



Wellington®

Annual Report 2013

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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 Wellington's intellectual property.

Our Business

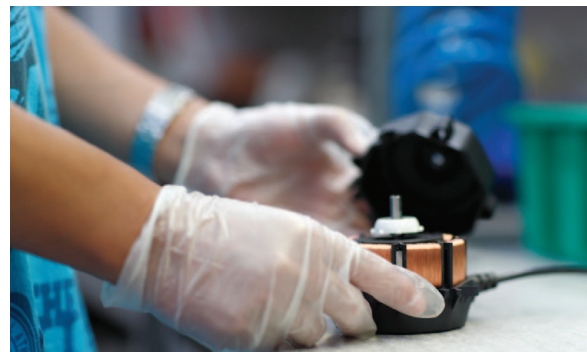
Mission

Wellington's purpose is to deliver solutions to solve our customers' refrigeration energy consumption and system control problems through the development of Advanced Motor and Intelligent Control Solutions. Our personal service, reliable products, smart solutions and relentless pursuit of excellence will ensure we lead the competition and build a world class company.



Our Products

Our product portfolio provides a range of refrigeration solutions designed to solve customer problems defined by our 'Voice of the Customer' approach to innovation. Alongside our advanced Energy Efficient Motor products we also sell our standard shaded pole motor range, branded 'AMV'. Both motor product lines can take advantage of our advanced fan blades, which we design in partnership with our North American aerodynamics technology partner, PAX. These motor and fan combinations improve energy consumption for our customers and optimise airflow for their refrigerators. We are also building an Intelligent Solutions business by developing a range of Smart Refrigeration Controller products. These products are designed to improve our customers' system costs by providing integrated control electronics, improving overall system energy consumption, and delivering connectivity solutions to improve the user experience.



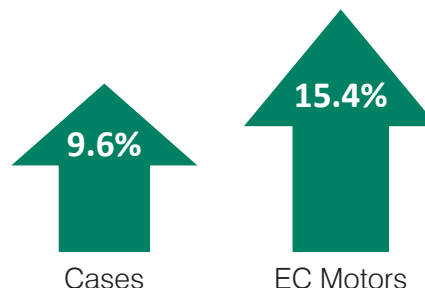
Our Markets

Refrigeration Display Cases

The refrigerated display case market was US\$8.8Bn in 2012 and is expected to grow at a 9.6% compound annual growth rate ("CAGR") to US\$16.3Bn by 2019. The highest growth sector is expected to be plug-in systems, such as bottle coolers and ice-cream coolers, and the highest growth region is expected to be the Asia Pacific market.

[Source: Transparency Market Research (2014); "Refrigerated Display Cases (Plug-in and Remote) Market - Global Industry Analysis, Size, Share, Growth, Trends, and Forecast, 2013 – 2019"]

Refrigerated Display Case Market: Expected CAGR 2012-18



Demand for efficiency will drive increasing EC motor and Smart Controller usage

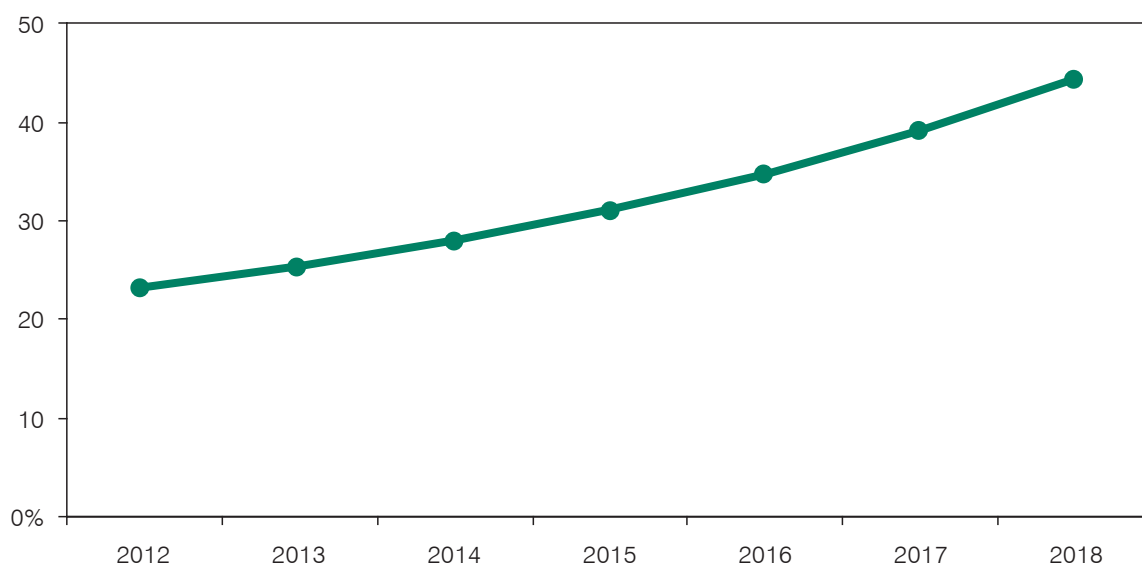
Source: Transparency Market Research (2014), Markets and Markets (2013)

Energy Efficient Motors

The global market for energy efficient low horsepower motors (defined as those motors under a 3 horsepower rating) was US\$23.1bn in 2012 and is expected to grow by a 12% CAGR to \$44.32bn in 2018. Refrigeration is projected to be the fastest growing segment within this overall motor market, with a projected CAGR of 15.1% (of all FHP refrigeration motors), from US\$2.2bn in 2012 to \$4.2Bn in 2018. The market for synchronous fractional horsepower refrigeration motors, the specific niche within which our company is focussed today, is expected to grow at a CAGR of 11.7% from US\$0.75Bn in 2012 to 1.45Bn in 2018. The market for fractional horsepower motors for domestic fan applications (excluding personal computer fans) is expected to grow from US\$2.8Bn in 2012 to US\$4.5Bn in 2018 (a CAGR of 8.7%)

[Source: Markets and Markets (2013); "Global Energy Efficient Low Horsepower AC Motors Market (2013 – 2018)"]

High Efficiency Motors <3hp : Global Sales (US\$billion)



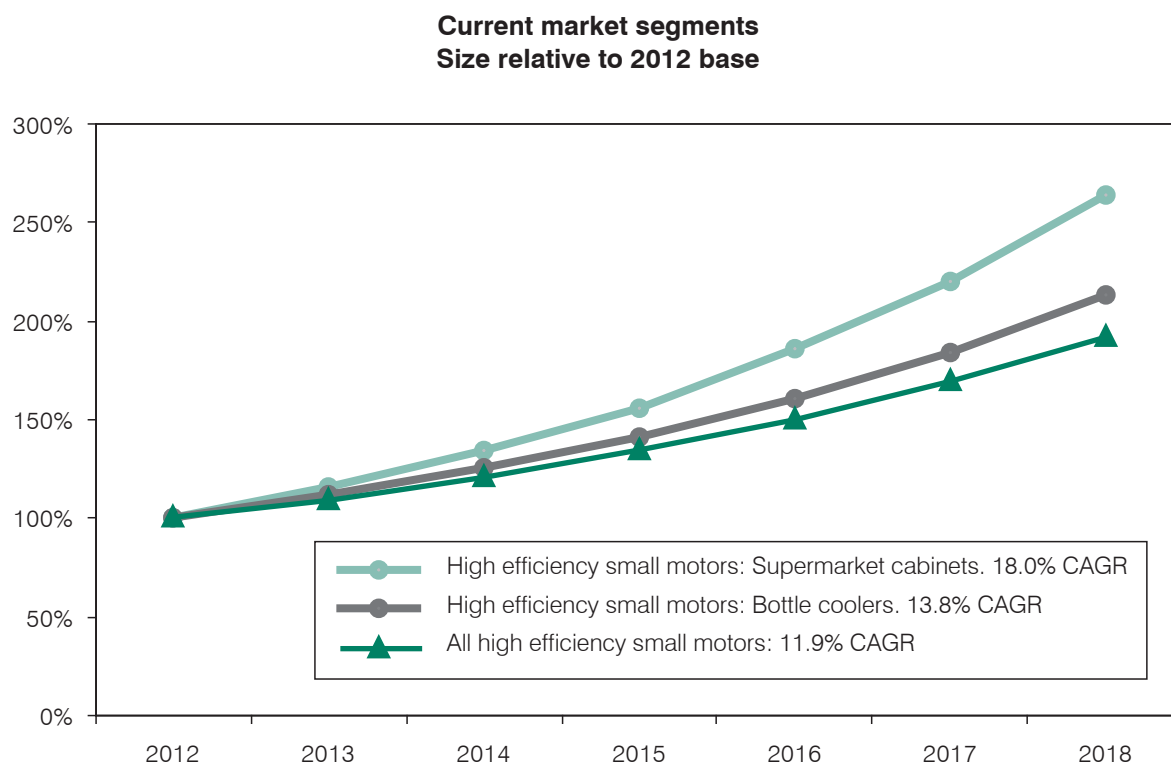
Demand for efficient motors will continue to grow

Source: Markets and Markets (2013)

Smart Refrigeration Controllers

Our Intelligent Solutions Roadmap, which includes Smart Controller products, is initially targeted at the global bottle cooler market, with some of the world's largest food and beverage brands being the target market for this solution. Bottle cooler deployment is growing globally, one example being the purchase of 1.3 million units of cold drink equipment by one of the largest global beverage brands in 2012. This same brand has currently deployed approximately 5.5 million Energy Management Controllers within their beverage coolers.

[Source: http://www.coca-colacompany.com/annual-review/2012/year_in_review.html, and Coca Cola Sustainability Report 2012/3]



Wellington's core market segments are expected to grow faster than the overall market

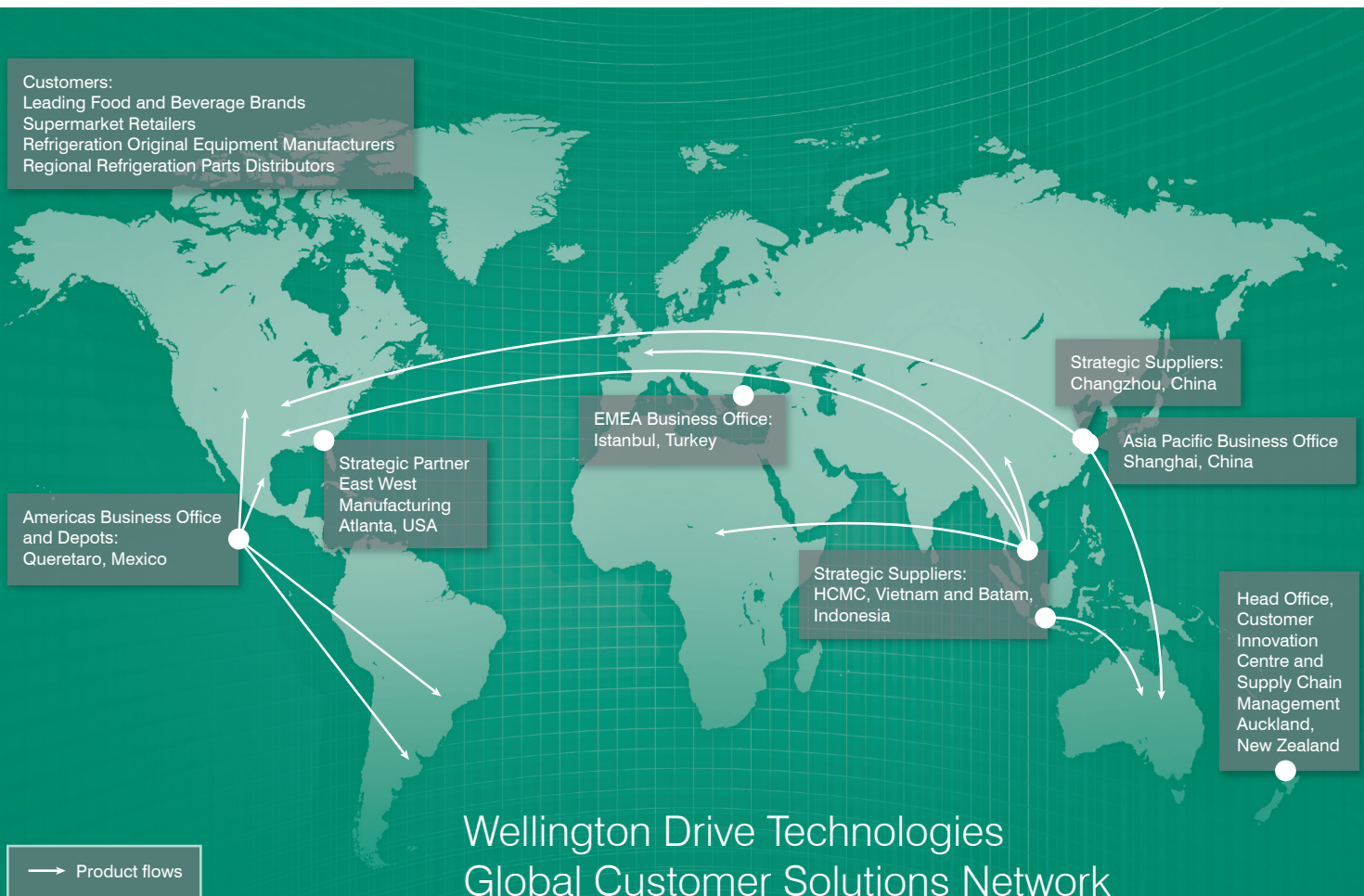
Source: Markets and Markets, 2013

Competition


Our competitors are large multi-billion dollar international industrial companies, developing motors and many other types of industrial parts and equipment for refrigeration and ventilation applications. We 'punch above our weight', competing head to head with these larger competitors in our chosen market niche and we believe we have a winning strategy. Our competitive strategy is built around a continuous improvement culture, and our ability to respond quickly to changing customer demands. We believe that 'fast' beats 'big'. Our reliable and innovative products and personal service deliver a competitive advantage which has earned us a reputation for quality from the markets in which we compete.


Delivery Network

Our global network of skilled people supports our customers in the development of their supply chain and technology roadmaps. Our customer-focused teams are located in New Zealand, Mexico, Brazil, China, Turkey, Italy and the USA, with our supply chain partner factories in Vietnam, China and Indonesia. This global reach ensures that our customers receive personal attention and that our product range is manufactured and delivered with maximum efficiency and accuracy.




2013 Business Highlights

 **18.7%**
Gross Profit, up
from 14% in 2012

 Stable Refrigeration
Revenue of \$21
million

 **\$2.4** million
Operating Expense
Reduction

 **10** New
Customers added
to Portfolio

Gross Profit of 18.7%, increasing from
5% in 2011 and 14% in 2012

Refrigeration Revenue grew
by 0.4% to US\$20.7 million

Operating Expenses (including depreciation, amortisation and
impairment of non current assets) reduced by \$2.4 million to \$9.4 million

Customer acquisition success
with 10 new customers added

Report of the Chairman and Chief Executive Officer

2013 in Review

In 2013 our team delivered on the primary turnaround objectives of locating a strategic partner to help reduce supply chain costs, improving operating costs, winning new customers for our motor products and continuing to expand margins.

Our team's new product development efforts gathered pace, with two new product announcements focused on the supermarket industry: a fan-pack solution; and a low power derivative of its ECR01 product. Our new 'Agile' approach to hardware development delivered alpha prototypes of our Smart Controller in the fourth quarter, and progressed our new advanced Energy Efficient Motor Solutions.

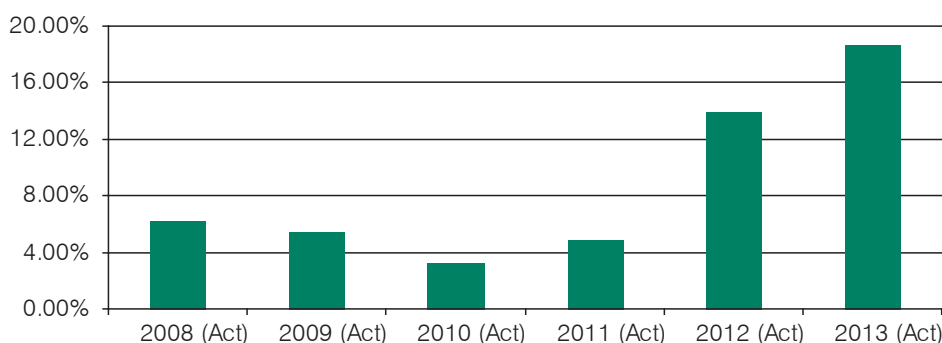
Being the second year of our company's turnaround plan, customer relationships and new customer wins remained a priority, with our team successfully winning several new projects in bottle cooler and supermarket segments in Europe, the Middle East and Latin America.



Gross Profit Performance

Gross profit continued to improve in line with expectations, reaching 18.7% compared to 14% in 2012. The team were particularly pleased with this result, given that it was delivered against a backdrop of lower than expected refrigeration revenues in the third and fourth quarters, and given that it did not include any of the cost reductions planned from the East West partnership (which are expected to materialise in Q4 2014). The gross profit improvement demonstrates how supply chain operating cost reduction and execution efficiency has become a core skill.

Gross Profit %



Earnings before Interest, Tax, Depreciation, Amortisation and Impairment (EBITDA)^{note 1.} show a loss of NZ\$2.9m, a significant improvement over the NZ\$4.1m loss delivered in 2012 and the 2011 loss of NZ\$12m.

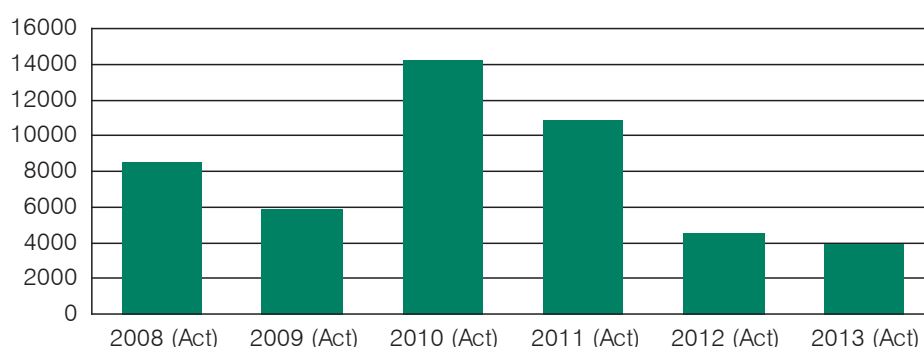
Wellington's loss of NZ\$3.8m for the year is a NZ\$2.5m improvement when compared to the 2012 result of NZ\$6.3m. The company continued making steady progress on its operating cost improvements, with operating expenditure of NZ\$9.4m down NZ\$2.3m on the NZ\$11.7m recorded in 2012. This result reflects a continued focus on effectively managing sales, general and administrative (SG&A) expenses, reducing impairment charges, and the benefits of our continuous improvement programme focused on simplifying business processes.

Note 1: EBITDA (i.e. Earnings before Interest, Taxation, Depreciation and Amortisation) 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. EBITDA is calculated as the loss before interest and taxation of \$3.748 million (2012 - \$6.28 million loss), less depreciation and amortisation of \$0.518 million (2012 - \$0.925 million) and less impairment of non current assets of \$0.318 million (2012 - \$1.224 million). These numbers have been extracted from our 31 December 2013 Financial Statements.

Inventory Performance

In 2013 our team consolidated the inventory improvements carried out in the previous year. Two years of robust inventory management performance now demonstrates a sustainable inventory result. Inventory carrying value at 31 December 2013 was \$NZ4.0m, a \$NZ0.5m reduction on the NZ\$4.5m delivered in 2012 and \$NZ6.9m less than the \$NZ10.9m in 2011. This equates to inventory turns of 6 times a year, which is on track to our strategic goal of 7 turns. The company has put its inventory problems well behind it and is now better positioned to be able to increase investment in strategic inventories to satisfy customer in-market lead-time needs in support of business growth. The company envisages an increase in inventory levels in 2014 as it supports planned customer growth initiatives.

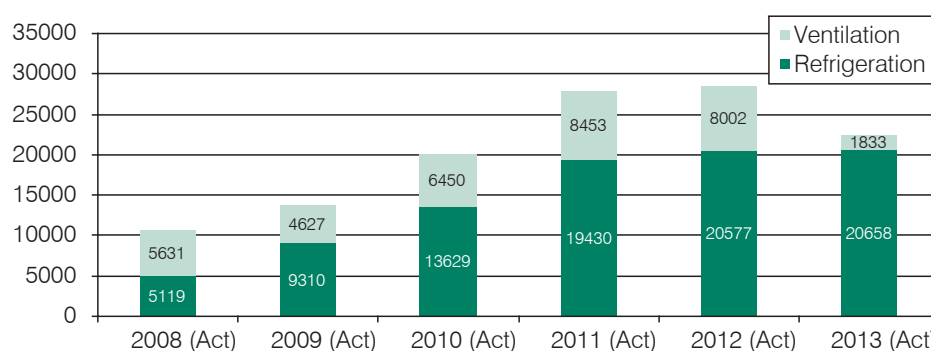
Inventory - NZD



Revenue Performance

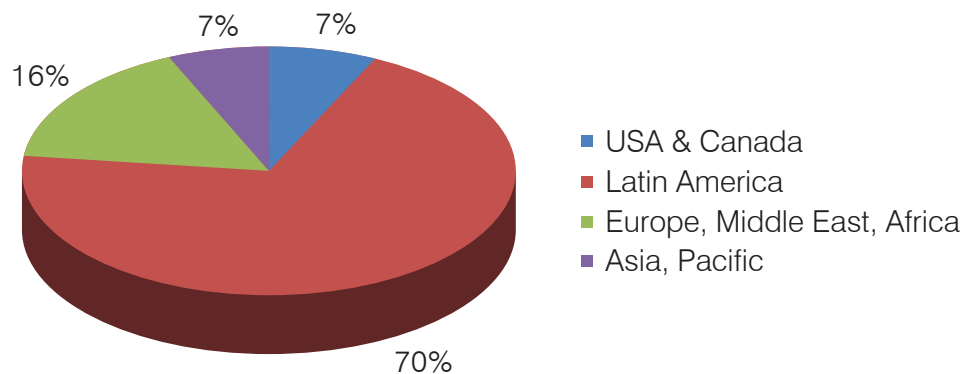
Total combined Refrigeration and Ventilation revenues in 2013 were \$US22.5m, with \$US1.8m from the sale of Ventilation motors and \$US20.7m from the sale of Refrigeration motors and fans. The combined result was a \$US6.1m decrease on the \$US28.6m recorded in 2012, all attributable to the planned exit from the Ventilation business. Commercial Refrigeration revenues grew by 0.4% over 2012, with motor volumes stable at 1.1m units. This shows a stable core motor business from which to pursue growth opportunities.

Revenue - USD



Geographically the demand for our company's commercial Refrigeration motor product was mixed, with normal seasonal demand strength experienced in both the European and Latin American regions through the second quarter. This was however offset by lower than expected demand patterns in Latin America during the third and fourth quarters. During 2012 our largest region was Latin America, delivering 63% of our total commercial refrigeration revenues. This strength continued in 2013, with Latin America delivering 70% of total sales, while we saw the Europe, Middle East and Africa (EMEA) region grow also in 2013, offsetting revenue decreases in the USA and Asia Pacific (APAC).

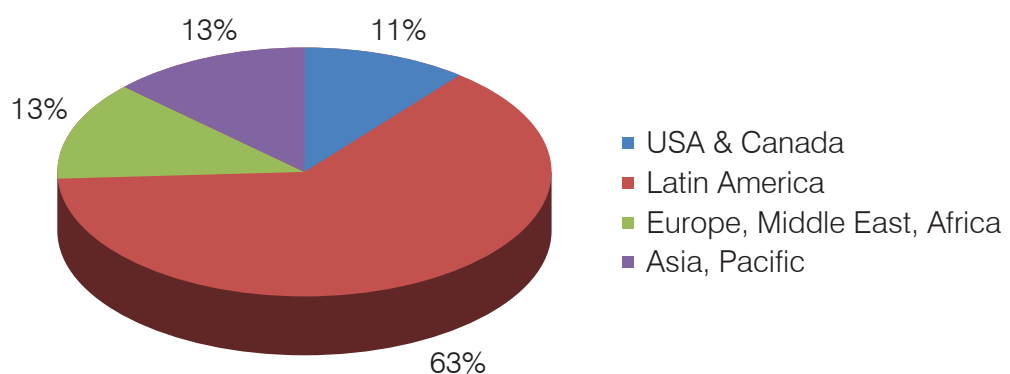
Geographical Sales % 2013



In US Dollars 2013 commercial refrigeration revenues grew by 0.4% with the following regional attributions:

- In Europe commercial refrigeration revenue grew by 27% to \$US3.4m. This was the result of improved commercial agreements with selected customers and new customer development activities starting to deliver.
- The Americas region increased by 4%, delivering \$US15.9m, compared to \$US15.2m in 2012. The Latin American region showed slight growth, as a result of a strong performance from Columbian customers, which helped to offset lower than normal Mexico demand patterns. The company expects continued weakness from the Mexico market in the first half of 2014.
- The APAC region experienced a slump in demand with a 47% reduction over 2012 levels. This was primarily a result of the company's Global OEM partner factories and Asia based Refrigeration customers showing significant demand declines. With the recent addition of a China-based sales executive, and with the business re-focusing on Asia as a business development region, the company intends to ramp up its APAC customer development efforts during 2014.

Geographical Sales % 2012



Turnaround Plan

As noted in our 2012 Annual Report, our company focused its year on five main strategic priorities, intended to progress the turnaround of the business and continue to deliver improved financial performance.

1. Market Expansion through Deeper Value Added Relationships with Customers

We successfully won and started to develop new customer accounts, adding 10 new customers to the company's portfolio in all of our major regions. These customers are a mix of bottle cooler and supermarket display case manufacturers, and while some new revenue was achieved in 2013, more is expected to flow in 2014. Our team launched a low power version of our ECR01 motor, specifically modified for Supermarket applications, and launched a fan pack airflow accessory, intended to also benefit Supermarket display case customers. Our Intelligent Solutions strategy gathered pace, building on the 2012 success of the demonstrator units, by providing the first alpha prototypes of the Smart Controller to selected customers. These prototypes will provide feedback into the design process with the completed product expected to start shipping in the fourth quarter of 2014. Expanding our product offering with advanced Energy Efficient Motors and Smart Controllers is an important part of our growth plan, with which we made a great start in 2013.

2. Shorten Customer Lead-times

Despite considerable progress in supply chain cost improvement and the continued improvement of our supplier management process, we did not achieve the lead-time goal that we expected in 2013. Our order to customer receipt lead-times essentially stayed consistent with 2012, primarily as a result of delays in re-engineering our cable supply lines, delays in moving sub-assembly operations closer to the motor manufacturer, and due to our supplier transition activities in both electronics and motor manufacturers. We still expect to complete these projects, and achieve further lead-time reduction, once our new suppliers are up and running in 2014.

3. Cost Reduction

Although our strategic partner project was designed to deliver supply cost improvement, the team did not stop working on cost reduction with the existing supply base. Cost reduction has been at the centre of our turnaround success and will continue to be core to our growth strategy. In 2013 we achieved 5% price reductions from our existing suppliers, as a result of collaborative component cost reduction and process improvement projects. In addition we completed a renegotiation of commercial terms with our main motor manufacturer and realised a further 5% price reduction. Those reductions flowed into our financial results starting in the third quarter. We decided to move the balance of our electronics supply (that part not going to East West) out of our China based electronics supplier to an Indonesia based supplier, headquartered in Singapore. This is again a decision centred on improving cost, supplier capability and commercial terms.

4. Strategic Partner Program

In August 2013 we announced our supply chain collaboration and strategic investment partnership with East West, an Atlanta based contract manufacturer of induction motors and Industrial products. As a result of this partnership Wellington will manufacture a percentage of its refrigeration motors in East West's Vietnam factory, supporting continued reduction in manufacturing costs and improvement in our manufacturing process. Following on from the initial focus on supply chain improvement, Wellington and East West intend to collaborate on growth projects, including channel development for our products in the USA and the investigation of Ventilation motor development opportunities.

5. Strengthen Company Resources

Our turnaround initiatives, new product development programmes and customer development activities were considerably strengthened in 2013 as a result of improvements in our organisational capability and our balance sheet. Summaries of the improvements made are:

- The raising of NZ\$4.5m of new capital, with a NZ\$4.0m private placement to existing and new investors, and a NZ\$0.5m Shareholder Placement Plan (SPP) to existing investors.

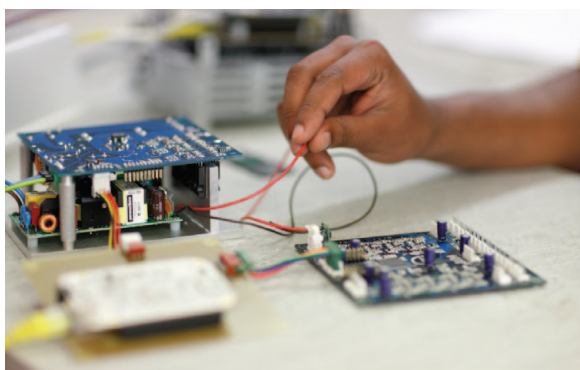
- The raising of \$1.6m of new capital as a result of a strategic investment by our new growth partner, East West. The agreement with East West also includes an option for East West to purchase a further 5.3 million shares by September 2015, at a price of 20 cents.
- The restructuring of the Singapore supply chain operations, including the elimination of the COO role and several other related management positions.
- The announcement of Howard Milliner as our new Chief Financial Officer, and the former CFO Steve Hodgson moving to the role of Senior Vice-President Commercial.
- The addition of Gerardo Gonzalez as Vice President Intelligent Solutions Business Unit, based in Atlanta, USA. Gerardo is also responsible for managing our key consumer brand relationships.
- The addition of Clayton Thomas based in Shanghai, China, as Sales and Marketing Director Asia Pacific. Clayton is responsible for building our Asia business unit and growing our APAC sales base.

2014 Outlook

2013 showed continuing improvement in the business fundamentals and operating performance of our company, demonstrated primarily by improved gross profit and execution performance. These improvements, coupled with a completed supply chain transition, will set the company up for its transition to growth in 2014 and will ultimately position Wellington as a profitable business.

This was the year that Wellington delivered on its promise of finding a strategic partner that would help to deliver both cost reduction and long-term growth, and despite a market driven revenue issue in the latter part of the year, our company continued to add new customers. With growing confidence in a successful East West supply chain transfer, our company can confidently say that the turn-around plan is now complete.

For 2014 our company expects revenue of between NZ\$30m and NZ\$35m. It should be noted that the initial range of revenue guidance is due to the possible continuation of the lower than normal Latin America sales experienced over the last six months of 2013. The company believes that this is partly a result of the new one peso per litre tax on carbonated soft drinks effective from 1 January 2014, for which the eventual market outcome remains unclear.



Gross profit is expected to be between 20% and 23% of revenue and we anticipate a run rate above 23% as we exit the financial year. Gross profit performance will be at its lowest in the first quarter of 2014, at between 15% and 18%. This lower first quarter gross profit guidance is driven by planned customer price incentives and an unfavourable product mix, with margins expected to improve through the year as manufacturing cost reductions are realised.

Our company expects to improve year-on-year EBITDA (see note page 6) performance by approximately NZ\$1m, with an anticipated EBITDA loss of less than NZ\$2m for 2014. This improved, but not yet profitable,

forecast is in part a result of our Company's decision to forgo shorter-term profit in the pursuit of more robust growth. Consequently, the business will increase its focus on growth priorities and make the associated capital and resource allocations necessary to deliver on those priorities. Coupled with the supply chain cost reductions that we are expecting by the fourth quarter, this growth-focused approach to the business is contributing to our improving outlook.

Our company's 2014 net profit after tax (NPAT) loss is expected to be less than \$2.7m.



Risks & Assumptions

Key assumptions underpinning the above outlook are our prediction for a continuing weakness in the key Latin America market discussed above, sufficient sales growth from our existing and new customers (which will help to facilitate the volume-dependent supply chain changes discussed above) and the completion of those supply chain changes – in particular the transition of part of our motor manufacturing to East West in Vietnam by Q4. Our outlook assumes an exchange rate of US\$0.80 = NZ\$1.00 and a one cent movement in the exchange rate can impact our NPAT by up to NZD100,000 on annualised basis prior to hedging.

Capital Plan

On March 7th, 2014 the board announced that the Company would raise \$5 million by way of a pro rata rights issue to all shareholders. This rights issue will be comprised of non-voting Mandatory Convertible Preference Shares (MCPS). SuperLife Limited (a major shareholder in the Company) and other institutional shareholders have committed to take up their entitlements, and SuperLife has agreed to underwrite the balance of the issue.

The capital raised through the rights issue will in part support the financing of 2014 losses; however the majority of the funds will be used to support the company's growth strategy by enabling the business to deliver on its regional channel expansion plans, customer growth projects and new product development roadmap.

Details of the offer were highlighted in a New Zealand Stock Exchange announcement made on March 7th, with issuance of the Company's prospectus for the rights issue expected in early April. The Company will seek shareholder approval at the 2014 Annual General Meeting for SuperLife to be issued the MCPS pursuant to its underwriting commitment as this may increase its shareholding above the 20% threshold under the Takeovers Code on mandatory conversion.

Governance

Wellington has essentially completed all the enabling actions necessary to improve the company's cost structure, operating processes and innovation system and is embarking on a new strategy for market diversification and growth. Our Board has been pleased by feedback from investors, customers and suppliers that it is on the right track and is positioning itself well to take advantage of developing market opportunities.

Our Board is committed to ensuring the right skills are in place in both governance and management to ensure successful strategy development and most importantly successful strategy execution. 2013 saw the appointment of two new directors to the board, Dr Lisbeth Jacobs and Mr Gottfried Pausch, both of whom have the required international experience, and specialist technical and operational knowledge that can support Wellington on its growth path. Dr Jacobs and Mr Pausch replaced two retiring directors, Dr Rick Boven and Dr Ray Thomson, whose many years of service to the company is gratefully appreciated.

The particular governance and management needs of the company will continue to be reviewed throughout 2014, as the growth plan develops and new experience and knowledge requirements evolve.



Tony Nowell
Chairman



Greg Allen
Chief Executive Officer

Wellington's Growth Strategy

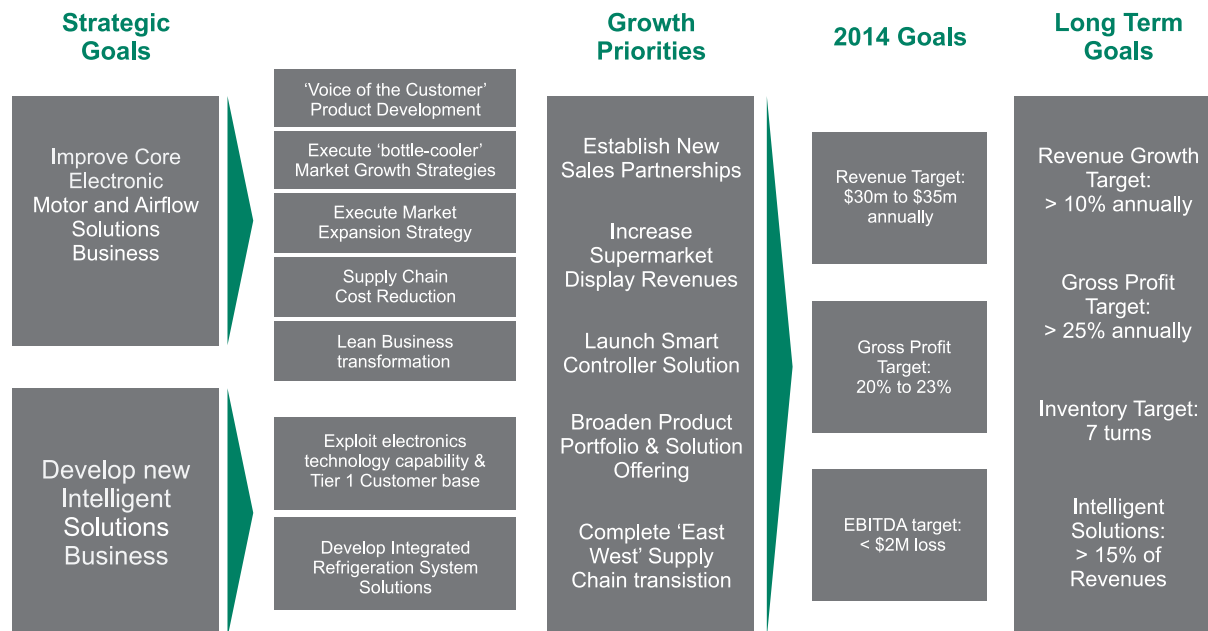
Wellington's Growth Vision

With a central priority of solving customers' environmental, cost and sales maximisation problems, the company seeks to grow its revenues by at least 10% a year. It will achieve this growth by expanding its geographical reach, developing new customer relationships, entering adjacent markets for its products, and opening new sales channels to become the fastest growing global provider of commercial refrigeration solutions and services globally.

Long Range Plan

In the company's 2012 Annual Report the company presented its updated strategy and goals for continued financial improvement and long-term growth. Management and board review strategy twice yearly as part of the strategic reflection and operating review process. The company's strategy is constantly being challenged and refined as market structures and customers' needs change, with the current growth strategy summarised as:

1. Continued improvement in the core Electronic Motor and Airflow Solutions business through customer led product development, executing core 'bottle cooler' market growth plans, diversifying Motor Revenue streams in to new market streams, deploying lean business process improvements and delivering continual cost reduction programmes.
2. Innovating for our customers by developing Intelligent Electronic Control Solutions that solve their refrigeration systems maintenance problems, provide connectivity solutions that support their market needs and reduce the total cost of ownership for the refrigeration systems.



While the company's major profitable growth initiative of supply chain cost improvement is ongoing, the confidence in the end result is such that the company is now turning its energies more towards other growth initiatives. New growth initiatives have been developed along five main market development streams to both consolidate and grow existing bottle-cooler revenues and diversify revenue streams in to new markets. The market streams are:

- Selling existing products to bottle cooler OEM customers in current and new geographies
- Selling existing products to display case OEM customers in the supermarket segment
- Selling existing products to new non-bottle cooler and non-supermarket market segments
- Selling new motor and controller products to customers in the bottle cooler and supermarket segments
- Developing retail brand sponsorship and Bottle Cooler OEM customers for the Smart Controller solution

This marketing strategy has resulted in five main priorities that are intended to expand the company's sales channels, improve the product roadmap, to formalise new product customer relationships and ultimately accelerate revenue and margin growth to not only improve the top line in 2014 but also to set up 2015 for further financial improvement.

2014 – Five Main Priorities

1. Establish sales partnerships to access growth opportunities in new markets

Expanding marketing coverage and increasing sales and customer development capability, while containing overhead costs is an important focus for the business in 2014. The team will focus on improving customer access in three new geographical markets;

- USA: Commence the next stage of our East West partnership with a growth focused initiative
- Asia Pacific: Expand the customer development capability through a local channel partnership
- Northern Europe: Expand regional sales capability through direct sales or distribution partnership



2. Revenue diversification through increased business with supermarket display manufacturers

In 2012 the company stated it was focusing on the development of a Supermarket Original Equipment Manufacturer (OEM) segment strategy and intended to sell its existing Energy Efficient motors to customers in this market. Through 'Voice of the Customer' feedback it was established that the current 'bottle cooler' focused motors were not ideally suited for the Supermarket segment and, as such, some modifications were made to existing products to enable a better starting point in this segment. In addition the new product development plan was modified to include a new Advanced Motor focused on Supermarket requirements. In 2013, with a modified ECR01 product, the company won its first major Supermarket OEM account in the European sales region. The priority for 2014 will be twofold:

- Develop and grow the Supermarket Display Case OEM relationships won in 2013
- Win the first Supermarket Display Case OEM customer with the new Advanced Motor product, planned for launch in the fourth quarter 2014

3. Launch the company's first Smart Controller into the Commercial Refrigeration market

The company's first product in the Intelligent Solution portfolio is its Smart Controller. The Smart Controller is planned for launch in the fourth quarter of 2014, with the first three quarters of 2014 focused on completing product development and securing launch customers. While significant revenues for this controller product are not expected until 2015, the priority for 2014 year will be to complete launch agreements with a major OEM partner to support market development and bottle cooler integration.

4. Grow product development capacity to broaden our product portfolio and solution offering

In 2013 the company made selected investments in the software and mechanical skills required to support the development of the new Smart Controller and Advanced Motor. Both of these products are due for launch in the fourth quarter of 2014. Customers are continually providing us with their product innovation requirements and working with us on technology strategy, and as such we are exploring several new product concepts that would further expand our portfolio and help us diversify revenues streams into new market segments. Investment priorities in 2014 to allow us to broaden our customer offering are:

- Expanded design capabilities to increase our development capacity
- Implementing additional customer resident technical liaison staff to collaborate on product roadmaps and system integration
- Improving product management capability to manage increased complexity of product and solutions offering
- Improving product test capability to allow Wellington to offer system level integration and validation on controller and motor solutions

5. Complete East West supplier transition and enable a lower manufacturing cost point

In August 2013 the company announced its supply chain and strategic partnership with East West. This partnership has commenced with an initial focus on supply chain cost reduction and improvement. The priority for 2014 is to complete the qualification of East West as a supplier for all of its motor and electronic products by the end of second quarter, and secure supply for a significant portion of the global demand by the end of the third quarter. We expect to see the full contribution of the East West commercial agreement in the fourth quarter of 2014.

David Champion – Project Manager

Lean Business: Agile Product Commercialisation

What is our Agile Commercialisation process?

The Agile system was developed by the software industry as a lean business management framework developed to cope with the unpredictability of product development and commercialisation. Wellington is one of a few New Zealand technology companies using Agile systems and processes for the development of hardware as well as software.

Traditional product development techniques depend upon an assumed perfect understanding of the product requirements at the outset of the project, with minimal customer check-points and limited cross-functional team involvement, which is often an unrealistic and wasteful approach. In this traditional non-agile approach, product specification and project definition occurs when the least is known about the product and the specification often remains static, with the development team trying to keep minimal change throughout the project. This can often mean a product finding its way to market that has not had adequate customer feedback or had the benefit of cross-functional expertise involved in its commercialisation.

The Agile approach to commercialisation accepts that the final product specification and development timeline is uncertain when a project starts, and aims to build rapid and iterative learning from customers, market intelligence and internal teams into the development cycle. With Agile, defining and delivering a product specification is an iterative process. The project is then executed by cross-functional teams, which include engineering, supply chain, marketing, finance and business unit owners and work is carried out in small incremental steps (called a “Sprint”). A specific project goal is delivered every “Sprint” stage in order to receive market and customer feedback before planning the next “Sprint”. Product specifications are only fixed based on customer and cross-functional team agreement.

Longer term project planning is built around a ‘product stage release goal’, with only the critical parts of the product fixed to allow shipment of a Customer minimum Viable Product (MVP). The MVP is used to gain customer feedback and retain design criteria flexibility. This flexibility allows the “Sprint Team” to alter non-critical product requirements rapidly to meet customer needs and achieve the ‘product stage release goal’.

How we Use it:

Once the “release goals” have been defined by the Product Owner, the cross-functional Sprint team works out the project tasks needed to achieve the goal and estimates the work involved. Each ‘Release Goal’ is comprised of multiple ‘Sprint’ activities. The ‘Sprint’ team works in focused three week activity cycles, allowing for rapid feedback and decision making on cost, functionality, manufacturing, and time to market goals. This rapid fire process ensures absolute concentration on only the key requirements needed to achieve each deliverable. After each Sprint, the Product Owner and the team will discuss, and agree what the next Sprint goals are, deciding on specification, cost and time-to-market trade-offs to ensure that the final product meets the “Release Goals”, and entirely satisfies the ‘Voice of Customer’ requirements.

Benefits:

Our team has so far completed two very unpredictable projects using Agile. The first was our Integrated Control Solution, which was taken from concept to working model and shipped to a leading global beverage brand in just six months. This was a record time-to-market for the company and something our customer told us was unrivalled from other suppliers. The second is the Smart Controller Solution project, where Alpha product samples have been developed in six months and shipped to the market. These prototype development timelines received customer praise and have allowed us to ensure rapid customer feedback. Our Agile process will help shorten our new product cycle times as we continue to ‘Sprint’ our way towards completion and successful market launch.



Directors



Tony Nowell - Chairman

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 and also Chairs Scion (the Forest Research

Institute of New Zealand). He is a board member of New Zealand Food Innovation (Auckland), Food Standards Australia New Zealand and the Export Advisory Board of Business New Zealand. He is also a New Zealand representative on the APEC Business Advisory Council and was formerly Chief Executive of Zespri International, and Griffin's Foods Limited. Prior to returning to New Zealand business in 2000 from an extended period of international business experience, Mr Nowell was Regional Vice President of Sara Lee Asia, President Director of Sara Lee Indonesia and President Director of L'Oreal Indonesia.



Shawn Beck

Mr Beck is a previous Executive Director of Pencarrow Private Equity, having been a founding director in 1993. Over the last 20 years, he has served on 15 boards in a wide range of industries, including specialty manufacturing, retail, road

transport, tourism, rural and farming, aviation transport, media, engineering consulting and food. These companies have ranged in their stage of life cycle from start-ups through to very mature businesses, with turnover of nil to over \$300m. He has been a director of Wellington since 1994.



Simon Mander

Mr Mander is a qualified mechanical engineer. He has extensive corporate experience in several industries including FMCG, industrial goods, petroleum/ petrochemical and heavy industry in Asia, Australia and New Zealand.

The Managing Director of a specialist packaging export business, Mr Mander has been a director of Wellington since 2004.



Lisbeth Jacobs

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 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 and is currently Director Strategy & Development at The Icehouse, following a 13 year career with Belgian corporate Bekaert, a world market and technology leader in steel wire and steel cord products and applications. She is also a member of the Return of Science Physical Sciences Investment Committee and a member of the steering committee of the ArcAngels, a NZ-based angel investment organisation focused on investing in early stage businesses that are led or managed by women across New Zealand. Dr Jacobs is Honorary Consul of Belgium since August 2013.



Gottfried Pausch

Mr Pausch is the former CEO at Actronic Technologies and Executive in Residence at The Icehouse, following a 22 year career with German engineering and electronics conglomerate Siemens, one of the world's leading suppliers of a wide

range of products, solutions and services in the field of technology, including the roles of Turnaround Manager and CEO Siemens Energy Services New Zealand and Managing Director Siemens New Zealand. Mr. Pausch also serves as an independent director of McKay Ltd in Whangarei and as Chairman of Aucom Electronics Ltd in Christchurch.

Senior Management



Greg Allen – Chief Executive Officer

Mr Allen was appointed CEO of Wellington Drive 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 operational and business leader, having most recently 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 joined Wellington in August 2008 with initial responsibility for investor relations, capital market activities, and all aspects of corporate strategy. On 2 April 2009, Mr Hodgson was appointed Vice President Corporate Services (this title was changed to Chief Financial Officer in 2010). In April 2013 Mr Hodgson moved to the role of Senior Vice President Commercial. Prior to joining Wellington, Mr Hodgson worked in equities research for 20 years.



David Howell – Chief Technical Officer

Mr Howell joined Wellington as Engineering Manager in 1999 and is currently responsible for all aspects of Wellington's future technology roadmap and the company's product development processes in his role as Chief Technology Officer. He has previously worked in new product development roles for Rover Group (UK), Fisher and Paykel Healthcare Corporation Ltd, and Tru-Test Ltd. David is a chartered (CPEng & IntPE) mechanical engineer, holds a BE (Hons) and DipBus from The University of Auckland and an MSc from Cranfield (UK), and is currently working towards a PhD in product development management. Mr Howell is listed as inventor on 12 families of international patent applications, including several of Wellington's core patents.



Howard Milliner – Chief Financial Officer

Howard Milliner joined Wellington in November 2012. He holds a BCom from Auckland University and is a Chartered Accountant. He was previously CFO of a N.Z. listed engineering business for 14 years and was its CEO / CFO for 7 of those years.



Ali Karahasanoglu – Sales Director, Europe, Middle East and Africa

Mr Karahasanoglu has received his BS degree in Electrical Engineering on power electronics division and studied Pre-MBA at Temple University, USA. He had worked several industries; IT, heating, refrigeration, home appliances as Project Development Engineer, Service Engineer, Regional Sales Manager and Sales & Marketing Manager. Since joining Wellington in 2002 he has served in different functions within the organisation – distribution, business development, Turkey/Eurasia subsidiary company setup and management (since 2006), refrigeration business unit management and recently he has been Sales director of Europe, Middle East and Africa region since 2008.



Erick Layseca – Business Development Director, Latin America

Mr Layseca graduated as an Industrial and Systems Engineer. He was a shareholder in a Dairy Consulting Company, in which he actively participated and gained extensive experience in business development. He then moved on to the world's fifth largest bottle cooler manufacturers, where he was in charge of the areas of Supplier Development and International Commerce. He has been working at Wellington, as a Business Development Director of Latin America since 2006.



Clayton Thomas – Sales and Marketing Director, Asia Pacific

Mr Thomas was appointed to direct our key initiatives, in collaboration with customers, to drive Wellington's long term growth and sustainability in APAC. Prior to joining Wellington, he worked with beverage dispensing technologies and sustainable energy solutions for the Food and Beverage and Marine industries. Mr Thomas has lived in China since 2007.



Gerardo Gonzalez – Vice President and General Manager, Intelligent Systems Business Unit

Mr. Gonzalez joined Wellington in February 2013 as Vice President and General Manager of Intelligent Solutions Business. He will be responsible for the business development and general management of the new Electronic Controls Business Unit. In addition, he has been appointed as the executive accountable for the company's relationship with The Coca-Cola Company. Mr. Gonzalez has global business development and strategic planning experience in the Carbonated Soft Drink and Beer Industry. Mr. Gonzalez resides in Atlanta, Georgia, and holds a BS in Economics from Monterrey Institute of Technology, and an MBA from Emory University.

Statutory Information

Introduction

Directors have resolved that no dividend be declared payable.

Audit fees received or due and receivable by PricewaterhouseCoopers are \$74,000 (2012 - \$95,000).

The Company does not have a credit rating.

Remuneration of Directors

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

	2013	2012
Mr T. Nowell	\$50,000	\$50,000
Mr S. R. Beck	\$28,000	\$28,000
Mr S. J. Mander	\$28,000	\$28,000
Dr L. Jacobs ^{1.}	\$16,872	\$ -
Mr G. Pausch ^{1.}	^{2.} \$1,151	\$ -
Dr R. J. Thomson ^{3.}	\$28,000	\$28,000
Dr R. Boven ^{3.}	\$11,667	\$28,000

Notes

1. Dr Jacobs and Mr Pausch were appointed directors during the year. They earned a pro-rated amount of fees from the date of their respective appointments to 31 December.

2. Fees for Mr G. Pausch are paid to Board Advisory Services Ltd.

3. Dr Boven resigned and Dr Thomson retired as directors during the year and earned a pro-rated amount of fees to those respective dates.

Interested Transactions

The Directors have disclosed the following transactions with the Company:

- Interested Transactions – There have been no transactions during the year with interested or related parties.
- 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 2013 was \$45,382 (2012 - \$42,826).
- Directors' Share Transactions – In June 2013 the Shawn Beck Trust acquired 76,923 shares, the Boven Family Trust acquired 230,769 shares and the Gurkha Trust (in which Dr Thomson has interests) acquired 769,231 shares. These shares were issued pursuant to resolution 4(e) approved by shareholders at the Annual Meeting on 27 May 2013. Both Dr Boven and Dr Thomson stepped-down from the Board during the year and have retained their shareholding interests in Wellington at year-end. Details of numbers of shares held by directors are shown below.
- Directors' Loans - There were no loans by the Company to Directors.
- Senior Management Share Transactions – During the year key management: were issued 1,107,691 ordinary shares (being shares issued via the Share Purchase Plan in May 2013 or by issues in June 2013 approved by the Annual Meeting); were issued 2,443,330 part paid shares; were issued 288,647 US share options; 494,206 part paid shares lapsed; 250,000 (or 12,500 post consolidation) US share options lapsed. At year end, key management held 2,373,934 ordinary shares, held 3,790,659 part paid shares and held 288,647 US share options. Further details of part paid shares and options can be found in Note 24. Senior staff (or key management) are listed in the Directory on page 66.

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 2013		31 December 2012	
	Total Relevant Interest	Direct	Total Relevant Interest	Direct
Mr T. Nowell	88,750	-	88,750	-
Mr S. R. Beck	377,495	-	300,572	-
Dr R. Boven	n/a	n/a	120,388	69,910
Dr R. J. Thomson	n/a	n/a	3,253,960	-

Notes: Dr Boven resigned and Dr Thomson retired as directors during the year. Details of the movements in their holdings are provided above under Interested Transactions. Both former directors continue to hold interests in the Company. Their 31 December 2013 balances are shown above as "n/a" as they are no longer directors of the Company.

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		PARENT COMPANY	
	2013	2012	2013	2012
\$100,000 - \$109,999	4	3	4	1
\$110,000 - \$119,999	1	1	-	1
\$120,000 - \$129,999	1	-	1	-
\$130,000 - \$139,999	-	1	-	1
\$140,000 - \$149,999	-	1	-	1
\$150,000 - \$159,999	3	1	3	1
\$160,000 - \$169,999	1	-	1	-
\$170,000 - \$179,999	-	1	-	1
\$180,000 - \$189,999	1	1	1	-
\$220,000 - \$229,999	1	1	-	-
\$230,000 - \$239,999	-	2	-	1
\$250,000 - \$259,999	1	-	1	-
\$340,000 - \$349,999	-	1	-	1
\$390,000 - \$399,999	-	1	-	1
\$460,000 - \$469,999	1	-	1	-

Director's Certification to NZX

The independent directors approved an amendment to the remuneration of the company's Chief Executive Officer, Greg Allen, which provided for a payment of up to 25% of his base remuneration for meeting funding objectives for the company, which, if paid, might result in the threshold amount in Listing Rule 9.2.4 (g) being exceeded. The company relied on the exception in NZSX Listing Rule 9.2.4(d) which allows the Company to agree the change to the Chief Executive Officer's remuneration without requiring shareholder approval. To satisfy the exception, the independent directors of the company provided a certificate to the NZX on 22 August 2013 certifying that the remuneration was set on an arm's length, commercial basis and that it had been approved by the independent directors of Wellington.

NZX Waivers

In accordance with NZ Stock Exchange Listing Rule 10.5.3(f), there were no waivers granted by the NZ Exchange during the year ended 31 December 2013.

Auditors

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

For and on behalf of the Board

A handwritten signature in blue ink, appearing to read "T. Nowell", written over a dotted line.

T. Nowell

Chairman

26 March 2014

Shareholder Information

Shareholders

As at 31 December 2013 there were 2,533 shareholders and 126,058,703 fully paid ordinary shares on issue.

Share Issues

In March 2013 the Company issued 16,000,002 ordinary shares by way of private placements to institutional and professional investors (including existing investor SuperLife Investments Limited) at 13 cents each. This issue raised \$2.08 million.

In May 2013 the Company issued 3,923,021 ordinary shares pursuant to its Share Purchase Plan that allowed all shareholders to subscribe for up to a value of \$15,000 each of new shares, at 13 cents per share. The Share Purchase Plan raised \$510,000.

In June 2013 the Company issued 14,769,230 ordinary shares (with shareholder approval) by way of private placements to institutions, professional investors, directors and management at 13 cents each. This issue raised \$1.92 million.

In September 2013 the Company issued 10,600,000 ordinary shares by way of private placement to its strategic partner East West Manufacturing LLC at 15.5 cents each. This issue raised \$1.643 million. The Company also granted 5.3 million warrants to East West Manufacturing LLC allowing them to acquire additional new Wellington shares at 20 cents per share within two years from September 2013.

Further details of these share issues can be found in note 24 on page 59.

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 11 March 2014:

20 largest shareholders

1.	N.Z. Central Securities Depository Ltd ^{1.}	38,324,221
2.	SuperLife Trustee Nominees Ltd	22,272,307
3.	East West Manufacturing LLC	10,600,000
4.	Investment Custodial Services Ltd	5,370,295
5.	Wairahi Trust	2,400,000
6.	Gurkha Trust*	2,378,302
7.	SuperLife Trustee Nominees Ltd (Gemino Account)	2,085,000
8.	ASB Nominees Ltd	2,055,285
9.	Waikiwi Trust *	1,644,889
10.	Flynn No 2 Trustees Ltd	1,274,291
11.	Graham Trustees Ltd	1,214,556
12.	FNZ Custodians Ltd	1,164,260
13.	R.D. Armstrong	1,083,007
14.	Jangada Trust	995,913
15.	Tane Nui Family Trust	900,000
16.	Diab Investment NZ Ltd	755,215
17.	K.F. Bennett	738,341

18.	I. Douglas Family Trust	545,725
19.	M.J. Springford	500,000
20.	B.A. Paradine	475,908
.....		

Note 1. N.Z. Central Deposit Securities Depository Limited hold shares on trust for 11 different shareholders. The largest of these are: JPMorgan Chase Bank NA – 18,369,238 shares; N.Z. Permanent Trustees Ltd – 5,974,850 shares; TEA Custodians Ltd – 5,400,508 shares; Accident Compensation Corporation – 5,284,509 shares; and BNP Paribas Nominees (N.Z.) Ltd – 1,606,363 and 1,013,089 shares.

* Dr R.J. Thomson (a former director) has interests in the above shareholders.

Distribution of Equity Securities

Size of Holdings (at 11 March 2014)			Shareholders		Fully Paid Ordinary Shares	
			Number	%	Number	%
1	-	999	1,124	44.29	393,421	0.31
1,000	-	1,999	275	10.84	367,935	0.29
2,000	-	4,999	377	14.85	1,158,804	0.92
5,000	-	9,999	254	10.01	1,731,943	1.37
10,000	-	49,999	356	14.03	7,805,764	6.19
50,000	-	99,999	66	2.60	4,242,882	3.37
100,000	-	499,999	67	2.64	14,056,347	11.15
500,000	-	999,999	6	0.23	4,435,194	3.52
over		1,000,000	13	0.51	91,866,413	72.88
			2,538	100.00	126,058,703	100.00

2,412 (or 95%) shareholders, holding 113,502,898 shares (or 90%) 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 [#]	Date of Notice
Hunter Hall Investment Management Ltd	17,102,344	19 Sep 2013
SuperLife Trustee Nominees Ltd	25,016,694	18 Sep 2013
East West Manufacturing LLC	**10,600,000	17 Sep 2013
Harbour Asset Management Ltd	7,408,280	08 Oct 2012

[#] 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.

** East West Manufacturing LLC hold share warrants allowing them to subscribe for 5,300,000 further shares.

Shareholder Enquires

Shareholders should send changes of address to Computershare Investor Services Limited at the address noted in the Directory on page 66. 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 Drive 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 of Wellington Drive Technologies Limited is committed to acting with integrity and expects high standards of behaviour and accountability from all its officers and staff.

Role of the Board

The Board's primary objective is the enhancement of shareholder value by following appropriate strategies, and ensuring effective and innovative use of available Company resources. The Board is responsible for the management, supervision, and direction of the Group. Day-to-day management of the Group is delegated to the Chief Executive.

Compliance

The governance principles adopted by the Board are designed to meet best practice recommendations for listed companies to the extent that it is appropriate to the size and nature of Wellington's operations. The Board endorses the overall principles embodied in the N.Z. Stock Exchange Corporate Governance Best Practice Code. In a number of respects the Company's practice differs from this Code. In particular, the Company has not established a nomination committee, believing these matters are being properly dealt with at the full Board level and Directors are not eligible to participate in any performance based equity compensation plans.

Board Meetings

The Board normally meets nine to eleven times each year for scheduled meetings. Additional meetings are held where specific matters require attention between scheduled meetings. Board meetings are used to monitor, challenge, develop, and fully understand business and operational issues.

Composition of the Board

The Constitution provides that there will be not less than three and not more than eight directors. N.Z. Stock Exchange requirements are that at least two directors or one-third, are independent directors. The Board has five directors, four of whom are independent. Profiles of Directors are given on Page 16.

Criteria for Board Membership

When a vacancy arises, the Board identifies candidates with a mix of capabilities and perspectives considered necessary for the Board to carry out its responsibilities effectively. 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.

Non-executive Directors' Remuneration

The fees payable to non-executive directors are determined by the Board within the aggregate amount approved by shareholders. The Board considers the advice of independent remuneration consultants when setting remuneration levels. The current directors' fee pool limit is \$200,000 which was approved by the shareholders at the 14 November 2006 annual meeting of shareholders.

Details of the remuneration paid to directors are disclosed on Page 19 in the Annual Report.

Board Committees

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

Audit Committee

The Audit Committee operates under a charter approved by the Board and is accountable to the Board for: the business's relationship with, and the independence of, the external auditor; the reliability and appropriateness of the disclosure of the financial statements and external financial communication.

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 Shawn Beck (Chairman), Tony Nowell and Simon Mander.

Risk Committee

The Risk Committee operates under a charter approved by the Board and is accountable to the Board for the maintenance of an effective business risk management framework including credit, liquidity, market, insurance, operational, regulatory and reputational risks.

The current members are Simon Mander (Chairman), Tony Nowell and Shawn Beck.

Executive Appointment and Remuneration Committee

The Executive Appointment and Remuneration Committee operates under a charter approved by the Board and is accountable to the Board for 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 obtains independent advice on the appropriateness of the remuneration packages.

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

Technology & Innovation Committee

The Technology & Innovation Committee operates under a charter approved by the Board and is accountable to the Board for overseeing and providing counsel on overall strategy, direction and effectiveness of technology and innovation activities.

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

Trading in shares

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

Wellington has a detailed insider trading policy applying to all directors and employees. No director or employee may use confidential unpublished 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 unpublished price-sensitive information) is strictly prohibited.

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

Relationship with the Independent Auditor

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 remain independent of the Company at all times 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 be in conflict with the preservation of the independence of the auditor subject to the approval of the Audit Committee; and

The Audit Committee must approve significant permissible non-audit work assignments that are awarded to an external auditor.

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Independent Auditor's Report

to the shareholders of Wellington Drive Technologies Limited

Report on the Financial Statements

We have audited the financial statements of Wellington Drive Technologies Limited on pages 29 to 65, which comprise the statements of financial position as at 31 December 2013, the statements of comprehensive income, statements of movements in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2013 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We have no relationship with, or interests in, Wellington Drive Technologies Limited or any of its subsidiaries other than in our capacities as auditors, tax advisors and providers of other assurance services. These matters have not impaired our independence as auditors of the Company and Group.

Opinion

In our opinion, the financial statements on pages 29 to 65:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company and the Group as at 31 December 2013, and their financial performance and cash flows for the year then ended.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 (a) to the financial statements which describes the basis on which the Directors have adopted the going concern assumption.

The financial statements have been prepared on a going concern basis which is dependent on the ability of the Group to achieve forecasted cash flows, the outcome of which is inherently uncertain, and additional shareholder or alternative funding may be required to enable the Group to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The financial statements do not include adjustments that would result if the Group was unable to continue as a going concern.

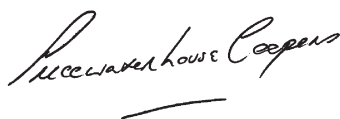
Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1) (d) and 16(1) (e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 December 2013:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' 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.



Chartered Accountants
28 February 2014

Auckland

Statements of Comprehensive Income

for the year ended 31 December 2013

	Note	CONSOLIDATED		PARENT COMPANY	
		2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Revenue	7	27,437	35,562	23,070	34,395
Cost of sales		(22,306)	(30,590)	(22,376)	(31,450)
Gross profit		5,131	4,972	694	2,945
Other income	8	511	493	679	314
Operating expenses	9	(9,390)	(11,745)	(8,126)	(10,491)
Loss before interest & taxation		(3,748)	(6,280)	(6,753)	(7,232)
Finance income		9	12	9	11
Finance expenses	9	(24)	(51)	(20)	(49)
Loss before income tax		(3,763)	(6,319)	(6,764)	(7,270)
Income tax expense	10	(5)	(14)	-	-
Loss for the year		(3,768)	(6,333)	(6,764)	(7,270)
Other comprehensive income:					
<i>Items that may be reclassified subsequently to the profit or loss:</i>					
Exchange differences on translating operations	26	(270)	(746)	34	(611)
Cash flow hedge	26	33	(58)	33	(58)
Income tax relating to other comprehensive income		-	-	-	-
Other comprehensive income / (loss) for the year		(237)	(804)	67	(669)
Total comprehensive loss for the year		(\$4,005)	(\$7,137)	(\$6,697)	(\$7,939)
Loss for the year attributable to the Owners of the Company		(\$3,768)	(\$6,333)	(\$6,764)	(\$7,270)
Total comprehensive loss attributable to the Owners of the Company		(\$4,005)	(\$7,137)	(\$6,697)	(\$7,939)
Basic earnings per share – cents	30	(3.49)	(8.97)		
Diluted earnings per share – cents	30	(3.49)	(8.97)		

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

Statements of Movements in Equity

for the year ended 31 December 2013

CONSOLIDATED 2013	Note	Share capital \$000s	Accumulated losses \$000s	Other reserves \$000s	Total equity \$000s
Balance at beginning of year		108,544	(99,004)	(2,054)	7,486
Comprehensive Income					
Loss for year		-	(3,768)	-	(3,768)
Other comprehensive income					
Exchange differences on translating operations	26b	-	-	(270)	(270)
Cash flow hedge	26c	-	-	33	33
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(3,768)	(237)	(4,005)
Share option compensation expensed	26a	-	-	115	115
Contributions of equity	24	5,764	-	-	5,764
Refunds of lapsed part paid shares	25,26a	-	252	(252)	-
Balance at end of year		\$114,308	(\$102,520)	(\$2,428)	\$9,360

CONSOLIDATED 2012	Note	Share capital \$000s	Accumulated losses \$000s	Other reserves \$000s	Total equity \$000s
Balance at beginning of year		106,519	(92,671)	(1,368)	12,480
Comprehensive Income					
Loss for year		-	(6,333)	-	(6,333)
Other comprehensive income					
Exchange differences on translating operations	26b	-	-	(746)	(746)
Cash flow hedge	26c	-	-	(58)	(58)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(6,333)	(804)	(7,137)
Share option compensation expensed	26a	-	-	118	118
Contributions of equity	24	2,025	-	-	2,025
Refunds of lapsed part paid shares	25,26a	-	-	-	-
Balance at end of year		\$108,544	(\$99,004)	(\$2,054)	\$7,486

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

Statements of Movements in Equity (continued)

for the year ended 31 December 2013

PARENT COMPANY 2013	Note	Share capital \$000s	Accumulated losses \$000s	Other reserves \$000s	Total equity \$000s
Balance at beginning of year		108,544	(99,020)	(2,187)	7,337
Comprehensive Income					
Loss for year		-	(6,764)	-	(6,764)
Other comprehensive income					
Exchange differences on translating operations	26b	-	-	34	34
Cash flow hedge	26c	-	-	33	33
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(6,764)	67	(6,697)
Share option compensation expensed	26a	-	-	115	115
Contributions of equity	24	5,764	-	-	5,764
Refunds of lapsed part paid shares	25,26a	-	252	(252)	-
Balance at end of year		\$114,308	(\$105,532)	(\$2,257)	\$6,519

PARENT COMPANY 2012	Note	Share capital \$000s	Accumulated losses \$000s	Other reserves \$000s	Total equity \$000s
Balance at beginning of year		106,519	(91,750)	(1,636)	13,133
Comprehensive Income					
Loss for year		-	(7,270)	-	(7,270)
Other comprehensive income					
Exchange differences on translating operations	26b	-	-	(611)	(611)
Cash flow hedge	26c	-	-	(58)	(58)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(7,270)	(669)	(7,939)
Share option compensation expensed	26a	-	-	118	118
Contributions of equity	24	2,025	-	-	2,025
Refunds of lapsed part paid shares	25,26a	-	-	-	-
Balance at end of year		\$108,544	(\$99,020)	(\$2,187)	\$7,337

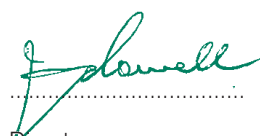
The above Statements of Movements in Equity should be read in conjunction with the accompanying notes.

Statements of Financial Position

as at 31 December 2013

		CONSOLIDATED		PARENT COMPANY	
	Note	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Current Assets					
Cash and cash equivalents	12	2,984	1,869	2,498	793
Trade and other receivables	13	7,892	8,519	2,693	2,123
Derivative financial instruments	14	31	-	31	-
Inventories	15	3,975	4,526	1,903	2,563
Total current assets		14,882	14,914	7,125	5,479
Non-Current Assets					
Plant and equipment	16	425	585	397	524
Intangible assets	17	1,566	1,188	1,553	1,177
Advances to subsidiaries	29	-	-	4,612	8,505
Investment in subsidiaries	18	-	-	81	81
Total non-current assets		1,991	1,773	6,643	10,287
Total assets		16,873	16,687	13,768	15,766
Current Liabilities					
Trade and other payables	19	7,032	6,954	6,892	6,396
Bank finance facilities	20	-	1,233	-	1,228
Provisions	21	481	1,008	357	799
Derivative financial instruments	14	-	2	-	2
Finance lease liability	22	-	4	-	4
Total current liabilities		7,513	9,201	7,249	8,429
Non-Current Liabilities					
Finance lease liability	22	-	-	-	-
Total liabilities		7,513	9,201	7,249	8,429
Net assets		\$9,360	\$7,486	\$6,519	\$7,337
Equity					
Contributed equity	24	114,308	108,544	114,308	108,544
Accumulated losses	25	(102,520)	(99,004)	(105,532)	(99,020)
Other reserves	26	(2,428)	(2,054)	(2,257)	(2,187)
Total equity		\$9,360	\$7,486	\$6,519	\$7,337

For and on behalf of the Board



Director
28 February 2014



Director
28 February 2014

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

Cash Flow Statements

for the year ended 31 December 2013

		CONSOLIDATED		PARENT COMPANY	
	Note	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Cash flows from operating activities					
Receipts from customers exclusive of GST		28,050	33,566	509	26,166
Receipts from Group Companies		-	-	26,558	5,766
Payments to suppliers and employees exclusive of GST		(31,392)	(38,386)	(28,007)	(25,235)
Payments to Group Companies		-	-	(1,123)	(10,251)
Interest paid		(24)	(51)	(20)	(49)
Interest received		9	12	9	11
Taxation paid		(8)	(14)	-	-
Net GST received		929	1,420	264	225
Net cash outflow from operating activities	31	(2,436)	(3,453)	(1,810)	(3,367)
Cash flows from investing activities					
Payments for plant and equipment	16	(102)	(137)	(80)	(116)
Payments for intangible assets	17	(994)	(375)	(980)	(368)
Proceeds from sale of plant and equipment		44	271	4	(4)
Investment in subsidiaries		-	-	(19)	-
Net cash outflow from investing activities		(1,052)	(241)	(1,075)	(488)
Cash flows from financing activities					
Cash proceeds from share issues, net of issue costs		5,764	2,025	5,764	2,025
Proceeds from bank finance facilities		905	10,750	905	10,748
Repayments of bank finance facilities		(2,115)	(10,704)	(2,115)	(10,704)
Finance lease payments		(4)	(70)	(4)	(70)
Net cash inflow from financing activities		4,550	2,001	4,550	1,999
Net increase / (decrease) in cash and cash equivalents					
Cash and cash equivalents at the beginning of the financial period		1,869	3,628	793	2,715
Effect of exchange rate movements on cash		53	(66)	40	(66)
Cash and cash equivalents at end of year	12	2,984	\$1,869	2,498	\$793

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

Notes to the Financial Statements

for the year ended 31 December 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 financial statements have been approved for issue by the Board of Directors on 28 February 2014. The entity's owners do not have the power to amend these financial statements after issue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

(a) Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply fully with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit oriented entities. These financial statements comply with International Financial Reporting Standards (IFRS).

The Company has adopted XRB A1 (FP Entities Update) which is applicable for periods beginning on or after 1 December 2012. This has not resulted in a change in basis of preparation for the Company.

Entities reporting

The financial statements include separate financial statements for Wellington Drive Technologies Limited as a separate legal entity and the consolidated entity consisting of the Company and its subsidiaries.

Statutory base

The Company is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Going concern assumption

The Group reported a loss of \$4,005,000 (2012: \$7,137,000) and operating cash outflows of \$2,436,000 (2012: \$3,453,000) for the year ended 31 December 2013.

These financial statements have been prepared under a going concern assumption. The directors have reviewed cash flow projections of the Group which are based on a number of assumptions including:

- Customer pricing and terms - Forecasting sales, revenue growth, pricing and terms is inherently uncertain. Major customers routinely seek to renegotiate and there is no certainty that volume, price and terms assumptions in the Company's projections will be sustained.
- Achievement of forecast sales volumes - Projections include assumptions as to revenue, i.e. existing volumes with existing customers, additional volume with existing customers, additional volume from new customers and markets, and revenue from new products. Whether or not the Group will be successful in achieving forecast revenue is uncertain.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- Supply chain transition – The Group is in the process of commissioning a new motor supplier and expects motors from this supplier to be supplied in volume in the 2nd half of the 2014 year. The Group expects reduced unit prices from this new supplier so any delays could impact the Company's forecasts.

The cash forecasts for 2014 reflect investment in new product development, in resources to enter new markets and in resources within existing markets to enable the Group to achieve growth. The directors have assumed that a capital issue and / or bank borrowing would be forthcoming within the next 12 months in arriving at the going concern conclusion.

If the Company does not raise additional capital and / or bank borrowing, it would likely delay its expenditure on new product development and market expansion and may still have adequate cash resources for the business to operate over the next 12 months. However, the directors acknowledge that there is risk within the forecast assumptions. In the event additional capital is not raised and / or a borrowing facility not secured and there being material variations from the assumptions adopted in the cash flow forecasts, the minimum cash facilities available to the Group over the forecast period may be inadequate to continue to operate as a going concern. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 December 2013 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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 Statements 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 consolidated and parent financial statements are presented in New Zealand dollars, rounded to the nearest thousand, which is the Group's presentation currency.

2. Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

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.

(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 Statements 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 Statements of Financial Position;
- income and expenses for each Statements 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 as a separate component of equity.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, duties and Goods and Services Tax.

(i) Sale of Goods and Services

Revenue from the sale of goods and disposal of other assets is recognised when the Group has passed control of the goods or other assets to the buyer. Revenue from the provision of services is recognised when services are delivered to the buyer.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(iii) Royalties

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(iv) Grants

Grants are recognised within 'Other Income' in the Statements of Comprehensive Income at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Grants relating to costs are deferred and recognised in the Statements of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

(e) 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

2. Summary of significant accounting policies (continued)

(e) Income tax (continued)

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.

(f) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 14. Movements on the hedging reserve in shareholders' equity are shown in note 26. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Statements of Comprehensive Income within other income.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward exchange hedging contracts is recognised in the Statements of Comprehensive Income within 'revenue'. The gain or loss relating to the ineffective portion is recognised in the Statements of Comprehensive Income within 'other income'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

2. Summary of significant accounting policies (continued)

(f) Derivative financial instruments and hedging activities (continued)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statements of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statements of Comprehensive Income within 'other income'.

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

The Statements of Comprehensive Income have been prepared so that all components are stated exclusive of GST and VAT. All items in the Statements of Financial Position are stated net of GST and VAT, with the exception of receivables and payables, which include GST and VAT invoiced.

(h) Leases

The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statements of Comprehensive Income on a straight line basis over the period of the lease.

Leases in which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The asset acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term

(i) Impairment of non-financial assets

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets have a finite life and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. 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).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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. Bank finance facilities drawn down, are shown within current liabilities in the Statements of Financial Position.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than approximately 70 days from the date of recognition.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, indicating that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statements of Comprehensive Income within 'operating expenses'.

2. Summary of significant accounting policies (continued)

(k) Trade receivables (continued)

When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequently recoveries of amounts previously written off are credited against Operating expenses in the Statements of Comprehensive Income.

(l) Inventories

Raw materials, work in progress and finished goods

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of first in first out. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Investments and other financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the Statements of Financial Position. Loans and receivables are carried at amortised cost using the effective interest method.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

(n) Plant and equipment

All plant and equipment is stated at historical cost less depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of self-constructed assets includes the cost of all materials used in construction, direct labour on the project and an appropriate portion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Subsequent 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 Statements of Comprehensive Income during the financial year in which they are incurred.

Depreciation on 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
Office equipment, furniture and fittings	3 - 15 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statements of Comprehensive Income.

2. Summary of significant accounting policies (continued)

(o) Intangible assets

(i) 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 Statements 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 for the production of 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. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Statements 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 5 years.

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.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of 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 developing or maintaining computer software programmes are recognised as an expense as incurred.

(p) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. These amounts represent liabilities for goods and services provided to the Group prior to balance sheet date. The amounts are unsecured and are usually paid within 45 days of recognition.

(q) Investments in subsidiaries

Investments in subsidiaries are stated at cost less impairment.

(r) Provisions

Provisions for legal claims, warranties and restructuring costs are recognised when: the Group has a present legal or constructive obligation as a result of past events; it 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. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(s) Borrowings

Borrowings and bank finance facilities are initially recognised at fair value, net of transaction costs incurred.

Borrowings including bank finance facilities are subsequently measured at amortised cost. Any difference between the proceeds (plus transaction costs) and the redemption amount is recognised in the Statements 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 the balance sheet date.

2. Summary of significant accounting policies (continued)

(t) Borrowing costs

Borrowing costs are expensed when incurred unless they are directly attributable to the acquisition or construction of an asset, in which case they are capitalised.

(u) Employee benefits

(i) Wages and salaries, annual leave and sick leave

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.

(ii) Share based payments

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

(iii) Bonus plans

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.

(v) 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.

(w) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance sheet date.

(x) Segment reporting

Operating segments are reported in a manner consistent with internal reporting to the chief operating decision maker. 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.

(y) Standards, amendments and interpretations affecting the financial statements

New and amended standards adopted by the Group

During the year, the Group has adopted the following relevant accounting standards for the first time: NZ IAS1, 'Financial Statement Presentation', NZ IFRS10, 'Consolidated Financial Statements' and NZ IFRS13 'Fair Value Measurement'. There has been no material impact on the Group arising from the adoption of these accounting standards.

3. FINANCIAL RISK MANAGEMENT

Due to the broad range of the Group's activities, there is exposure to a variety of financial risks:

- Market risk (including currency risk and interest rate risk);
- Credit risk; and
- Liquidity risk

The Group's risk management programme focuses on minimising the potential adverse effects of these risks. The Group's business is primarily denominated in foreign currencies. The Group holds New Zealand dollars and other currencies to settle transactions in the normal course of business.

(a) Market risk

Foreign Currency Risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures. Presently the majority of the Group's revenue is derived from USD contracts. The majority of the Group's product, manufacturing and logistics costs are settled in US dollars. This provides a strong natural hedge position between revenues and costs. Some revenue is priced in Euro which the Group converts into USD to settle payables. USD funds are also converted to SGD and NZD to meet operational costs. Though the NZ dollar remains the main currency for corporate funding, engineering costs and Group reporting, it will continue to diminish as a proportion of total Group costs as product sales outstrip growth in the engineering cost base. The Group actively monitors its foreign exchange exposures and may use forward exchange contracts to reduce the currency risks associated with these purchases.

The below tables show the impact on pre-tax loss for the year, if the major currencies that the Company transacts in weaken/strengthen by 10% to the US Dollar, with other variables held constant. The impact would mainly result in foreign exchange gains or losses on the conversion of cash, receivables and payables. The same movement on equity would be expected. 10% was chosen as a reasonable sensitivity given the historically volatile markets for foreign exchange.

2013 NZ\$000s	CONSOLIDATED			PARENT COMPANY		
	Carrying Amount at 31 Dec	NZD + 10% Profit / Equity	NZD - 10% Profit / Equity	Carrying Amount at 31 Dec	NZD + 10% Profit / Equity	NZD - 10% Profit / Equity
NZD cash	241	24	(24)	241	24	(24)
NZD accounts receivable	45	5	(5)	45	5	(5)
NZD accounts payable	(375)	(38)	38	(375)	(38)	38
Total NZD		(\$9)	\$9		(\$9)	\$9
SGD cash	34	3	(3)	-	-	-
SGD accounts payable	(13)	(1)	1	-	-	-
Total SGD		\$2	(\$2)		\$-	\$-
EUR cash	83	8	(8)	81	8	(8)
EUR accounts receivable	3	-	-	-	-	-
EUR accounts payable	(3)	-	-	-	-	-
Total EUR		\$8	(\$8)		\$8	(\$8)
YTL cash	31	3	(3)	-	-	-
YTL accounts receivable	9	1	(1)	-	-	-
Total YTL		\$4	(\$4)		\$-	\$-

3. Financial Risk Management (continued)

(a) Market risk (continued)

2012	CONSOLIDATED			PARENT COMPANY		
NZ\$000s	Carrying Amount at 31 Dec	NZD + 10% Profit / Equity	NZD - 10% Profit / Equity	Carrying Amount at 31 Dec	NZD + 10% Profit / Equity	NZD - 10% Profit / Equity
NZD cash	365	37	(37)	365	37	(37)
NZD accounts receivable	55	6	(6)	55	6	(6)
NZD accounts payable	(485)	(49)	49	(485)	(49)	49
Total NZD		(\$6)	\$6		(\$6)	\$6
SGD cash	308	31	(31)	1	-	-
SGD accounts payable	(35)	(4)	4	1	-	-
Total SGD		\$27	(\$27)		\$-	\$-
EUR cash	144	14	(14)	64	6	(6)
EUR accounts receivable	382	38	(38)	42	4	(4)
EUR accounts payable	(99)	(10)	10	(29)	(3)	3
EUR bank finance liability	(193)	(19)	19	(193)	(19)	19
Total EUR		\$23	(\$23)		(\$12)	\$12
YTL cash	191	19	(19)	-	-	-
YTL accounts payable	(24)	(2)	2	-	-	-
Total YTL		\$17	(\$17)		\$-	\$-

Interest Rate Risk

The Group currently has no central overdraft or debt facility. The Group and Parent had cash deposits in various currencies at balance sheet date as follows:

CONSOLIDATED	2013		2012	
	Local Currency	NZD Equivalent	Local Currency	NZD Equivalent
\$000s				
NZD	241	241	365	365
EUR	49	83	90	144
USD	2,117	2,581	677	825
SGD	35	34	309	308
MXN	134	13	-	-
YTL	55	31	281	191
Other	-	1	18	36
Total		\$2,984		\$1,869

3. Financial Risk Management (continued)

(a) Market risk (continued)

PARENT COMPANY \$000s	2013		2012	
	Local Currency	NZD Equivalent	Local Currency	NZD Equivalent
NZD	241	241	365	365
EUR	48	81	64	103
USD	1,784	2,175	263	320
Other	-	1	3	5
Total		<u>\$2,498</u>		<u>\$793</u>

The impact of a 1% increase / decrease in interest rates over a one year period on the closing cash balance would result in an increase / decrease in consolidated pre-tax profit and equity of \$30,000 (December 2012 - \$19,000). 1% was chosen as a reasonable sensitivity given changeable interest rate markets.

(b) Credit Risk

Credit risk is managed on a Group basis. The Group generally trades with customers and banking counterparties who are well established. While there are individually significant customers, the Company and Group utilise an insured trade credit facility for several of its major customers in order to provide better security. The Group is also exposed to credit risk relating to component suppliers for which the Group has sold input components for the assembly of its products. Receivables balances are managed by and reported regularly to senior management according to the Company's credit management policies and procedures. The amount outstanding at balance sheet date represents the maximum exposure to credit risk.

The Group enters into foreign exchange derivatives within specified policy limits and only with counter-parties approved by directors.

Cash and cash equivalents of the Company and Group are deposited with a number of trading banks in New Zealand and overseas. \$1,770,000 is deposited with a major NZ trading bank with a Standard and Poors rating of AA-, \$92,000 with a major Singapore trading bank and \$721,000 with Western Union. \$146,000 is deposited with a Turkish bank with a Standard and Poors rating of BB+. Of the remaining balance, \$248,000 is held across a number of 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 Company and Group maintain regular forecasts of liquidity based on expected cash flows. The table below analyses the Company's and 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.

CONSOLIDATED \$000s	2013			2012		
	Less than 6 months	7 to 12 months	More than 12 months	Less than 6 months	7 to 12 months	More than 12 months
Financial liabilities						
Trade and other payables	7,032	-	-	6,954	-	-
Bank finance facilities	-	-	-	1,233	-	-
Finance lease liability	-	-	-	4	-	-
	\$7,032	\$-	\$-	\$8,191	\$-	\$-

3. Financial Risk Management (continued)

(c) Liquidity risk (continued)

PARENT COMPANY \$000's	2013			2012		
	Less than 6 months	7 to 12 months	More than 12 months	Less than 6 months	7 to 12 months	More than 12 months
Financial liabilities						
Trade and other payables	6,892	-	-	6,396	-	-
Bank finance facilities	-	-	-	1,228	-	-
Finance lease liability	-	-	-	4	-	-
	\$6,892	\$-	\$-	\$7,628	\$-	\$-

The table below analyses derivative financial instruments that are settled net and all gross settled derivatives into their relevant maturity groupings based on the remaining period at balance date to the contracted maturity date. The amounts disclosed are the contracted undiscounted cash flows.

CONSOLIDATED & PARENT COMPANY \$000's	Liability carrying amount	Asset carrying amount	Contracted cash flows	Less than 6 months	6 to 12 months	More than 12 months
2013						
Forward foreign exchange contracts	-	31				
- Outflow			(969)	(969)	-	-
- Inflow			1,000	1,000	-	-
	Liability carrying amount	Asset carrying amount	Contracted cash flows	Less than 6 months	6 to 12 months	More than 12 months
2012						
Forward foreign exchange contracts	(2)	-				
- Outflow	-	-	1,072	1,072	-	-
- Inflow	-	-	1,077	1,077	-	-

(d) Capital risk management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital (refer to note 2(a)).

The Company currently monitors capital on the basis of cash requirements and, in order to maintain or adjust the capital structure, generally issues new shares to investors through rights issues or institutional placements.

The Group and the Company have not been subject to any externally imposed capital requirements during the period.

(e) Fair values

The carrying value of all balance sheet financial instruments approximates their fair value. Derivatives are carried at fair value. Receivables and payables are short term in nature and therefore approximate to their fair value.

Interest bearing bank deposits and bank finance facilities re-price between every 1 to 90 days and are therefore approximate to their fair value.

The Group's derivatives are over-the-counter derivatives and are classified as tier 2 financial instruments under NZIFRS 7, meaning that their fair value is estimated using present value and other valuation techniques based on observable market rates.

4. FINANCIAL INSTRUMENTS BY CATEGORY

Assets per Statements of Financial Position	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Loans and Receivables				
Trade and other receivables	7,567	8,190	2,440	1,823
Cash and cash equivalents	2,984	1,869	2,498	793
Advances to subsidiaries	-	-	4,612	8,505
Derivative financial instruments	31	-	31	-
	\$10,582	\$10,059	\$9,581	\$11,121
Liabilities per Statements of Financial Position				
Amortised cost				
Trade and other payables	7,032	6,954	6,892	6,396
Bank finance facility	-	1,233	-	1,228
Finance lease liability	-	4	-	4
	\$7,032	\$8,191	\$6,892	\$7,628

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

Critical accounting estimates, assumptions and judgements

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 discussed below.

(i) Going Concern Assumption

Refer note 2(a) in relation to the adoption of the going concern assumption.

(ii) Inventory Provisions- \$1,080,000 (2012 - \$1,481,000)

Inventories are stated at the lower of cost and net realisable value. Management are required to make judgements about expected selling prices.

(iii) Warranty Provision - \$286,000 (2012 - \$529,000)

Provisions for warranties are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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 with respect to similar products. It is expected that the provision will be utilised within one year (refer to note 21).

(iv) Development Costs- \$936,000 (2012 - \$314,000)

Development costs are capitalised once it can be demonstrated that the asset is supported by future economic benefits (refer note 2(i)). These projects are assessed for impairment annually in accordance with the accounting policies (refer note 2(o)) which require estimates of future cash flows. An impairment charge arose during 2012 of \$950,000 following the decision not to proceed with certain projects, representing the write off of costs previously capitalised (refer note 17).

(v) Receivables and provision for doubtful debts - \$161,000 (2012: \$329,000)

The Group performs ongoing reviews of the bad debt risk within its receivables and makes provisions to reflect its views of the financial condition of its customers and their ability to pay in full for amounts owing for goods provided. This determination requires significant judgement. In making this judgement, the Group evaluates amongst other factors whether there is objective evidence of significant financial difficulty of the customer, whether there has been breach of contract such as default in payment terms, whether it has become probable that the customer will enter into bankruptcy or other financial reorganisation, the disappearance of an active market for that customer because of financial difficulties, and national or local economic conditions that could impact on the customer.

6. SEGMENT INFORMATION

(a) Reportable segments

At 31 December 2013, the Group is organised on a global basis into one operating segment: marketing, selling, manufacturing and developing electric motors and associated electronics and software. 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 manufacture and supply of electric motors by the Company.

Revenue by Geographic Areas	CONSOLIDATED	
	2013 \$000s	2012 \$000s
New Zealand	3	121
Americas	19,395	19,159
Asia/Pacific - other	1,722	3,590
Europe	6,317	12,692
Total	\$27,437	\$35,562

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

Total Non-Current Assets	CONSOLIDATED	
	2013 \$000s	2012 \$000s
New Zealand	1,949	1,701
America	7	11
Asia/Pacific - other	19	45
Europe	16	16
Total	\$1,991	\$1,773

Total assets are allocated based on where the owners of the assets are located.

Major Customers

Two major customers (each representing 10% or more of revenues), each account for revenues of \$10,459,000, and \$4,121,119 of total revenues (2012: two customers each with revenues of \$11,171,000 and \$4,845,000).

7. REVENUE

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Product revenue	27,435	35,481	23,068	34,377
Services revenue	2	81	2	18
	\$27,437	\$35,562	\$23,070	\$34,395

8. OTHER INCOME

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Net foreign exchange gains	129	350	-	168
Subvention payment received	-	-	281	-
Other income	382	143	398	146
	\$511	\$493	\$679	\$314

9. EXPENSES

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
.....				
Loss before income tax includes the following specific expenses:				
Depreciation (note 16)				
Plant and equipment	148	383	133	239
Office equipment, furniture & fittings	66	151	75	94
	\$214	\$534	\$208	\$333
Employee benefits				
Wages and salaries	4,379	4,279	3,370	2,845
Sick leave	28	29	28	29
Holiday pay	279	250	267	249
Employee share options expense	115	118	115	118
Other short term employee related costs	766	643	566	438
	\$5,567	\$5,319	\$4,346	\$3,679
Auditor's remuneration (PricewaterhouseCoopers)				
Audit services: Group	74	95	74	95
Audit services: Subsidiaries	16	18	-	-
Audit related services	11	20	11	20
	\$101	\$133	\$85	\$115
Restructuring costs				
Onerous leases	60	322	19	194
Onerous supply contracts	-	(119)	-	76
	\$60	\$203	\$19	\$270
Amortisation of intangible assets (note 17)	304	391	293	388
Impairment of plant and equipment (note 16)	-	150	-	150
Impairment of intangible assets (note 17)	318	1,074	318	1,074
Finance costs				
Interest expense	24	51	20	49
Doubtful debts (release) / expense (note 13)	(146)	241	(31)	51
Rental expense relating to operating leases	461	1,018	421	478
Gain / (loss) on disposal of plant and equipment	3	-	(4)	-
Net foreign exchange losses	-	-	97	-
Development costs expensed	337	183	337	187
Inventory (recovery)/write downs (note 15)	(72)	(405)	395	118
Impairment charge / (release) of subsidiary company advances	-	-	(876)	960
Impairment charge / (release) of subsidiary company investments	-	-	19	(81)

10. INCOME TAX EXPENSE

(a) Income tax expense

The taxation charge of \$5,000 relates to an overseas subsidiary. No other taxation is payable (Dec 2012 - \$14,000), as the Company and Group have tax losses available to carry forward and offset against current year taxable income.

(b) Losses for tax purposes

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Reported loss for period before tax	(3,763)	(6,319)	(6,764)	(7,270)
Non-deductible / non assessable items	(99)	131	(997)	1,010
Less unrecognised timing differences	(536)	772	393	2,128
Net loss for tax purposes	(4,398)	(5,416)	(7,368)	(4,132)
Losses carried forward from prior years	(84,453)	(78,536)	(70,646)	(64,382)
Adjustment of prior periods	680	(964)	1,015	(2,132)
Expired losses	-	396	-	-
Exchange adjustments	385	67	-	-
Losses available to carry forward to future years	(87,786)	(\$84,453)	(\$76,999)	(\$70,646)

Of the total consolidated losses available to carry forward to future years, \$2,763,000 (2012 - \$2,887,000) arises in the U.S.A. and is subject to their continuity requirements. U.S.A. Federal tax losses expire after 15 to 20 years, depending on when those losses were incurred. During the 2013 year U.S.A. Federal tax losses of US\$Nil expired (2012 - US\$305,000).

(c) Unrecognised deferred tax balances

The Company and Group have 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. The 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. Further details can be found in Note 23.

11. IMPUTATION CREDITS

The Parent and the Group have no imputation credits available (2012 - \$nil) and no movements occurred in the Imputation Credit Account (2012 - \$nil).

12. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Cash on hand and at bank	1,040	469	735	88
Call deposits	1,867	1,323	1,686	628
Short term bank deposits 3 to 12 months	77	77	77	77
Cash and cash equivalents in cash the Cash Flow Statement	\$2,984	\$1,869	\$2,498	\$793

All short term bank deposits can be accessed within 3 months if necessary.

13. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Net trade receivables				
Trade receivables - external	7,272	7,871	1,630	1,845
Trade receivables - subsidiaries	-	-	827	-
Provision for doubtful debts	(161)	(329)	(55)	(91)
	7,111	7,542	2,402	1,754
Prepayments	325	329	253	300
VAT/GST refunds due	356	473	38	46
Income tax refund due	3	-	-	-
Other receivables	97	175	-	23
	\$7,892	\$8,519	\$2,693	\$2,123

The fair values of trade receivables approximate their carrying amounts. The fair values of loans to related parties approximate their face values because the loans are repayable on demand and are stated at net realisable value. At balance sheet date, trade and other receivables of \$1,617,000 were past due but not considered impaired (2012 - \$1,072,000). Of this amount \$289,000 (2012: \$304,000) was 3 months or more overdue.

Individual receivables are assessed as impaired where customers have defaulted on payment terms and management has assessed the likelihood of recovery as remote. A full provision has been made against those individually impaired assets. For receivables that are neither past due nor impaired, management does not foresee any likelihood of default as the receivables are due from long-standing customers.

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Provision for doubtful debts beginning of year	329	172	91	125
(Decrease) / Increase in provision	(146)	241	(31)	51
Bad debts written off	(9)	(79)	(6)	(79)
Exchange adjustment	(13)	(5)	1	(6)
Provision for doubtful debts end of year	\$161	\$329	\$55	\$91

The movement in the provision for doubtful debts is recognised within 'Operating expenses' in the Statements of Comprehensive Income.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED & PARENT			
	Carrying Amount		Notional Contract Value	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Forward foreign exchange contracts	\$31	(\$2)	\$970	\$1,076

The majority of the Group's revenue is invoiced in USD and the majority of the Group's product and logistics costs are settled in USD. Head office and Engineering costs are largely NZD denominated. The Parent may hedge highly probable forecast NZD costs that are expected to occur at various dates over the next 6 months. These contracts are timed to mature when the costs will be incurred. The forward currency contracts are considered to be highly effective as they are matched against forecast cash outflows with any gain/loss on contracts attributable to the hedged risk taken directly to equity and recycled to the Statements of Comprehensive Income in the following year when the contract is settled (refer note 26).

15. INVENTORIES

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Finished goods – at cost	2,566	3,335	360	946
Work in progress – at cost	1,779	1,681	1,410	1,289
Raw materials – at cost	710	991	452	587
Less inventory provisions	(1,080)	(1,481)	(319)	(259)
Total inventories	\$3,975	\$4,526	\$1,903	\$2,563

Certain inventories are subject to retention of title clauses.

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Inventory provision at commencement of year	(1,481)	(2,760)	(259)	(472)
Inventory scrapped	275	1,209	321	201
Recognised in the Income Statement	72	405	(395)	(118)
Exchange adjustments	54	(335)	14	130
Inventory provision at end of year	(\$1,080)	(\$1,481)	(\$319)	(\$259)

The reversal of inventory provision is attributable to the recovery of the inventory value as a result of sale and or use in manufacture.

The cost of inventories recognised as an expense and included in cost of sales amounted to \$21,384,000 (2012: \$29,659,000).

16. PLANT AND EQUIPMENT

	CONSOLIDATED			PARENT COMPANY		
	Plant & equipment	Office equipment furniture & fittings	Total	Plant & equipment	Office equipment furniture & fittings	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
At 31 December 2011						
Cost	5,371	2,348	7,719	3,933	1,519	5,452
Accumulated depreciation	(4,291)	(1,720)	(6,011)	(3,164)	(1,139)	(4,303)
Exchange adjustment	(133)	(108)	(241)	(61)	(27)	(88)
Net book amount	\$947	\$520	\$1,467	\$708	\$353	\$1,061
Year ended 31 December 2012						
Opening net book amount	947	520	1,467	708	353	1,061
Additions	100	37	137	88	28	116
Depreciation	(383)	(151)	(534)	(239)	(94)	(333)
Impairments	(5)	(145)	(150)	-	(150)	(150)
Disposals	(181)	(24)	(205)	(111)	-	(111)
Exchange adjustment	(44)	(86)	(130)	(40)	(19)	(59)
Closing net book amount	\$434	\$151	\$585	\$406	\$118	\$524
At 31 December 2012						
Cost	4,819	2,234	7,053	3,774	1,547	5,321
Accumulated depreciation and impairments	(4,208)	(1,889)	(6,097)	(3,267)	(1,383)	(4,650)
Exchange adjustment	(177)	(194)	(371)	(101)	(46)	(147)
Net book amount	\$434	\$151	\$585	\$406	\$118	\$524
Year ended 31 December 2013						
Opening net book amount	434	151	585	406	118	524
Additions	56	46	102	44	36	80
Depreciation	(148)	(66)	(214)	(133)	(75)	(208)
Impairments	-	-	-	-	-	-
Disposals	(12)	(35)	(47)	-	-	-
Exchange adjustment	-	(1)	(1)	1	-	1
Closing net book amount	\$330	\$95	\$425	\$318	\$79	\$397
At 31 December 2013						
Cost	4,707	2,148	6,855	3,811	1,577	5,388
Accumulated depreciation and impairments	(4,200)	(1,858)	(6,058)	(3,393)	(1,452)	(4,845)
Exchange adjustment	(177)	(195)	(372)	(100)	(46)	(146)
Net book amount	\$330	\$95	\$425	\$318	\$79	\$397

17. INTANGIBLE ASSETS

CONSOLIDATED	Internally Generated Development costs \$000s	Patents \$000s	Software \$000s	Other \$000s	Total \$000s
At 31 December 2011					
Cost	5,131	1,614	387	162	7,294
Accumulated amortisation	(3,506)	(818)	(307)	(70)	(4,701)
Exchange adjustment	(197)	(42)	(6)	(18)	(263)
Net book amount	\$1,428	\$754	\$74	\$74	\$2,330
Year ended 31 December 2012					
Opening net book amount	1,428	754	74	74	2,330
Additions	47	321	6	1	375
Amortisation	(208)	(156)	(26)	(1)	(391)
Impairments	(950)	(57)	-	(67)	(1,074)
Exchange adjustment	(3)	(40)	(4)	(5)	(52)
Closing net book amount	\$314	\$822	\$50	\$2	\$1,188
At 31 December 2012					
Cost	4,228	1,878	393	96	6,595
Accumulated amortisation	(3,714)	(974)	(333)	(71)	(5,092)
Exchange adjustment	(200)	(82)	(10)	(23)	(315)
Net book amount	\$314	\$822	\$50	\$2	\$1,188
Year ended 31 December 2013					
Opening net book amount	314	822	50	2	1,188
Additions	766	151	13	64	994
Amortisation	(146)	(125)	(30)	(3)	(304)
Impairments	-	(318)	-	-	(318)
Exchange adjustment	2	5	(1)	-	6
Closing net book amount	\$936	\$535	\$32	\$63	\$1,566
At 31 December 2013					
Cost	4,994	1,385	406	160	6,945
Accumulated amortisation	(3,860)	(773)	(363)	(74)	(5,070)
Exchange adjustment	(198)	(77)	(11)	(23)	(309)
Net book amount	\$936	\$535	\$32	\$63	\$1,566

17. Intangible Assets (continued)

PARENT COMPANY	Internally Generated Development costs	Patents	Software	Other	Total
	\$000s	\$000s	\$000s	\$000s	\$000s
At 31 December 2011					
Cost	5,131	1,614	379	77	7,201
Accumulated amortisation	(3,506)	(818)	(306)	-	(4,630)
Exchange adjustment	(197)	(42)	(6)	(5)	(250)
Net book amount	\$1,428	\$754	\$67	\$72	\$2,321
Year ended 31 December 2012					
Opening net book amount	1,428	754	67	72	2,321
Additions	47	321	-	-	368
Amortisation	(208)	(156)	(24)	-	(388)
Impairments	(950)	(57)	-	(67)	(1,074)
Exchange adjustment	(3)	(40)	(4)	(3)	(50)
Closing net book amount	\$314	\$822	\$39	\$2	\$1,177
At 31 December 2012					
Cost	4,228	1,878	379	10	6,495
Accumulated amortisation	(3,714)	(974)	(330)	-	(5,018)
Exchange adjustment	(200)	(82)	(10)	(8)	(300)
Net book amount	\$314	\$822	\$39	\$2	\$1,177
Year ended 31 December 2013					
Opening net book amount	314	822	39	2	1,177
Additions	766	151	13	50	980
Amortisation	(146)	(125)	(22)	-	(293)
Impairments	-	(318)	-	-	(318)
Exchange adjustment	2	5	-	-	7
Closing net book amount	\$936	\$535	\$30	\$52	\$1,553
At 31 December 2013					
Cost	4,994	1,385	392	60	6,831
Accumulated amortisation	(3,860)	(773)	(352)	-	(4,985)
Exchange adjustment	(198)	(77)	(10)	(8)	(293)
Net book amount	\$936	\$535	\$30	\$52	\$1,553

The remaining amortisation period of these intangibles varies between 9 months and 19 years. An impairment assessment of intangible assets is performed annually based on estimated future cash flows.

Following a review of Wellington's patent portfolio, the decision was made to relinquish some patents. This decision has resulted in impairment losses of \$318,000 being recognised in the year ended 31 December 2013 for the Parent and Group (2012: \$57,000). In 2012, a review of Wellington's product roadmap led to impairment of development assets of \$950,000 for the Parent and Group.

18. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2b.

	Country of incorporation	Class of Shares	2013	2012
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	99.4%	99.4%
Wellington Italia Srl	Italy	Ordinary	100%	100%
Wellington Drive Technologies Pte Ltd	Singapore	Ordinary	100%	100%
Wellington Manufacturing Group 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%	-

All subsidiaries have a common balance date of 31 December.

Wellington Mexico Tecnologia SA de CV was incorporated in July 2013.

19. TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Trade payables	5,995	6,002	5,813	5,704
Intercompany payables – refer note 29(d)	-	-	182	-
Related party payables – refer note 29(d)	593	388	593	379
Accrued expenses	205	26	107	128
Employee expenses	239	538	197	185
	\$7,032	\$6,954	\$6,892	\$6,396

20. BANK FINANCE FACILITIES

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Bank finance facilities (secured)	\$-	\$1,233	\$-	\$1,228

The advances were secured by way of a debenture security over the Company's assets. Interest was payable at EURO/USD bank rates plus 2%. The facility was withdrawn in 2013 and all outstanding amounts paid in full.

21. PROVISIONS

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Restructuring provisions	195	479	71	270
Warranty provisions	286	529	286	529
	\$481	\$1,008	\$357	\$799

(a) Restructuring provisions

Carrying amount at start of year	479	1,510	270	437
Additional provisions recognised	143	398	19	270
Amounts used	(343)	(1,273)	(219)	(438)
Unused amounts reversed	(83)	(195)	-	-
Exchange adjustment	(1)	39	1	1
	\$195	\$479	\$71	\$270

In August 2011, the Company announced a plan to restructure its operations. Further restructuring initiatives resulted from the review of the business undertaken since the appointment of the new CEO. As a result provisions have been made to recognise the costs expected to be incurred as a result of the restructuring including redundancies, onerous lease costs and onerous supply contracts. The provisions are expected to be utilised within one year of balance date.

(b) Warranty provisions

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Carrying amount at start of year	529	1,148	529	1,148
Additional provisions recognised	504	597	504	597
Amounts used	(144)	(351)	(144)	(351)
Unused amounts reversed	(607)	(784)	(607)	(784)
Exchange adjustment	4	(81)	4	(81)
Carrying amount at end of year	\$286	\$529	\$286	\$529

The Group sells electric motors with warranty periods of up to three 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.

22. FINANCE LEASE LIABILITIES

Commitments in relation to finance leases are payable as follows:

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Within one year	-	5	-	5
Later than one year but not later than five years	-	-	-	-
Future finance charges	-	(1)	-	(1)
Recognised as a liability	-	\$4	-	\$4
Disclosed as:				
Current portion	-	4	-	4
Non-current portion	-	-	-	-
Recognised as a liability	-	\$4	-	\$4

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The net book value of leased assets at 31 December 2013 is \$Nil (2012 - \$Nil).

23. DEFERRED TAX

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Unrecognised deferred tax assets				
Doubtful debts	40	92	15	26
Inventory provisions	155	415	89	73
Employee benefits	202	138	202	138
Other timing differences	99	498	99	373
Tax losses to carry forward	24,580	23,647	21,561	19,781
Unrecognised net deferred tax asset	\$25,076	\$24,790	\$21,966	\$20,391

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.

New Zealand corporate tax rate of 28% has been used to determine the above deferred tax balances.

The Company and Group recognise possible unused tax losses and temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary tax differences and losses.

24. CONTRIBUTED EQUITY

CONSOLIDATED & PARENT	2013 Shares	2012 Shares	2013 \$000s	2012 \$000s
Ordinary shares – fully paid	126,058,703	80,766,450	114,289	108,495
Ordinary shares – partly paid	3,790,659	1,959,926	19	49
US employee share options	288,647	37,500	-	-
Share warrants	5,300,000	-	-	-
Total ordinary shares and options on issue	135,438,009	82,763,876	\$114,308	\$108,544

(a) Ordinary shares – fully paid

Opening balance of ordinary shares on issue	80,766,450	67,366,450	108,495	106,456
Issues of ordinary shares during the year:				
• March 2013 issues at 13 cents for cash	16,000,002	-	2,080	-
• May 2013 Share Purchase Plan at 13 cents for cash	3,923,021	-	510	-
• June 2013 issues at 13 cents for cash	14,769,230	-	1,920	-
• September 2013 placement at 15.5 cents for cash to East West Manufacturing	10,600,000	-	1,643	-
• October 2012 issue at 15.5 cents for cash	-	13,400,000	-	2,077
• Share issue costs	-	-	(359)	(38)
Ordinary fully paid shares on issue at year end	126,058,703	80,766,450	\$114,289	\$108,495

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	1,959,926	2,195,641	49	63
Issues of partly paid shares during the year:	2,443,330	-	12	-
Lapsed	(612,597)	(235,715)	(42)	(14)
Surrendered	-	-	-	-
Ordinary part paid shares on issue at year end	3,790,659	1,959,926	\$19	\$49

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 2013 (numbers)	Outstanding at 2012 (numbers)
10 Aug 2010	10 Aug 2013	10 Aug 2015	¹ . 163.35	¹ . 163.35	¹ . 163.35	-	537,597
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 2015	25.56	25.56	25.06	1,347,329	1,347,329
15 Apr 2013	15 Apr 2015	15 Apr 2017	17.25	17.25	16.75	807,665	-
24 Jun 2013	24 Jun 2016	24 Jun 2018	16.29	16.29	15.79	1,635,665	-

A Partly Paid Share Scheme was established in June 2008, to enable certain employees to acquire shares in the Company. Under the Scheme the issue price is calculated as the weighted average of the market price over the 10 trading days prior to the issue date, plus 20% where the earliest exercise date is 2 years after issue, or 30% where the earliest exercise date is 3 years after issue. 0.5 cents per part-paid share is required to be paid on issue. 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.

24. Contributed Equity (continued)

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 1,347,329 part paid shares in December 2011 and a further 807,665 part paid shares in April 2013 that have a two year vesting period.

Directors have agreed the 1,347,329 part paid shares issued in December 2011 to Mr Allen, have satisfied the hurdle price requirements of the Scheme. Mr Allen has until December 2015 to take up his entitlements to the 1,347,329 shares and settle the balance of the issue price of 25.06 cents per share due in respect of the shares plus any holding cost applicable under the Scheme.

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.

The model inputs for partly paid shares issued were as follows:

	2013 issues	2011 issue
• Market price or "hurdle price" required to enable the partly paid shares to be exercised:	16.29 - 17.25 cents	25.56 cents
• Expected volatility of the Company's shares:	52.7%	60%
• Risk-free interest rate:	2.87%	2.5%
• Expected term:	2 - 3 years	2 years

(c) U.S. employee share options (numbers)

	2013 Share Options	2012 Share Options
Options outstanding at start of period	37,500	37,500
Issues of U.S. employee options during the year:	288,647	-
Lapsed	(37,500)	-
Outstanding at end of period	288,647	37,500

The Annual Meeting held in June 2010 approved the establishment of the United States Share Option Plan and authorised the Board to issue up to 3,000,000 options. All options must be exercised within 12 months after a period of three years from the date on which the options are issued. 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) ¹	Outstanding at 2013 (numbers)	Outstanding at 2012 (numbers)
10 Aug 10	10 Aug 14	¹ 247	-	37,500
24 Jun 2013	24 Jun 2017	16.9	288,647	-
			288,647	37,500

The model inputs for partly paid shares issued were as follows:

	2013 issue	2010 issue
• Market price or "hurdle price" required (being the issue price plus 30%), to enable the partly paid shares to be exercised:	16.9 cents	¹ 247 cents
• Expected volatility of the Company's shares	52.7%	42%
• Risk-free interest rate:	2.87%	4.2%
• Expected term:	3 years	3 years

1. Issue price adjusted for impact 20 for 1 share consolidation in June 2011. In August 2013 these share options failed to meet the price hurdle under the Scheme and have been lapsed.

24. Contributed Equity (continued)

(d) Share warrants (numbers)

	2013	2012
Warrants outstanding at start of year	-	-
Issues of warrants during the year:	5,300,000	-
Exercised or lapsed during the year	-	-
Outstanding at end of year	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.

25. ACCUMULATED LOSSES

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Opening balance	(99,004)	(92,671)	(99,020)	(91,750)
Loss for the year	(3,768)	(6,333)	(6,764)	(7,270)
Surrendered & lapsed employee share option scheme benefits	252	-	252	-
Accumulated losses at end of year	(\$102,520)	(\$99,004)	(\$105,532)	(\$99,020)

26. OTHER RESERVES

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Share option compensation reserve	121	258	121	258
Currency translation reserve	(2,580)	(2,310)	(2,409)	(2,443)
Hedging reserve	31	(2)	31	(2)
	(\$2,428)	(\$2,054)	(\$2,257)	(\$2,187)

(a) Share Option Compensation Reserve

Share based compensation recognised at start of year	258	140	258	140
Net compensation expensed	115	118	115	118
Surrendered & lapsed share option scheme transferred to accumulated losses	(252)	-	(252)	-
	\$121	\$258	\$121	\$258

A description of the Wellington Partly Paid Share Scheme and Employees Share option Plan (ESOP) is provided in Notes 24(b) and 24(c) above.

(b) Currency Translation Reserve

Opening balance	(2,310)	(1,564)	(2,443)	(1,832)
Movements for the year	(270)	(746)	34	(611)
	(\$2,580)	(\$2,310)	(\$2,409)	(\$2,443)

The Currency Translation Reserve comprises of all foreign exchange differences arising from the translation of financial statements of foreign operations into New Zealand dollars.

In the Parent, the Currency Translation Reserve comprises all foreign exchange differences arising from the translation of financial statements in its functional currency (US dollars) to New Zealand dollars for presentation purposes.

26. Other reserves (continued)

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Operating leases				
Opening balance	(2)	56	(2)	56
Cash flow hedge fair value gains/(losses) for the year	33	(58)	33	(58)
Tax on fair value (losses)/gains	-	-	-	-
	\$31	(\$2)	\$31	(\$2)

The Hedging Reserve records the portion of the gain or loss on a hedging derivative in a cash flow hedge. The amounts are recognised in the Statements of Comprehensive Income when the associated hedge transactions affect profit and loss.

27. CONTINGENCIES

There are no material contingent liabilities or assets (2012 - \$nil).

28. COMMITMENTS

(a) Capital commitments

Capital commitments at 31 December 2013 amounted to \$402,000 (2012 - \$nil).

(b) Lease commitments : Group as lessee

The Group leases various offices, facilities and equipment. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Operating leases	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Within one year	453	817	299	562
Later than one year but not later than five years	1,227	186	1,182	140
Later than five years	-	-	-	-
	\$1,680	\$1,003	\$1,481	\$702

29. RELATED PARTY TRANSACTIONS

(a) Directors

The names of persons who are directors of the Company are on page 66.

(b) Key management personnel and compensation

Key management personnel compensation for the years ended 31 December 2012 and 2013 is set out below. The key management personnel comprises the Directors including the Chief Executive Officer (CEO) and all the senior executives who report directly to the CEO.

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Salaries, fees and other short term benefits	1,291	1,566	1,291	1,017
Share based remuneration	92	89	92	89
Directors' remuneration	164	162	164	162
Bonuses	416	288	416	288
Total	\$1,963	\$2,105	\$1,963	\$1,556

The Individual Employment Contract between the Company and the Chief Executive Officer, Mr Greg Allen provides that 1% of the then listed share capital of the Company shall be issued as part paid shares (in accordance with the Partly Paid Share Scheme refer note 24(b)) for each of the financial years 2013, 2014 and 2015, subject to agreed performance hurdles.

(c) Transactions

During the year the Parent purchased and sold stock to and from its subsidiaries and advanced loans to its subsidiaries. These transactions and balances are by way of internal current accounts that are set out below.

In presenting the financial statements of the Group, the effect of these transactions and balances between subsidiaries and those with the Parent have been eliminated.

The main transactions between the Parent and its subsidiaries involve:

- Sales of product and components by the Parent to its marketing subsidiaries; Wellington Drive Sales Ltd, Wellington Drive Technologies US, Inc., Wellington Motor Tecnolojileri San Tic Ltd Sti and Wellington Drive Technologies Group Singapore Pte Ltd;
- Tax subvention payment from Wellington Drive Sales Ltd to the Parent;
- Purchases of sales and marketing services from Wellington Tecnolojileri San Tic Ltd; and
- Purchases of supply chain management services from Wellington Manufacturing Group Singapore Pte Ltd.

The following transactions occurred with related parties during the year:

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Revenue – subsidiaries	-	-	23,077	9,885
Purchases – subsidiaries	-	-	297	11,084
Other income – subsidiaries	-	-	679	-
Other expenses – subsidiaries	-	-	1,419	867
Operating cash inflows - subsidiaries	-	-	26,558	5,766
Operating cash outflows – subsidiaries	-	-	(1,123)	(10,251)
Investment in subsidiaries	-	-	(19)	-

29. Related party transactions (continued)

(d) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Trade receivables from subsidiaries	-	-	827	-
Loans to subsidiaries	-	-	14,289	19,057
Provisions made in respect of loans to subsidiaries	-	-	(9,677)	(10,552)
Payables to subsidiaries	-	-	(182)	-
Payables to key management personnel	(593)	(388)	(593)	(379)

(e) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties.

Outstanding balances are unsecured and are repayable on demand in cash.

30. 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 year.

	2013	2012
Loss attributable to equity holders of the Company	(3,768,000)	(6,333,000)
Weighted average number of ordinary shares in issue (thousands)	107,850	70,588
Basic earnings per share	(3.49 cents)	(8.97 cents)

(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.

	2013	2012
Loss attributable to equity holders of the Company	(3,768,000)	(6,333,000)
Weighted average number of ordinary shares in issue (thousands)	107,850	70,588
Adjustment for partly paid or share options	-	-
Weighted average number of ordinary shares for diluted earnings per share (thousands)	107,850	70,588
Diluted earnings per share	(3.49 cents)	(8.97 cents)

30. Earnings per share (continued)

As at 31 December 2013, 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 that year because the effect in that year would have been antidilutive:

	Number of shares
Part paid shares issued 15 April 2013	807,655
Part paid shares issued 24 June 2013	1,635,665
US employee share options	288,647
Share warrants issued to East West Manufacturing LLC	5,300,000

31. RECONCILIATION OF LOSS AFTER TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED		PARENT COMPANY	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Loss after taxation for the year	(3,768)	(6,333)	(6,764)	(7,270)
Adjustments for:				
Depreciation and amortisation	518	925	501	721
Impairment of plant, equipment & intangibles	318	1,224	318	1,224
Loss / (gain) on disposal of plant & equipment	3	-	(4)	-
Share based payments	115	118	115	118
Inventory provision movement (note 15)	(401)	(1,279)	60	(213)
Doubtful debts provision movement (note 13)	(168)	157	(36)	(34)
Impairment of subsidiary company advances	-	-	(876)	960
Impairment of investments in subsidiaries	-	-	19	(81)
Provision for warranty movement (note 21)	(243)	(619)	(243)	(619)
Provision for restructuring movement (note 21)	(284)	(1,031)	(199)	(167)
Net foreign exchange differences	(351)	(569)	(31)	(932)
Decrease / (increase) in advances to subsidiaries	-	-	4,768	(2,223)
Decrease/(increase) in trade and other receivables	795	(572)	(534)	3,437
Decrease in inventories	952	7,697	600	2,990
Increase / (decrease) in trade and other payables	78	(3,171)	496	(1,278)
Net cash outflow from operating activities	(\$2,436)	(\$3,453)	(\$1,810)	(\$3,367)

Directory

Directors

Tony Nowell, *Chairman*
Shawn Beck
Lisbeth Jacobs
Gottfried Pausch
Simon Mander

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
Manager, Americas*
Clayton Thomas, *Sales & Marketing Director, Asia /
Pacific*
Gabriel Villalobos, *Director of Finance
Administration & Operations, Americas*
Gerardo Gonzalez, *VP Intelligent Systems
Business Unit*
Ron Jackson, *Secretary*

Phone/Fax

Ph: 64-9-477 0415
Fax: 64-9-479 5540

Internet

Website: www.wdtl.com
Email: info@wdtl.com

Addresses

21 Arrenway Drive
North Harbour, Auckland 0632, New Zealand
PO Box 302-533, North Harbour
Auckland 0751, New Zealand

Registered Office

21 Arrenway Drive
North Harbour, Auckland 0632, New Zealand

Auditor

PricewaterhouseCoopers
188 Quay Street, Auckland 1142, New Zealand

Banker

Bank of New Zealand

Share Registry

Computershare Investor Services Ltd,
Private Bag 92119, Auckland 1142
New Zealand



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www.wdtl.com

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