



## Interim Report June 2015



Wellington's mission is to deliver solutions to solve its customers' commercial refrigeration energy efficiency and system control problems, through the development of Advanced Electronic Motors, Airflow Solutions and Intelligent Refrigeration Controllers. Personal service, reliable products, smart solutions and relentless pursuit of excellence will ensure Wellington leads the competition and builds a world class company.

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## Key Indicators



**Return to Growth:**  
\$3.0m increase in revenue



**Cost Reduction:**  
GM increase to 20.7%



**Profitability:**  
\$1.95m reduction in EBIT loss



**Operating cash:**  
\$2.3m improvement in  
operating cash flows

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Revenue increased  
from \$10.5 million to \$13.5 million

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Gross Margin increased  
from 18.5% to 20.7%

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\$1.95 million reduction in the Loss  
before Interest and Taxation (EBIT)

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Operating cash flows improved from a \$1.8m outflow to a \$0.5m inflow

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# Chairman and CEO Report

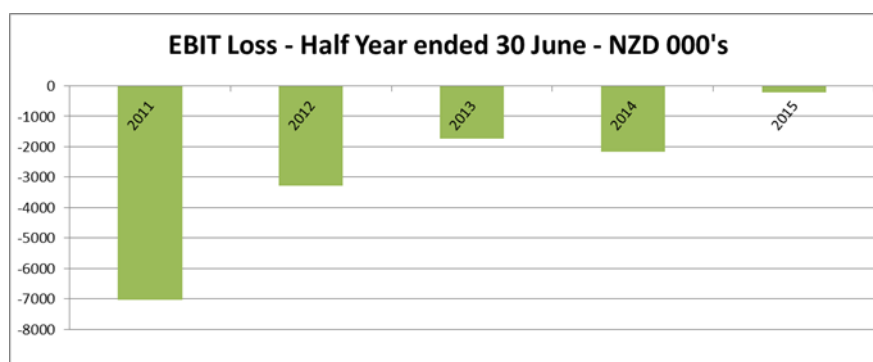
## Financial Highlights

The first half of 2015 was a milestone reporting period for the Company. The improvements we have made in supply chain cost performance and customer execution, together with the return to more normal demand patterns in Latin America helped deliver a breakeven EBITDA result (see footnote on page 8). This result was assisted by a lower NZD/USD exchange rate.

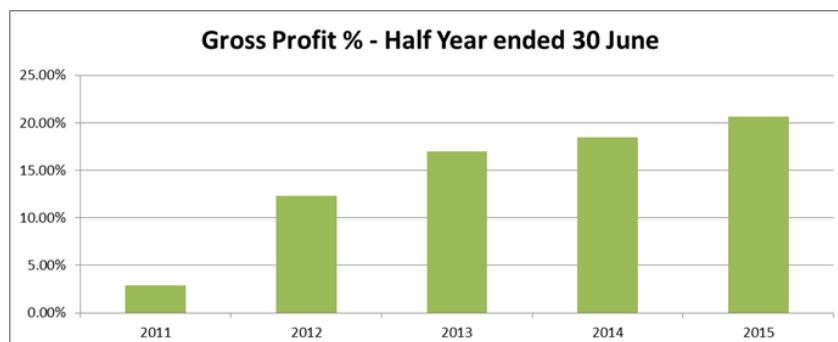
Revenue for the 6 months ended 30 June 2015 was \$13.5 million, a 28% increase compared to the same period last year. Earnings before Interest and Taxation (EBIT) was a loss of \$0.2 million compared to a loss of \$2.2 million for the same period last year and a \$4.5 million loss for the full 2014 year. The Comprehensive Loss for the period ended 30 June 2015 was \$44,000.

USD revenue for all products supplied increased by 14.5%, with the number of EC motors supplied increasing by 29% to 551,000 from 427,000 in the same period last year.

EBITDA performance for the period was a breakeven result, compared to an EBITDA loss of \$2.0 million for the same period last year and a loss of \$4.0 million for the full 2014 year. This demonstrates significant year over year improvement, a trend we believe will continue with ongoing supply chain efficiency improvements and once our new products start to scale in 2016. Excluding foreign currency revaluation gains due to the lower NZD, the EBITDA result was a \$1.5 million improvement compared to the same period in 2014. The effective NZD / USD rate in the period was 0.75 compared to 0.84 for the 1st half 2014.



Gross margin increased by 2.2% to 20.7%, from 18.5% for the same period last year. This improved margin result was driven by continued focus on supply chain cost and improvement in demand management processes with our supply chain partners. The gross margin performance was achieved despite price pressure in the latter part of 2014. As new ECR2 and SCSCConnect products are launched and manufacturing volume growth allows for further supply base cost reductions, our gross margin target of 25% and above should be achievable.



## Revenue

	Commercial refrigeration Number of motors 000's			USD 000's		
	June 2015	June 2014	% Change	June 2015	June 2014	% Change
Latin America	421	292	+44.2%	7,158	4,882	+46.6%
Europe, Middle East & Africa (EMEA)	81	129	-37.2%	1,409	2,314	-39.1%
Asia & Pacific (APAC)	83	81	+2.5%	1,142	980	+16.5%
USA & Canada	17	22	-22.7%	392	646	-39.3%
	602	524	+14.9%	10,101	8,822	+14.5%

The first half of 2015 saw the strong return of customer demand in Latin America with 44% higher volumes than 2014. The Asia Pacific region grew slightly with 2.5% volume growth while the USA and Canada region declined by 23% in volume terms. Europe was the most significant detractor from expectations with volume demand down by 37% on 2014 levels.

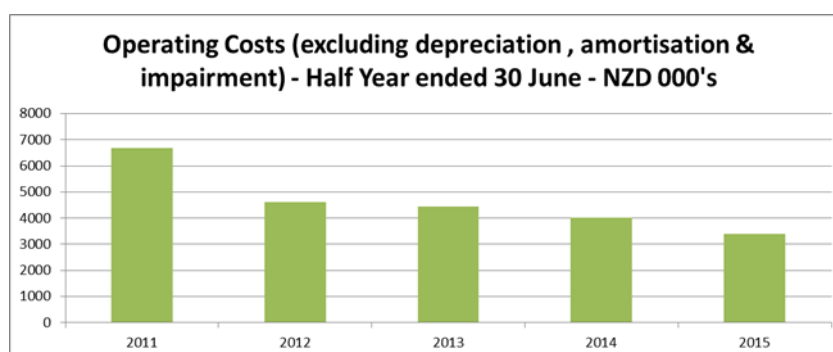
All customers in Latin America, with the exception of those in Brazil, exhibited improved demand versus 2014, with particular strong performance from those located in Mexico. We believe this is as the result of renewed efforts by our regional sales team to capture demand away from the competition, increased investment by retail brands in the region causing market demand improvement, as well as customers rebuilding stock levels after de-stocking in the second half of 2014. Brazilian demand is significantly weaker than previous years and this is expected to continue as customers reduce short-term investment in cooler fleets in response to the macro-economic pressures in the country. We still believe Brazil provides a longer-term growth opportunity with large beverage brands and cooler manufacturers located in this country.

The USA and Canada region declined by 22%, which while only representing a small 5,000 motor decline to the business, did demonstrate that further investment in this region will be important to ensure we capture a share of the growing EC motor and Smart Controller market. Growth in the USA was impacted by delays in the start-up of our sales distribution programme, as a result of longer than expected customer approval cycles and expanding product customisation needs which will take well into 2016 to support. USA customers are also deciding to wait for the new ECR2 motor product, which is due to start shipping in the fourth quarter 2015. We are encouraged by increasing interest from customers in the USA for Wellington's new ECR2 supermarket motor as manufacturers prepare for the new Department of Energy efficiency regulations coming into effect in 2017. We intend to restart investment in customer and business development skills in the USA to take advantage of the growing demand for EC motors and controls.

The Asia Pacific region performed slightly above 2014 levels, with several new customer wins in the supermarket display-case space expected to deliver further revenue growth in 2016. We are seeing a large number of medium volume customer opportunities with demand for between 1,000 and 10,000 EC motors a year and together with our regional sales partner are having some success in this area. This region is an area where we are seeing a number of customers prefer non-EC motors to EC motor products. Our non-EC AMV range continues to support sales in this region and we expect this to continue until there is a clearer legislative or retail brand customer mandate for refrigeration manufacturers to move faster towards energy efficient solutions.

The European region is our largest market decline for the period, with volumes down 37% and revenues down 39%. We are experiencing increasing competitive pressure in this region, coupled with an overall depressed demand situation that we believe is caused by current geopolitical issues and the regional economic downturn leading to reduced investment in new coolers and an increased focus by manufacturers on reducing supplier costs. The Company's European sales team is focused on winning new customers for its ECR2 motor and SCS Connect Smart Controller and has seen small but strategically important new motor wins, and revenue, from new customers in the United Kingdom and Italy. The team is also starting a small number of SCS Connect field trials in the fourth quarter of 2015, the first for that region.

## Operating Cost Improvements



Operating expenses (excluding depreciation, amortisation and impairment) decreased 15.6% in the period from \$4.0 million to \$3.4 million. Personnel reductions at the end of 2014 helped deliver this improved result, as did further constraints on hiring and operating expenditure generally. The team is managing operating expenses in line with its revenue envelope, while still maintaining an necessary level of investment in new products, new market and customer development. The Company's operating costs continue to track lower than forecast, however it is envisaged that as new products sell and profit improves we will invest again in new skills to support the broader product roadmap and sales channel expansion activities.

## Balance Sheet

Operating activities generated a cash inflow for the period of \$0.5 million compared with a cash outflow for the same period last year of \$1.8 million and \$4.4 million for the full 2014 year. This improvement in performance is due to the improved trading result and a reduction in working capital requirements.

Inventory at 30 June 2015 was \$3.5 million, a \$1.2 million reduction on the \$4.7 million at 31 December 2014. This is an outcome of the increased demand from Latin America and Asia and improved demand management processes between Wellington and its supply partners. The business is now operating at 5 inventory turns per annum, compared to the 3 turns seen at the end of 2014.

Trade receivables and trade payables at the end of the period were \$9.4 million and \$8.6 million respectively, reflecting strong volumes in the second quarter. There are no significant trade receivable balances running outside normal operating terms. The team is focused on managing the cash cycle in a customer and competitive environment that is driving increasing payment terms and the carrying of inventory (at the suppliers cost) to support shortening customer lead-times.

During the period Wellington invested \$1.1 million in plant & equipment and in new product development compared with \$1.0 million in the same period last year and \$2.2 million for the 2014 year. During the third and fourth quarter of 2015, product development investment on the ECR2 and SCS Connect will be completed and investment will be directed to the next EC motor and Smart Controller developments.

In June 2015 the Company successfully completed a \$3.2 million capital-raising programme. The team is grateful for the strong support from many existing shareholders, including its major shareholder SuperLife, its strategic partner East West and interests associated with Wellington directors and management. SuperLife agreed to underwrite the issue, providing important investment support to continue the Company's growth and profit turnaround.

The proceeds of this capital programme will be used to complete the commercialisation of the ECR2 and SCS Connect products, set up manufacturing capability, develop sales and marketing programmes to support product launch and increased working capital needs as sales expand. We

also plan to invest in the development of further new EC Motor and Smart Controller products and services, currently being sought by our customers, as part of our product strategy for revenue growth.

Cash at the end of the period was \$3.4 million compared with \$1.2 million at 31 December 2014.

## New Products

Wellington's 'Beyond the Motor' strategy, which was launched in 2012, is now a reality, with the first products developed as part of that strategy available to test and ship in initial quantities. Product testing, customer launch and marketing activities are proceeding at pace with both new flagship products (the SCS Connect and ECR2) most of the way through production qualification.



SCS Connect - Several major beverage-bottling customers have expanded their field trials, with an increased number of systems deployed for testing the cloud based business reporting and equipment-monitoring tools that will help customers improve fleet management, cost performance and beverage sales. A typical customer trial for the SCS Connect product is around nine to twelve months, and with two trials currently in month seven we expect first orders in fourth quarter 2015. Field trials that commenced in the second and third quarters of 2015 are expected to yield first orders in 2016. We have begun to market the SCS Connect solution in new geographies, such as Europe,

the Middle East and Africa and are exploring new market segments, 'beyond beverage' where the SCS Connect solution could add value.

ECR2 – We have won three major customers for this new EC motor in the supermarket display-case market and also expect to sell the motor to bottle cooler customers for higher-end cooler applications. The product is currently production ready and is going through country specific regulatory approvals that will allow it to be sold in those countries. Completion of regulatory approvals is expected by fourth quarter, for sales likely to commence over the next months. Customer testing for an EC Motor can be between three and six months. There are two customers who are almost through their internal test phase and are awaiting completion of regulatory approvals.



Other new developments – The Wellington product team is exploring a number of new customer-driven developments with the objective of delivering low-cost high performance EC Motors and cooler fleet management solutions that connect the customer to its cooler fleet. These solutions add value by helping customers improve their fleet performance and the financial returns of their cooler assets. The team is also working on a number of airflow accessories to complement the ECR2 motor solution. It is developing a new low cost EC motor, targeted at low-end, high volume bottle cooler applications, which is also expected to provide a

crossover opportunity into small ventilation systems. Wellington has also entered a co-funded joint-venture product development program with its strategic partner East West Manufacturing, which is focused on North American ventilation customers.

## Outlook

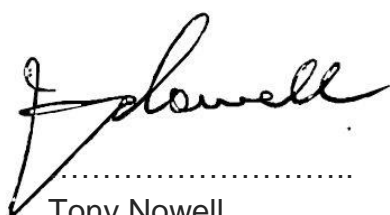
Our last trading update on 22 July indicated a stronger than expected first half performance and we are pleased to be able to confirm that result. The team is encouraged by the improved operating performance delivered in the first half and with the momentum on new product trials and new product adoption discussions.

Customer demand for the first half of 2015 was considerably stronger than last year in the Latin America region, with APAC holding steady and the USA and EMEA declining. We expect that this pattern will continue for the balance of the year and into the first half of 2016. Third quarter revenue is anticipated to be significantly less than the previous two quarters as customers work through their summer slow period. This is normal period seasonality and will likely result in an EBITDA loss for the third quarter. We continue to have limited customer demand visibility for remainder of 2015; however early ordering patterns for the fourth quarter increase our confidence that there will be an improved result for the year.

We continue to work towards the success of the new product launches, including expanding the customer trial programme into new countries to ensure the Company executes its market diversification strategy and delivers revenue growth in 2016.

As per previous guidance, we expect revenue in the second half of 2015 to be greater than the second half of 2014, with revenue expectation for the full 2015 financial year to be above 2014. The EBITDA expectation for 2015 is a loss of less than \$1 million, assuming the lower NZD/USD exchange rate continues and customer demand strengthens in the fourth quarter. It remains possible that Wellington could be close to EBITDA breakeven for the 2015 year, depending on customer demand, new product sales and the exchange rate.

The board and management team are increasingly confident in the new product adoption programme, channel expansion strategy and initial customer discussions on new product volumes and envisages continued revenue and profit growth in 2016.



.....  
Tony Nowell  
Chairman



.....  
Greg Allen  
Chief Executive

### Footnote:

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 and the impact of fair value changes. EBITDA is calculated as the loss before interest and taxation of \$0.211 million (2014 - \$1.161 million loss), less depreciation, amortisation and impairment of \$0.223 million (2014 - \$0.206 million).

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



# Condensed Interim Statements of Comprehensive Income

Consolidated	Note	Six months ended Unaudited 30 Jun 2015 \$000s	30 Jun 2014 \$000s	Year ended Audited 31 Dec 2014 \$000s
Revenue	4	13,537	10,570	17,805
Cost of sales		(10,736)	(8,615)	(14,609)
Gross profit		2,801	1,955	3,196
Other income		604	112	710
Operating expenses	5	(3,616)	(4,228)	(8,415)
Loss before interest & taxation		(211)	(2,161)	(4,509)
Finance income	6	28	274	594
Finance expenses	6	(468)	(105)	(559)
Loss before income tax		(651)	(1,992)	(4,474)
Income tax expense		(20)	-	-
Loss for the period		(671)	(1,992)	(4,474)
Other comprehensive income:				
Items that may be reclassified subsequently to the profit or loss:				
Exchange differences on translating operations		679	(484)	78
Cash flow hedges		(52)	(31)	(35)
Income tax relating to comprehensive income		-	-	-
Other comprehensive income / (loss) for the period		627	(515)	43
Total comprehensive loss for the period		(\$44)	(\$2,507)	(\$4,431)
Loss for the period attributable to the Owners of the Company		(\$671)	(\$1,992)	(\$4,474)
Total comprehensive loss attributable to the Owners of the Company		(\$44)	(\$2,507)	(\$4,431)
Basic earnings per share – cents	18	(0.38)	(1.58)	(3.18)
Diluted earnings per share – cents	18	(0.38)	(1.58)	(3.18)

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

## Condensed Interim Statements of Movements 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 2015</b>					
Equity at beginning of period		114,308	(106,994)	(2,336)	4,978
Loss for period		-	(671)	-	(671)
Other comprehensive income:					
Exchange differences on translation operations		-	-	679	679
Cash flow hedge		-	-	(52)	(52)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(671)	627	(44)
Share option compensation expensed		-	-	42	42
Refunds of lapsed part paid shares		(4)	25	(25)	(4)
Contributions of equity net of costs	14	2,882	-	-	2,882
<b>Equity at end of period</b>		<b>\$117,186</b>	<b>(\$107,640)</b>	<b>(\$1,692)</b>	<b>\$7,854</b>
<b>Unaudited for the six months ended 30 June 2014</b>					
Equity at beginning of period		114,308	(102,520)	(2,428)	9,360
Loss for period		-	(1,992)	-	(1,992)
Other comprehensive income:					
Exchange differences on translation operations		-	-	(484)	(484)
Cash flow hedge		-	-	(31)	(31)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(1,992)	(515)	(2,507)
Share option compensation expensed		-	-	20	20
Contributions of equity net of costs	14	(10)	-	-	(10)
<b>Equity at end of period</b>		<b>\$114,298</b>	<b>(\$104,512)</b>	<b>(\$2,923)</b>	<b>\$6,863</b>
<b>Audited for year ended 31 December 2014</b>					
Equity at beginning of period		114,308	(102,520)	(2,428)	9,360
Loss for period		-	(4,474)	-	(4,474)
Other comprehensive income:					
Exchange differences on translation operations		-	-	78	78
Cash flow hedge		-	-	(35)	(35)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(4,474)	43	(4,431)
Share option compensation expensed		-	-	49	49
<b>Equity at end of period</b>		<b>\$114,308</b>	<b>(\$106,994)</b>	<b>(\$2,336)</b>	<b>\$4,978</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	Six months ended Unaudited 30 Jun 2015 \$000s	30 Jun 2014 \$000s	Year ended Audited 31 Dec 2014 \$000s
<b>Current Assets</b>				
Cash and cash equivalents		<b>3,379</b>	4,853	1,196
Trade and other receivables	7	<b>9,896</b>	6,363	5,310
Inventories	8	<b>3,504</b>	4,820	4,674
Total current assets		<b>16,779</b>	16,036	11,180
<b>Non-Current Assets</b>				
Plant and equipment	9	<b>1,068</b>	648	880
Intangible assets	9	<b>4,317</b>	1,991	3,031
Total non-current assets		<b>5,385</b>	2,639	3,911
Total assets		<b>\$22,164</b>	\$18,675	\$15,091
<b>Current Liabilities</b>				
Trade and other payables	10	<b>9,145</b>	7,075	5,333
Provisions	11	<b>277</b>	211	259
Derivative financial instruments	13	<b>56</b>	-	4
Total current liabilities		<b>9,478</b>	7,286	5,596
<b>Non-Current Liabilities</b>				
Borrowings	12	<b>4,832</b>	4,226	4,507
Derivative financial liabilities	13	<b>-</b>	300	10
Total liabilities		<b>14,310</b>	11,812	10,113
Net assets		<b>\$7,854</b>	\$6,863	\$4,978
<b>Equity</b>				
Contributed equity	14	<b>117,186</b>	114,298	114,308
Accumulated losses		<b>(107,640)</b>	(104,512)	(106,994)
Other reserves		<b>(1,692)</b>	(2,923)	(2,336)
Total equity		<b>\$7,854</b>	\$6,863	\$4,978

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	Six months ended Unaudited		Year ended Audited
		30 Jun 2015 \$000s	30 Jun 2014 \$000s	31 Dec 2014 \$000s
<b>Cash flows from operating activities</b>				
Receipts from customers exclusive of GST/VAT		<b>10,469</b>	11,976	19,972
Payments to suppliers and employees exclusive of GST/VAT		<b>(9,966)</b>	(14,316)	(24,567)
Interest received		<b>18</b>	9	39
Interest paid		<b>(143)</b>	(5)	(141)
Taxation paid		<b>(2)</b>	-	-
Net GST received		<b>136</b>	518	271
Net cash inflow / (outflow) from operating activities		<b>512</b>	(1,818)	(4,426)
<b>Cash flows from investing activities</b>				
Payments for plant & equipment		<b>(166)</b>	(366)	(678)
Payments for intangible assets		<b>(897)</b>	(651)	(1,604)
Proceeds from sale of plant & equipment		-	-	100
Net cash outflow from investing activities		<b>(1,063)</b>	(1,017)	(2,182)
<b>Cash flows from financing activities</b>				
Cash proceeds from share issues, net of issue costs		<b>2,878</b>	4,698	4,696
Net cash inflow from financing activities		<b>2,878</b>	4,698	4,696
<b>Net increase / (decrease) in cash and cash equivalents</b>				
		<b>2,327</b>	1,863	(1,912)
Cash and cash equivalents at the beginning of the financial period		<b>1,196</b>	2,984	2,984
Effect of exchange rate movements on cash		<b>(144)</b>	6	124
Cash and cash equivalents at end of period		<b>\$3,379</b>	\$4,853	\$1,196

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 2015

### 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 21 Arrenway Drive, Rosedale, Auckland 0632, New Zealand.

These consolidated interim financial statements have been approved for issue on 25 August 2015.

These consolidated interim financial statements have not been audited. The comparative information for the year ended 31 December 2014 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 2015 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 2014.

### 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 2014. Certain comparatives have been amended to conform to current presentation.

#### *(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 affecting the financial statements*

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact.

There are no other NZ IFRS's or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

#### 4. SEGMENT INFORMATION

(a) Reportable segments

At 30 June 2015, 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 three 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.

	Six months ended 30 Jun 2015 \$000s	30 Jun 2014 \$000s	Year ended 31 Dec 2014 \$000s
<b>Revenue by Destination</b>			
Americas	<b>10,134</b>	6,623	10,421
Asia/Pacific	<b>1,531</b>	1,163	2,151
Europe	<b>1,872</b>	2,784	5,233
<b>Total</b>	<b>\$13,537</b>	\$10,570	\$17,805

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

#### 5. OPERATING EXPENSES

	Six months ended 30 Jun 2015 \$000s	30 Jun 2014 \$000s	Year ended 31 Dec 2014 \$000s
Amortisation of intangible assets	<b>112</b>	110	227
Depreciation of plant & equipment	<b>111</b>	96	220
Development time capitalised	<b>(629)</b>	(560)	(1,153)
Employee benefits	<b>2,418</b>	2,925	5,635
Impairment of intangible assets	-	-	55
Rental expense relating to operating leases	<b>121</b>	171	471
Research & development costs expensed	<b>213</b>	89	251
Impairment of VAT receivable	-	-	339
Other operating costs	<b>1,270</b>	1,397	2,370
<b>Total</b>	<b>\$3,616</b>	\$4,228	\$8,415

## 6. FINANCE INCOME AND EXPENSES

	Six months ended 30 Jun 2015 \$000s	30 Jun 2014 \$000s	Year ended 31 Dec 2014 \$000s
Finance income			
Change in fair value of financial derivative	10	265	581
Other interest income	18	9	13
	<b>\$28</b>	<b>\$274</b>	<b>594</b>
Finance expense			
Amortisation of borrowing	325	83	376
Preference shares coupon	125	17	179
Other interest	18	5	4
	<b>\$468</b>	<b>\$105</b>	<b>\$559</b>

## 7. TRADE AND OTHER RECEIVABLES

	Six months ended 30 Jun 2015 \$000s	30 Jun 2014 \$000s	Year ended 31 Dec 2014 \$000s
Net trade receivables			
Trade receivables	9,584	5,840	4,965
Provision for doubtful debts	(145)	(136)	(141)
	<b>9,439</b>	<b>5,704</b>	<b>4,824</b>
Prepayments	237	194	283
VAT/GST refunds due	184	419	168
Income tax refund due	5	3	3
Other receivables	31	43	32
	<b>\$9,896</b>	<b>\$6,363</b>	<b>\$5,310</b>

## 8. INVENTORIES

	Six months ended 30 Jun 2015 \$000s	30 Jun 2014 \$000s	Year ended 31 Dec 2014 \$000s
Finished goods – at cost	2,504	3,058	3,745
Work in progress – at cost	568	2,082	867
Raw materials – at cost	793	618	386
Less inventory provisions	(361)	(938)	(324)
Total inventories	<b>\$3,504</b>	<b>\$4,820</b>	<b>\$4,674</b>

## 9. PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Plant and Equipment \$000s	Intangible Assets \$000s
<b>Six months ended 30 June 2014</b>		
Opening net book value as at 1 January 2014	425	1,566
Additions	366	651
Disposals	-	-
Depreciation and amortisation	(96)	(110)
Exchange adjustment	(47)	(116)
Closing net book amount as at 30 June 2014	<b>\$648</b>	<b>\$1,991</b>
<b>Six months ended 30 June 2015</b>		
Opening net book value as at 1 January 2015	<b>880</b>	<b>3,031</b>
Additions	<b>166</b>	<b>897</b>
Disposals	-	-
Depreciation and amortisation	<b>(111)</b>	<b>(112)</b>
Exchange adjustment	<b>133</b>	<b>501</b>
Closing net book amount as at 30 June 2015	<b>\$1,068</b>	<b>\$4,317</b>

## 10. TRADE AND OTHER PAYABLES

	Six months ended 30 Jun 2015 \$000s	Six months ended 30 Jun 2014 \$000s	Year ended 31 Dec 2014 \$000s
Trade payables	<b>8,577</b>	6,176	4,515
Related party payables	<b>98</b>	336	283
Accrued expenses	<b>261</b>	257	207
Employee expenses	<b>209</b>	306	328
	<b>\$9,145</b>	<b>\$7,075</b>	<b>\$5,333</b>

## 11. PROVISIONS

	Six months ended 30 Jun 2015 \$000s	Six months ended 30 Jun 2014 \$000s	Year ended 31 Dec 2014 \$000s
<b>Warranty provisions</b>			
Carrying amount at start of period	<b>259</b>	286	286
Additional provisions recognised	<b>269</b>	211	457
Amounts used	<b>(80)</b>	(9)	(193)
Unused amounts reversed	<b>(246)</b>	(270)	(268)
Exchange adjustment	<b>75</b>	(7)	(23)
Carrying amount at end of period	<b>\$277</b>	<b>\$211</b>	<b>\$259</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 is recognised based on historical data and average levels of repairs and warranty claims experienced by the Group. It is expected that the provision will be utilised within one year as any product failures are typically exhibited within one year of sale.



## 12. BORROWINGS

On 19 May 2014 the Company issued \$5,042,346 of mandatory convertible preference shares at an issue price of \$0.20 per share, bearing a fixed coupon rate of 5% per annum, payable six monthly in arrears. In May 2017 the convertible preference shares mandatorily convert to ordinary shares in accordance with a conversion ratio. If the ordinary share price (at that time) is greater than \$0.24, then each convertible preference share will convert to ordinary shares on a 1:1 basis. If the ordinary share price is less than or equal to \$0.24, then preference shares convert at \$0.20 divided by 80% of the then share price for each preference share held.

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

	Six months ended 30 Jun 2015 \$000s	30 Jun 2014 \$000s	Year ended 31 Dec 2014 \$000s
Liability at start of period	<b>4,507</b>	-	-
New issue	-	4,143	4,131
Amortisation	<b>325</b>	83	376
Liability at end of period	<b>\$4,832</b>	\$4,226	\$4,507

The effective interest rate on the liability is 18.9% taking into account costs of issue. The liability has been classified as non-current because the preference shares convert in 2017.

The carrying value at amortised cost of the borrowings approximates its fair value, as the impact of discounting is not significant.

### 13. DERIVATIVE FINANCIAL INSTRUMENTS

	Six months ended 30 Jun 2015 \$000s	Six months ended 30 Jun 2014 \$000s	Year ended 31 Dec 2014 \$000s
Forward foreign exchange contracts	(56)	-	(4)
Option embedded in the preference shares	-	(300)	(10)
Asset / (liability)	<b>(\$56)</b>	<b>(\$300)</b>	<b>(\$14)</b>

The mandatory convertible preference shares have the characteristics of both a bond-like security and an embedded option:

- The bond like component promises the preference shareholders the payment of a coupon of 5%, payable on a 6 monthly basis, in arrears;
- The embedded option component provides the preference shareholders with the ability to benefit if the share price of the Company's ordinary shares is above \$0.25 at the conversion date.

The embedded option derivative is initially recognised at fair value as determined by an independent valuer using the Black-Scholes valuation model. It is subsequently re-measured by the Company. The Company's CFO performs the valuation of the embedded option using key variables at the reporting date. Changes in the fair value are recorded in the income statement as a "finance cost / income".

	Six months ended 30 Jun 2015 \$000s	Six months ended 30 Jun 2014 \$000s	Year ended 31 Dec 2014 \$000s
Liability at start of period	(10)	-	-
New issue	-	(565)	(565)
Gains recognised in finance income (note 6)	10	265	581
Exchange adjustments	-	-	(26)
Embedded option value at end of period	<b>\$ -</b>	<b>(\$300)</b>	<b>(\$10)</b>

### 14. CONTRIBUTED EQUITY

	Six months ended 30 Jun 15 Shares	Six months ended 30 Jun 14 Shares	6 months ended 30 Jun 15 \$000s	6 months ended 30 Jun 14 \$000s
Ordinary shares – fully paid (a)	<b>231,684,047</b>	126,373,117	<b>117,155</b>	114,273
Ordinary shares – partly paid (b)	<b>6,133,787</b>	5,051,246	<b>31</b>	25
US employee share options (c)	<b>673,510</b>	288,647	-	-
Share warrants (d)	<b>5,300,000</b>	5,300,000	-	-
Preference shares (note 12)	<b>25,211,740</b>	25,211,740	-	-
Total shares and options on issue	<b>269,003,084</b>	162,224,750	<b>\$117,186</b>	\$114,298

14. Contributed equity (continued)

(a) Ordinary shares

	Six months ended 30 Jun 2015 Shares	Six months ended 30 Jun 2014 Shares	Six months ended 30 Jun 2015 \$000s	Six months ended 30 Jun 2014 \$000s
Opening balance of ordinary shares on issue	<b>126,373,117</b>	126,058,703	<b>114,273</b>	114,289
Issues of ordinary shares during the period:				
- June 2014 issues at 11 cents for cash	-	314,414	-	34
- May / June 2015 issues at 3 cents for cash	<b>105,310,930</b>	-	<b>3,159</b>	
- Share issue costs	-	-	<b>(277)</b>	(50)
Ordinary fully paid shares on issue at period end	<b>231,684,047</b>	126,373,117	<b>\$117,155</b>	\$114,273

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

	Six months ended 30 Jun 2015 Shares	Six months ended 30 Jun 2014 Shares	Six months ended 30 Jun 2015 \$000s	Six months ended 30 Jun 2014 \$000s
Partly paid shares on issue at start of period	<b>6,941,452</b>	3,790,659	<b>35</b>	19
Issued	-	1,260,587	-	6
Lapsed	<b>(807,665)</b>	-	<b>(4)</b>	-
Ordinary part paid shares on issue at period end	<b>6,133,787</b>	5,051,246	<b>\$31</b>	\$25

(c) US employee share option

	Six months ended 30 Jun 2015 (numbers)	Six months ended 30 Jun 2014 (numbers)
Options outstanding at start of period	<b>288,647</b>	288,647
Granted	<b>384,863</b>	-
Outstanding at end of period	<b>673,510</b>	288,647

(d) Share warrants

	Six months ended 30 Jun 2015 (numbers)	Six months ended 30 Jun 2014 (numbers)
Options outstanding at start of period	<b>5,300,000</b>	5,300,000
Outstanding at end of period	<b>5,300,000</b>	5,300,000

In September 2013, Wellington issued 5,300,000 share warrants to East West Manufacturing LLC. Terms of the warrants allow East West to acquire additional share capital in Wellington at 20 cents per share by September 2015.

## 15. CONTINGENCIES AND COMMITMENTS

There are no material contingent liabilities or assets (December 2014:\$nil).

Capital commitments at 30 June 2015 amounted to \$153,000 (December 2014 \$190,000)

## 16. RELATED PARTY TRANSACTIONS

### (a) Directors

The names of persons who are directors of the Company are on page 23.

### (b) Key management personnel and compensation

Key management personnel compensation for the six months ended 30 June 2015 and 30 June 2014 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 15 \$000s	Six months ended 30 Jun 14 \$000s
Salaries, fees and other short term benefits	730	899
Share based remuneration	35	20
Directors remuneration	85	84
Total	<b>\$850</b>	<b>\$1,003</b>

### (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.

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

	Six months ended 30 Jun 2015 \$000s	Six months ended 30 Jun 2014 \$000s	Year ended 31 Dec 2014 \$000s
Loss after taxation for the period	(671)	(1,992)	(4,474)
Depreciation and amortisation	223	206	447
Impairment of plant, equipment & intangibles	-	-	55
Loss/(gain) on disposal of plant & equipment	-	-	2
Share based payments	42	20	49
Amortisation of borrowing	325	83	376
Change in fair value of embedded option	(10)	(265)	(555)
Inventory provision movements	(19)	(142)	(109)
Provision for doubtful debt movements	(8)	(25)	(20)
Provision for warranty movements	23	(75)	(27)
Provision for restructuring movements	-	(195)	(195)
Net foreign exchange differences	184	(327)	(288)
(Increase) / decrease in trade and other receivables	(4,578)	1,554	2,602
Decrease / (increase) in inventories	1,189	(703)	(590)
Increase / (decrease) in trade and other payables	3,812	43	(1,699)
Net cash (outflow) / inflow from operating activities	<b>\$512</b>	<b>(\$1,818)</b>	<b>(\$4,426)</b>

## 18. 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 15 \$000s	Six months ended 30 Jun 14 \$000s
Loss attributable to equity holders of the Company	<b>(\$671)</b>	(\$1,992)
Weighted average number of ordinary shares on issue (thousands)	<b>174,337</b>	126,069
Basic earnings per share - cents	<b>(0.38)</b>	(1.58)

### (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 15 \$000s	Six months ended 30 Jun 14 \$000s
Loss attributable to equity holders of the Company	<b>(\$671)</b>	(\$1,992)
Weighted average number of ordinary shares on issue (thousands)	<b>174,337</b>	126,069
Adjustment for partly paid shares or share options	-	-
Diluted earnings per share – cents	<b>(0.38)</b>	(1.58)

The weighted average number of ordinary shares on issue for the purpose of the basic and diluted earnings per share calculation includes 25,211,740 preference shares being the minimum number of ordinary shares that will be issued upon conversion (note 12).

As at 30 June 2015, the following instruments existed that are, or were, potentially dilutive of future earnings per share, but were not included in the calculation of dilutive shares for the period because the effect in that period would have been antidilutive:

	Number of shares
Part paid shares	<b>6,133,787</b>
US Employee share options	<b>673,510</b>
Share warrants issued to East West Manufacturing LLC	<b>5,300,000</b>

## 19. FAIR VALUE ESTIMATION

The only financial instruments carried at fair value are derivatives comprising forward foreign exchange contracts and the embedded option. The forward foreign 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 (ie as prices) or indirectly (ie derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (ie unobservable inputs) (Level 3)

The fair value of forward foreign exchange contracts is determined using forward foreign exchange rates at the balance sheet date, with the resulting value discounted back to present value. The fair value of the embedded option is described in more detail in note 13.

# Directory

## Directors

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

## Senior Staff

Greg Allen, *Chief Executive Officer*  
Steven Hodgson, *Senior Vice President Commercial*  
David Howell, *Chief Technical Officer*  
Howard Milliner, *Chief Financial Officer*  
Ali Karahasanoğlu, *Sales Director, Europe, Middle East & Africa*  
Erick Layseca-Flores, *Business Development Director, Latin America*  
Gerardo Gonzalez, *VP Intelligent Systems Business Unit*  
Clayton Thomas, *Sales and Marketing Director Asia-Pacific*  
Ron Jackson, *Secretary*

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188 Quay Street, Auckland, New Zealand

## Bankers

Bank of New Zealand

## Share Registry

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New Zealand



**Interim Report**  
June 2015

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