



Condensed

# Interim Report

## June 2013

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Our team serves some of the world's largest food and beverage brands and refrigeration manufacturers; providing Advanced Motors, Airflow and Intelligent Control solutions that are helping lower their costs and improve the environment.

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## 2013 Interim Key Points



Gross Margin  
increased to 17%



\$1.5 million  
reduction in EBIT loss



First ever positive  
EBITDA month  
in June



\$1.3 million  
Inventory Reduction

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Gross Margin expanded  
from 12% to 17%

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EBIT loss reduced from  
-\$3.3 million to -\$1.7 million

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First ever positive EBITDA in month of June 2013  
+\$13 thousand

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Inventory reduction of \$1.3 million  
to \$3.3 million

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## Report of the Chairman and Chief Executive Officer

The first six months of 2013 has seen Wellington make further solid progress towards achieving its turnaround objectives and financial goals. Revenue and gross margin performance in the half year was pleasing with revenues of \$16.4m and a 17% gross margin. The June month saw the company deliver \$3.4m in revenue and a 21% gross margin, which resulted in the first ever monthly EBITDA profit of +\$13k.

Revenues for the discontinued ventilation motor business declined US\$4.5m to US\$1.6m. The company's core Commercial Refrigeration revenues grew by 4.7% year over year in US Dollar terms, with both Latin America and Europe providing that growth. It is pleasing to see some of the new customers, won in the second half of 2012 starting to come on line and take receipt of motor products in the first half.

The Americas region, heavily weighted towards Latin America, delivered US\$10m of revenue compared to US\$8.8m in 2012, a 13% increase and demonstrating continued strength in Wellington's largest market. The company is excited to see growth momentum in new countries within this region and is pleased with the new customer relationships being developed to support continued growth.

The Europe, Middle East and Africa (EMEA) region delivered commercial refrigeration revenues of US\$1.3m compared to US\$1.1m in 2012, an increase of US\$205k (or 18%) growth. This growth is as a result of the strategy to diversify Wellington's customer base to offset the ongoing demand weakness in this market. An aggressive business development program is continuing in this region, with the addition of sales management resources in the Turkey based EMEA office, and Wellington is encouraged by continued new customer wins in the first half of this year.

The Asia Pacific region delivered US\$684k in revenues compared to US\$1.6m for the first half in 2012. This decline was attributable to a lack of investment in the region following the restructuring activities in 2011. Following the capital raising earlier this year the company has invested in a new Sales and Marketing Director (based in Shanghai, China) who will lead the development of a regional business team. Wellington expects to continue to invest in this region over the coming twelve months to further strengthen its customer and technical capabilities.

The Board and management are thankful to receive the support of existing shareholders and several new investors with a successful \$4.4m capital-raising program completed in June 2013. The proceeds will be used to support a number of cost reduction and growth initiatives; specifically improving payment terms with major suppliers to access cost reductions, investing in resources to develop new Intelligent Solutions and EC motor product roadmap, investing in specific business development skills to accelerate growth in Asia and improving Wellington's ability to fund regional inventory to shorten lead-times and drive growth with selected customers.

The focus on a set of turnaround priorities continues and successful execution of those priorities in the first half has delivered continued growth in Latin America, started us towards a growth recovery in Europe, significantly improved working capital performance, improved cost performance and significantly improved gross margin.

Highlights of the first six months were as follows:

- Gross margin was 17%, a substantial improvement over the 12% recorded in the first half of 2012 and the 14% achieved over the 2012 year. This improvement reflects ongoing cost reduction projects underway with supply chain partners. While some of the cost reduction projects are going slower than anticipated, gross margins are still expected to improve through the second half and are on track to achieve guidance of between 18% and 20% for the full year;

- USD Commercial Refrigeration revenues increased by 4.7% year over year. Volume growth in refrigeration motor sales (compared to the same period in 2012) was 3.5%, dominated by strong growth in new Latin American markets but also with early signs of growth in Europe. European volume levels are still lower than Wellington would like however the company is maintaining a strategy of diversifying its customer base, improving key account relationships and focusing on meeting customer's product technology and cost performance needs;
- The company's operating expenses fell to NZ\$4.4m, a reduction of NZ\$524k or 11% compared to the first half of 2012. This reduction was delivered through an ongoing focus on reducing spend items that are not directly linked to adding value to customers and making continual progress on Lean Business programs. Five Continuous Improvement projects have been completed that focused on reducing wasteful business process and improving operating systems; regional master planning, spend approvals process, prototype magnet sourcing, logistics processing and process standardization;
- Working Capital improved by \$1.9m over the same period in 2012, underpinned by an ongoing focus on inventory management that delivered inventory levels of \$3.3m versus \$4.5m at the end of December 2012. The company is now turning inventory 5 times a year, faster than many of its competitors and demonstrating the efficiency of the operational processes that support the selling of inventory; and
- Cash generated from operations was a positive \$533k. This result was delivered through a combination of effective management of refrigeration inventory, and the sale of inventory for the discontinued ventilation business.

## Five Main Priorities

Wellington's financial plan to deliver \$30m to \$33m of revenue and 18% to 20% gross margin in 2013 is on track. The plan is supported by five main priorities that are designed to deliver the 2013 goals and ready the company for continual improvement and a positive EBITDA outcome in 2014. Considerable progress towards these five priorities has been achieved.

### 1. Market Expansion through Deeper Value Added Relationships with Customers

New and existing customer relationships have been developed through improving the cost point of existing products and working with customers to ensure their needs are reflected in the designs of new EC motor products. The Intelligent Solutions product development is progressing well with several customers working with Wellington on product specifications and commercial requirements. The new product roadmap is on track to deliver a new airflow solution to the market in the second half of 2013 and new EC motors and Intelligent Solutions over the next 12 months.

### 2. Shorten Customer Lead-times

Wellington has been working on two main projects to reduce customer lead-times; firstly improving the cable manufacturing supply chain to reduce work-in-progress inventory and shorten ordering cycle times, and secondly by positioning strategic inventory to support specific customer programs. The strategic inventory project is on track and is providing benefit to customers, while the cable supply chain project is running behind schedule. Wellington still expects to achieve overall lead-time objectives, albeit the cable project delay could push the completion in to first quarter 2014.

### 3. Cost Reduction

Achieving the lowest total product cost is fast becoming the leading requirement by customers in the commercial refrigeration industry. Wellington is seeing increased pressure on cost reduction and many customers are making purchasing decisions weighted heavily towards ongoing cost reduction

criteria. Cost reduction has been a centre point of the turnaround strategy since the beginning of 2012 with projects focused on supply chain cost improvement and OPEX reduction. In the first half of 2013 Wellington gained the support of supplier partners to deliver between 3% and 5% reduction in cost of goods sold, and made considerable progress in product cost reduction projects aimed at component cost reduction. As planned (discussed in the May update), commercial terms have been modified with a major supplier resulting in further cost reductions. The savings from these changes are expected to be realised in the fourth quarter of 2013.

#### **4. Strategic Partner Program**

Progress continues with strategic partner discussions and Wellington is actively working on a short list of possible partners who fit the target profile. The short list includes companies that are able to provide technical, marketing and supply chain capability and capital to further accelerate turnaround and growth plans. Strategic partner plans are on track to be completed by the end of 2013.

#### **5. Strengthen Company Resources**

The resource improvement plan includes organisational changes, balance sheet improvements and investments to support cost reduction and growth initiatives. In the first half Wellington made several important organisational changes designed to further improve execution and longer term growth performance:

- Streamlining of the Singapore operations, including the restructuring of the COO role;
- Wilson Poon announced as Head of Global Manufacturing, based in Singapore;
- Howard Milliner announced as Chief Financial Officer;
- Steve Hodgson announced as Senior Vice-President Commercial; and
- Gerardo Gonzalez as Vice President Intelligent Solutions Business Unit, based in Atlanta, USA

In July Wellington appointed Clayton Thomas, a US citizen based in Shanghai, China to be the new Sales and Marketing Director for the Asia Pacific Region. Wellington has also invested in additional software and motor development skills in its New Zealand Innovation Center to strengthen its ability to deliver the new product roadmap. The successful recapitalisation program, completed in June, is providing Wellington with the increased financial flexibility necessary to support turnaround initiatives, make selected growth investments and support ongoing cost reduction plans within the supply base.

## **Governance**

At the Annual Shareholder Meeting in May of this year, Dr Rick Boven resigned from the Board of Directors. Dr Boven provided many years of valuable service to the company including acting as Chairman for a number of years. Dr Lisbeth Jacobs, an experienced business and engineering professional with extensive international experience, replaced Dr Boven. Dr Jacobs is a native of Belgium but now permanently based in Auckland, New Zealand. This change was part of an ongoing assessment of Wellington's governance process, being led by the Chairman, and designed to ensure the company provides the best governance possible to support the next phase of Wellingtons' development and growth plans.

## **Outlook**

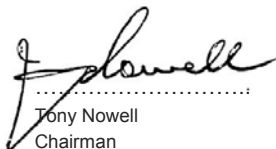
- Consistent with the 2012 Annual Report and Annual Shareholder Meeting comments, guidance continues to be \$30m to \$33m of revenues, with 18% to 20% gross margins and an EBITDA loss of under \$3m.

The company's customer development, operational improvement and cost reduction programs are proceeding as planned.

- Latin American demand was strong through the first half, and Wellington began to see some new EMEA customer wins come on line and help with a small but strategically significant growth in Europe. While the European market is expected to remain recessionary, Wellington is optimistic that new customer programs in the wider region will help offset weak overall demand in some parts of Europe. Investment in sales resource in Asia Pacific is expected to generate new customer opportunities in the second half of 2013 and Wellington expects these to develop through 2014.
- Wellington expects normal second half seasonal weakness to again be apparent this year as customers' manage through the slower demand period of the northern hemisphere summer. The company anticipates not being as aggressive in the inventory reduction program in the second half as it positions strategic inventory to respond to short notice customer needs and prime the channels for the start of 2014. There is increased pressure from some customers on payment terms, which is part of normally experienced seasonal commercial behavior. Wellington expects to be able to manage effectively through this seasonal period with some short term impact on revenues and working capital.
- The new product roadmap is progressing well and the first new 'airflow' product launch is planned for the fourth quarter 2013. The intelligent solutions business continues to progress with increasing levels of customer engagement. Wellington expects the first intelligent solutions product, as well as next generation EC motor product, to be released to customers in 2014.
- Motor sales campaigns are generating new business opportunities for the company. In the first half Wellington started shipping revenue to three new customers in Europe and Asia Pacific and expects to book new customers in the second half of 2013 located in Latin America, Asia Pacific and the Middle East. The focus remains on expanding the customer portfolio in a controlled fashion, targeting customers with strong financial positions, connections to global retail brands, global needs that can be supported by the supply chain, strong technology and a focus on energy efficient cost effective refrigeration solutions.
- Progress continues towards supply chain cost reductions and operating system improvements and is on track to achieve COGS and OPEX objectives for the year. A focus on continual cost reduction continues to be a central part of Wellington's new company culture, particularly as the company continues to see increased competitive cost pressures from both existing and new competition in this market.

Over the past eighteen months Wellington has focused on improving its 'execution-engine' so that growth of the business would deliver the right financial performance for stakeholders. As stated previously, Wellington chose not to just 'win volume to build scale' until its 'execution engine' was working. This is called 'earning the right to grow'. Wellington's operating and financial performance continues to improve and the Board and Management are confident that all the appropriate actions are underway to improve the execution engine and deliver on financial promises. As result of this growing confidence, the focus is shifting to the actions and investments that will be necessary to return Wellington to a path of accelerated growth.

Wellington remains on track for a positive EBITDA result in 2014.



.....  
Tony Nowell  
Chairman



.....  
Greg Allen  
Chief Executive

# Condensed Interim Statements of Comprehensive Income

Consolidated	Note	Unaudited Six Months Ended 30 Jun 2013 \$000s	Unaudited Six Months Ended 30 Jun 2012 \$000s	Audited Year Ended 31 Dec 2012 \$000s
Revenue	4	16,363	22,276	35,562
Cost of sales		(13,585)	(19,532)	(30,590)
Gross profit		2,778	2,744	4,972
Other income		181	47	143
Operating expenses	5	(4,408)	(4,932)	(9,596)
Net exchange gains/(losses)		(22)	319	350
Loss before interest, tax, depreciation and amortisation (EBITDA)		(1,471)	(1,822)	(4,131)
Depreciation, amortisation and impairment		(268)	(1,449)	(2,149)
Loss before interest & taxation (EBIT)		(1,739)	(3,271)	(6,280)
Finance income		4	3	12
Finance expenses		(20)	(24)	(51)
Loss before income tax		(1,755)	(3,292)	(6,319)
Income tax expense		(1)	-	(14)
Loss for the period		(1,756)	(3,292)	(6,333)
Other comprehensive income: <i>Items that may be reclassified subsequently to the profit or loss:</i>				
Exchange differences on translating operations		530	(398)	(746)
Cash flow hedges		2	(26)	(58)
Income tax relating to comprehensive income		-	-	-
Other comprehensive income/(loss) for the period		532	(424)	(804)
Total comprehensive loss for the period		(\$1,224)	(\$3,716)	(\$7,137)
Loss for the period attributable to the Owners of the Company		(\$1,756)	(\$3,292)	(\$6,333)
Total comprehensive loss attributable to the Owners of the Company		(\$1,224)	(\$3,716)	(\$7,137)
Basic earnings per share – cents	16	(1.87)	(4.89)	(8.97)
Diluted earnings per share – cents	16	(1.87)	(4.89)	(8.97)

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



## Condensed Interim Statements of Changes in Equity

Consolidated	Note	Share capital \$000s	Accumulated losses \$000s	Other reserves \$000s	Total equity \$000s
<b>Unaudited for the six months ended 30 June 2013</b>					
Equity at beginning of period		<b>108,544</b>	<b>(99,004)</b>	<b>(2,054)</b>	<b>7,486</b>
Loss for period		-	<b>(1,756)</b>	-	<b>(1,756)</b>
Other comprehensive income:					
Exchange differences on translation operations		-	-	<b>530</b>	<b>530</b>
Cash flow hedge		-	-	<b>2</b>	<b>2</b>
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	<b>(1,756)</b>	<b>532</b>	<b>(1,224)</b>
Share option compensation expensed		-	-	<b>64</b>	<b>64</b>
Contributions of equity	12	<b>4,404</b>	-	-	<b>4,404</b>
<b>Equity at end of period</b>		<b>\$112,948</b>	<b>(\$100,760)</b>	<b>(\$1,458)</b>	<b>\$10,730</b>

### Unaudited for the six months ended 30 June 2012

Equity at beginning of period		106,519	(92,671)	(1,368)	12,480
Loss for period		-	(3,292)	-	(3,292)
Other comprehensive income:					
Exchange differences on translation operations		-	-	(398)	(398)
Cash flow hedge		-	-	(26)	(26)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(3,292)	(424)	(3,716)
Share option compensation expensed		-	-	76	76
Refunds of lapsed part paid shares	12	(12)	-	-	(12)
<b>Equity at end of period</b>		<b>\$106,507</b>	<b>(\$95,963)</b>	<b>(\$1,716)</b>	<b>\$8,828</b>

### Audited for year ended 31 December 2012

Equity at beginning of period		106,519	(92,671)	(1,368)	12,480
Loss for period		-	(6,333)	-	(6,333)
Other comprehensive income:					
Exchange differences on translation operations		-	-	(746)	(746)
Cash flow hedge		-	-	(58)	(58)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(6,333)	(804)	(7,137)
Share option compensation expensed		-	-	118	118
Contributions of equity	12	2,025	-	-	2,025
<b>Equity at end of period</b>		<b>\$108,544</b>	<b>(\$99,004)</b>	<b>(\$2,054)</b>	<b>\$7,486</b>

The above Condensed Interim Statements of Changes in Equity should be read in conjunction with the accompanying notes.

## Condensed Interim Statements of Financial Position

Consolidated	Note	Unaudited as at 30 Jun 2013 \$000s	Unaudited as at 30 Jun 2012 \$000s	Audited as at 31 Dec 2012 \$000s
<b>Current Assets</b>				
Cash and cash equivalents		<b>5,367</b>	2,438	1,869
Trade and other receivables	6	<b>9,912</b>	10,862	8,519
Derivative financial instruments		-	30	-
Inventories	7	<b>3,327</b>	6,666	4,526
Total current assets		<b>18,606</b>	19,996	14,914
<b>Non Current Assets</b>				
Plant and equipment	8	<b>488</b>	987	585
Intangible assets	8	<b>1,281</b>	1,370	1,188
Total non-current assets		<b>1,769</b>	2,357	1,773
Total assets		<b>\$20,375</b>	\$22,353	16,687
<b>Current Liabilities</b>				
Trade and other payables	9	<b>9,116</b>	10,291	6,954
Bank finance facilities	10	<b>2</b>	1,472	1,233
Provisions	11	<b>527</b>	1,726	1,008
Derivative financial instruments		-	-	2
Finance lease liability		-	36	4
Total current liabilities		<b>9,645</b>	13,525	9,201
Net assets		<b>\$10,730</b>	\$8,828	\$7,486
<b>Equity</b>				
Contributed equity	12	<b>112,948</b>	106,507	108,544
Accumulated losses		<b>(100,760)</b>	(95,963)	(99,004)
Other reserves		<b>(1,458)</b>	(1,716)	(2,054)
Total equity		<b>\$10,730</b>	\$8,828	\$7,486
Net tangible assets per share - cents		<b>8.18</b>	11.07	7.80

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

## Condensed Interim Statement of Cash Flows

Consolidated	Note	Unaudited Six Months Ended 30 Jun 2013 \$000s	30 Jun 2012 \$000s	Audited Year Ended 31 Dec 2012 \$000s
<b>Cash flows from operating activities</b>				
Receipts from customers exclusive of GST		<b>15,288</b>	19,028	33,566
Payments to suppliers and employees exclusive of GST		<b>(15,191)</b>	(21,352)	(38,386)
Interest received		<b>4</b>	3	12
Interest paid		<b>(20)</b>	(24)	(51)
Taxation paid		<b>(1)</b>	-	(14)
Net GST received		<b>453</b>	861	1,420
Net cash inflow/(outflow) from operating activities		<b>533</b>	(1,484)	(3,453)
<b>Cash flows from investing activities</b>				
Payments for plant & equipment		<b>(34)</b>	(107)	(137)
Payments for intangible assets		<b>(202)</b>	(187)	(375)
Proceeds from sale of plant & equipment		<b>41</b>	310	271
Net cash (outflow)/inflow from investing activities		<b>(195)</b>	16	(241)
<b>Cash flows from financing activities</b>				
Cash proceeds from share issues/(refunds of part paid shares), net of issue costs	12	<b>4,404</b>	(12)	2,025
Proceeds from bank finance facilities		<b>905</b>	5,837	10,750
Repayments of bank finance facilities		<b>(2,115)</b>	(5,557)	(10,704)
Finance lease payments		<b>(4)</b>	(38)	(70)
Net cash inflow from financing activities		<b>3,190</b>	230	2,001
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,528</b>	(1,238)	(1,693)
Cash and cash equivalents at the beginning of the financial period		<b>1,869</b>	3,628	3,628
Effect of exchange rate movements on cash		<b>(30)</b>	48	(66)
<b>Cash and cash equivalents at end of period</b>		<b>\$5,367</b>	\$2,438	\$1,869

The above Condensed Interim Statements of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the Condensed Interim Financial Statements

for the six months ended 30 June 2013

## 1. GENERAL INFORMATION

Wellington Drive Technologies Limited (the "Company" or the "Parent") and its subsidiaries (together the "Group") develop, manufacture, market and sell energy saving, electronically-commutated (EC) motors and fans for worldwide use. The Company and its subsidiaries are profit oriented entities.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 16-22 Omega Street, North Harbour, Auckland 0632, New Zealand.

These consolidated interim financial statements have been approved for issue on 26 August 2013.

These consolidated interim financial statements have not been audited. The comparative information for the year ended 31 December 2012 has been extracted from the audited Financial Statements and Annual Report.

## 2. BASIS OF PREPARATION

These consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with the New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and NZ IAS 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

## 3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its financial statements as at and for the year ended 31 December 2012.

### (a) *Going concern convention*

Wellington meets its day-to-day working capital requirements out of its available cash resources. The Group does not have access to any bank borrowing facility.

The current economic conditions and competitive activity create inherent uncertainty over the level of demand for Wellington's products and product pricing. Wellington's forecasts and projections, taking account of reasonably possible changes in trading performance, show that Wellington should be able to operate without needing to seek additional funding from shareholders.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed interim financial statements.

### (b) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in New Zealand dollars, rounded to the nearest thousand, which is the Group's presentation currency.

The Board believes US Dollars is the primary economic environment that the Parent operates in. The presentation currency for the Group and the Parent remains New Zealand dollars due to the Group's shareholder base being concentrated in New Zealand.

(c) *Standards, amendments, and interpretations effective for the year under review*

During the period the Group has adopted:

- *NZ IFRS 10 "Consolidated Financial Statements."* This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements.
- *NZ IFRS 13 "Fair Value Measurement."* This standard establishes a single source of guidance for measuring fair value and expands the current disclosure requirements.
- *NZ IAS 1 Amendments Presentation of Items of Other Comprehensive Income.* This amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future.

These new standards and amendments have not had a material impact on the Group's financial statements.

The Group has not early adopted *NZ IFRS 9 "Financial instruments: classification and measurement"* (mandatory for annual periods beginning on or after 1 January 2015). Under this standard there are a number of changes in relation to the measurement and classification of financial instruments. The Group is reviewing the standard for its implications on the Group and intends to adopt NZ IFRS 9 from 1 January 2015.

#### 4. SEGMENT INFORMATION

(a) Reportable segments

At 30 June 2013, the Group is organised on a global basis into one operating segment: developing, manufacturing, marketing and selling energy saving, electronically-commutated (EC) motors and fans for worldwide use. The segment result is reflected in the financial statements.

(b) Geographical segments

The Group operates in four main geographical areas, even though it is managed on a global basis. The home country of the Company, and the home of the parent company, is New Zealand. The Group's revenue is generated mainly from the supply or manufacture of electric motors by the Company.

Revenue by Destination	Unaudited Six Months Ended 30 Jun 2013 \$000s	30 Jun 2012 \$000s	Audited Year Ended 31 Dec 2012 \$000s
New Zealand	22	50	121
Americas	12,073	11,014	19,159
Asia/Pacific – other	805	2,219	3,590
Europe *	3,463	8,993	12,692
Total	\$16,363	\$22,276	\$35,562

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

\*Revenue for Europe includes revenue for the discontinued ventilation motor business.

#### 5. OPERATING EXPENSES

	Unaudited Six Months Ended 30 Jun 2013 \$000s	30 Jun 2012 \$000s	Audited Year Ended 31 Dec 2012 \$000s
Employee benefits	2,771	2,837	5,319
Rental expense relating to operating leases	239	567	1,018
Research & development costs expensed	107	60	183
Restructuring (provision releases)/costs	(48)	(59)	203
Other operating costs	1,339	1,527	2,873
Total	\$4,408	\$4,932	\$9,596

## 6. TRADE AND OTHER RECEIVABLES

	Unaudited Six Months Ended 30 Jun 2013 \$000s	30 Jun 2012 \$000s	Audited Year Ended 31 Dec 2012 \$000s
Net trade receivables			
Trade receivables	<b>9,347</b>	9,851	7,871
Provision for doubtful debts	<b>(199)</b>	(97)	(329)
	<b>9,148</b>	9,754	7,542
Prepayments	<b>263</b>	263	329
VAT/GST refunds due	<b>369</b>	660	473
Other receivables	<b>132</b>	185	175
	<b>\$9,912</b>	\$10,862	\$8,519

## 7. INVENTORIES

	Unaudited Six Months Ended 30 Jun 2013 \$000s	30 Jun 2012 \$000s	Audited Year Ended 31 Dec 2012 \$000s
Finished goods – at cost	<b>2,366</b>	4,528	3,335
Work in progress – at cost	<b>1,532</b>	2,640	1,681
Raw materials – at cost	<b>808</b>	1,933	991
Less inventory provisions	<b>(1,379)</b>	(2,435)	(1,481)
Total inventories	<b>\$3,327</b>	\$6,666	\$4,526

## 8. PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Plant and Equipment \$000s	Intangible Assets \$000s
<b>Six months ended 30 June 2012</b>		
Opening net book value as at 1 January 2012	1,467	2,330
Additions	107	187
Disposals	(238)	-
Depreciation and amortisation	(308)	(191)
Impaired intangibles	-	(950)
Exchange adjustment	(41)	(6)
Closing net book amount as at 30 June 2012	<b>\$987</b>	<b>\$1,370</b>
<b>Six months ended 30 June 2013</b>		
Opening net book value as at 1 January 2013	<b>585</b>	<b>1,188</b>
Additions	<b>34</b>	<b>202</b>
Disposals	<b>(47)</b>	-
Depreciation and amortisation	<b>(107)</b>	<b>(161)</b>
Impaired intangibles	-	-
Exchange adjustment	<b>23</b>	<b>52</b>
Closing net book amount as at 30 June 2013	<b>\$488</b>	<b>\$1,281</b>

## 9. TRADE AND OTHER PAYABLES

	Unaudited Six Months Ended 30 Jun 2013 \$000s	30 Jun 2012 \$000s	Audited Year Ended 31 Dec 2012 \$000s
Trade payables	7,819	9,155	6,002
Related party payables	418	303	388
Accrued expenses	556	468	26
Employee expenses	236	365	538
	<b>\$9,116</b>	<b>\$10,291</b>	<b>\$6,954</b>

## 10. BANK FINANCE FACILITIES

	Unaudited Six Months Ended 30 Jun 2013 \$000s	30 Jun 2012 \$000s	Audited Year Ended 31 Dec 2012 \$000s
Bank finance facilities (secured)	<b>\$2</b>	<b>\$1,472</b>	<b>\$1,233</b>

Bank Finance Facilities have been repaid. Previously the advances related to invoiced receivables that were less than three months in nature and settled upon receipt of customer payments. Interest was payable at EURO/USD bank rates plus 2% and secured (in part) by way of debenture security over the Company's assets.

## 11. PROVISIONS

	Unaudited Six Months Ended 30 Jun 2013 \$000s	30 Jun 2012 \$000s	Audited Year Ended 31 Dec 2012 \$000s
Restructuring provisions	122	852	479
Warranty provisions	405	874	529
	<b>\$527</b>	<b>\$1,726</b>	<b>\$1,008</b>

### (a) Restructuring provisions

Carrying amount at start of period	479	1,510	1,510
Additional provisions recognised	-	188	398
Amounts used	(313)	(600)	(1,273)
Unused amounts reversed	(48)	(246)	(195)
Exchange adjustment	4	-	39
Carrying amount at end of period	<b>\$122</b>	<b>\$852</b>	<b>\$479</b>

In August 2011, the Company announced a plan to restructure its operations. Further restructuring initiatives were recognised following a review of the business by new CEO. As a result provisions have been made to recognise the costs expected to be incurred from redundancies, onerous lease contracts and onerous supply contracts. The provisions are expected to be utilised with one year of balance date.

### (b) Warranty provisions

Carrying amount at start of period	529	1,148	1,148
Additional provisions recognised	339	382	597
Amounts used	(122)	(278)	(351)
Unused amounts reversed	(372)	(371)	(784)
Exchange adjustment	31	(7)	(81)
Carrying amount at end of period	<b>\$405</b>	<b>\$874</b>	<b>\$529</b>

The Group sells electric motors with warranty periods of up to three years. The terms of the warranty provide that the Company 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.

## 12. SHARE CAPITAL

	Six months ended 30 Jun 13 Shares	Six months ended 30 Jun 12 Shares	6 months ended 30 Jun 13 \$000s	6 months ended 30 Jun 12 \$000s
Ordinary shares – fully paid	<b>115,458,703</b>	67,366,450	<b>112,888</b>	106,456
Ordinary shares – partly paid	<b>4,321,503</b>	1,976,810	<b>60</b>	51
US employee share options	<b>326,147</b>	37,500	-	-
Total ordinary shares and options on issue	<b>120,106,353</b>	69,380,760	<b>112,948</b>	\$106,507

### (a) Ordinary shares

Opening balance of ordinary shares on issue	<b>80,766,450</b>	67,366,450	<b>108,495</b>	106,456
Issues of ordinary shares during the period:				
- March 2013 issues at 13 cents for cash	<b>16,000,002</b>	-	<b>2,080</b>	-
- May 2013 Share Purchase Plan at 13 cents for cash	<b>3,923,021</b>	-	<b>510</b>	-
- June 2013 issues at 13 cents for cash	<b>14,769,230</b>	-	<b>1,920</b>	-
- 2013 share issue costs	-	-	<b>(117)</b>	-
Ordinary fully paid shares on issue at period end	<b>115,458,703</b>	67,366,450	<b>\$112,888</b>	\$106,456

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 – part paid

Partly paid shares on issue at start of period	<b>1,959,926</b>	2,195,641	<b>49</b>	63
Issued	<b>2,443,330</b>	-	<b>12</b>	-
Lapsed	<b>(81,753)</b>	(218,831)	<b>(1)</b>	(12)
Surrendered	-	-	-	-
Ordinary part paid shares on issue at period end	<b>4,321,503</b>	1,976,810	<b>\$60</b>	\$51

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 June 2013 (numbers)	Outstanding at June 2012 (numbers)
10 Aug 2010	10 Aug 2013	10 Aug 2015	*163.85	*163.85	*163.35	<b>530,844</b>	554,481
21 Jul 2011	21 Jul 2014	21 Jul 2016	32.74	32.74	32.24	-	75,000
6 Dec 2011	6 Dec 2013	6 Dec 2016	25.56	25.56	25.06	<b>1,347,329</b>	1,347,329
15 Apr 2013	15 Apr 2015	15 Apr 2018	17.25	17.25	16.75	<b>807,665</b>	-
24 Jun 2013	24 Jun 2016	24 Jun 2018	16.29	16.29	15.79	<b>1,635,665</b>	-

\* Adjusted for the cash issue in February 2011 (in accordance with the Wellington Part Paid Share Scheme) and the 20 for 1 share consolidation on 30 June 2011.



## 12. Share Capital (continued)

(c) U.S. employee share options	Outstanding at June 2013 (numbers)	Outstanding at June 2012 (numbers)
Options outstanding at start of period	<b>37,500</b>	37,500
Granted	<b>288,647</b>	-
Exercised	-	-
Lapsed	-	-
20 for 1 share consolidation on 30 June 2011	-	-
Outstanding at end of period	<b>326,147</b>	37,500

The June 2010 Annual Meeting approved the establishment of the United States Share Option Plan and authorised the issue of up to 3,000,000 options. Further details of U.S. employee share options granted are:

Grant Date	Expiry date	Exercise price (cents)	Outstanding at June 2012 (numbers)	Outstanding at June 2011 (numbers)
10 Aug 2010	10 Aug 2014	* 247	<b>* 37,500</b>	*37,500
24 Jun 2013	24 Jun 2017	16.9	<b>288,647</b>	-

\* Adjusted for the 20 for 1 share consolidation on 30 June 2011.

## 13. CONTINGENCIES AND COMMITMENTS

There are no material contingent liabilities, assets or capital commitments (June 2012:\$nil).

## 14. RELATED PARTY TRANSACTIONS

### (a) Directors

The names of persons who are directors of the Company are on page 18.

### (b) Key management personnel and compensation

Key management personnel compensation for the six months ended 30 June 2013 and six months ended 30 June 2012 is set out below. The key management personnel comprises of the Directors including the Chief Executive Officer (CEO) and all the senior executives that report directly to the CEO.

	Six months ended 30 Jun 13 \$000s	Six months ended 30 Jun 12 \$000s
Salaries, fees and other short term benefits	<b>917</b>	1,005
Share based remuneration	<b>46</b>	54
Directors remuneration	<b>82</b>	81
Total	<b>\$1,045</b>	\$1,140

### (c) Transactions

During the period the Parent purchased and sold stock to and from its subsidiaries and advanced loans to its subsidiaries. In presenting the condensed interim financial statements of the Group, the effect of transactions and balances between fellow subsidiaries and those with the Parent have been eliminated. All transactions with related parties were in the normal course of business, provided on commercial terms and are repayable on demand in cash.

## 15. RECONCILIATION OF LOSS AFTER TAX TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	Unaudited Six Months Ended 30 Jun 2013 \$000s	30 Jun 2012 \$000s	Audited Year Ended 31 Dec 2012 \$000s
Loss after taxation for the period	(1,756)	(3,292)	(6,333)
Depreciation and amortisation	268	499	925
Impairment of intangibles, property and equipment	-	950	1,224
Share based payments	64	76	118
Inventory provision movements	(102)	(325)	(1,279)
Provision for doubtful debt movements	(130)	(75)	157
Provision for warranty movements	(124)	(274)	(619)
Provision for restructuring movements	(357)	(658)	(1,031)
Net foreign exchange differences	450	(471)	(569)
(Increase) in trade and other receivables	(1,253)	(2,683)	(572)
Decrease in inventories	1,301	4,603	7,697
Increase/(decrease) in trade and other payables	2,162	166	(3,171)
Net cash inflow/(outflow) from operating activities	\$523	(\$1,484)	(\$3,453)

## 16. EARNINGS PER SHARE

### (i) Basic

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 Jun 13 \$000s	Six months ended 30 Jun 12 \$000s
Loss attributable to equity holders of the Company	(1,756)	(\$3,292)
Weighted average number of ordinary shares on issue (thousands)	93,932	67,366
Basic earnings per share - cents	(1.87)	(4.89)

### (ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of share options.

	Six months ended 30 Jun 13 \$000s	Six months ended 30 Jun 12 \$000s
Loss attributable to equity holders of the Company	(1,756)	(\$3,292)
Weighted average number of ordinary shares on issue (thousands)	93,932	67,366
Adjustment for partly paid shares or share options	-	-
Diluted earnings per share – cents	(1.87)	(4.89)

# Directory

## Directors

Tony Nowell, *Chairman*  
Shawn Beck  
Dr Ray Thomson  
Simon Mander  
Dr Lisbeth Jacobs

## Senior Staff

Greg Allen, *Chief Executive Officer*  
Steven Hodgson, *Senior Vice President Commercial*  
David Howell, *Chief Technical Officer*  
Howard Milliner, *Chief Financial Officer*  
Ali Karahasanoğlu, *Sales Director, Europe/Eurasia*  
Erick Layseca-Flores, *Business Development Director, Americas*  
Gerardo Gonzalez, *VP Intelligent Systems Business Unit*  
Clayton Thomas, *Sales and Marketing Director Asia-Pacific*  
Wilson Poon, *Head of Global Manufacturing*  
Ron Jackson, *Secretary*

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North Shore City 0632, New Zealand

## Auditors

PricewaterhouseCoopers  
188 Quay Street, Auckland, New Zealand

## Bankers

Bank of New Zealand

## Share Registry

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