supporting the use of the going concern basis in the preparation of the consolidated financial statements

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. The key audit matter below was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter

Evaluating future cash flow forecast supporting the use of the going concern basis in the preparation of the consolidated financial statements

As described in note 1.2(a) *Basis of preparation* of the consolidated financial statements, the Group has adopted the going concern basis when preparing its consolidated financial statements.

Management prepared the Group future cash flow forecast (forecast) for the period to March 2020 and considered known events or conditions beyond this forecast period.

The forecast includes a number of judgements and estimates, including:

- future revenue
- gross margins
- operating costs and capital expenditure and management's ability to manage these costs to respond to changes that might arise between actual cash flows and forecasted cash flows over the forecast period
- future cash inflows from employee share schemes.

As the forecast used in this assessment includes judgements and assumptions with estimation uncertainty, the audit of the forecast is an area of significance in the audit of the consolidated financial statements.

How our audit addressed the key audit matter

Evaluating future cash flow forecast supporting the use of the going concern basis in the preparation of the consolidated financial statements

The Directors have assessed that it is appropriate for the Group to adopt the going concern basis in preparing its consolidated financial statements. The Directors' going concern assessment included the review and adoption of the forecast. We have therefore performed procedures over the forecast as follows:

- We gained an understanding of the Group's strategy, business plan and the controls and process in place for preparing and approving the cash flow forecast.
- We obtained the forecast for the period to March 2020 that was approved by the Board of Directors and undertook the following procedures:
 - We tested the mathematical accuracy of the forecast.
 - We assessed the reliability of the Group's forecasting process by comparing the actual financial performance of the Group against budget for the years ended 31 December 2016 and 31 December 2017. We also compared both the total and quarterly actual financial performance against budget for the year ended 31 December 2018.
 - We assessed the reasonableness of the following assumptions in the forecast:
 - *future revenue*

Key audit matter

We compared the forecast revenue to historical growth from 2016 to 2018 in total and by product with reference to confirmed purchase orders and assessed the reasonableness of these growth rates continuing into the future.

- *gross margins*

We performed a look back analysis on the gross margin in total and by product to historical margins and, where the gross margins are forecast to change, we have assessed the change against contractual pricing arrangements with suppliers.

- *operating costs and capital expenditure and management's ability to manage those costs to respond to changes that might arise between actual cash flows and forecasted cash flows over the forecast period.*

We compared forecast operating costs to the prior year and identified staff costs to be a major component. We considered the staff cost increases by comparing these to the "employee plan" approved by the CEO.

We reviewed forecast capital expenditure and gained an understanding of their nature to determine the reasonableness of any assumptions regarding the ability to defer these costs.

We obtained an understanding of management's plans and ability to defer certain costs if necessary to settle the loans on their due dates and meet their other obligations as they become due and payable in the ordinary course of business. We used look back procedures to assess management's representations that they have the ability to control such costs.

- We inspected contracts and other supporting documentation of the financing facilities (and in particular, covenant requirements) and arrangements with suppliers, including any interest costs associated therewith.
- We performed a sensitivity analysis over reasonably possible changes in key assumptions and the impact of these changes on the forecast, taking into consideration historical performance, the minimum gross margin required to generate sufficient cash to pay the loans on their due dates, discretionary operating costs, capital expenditure included in the forecast, and future cash inflows from employees share schemes.

We have no matters to report.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

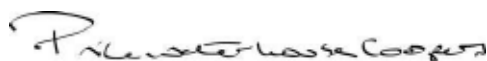
This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Sharon Cresswell.

For and on behalf of:



Chartered Accountants
1 March 2019

Auckland

Statutory information

Introduction

Directors have resolved that no dividend be declared payable.

The company does not have a credit rating.

Remuneration of Directors

During the year the following remuneration was paid or payable to directors:

	2018	2017
Mr T. Nowell	\$50,000	\$50,000
Dr L. Jacobs	\$30,000	\$30,000
Mr G. Pausch ^{1.}	\$30,000	\$30,000
Mr J. McMahon ^{2.}	\$30,000	\$30,000
Mr J. Scott ^{3.}	\$ -	\$ -
Mr K Oliver ^{3.}	\$ -	\$ -

Note

1. Fees for Mr G. Pausch are paid to Board Advisory Services Ltd.
2. Fees for Mr J. McMahon are paid to Meta Capital Ltd.
3. Mr Scott and Mr Oliver were both appointed as directors in 2019.

Interested transactions

The Directors have disclosed the following transactions with the company:

- Interested transactions: In November 2017 the company obtained a US\$600,000 unsecured loan facility from Meta Capital Limited, a company related to John McMahon, a director. The company borrowed US\$200,000 under this facility in January 2018 and repaid the loan in full in May 2018. In June 2018, the company borrowed US\$600,000 which is due for repayment in June 2019. Further details of the loan are in note 4.1. There have been no other transactions during the year with interested or related parties of the directors.
- Directors' remuneration: remuneration details of directors are provided above.
- Indemnification and insurance of officers and directors: The company indemnifies directors and executive officers of the group against all liabilities which arise out of the performance of their normal duties as director or executive officer, unless the liability relates to conduct involving lack of good faith. To manage this risk, the group has indemnity insurance. The total cost of this insurance expensed during the year ended 31 December 2018 was \$49,033 (2017 - \$38,333).
- Directors' share transactions: There were no changes in directors' shareholdings during the 2018 year. Details of numbers of shares held by directors are shown below.
- Directors' loans: There were no loans by the company to directors.
- The Board received no notices during the year from directors requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

Directors' Shareholding

Ordinary shares	31 December 2018		31 December 2017	
	Total Relevant Interest	Direct	Total Relevant Interest	Direct
Mr T. Nowell	280,458	-	280,458	-
Mr J. McMahon	9,966,342	-	9,966,342	-
Mr G. Pausch	-	885,400	-	885,400

Employees

The number of employees, other than directors, within the group receiving remuneration and benefits above \$100,000, as is required to be disclosed in accordance with section 211(1) (g) of the Companies Act 1993, is indicated in the following table.

	GROUP			GROUP	
	2018	2017		2018	2017
\$100,000 - \$109,999	6	4	\$210,000 - \$219,999	-	1
\$110,000 - \$119,999	2	2	\$220,000 - \$229,999	1	
\$120,000 - \$129,999	5	3	\$230,000 - \$239,999	2	1
\$130,000 - \$139,999	2	5	\$240,000 - \$249,999	1	-
\$140,000 - \$149,999	3	1	\$260,000 - \$269,999	1	
\$160,000 - \$169,999	1	-	\$290,000 - \$299,999	-	-
\$170,000 - \$179,999	1	1	\$300,000 - \$309,999	1	-
\$180,000 - \$189,999	1	2	\$310,000 - \$319,999	-	1
\$190,000 - \$199,999	1	1	\$390,000 - \$399,999	1	1
\$200,000 - \$209,999	-	1	\$640,000 - \$649,999	1	-

Remuneration and benefits for 2018 include payment of the Short Term Incentive (STI) for 2017 (see page 69 for details of the STI plan). There was no STI payment in 2017 as the STI plan was suspended in 2016 and replaced by a one-off issue of part paid shares and US share options.

NZX waivers

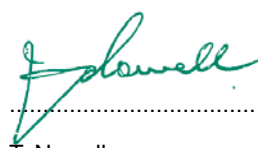
The company was granted a waiver in respect of NZX Main Board Listing Rule 7.3.5(e) in June 2018. The waiver excluded the vendors of iProximity Pty Limited from being treated as employees of Wellington for the issue of Wellington shares to settle the purchase of iProximity Pty Limited.

There were no other waivers granted by the NZ Exchange during the year ended 31 December 2018 (as defined in the accordance with NZ Stock Exchange Listing Rule 10.5.3f).

Auditors

In accordance with Section 200 of the Companies' Act 1993, the auditor, PricewaterhouseCoopers, continue in office.

For and on behalf of the Board



T. Nowell, CNZM
Chairman

27 March 2019

Shareholder information

Shareholders

As at 31 December 2018 there were 2,439 shareholders holding 257,436,000 fully paid ordinary shares.

Share issues

In July 2018 242,432 part paid shares (issued in accordance the company's long-term incentive scheme as outlined in notes 4.3 and 6.2) were exercised and the balance due (\$14,000) settled by staff.

In October 2018 96,216 US employee share options (issued in accordance the company's long-term incentive scheme as outlined in notes 4.3 and 6.2) were exercised and the consideration due (\$5,000) settled by staff.

Other than the above changes, there were no new issues of shares in 2018.

Shareholder details

The ordinary shares of Wellington Drive Technologies Limited are listed on the New Zealand Stock Exchange. The information in the disclosures below has been taken from the company's registers at 12 March 2019:

20 largest shareholders	Ordinary Shares
1. N.Z. Central Securities Depository Ltd ¹	104,261,397
2. East West Manufacturing LLC	19,433,333
3. Wairahi Trust	12,450,000
4. Investment Custodial Services Ltd	10,020,739
5. ASB Nominees Ltd (Account 574233)	9,966,342
6. Graham Trustees Ltd	9,600,000
7. EWNZ Ltd	7,000,000
8. Flynn No 2 Trustees Ltd	4,874,291
9. FNZ Custodians Ltd	2,577,699
10. G. Allen	2,000,128
11. B. I. Evans	2,000,000
12. Tane Nui Family Trust	1,650,000
13. H. D. Milliner	1,627,739
14. Forsyth Barr Custodians Ltd	1,571,635
15. Rivendale Trust	1,486,846
16. Leveraged Equities Finance Ltd	1,473,858
17. R.D. Armstrong	1,458,503
18. B.D. Lobb	1,372,461
19. FNZ Custodians Ltd	1,357,708
20. Carpe Diem Family Trust	1,162,000

¹ N.Z. Central Deposit Securities Depository Limited holds shares on trust for 10 different shareholders. The largest of these are: BNP Paribas Nominees (N.Z.) Ltd, 70,705,307; N.Z. Permanent Trustees Ltd, 7,949,923 shares; TEA Custodians Ltd Client Property Trust, 6,602,302 shares; HSBC Nominees (NZ) Ltd – 4,669,103 shares; JPMorgan Chase Bank NA, 4,390,472 shares; Accident Compensation Corporation, 4,000,000 shares; BNP Paribas Nominees (N.Z.) Ltd, 2,291,656 shares; BNP Paribas Nominees (N.Z.) Ltd, 1,944,834 shares.

Distribution of equity securities

Size of Holdings (at 12 March 2019)			Shareholders		Fully Paid Ordinary Shares	
			Number	%	Number	%
1	-	999	942	36.81	313,491	0.12
1,000	-	1,999	228	8.91	304,160	0.12
2,000	-	4,999	395	15.44	1,191,668	0.46
5,000	-	9,999	249	9.73	1,669,965	0.65
10,000	-	49,999	463	18.09	10,079,410	3.92
50,000	-	99,999	104	4.06	6,672,596	2.59
100,000	-	499,999	125	4.89	24,022,491	9.33
500,000	-	999,999	23	0.90	15,027,457	5.84
over		1,000,000	30	1.17	198,154,762	76.97
			2,559	100.00	257,436,000	100.00

2,427 (or 94.8%) shareholders, holding 233,706,428 shares (or 90.8%) reside in New Zealand.

Substantial security holders

Pursuant to section 26 of the Securities Markets Act 1988, details of substantial security holders and their total relevant interests as per their most recent notices are:

Name	Number of shares ²	Date of Notice
Smartshares Limited (Custodian – BNP Paribas Nominees (NZ) Ltd)	70,644,819	6 June 2018
East West Manufacturing, LLC	26,433,333	5 June 2018

² Number of shares is taken from notices received. No adjustments have been made for changes that may have subsequently occurred from the dates of notices stated. The definition of "relevant interest" in the Securities Markets Act 1988 provides that more than one relevant interest can exist in respect of the same securities.

Shareholder enquiries

Shareholders should send changes of address to Computershare Investor Services Limited at the address noted in the directory on page 73. Notification must be in writing. Questions relating to shareholdings should also be addressed to Computershare Investor Services Limited. For information about the group please contact the company at the registered office by sending an email to info@wdtl.com or visit our website <http://www.wdtl.com>.

Announcements to shareholders

The company has established an email list of shareholders that want to receive announcements made by Wellington to the New Zealand Stock Exchange. Announcements are emailed to shareholders who wish to receive them shortly after they are released. This will include the annual meeting addresses. If you want to be added to this listing, please email info@wdtl.com and advise us of your email address. Your email details will be kept confidential.

Announcements are also posted on our website www.wdtl.com normally the day after they are released.

Corporate governance

The Board and Management of Wellington Drive Technologies Limited are committed to acting with integrity and expect high standards of behaviour and accountability from all the company's officers and staff.

Role of the Board

The Board's primary objective is the enhancement of shareholder value by following a set of core principles, appropriate governance and ethical strategies and ensuring effective and innovative use of company resources. The Board is responsible for the management oversight, supervision, and direction of the Group. Day-to-day management of the Group is delegated to the Chief Executive Officer.

Compliance

The governance principles adopted by the Board are designed to meet best practice recommendations for listed companies to the extent that they are appropriate to the size and nature of Wellington's operations. The Board endorses the overall principles embodied in the NZX Corporate Governance Code 2017 (the NZX Code) and believes the company's corporate governance principles, policies and practices are appropriately aligned with the NZX Code.

The company is reporting against the recommendations in the NZX Code, by describing below the corporate governance policies and practices Wellington has in place and highlighting the small number of areas of the NZX Code where we have not fully followed the Code's recommendations.

Wellington takes a "continuous-improvement" approach to corporate governance. Our governance programme over the last year included the review of policies and committee charters and has considered the updated NZX Listing Rules and revised NZX Corporate Governance Code which will, (as the Board has decided that the company will not early-adopt the updated NZX Listing Rules), apply to the company from 1 July 2019. Accordingly, the company will report against the revised NZX Corporate Governance Code 2019 from 1 July 2019.

This statement is current to 27 March 2019, and has been approved by the Wellington Board of Directors.

Board and committee charters, codes and policies referred to in this section are available to view at www.wdttl.com/governance.

NZX Code

Principle 1 – Code of ethical behaviour

The company is committed to transparency and fairness in dealing with all its stakeholders and to ensuring adherence to all applicable laws and regulations. The company expects its directors, officers, and employees to maintain high standards of ethical conduct and expects employees to act legally, ethically and with integrity in a manner consistent with the policies and guiding principles that are in place.

These include the following:

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

- **Code of Business Conduct and Ethics for Wellington team members and directors:** Wellington team members are committed to being ethically and socially responsible and our business decisions should reflect our values, acting within the laws of the countries in which it operates. The code, which can be found at <http://www.wdttl.com/governance>, provides a guide to these general principles of conduct and ethics. It brings together all our policy principles and provides a working guide for directors and employees to **do the right thing** when making decisions in our daily activities, and to:
 - ✓ Act safely, ethically and responsibly;
 - ✓ Act in Wellington's best interests always;
 - ✓ Protect the confidentiality of Wellington's business information;
 - ✓ Always comply with the principles in the Code, the legal and regulatory obligations in their country and the spirit of the law;
 - ✓ Hold their colleagues accountable for behaving ethically and following the Code;
 - ✓ Not engage in any activity whether within or outside of the workplace that is likely to bring Wellington into disrepute;
 - ✓ Deal honestly with Wellington's people, customers, shareholders, suppliers and other stakeholders;
 - ✓ Ensure that they do not knowingly enter into transactions or make commitments on behalf of Wellington that the company cannot or does not intend to fully honour;
 - ✓ Undertake their duties with care and diligence;

- ✓ Ensure that any personal opinions Wellington people express are clearly identified as their own and are not represented to be the views of the company;
- ✓ Value individuals' differences and treat people with respect;
- ✓ To the best of their ability, ensure that Wellington's records and documents, including financial reports, are true, correct and conform to Wellington's reporting standards and internal controls;
- ✓ Not accept or offer bribes or improper inducements; and
- ✓ Speak up about unsafe or unethical behaviours.

The Code includes a policy regarding a respectful workplace and diversity, requiring equal opportunity for all.

Wellington is committed to attracting, developing and advancing the best person for the role. Selection processes for recruitment and employee development are unbiased and based on merit. Wellington values diversity and has a workforce consisting of individuals with diverse skills, values, backgrounds, gender, ethnicity and experience. Any form of discrimination, bullying or harassment is not tolerated.

Wellington takes the Code seriously. It is the responsibility of all Wellington people globally to promptly bring suspected violations to the attention of the company, for the benefit of all.

- **Rules for Trading in Wellington Securities:** The Rules for Trading in Wellington Securities, which can be found at <http://www.wdtl.com/governance>, require all staff and directors to seek approval in accordance with the rules before buying or selling any Wellington securities. The policy details "blackout periods" where trading is forbidden, as well as a process for authorisation at all other times.

The company has an ongoing programme to maintain employee awareness and understanding of these ethical standards and policies.

Principle 2 – Board composition and performance

The Wellington Board comprises directors with an appropriate range and mix of skills and experience; who have a proper understanding of, and competence to deal with, current and emerging issues of the business; and who can effectively review and challenge the performance of management and exercise judgment independent of management. The Board's structure and governance arrangements are set out in the Wellington Board Charter which can be found at <http://www.wdtl.com/governance>.

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

The Wellington Constitution provides that there will be not less than three and not more than eight directors. NZ Stock Exchange requirements are that at least two directors or one-third, are independent directors. The Board Charter requires that a majority of directors are independent and sets out circumstances in which a director will not be regarded as independent. We assess director independence as a Board against the criteria in the NZX Listing Rules and in the Board Charter. The Board currently has six directors, all of whom are considered independent.

Profiles of all directors and their dates of appointment are set out in the Directors section of this Annual Report on pages 18 and 19 and are available on the company's website.

As the Board is small, the company has not established a separate nomination committee, believing these matters are best dealt with by the full Board of Directors. Periodically the Board evaluates its performance, composition, size, diversity and mix of skills. The method of review is determined by the chairperson annually and may include interviews, questionnaires and/or external review. The Board is satisfied that it is operating well and that the performance processes we have used are both effective and suited to the company.

When a decision is made to recruit a new director, the Board identifies candidates with a mix of capabilities and perspectives considered necessary for the Board to carry out its responsibilities effectively. The Board also considers the skills of the existing directors to ensure that the skills of the new director will complement and add to the effectiveness of decision making. We make appropriate pre-appointment checks on the background and suitability of all directors. New Board members enter into a written agreement establishing the terms of their appointment. A director appointed by the Board must stand for election at the next annual meeting. At each annual meeting one-third of directors must retire by rotation. Retiring directors are eligible for re-election.

Directors undertake appropriate education to remain current in how to best perform their duties as directors. Directors are encouraged to attend courses and maintain membership of relevant bodies, such as the Institute of Directors.

Directors receive information independently from management in relation to specific issues relevant to Wellington, the markets in which the company operates and to NZX listed companies generally. All directors have access to management for any additional information they consider necessary for informed decision making.

The company recognises our people are critical to our business. However, Wellington has a very small number

of employees, a significant number of which are based outside of New Zealand, which makes it very challenging for the company to adopt any formal targets in relation to diversity as is recommended by the NZX Code. While we do not have any such formal targets, Wellington values and respects the contributions, ideas and experiences of people from all backgrounds and is proud to have a diverse company with staff from around the world and from many cultures. As stated, the company has a diversity policy included in its Code of Business Conduct and Ethics, and is committed to attracting, developing and advancing the best person for the role. Attracting the best person for a role may involve a global search for a suitable candidate and that selection may add to our diversity. Wellington recognises diversity brings a range of ideas, skills and innovation to the company, which is important to the achievement of our objectives.

During 2019, the company will continue to strive to ensure the best person for the role is identified in the recruitment process for all positions becoming available, ensuring gender or other bias are not present in hiring decisions. It recognises recruitment of female staff, particularly in the engineering sector (in which we operate), is not always possible due to the shortage of suitably qualified staff. The company also aims to further encourage development of its existing staff through global re-deployment and training.

Diversity by gender statistics

In accordance with listing rule 10.5.5(j) the company makes the following diversity disclosures:

	Male		Female		
31 December 2018	#	%	#	%	Total
Board	3	75%	1	25%	4
Senior management team*	6	100%	-	-	6
Other staff	56	77%	17	23%	73
Total company	65	78%	18	22%	83

	Male		Female		
31 December 2017	#	%	#	%	Total
Board	3	75%	1	25%	4
Senior management team*	6	100%	-	-	6
Other staff	49	80%	12	20%	61
Total company	58	82%	13	18%	71

*The senior management team comprises of the Chief Executive Officer (CEO) and all the senior executives who report directly to the CEO. The senior management team are "officers" for the purpose of the NZX Listing Rules.

Principle 3 – Board committees

The Board has established a number of committees to guide and assist them with overseeing certain aspects of corporate governance. These committees are the Audit and Risk Committee, the Technology and Innovation Committee and the Executive Appointment and Remuneration Committee. Each committee is empowered to seek any information it requires from employees in pursuing its duties and to obtain independent legal or other professional advice.

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

Audit and Risk Committee

The Audit and Risk Committee operates under a charter approved by the Board and assists the Board in: taking reasonable steps to acquire and maintain up-to-date knowledge of enterprise risk management; overseeing the quality and integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements; the appropriateness of accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements; and the business's relationship with, and the independence of, the external auditor.

The committee also approves any non-audit work carried out by the company's auditor and ensures that the lead partner in the audit firm is rotated every five years.

The committee is composed of three non-executive directors, all of whom are independent.

The current members are Lisbeth Jacobs (chairwoman), Tony Nowell and John McMahon.

The Audit and Risk Committee charter can be found at <http://www.wdttl.com/governance>.

Executive Appointment and Remuneration Committee

The Executive Appointment and Remuneration Committee operates under a charter approved by the Board and assists the Board in: the remuneration and appointment of the senior executive team; management succession planning; reviewing and approving compensation arrangements; establishing employee incentive schemes and the remuneration of the Board. The committee also advises on proposals for significant company-wide remuneration policies and programmes. In carrying out this role, the sub-committee operates independently of senior management of the company and, where appropriate, obtains independent advice on remuneration policy and packages.

The current members are Gottfried Pausch (Chairman), Tony Nowell and John McMahon.

The Executive Appointment and Remuneration Committee charter can be found at <http://www.wdtl.com/governance>.

Technology and Innovation Committee

The Technology and Innovation Committee operates under a charter approved by the Board and assists the Board in overseeing and providing counsel on overall strategy, direction and effectiveness of technology and innovation activities.

The current members are Lisbeth Jacobs (Chairwoman) and Gottfried Pausch.

The Technology and Innovation Committee charter can be found at <http://www.wdtl.com/governance>.

Other committees

From time-to-time the Board may establish a committee to assist in the management of a matter or project. In 2018 a Capital Planning Committee operated to oversee the strategic investment and funding requirements for the company.

The company has established protocols for dealing with a takeover should an offer be received.

Health and safety

Whilst not a committee of Board members, Wellington has a Health and Safety Committee that meets monthly and reports to the Board. The company is strongly committed to maintaining a safe and healthy workplace and believes all accidents are preventable. The committee is made up of a mix of senior management and staff from key operational areas. The committee strives to: maintain and continually improve our health and safety systems; proactively identify hazards and take all steps to eliminate or mitigate these; consult and actively promote participation in health and safety matters throughout the company.

The health and safety policy can be found at <http://www.wdtl.com/governance>.

Principle 4 – Reporting and disclosure

The company is committed to ensuring integrity and timeliness of its financial reporting and in providing information to the market and shareholders.

“The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.”

Financial reporting

The Board has overall responsibility for ensuring the integrity of the company's reporting to shareholders, including for financial statements that comply with generally accepted accounting practice. The Audit and Risk Committee assists the Board to fulfil its responsibilities in this area. The committee makes enquiries of management and the external auditors (including requiring management representations) so that the company can be satisfied as to the validity and accuracy of all aspects of Wellington's financial reporting.

The CEO and CFO certify to the Board that: the annual report is true, and the statements therein are not materially misleading; and no matters in the annual report (as a result of subsequent events) would make any of the statements untrue or materially misleading.

Wellington strives to improve the clarity and readability of its financial statements, while continuing to comply with all the requirements of the financial reporting standards including the Companies Act 1993, the Financial Markets Conduct Act 2013, and the Listing Rules.

Continuous disclosure

The company has a formal Group Market Disclosure Policy that can be found at <http://www.wdtl.com/governance>. The policy seeks to promote investor confidence by ensuring that dealing in its securities takes place in an efficient, competitive and informed market. The company strives to ensure that all investors have equal and timely access to market sensitive information. That disclosure be evenly balanced (during good times and bad) and this is fundamental to building shareholder value and earning the trust of staff, customers, suppliers, communities and shareholders.

The Board reviews and approves material announcements and specifically considers with management at

each Board meeting whether there are any issues which might require disclosure to the market under the NZX continuous disclosure requirements.

Trading in shares

Wellington is committed to transparency and fairness in dealing with all its stakeholders and to ensuring adherence to all applicable laws and regulations.

Wellington has a detailed share trading policy, the Rules for Trading in Wellington Securities that can be found at <http://www.wdtl.com/governance>, which applies to all directors and employees. No director or employee may use confidential non-public price sensitive information in his or her position to engage in securities trading for personal benefit or to provide benefit to any third party. Short-term trading in Wellington shares and buying or selling (while in possession of non-public price-sensitive information) is strictly prohibited.

All directors and employees must obtain consent to trade in securities prior to trading. A majority of members of the Board need to consent to the application. Once these consents have been received the Chair of the Wellington Board or (where the Chair is unavailable) the Chair of the Board's Audit and Risk Committee, will approve or decline the application. The company monitors trading and reports share movements to the Board at every meeting.

Information for investors

Wellington's investor website <http://www.wdtl.com/news-and-information> includes the company's reports, investor communications, audio and video releases and the Policies and Charters referred to in this section. The Annual and Interim Report is available in electronic and hard copy format.

The annual meeting is planned to be held on 30 May 2019. All shareholders are welcome to attend and ask questions. The external auditor, PricewaterhouseCoopers will be in attendance to answer questions about the audit and their audit report. A notice of meeting is expected to be sent to shareholders in April 2019.

Principle 5 – Remuneration

The Executive Appointment and Remuneration Committee is responsible for ensuring directors and executives receive the appropriate rewards to support Wellington in achieving its commercial and stakeholder goals. The Executive Appointment and Remuneration Committee has a formal charter. Its membership and role are set out under Principle 3 above.

"The remuneration of directors and executives should be transparent, fair and reasonable."

Director remuneration

Directors' fees are currently set at a maximum of \$200,000 per annum. This was approved by shareholders at the 2006 Annual Meeting. The actual amount of directors' fees paid in the 2018 financial year was \$140,000, due to the small size of the Board. Full disclosure of director remuneration is set out on page 61. Other than from directors' fees, no director is entitled to any other remuneration or retirement benefits from Wellington. Directors are entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings or otherwise in connection with Wellington business.

The Executive Appointment and Remuneration Committee conducts an annual review of directors' fees, to determine whether the level of fees paid to the company's chairperson and other non-executive directors is aligned with other organisations of similar scale and scope. Any increases in fees paid to directors must be authorised by the Board and be within the above cap approved by shareholders.

Remuneration

Wellington's approach is to pay a base salary and a performance-based bonus that includes a short-term and a long-term incentive component. This ensures executive motivation is aligned with the goals of the company in the short and long term.

Base salary

As stated, the company recognises our people are critical to our business and its growth strategies. Wellington's remuneration strategy is to pay executives a remuneration that is fair and reasonable in a competitive market for the skills, knowledge and experience required by the company. Salaries are determined for their current position in the market using relevant and up to date market benchmark data and an individual's performance and are reviewed annually. Many of our employees are based outside of New Zealand and remuneration varies by location in accordance with the local market.

Short-Term Incentive

Our Short-Term Incentive (STI) model is focused on delivering financial and business improvement performance goals, predicated on measurable outcomes, differentiating high performance, and rewarding delivery. The STI

programme applies only to key management and other selected staff members. STI values are calculated as a percentage of base salary, ranging between 10% to 33% for eligible employees. Executive team STI payments are determined following a Board level review of the company's and the individual's performance and may be paid out at between zero to 100% of an individual's STI target. It is possible for an executive to achieve 200% on financial metrics if targets are substantially overachieved.

Employee share purchase plans

Wellington has two Long Term Incentive (LTI) share purchase plans, a partly paid share scheme which has been operating since 2008 and the United States employee share option plan which has operated since 2010. Details of both plans and the partly paid share issues or options currently outstanding are on pages 44 and 45. Both schemes involve the issue, once all LTI plan requirements have been met, of shares in Wellington to employees at a price of 20% to 30% premium to the market price of Wellington shares at the time of their initial issue to the Share Trustee (in the case of partly paid shares) or time of grant (in the case of options). This is also the market share price hurdle that must be met before the employees can take up their shares. Selected employees are offered shares or options, although options are not available to New Zealand based employees. The shares or options vest in either two or three years following their grant if the share price hurdle price has been met and must be exercised within a specified period after that date by paying the balance due for the part paid shares or options. Any rights to acquire shares that are not taken up lapse.

During FY2018, 242,432 rights to acquire shares were exercised under the Partly Paid Share Scheme and 96,216 options were exercised under the United States employee share option plan.

The company is reviewing the structure of its long-term incentive plans to ensure that they continue to be fit for purpose.

CEO remuneration

The following table sets out the payments made to the CEO during FY2018.

Fixed remuneration	\$491,000
Short term incentive (for FY2017)	\$155,730
Total remuneration	\$646,730

Break down of CEO pay for performance (FY2018):

- **Short Term Incentive:** The CEO is eligible for an annual STI target payment of 30% of base salary based on a combination of Board-approved financial and business improvement objectives being achieved, with 60% of that target from agreed economic objectives and 40% of that target from agreed management objectives. Overachievement on financial targets is possible up to a maximum of 200% if financial objectives are substantially overachieved.
- The Board of Directors must approve any STI payment and such payment will only be made if a minimum EBITDA threshold level is achieved.

The table below shows the structure of the CEO's STI for FY2018:

Measurable Outcome	Weighting	Total if achieved	Overachieve % (if achieved)	Percentage achieved in 2018
Revenue	35%	60%	35% x 60% x 2	200%
Gross Margin	25%		25% x 60% x 2	6.25%
ECR Unit Sales	15%	40%	Nil	100%
SCS Unit Sales	15%		Nil	100%
SCS Click Unit Sales	10%		Nil	5%

Note: Partial achievement of objectives and thus partial payment is possible under the STI programme.

- **Long term incentive:** The company's long-term incentive plan does not involve the payment of cash to the CEO. 4,795,500 part paid shares have been issued to date to the share trustee on behalf of the CEO under the partly paid share scheme and which are still outstanding. These were issued: 18 June 2014 - 1,260,587 shares with a hurdle price of 14.22 cents; 1 July 2015 - 2,316,840 shares with a hurdle price of 5.21 cents; and 1,218,073 issued on 20 April 2016 (in lieu of an STI payment in FY2016) with a hurdle price of 9.43 cents. Further details of these part paid shares can be found on pages 44 and 50.

Principle 6 – Risk management

The identification and effective management of the company's risks are a priority of the Board.

As discussed previously, the Board has established an Audit and Risk Committee to assist the Board in oversight, monitoring and review of risk. Bi-annually there is a review of the entire risk landscape to establish a forward-looking perspective on business risks, both financial and non-financial, in both the internal and external environment. The committee provides a forum for discussion of risk, including the Board's appetite for risk, with the CEO and management.

The CEO and senior management team are required to regularly identify the major risks affecting the business and to develop strategies to mitigate these risks. Significant risks are discussed at each Board meeting, or as required.

The company maintains insurance policies that it considers adequate to meet the insurable risks of the group. Exposure to any foreign exchange risk is managed in accordance with policies laid down by the directors.

The Health and Safety Committee meets monthly and reports to the Board on health, safety and wellbeing matters. Minutes of the Health and Safety Committee are a priority agenda item at all Board meetings and specific reviews are sought as required. The committee continuously reviews health and safety risks and systems used to identify and manage those risks, ensuring they are fit for purpose, are being effectively implemented, regularly reviewed and improved. The frequency of incidents has been low and no Accident Compensation claims involving the company have been recorded for several years. The Board undertakes ongoing health and safety education and visits key operational sites on a regular schedule.

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Principle 7 – Auditors

Oversight of Wellington's external audit arrangements is the responsibility of the Audit and Risk Committee.

The company has adopted a policy to ensure that audit independence is maintained, both in fact and appearance, such that Wellington's external financial reporting is viewed as being reliable and credible. The policy covers the following areas:

- The external auditor must always remain independent of the company and comply with the New Zealand Institute of Chartered Accountants' (NZICA) Code of Ethics;
- The external auditor must monitor its independence and report to the Board that it has remained independent;
- Guidelines in relation to the provision of non-audit services by the external auditor in order that the provision of such services does not impair the external auditor's independence or objectivity;
- The audit firm may be permitted to provide non-audit services that are not considered to conflict with the preservation of the independence of the auditor subject to the approval of the Audit and Risk Committee; and
- The Audit and Risk Committee must approve significant permissible non-audit work assignments that are awarded to an external auditor.

"The Board should ensure the quality and independence of the external audit process."

PricewaterhouseCoopers have been the external auditor of Wellington and its subsidiaries for more than 20 years. Sharon Cresswell of PricewaterhouseCoopers is the engagement partner for the company, taking up this role in FY2018.

During 2018 other services provided by PricewaterhouseCoopers comprised \$7,000 (2017: \$7,000) relating to the agreed procedures performed over the interim financial statements.

To ensure full and frank dialogue between the Audit and Risk Committee and the auditors, the auditor's senior representatives meet separately with the committee (without management present) at least twice a year, including immediately before finalisation and release of the company's half-year and full-year financial results to the market.

Due to its size, the company does not have an internal audit function as is recommended by the NZX Code. As discussed above, the CEO is accountable for all operational and compliance risks across the company's operations and businesses. The CFO has management accountability for the effective implementation and improvement of internal systems and controls.

Representatives of the company's external auditor, PricewaterhouseCoopers are invited to attend the annual shareholders meeting where they are available to answer shareholders' questions relevant to the audit.

Principle 8 – Shareholder rights and relations

The Board's policy is to ensure (in an open and transparent manner) that shareholders are informed of all major and strategic developments affecting the company.

We provide information about who we are, including our governance policies, on our website for investors to access at any time.

The company releases all material information via the NZX in accordance with its continuous disclosure requirements. All major disclosures are also posted on the company's website (<http://www.wdtil.com/news-and-information>) on a timely basis. Audio files of investor conference calls held with institutional and large investors are also available on the company's website.

Shareholders can directly communicate with the company via <http://www.wdtil.com/contact-investors>. Our CEO and CFO also respond directly to shareholder phone calls and emails.

Shareholders are encouraged to receive all shareholder communications by email. The company provides a printed copy of its Interim and annual reports to shareholders who have elected to receive printed copies. Interim and annual reports are available on the company's website in accordance with the requirements of the NZ Companies Act 1993.

The company's share register is managed and maintained by Computershare. Shareholders can access their shareholding details or make enquiries about their current shareholding interests electronically.

Notices of annual meetings are made available as soon as possible and posted on the website of the company usually more than one month prior to the meeting.

Shareholders are encouraged to attend, participate and vote at meetings or appoint a proxy on their behalf, or submit a postal vote, if they are unable to attend. Results of proxies and postal votes are summarised and disclosed at the meeting. Results of meetings are announced as soon as possible following the closure of the shareholder meeting.

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Directory

Directors

Tony Nowell, *Chairman*
Dr Lisbeth Jacobs
John McMahon
Mr Gottfried Pausch
Mr John Scott
Mr Keith Oliver

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*
Clayton Thomas, *Sales & Marketing Director, Asia/Pacific*
Ron Jackson, *Secretary*

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Auditor

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188 Quay Street, Auckland 1142, New Zealand

Banker

Bank of New Zealand

Share Registry

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Private Bag 92119, Auckland 1142,
New Zealand



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