

Wellington Interim Report June 2019



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

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

Wellington's financial year is 31 December.

Wellington's business

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

Wellington's aspirational vision is to deliver revenue of around \$100m by 2023. To achieve this vision, the company is committed to a growth strategy that delivers the best user experience to its customers through a combination of advanced IoT and EC motor hardware, IoT software and digital marketing services.

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

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

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



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

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

Lueth, K.L (2018). *State of the IoT 2018: Number of IoT*

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

Products and solutions

Wellington has three business verticals: Wellington Connect™ IoT, Wellington ECR® and its start-up business Smart Cities.

Wellington Connect IoT platform

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

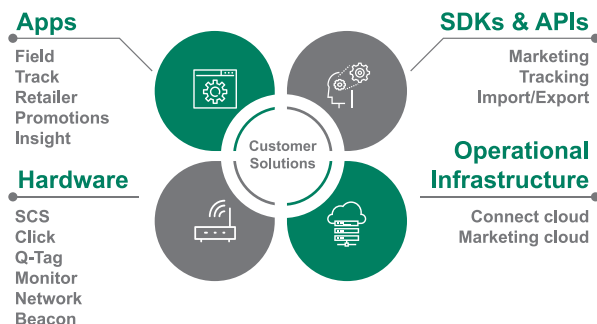


Wellington's IoT platform consists of:

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

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

Wellington Connect™ IoT platform

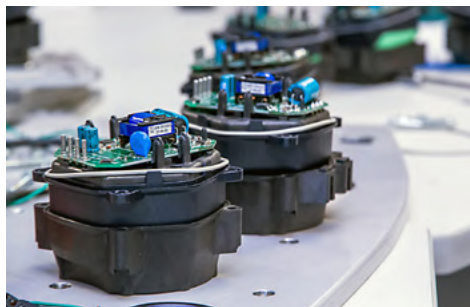


Wellington ECR® motors

Wellington's new generation ECR2 motor platform and legacy ECR1, ECR82 and ECR92 platforms deliver low-cost, highly reliable and efficient airflow solutions to refrigeration manufacturers.

These electronic motors are designed to improve reliability, reduce operating costs and reduce the carbon footprint of commercial coolers. The ECF

Fanpack brand is focused on delivering a fully integrated airflow solution to supermarket equipment manufacturers.



The Wellington ECR2 motor started shipping to customers in mid-2016, with 50,000 units sold in that first year. In 2018, one major North American customer in the beverage and food service market, which had started with the company in 2016, scaled its use of ECR2 to over 200,000 units. The total amount of ECR2 units sold to all customers in 2018 was 650,000 units. During the first half of 2019, Wellington shipped 402,000 units, an increase of 36% in volume growth in comparison to the first half of 2018. Given the success of the ECR2 platform, Wellington intends to broaden the ECR2 range to include a higher power version and cost-optimised models.

Smart Cities

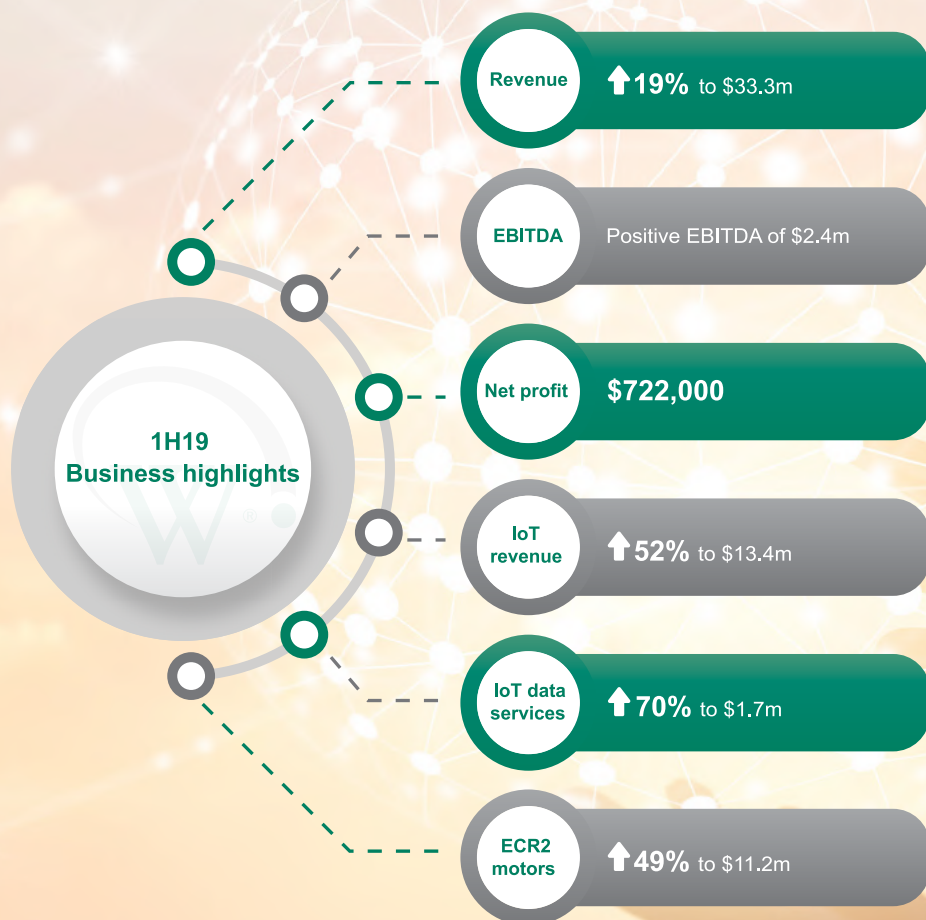
iProximity, which Wellington acquired in July 2018, has a small early stage IoT business directed at helping cities engage with citizens and tourists through the delivery of contextual proximity information and marketing services.

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

Wellington Smart Cities is providing solutions to several Australian city councils and is exploring several new projects using Bluetooth technology and the iProximity platform. The company is helping connect consumers, tourists, citizens and sports fans to contextual information at the places they visit.



1H19 Business highlights



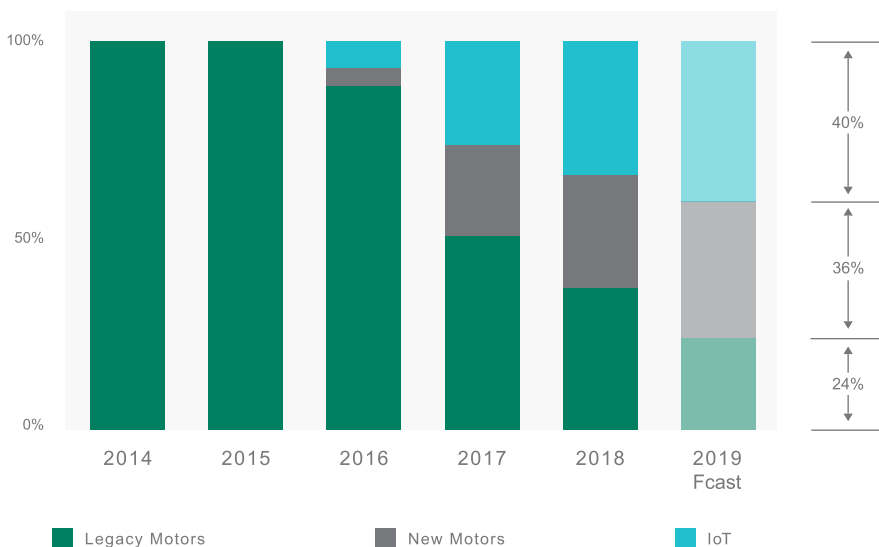
Chairman and CEO Report

Wellington's strategy is focused on investing in and growing its IoT business with large food and beverage customers, accessing new markets with its IoT and digital marketing solutions and developing customers for its ECR2 motor platform. Its sales initiatives, developed to find adjacent markets for its IoT and EC motor products, have resulted in more new customer wins, aided by the accelerating global adoption of IoT solutions.

Metric \$	2019	2018	Change
Revenue	\$33.3m	\$28.0m	+19%
Wellington Connect IoT Revenue	\$13.4m	\$8.9m	+52%
Wellington ECR Motors	\$18.8m	\$18.0m	+4%
<i>ECR2 Motors Revenue</i>	\$11.2m	\$7.7m	+49%
<i>Legacy ECR Motors Revenue</i>	\$7.6m	\$10.5m	-28%
Gross profit	\$8.6m	\$6.9m	+24%
Gross margin %	25.8%	24.7%	+1.1%
EBITDA ¹	\$2.45m	\$1.23m	+98%
EBIT	\$1.27m	\$0.31m	+312%
Profit (loss)	\$0.72m	(\$0.20m)	+\$0.92m
Operating cash flows	\$1.11m	\$1.88m	-41%

Strong revenue growth and changing sales mix

Revenue by product group



New Zealand dollar revenue for the first half was \$33.3m, a 19% increase compared to the same period last year. Revenue in the second quarter was \$17.5m compared to \$16.2m for the same quarter in 2018, an 8% increase.

As the chart above highlights, the growth of Wellington's next generation motors and the IoT platform for which sales commenced in 2016, is being masked by the drag effect of the decline in legacy motor sales.

Americas

Wellington's US\$ revenue for the Americas region grew by 16% due to strong sales of ECR2 motors and the Connect SCS IoT platform. Regional sales and customer support teams have expanded to drive increased adoption of the IoT platform and to better support customers in Latin America.

Asia Pacific (APAC) and EMEA (Europe, Middle East and Africa)

Asia-Pacific revenue was US\$0.3m lower than for H1 2018 reflecting reduced motor volumes and longer-than-expected adoption timelines for IoT solutions. EMEA region US\$ revenue

increased 14% due to the adoption of Connect SCS by a regional bottler and small increases in the UK motor business. It is clear that customers in both regions prefer an 'always on' cellular based IoT device, a product that Wellington is working on for late 2020 release. Wellington is commencing a review of its European and Asia Pacific regions to assess actions required to improve growth opportunities. Areas of focus will include investing in sales resources in European Union countries and identifying new adjacent market opportunities.

Revenue growth continues to be driven by IoT solutions and ECR2 motor product sales. These two business areas are the main drivers of growth and profits in the company; they are expected to continue growing given ongoing investment in broadening the product portfolio and customer base.

IoT

In H1 2019, IoT solutions represented more than 40% of reported revenue. IoT revenue was 52% higher than for H1 2018 and this growth trend is expected to continue as new IoT products (hardware, data and marketing services) are developed. Billings of Connect SCS data, software and reporting services continued to increase with \$1.7m invoiced in the half, a 63% increase versus 2018.

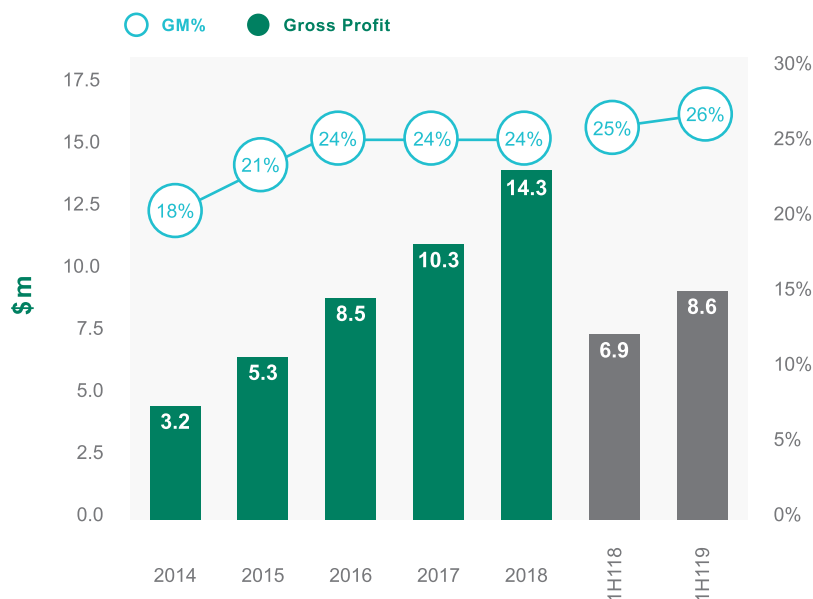
EC motors

The company is seeing a faster than anticipated broader move away from its ten-year old ECR1 and ECR92 legacy motors in favour of its ECR2 platform. Sales volumes of the high performing ECR2 motor increased 106,000 as existing customers increased the range of applications and new customers were won in the supermarket display case area.

Wellington had previously signalled the loss of some legacy EC motor business due to a sourcing change by a major beverage brand. It is also now seeing a shift in the bottle cooler market towards very low-priced EC motors from new Chinese based manufacturers. This low-price bottle cooler motor business still requires levels of support typical of higher value business, therefore the company is choosing to compete selectively. Legacy EC motor volume was 144,000 units below H1 2018 levels, mainly due to these dynamics.

The combination of increased ECR2 sales with the decrease in legacy motors delivered total motor revenue at a similar level to H1 2018.

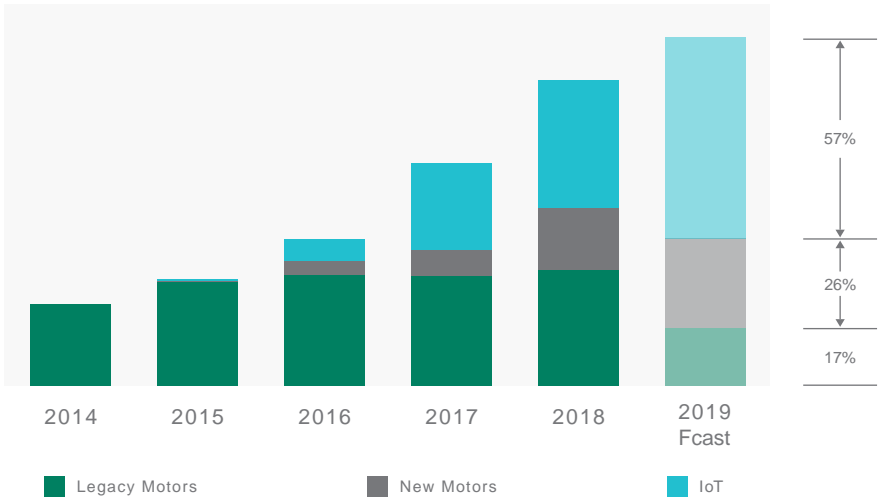
Gross profit performance



Gross profit increased by \$1.7m to \$8.6m as a result of the changing sales mix towards higher value and higher margin ECR2 and IoT products. The global component shortages that impacted input costs and gross profit in 2017 and 2018 have largely abated this year, which has also assisted this improvement.

IoT solutions contributed 54% of gross profit with ECR2 motors at 28% and legacy motors at 18%. IoT solutions are supporting a general expansion in gross profit dollars for the business, alongside further growth of ECR2 sales. The addition of further new IoT solutions should help continue this trend.

Gross margin by product group



Gross margin at 25.8% was marginally above the 24.7% recorded in first half 2018. There has been price pressure in the legacy EC motor business and the company has selectively responded with both cost reductions and price incentives to remain competitive.

Revenue growing faster than operating costs

Operating costs for the period amounted to \$6.1m, or 18.4% of revenue, compared to \$5.8m and 20.6% of revenue for the comparable period last year. Revenue per employee was relatively flat, at \$391,000 versus \$389,000 for the same period last year. Six new staff were added in the first half, bringing the total staff numbers to 85, compared to 72 at 30 June 2018. Operating spending increased as the company invested in new skills and engineering infrastructure to support the broadening product range and diversifying customer base. This has required additional personnel in areas such as customer management, marketing and software development, a trend that is expected to continue through the balance of 2019 and into 2020.

Profit improvement

EBITDA¹ for the first half improved to \$2.4m compared to \$1.2m for the same period in 2018. This is in line with the result achieved for the full 2018 year and with previous EBITDA¹ guidance. EBIT improved to \$1.3m compared to \$0.3m in 2018.



The company recorded a net profit for the period of \$0.7m, a \$0.9m improvement on the loss for the same period last year.

Working capital

Operating cash flows for the six months amounted to \$1.1m. Investing cash flows amounted to \$1.6m, meaning a net cash outflow before financing activities of \$0.5m (2018 cash inflow of \$0.6m). During the period the company borrowed \$1.4m under its BNZ trade finance facility and repaid its debt to Smartshares Limited. Management and senior executives invested \$0.4m to settle their exercisable partly paid shares and US employee share options. Cash at 30 June 2019 was \$1.8m compared to \$0.9m at 31 December 2018.

Inventory management continued to be an area of focus with 6 inventory turns achieved, consistent with the same period last year. Wellington's customers continue to press for extended payment terms beyond 90 days to match extended terms from their beverage brand customers. This extended payment cycle is expected to continue for the foreseeable future.

The US\$0.6m loan from Meta Capital Limited has been extended to March 2020. Wellington has a \$2.5m loan from Onimeg Investments Limited due for repayment in September 2019, which it expects to pay from operating cashflows.

Supply chain

Wellington made several important sourcing decisions in the first half to ensure its global hardware supply chain remained competitive. After several years of strong support from its Malaysian electronics supplier, Wellington commenced the transition of all motor electronics from this supplier to its manufacturing partner East West. This move is to ensure increased productivity through supply consolidation. As a result of China / USA trade tariffs, Wellington also moved some of its motor supply from its Chinese supplier to East West's Vietnam factory.

Product development

Wellington's product roadmap includes broadening its IoT hardware to include cellular based technologies for applications that require constant connectivity and Bluetooth beacons for marketing applications. Several new user applications, including mobile apps and software development projects are underway to support customers as they launch their new consumer interactive coolers and to enter new markets such as ice cream freezers and food services. The development team is also expanding the ECR2 motor range for display case and food service refrigeration applications. In the first half of 2019 new product developments were advanced, with launch dates expected through 2020 and revenue contribution in 2021.

iProximity digital marketing services

The Wellington digital marketing team continued to develop several new business opportunities, including a pilot project for a large beer brand and demonstrations with beverage bottlers. Adoption of proximity marketing services is in the early stages with most customers. The company is focused on developing new market verticals, such as 'food and beverage refrigeration point of sale' and 'stadiums and event centres'. A new digital marketing customer manager has recently been added to the team in Mexico to support sales and pilot projects.

Governance

The first half saw the retirement of Tony Nowell, Chairman of Wellington Drive Technologies for 10 years. It also saw the appointment of two new directors; John Scott formerly COO at Navico, now CEO of Invenco Group, and Keith Oliver, Executive Chair at Blackhawk and a director at Rakon. Both John and Keith bring an extensive background in managing technology companies and growing technology businesses.

2019 Strategic priorities update

The company's Vision 2023 is to grow revenues to around \$100m. It expects to achieve this by developing new IoT and EC motor products, developing new customers in existing food and beverage markets and accessing adjacent markets. It will seek to exploit the technology acquired through iProximity to develop digital marketing services for food and beverage customers.

The priorities for 2019 are:

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

Customer adoption of IoT continues to progress, as can be seen by Connect SCS and data revenue growth. Business development activities are uncovering several new opportunities for Wellington to expand its OEM IoT programme, which is already underway with SKOPE Industries in New Zealand.



New skills are being added to the team to ensure hardware and software solutions are keeping pace with customer demand. Specialist skills added in the first half include a PhD level data scientist to support optimising the data services business, mobile developers in both Android and iOS to support customer application development, advanced electronics engineers to work on new EC motors and IoT wireless devices, and a digital marketing professional with a background in advertising and promotion to successfully engage with brand marketing teams.

2019 outlook

Wellington's business mix is changing; sales efforts are targeted almost entirely towards both the new generation ECR motor platform and higher margin IoT products, where revenues are expected to continue growing. Our sales of legacy EC motors to bottle cooler customers has declined more rapidly than expected, negatively impacting overall company revenues in the short-to-medium term. We expect this to continue into 2020 with the legacy motor business constituting a relatively minor percentage of total revenue.

The company will continue its strategy to focus its investments on expanding and improving its IoT offering to the carbonated soft drinks segment as well as extending the product platform to adjacent market segments including beer, ice-cream and food service refrigeration. As part of this strategy, the Wellington team are developing a new IoT business opportunity, that would provide IoT hardware and data services to one of the largest manufacturers of commercial coolers in the Americas. Wellington has been verbally advised it has been awarded the business, although some risk remains as a formal commercial agreement has not yet been reached. This opportunity will require a new Connect SCS product and customer specific applications to be developed, with development and support costs in the range of \$1.0 to \$1.5m. At scale, this project could potentially deliver growth of around 100,000 Connect SCS devices per year with data services and open the opportunity for retrofit devices. If successful, programme revenues from this project would likely start during 2020.

Due to the wide range of opportunities under development, Wellington is accelerating its investment and assessing both resource and funding requirements. Future investment is likely to require resources to accelerate sales growth, development capability to expand the IoT hardware and software roadmap, as well as funding to support several new customer opportunities. This growth investment need, coupled with upcoming debt maturities means the company will explore all funding options available to ensure it maintains the capability to continue delivering strong growth and improving financial performance.

The changing sales mix is likely to accelerate during H2, with legacy motor volumes declining more rapidly, and seasonal revenue volatility expected to continue, resulting in the company's total revenue in 2019 expected to be at similar levels to 2018. This decline in legacy motor volumes along with a higher level of operating cost to support new business and development

activity, means the company anticipates EBITDA will be around \$3.0m, with net profit and operating cashflow somewhat higher in 2019 in comparison to 2018.

Note1: EBITDA (i.e. Earnings before interest, taxation, depreciation, amortisation and impairment) is a non- GAAP earnings figure that equity analysts tend to focus on for comparable company performance analysis. Wellington considers that it is a useful financial indicator because it avoids the distortions caused by differences in amortisation and impairment policies.

Consolidated Interim Statement of Comprehensive Income

	Note	Six months ended Unaudited 30 Jun 2019 \$000s	30 Jun 2018 \$000s	Year ended Audited 31 Dec 2018 \$000s
Revenue	2,1,2,3	33,314	28,042	58,761
Cost of goods sold		(24,731)	(21,127)	(44,505)
Gross profit		8,583	6,915	14,256
Other income	2.4	8	108	151
Operating expenses	2.5	(6,144)	(5,789)	(11,943)
Earnings before interest, taxation, depreciation, amortisation and impairment		2,447	1,234	2,464
Depreciation	3.5	(272)	(253)	(536)
Amortisation	3.6	(768)	(673)	(1,475)
Impairment	3.6	(139)	-	-
Earnings before interest and taxation		1,268	308	453
Finance income	4.2	14	2	7
Finance expenses	4.2	(520)	(419)	(912)
Profit (loss) before income tax		762	(109)	(452)
Income tax expense		(40)	(88)	(261)
Profit (loss) for the period		722	(197)	(713)
Other comprehensive income: <i>Items that may be reclassified subsequently to the profit or loss:</i>				
Exchange differences on translating operations		(60)	262	306
Cash flow hedge		-	(18)	(18)
Income tax relating to comprehensive income		-	-	-
Other comprehensive (loss) income for the period		(60)	244	288
Total comprehensive gain (loss) for the period		\$662	\$47	(\$425)
Profit (loss) for the period attributable to the Owners of the company		\$722	(\$197)	(\$713)
Total comprehensive gain (loss) attributable to the Owners of the company		\$662	\$47	(\$425)
Basic earnings per share – cents	2.6	0.28	(0.07)	(0.28)
Diluted earnings per share – cents	2.6	0.25	(0.07)	(0.28)

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

Consolidated Interim Statement of Movements in Equity

	Note	Share capital \$000s	Accumulated losses \$000s	Other reserves \$000s	Total equity \$000s
Unaudited for the six months ended 30 June 2019					
Equity at beginning of period		123,627	(115,186)	(2,067)	6,374
Comprehensive income:					
Profit for period		-	722	-	722
Other comprehensive income:					
Exchange differences on translation operations		-	-	(60)	(60)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	722	(60)	662
Share option compensation expensed		-	-	4	4
Contributions of equity net of costs	4.3	428	-	-	428
Equity at 30 June 2019		\$124,055	(\$114,464)	(\$2,123)	\$7,468

Unaudited for the six months ended 30 June 2018

Equity at beginning of period		123,608	(114,106)	(2,367)	7,135
Adjustment arising on adoption of NZ IFRS 9, NZ IFRS15 and NZ IFRS16 (net of tax)		-	(367)	-	(367)
Restated total equity at 1 January 2018		123,608	(114,473)	(2,367)	6,768
Comprehensive income:		-	(197)	-	(197)
Loss for period					
Other comprehensive income:					
Exchange differences on translation operations		-	-	262	262
Cash flow hedge		-	-	(18)	(18)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(197)	244	47
Share option compensation expensed		-	-	8	8
Equity at 30 June 2018		\$123,608	(\$114,670)	(\$2,115)	\$6,823

Consolidated Interim Statement of Movements in Equity - continued

	Note	Share capital \$000s	Accumulated losses \$000s	Other reserves \$000s	Total equity \$000s
Audited for year ended 31 December 2018					
Equity at beginning of period		123,608	(114,106)	(2,367)	7,135
Adjustment arising on adoption of NZ IFRS 9, NZ IFRS15 and NZ IFRS16 (net of tax)		-	(367)	-	(367)
Restated total equity at 1 January 2018		123,608	(114,473)	(2,367)	6,768
Comprehensive income:					
Loss for period		-	(713)	-	(713)
Other comprehensive income:					
Exchange differences on translation operations		-	-	306	306
Cash flow hedge		-	-	(18)	(18)
Income tax relating to other comprehensive income		-	-	-	-
Total comprehensive income		-	(713)	288	(425)
Share option compensation expensed		-	-	12	12
Contributions of equity net of costs	4.3	19	-	-	19
Equity at 31 December 2018		\$123,627	(\$115,186)	(\$2,067)	\$6,374

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

Consolidated Interim Statement of Financial Position

	Note	30 Jun 2019 Unaudited \$'000s	30 Jun 2018 Unaudited \$'000s	31 Dec 2018 Audited \$'000s
Current Assets				
Cash and cash equivalents		1,835	2,589	933
Trade and other receivables	3.1	19,240	17,806	17,978
Inventories	3.2	4,404	3,396	4,890
Total current assets		25,479	23,791	23,801
Non-Current Assets				
Plant and equipment	3.5	2,702	2,592	2,854
Intangible assets	3.6	11,864	7,337	8,970
Investments		-	175	-
Total non-current assets		14,566	10,104	11,824
Total assets		40,045	33,895	35,625
Current Liabilities				
Trade and other payables	3.3	18,825	19,472	20,212
Contract liability	2.3	877	1,426	620
Provisions	3.4	554	423	415
Borrowings – current portion	4.1	5,127	3,164	4,148
Contingent consideration		2,338	-	-
Derivative financial instruments		25	125	10
Total current liabilities		27,746	24,610	25,405
Non-Current Liabilities				
Borrowings	4.1	1,465	1,615	1,494
Contract liability	2.3	3,366	847	2,352
Total non-current liabilities		4,831	2,462	3,846
Total liabilities		32,577	27,072	29,251
Net assets		\$7,468	\$6,823	\$6,374
Equity				
Contributed equity	4.3	124,055	123,608	123,627
Accumulated losses		(114,464)	(114,670)	(115,186)
Other reserves		(2,123)	(2,115)	(2,067)
Total equity		\$7,468	\$6,823	\$6,374

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

Consolidated Interim Cash Flow Statement

	Note	Six months ended Unaudited 30 Jun 2019 \$000s	30 Jun 2018 \$000s	Year ended Audited 31 Dec 2018 \$000s
Cash flows from operating activities				
Receipts from customers exclusive of GST/VAT		33,607	23,313	54,973
Payments to suppliers and employees exclusive of GST/VAT		(32,176)	(20,993)	(52,058)
Interest received		14	2	7
Interest paid		(520)	(345)	(912)
Taxation paid		(290)	(101)	(274)
Net GST/VAT received		473	4	113
Net cash inflow from operating activities		1,108	1,880	1,849
Cash flows from investing activities				
Payments for plant and equipment	3.5	(139)	(374)	(836)
Payments for intangible assets	3.6	(1,450)	(725)	(1,690)
Payments for iProximity acquisition		-	(163)	(1,367)
Net cash outflow from investing activities		(1,589)	(1,262)	(3,893)
Cash flows from financing activities				
Cash proceeds from share issues, net of issue costs	4.3	428	-	19
New loan drawdowns	4.1	3,506	1,143	3,643
Loan repayments	4.1	(2,589)	(848)	(2,348)
Finance lease borrowing	4.1	140	251	251
Finance lease repayments	4.1	(140)	(106)	(247)
Net cash inflow from financing activities		1,345	440	1,318
Net increase (decrease) in cash and cash equivalents		864	1,058	(726)
Cash and cash equivalents at the beginning of the financial period		933	1,563	1,563
Effect of exchange rate movements on cash		38	(32)	96
Cash and cash equivalents at end of period		\$1,835	\$2,589	\$933

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

Notes to the Interim Financial Statements

for the six months ended 30 June 2019

1. Basis of preparation

1.1 General Information

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

The company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 21 Arrenway Drive, Rosedale, Auckland 0632. The company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of the NZX Main Board Listing Rules.

These interim financial statements do not include all the notes and disclosures set out in the annual report. As a result, this report should be read in conjunction with the annual financial statements for the year ended 31 December 2018.

These consolidated interim financial statements have been approved for issue by the Board of Directors on 28 August 2019 and have not been audited.

1.2. Accounting Policies

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

All significant accounting policies adopted in the preparation of these consolidated interim financial statements have been applied on a basis consistent with those used in the audited financial statements of the group for the year ended 31 December 2018. Comparative amounts for the 30 June 2018 period required restatement to recognise the adoption of NZ IFRS 9 Financial Instruments, NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 16 Leases in the consolidated financial statements for the year ended 31 December 2018. See note 5.7 for details of the adjustments made to the 30 June 2018 comparatives.

(a) *Going concern convention*

The group reported a profit after tax of \$722,000 (2018: \$197,000 loss) and cash flows inflows from operating activities of \$1,108,000 (2018: \$1,880,000). As at 30 June 2019, the Group had cash of \$1,835,000 (31 December 2018: \$933,000) and net assets of \$7,468,000 (31 December 2018: \$6,374,000).

In assessing the adoption of the going concern principle in the preparation of the financial statements, the Directors have reviewed the group's future cash flow forecast to 31 December 2020. It should be noted that by their very nature, forecasts include inherent uncertainty and actual results may vary.

Cash flow requirements are being impacted by the increasing number of business opportunities being developed and pursued by the company. For example, investment is likely to be required to increase the company's development capability regarding the expansion of its IoT hardware and software roadmap and to support several new customer opportunities.

In addition, the company has \$3.4m of loans falling due for repayment within the next nine months. The \$2.5m loan from Onimeg Investments is due to be repaid in September 2019 and the US\$0.6m loan from Meta Capital is due to be repaid in March 2020.

The need for further investment in growth, coupled with the requirement to meet upcoming debt maturities means that the company will require replacement and/or additional funding. The company is considering a number of funding strategies designed to meet this requirement.

The Directors have noted that mitigating actions would be undertaken if operating cash flows were to vary materially adversely from forecasts or if adequate funding was not able to be sourced. These actions would include deferring planned increases in headcount and delaying capital expenditure.

Given the nature of the judgements and estimates noted above and the company's ability to take mitigating actions, the Directors consider that the group will have access to adequate resources to meet its ongoing obligations in the normal course of business for at least a period of twelve months from the date of signing of these financial statements.

On this basis, the Directors have determined it is appropriate to adopt the going concern basis in preparing these financial statements.

(b) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The company's functional currency is US Dollars because its purchase and sale of product is mainly denominated in US Dollars.

The consolidated interim financial statements are presented in New Zealand dollars, rounded to the nearest thousand, which is the group's presentation currency. The presentation currency remains New Zealand dollars due to the company's shareholder base being concentrated in New Zealand.

2. Results for the period

2.1 Segment information

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

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

(a) Reportable segments

At 30 June 2019, the group is organised on a global basis into one operating segment – the marketing, sale, manufacture and development of IoT solutions, electric motors and associated electronics. The interim financial statements therefore reflect the results and financial position of the segment.

(b) Geographical segments

The group operates in three main geographical areas, although it is managed on a global basis.

	30 Jun 2019 \$000s	Six months ended 30 Jun 2018 \$000s	Year ended 31 Dec 2018 \$000s
Revenue from external customers by geographic areas			
Americas	29,170	24,043	50,282
Asia / Pacific (APAC)	1,663	1,962	4,286
Europe / Middle East / Africa (EMEA)	2,481	2,037	4,193
Total	\$33,314	\$28,042	\$58,761

Revenue is allocated above based on the country in which the customer is located. APAC revenue includes \$73,000 (2018: \$86,000) from New Zealand customers.

	30 Jun 2019 \$000s	30 Jun 2018 \$000s	31 Dec 2018 \$000s
Total non-current assets			
Americas	29	34	34
Asia / Pacific (APAC) – mainly in New Zealand	14,461	8,706	11,692
Europe / Middle East / Africa (EMEA)	76	-	98
Total	\$14,566	\$8,740	\$11,824

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

2.2 Seasonality of operations

Revenues and operating profits are generally expected to be higher in the first six months of a calendar year, lower in the 3rd quarter due to customers in the northern hemisphere shutting down for summer holidays and increasing again in the 4th quarter. Revenues and operating profits in the 4th and 1st quarters of a calendar year can be impacted by the timing of the China New Year holiday.

2.3 Revenue

	Six months ended 30 Jun 2019 \$000s	30 Jun 2018 \$000s	Year ended 31 Dec 2018 \$000s
Sales of goods revenue	32,898	27,858	58,171
Services revenue	416	184	590
Total	\$33,314	\$28,042	\$58,761

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, excluding GST / VAT, rebates and discounts and after eliminating sales within the group. The group disaggregates revenues from contracts by geographical regions.

Sale of Goods – sales are recognised when control has transferred to the buyer which is usually when delivery of the goods to the buyer pursuant to the incoterms that apply, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The group has in-market distributors in China and Brazil which transact as agents. Sales of product are recognised when these distributors deliver the product to buyers. Product may be sold with retrospective volume rebates based on aggregate sales over a 12 months period. Revenue from these sales is recognised net of the estimated volume rebates. The liability to pay volume rebates is included in trade and other payables.

Sale of services – associated with the supply of IoT hardware, the group supplies data, SAS and reporting services, installed on every SCS Connect. Contracts typically cover a period from hardware supply of anywhere from 1 to 10 years. Contracts specify the price for the provision of the service. Revenue from such contracts is recognised on a straight-line basis over the contract term. The company has received revenue in previous years amounting to US\$212,000 in connection with the development of a new motor product. This revenue has been deferred and will be recognised in the income statement when the motor development completes, and products are sold pursuant to a licence agreement. Revenue not yet recognised in the income statement is included in the line item Contract Liabilities.

Contract liabilities	Six months ended 30 Jun 2019 \$000s	30 Jun 2018 \$000s	Year ended 31 Dec 2018 \$000s
Carrying amount at start of period	2,972	1,350	1,350
On acquisition of iProximity Pty Limited	-	-	18
Invoiced in the period	1,682	1,031	2,063
Recognised	(416)	(184)	(590)
Exchange adjustment	5	76	131
Carrying amount at end of period	\$4,243	\$2,273	\$2,972
Current portion	\$877	\$1,426	\$620
Non-current portion	\$3,366	\$847	\$2,352

2.4 Other income

	Six months ended 30 Jun 2019 \$000s	30 Jun 2018 \$000s	Year ended 31 Dec 2018 \$000s
Net foreign exchange gains	-	106	144
Other	8	2	7
Total	\$8	\$108	\$151

2.5 Operating expenses

	Six months ended 30 Jun 2019 \$000s	30 Jun 2018 \$000s	Year ended 31 Dec 2018 \$000s
After charging			
Wages and salaries and other short-term benefits	4,762	4,250	8,986
Employee share option expense	4	8	12
Employee benefits	\$4,766	\$4,258	\$8,998
Remeasurement of contingent consideration (note 5.1)	\$11	-	-
After crediting			
Capitalisation of labour and expenses to intangible assets -	\$1,397	\$667	\$1,622

2.6 Earnings per share

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

Basic EPS of a profit of 0.28 cents (June 2018 – loss of .07 cents) is calculated by dividing the profit attributable to equity holders of the company of \$722,000 (June 2018 - \$197,000 loss) by the weighted average number of ordinary shares on issue during the period of 258,335,177 (June 2018 – 257,041,576).

Diluted EPS for the six months ended 30 June 2019 of a profit of 0.25 cents reflects any commitments the group has to issue shares in future that would decrease EPS. The weighted average number of ordinary shares is compared with the number of shares that would have been issued assuming the exercise of part paid share entitlements, US employee share options and pursuant to contingent consideration (see note 5.1).

Diluted EPS for the 2018 comparable period of a 0.07 cents loss did not include the following instruments that were, potentially dilutive of future earnings per share because the effect in that period would have been antidilutive:

Numbers of shares	30 Jun 2018
Part paid shares	12,703,070
US employee share options	1,914,601

3. Operating assets and liabilities

3.1. Trade and other receivables

	30 Jun 2019 \$000s	30 Jun 2018 \$000s	31 Dec 2018 \$000s
Trade receivables	18,245	16,948	16,900
Provision for doubtful debts	(130)	(129)	(130)
Net trade receivables	18,115	16,819	16,770
Prepayments	408	316	475
VAT/GST refunds due	382	585	617
Income tax refund due	285	14	35
Other receivables	50	72	81
	\$19,240	\$17,806	\$17,978

3.2. Inventories

	30 Jun 2019 \$000s	30 Jun 2018 \$000s	31 Dec 2018 \$000s
Finished goods – at cost	3,603	2,571	3,449
Work in progress – at cost	847	639	1,244
Raw materials – at cost	289	281	342
Less inventory provisions	(335)	(95)	(145)
Total inventories	\$4,404	\$3,396	\$4,890

3.3 Trade and other payables

	30 Jun 2019 \$000s	30 Jun 2018 \$000s	31 Dec 2018 \$000s
Trade payables	16,597	17,840	18,138
Employee entitlements	910	887	1,337
Accrued expenses	1,318	745	737
	\$18,825	\$19,472	\$20,212

3.4 Provisions

	30 Jun 2019 \$000s	30 Jun 2018 \$000s	31 Dec 2018 \$000s
Warranty provisions			
Carrying amount at start of period	415	377	377
Additional provisions recognised	208	118	137
Amounts used	(68)	(95)	(124)
Exchange adjustment	(1)	23	25
Carrying amount at end of period	\$554	\$423	\$415

3.5 Plant and equipment

	30 Jun 2019 \$000s	30 Jun 2018 \$000s	31 Dec 2018 \$000s
Net book amount at start of period	2,854	948	948
Adjustment on adoption of NZ IFRS 16	-	1,461	1,461
Additions	139	374	836
Depreciation	(272)	(253)	(536)
Exchange adjustment	(19)	62	145
Net book amount at end of period	\$2,702	\$2,592	\$2,854
Depreciation			
Property	92	87	179
Plant and equipment	123	117	250
Office equipment, furniture & fittings	57	49	107
	\$272	\$253	\$536

Capital commitments

Capital commitments contracted for at 30 June 2019 amounted to \$293,000 (June 2018 \$169,000)

3.6 Intangible assets

	30 Jun 2019 \$000s	30 Jun 2018 \$000s	31 Dec 2018 \$000s
Net book amount at start of period	8,970	6,931	6,931
Additions	3,777	725	3,122
Amortisation	(768)	(673)	(1,475)
Impairment	(139)	-	-
Exchange adjustment	24	354	392
Net book amount at end of period	\$11,864	\$7,337	\$8,970
Amortisation and impairment			
Amortisation of intangible assets	\$768	\$673	\$1,475
Impairment of intangible assets	\$139	-	-

Additions in the six months to 30 June 2019 included additional goodwill of \$2,327,000 arising on finalisation of the acquisition of IProximity Pty Limited (see note 5.1), \$1,397,000 for internally generated development costs and \$53,000 for patents and trademarks. Payments for intangible assets in the period amounting to \$1,450,000 are included in the Consolidated Interim Cash Flow Statement.

Impairment losses have been recognised as follows:

- Patent costs - \$33,000. The carrying values of patents for products discontinued in the period have been written off in the six months to 30 June 2019.
- Internally generated development costs - \$106,000. The company incurred a cost for the development of a new motor product. The development has been completed by a third party and it has been agreed with that party that in return for the company giving up its rights to future margin share, the company would be reimbursed in full for the development costs it has incurred. This reimbursement is forecast to take place in 2-3 years, assuming certain estimated sales volumes are achieved. The forecast cash payments have been discounted at 12% and the carrying value of the intangible asset written down to the discounted value.

4. Capital and financing costs

4.1 Borrowings

	30 Jun 2019 \$000s	30 Jun 2018 \$000s	31 Dec 2018 \$000s
Current portion			
Loan facility – BNZ Trade Finance	1,449	-	-
Loan facility – Smartshares Limited	-	2,000	500
Loan facility – Meta Capital Limited	896	890	894
Loan facility – Onimeg Investments Limited	2,500	-	2,500
Other Borrowings	282	274	254
	\$5,127	\$3,164	\$4,148
Non-Current portion			
Other Borrowings	1,465	1,615	1,494
	\$1,465	\$1,615	\$1,494

Loan facility – BNZ Trade Finance

In December 2018 the company secured a \$1.5m trade finance facility. The facility was increased to \$2.0m in May 2019. The facility has no term and is repayable on demand. The company can finance invoices to certain of its customers over a maximum 120 days term. Interest is payable on repayment at a 3% margin above bank base lending rate.

Loan facility – Smartshares Limited

In March 2019 the company repaid the outstanding amount of the loan facility. Interest was payable until repayment at 15.75% pa and there was a \$5,000 quarterly revolver fee.

Loan facility – Meta Capital Limited

US\$600,000 was borrowed in June 2018. The loan was originally repayable in June 2019 but during the period the company exercised its option to extend the repayment to March 2020. The loan is unsecured. Interest is payable at 12.5%.

Loan facility – Onimeg Investments Limited

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

Other borrowings

Comprises equipment finance and lease liabilities in respect of “right of use” assets.

4.2 Finance income and expenses

	Six months ended 30 Jun 2019 \$000s	30 Jun 2018 \$000s	Year ended 31 Dec 2018 \$000s
Finance income			
Interest income	14	2	7
	\$14	\$2	\$7
Finance expense			
Bank interest	42	-	2
Interest payable to Smartshares Limited	18	155	248
Interest payable to Meta Capital Limited	57	49	108
Interest payable to Onimeg Investments Limited	194	-	119
Other interest	209	215	435
	\$520	\$419	\$912

4.3 Contributed equity

	30 Jun 2019 Shares	30 Jun 2018 Shares	30 Jun 2019 \$000s	30 Jun 2018 \$000s
Ordinary shares – fully paid (a)	261,726,010	257,097,352	124,026	123,571
Ordinary shares – partly paid (b)	8,930,641	12,703,070	29	37
US employee share options (c)	1,058,372	1,914,601	-	-
Total shares and options on issue	271,715,023	271,715,023	\$124,055	\$123,608

(a) Ordinary shares – fully paid

	30 Jun 2019 Shares	30 Jun 2018 Shares	30 Jun 2019 \$000s	30 Jun 2018 \$000s
Opening balance of ordinary shares on issue	257,436,000	257,097,352	123,590	123,571
Part paid shares and US employee options exercised	4,290,010	-	436	-
Ordinary fully paid shares on issue at period end	261,726,010	257,097,352	\$124,026	\$123,571

All ordinary shares are authorised and have no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on shares held.

(b) Ordinary shares – partly paid

	30 Jun 2019 Shares	Six months ended 30 Jun 2018 Shares	30 Jun 2019 \$000s	30 Jun 2018 \$000s
Partly paid shares on issue at start of period	12,460,638	12,703,070	37	37
Issued	-	-	-	-
Exercised	(3,529,997)	-	(8)	-
Ordinary part paid shares on issue at period end	8,930,641	12,703,070	\$29	\$37

(c) US employee share options (numbers)

	30 Jun 2019	30 Jun 2018
Options outstanding at start of period	1,818,385	1,914,601
Exercised	(760,013)	-
Outstanding at end of period	1,058,372	1,914,601

5. Other information

5.1 Acquisition of iProximity Limited

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

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

The purchase consideration is:

	\$000s
Cash paid	1,367
Contingent consideration	2,327
Total purchase consideration	\$3,694

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

The fair value of the contingent consideration arrangement of \$2,327,000 was estimated by considering the likelihood that the cash and share based targets would be achieved. The cash-based targets were considered unlikely to be achieved and the fair value of the contingent cash consideration was estimated to be nil. The likelihood of achieving the share-based targets was assessed and the probability adjusted number of ordinary shares to be issued was calculated. The fair value of the share-based contingent consideration was determined by multiplying the calculated number of shares (13,949,034 shares) by \$0.15 being the price of the company's shares on NZX at the acquisition date.

Acquisition related costs of \$16,000 were included in operating expenses in the Consolidated Statement of Comprehensive Income and in operating cash flows in the Consolidated Cash Flow Statement for the year ended 31 December 2018. There were no further costs incurred in the six months ended 30 June 2019.

The accounting for the acquisition is now complete. The fair values of the assets and liabilities at the date of acquisition were as follows:

	\$000s
Intangible assets - platform	536
Trade and other receivables	18
Trade and other payables	(65)
Contract liabilities	(18)
Net identifiable assets acquired	471
Goodwill	3,223
Net assets acquired	\$3,694

The goodwill is attributable to the synergies that arise from the company being able to include iProximity's marketing solutions as part of the group's IoT product offering. The company expects to be able to sell more of its IoT solutions (including SCS Connect hardware) as a result of the wider services offering.

As at 30 June 2019, there was an increase of \$11,000 recognised in operating expenses for the contingent consideration arrangement to reflect an increase in the company's share price to \$0.22 at the period end date (increasing the value of any shares to be issued) and to reflect an updated view on the likelihood of share-based targets being achieved. The probability adjusted number of shares was calculated to be 10,630,084 shares.

Contingent consideration	30 Jun 2019 \$000s	30 Jun 2018 \$000s	31 Dec 2018 \$000s
Fair value at start of period	-	-	-
Fair value at date of acquisition – now finalised	2,327	-	-
Remeasurement recognised in income statement	11	-	-
	\$2,338	-	-

The acquired business contributed revenues of \$44,000 and a loss of \$176,000 for the six months ended 30 June 2019 (\$37,000 revenue and a loss of \$187,000 to the group from 2 July 2018 to 31 December 2018). In addition, the proximity marketing solutions offered by the business are integrated into Wellington's IoT product offering and are assisting the group to generate IoT revenue outside of the acquired business. It is not practical to determine the impact on revenue and profitability of the group if the business had been acquired on 1 January 2018 because different accounting policies were adopted by the acquired business and salaries for employees were not market related.

5.2 Related party transactions

(a) Directors

The names of persons who are directors of the company are on page 36.

(b) Key management personnel and compensation

Key management personnel compensation is set out below. Key management personnel comprises of the Directors, the Chief Executive Officer (CEO) and all the senior executives that report directly to the CEO.

	30 Jun 2019 \$000s	30 Jun 2018 \$000s
Salaries, fees and other short-term benefits	934	987
Share based remuneration	1	4
Directors remuneration	83	70
Total	\$1,018	\$1,061

(c) Employee share based remuneration

Equity settled, share based compensation is provided to employees via the Wellington Partly Paid Share Scheme and Wellington Employees Share Option Plan. The fair value of the employee services received in exchange for the grant of part paid shares or options are recognised as an expense over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when the partly paid share proceeds are received, or options are exercised. During the six months ended 30 June 2019, management and employees exercised their entitlements to previously granted part paid shares and share options, settling the unpaid balances due. 4,290,010 shares were issued to management and employees as a result of these exercises (2018: Nil).

(d) Meta Capital Limited loan

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

(e) Smartshares Limited loan

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

5.3 Contingencies and commitments

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

5.4 Leases

The consolidated interim statement of financial position shows the following amounts related to leases of right of use assets:

	30 Jun 2019 \$000s	30 Jun 2018 \$000s	31 Dec 2018 \$000s
Right-of-use assets			
Properties	1,239	1,342	1,291
Plant and equipment	4	18	45
Office equipment, furniture and fittings	145	212	5
	\$1,388	\$1,572	\$1,341
Additions to right-of-use assets in the period			
Properties	-	1,429	1,429
Plant and equipment	-	24	24
Office equipment, furniture and fittings	-	8	8
	\$ -	\$1,461	\$1,461
Lease liabilities in respect of right-of-use assets*			
Current	222	184	187
Non-current	1,367	1,438	1,345
	\$1,589	\$1,622	\$1,532

*Included within borrowings.

The consolidated interim statement of comprehensive income shows the following amounts related to leases of right of use assets:

	Six months ended 30 Jun 2019 \$000s	30 Jun 2018 \$000s	Year ended 31 Dec 2018 \$000s
Depreciation charge for right-of-use assets			
Properties	92	87	179
Plant and equipment	3	6	15
Office equipment, furniture and fittings	39	7	3
	\$134	\$100	\$197
Interest expense on lease liabilities	\$48	\$55	\$106
Expense relating to short-term leases (included in operating expenses)	\$25	\$24	\$51

The consolidated interim cash flow statement shows the following amounts related to leases of right of use assets:

	Six months ended 30 Jun 2019 \$000s	30 Jun 2018 \$000s	Year ended 31 Dec 2018 \$000s
Cash outflow for right-of-use leases	\$117	\$86	\$178
Lease repayments for leases previously classified as finance leases under NZ IAS 17	\$23	\$20	\$69

5.5 Financial instruments by category

	30 Jun 2019 \$000s	30 Jun 2018 \$000s	31 Dec 2018 \$000s
Assets per Statement of Financial Position			
Loans and receivables			
Trade and other receivables	18,165	16,891	16,851
Cash and cash equivalents	1,835	2,589	933
Investment – deposit on iProximity acquisition	-	175	-
	\$20,000	\$19,655	\$17,784
Liabilities per Statement of Financial Position at amortised cost			
Trade and other payables	18,825	19,472	20,212
Borrowings	6,592	4,779	5,642
Liabilities per Statement of Financial Position at fair value			
Contingent consideration	2,338	-	-
Derivative financial instruments	25	125	10
	\$27,780	\$23,476	\$25,864

The only financial instruments carried at fair value are derivatives comprising forward foreign exchange contracts and the contingent consideration.

The forward exchange contracts have been classified as Level 2 (i.e. all significant inputs required to fair value an instrument are observable) and the contingent consideration as Level 3 (i.e. one or more of the significant inputs is not based on observable market data).

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value. The fair value of contingent consideration in respect of the acquisition of iProximity Pty Limited (see note 5.1) is determined using the estimated number of shares that are to be issued to the vendors pursuant to the purchase agreement and the company's share price at balance date. The probability adjusted number of shares and the company share price at the acquisition date and at 30 June 2019 are set out in note 5.1.

5.6 Maturity analysis

The amounts disclosed are the contractual undiscounted cash flows.

	30 June 2019			31 December 2018		
	Less than 6 months \$000s	7 to 12 months \$000s	More than 12 months \$000s	Less than 6 months \$000s	7 to 12 months \$000s	More than 12 months \$000s
Trade and other payables	18,782	-	-	20,108	-	-
Borrowings	4,845	-	-	1,394	2,500	-
Lease liabilities	139	143	1,465	131	123	1,494
	\$23,766	\$143	\$1,465	\$21,633	\$2,623	\$1,494

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

5.7 Restatement of comparatives

NZ IFRS 9 Financial Instruments, NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 16 Leases were adopted in the consolidated financial statements for the year ended 31 December 2018. The new accounting policies and the adjustments to the opening balance sheet on 1 January 2018 were explained in those financial statements.

The above-mentioned accounting policy changes were not adopted in the interim financial statements for the six months ended 30 June 2018. It has therefore been necessary to restate the 30 June 18 comparatives in these interim financial statements for the 30 June 2019 year. The following table shows the adjustments recognised for each individual line item. The adjustments are explained in more detail by accounting standard below.

Consolidated Statement of Financial Position	30 June 2018 as originally presented \$000s	NZ IFRS 15 \$000s	NZ IFRS 9 \$000s	NZ IFRS 16 \$000s	30 June 2018 Restated \$000s
Current assets					
Cash and cash equivalents	2,589	-	-	-	2,589
Trade and other receivables	17,822		(16)	-	17,806
Inventories	3,486	(90)	-	-	3,396
Total current assets	23,897	(90)	(16)	-	23,791
Non-Current Assets					
Plant and equipment	1,228	-	-	1,364	2,592
Intangible assets	7,337	-	-	-	7,337
Investments	175	-	-	-	175
Total non-current assets	8,740	-	-	1,364	10,104
Total assets	32,637	(90)	(16)	1,364	33,895
Current Liabilities					
Trade and other payables	19,472	-	-	-	19,472
Contract liabilities	1,426	-	-	-	1,426
Provisions	423	-	-	-	423
Borrowings	2,980	-	-	184	3,164
Derivative financial instruments	125	-	-	-	125
Total current liabilities	24,426	-	-	184	24,610
Non-Current Liabilities					
Borrowings	177	-	-	1,438	1,615
Contract liabilities	847	-	-	-	847
Total non-current liabilities	1,024	-	-	1,438	2,462
Total liabilities	25,450	-	-	1,622	27,072
Net assets	\$7,187	(\$90)	(\$16)	(\$258)	\$6,823
Equity					
Contributed equity	123,608	-	-	-	123,608
Accumulated losses	(114,306)	(90)	(16)	(258)	(114,670)
Other reserves	(2,115)	-	-	-	(2,115)
Total equity	\$7,187	(\$90)	(\$16)	(\$258)	\$6,823

Consolidated Statement of Income	30 June 2018 as originally presented \$000s	NZ IFRS 15 \$000s	NZ IFRS 9 \$000s	NZ IFRS 16 \$000s	30 June 2018 Restated \$000s
Revenue	28,042	-	-	-	28,042
Cost of goods sold	(21,127)	-	-	-	(21,127)
Gross profit	6,915	-	-	-	6,915
Other income	108	-	-	-	108
Operating expenses	(5,928)	-	(6)	145	(5,789)
EBITDA	1,095	-	(6)	145	1,234
Depreciation	(153)	-	-	(100)	(253)
Amortization	(673)	-	-	-	(673)
EBIT	269	-	(6)	45	308
Finance income	2	-	-	-	2
Finance expenses	(364)	-	-	(55)	(419)
Loss before income tax	(93)	-	(6)	(10)	(109)
Income tax	(88)	-	-	-	88
Loss for the period	(\$181)	\$ -	(\$6)	(\$10)	(\$197)

Consolidated Cash Flow Statement	30 June 2018 as originally presented \$000s	NZ IFRS 15 \$000s	NZ IFRS 9 \$000s	NZ IFRS 16 \$000s	30 June 2018 Restated \$000s
Cash from operating activities	1,794	-	-	86	1,880
Cash from investing activities	(1,262)	-	-	-	(1,262)
Cash from financing activities	526	-	-	(86)	440
Net increase (decrease) in cash and cash equivalents	\$1,058	\$ -	\$ -	\$ -	\$1,058

NZ IFRS 9 Financial instruments

The group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase in the loss allowance on 1 January 2018 of \$10,000 for all trade receivables with an equivalent increase in accumulated losses at that date. The loss allowance increased by a further \$6,000 for trade receivables during the current reporting period.

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

NZ IFRS 15 Revenue from Contracts with Customers

The adoption of NZ IFRS 15 resulted in a contract with an overseas distributor being treated as an agency service contract instead of principal goods purchase and sale contract. This resulted in an increase in inventories of \$66,000 on 1 January 2018 and a reduction in trade and other receivables of \$175,000 at that date.

NZ IFRS 16 Leases

On adoption of NZ IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of NZ IAS 17 Leases. On 1 January 2018, property, plant and equipment increased by \$1,461,000 and borrowings increased by \$1,709,000. The net impact on accumulated losses on 1 January 2018 was \$248,000. The comparative amounts for the six months ended 30 June 2018 have been adjusted in the Consolidated Statement of Comprehensive Income to remove rental expense of \$145,000 from operating expenses, increase depreciation by \$100,000 and increase finance costs by \$55,000. The comparative amounts for the six months ended 30 June 2018 have been adjusted in the Consolidated Cash Flow Statement to remove rental payments of \$141,000 from payments to suppliers and employees, increase interest paid by \$55,000 and increase finance lease repayments by \$86,000.

5.8 Reconciliation of profit for the period to net cash inflow from operating activities

	Six months ended Unaudited 30 Jun 2019 \$000s	30 Jun 2018 \$000s	Year ended Audited 31 Dec 2018 \$000s
Profit (loss) after taxation for the period	722	(197)	(713)
Adjustments for:			
Depreciation, amortisation and impairment	1,179	926	2,011
Share based payments	4	8	12
Inventory provision movements	190	33	83
Doubtful debt provision movements	-	22	13
Provision for warranty movements	139	46	38
Net foreign exchange differences	(44)	(108)	(402)
Increase in trade and other receivables	(1,262)	(6,138)	(6,293)
Increase in contract liabilities	1,271	923	1,604
Decrease (increase) in inventories	296	(404)	(1,948)
(Decrease) increase in trade and other payables	(1,387)	6,769	7,444
Net cash inflow from operating activities	\$1,108	\$1,880	\$1,849

Directory

Directors

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Dr Lisbeth Jacobs
Gottfried Pausch
John Scott
Keith Oliver

Senior Staff

Greg Allen, Chief Executive Officer
Steven Hodgson, Senior Vice President Commercial
David Howell, Chief Technical Officer
Howard Milliner, Chief Financial Officer
Marc Tinsel, Vice President, Supply Chain and Operations
Peter Barnes, Global Quality Leader
David Burden, VP IoT Products and Marketing Services
Ali Karahasanoğlu, Sales Director, Europe/Eurasia
Erick Layseca, Business Development Director, Americas
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