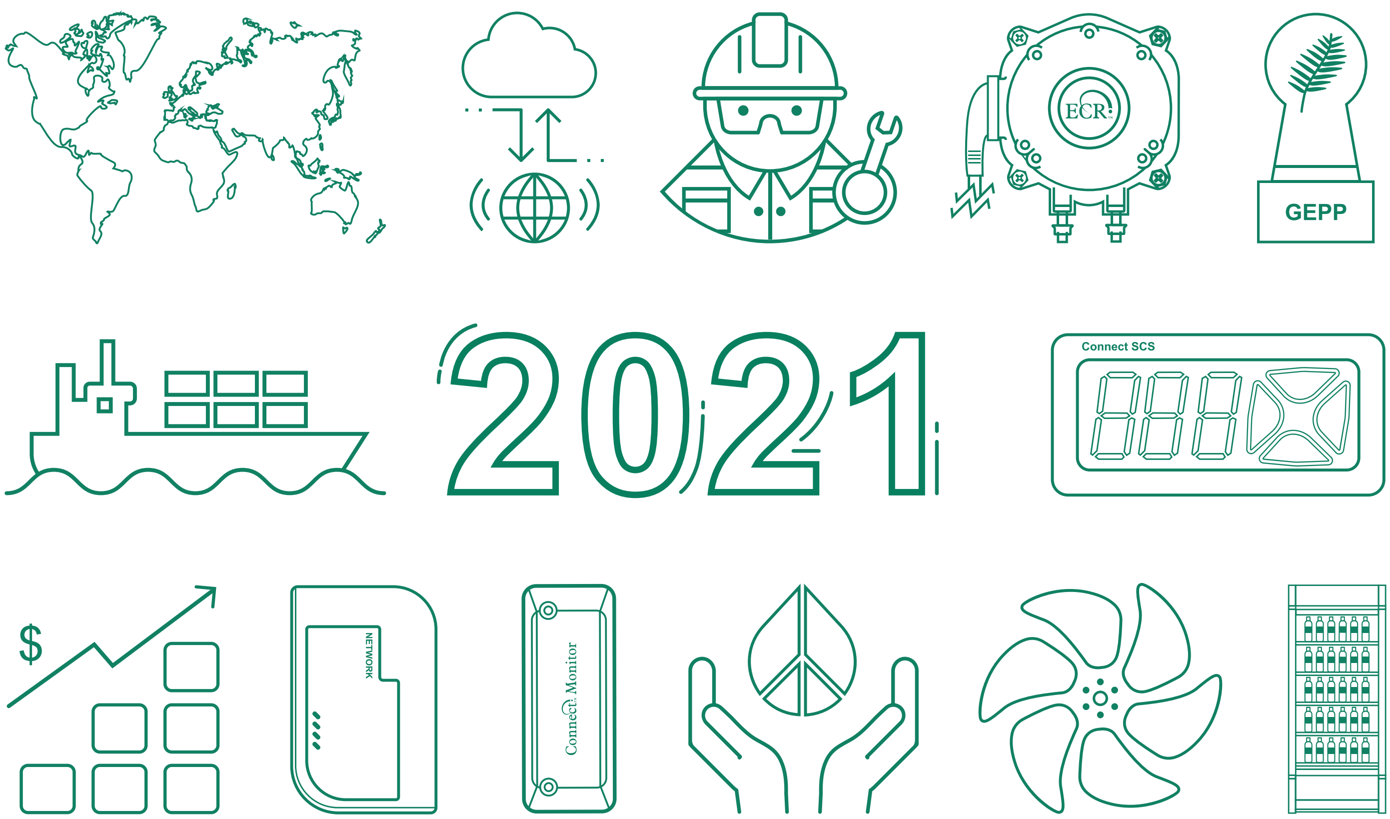
Wellington

Annual Report
2021



Wellington

Annual Report 2021
Wellington Drive Technologies Ltd

Contents

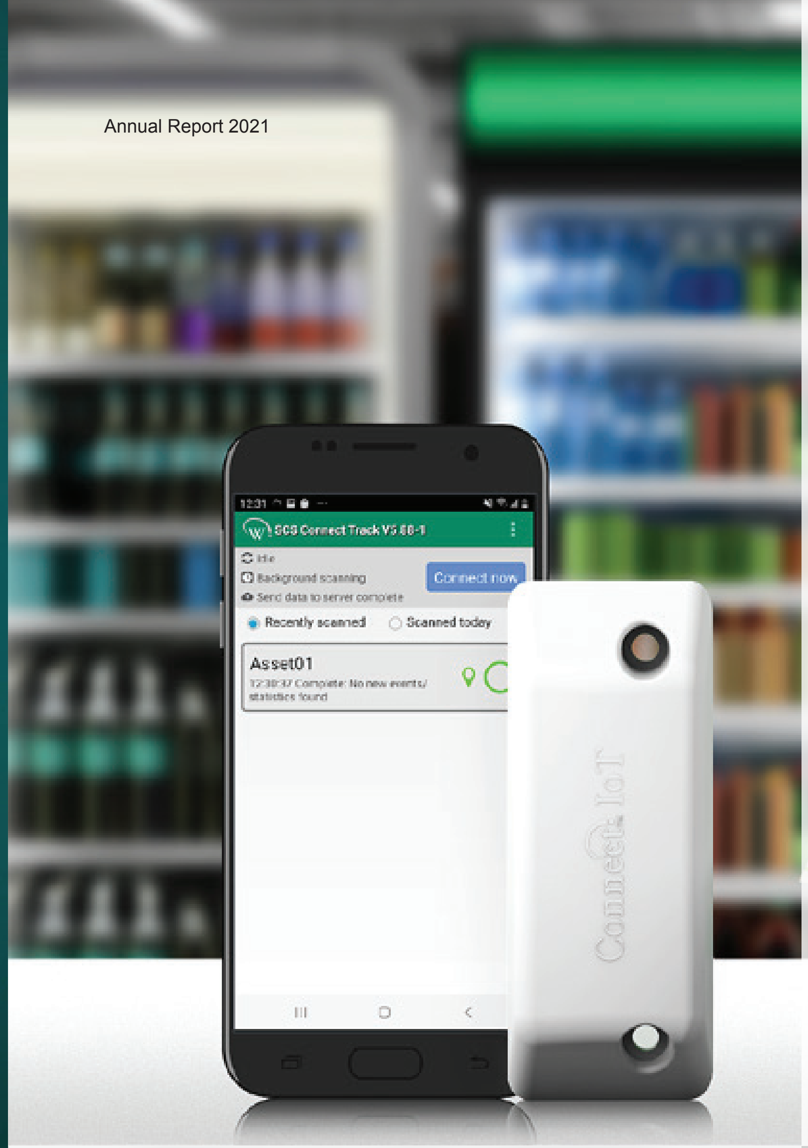
® is a registered Trade Mark of Wellington Drive Technologies Ltd
There are statements in this document that are “forward-looking statements”. As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Wellington, its operations, 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.

When we first developed IoT for commercial refrigeration, we knew we were on to a good thing. Fast forward to 2021, we almost doubled our revenue year-on-year to $64.2 million and are well on track to becoming a $100 million revenue company in 2023.

We're growing into a hardware-enabled, software as a service (SaaS) provider. It's our pathway to lifting recurring revenue, to expanding in existing markets and exploring new regions around the world.

The demand for many of our products now exceeds our supply capability due to global supply chain issues but this is expected to be a short term issue. Sustainability, along with other macro trends like urbanisation, presents tremendous growth opportunities for us.

Our future is now firmly focused on meeting the needs of our global customers to deliver cooler intelligence and a connected advantage.



Revenue

$64.2m

Positive EBITDA

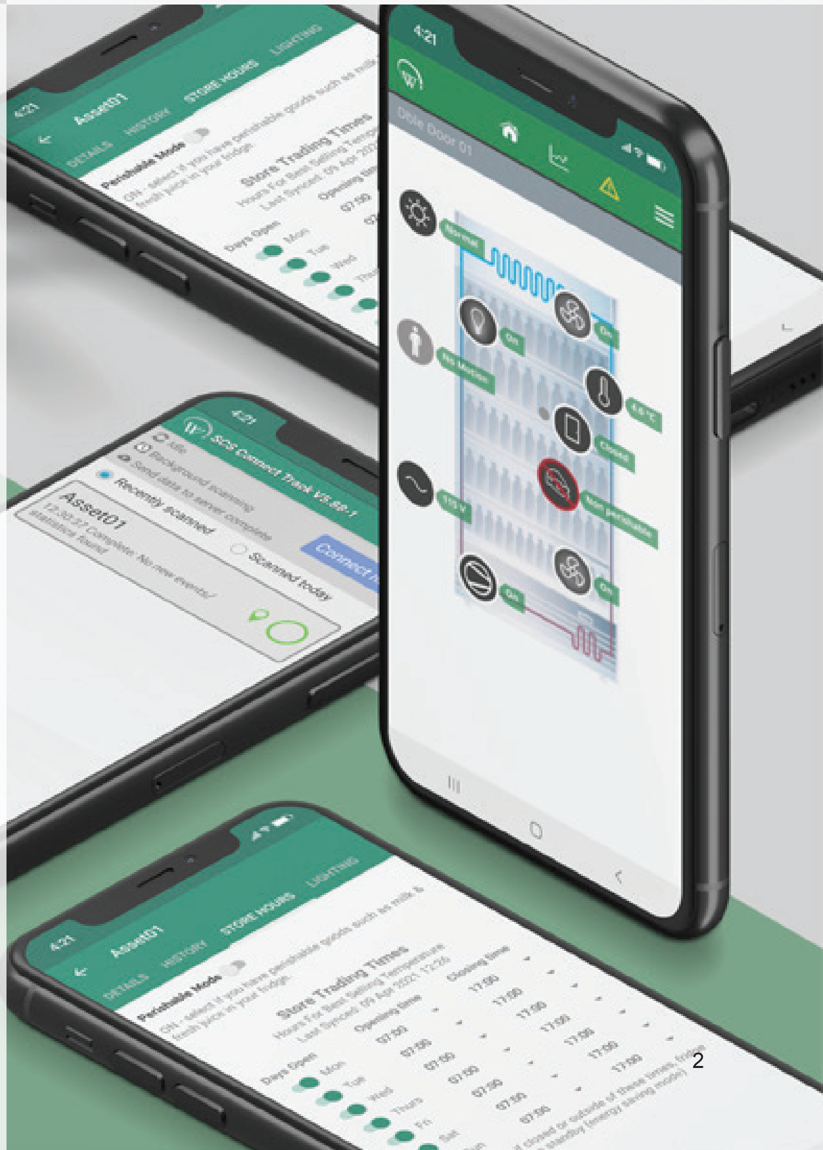
$2.6m

Net profit

$5.4m

Wellington IoT revenue

$25.2m



Letter from Chair and CEO

Gottfried Pausch
Chairman

Greg Balla
Chief Executive Officer

We are extremely pleased to report that Wellington achieved $64.2 million in revenue and EBITDA of $2.6 million during the financial year ending 31 December 2021 (FY21).

Our EBITDA result is above our initial plan and reflects of our team's dedication and commitment to go above and beyond for our customers, as well as our continuous drive to design and deliver innovative solutions, while operating in an uncertain and challenging business environment.

We grew revenue 74.1% compared to COVID-affected FY20. FY21 revenue continued to be constrained by COVID but was nevertheless up 4.0% on our pre-COVID result in FY19.

The speed at which we've rebounded positions us well to deliver the next phase of our growth strategy. We are on track to solidify our global leadership in IoT and high-efficiency motors for the commercial refrigeration industry – a sector worth $11.8 billion globally.

Gross margin was 27.8% for FY21 compared to 28.6% for FY20. To support the increased demand from customers and to manage significant supply chain disruption we bought some component parts on the spot market, where they were not available from regular suppliers, costing an additional $1.1 million. This, along with higher shipping costs, could not always be passed on and caused some reduction in gross margin this year. We expect this position to continue into FY22.

Operating costs increased from $11.5 million to $15.1 million reflecting the restoration of normal remuneration, increased salary levels to assist retention and additional investment to support business growth. The cost in FY21 also included the repayment of voluntary staff salary reductions in 2020 amounting to $1.1 million.

EBITDA increased from $1.2 million to $2.6 million although the improvement in underlying earnings is not immediately apparent in these numbers. EBITDA in FY20 benefited from voluntary staff salary reductions, government wage support payments amounting to $1.1 million and a $1.0 million non-cash income relating to the iPX earn out.

EBITDA in FY21 is after repayment to staff of the 2020 salary reductions and an $0.3 million non-cash charge relating to the iPX earn out.

Underlying EBITDA after adjusting for these non-recurring items was a $6.1 million improvement over FY20.

	$000	
	2021	2020
EBITDA as reported	2,626	1,190
FY20 voluntary staff salary reductions repaid in FY21	1,109	(1,109)
Government wage support paid	(15)	(1,090)
iPX non-cash earn out	323	(1,016)
EBITDA adjusted	4,043	(2,025)

The net profit after tax for FY21 was $5.4 million, this includes a non-cash tax credit of $6.1 million to partially recognise temporary differences and historic tax losses.

Operating cash flows in FY21 was $4.0 million. Cash on hand increased from $4.6 million at December 2020 to $6.0 million at the end of FY21. We consider we are adequately funded to execute current business plans.

Global growth achieved in a challenging landscape

During FY21, we grew the number of refrigeration units connected to our Connect™ Cloud platform by 42% from FY20, taking recurring revenue up to $6.8 million.

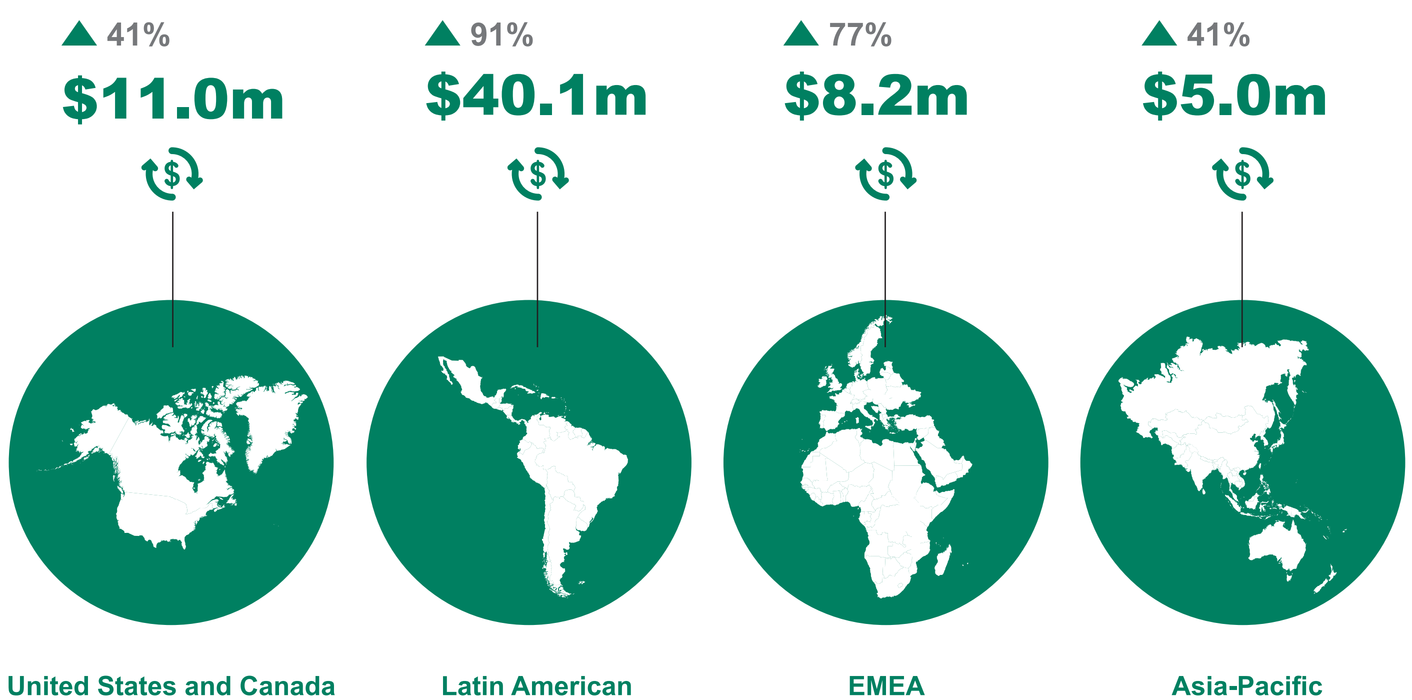
Revenue grew significantly across all regions, compared with FY20. This was an exceptional achievement, set against shipping delays, electronic component shortages, and other logistic and supply chain issues that affected our operations.

Our United States and Canada business grew by 41% on FY20 to $11.0 million, largely due to sales of our energy-efficient ECR® 2 motors.

Latin American revenue rose 91% on FY20 to $40.1 million – mainly attributable to post-COVID demand recovery but also assisted by the launch of new products and directing additional resources to the region to accelerate growth. The LATAM region presents significant new build and retrofit opportunities for us, which we will extensively explore in FY22.

In EMEA, revenue grew to $8.2 million, up 77% on FY20. This stellar result is attributed to repositioning our high-efficiency motors for supermarket chains.

The revenue in Asia-Pacific grew to $5.0 million, up 41% on FY20, with our Connect™ IoT solution underpinning this strong growth.



Tipping point for growth

Sustainability, along with other macro trends like urbanisation, presents enormous opportunities for our business.

Demand for many of our products now exceeds supply. To meet this growing opportunity, we are investing in our people and manufacturing capacities with our partners.

We are increasing our research and development (R&D) effort during FY22. The R&D effort will focus on redesigning products to work around electronic component shortages, as well as delivering new products to market.

As more of our customers see the return-on-investment (ROI) our IoT technology delivers, we are ready to expand our offerings to existing customers, as well as take advantage of the huge retrofit cooler market worldwide.

For example, in FY 21 a large Australian beverage customer committed to retrofitting and connecting its entire refrigeration fleet with us. We are actively working with several customers to retrofit their fleets.

We estimate that there are 90 million bottle coolers in operation globally today and the addressable portion is approximately 30 million coolers. Addressable coolers are coolers that we have a solution for in a market that is accessible to Wellington. Today we estimate that two and a half million of those 30 million coolers are connected to an IoT platform, one and a half million are connected to the Wellington Connect IoT platform.

Delivering on our IoT vision

Wellington's ongoing success lies in its ability to grow into a hardware-enabled, full-service SaaS provider.

Our Connect IoT ecosystem is an example of Wellington at its best. The hardware and software solutions offer sizeable opportunities for recurring revenue growth, as we further develop the ecosystem to service existing markets and exploit new regions including, Europe and North America.

During FY21, we bolstered our regional teams to help customers derive value from our Connect IoT ecosystem. This approach paid off, with a record number of devices connected in FY21.

FY21 also saw the launch of new products to market, driven by powerful customer insights. We launched our new Connect™ Network product, which allows contactless data uploading. This product gives a new access point into the North America and EMEA markets – two key growth regions we are targeting next financial year.

We are currently validating the product with some existing large Australian and Latin American clients. By the end of Q1 FY22, we expect to be ready for pilot customers in Europe and North America.

We also launched Connect™ Monitor, which will significantly expand our market reach and access by easily retrofitting non-connected refrigeration units. It is compatible with our Connect IoT apps, and other Connect™ products, and can capture operational data, offering customers a cloud-based solution to harness actionable insights.

FY22 outlook

In 2019, we presented our vision to grow revenue to $100 million by 2023. Despite the disruption caused by the global pandemic, we remain committed to this objective.

As we move into FY22, we will re-focus on bringing new innovative solutions for our customers' varied requirements, and most importantly, deliver profitable growth.

Our evolution into a hardware-enabled SaaS company is delivering results. In the past financial year, we almost doubled our revenue to $64.2 million and we expect continued strong growth in the year ahead.

Revenue is expected to continue growing strongly in FY22, with the Company forecasting growth of approximately 25% to around US$60 million. Revenue would likely be higher than this if there were no constraints on component supply. The additional gross profit from this growth is largely being reinvested back into the expansion of engineering, sales staff and infrastructure as Wellington broadens its product and geographic spread. We expect EBITDA in FY22 to be in the range of $4.5 million to $5.5 million although this forecast result is subject to the Company successfully navigating the very challenging supply chain environment present today.

Protecting our environment

Our team is committed to making a difference with solutions that reduce energy in refrigeration systems. Refrigeration and air conditioning use approximately 15% of the global electricity demand. We have sustainable solutions to help reduce the demand in our markets. We are actively supporting customers and working with standard groups to impact change. Our customers have now installed over three million high-efficiency motors with energy savings of 2.2TWh to date. We are also focused on the impact manufacturing our distributing our products has and we are evaluating options to reduce our footprint.

Summary

The opportunities for growth are strong and our strategy is focussed on leveraging these opportunities to maximise shareholder value.

Key to our success will be to successfully completing the transition from operating as a standalone hardware company to a hardware-enabled SaaS company.

We are the developers of IoT for commercial refrigeration and our SaaS ecosystem unlocks recurring revenue streams as we continue to refine and develop our world-leading platform to meet the needs of our global customer base.

We would like to take this opportunity, on behalf of the Wellington Board of Directors and Executive Leadership Team, to convey our thanks to every member of our resilient and innovative team for their dedication during the last financial year and ongoing.

And to our shareholders, thank you for your continued support and commitment to the success of the organisation, we are extremely grateful.

About Wellington

We are proud to be a global leader of innovative hardware and software refrigeration technology, working with some of the world's leading food and beverage companies, to develop solutions that help them increase sales, reduce costs, and improve sustainability.

Headquartered in New Zealand, with a global footprint, Wellington is one of the world's leading suppliers of energy-efficient motors, refrigeration control solutions and cloud-based IoT fleet management platforms.

We are the first company to apply IoT technology to bottle coolers, which delivers integrated cloud computing into the commercial refrigeration sector. This provides our customers with valuable business data about the performance of their refrigeration units, enabling them to make more informed strategic decisions and reduce costs.

Our world-leading technology also enables unique consumer engagement experiences, allowing our customers to influence their consumers at the point of decision in new and exciting ways. This helps to build brand loyalty and offers a strong competitive advantage in an increasingly competitive retail environment.

As innovators, we are proud to employ some of the leading minds in refrigeration engineering and software development who are committed to working in partnership with our global customers to deliver unique and tailored solutions, which grow their market share through innovative technology.

Connect Monitor

Our solutions

Our innovative hardware and software helps some of the world's leading food and beverage brands solve complex business challenges, maximise profits and improve sustainability through customised solutions.

Connect IoT:
Our comprehensive ecosystem of hardware, wireless and digital IoT solutions, Connect IoT, brings world-leading technology to commercial refrigeration, helping food and beverage manufacturers better manage their refrigeration assets, reduce costs, increase sales, and provide valuable data which informs better business decisions.

ECR 2 motor

ECR motors:
Our ECR technology provides our customers with energy-efficient refrigeration motors paving the way in sustainability. With our ECR 2 motors proven to be up to 99.97% reliable and at only 36.5 dBA, they are among the quietest motors in the industry with operational efficiency of up to 70%.

Consumer Engagement:
Our world-leading iProximity consumer engagement technology combines the latest location-based IoT devices, smartphones and our powerful iPX™ Cloud platform. It allows our customers to deliver new, exciting communications solutions, which improve their consumer engagement at the point-of-sale (POS), helping to influence purchasing decisions and drive sales.

iPX Cloud platform

Leading manufacturing, quality, and reliability

We never compromise on quality. We are committed to being the global leader in the delivery of high-quality refrigeration solutions and services.

Our flexible solutions, which are easily installed and commissioned, are manufactured by our partners in Vietnam. We are exploring opportunities to manufacture in the Americas, closer to our customers.

All our factories are ISO9001 certified, and we closely supervise the process and quality control across our manufacturing facilities. We maintain direct and

strong relationships with our key component suppliers. These relationships served Wellington well through the pandemic and helped us navigate the challenges of supply chain disruptions.

We know that reliable refrigeration services are critical. That is why we test our products intensively, in both the development and production phases. All our products are tested at extreme abuse levels during development and are validated using accelerated life testing. We conduct continuous production sampling and testing to ensure all our products continue to perform in the way intended.

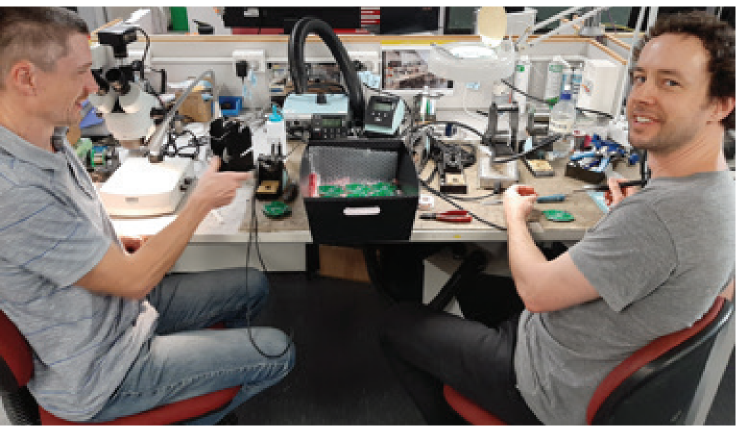
Our commitment to continued innovation

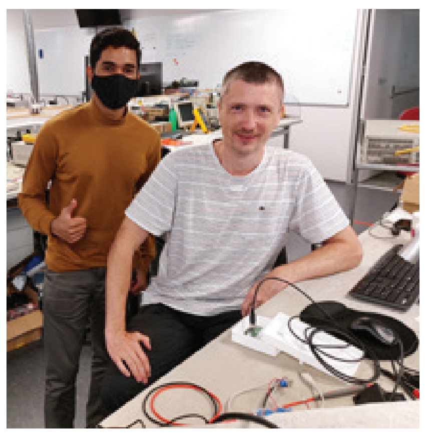
Our continuous commitment to success means continuing to deliver innovative solutions that exceed customer expectations, increase sales, and reduce costs. That is why our customers are at the centre of our ongoing R&D programme.

Our multi-disciplinary R&D team – based in New Zealand – works in partnership with our customers and their manufacturing partners, to develop the best outcomes. In each region we also have teams of field engineers based in each region, who work very closely with our customers.

Our R&D hub is equipped with a highly accelerated life testing (HALT), environmental chambers, airflow test chambers, dynamometers, electromagnetic compatibility testing facilities, a fully equipped toolroom and the ability to build printed circuit board assemblies.

We are enormously proud of the Wellington team which includes some of the world's leading refrigeration engineers and developers. Our team includes hardware, software, mechatronics, refrigeration, manufacturing, and quality engineers. Our expertise of motor control systems and refrigeration offers us a strong advantage against our competitors.





Uncompromising customer service

Our commitment is to exceed our customer's expectations, every time.

We partner collaboratively with our customers, to deliver uniquely specialised solutions through a highly personalised service that directly focuses on saving our customers time, money and helping them gain a competitive advantage in a crowded market.

As industry specialists, we understand the importance of a strong global supply chain. We know how critical "on time" delivery is to production. During FY21, despite the ensuing components and materials shortages, caused by the pandemic, our supply team was relentless in the pursuit of components. Meeting customer demand incurred an additional cost of $1.1 million for spot market component buying.

We also understand the challenges of building products in a manufacturing environment and so we design our products to be flexible, easy to install and commissioned, and to minimise the required stock keeping units (SKUs) in inventory.

Our stakeholders

We pride ourselves on building strong and enduring relationships with our customers, partners, investors, and staff because we know that our continued success is dependent on strong partnerships.

We believe our success in building mutually beneficial relationships is the result of focussing on the things our stakeholders care about – using innovation to solve complex problems that result in increased sales, reduced costs and improved sustainability.

Our partners and distributors

East West Manufacturing

East West Manufacturing is our global manufacturing and supply chain partner, specialising in motor mechanical assembly, plastics design, injection moulding and integrated electronics manufacturing services.

In January 2022, East West acquired Compass Electronics Solutions, which will provide Wellington the opportunity to manufacture with East West in the North American market to better service our customers in the region.

Investors

We believe our investors share our view that there are immense opportunities for growth as we continue to innovate and drive change within the commercial refrigeration sector.

We are committed to maximising shareholder return and take advantage of these opportunities. Our partnerships with some the world's leading food and beverage companies, such as Coca-Cola, PepsiCo, AB InBev and Heineken position us exceptionally well as a global leader in innovation for commercial refrigeration, drive growth and deliver returns to our investors.

We are committed to continue providing our investors with balanced, clear and transparent information, allowing them to make informed decisions about their investments.

Our team

Our business requires smart and skilled people to deliver success. We know that our continued success relies on our ability to attract and retain the highest-quality talent.

We have a global team of 89 comprising leading innovators in hardware, software and digital product and solution technology, with specialist knowledge in IoT devices.

Our advantage is that our team have a common passion for technology and shared learning. We are all committed to collaborating with our customers and suppliers to develop innovative solutions to complex problems.

During the period, David Burden accepted the position of Chief Customer Officer to lead our team in implementing our growth strategy. David has extensive experience in using technology to deliver innovative solutions for customers. David commenced leading our global sales and marketing teams, taking over from Steve Hodgson who worked with us for many years, and we would like to thank Steve for his service and commitment to the organisation.

In an increasingly competitive employment market, we know we need to continually enhance the employment experience to remain an employer of choice. We have employed a head of people and culture to ensure we are at the forefront of delivering the best employee experience to our team.

Our new Chief People Officer, Angela Lewis, came on board at the very end of the year. Bringing her wealth of expertise from working in large corporates, Angela will lead and drive our people-led initiatives, talent retention strategies, and evolve the employee value proposition (EVP) offering.

In November, we welcomed Laura Bocock into the newly created role of Transformation Lead. Laura is leading initiatives that are focused on helping us scale productively and increasing the speed at which we deliver high-value innovative solutions to our customers.

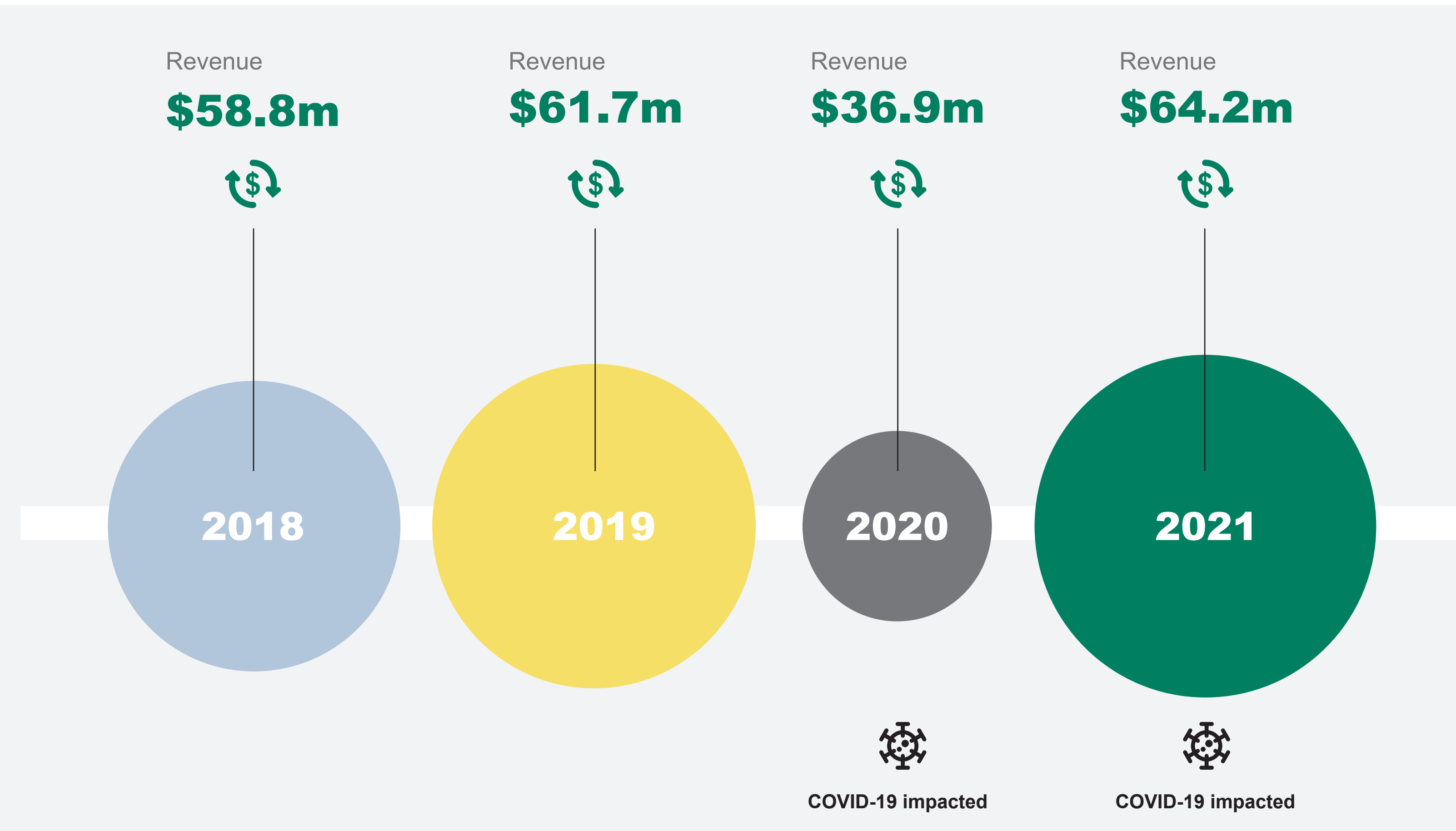
Our strategy for growth

The opportunities for growth are strong and our strategy is focussed on leveraging these opportunities to maximise shareholder value.

In 2019 we presented our Vision 2023, with the aim of achieving $100 million in revenue by 2023. Despite the disruption caused by the global pandemic, we remain committed to achieving this objective.

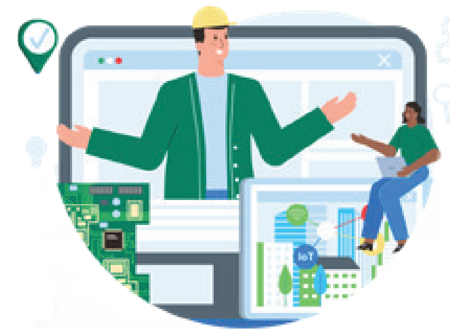
The key to our success will be continuing the successful transition from operating as a hardware company to a hardware-enabled SaaS company. We are the leaders in IoT for commercial refrigeration and our SaaS platform presents an enormous opportunity for recurring revenue growth as we continue to refine and develop our world-leading platform to meet the needs of our global customer base.

This transition is already delivering results and we expect expect continued strong growth in the year ahead. This comes on the back of continued customer demand for high-quality insights which enables more informed business decisions.




New coolers


New regions


New verticals

The three key planks of our business strategy are:

1. **Increasing market share of new coolers and retrofitting existing coolers**
   There are approximately 30 million bottle coolers globally and about two and a half million are connected to a platform. Working with food and beverage manufacturers to retrofit their existing coolers is a key way we expect to grow our market share.

   We also have a clear opportunity to connect to a higher proportion of the nine million new bottle coolers manufactured each year. Currently we sell approximately half a million controllers each year, meaning there is a significant untapped market.

2. **Accessing new regions**
   We will focus our efforts on not only growing our market share within existing markets, but also markedly increasing our presence in markets that provide robust growth opportunities. We plan to increase the presence of our IoT ecosystem in EMEA and North America. Our newly released products Connect Monitor and Connect Network allow us to provide solutions that are suitable for these markets.

3. **Launching new verticals**
   We will use our software and engineering expertise to launch a range of new products that meet the needs of the various parts of the food and beverage sector.

   We will take advantage of the growing demand for data by using our expertise in IoT to connect a wider range of assets to our Connect IoT platform.

Global trends

We live in a rapidly changing world.

Countries continue to grapple with the social and economic impacts of a global pandemic, there is a heightened urgency to act on climate change, populations are growing and urbanising fast, and our economies are digitising at an unprecedented pace.

These changes, however, present huge number of opportunities for adaptable flexible, and innovative companies such as ours. We believe our focus on innovation and the development of new products and services will allow us to grow rapidly as we continue to provide unique solutions to our customers.

Climate change

Climate change remains one of the world's greatest challenges. Last year's United Nations Climate Change Conference (COP 26) in Glasgow saw countries pledge further cuts in emissions to limit temperature rises.

At the same time, some of the world's largest food and beverage companies have pledged to cut emissions. Among them, are two of our customers – Coca-Cola Europacific Partners (CCEP), a major Coca-Cola bottler, which has committed to achieve net zero emissions by 2040; and Heineken has committed to 100% of its coolers being in the top efficiency class by 2027.

As governments and companies start looking at how they can achieve their emissions pledge, we believe we have a vital role to play in helping the food and beverage sector significantly improve its energy efficiency.

Refrigeration is a significant user of electricity, which is still largely generated by fossil fuel in many parts of the world. Our highly energy-efficient ECR 2 motors and our Connect IoT ecosystem, which provides in-depth data on energy use, provide a distinct competitive advantage in the refrigeration market, and allows us to work proactively with leading manufacturers to help them achieve their emissions targets.

Mexico's largest food and drink company, GEPP, is an example of this commitment to emissions reduction, winning the Wellington Sustainability Award in 2021 for its achievements. After installing our ECR 2 motor into its 126,000 stores, GEPP's customers reported a saving of NZD$105.8 million on electricity costs. This is the energy-saving equivalent of 37,343 car trips around the world[1].

[1] Comparative statistics sourced via https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator and https://yearbook.enerdata.net/electricity/world-electricity-production-statistics.html

Urbanisation and demographic changes

The world population continues to grow rapidly and urbanise, particularly in Asia, the Middle East and Central and South America. These regions are also home to some of the world's fastest growing economies with a rapidly expanding middle class.

Increasing urbanisation and growing wealth is driving a modernised retail sector and increased demand for refrigeration, with consumers demanding access to chilled fresh produce, frozen food and chilled drinks.

Our presence in Latin America, the Middle East and Asia means that we can take advantage of this growing market as we leverage the strong partnerships we have built over many years.

Digitisation

The global economy continues to digitise at an unprecedented rate, and the pandemic is only accelerating this process. Increased digitisation brings a growing expectation from companies that they can capture accurate data in real-time to help inform their business decisions.

This means there is growing demand for IoT technology, with a recent survey finding 79% of organisations were planning to invest significant capital into IoT over the next two years. While research firm IDC predicted that more than 50% of global data generated will come from IoT devices by 2025.

As the inventors of IoT in bottle coolers, we stand to benefit from this investment and growth. Our Connect IoT ecosystem provides food and beverage manufacturers with sophisticated real-time data, giving us a distinct competitive advantage in the refrigeration market.

Sustainability

At Wellington, we are proud to be partnering with some of the world's leading food and beverage manufacturers, helping them to improve their energy efficiency, reduce their carbon footprint and meet their sustainability goals.

From protecting the food supply to ensuring medicines remain safe, refrigeration systems are increasingly critical in the modern world. But refrigeration is also energy intensive, with the International Institute of Refrigeration estimating about 15% of the world's electricity is used to drive refrigeration and air-conditioning systems[2].

At the same time, the International Energy Agency (IEA) says rapid increases in electricity demand is putting power systems under strain and pushing power prices and emissions to record levels[3].

For the world to meet its climate change goals, with more than 130 countries pledging or considering reducing emissions to net-zero by 2050, emissions from electricity need to decline. This means we need to be using electricity more efficiently in all parts of the economy.

This presents an enormous opportunity for Wellington, as companies actively seek energy-efficient solutions for their refrigeration systems. We are committed to leveraging this opportunity through ongoing innovation and partnerships to help our customers develop more energy-efficient solutions, as well as continuing to deliver the highest standards of refrigeration.

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Our energy-efficient motors, such as the ECR 2 motor, significantly reduces energy consumption in beverage coolers and vending machines by switching the fan to low speed when the compressor is not operating. The ECR 2 has an efficiency of up to 70% and a power factor of 0.95. Traditional motors are only 18-22% efficient, often with a power factor of less than 0.5. This means our motors are over 300% more energy-efficient than traditional motors.

A trial at a major supermarket chain found that replacing older induction motors with our ECR 2 reduced energy usage by 84% and delivered an ROI in less than a year.

Since the launch of our ECR 2 motor in 2016, more than three million motors have been produced and installed around the world. It is these kinds of innovations that have seen our energy-efficient technology save over 20.5 TWh of energy since we started Wellington – enough energy to power the entire world for 7.4 hours – leading to a reduction in carbon emissions of 14.5 million metric tonnes[4].

We are proud that our environmental and sustainable record was recognised by the Silver Medal by EcoVadis, which places us in the top 20% of companies worldwide.

How we worked with Mexican food and beverage giant GEPP to save energy and cut their carbon footprint

With coolers located in 126,000 stores across Mexico, GEPP is one of Mexico's largest beverage companies.

With the support of Wellington, GEPP commenced installing our ECR 2 motor technology into their coolers and as a result was able to reduce its carbon footprint by 369,933 tCO_2, driven by an 824 GWh power saving[5]. This has saved GEPP's customers NZD$105.8 million in electricity costs.

[2] https://iifiir.org/en/fridoc/how-to-improve-energy-efficiency-in-refrigerating-equipment-124004

[3] https://www.iea.org/reports/electricity-market-report-january-2022

[4] Comparative statistics sourced via https://www.statista.com/statistics/280704/world-power-consumption/

[5] Comparative statistics sourced via https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator and https://yearbook.enerdata.net/electricity/world-electricity-production-statistics.html

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Asset management

- Track the location of all field equipment.
- Reduce equipment loss.
- Minimise CAPEX spend on new equipment.
- Optimise cooler replacement cycle based on actual equipment condition.

A customer reclaimed over 45% of their lost coolers after adopting the Connect™ Track app.

Technical performance

- Verify equipment operation.
- Remote diagnostics reduce downtime and prioritise issues.
- Easy tools simplify troubleshooting and service in the field.
- Operational data identifies problem areas, reducing service costs.
- Improve scheduling of preventive maintenance.

One Wellington customer reduced their average service cost by about 50%. Savings came from faster diagnostics, accurate early fault identification, and better first-time fix rate.

Commercial performance

- Maximise equipment ROI by understanding activity at each point of sale.
- Identify assets that aren't paying for themselves and right size them.
- Upsize equipment to capture unmet demand and increase revenue.

A customer reviewed their equipment fleet in different channels after analysing the data and determining that over 50% of their coolers were turning over less than 10% of their capacity per day.

Operations management

- Identify case contamination and undesirable retailer behaviour.
- Support sustainability initiatives by minimising energy consumption while ensuring product temperatures are safe and desirable.
- Be alerted to potential product quality/HACCP issues.
- Better justify future CAPEX investments with performance data for each asset.

A customer reduced their servings of product that were out of temperature spec across the fleet from 15% to just 2% by identifying overnight cooler switch offs and correcting the retailer's behaviour.

Customer engagement

- Easily communicate planograms, sales specials and new programs.
- Dynamically update information anytime with field trips or added cost.

Engage your customers by dynamically sharing planograms, new programs, and sales specials with digital, on demand technology.

Consumer engagement

- Connect with consumers at the POS with access to special promotions.
- Influence decisions with customisable content.
- Build loyalty with unique experiences.

One customer increased sales by 114% over a 6-week promotion that focused on new consumer engagement at the POS equipment.

Why do our global customers love us?

Asset management

Our cutting-edge IoT technology is supporting some of the world's leading food and beverage manufacturers to better manage their refrigeration assets in a range of ways. Our solutions help improve maintenance efficiency and servicing, reduce asset losses and save money for our customers around the world.

Beverage manufacturers and bottlers are often required to place commercial refrigeration assets (coolers) at the POS. This wide distribution of refrigeration assets, and the loss of direct control, means manufacturers can suffer high rates of asset loss through misplacement, theft, or poor compliance.

For example, a recent survey of our Latin American beverage customers found the rate of loss was between 3% and 7% of their total cooler fleet annually. For an average bottler, with a fleet of 60,000 coolers, this could mean up to 4,200 coolers lost every year. Given the average cooler costs $US500, this represents an annual expenditure impact of USD$2.1 million.

Through the development of our leading Connect IoT ecosystem, we can support our customers to actively monitor their field equipment and reduce equipment loss. Our IoT technology allows for ongoing passive data acquisition and has geolocation capability. This means manufacturers can monitor the precise location and performance of each cooler; and our customers can improve their cooler replacement cycle, reduce the number of lost coolers and make better use of capital budget.

How we helped one of our customers recover 40% of their lost refrigeration assets

A bottler in Latin America recently sought our help to recover lost or stolen refrigeration assets.

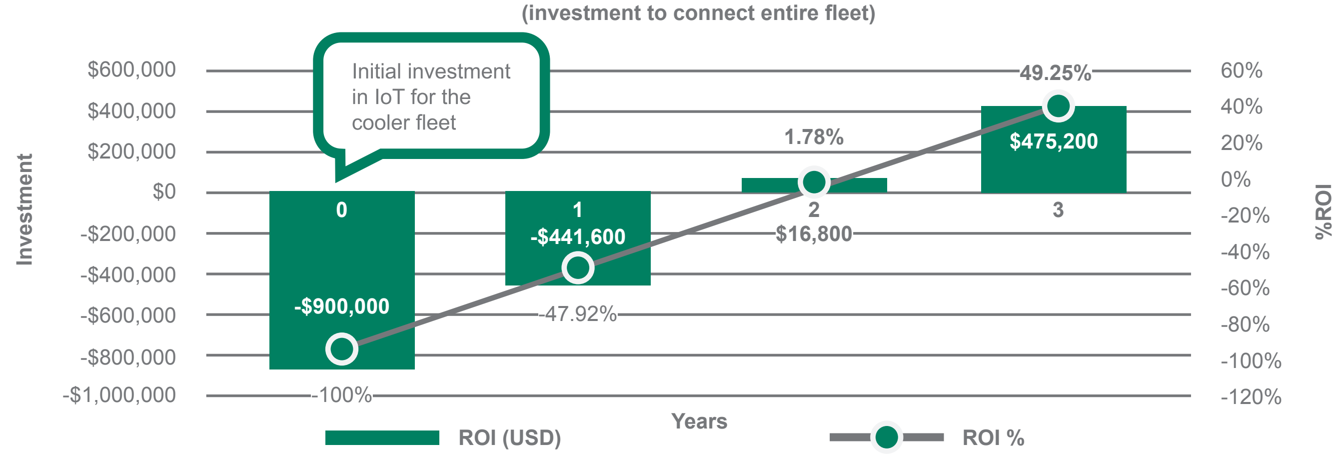
The lost assets were written off and the company was preparing to invest two to three times the book value of these assets for replacement units.

They previously installed our Connect SCS electronic controllers into many of their new build coolers, which logs and stores operational and geolocation data.

With our support, the company implemented a cooler collection plan, integrating our data acquisition software into its own app. This allowed their commercial team to collect the precise location and asset number of coolers in the field.

After several months of data collection, an internal control list was generated to identify the number and precise location of the lost coolers. The company could then launch a recovery operation to collect the lost coolers. This resulted in the bottler recovering 40% of its lost or stolen coolers, reducing capital spend and delivering a ROI from our technology within two years.

Return-on-investment period over total cooler connectivity investment[6]
(investment to connect entire fleet)



[6] Graph sourced from Wellington White Paper, How an investment in IoT for the field refrigeration fleet recovered 40% of lost assets and achieved ROI in less than two years https://www.wdtl.com/resources/white-papers/

Technical performance

We pride ourselves on developing tailored and innovative technology solutions which improve the technical performance of our customers' refrigeration units.

Food and beverage manufacturers must have confidence that their refrigeration units are performing to the highest standards to ensure product safety and to identify issues early.

Our globally leading IoT technology helps them to do this by verifying the operation of their refrigeration equipment. Our technology allows remote diagnostics, simplified troubleshooting and the improved collection of operational data.

This helps our customers identify, then rectify issues quickly, to avoid or minimise any potential loss of stock, due to temperature changes.

Our Connect™ Field app allows service technicians to connect to a cooler via Bluetooth, displaying error flags and identifying issues. Our system also allows the control of individual relays to check component operation and download months of cooler data to a Smartphone. Technicians can then diagnose a situation based on accurate information and real-time data, removing any guess work.

This technology saves our customers money in unnecessary servicing costs. For example, after implementing our Connect IoT ecosystem, one of our customers halved its average service costs by providing faster diagnostics, improving fault identification accuracy and delivering a better first-time fix rate.

Commercial performance

Our Connect IoT technology helps our customers to make the best use of their refrigeration units, ensuring they have the right units at the right location to meet demand and maximise sales.

Commercial refrigeration and coolers are a significant capital expense for food and beverage manufacturers, and it is crucial that this investment delivers maximum return.

By implementing our Connect IoT ecosystem, our customers collect a wide range of business intelligence that tells them if a unit is over or undersized for every single POS.

Unlike other options available, our technology allows our customers to identify where assets might need to be upsized to capture unmet demand. As a result, our technology is allowing customers to maximise the ROI of their coolers.

Wellington's Connect IoT technology allowed a customer to review its equipment fleet in different channels.

After analysing the data, we discovered more than 50% of the coolers were turning over less than 10% of their capacity per day.

Understanding this, enabled the customer to begin swapping these underperforming units for smaller, more efficient units, resulting in significant savings.

Operations management

Our Connect IoT ecosystem provides our customers with critical insights into the field operation of their commercial refrigeration and cooler units.

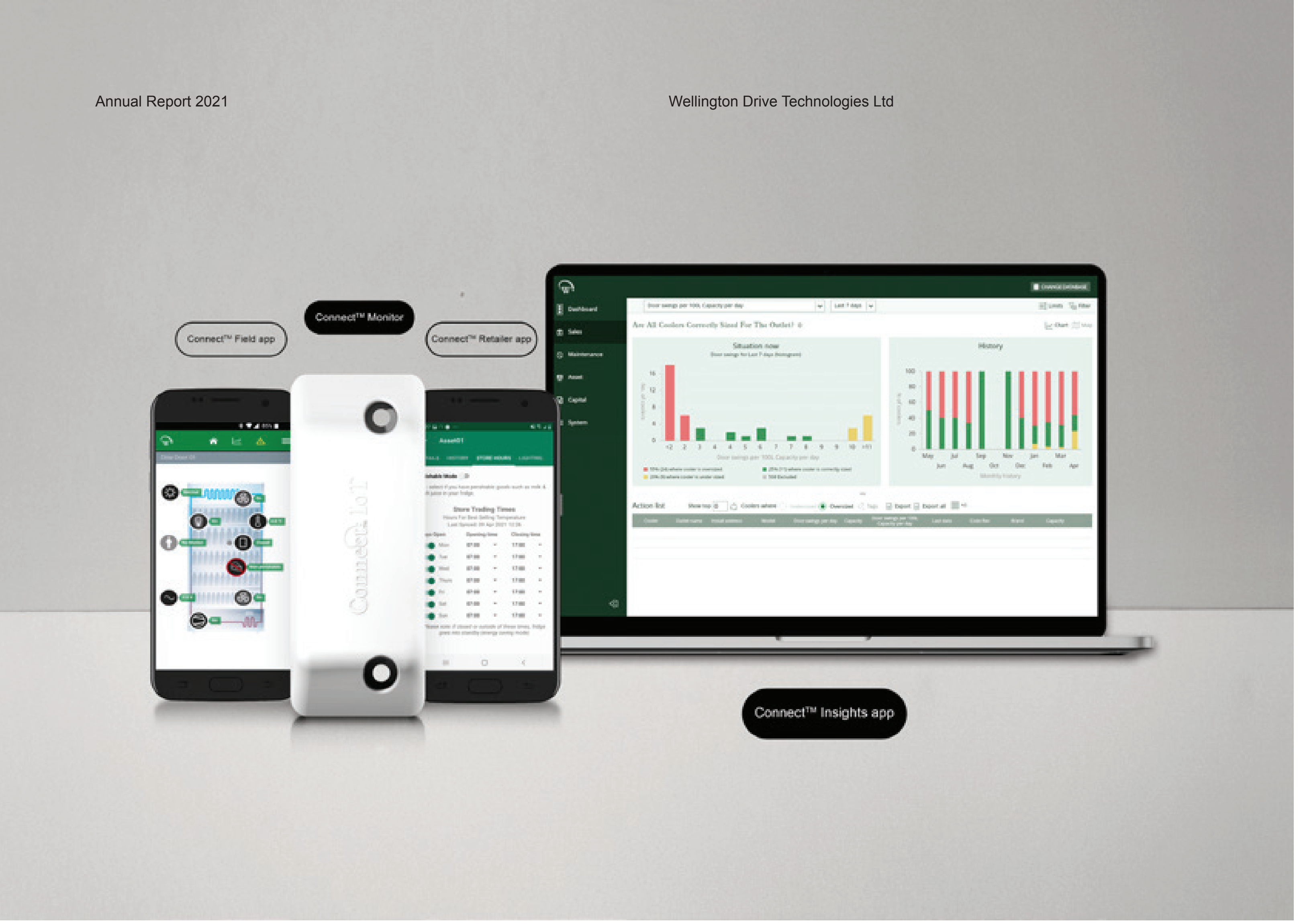
In turn, this helps our customers to improve sustainability, identify case contamination and reduce the risk of undesirable retailer behaviour.

For example, our Connect SCS is a sophisticated smart controller that provides voltage and current measurements, allowing our customers to report the real energy usage across its fleet.

This also enables easy identification of when a retailer might turn a cooler off overnight in the mistaken belief this will save electricity, which can impact product quality and result in food safety issues.

Our "always-on" technology means our customers are alerted when equipment is unloaded and can track product reloads, identify unauthorised products being placed into a cooler. This allows prompt action to help adjust retailer behaviour.

With our support, we helped one of our customers reduce the number of coolers selling out-of-temperature products from 15% to just 2% of its fleet by allowing them to identify and rectify overnight cooler switch offs. Cooler operating temperatures are critical to our customers' product sales and coolers operating correctly will have up to 55% higher product sales than warmer coolers.



Customer engagement

Providing actionable insights for our customers

We are committed to making life easier for our customers, as well as for our customers' customers. We believe in the power of our IoT technology to help achieve this.

By working in partnership with food and beverage manufacturers, we continue to develop innovative and leading solutions that provide our customers with the competitive edge required to gain retail floor space in an intensely competitive market.

As our Connect IoT ecosystem easily integrates with different platforms, we can place a world of data at the fingertips of sales teams – including detailed product information and energy efficiency.

This helps empower our food and beverage customers to engage with retailers and others in evidence-based conversations, allowing them to easily demonstrate the value and profitability of their refrigeration unit.

Consumer engagement

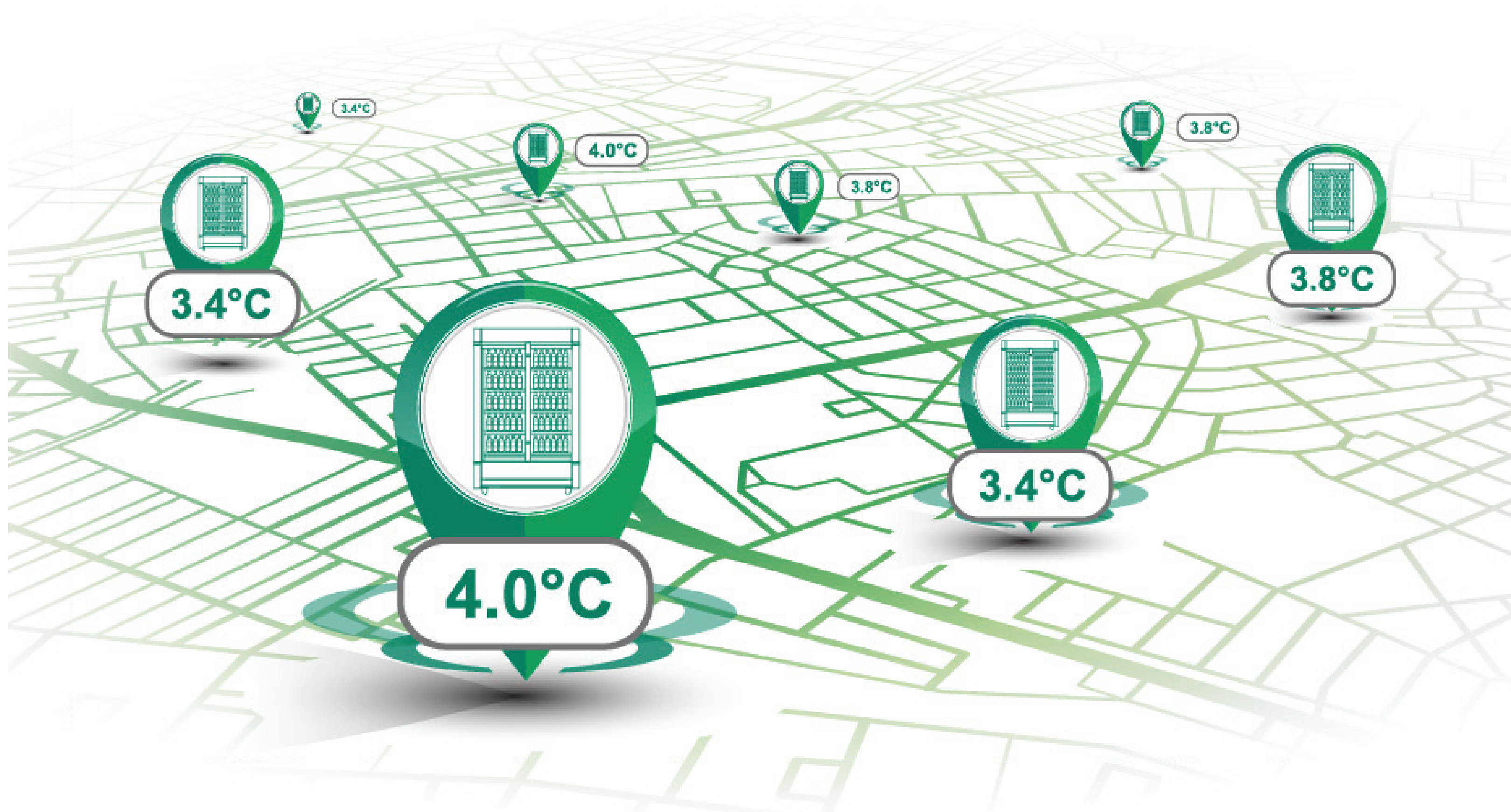
Our software technology solutions allow our customers to engage with their consumers in new and exciting ways, helping to increase sales and build brand loyalty.

Through our "always-on" technology, we can support our customers to better control the brand experience, offer personalised promotions to consumers and digitally engage with individualised consumers, helping to influence purchasing decisions.

Our iProximity engagement platform, for example, allows customers to connect with consumers at the POS, giving them access to special promotions. Customers can also make use of our interactive ScreenSmarts solution to integrate customised, interactive digital signage into food and beverage coolers.

In a retail environment that is increasingly digitised and connected. The ability to engage with consumers at the POS can be a powerful point of difference, allowing brands to engage directly with their consumers at the right time to drive sales.

An example of the power of our Connect IoT ecosystem to drive sales is when one of our customers, returned an increase in sales of 114% during a six-week promotion that focussed on new consumer engagement at the POS using our technology.



Directors

Gottfried Pausch

Executive Appointment and Remuneration

Audit and Risk

Chairman | Independent Director

Gottfried Pausch is an independent director of McKay Ltd and Blackhawk Tracking Ltd. Gottfried holds an electrical engineering degree from Austria and a Master's degree in Business Administration from Duke University in the USA. He is a director for one of the National Science Challenges, an initiative of the Ministry of Business, Innovation and Employment (MBIE). Gottfried was the former CEO at Actronic Technologies, Executive Chairman at AuCom Electronics, Chairman of Invert Robotics - all companies with New Zealand based engineering, manufacturing and global sales & service networks and an executive in residence at The Icehouse. This followed a 22-year career with German engineering and electronics conglomerate Siemens, one of the world's leading suppliers of products, solutions and services in the field of technology. During this period, he held the positions of CEO Siemens Energy Services Ltd and managing director of Siemens New Zealand.

Greg Allen

Director

Based in Vancouver Canada, Greg Allen is the former CEO of Wellington and has worked around the world leading business development, supply chain and tech manufacturing for over 30 years. Greg provides Wellington with the benefit of his international customer and corporate development expertise as the Company continues to focus on providing the best solutions for the global food and beverage market. Greg is currently a Venture Partner for Chrysalix Venture Capital, a global venture capital fund focused on industry 4.0, climate technology and resource productivity. In addition, he serves as Board Chair of HaiLa, a Canadian-based low-power Wi-Fi solutions start-up; is a board observer for Feasible, a US-based EV battery intelligence company; and is a member of the Economic Advisory Committee for the City of Richmond, British Columbia. Greg gained his education in radio and electronics in the New Zealand Army, holds an MBA from Edinburgh Napier University and holds the Canadian Institute of Corporate Directors ICD.D professional designation.

John McMahon

Audit and Risk (Chair)

Independent Director

John McMahon has over 30 years' experience in the Australasian equity markets, predominantly as an equity analyst covering the telecommunications, media, gaming, transport and industrials sectors. Previous roles include Head of Research and Head of Equities for ABN AMRO NZ and Managing Director of ASB Securities. John is a director and Chair of Solution Dynamics Ltd (SDL) and was also a director of NZX Ltd (NZX) until 31 December 2021. He holds a Bachelor of Commerce (Honours), an MBA and is a CFA (Chartered Financial Analyst) charter holder.

John Scott

Independent Director

John Scott is CEO for Invenco, a world leader in payments and forecourt solutions (fintech and IoT) in the petroleum space. He has previously had a range of c-suite roles across sales, marketing, operations and product management with Navico, Brunswick and Navman. John also had business development, engineering and project engineering roles with Ericsson/Volex (communications). He graduated from the University of Auckland in 1997 with a Bachelor of Engineering (BE Mech). John has 20 years of global experience in managing large multilocation go-to-market, operations and design teams – with deep pricing experience across all channels and markets. He has been actively involved in multiple acquisition events and fundraising activities. John has an in-depth knowledge of the rapidly developing dynamics of global electronics supply, big data and IoT growth opportunities, and has operating experience in the Asian, European and North American markets.

Keith Oliver

Executive Appointment and Remuneration (Chair)

Audit and Risk

Independent Director

Keith Oliver was appointed a director of Wellington in March 2019. He is also an Independent Director at Rakon Limited, Chairman of Blackhawk Tracking Limited and since 22 July 2021 he has been a director at VWork Limited. He has over 20 years' experience in CEO, director and chairman roles, and has extensive experience expanding technology businesses in USA, South America, Europe, Asia and Australia. Keith was Chairman of Actronic Technologies for 10 years, and Chairman of Compac Sorting Equipment Limited, where he also held leadership and board director roles. He has Crown company governance experience in science and health, having worked as a Director of New Zealand's Institute of Environmental Science and Research Limited (ESR). Prior to his governance roles, Keith had a 20-year career in telecommunications, broadcasting, strategic planning and private equity investment in New Zealand, Australia and Europe.

Executive management

Greg Balla

Chief Executive Officer

Greg Balla was appointed CEO of Wellington in May 2021. He comes with over 18 years of strong leadership experience in large complex organisations including technology and manufacturing across a range of sectors including industrial, healthcare technology, mining, pharmaceuticals and electrical products. Greg's extensive commercial skills spans government contracts, large supplier agreements, distribution management, pricing and contract negotiation. He also possesses extensive change management experience in multiple sectors as well as in depth experience in implementing management operating systems to drive strategic deployment and organisation visibility. Greg's most recent role was as Chief Operating Officer for Orion Health, a global health technology company.

Howard Milliner

Chief Financial Officer

Howard Milliner was appointed as CFO in November 2012. He oversees all financial and administrative operations and helps to shape the overall strategy and direction for the company. He holds a BCom from the University of Auckland and is a chartered accountant, with accounting experience gained working for Ernst & Young London. For 14 years he held both CFO and CEO roles for NZ-listed engineering business, Mercer Group (now MHM Automation). Howard has extensive experience in managing financial operations and business acquisitions and divestments.

Angela Lewis

Chief People Officer

Angela Lewis joined Wellington in January 2022. She leads leads our people focused initiatives as we continue to develop a vibrant culture with modern thinking and ways of working while supporting the retention of our existing talent and helping to attract the best future talent. Angela was previously the Head of HR consulting at Coca-Cola Amatil (NZ) Ltd and has significant people leadership experience from her career, including organisations such as Amazon, Orion Health and Walt Disney.

David Howell

Chief Technology Officer

David is currently Chief Technology Officer and has a strategic technology leadership role that includes conception of the technology plan, taking a lead role in technology and partnership acquisition, as well as exploring and implementing new technology models. David joined Wellington as Engineering Manager in 1999. He has previously worked in new product development roles for Rover Group (UK), Fisher and Paykel Healthcare Corporation Ltd and Tru-Test Ltd. He is listed as inventor on 14 families of international patent applications, including several of Wellington's core motor patents.

David Burden

Chief Customer Officer

David Burden joined Wellington in 2018 as part of the iProximity acquisition, initially in the role of Vice President Group Marketing and IoT products and in December 2021 he was promoted to Chief Customer Officer. He is an Australian entrepreneur with 30 years of experience in leading start-ups and successful technology businesses. He founded and led what became Australia's largest and best-recognised interactive and mobile services company, Legion Interactive.
In 2008, he joined the ASX-listed digital media company Webfirm Group (now Adslot) as group CEO. Within three years he took it from a valuation of AUD$2m to a peak of AUD$120m. In December 2013, David and Rohan Lean established an exciting new IoT company, iProximity, with a focus on proximity marketing and digital information services. iProximity was acquired by Wellington in July 2018.

Marc Tinsel

Vice President, Supply Chain, Operations and GM Engineering

Marc is responsible for Wellington's day-to-day leadership, supply chain and operations, as well as delivery of all hardware, software and development programs. He joined Wellington in 2013 as Programme Manager for sustaining engineering, was promoted to Head of Manufacturing in 2015 then Vice President, Supply Chain and Operations in January 2019 and in November 2020 his job responsibilities were also extended to engineering. Prior to Wellington, he worked as a Project Manager for Electrix, managing multiple projects, budgets and multidisciplinary teams. Marc was also employed by electrical safety compliance testing laboratories based in Auckland and London for 13 years.

Executive management

Beatriz Mibach

Vice President, Global Product Management

Beatriz Mibach joined Wellington in February 2020 as Global Head of Products, where she leads the product management process from concept through to customer delivery. Beatriz has 15 years' experience across research, engineering, product management and innovation for leading global companies. She has previously held vice president roles for engineering and sales at Lancer Corporation and worked as the equipment development manager at Coca-Cola in Europe.

Peter Barnes

Global Quality Manager

Peter Barnes is currently Global Quality Manager, responsible for product quality, quality improvement and all Company processes and procedures. Peter joined Wellington in 2003 as a senior electronic design engineer. He held many positions within the engineering team before changing his career direction and moving into quality management. Prior to starting at Wellington, Peter worked at a start-up company as a design engineer, developing various water temperature control valves for domestic and industrial applications.

Laura Bocock

Transformation Lead

Laura Bocock joined Wellington in November 2021 as Transformation Lead, where she leads a portfolio of activities that re-invent the way we do things at Wellington. These support our customer centric focus, expanding lean/agile tools and using data led insights to develop a continuous improvement and innovation mindset. Laura enjoys a challenge and strives for great outcomes for people and organisations. She has over 12 years' experience across a breadth of skills including lean six sigma and agile, software development delivery, emergency management, change leadership, program management, analysis, training, and collaborative engagement.

Prior to starting at Wellington, Laura was Planning and Intelligence Manager, COVID Response Unit at Auckland Regional Public Health Service.

Annual Report 2021 Wellington Drive Technologies Ltd

Financial Statements

Consolidated Statement of Comprehensive Income

	Note	2021 $000s	2020 $000s
Revenue	2.2	**64,218**	36,880
Cost of sales		**(46,345)**	(26,332)
Gross profit		**17,873**	10,548
Other income	2.3	**128**	1,156
Operating expenses	2.4	**(15,052)**	(11,530)
(Loss) / gain on remeasurement of contingent consideration	6.1b	**(323)**	1,016
Earnings before interest, taxation, depreciation, amortisation & impairment		**2,626**	1,190
Depreciation	3.2	**(578)**	(641)
Amortisation	3.3	**(2,015)**	(1,686)
Impairment	3.3	**(393)**	(456)
(Loss) before interest & taxation		**(360)**	(1,593)
Finance income	4.2	**11**	7
Finance expenses	4.2	**(207)**	(389)
(Loss) before income tax		**(556)**	(1,975)
Income tax credit / (expense)	2.5a	**5,981**	(179)
Profit / (loss) for the year		**5,425**	(2,154)
Other comprehensive income: Items that may be reclassified subsequently to the profit or loss:			
Exchange differences on translation of foreign operations	4.5b	**117**	(1,565)
Other comprehensive income / (loss) for the year		**117**	(1,565)
Total comprehensive income / (loss) for the year		**5,542**	($3,719)
Profit / (loss) for the year attributable to the Owners of the Company		**5,425**	(2,154)
Total comprehensive income / (loss) attributable to the Owners of the Company		**5,542**	(3,719)
Basic earnings per share – cents	2.6	1.26	(0.58)
Diluted earnings per share – cents	2.6	1.23	(0.58)

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

Consolidated Statement of Movements in Equity

for the year ended 31 December 2021

2021	Note	Contributed equity $000s	Accumulated losses $000s	Other reserves $000s	Total equity $000s
Balance at 1 January 2021		**135,555**	**(116,892)**	**(3,948)**	**14,715**
Comprehensive income					
Profit for year		**-**	**5,425**	**-**	**5,425**
Other comprehensive income					
Exchange differences on translation of foreign operations	4.5b	**-**	**-**	**117**	**117**
Total comprehensive income		**-**	**5,425**	**117**	**5,542**
Share option compensation expensed	4.5a	**-**	**-**	**31**	**31**
Balance at 31 December 2021		**$135,555**	**($111,467)**	**($3,800)**	**$20,288**

2020	Note	Contributed equity $000s	Accumulated losses $000s	Other reserves $000s	Total equity $000s
Balance at 1 January 2020		130,228	(114,738)	(2,383)	13,107
Comprehensive income					
Loss for year		-	(2,154)	-	(2,154)
Other comprehensive income					
Exchange differences on translation of foreign operations	4.5b	-	-	(1,565)	(1,565)
Total comprehensive income		-	2,154	(1,565)	(3,719)
Contributions of equity, net of costs	4.3	5,327	-	-	5,327
Balance at 31 December 2020		$135,555	($116,892)	($3,948)	$14,715

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

Consolidated Statement of Financial Position

as at 31 December 2021

	Note	**2021 $000s**	2020 $000s
Current Assets			
Cash and cash equivalents	3.1a	**5,953**	4,610
Trade and other receivables	3.1b	**17,847**	8,624
Inventories	3.1c	**4,600**	3,417
Total current assets		**28,400**	16,651
Non-Current Assets			
Property, plant and equipment	3.2	**1,724**	2,083
Deferred tax asset	2.5b	**6,051**	-
Intangible assets	3.3	**12,619**	12,397
Total non-current assets		**20,394**	14,480
Total assets		**48,794**	31,131
Current Liabilities			
Trade and other payables	3.1d	**19,167**	9,872
Contract liability	2.2	**1,431**	1,044
Provisions	3.1e	**205**	315
Derivative financial instruments	6.4	**21**	-
Borrowings	4.1	**731**	863
Total current liabilities		**21,555**	12,094
Non-Current Liabilities			
Borrowings	4.1	**1,266**	1,170
Contract liability	2.2	**5,362**	3,152
Contingent consideration	6.1b	**323**	-
Total non-current liabilities		**6,951**	4,322
Total liabilities		**28,506**	16,416
Net assets		**$20,288**	$14,715

Consolidated Statement of Financial Position - continued

as at 31 December 2021

	Note	**2021 $000s**	2020 $000s
Equity			
Contributed equity	4.3	**135,555**	135,555
Accumulated losses	4.4	**(111,467)**	(116,892)
Other reserves	4.5	**(3,800)**	(3,948)
Total equity		**$20,288**	$14,715

For and on behalf of the Board

Director
25 February 2022

Director
25 February 2022

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

Consolidated Cash Flow Statement

for the year ended 31 December 2021

	Note	2021 $000s	2020 $000s
Cash flows from operating activities			
Receipts from customers exclusive of GST/VAT		**57,993**	41,531
Payments to suppliers and employees exclusive of GST/VAT		**(54,861)**	(42,606)
Other income	2.3	**128**	1,156
Interest paid		**(204)**	(404)
Interest received	4.2	**11**	7
Taxation (paid) / received		**(31)**	13
Net GST/VAT received		**911**	643
Net cash inflow from operating activities	6.7a	**3,947**	340
Cash flows from investing activities			
Payments for property, plant and equipment	3.2	**(134)**	(210)
Payments for intangible assets	3.3	**(2,089)**	(3,153)
Net cash outflow from investing activities		**(2,223)**	(3,363)
Cash flows from financing activities			
Cash proceeds from ordinary shares	4.3	**-**	5,327
New loans and drawdowns	4.1	**2,071**	7,240
Loan repayments	4.1	**(1,902)**	(8,019)
Finance lease borrowing		**-**	27
Principal payments for right-of-use assets	6.5	**(217)**	(193)
Net cash (outflow) / inflow from financing activities		**(48)**	4,382
Net increase in cash and cash equivalents		**1,676**	1,359
Cash and cash equivalents at the beginning of the financial period		**4,610**	3,459
Effect of exchange rate movements on cash		**(333)**	(208)
Cash and cash equivalents at end of year	3.1a	**$5,953**	$4,610

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

Notes to the Financial Statements

1. Basis of preparation

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

1.1 General Information

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on [Date].

1.2 Summary of Significant Accounting Policies

(a). Basis of preparation

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

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

Entities reporting

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

Historical cost convention

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

New standards, amendments and interpretations effective in the current year

The following accounting standards, amendments and interpretations have not had a material impact on the financial statements.

- Software as a Service Arrangements
- Interest Rate Benchmark Reform

New standards, amendments and interpretations not yet adopted

The following accounting standards, amendments and interpretations are mandatory for future periods and are unlikely to have a material impact on the financial statements prepared by the Company.

- Onerous Contracts – Cost of Fulfilling a Contract – effective from 1 January 2022
- Property, Plant and Equipment – effective from 1 January 2022
- Classification of Liabilities as Current and Non-Current – effective from 1 January 2023

Going concern assumption

The Group reported a profit for the 2021 year of $5,425,000 (2020: loss of $2,154,000) although this result for 2021 includes a $6,051,000 non-cash credit for the recognition of a deferred tax asset. Operating cash inflows for the 2021 year was $3,947,000 (2020: $340,000). Cash at 31 December 2021 was $5,953,000 (2020: $4,610,000) and net cash (defined as cash balances net of borrowings) was $3,956,000 (2020: $2,577,000).

The primary impact of COVID-19 in the 2021 year was on the supply chain in contrast to the 2020 year which saw customer demand reductions. The Group remains subject to a higher than usual level of risk in the current global environment including unexpected cost increases, factory closures or capacity reductions due to the COVID-19 virus, suppliers unable to supply some critical components and other unanticipated disruptions to supply. The Group has managed through these disruptions in 2021 by;

- Increasing pricing to maintain gross margins.
- Actively sourcing alternate components.
- Redesigning products to utilise alternate components where required.
- Extending customer order lead times.
- Engaging with customers to delay deliveries and / or otherwise vary customer orders.

The Board expects these actions to continue to be required in 2022. Forecasts have been prepared which make allowance for expected cost increases, product redesign and associated costs. These forecasts are most sensitive to revenue declines due to customer demand and margin pressure and delays in delivering products to customers due to the impact of macroeconomic supply chain factors, but the Board considers that there are actions that would be taken to ensure that the Group would maintain adequate cash reserves.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future from the date of approving the financial statements and they have assessed it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

(b). Principles of consolidation

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

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

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

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

(c). Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's functional currency is US Dollars because its purchase and sale of product is mainly denominated in US Dollars. Subsidiaries and operations in the USA, China, Brazil, Turkey, Mexico, Italy, Australia, Spain and Singapore use their local currency as the functional currency.

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

(ii) Transactions and balances

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

(iii) Foreign operations

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

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

(d). Critical accounting estimates and judgements

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

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

Areas of estimation

- Going concern – forecasts – note 1.2a

Areas of judgement

- Deferred tax asset – recognition – note 2.5c
- Development costs - capitalisation of expenses and impairment testing - note 3.3

2. Results for the year

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

2.1 Segment information

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

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

(a). Reportable segments

The Group is organised on a global basis into two operating divisions – Motors and IoT. These divisions offer different products and services and are managed separately because they require different technology and marketing strategies. The Group's chief executive officer reviews the financial performance of each division at least monthly. Each division is a reportable segment.

There are varying levels of integration between the segments. There are engineering and sales staff that support both segments as well as shared logistical and quality management services.

Information related to each reportable segment is set out below:

2021	Motors $000s	IoT $000s	Unallocated $000s	Total $000s
Revenue	38,985	25,233	-	64,218
Cost of goods sold	(31,875)	(14,470)	-	(46,345)
Gross profit	7,110	10,763	-	17,873
Gross margin %	18.2%	42.7%		27.8%
Other income	4	36	88	128
Operating expenses	(2,539)	(4,508)	(8,005)	(15,052)
Gain on remeasurement of contingent consideration	-	(323)	-	(323)
EBITDA	4,575	5,968	(7,917)	2,626
Depreciation	(301)	(192)	(85)	(578)
Amortisation	(307)	(1,669)	(39)	(2,015)
Impairment	(393)	-	-	(393)
Loss before interest & taxation	3,574	4,107	(8,041)	(360)
Finance income	-	-	11	11
Finance expense	-	-	(207)	(207)
(Loss) / profit before income tax	3,574	4,107	(8,237)	(556)
Income tax credit / (expense)	-	-	5,981	5,981
Profit / (loss) for the year	$3,574	$4,107	($2,256)	$5,425

2021	Motors $000s	IoT $000s	Unallocated $000s	Total $000s
Non-current assets				
Property, plant & equipment	506	111	1,107	1,724
Deferred tax asset	-	-	6,051	6,051
Goodwill	-	3,127	-	3,127
Other intangible assets	3,541	5,494	457	9,492
Total	$4,047	$8,732	$7,615	$20,394

2020	Motors $000s	IoT $000s	Unallocated $000s	Total $000s
Revenue	24,418	12,462	-	36,880
Cost of goods sold	(19,275)	(7,057)	-	(26,332)
Gross profit	5,143	5,405	-	10,548
Gross margin %	21.1%	43.4%		28.6%
Other income	288	556	312	1,156
Operating expenses	(2,449)	(3,085)	(5,996)	(11,530)
Gain on remeasurement of contingent consideration	-	1,016	-	1,016
EBITDA	2,982	3,892	(5,684)	1,190
Depreciation	(322)	(235)	(84)	(641)
Amortisation	(364)	(1,312)	(10)	(1,686)
Impairment	(44)	(412)	-	(456)
Loss before interest & taxation	2,252	1,933	(5,778)	(1,593)
Finance income	-	-	7	7
Finance expense	-	-	(389)	(389)
(Loss) / profit before income tax	2,252	1,933	(6,160)	(1,975)
Income tax expense	-	-	(179)	(179)
(Loss) / profit for the year	$2,252	$1,933	($6,339)	($2,154)
Non-current assets				
Property, plant & equipment	636	150	1,297	2,083
Goodwill	-	3,139	-	3,139
Other intangible assets	3,818	5,152	288	9,258
Total	$4,454	$8,441	$1,585	$14,480

(b). Geographical segments

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

Revenue from external customers by geographic areas	2021 $000s	2020 $000s
Americas	**51,068**	28,735
Asia / Pacific (APAC)	**4,950**	3,518
Europe / Middle East / Africa (EMEA)	**8,200**	4,627
Total	**$64,218**	$36,880

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

APAC revenue includes $1,493,000 (2020: $184,000) from New Zealand customers.

Major Customers

The Group has four major customers (defined as customers representing 10% or more of revenues) accounting for invoiced revenues of $30,293,000 (2020: three customers accounting for invoiced revenues of $13,692,000), all within the Americas geographic segment.

Total non-current assets	2021 $000s	2020 $000s
Americas	**2,074**	26
Asia / Pacific – mainly in New Zealand	**18,273**	14,379
Europe / Middle East / Africa	**47**	75
Total	**$20,394**	$14,480

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

2.2 Revenue

	2021 $000s	2020 $000s
Sales of goods revenue – recognised at a point in time	**62,771**	35,678
Services revenue – recognised over time	**1,447**	1,202
	$64,218	$36,880

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, excluding GST / VAT, rebates and discounts and after eliminating sales within the Group. The Group disaggregates revenue from contracts with customers by geographical regions, which is detailed in note 2.1(b).

(a). Sale of Goods

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

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

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

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

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

(b). Sale of services

Associated with the supply of IoT hardware, the Group supplies a range of data, and reporting services, all installed on every Connect SCS, Connect Monitor and Connect Click sold and are distinct services from the sale of goods. Revenue from the provision of such services is recognised when services are rendered to the buyer. Contracts typically cover a period from hardware supply of anywhere from 1 to 10 years, dependent on customer requirements. Contracts specify the price for the provision of the services. Revenue from such contracts is recognised on a straight-line basis over the contract term because the customer receives and uses the benefits simultaneously. As set out in note 2.2(a), no explicit element of financing is deemed present as the purpose of the advance payment of revenue is for reasons other than financing.

The Group also provides software development services for customers. Revenue from these services is recognised when the contracted development is completed according to the agreed scope of work.

Contract liabilities	2021 $000s	2020 $000s
Carrying amount at start of year	4,196	4,418
Invoiced in the year	3,860	1,310
Recognised in revenue	(1,447)	(1,202)
Exchange adjustment	184	(330)
Carrying amount at end of year	$6,793	$4,196
Current portion	1,431	1,044
Non-current portion	5,362	3,152
	$6,793	$4,196

2.3 Other income

	2021 $000s	2020 $000s
Net foreign exchange gains	74	18
Covid-19 Government support	15	1,090
Other income	39	48
	$128	$1,156

2.4 Operating expenses include

	2021 $000s	2020 $000s
Wages and salaries and other short-term benefits	11,300	9,807
Employer contributions to Kiwisaver and 401K plans	385	324
Employee share options expense	31	-
Total employee benefits	$11,716	$10,131
Payments to contractors	1,591	1,331
Capitalisation of labour and expenses to intangible assets	($2,057)	($3,099)

The amount disclosed above for wages and salaries is stated before capitalisation of labour to intangible assets.

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.

Wages and salaries in 2021 included $1,109,000 for the reimbursement in the year of 2020 staff salary reductions which were an important component of the Group's COVID response.

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

2.5 Income tax expense

Current and deferred income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

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

(a). Income tax

	2021 $000s	2020 $000s
Current year income tax expense	(70)	(179)
Deferred tax – initial recognition of deferred tax asset	6,051	-
Income tax credit / (expense)	$5,981	($179)

The charge for the year can be reconciled to the result before tax as follows:

	2021 $000s	2020 $000s
Reported (loss) / profit for period before tax	**(556)**	(1,975)
Tax at 28%	**(156)**	(553)
Effect of different tax rates of subsidiaries in other jurisdictions	**(5)**	-
Tax effect of non-deductible / non-assessable items	**(31)**	(467)
Tax effect of utilisation of losses not previously recognised	**122**	841
Initial recognition of deferred tax asset	**6,051**	-
Income tax credit / (expense) for the year	**$5,981**	($179)

(b). Deferred tax

The Group has not previously recognised income tax losses and temporary differences as a future income tax benefit. As it is now probable that future taxable amounts will be available to utilise those temporary differences and losses, a deferred tax asset is now recognised for deductible temporary differences and for that portion of the unused tax losses that are expected to be utilised in the five years 2022 through to 2026. No deferred tax asset has been recognised in respect of the remaining tax losses to carry forward due to uncertainty as to forecast taxable income after the five years.

Losses available to be carried forward are subject to the shareholder continuity requirements of the New Zealand Income Tax Act 1994 and the countries in which the losses have arisen.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset, and they relate to the same tax authority. The tax rate applicable to each group company has been used to determine the below recognised and unrecognised deferred tax assets:

	2021 $000s	2020 $000s
Doubtful debts	**26**	45
Inventory provisions and eliminations	**58**	207
Employee benefits	**357**	338
Internally generated development	**2,394**	1,992
Warranty provision	**58**	88
Rebates	**164**	152
Fixed assets	**81**	(153)
Right of use lease liability	**(277)**	(327)
Other timing differences	**(12)**	(3)
Total temporary differences	**2,849**	2,339

	2021 $000s	2020 $000s
Tax losses to carry forward	**27,978**	27,211
Total temporary differences and tax losses to carry forward	**30,827**	29,550
Deferred tax asset recognised for:		
Temporary differences	**2,849**	-
Carry forward tax losses utilised	**3,202**	-
Total recognised	**6,051**	-
Unrecognised tax losses	**$24,776**	$29,550

Of the total consolidated losses available to carry forward to future years, $2,798,000 (2020: $3,904,000) arises in the USA and is subject to their continuity requirements. USA Federal tax losses expire after 15 to 20 years, depending on when those losses were incurred. During the 2021 year no USA Federal tax losses expired (2020: None).

(c). Imputation credits

The Group has no imputation credits available (2020: $nil) and no movements occurred in the Imputation Credit Account (2020: $nil).

2.6 Earnings per share

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

Basic EPS of a profit of 1.26 cents (2020: loss of 0.58 cents) is calculated by dividing the profit attributable to equity holders of the Company of $5,425,000 (2020: loss of $2,154,000) by the weighted average number of ordinary shares in issue during the year of 431,914,620 (2020: 372,315,814).

Diluted EPS of a profit of 1.23 cents (2020: loss of 0.58 cents) is calculated by dividing the profit attributable to equity holders of the Company of $5,425,000 (2020: loss of $2,154,000) by the weighted average number of shares in issue during the year, after adjusting for effects of all potentially dilutive ordinary shares.

3. Operating assets and liabilities

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

3.1 Working capital

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

(a). Cash and cash equivalents

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

	2021 $000s	2020 $000s
Cash on hand and at bank	**2,451**	2,251
Call deposits	**3,427**	2,283
Short term bank deposit	**75**	76
	$5,953	$4,610

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

NZD	**485**	636
USD	**4,579**	3,738
Other	**889**	236
	$5,953	$4,610

(b). Trade and other receivables

Trade receivables are recognised initially at the value of the invoice sent to the customer. The Group generally holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Trade receivables are generally due for settlement no more than 120 days from the date of recognition.

The Group applies the simplified approach permitted by NZ IFRS 9 which requires lifetime expected credit losses to be recognised from initial recognition of the trade receivable. Trade receivables are written off when there is no reasonable expectation of recovery.

The Group takes out trade credit insurance to hedge against some of the credit risk. NZ IFRS 9 requires the Group to calculate expected credit losses on trade receivables using a provision matrix. The Group has reviewed its credit loss experience over the period from 2013 to 2021 and has determined that the probability weighted credit loss experience over that period was approximately 0.1% of revenue. Consideration has been given to market environmental factors to determine whether future conditions will impact. The provision for expected credit loss at balance date has been calculated at 1.5% for customers assessed as higher risk and 0.1% for all others (2020: 1.5% and 0.1% respectively).

	2021 $000s	2020 $000s
Trade receivables	**16,498**	7,695
Provision for loss allowance	**(90)**	(157)
Net trade receivables	**16,408**	7,538
Prepayments	**837**	462
VAT/GST refunds due	**133**	113
Income tax refund due	**214**	253
Other receivables	**255**	258
	$17,847	$8,624

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

NZD	**133**	85
USD	**16,443**	7,163
EUR	**540**	702
MXP	**1**	304
Other	**730**	370
	$17,847	$8,624

Provision for loss allowance		
Carrying amount at start of year	**157**	150
(Decrease) / increase in loss allowance	**(78)**	7
Exchange adjustment	**11**	-
Carrying amount at end of year	**$90**	$157

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

(c). Inventories

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

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

	2021 $000s	2020 $000s
Finished goods – at cost	**4,727**	2,833
Work in progress – at cost	**-**	383
Raw materials – at cost	**320**	655
Less inventory provisions	**(447)**	(454)
Total inventories	**$4,600**	$3,417

Cost of inventories recognised as an expense and included in cost of sales $44,099,000 (2020: $25,051,000).

(d). Trade and other payables

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

	2021 $000s	2020 $000s
Trade payables	**14,508**	7,375
Employee entitlements	**1,791**	1,620
GST / VAT payable	**353**	-
Accrued expenses	**2,515**	877
	$19,167	$9,872

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

NZD	**2,225**	2,143
USD	**16,106**	7,355
Other	**836**	374
	$19,167	$9,872

(e). Provisions

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

The Group sells goods with warranty periods of up to five years. The terms of the warranty provide that the Group will repair or replace items that fail to perform satisfactorily. A provision has been recognised based on historical data and average levels of repairs and warranty claims experienced by the Group. It is expected that the provision will be utilised within one year as any product failures are typically exhibited within one year of sale.

Warranty provision	2021 $000s	2020 $000s
Carrying amount at start of year	**315**	468
Additional provisions recognised	**56**	12
Amounts used	**(178)**	(148)
Exchange adjustment	**12**	(17)
Carrying amount at end of year	**$205**	$315

3.2 Property, plant and equipment

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

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

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

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

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Plant and equipment can be analysed as follows:

	Plant & equipment $000s	Office equipment, furniture & fittings $000s	Properties $000s	Total $000s
Year ended 31 December 2020				
Opening net book amount	1,335	182	1,141	2,658
Reclassification	(176)	110	66	-
Additions	142	68	-	210
Depreciation	(316)	(125)	(200)	(641)

	Plant & equipment $000s	Office equipment, furniture & fittings $000s	Properties $000s	Total $000s
Disposals	-	-	-	-
Exchange adjustment	(71)	(11)	(62)	(144)
Closing net book amount	$914	$224	$945	$2,083
At 31 December 2020				
Cost	6,180	1,023	2,178	9,381
Accumulated depreciation and impairment	(5,186)	(729)	(1,212)	(7,127)
Exchange adjustment	(80)	(70)	(21)	(171)
Net book amount	$914	$224	$945	$2,083
Year ended 31 December 2021				
Opening net book amount	**914**	**224**	**945**	**2,083**
Reclassification	**(9)**	**9**	**-**	**-**
Additions	**59**	**75**	**-**	**134**
Depreciation	**(276)**	**(135)**	**(167)**	**(578)**
Disposals	**-**	**-**	**-**	**-**
Exchange adjustment	**31**	**23**	**31**	**85**
Closing net book amount	**$719**	**$196**	**$809**	**$1,724**
At 31 December 2021				
Cost	**6,211**	**1,092**	**2,178**	**9,481**
Accumulated depreciation and impairment	**(5,443)**	**(849)**	**(1,379)**	**(7,671)**
Exchange adjustment	**(49)**	**(47)**	**10**	**(86)**
Net book amount	**$719**	**$196**	**$809**	**$1,724**

The above amounts include those relating to right-of-use assets. Refer to note 6.5 for further disclosures.

Capital commitments

Capital commitments contracted for at 31 December 2021 amounted to $244,000 (2020: $95,000).

3.3 Intangible assets

Research, development and patent costs

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

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

All capitalised development costs met the criteria as outlined above.

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

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

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

Computer software

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

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

Impairment testing of non-financial assets

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

Goodwill is tested annually for impairment, or immediately if events or changes in circumstances indicate that it might be impaired and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

	Internally Generated Development $000s	Patents $000s	Goodwill $000s	Other $000s	Total $000s
Year ended 31 December 2020					
Opening net book amount	8,528	309	3,223	87	12,147
Reclassification	(102)	(1)	(4)	107	-
Additions	3,088	46	-	19	3,153
Amortisation	(1,592)	(81)	-	(13)	(1,686)
Impairment	(412)	(44)	-	-	(456)
Exchange adjustment	(656)	(12)	(80)	(13)	(761)
Closing net book amount	$8,854	$217	$3,139	$187	$12,397
At 31 December 2020					
Cost	20,604	1,571	3,219	861	26,255
Accumulated amortisation & impairment	(11,531)	(1,370)	-	(645)	(13,546)
Exchange adjustment	(219)	16	(80)	(29)	(312)
Net book amount	$8,854	$217	$3,139	$187	$12,397
Year ended 31 December 2021					
Opening net book amount	**8,854**	**217**	**3,139**	**187**	**12,397**
Additions	**2,042**	**39**	**-**	**8**	**2,089**
Amortisation	**(1,948)**	**(53)**	**-**	**(14)**	**(2,015)**
Impairment	**(393)**	**-**	**-**	**-**	**(393)**
Exchange adjustment	**530**	**12**	**(12)**	**11**	**541**
Closing net book amount	**$9,085**	**$215**	**$3,127**	**$192**	**$12,619**
At 31 December 2021					
Cost	**22,646**	**1,610**	**3,219**	**869**	**28,344**
Accumulated amortisation & impairment	**(13,872)**	**(1,423)**	**-**	**(659)**	**(15,954)**
Exchange adjustment	**311**	**28**	**(92)**	**(18)**	**229**
Net book amount	**$9,085**	**$215**	**$3,127**	**$192**	**$12,619**

Goodwill relates to the iProximity Pty Limited which is a component of the IoT reportable segment.

Internally generated development costs include $3,383,000 (2020: $5,493,000) for projects underway and not complete at balance date. This cost is not yet being amortised. An impairment assessment has been performed at 31 December 2021 considering costs to complete the developments, costs to set up the manufacturing capability, estimates of market volume and price and estimated manufacturing unit costs.

Amortisation and impairment	2021 $000s	2020 $000s
Amortisation of intangible assets	**2,015**	1,686
Impairment of intangible assets	**393**	456
	$2,408	$2,142

Impairment losses have been recognised as follows:

Patent costs – $ (2020: $44,000) - The carrying value of patents which were not renewed.

Internally generated development costs - $393,000 (2020: $412,000) - the carrying value of costs for the development of an EC-C frame has been impaired as it is not now certain that the development will be completed.

Goodwill and intangible assets with indefinite lives

Goodwill acquired through business combinations with indefinite lives has been allocated to the IoT Cash Generating Unit (CGU) which is also an operating and reportable segment for impairment testing. The Group performed its impairment test as at 31 December 2021.

The recoverable amount of the IoT CGU on 31 December 2021 has been determined based on a value in use calculation using cash flow projections from the annual operating plan approved by senior management for 2022, together with a forecast for 2023. The pre-tax discount rate applied to cash flow projections is 14% (2020: 14%) and cash flows beyond 2023 using a 5.0% growth rate (2020: 5%).

The calculation of value in use is most sensitive to the following assumptions:

- Gross margins.
- Completion and launch of new IoT products under development and retaining volumes to current customers.
- Growth rates used to extrapolate cash flows beyond the forecast period.
- Operating expense increases.

Gross margins are based on current pricing and product costs. The gross margin in 2021 was 42.7% and is forecast in the range of 43% to 46% for the two years 2022 and 2023. The forecasts include revenues on products currently under development that are expected to launch in 2022. The amount of forecast revenue in respect of these new products in 2022 is $1,573,000 and $2,400,000 in 2023. The assumption is that operating expenses comprising mainly employee costs are maintained at the same ratio to sales. In the 2022 operating plan, the ratio of operating expenses to revenue is 17%.

As a result of this analysis, management did not identify an impairment for this CGU.

4. Capital and financing costs

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

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

4.1 Borrowings

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

	2021 $000s	2020 $000s
Current portion		
Bank trade finance facility	**75**	572
Bank loans	**228**	-
Liabilities in respect of right-of-use assets	**232**	217
Other borrowings	**196**	74
Liability at end of year	**$731**	$863

	2021 $000s	2020 $000s
Non-Current portion		
Liabilities in respect of right-of-use assets	**760**	992
Bank loans	**284**	73
Other borrowings	**222**	105
Liability at end of year	**$1,266**	$1,170

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

Accounting policies relating to lease liabilities are outlined in note 6.5.

Movements in bank and other loans during the year were:

	2021 $000s	2020 $000s
Liability at start of year	**824**	1,683
New loans and drawdowns	**2,071**	7,267
Repayments	**(1,902)**	(8,019)
Exchange adjustment	**12**	(107)
Liability at end of year	**$1,005**	$824

Bank trade finance facility

The $2.5m facility has no term, is repayable on demand and is secured. The Company can finance invoices to certain customers over a maximum term of 120 days. Interest is payable at a 3% margin above bank base lending rate. The weighted average interest rate charged in 2021 was 4.28% (2020: 4.11%). The Company has complied with all cover covenants.

Bank term loans

The Company's US subsidiary borrowed US$198,800 under the Small Business Act. The SBA loan has monthly repayments over a 30-year term with repayments commencing in July 2021. Interest is payable at 3.75% pa.

The Company's Mexican subsidiary borrowed 3 million Mexican Pesos ($213,330 at 31 December 2021) from the Banco del Bajio. The loan is repayable after six months and interest is payable at 4% pa above the Tiie Rate.

4.2 Finance

	2021 $000s	2020 $000s
Finance income		
Other interest income	**11**	7
	$11	$7
Finance expenses		
Interest expense – Bank loans	**27**	87
Other interest expense	**180**	302
	$207	$389

4.3 Contributed equity

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

	2021 Shares	2020 Shares	2021 $000s	2020 $000s
Ordinary shares – fully paid	**431,914,620**	431,914,620	**135,553**	135,553
Ordinary shares – partly paid	**-**	421,980	**2**	2
Total shares on issue	**431,914,620**	432,336,600	**$135,555**	$135,555

(a). Ordinary shares – fully paid

Opening balance of ordinary shares on issue	**431,914,620**	322,707,005	**135,553**	130,202
Issue of ordinary shares during the year:				
• Rights issue	-	107,978,028	-	5,399
• Exercise of part paid shares and options	-	1,229,587	-	69
• Share issue costs	-	-	**-**	(117)
Ordinary fully paid shares on issue at year end	**431,914,620**	431,914,620	**$135,553**	$135,553

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	**421,980**	5,810,742	**2**	26
Exercise of part paid shares during the year	**-**	(940,940)	**-**	(1)
Surrendered or lapsed	**(421,980)**	(4,447,822)	**-**	(23)
Ordinary part paid shares on issue at year end	**-**	421,980	**$2**	$2

4.4 Accumulated losses

	2021 $000s	2020 $000s
Opening balance	**(116,892)**	(114,738)
Profit for the year	**5,425**	(2,154)
Accumulated losses at end of year	**($111,467)**	($116,892)

4.5 Other reserves

	2021 $000s	2020 $000s
Share option compensation reserve	**353**	322
Currency translation reserve	**(4,153)**	(4,270)
	($3,800)	($3,948)

(a). Share Option Compensation Reserve

	2021 $000s	2020 $000s
Share based compensation recognised at start of year	**322**	322
Net compensation expensed	**31**	-
	$353	$322

(b). Currency Translation Reserve

	2021 $000s	2020 $000s
Opening balance	**(4,270)**	(2,705)
Exchange gains / (losses) on translation of foreign operations	**117**	(1,565)
	($4,153)	($4,270)

5. Risk

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

5.1 Key financial risks

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

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

(a). Financial market risk

Foreign currency risk

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

The Group is primarily exposed to changes in other currencies against the USD exchange rate. The Group's exposure to foreign currency risk at the end of the reporting period, expressed in NZD was:

	2021		2020	
	Carrying amount $000	**Currencies other than USD $000**	Carrying amount $000	Currencies other than USD $000
Cash	**5,953**	**1,374**	4,610	872
Trade and other receivables	**17,847**	**1,404**	8,624	1,461
Trade and other payables	**(19,167)**	**(3,061)**	(9,872)	(2,517)
Borrowings	**(1,997)**	**(1,410)**	(2,033)	(1,388)

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

	2021 $000s	2020 $000s
USD exchange rate increase 10% relative to other currencies	**122**	113
USD exchange rate decrease 10% relative to other currencies	**(122)**	(113)

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

Interest Rate Risk

The interest rate on the bank trade finance facility is at variable rates. All other debt is fixed interest.

The Group has cash deposits in various currencies to facilitate trading in the countries in which it has a presence. Most of the cash deposits are held in either NZD or USD.

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

(b). Credit risk

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

At balance date, the Group had three major debtors (defined as debtors representing 10% or more of trade receivables) accounting for outstanding debt of $7,929,000 (2020: three debtors accounting for outstanding debt of $2,952,000).

At balance date, trade receivables of $725,000 were past due but not considered impaired (2020: $655,000). Of this amount $228,000 (2020: $622,000) was 3 months or more overdue.

The Group arranges forward foreign exchange contracts within specified policy limits and only with counterparties approved by directors.

Cash and cash equivalents are deposited with several financial institutions in New Zealand and overseas. $2,248,000 is deposited with a major NZ trading bank with a Standard & Poors rating of AA- (2020: $2,205,000 AA-) and $2,230,000 (2020: $1,851,000) with Western Union with a Standard & Poors rating of BBB/A-2. The remaining balance of $1,475,000 (2020: $554,000) is held across several territories and non-performance of obligations by the relevant banks is not expected due to the credit rating of the counter parties considered.

(c). Liquidity risk

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

The amounts disclosed are the contractual discounted cash flows.

$000s		**2021**			2020	
	Less than 6 months	**7 to 12 months**	**2 to 5 years**	Less than 6 months	7 to 12 months	2 to 5 years
Trade and other payables	**19,046**	**-**	**-**	9,785	-	-
Borrowings	**394**	**105**	**506**	572	-	73
Right-of-use asset liabilities	**114**	**118**	**760**	143	148	1,097
	$19,554	**$223**	**$1,266**	$10,500	$148	$1,170

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

(d). Capital risk management

The Company closely monitors its cash requirements.

The Group has complied with financial covenants under the bank trade finance facility.

Gearing ratio	**2021 $000s**	2020 $000s
Total borrowing	**1,997**	2,033
Total equity	**20,288**	14,715
Gearing	**9.8%**	13.8%

6. Other information

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

6.1 Subsidiaries

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

	Country of incorporation	Class of shares	**2021**	2020
Wellington Drive Sales Ltd	New Zealand	Ordinary	**100%**	100%
Wellington Drive Technologies US, Inc	USA	Ordinary	**100%**	100%
Wellington Motor Teknolojileri San Tic Ltd Sti	Turkey	Ordinary	**100%**	100%
Wellington Italia Srl	Italy	Ordinary	**100%**	100%
Wellington Drive Technologies Pte Ltd	Singapore	Ordinary	**100%**	100%
Wellington Latin America Services SA de CV	Mexico	Ordinary	**100%**	100%
Wellington Mexico Tecnologia SA de CV	Mexico	Ordinary	**100%**	100%
iProximity Pty Limited	Australia	Ordinary	**100%**	100%
Wellington Iberia S.L.	Spain	Ordinary	**100%**	100%

All subsidiaries have a common balance date of 31 December.

(b). Contingent consideration for acquisition of subsidiary

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 comprised up-front payments of AU$1,250,000 and cash and share-based earn out targets as follows:

- A$500,000 based on meeting specified EBIT targets (for iProximity's existing business) for the 2018 and 2019 financial years; and
- 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 Connect SCS System controller unit sales ('SCS Target') for the same period (9,448,964 shares).

The purchase consideration was:

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

EBIT targets were not achieved so the A$500,000 cash consideration is not payable and the 9,448,964 fully paid ordinary shares are not required to be issued in respect of those targets. The Company agreed to extend the period for the SCS Target to be achieved to 31 December 2021 and increased the number of units required to be sold for the remaining shares to be issued. 4,724,482 ordinary shares in the Company have been issued to 31 December 2020.

In the year ended 31 December 2021, 480,000 SCS controllers were sold which is in the SCS Target range requiring the issue of a further 1,574,828 shares. The fair value of the share-based contingent consideration was calculated to be $322,840 on 31 December 2021 and this resultant increase in contingent consideration has been recognised as a fair value charge in the Statement of Comprehensive Income (Note 6.4).

Contingent consideration	2021 $000s	2020 $000s
Fair value at start of year	-	1,016
Remeasurement recognised in income statement	323	(1,016)
Total	323	-

6.2 Related party transactions

(a). Directors

The names of persons who are directors of the Company are on pages 41 to 42.

(b). Key management personnel and compensation

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

	2021 $000s	2020 $000s
Salaries, fees and other short-term benefits	1,776	1,351
Share based remuneration	31	-
Directors' remuneration	561	168
Total	$2,368	$1,519

(c). Employee share-based remuneration

Equity settled, share based compensation was provided in previous years to employees via the Wellington Partly Paid Share Scheme and the US Employees Share Option Plan. The part paid shares issued in 2016 expired during the year and lapsed. Amounts paid by employees for these partly paid shares will be refunded in 2022. At 31 December 2021 there were no outstanding partly paid shares or US Employees share options.

During the year, 12,930,000 options were issued to the Chief Executive Officer. 8,620,000 options (Tranche One) will vest on 1 October 2024 and 4,310,000 options (Tranche Two) will vest on 1 October 2025, if the CEO remains a full-time employee on those dates. The exercise price of the Tranche One options is 9.1 cents and of the Tranche Two options is 11.5 cents.

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.

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

(d). Incentive scheme – deferral of settlement

At 31 December 2020, the Company had a liability under a short-term incentive plan (STI) to senior executives amounting to $885,000 in respect of 2019 on target performance, payment of which was delayed to assisting the Company to manage its cash flow following the Covid-19 demand reductions. Interest was payable at 10% pa. This was settled in full in January 2021.

(e). East West Manufacturing LLC

East West Manufacturing LLC (East West), a substantial security holder in the Company, supplies goods and services to the Company from its manufacturing facility in Vietnam and purchases product for distribution in the USA.

	2021 $000s	2020 $000s
Purchases from East West	41,108	19,685
Sales to East West	512	459
Cash payments to East West	33,290	26,036
Cash receipts from East West	357	879
Trade receivable from East West at 31 December	201	45
Trade payable to East West at 31 December	12,103	4,285
Interest payments to East West for extended credit terms	-	103

6.3 Contingencies

There are no material contingent liabilities or assets (2020 - $nil).

6.4 Financial instruments by category

	2021 $000s	2020 $000s
Assets per Statement of Financial Position		
Financial assets measured at amortised cost		
Trade and other receivables	17,500	8,258
Cash and cash equivalents	5,953	4,610
	$23,453	$12,868

	2021 $000s	2020 $000s
Liabilities per Statement of Financial Position at amortised cost		
Trade and other payables	**19,167**	9,872
Borrowings	**1,997**	2,033
Liabilities (at fair value)		
Derivative financial instruments	**21**	-
Contingent consideration	**323**	-
	$21,508	$11,905

Fair value estimation

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

The forward exchange contract has been classified as Level 2.

The different levels have been defined as follows:

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

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value. The fair value of contingent consideration in respect of the acquisition of iProximity Pty Limited is determined using the number of shares that are to be issued to the vendors pursuant to the purchase agreement (1,574,828 shares) and the Company's share price at 31 December 2021 (20.5 cents).

6.5 Leases

Property, plant and equipment in the Statement of Financial Position shows the following amounts related to leases of right-of-use assets:

Right-of-use assets	2021 $000s	2020 $000s
Properties	**765**	893
Plant & equipment	**21**	40
Office equipment and furniture & fittings	**5**	8
Total	**$791**	$941

Additions to right-of-use assets in the year	2021 $000s	2020 $000s
Plant & equipment	**-**	27
Total	**$-**	$27

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

Depreciation charge for right-of-use assets		
Properties	**180**	170
Plant & equipment	**18**	9
Office equipment and furniture & fittings	**3**	3
Total	**$201**	$182
Interest expense on lease liabilities	**$75**	$86
Expense relating to short-term leases (included in operating expenses)	**$42**	$37

The Consolidated Cash Flow Statement shows the following amounts related to right-of-use leases:

Total principal payments for right-of-use assets	**$217**	$193

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

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

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments based on an index or rate.
- Amounts expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

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

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

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

6.6 Other disclosures

Auditors' remuneration	2021 $000s	2020 $000s
Deloitte		
Audit of financial statements of the Group – current year	170	147
Audit of the financial statements of the Group – last year	-	40
Non audit services *1	49	26
Audit of subsidiaries by other auditors – Thong & Lim	4	4
	$223	$217

*1 Non audit services relate to tax compliance and payroll services.

6.7 Cash flow information

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

	2021 $000s	2020 $000s
Profit / (loss) for the year	5,425	(2,154)
Adjustments for:		
Income tax credit / (expense)	(5,981)	-
Depreciation, amortisation & impairment	2,986	2,783
Share based payments	31	-
(Decrease) in inventory provision	(7)	(82)
(Decrease) / increase in loss allowance provision	(67)	7
(Decrease) in provision for warranty	(110)	(153)

	2021 $000s	2020 $000s
Change in fair value of contingent consideration	323	(1,016)
Net foreign exchange differences	(163)	(478)
(Increase) / decrease in trade and other receivables	(9,206)	6,160
Increase / (decrease) in contract liabilities	2,597	(222)
(Increase) / decrease in inventories	(1,176)	1,461
Increase / (decrease) in trade and other payables	9,295	(5,966)
Net cash inflow from operating activities	$3,947	$340

(b). Net cash reconciliation

	2021 $000s	2020 $000s
Cash and cash equivalents	5,953	4,610
Borrowings – repayable within one year	(731)	(863)
Borrowings – repayable after one year	(1,266)	(1,170)
Net cash	$3,956	$2,577

The bank trade finance facility is at variable interest rates. All other borrowings are at fixed interest rates, with borrowings movements disclosed in note 4.1. The increase in cash during the year of $1,343,000 (2020: $1,151,000 included a $333,000 decrease (2020: $208,000 decrease) caused by exchange rate movement.

6.8 Events after reporting date

There are no events after reporting date requiring disclosure.

Deloitte.

Independent Auditor's Report

To the Shareholders of Wellington Drive Technologies Limited

Opinion

We have audited the consolidated financial statements of Wellington Drive Technologies Limited (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, statement of movements in equity and cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 47 to 84, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

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

Our firm carries out other assignments for the Group in the area of taxation advice, including tax compliance services for the Mexican subsidiary. These services have not impaired our independence as auditor of the Company and Group. In addition to this, partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be $900,000.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Evaluation of cash flow forecasts supporting the use of the going concern assumption The financial statements have been prepared on a going concern basis as discussed in note 1.2(a). The Group reported revenues of $64.2 million, up from $36.9m in 2020 and $61.7m in the previous year. However, the Group also reported a loss before tax for the 2021 year of $556,000 (2020: loss before tax of $1,975,000) and the Group remains subject to higher than usual level of risk in the current global environment including unexpected cost increases, factory closures or capacity reductions due to the COVID-19 virus, suppliers unable to supply some critical components, and unanticipated disruptions to supply. In determining that the use of the going concern assumption is appropriate, the Board of Directors prepared cash flow forecasts to assess the Group's ability to have adequate resources to continue in operational existence, including generating sufficient cash flows to pay its debts as they fall due for a period of at least 12 months from the date of approval of these financial statements. The Board has determined that these cash flow forecasts are most sensitive to revenue declines due to customer demand and gross margin pressure, and delays in delivering products to customers due to the impact of macroeconomic supply chain factors. The cash flow forecasts used in the going concern assessment are considered to be a key audit matter due to the high level of judgement and estimation uncertainty, extent of auditor attention and the importance to the financial statements as a whole.	In assessing the appropriateness of the cash flow forecasts used in the going concern assessment, our procedures included, amongst others: • Obtaining an understanding of the Group's FY22 Budget and FY23 – 26 forecasts and the controls and processes in place for preparing and approving the cash flow forecast to support the going concern assumption. • Performing and evaluating inquiries and responses with supply chain management to assess the Group's responses to supply chain issues, specifically the Group's ability to satisfy customers' orders. • Assessing the Group cashflow forecast prepared for a period of at least 12 months from the date of approval of the financial statements. This involved obtaining an understanding of the inputs to the model and challenging key judgements and assumptions, as follows: - Assessing the reasonableness of forecast sales based on our understanding of historical sales trends including forecast volumes at a customer level compared to historical levels; - Challenging the reliability of the Group's revenue growth rates by comparing forecast growth rates to historical forecasts and actual results. This also included consideration of COVID-19 on both forecast revenue and profitability of the Group; - Assessing the operating, financing and capital cash flow requirements of the Group over the forecast period; and - Performing sensitivity analysis over key assumptions in the model such as forecast revenue, gross margin and timing of new products being developed in light of supply chain delays. • Checking the mechanical accuracy of the cash flow forecast. • Reviewing the bank facility terms; including the Group's ability to meet repayment terms and comply with covenant restrictions.

Key audit matter	How our audit addressed the key audit matter
Capitalisation of internal development costs The Group capitalised $2.0 million of internal development costs (2020: $3.1 million), as set out in note 3.3 'Intangible assets'. This includes capitalised employee and contractor time. Judgement is required to determine if the recognition criteria to capitalise costs of development under NZ IAS 38 Intangible Assets have been met. Key areas of judgement include assessments of technical feasibility, likelihood of generating future economic benefits and the availability of funding necessary for completing the products. We have included capitalisation of internal development costs as a key audit matter due to the level of judgement required to determine whether the costs meet the criteria for capitalisation, the manual nature of the calculation and the growing importance of development of IoT and new motor products.	We have evaluated the appropriateness of internal development costs capitalised by: • Challenging the Group's determination of which development costs meet the criteria to be capitalised under NZ IAS 38. We obtained an understanding of the nature of the projects from management, including how they are used in the business, the stage of development, and the likelihood of the development being successfully completed and used to generate revenue. • Checking capitalisation of cost calculations for mathematical accuracy. • Testing the amounts capitalised on a sample basis and agreeing this to underlying evidence, including, for employee and contractor costs allocated to development projects, testing a sample of hours worked on each project and the relevant wage rates. • Challenging the recoverability of capitalised costs by assessing the reasonableness of management's forecast revenues in relation to each product

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

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

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

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

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

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

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

This description forms part of our auditor's report.

Restriction on use

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

Deloitte Limited

Paul Seller, Partner
for Deloitte Limited
Auckland, New Zealand
25 February 2022

This audit report relates to the consolidated financial statements of Wellington Drive Technologies Limited (the 'Company') for the year ended 31 December 2021 included on the Company's website. The Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication, they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 25 February 2022 to confirm the information included in the audited consolidated financial statements presented on this website.

Statutory information

Introduction

Directors have resolved that no dividend be declared.

The Company does not have a credit rating.

Remuneration of Directors

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

	2021	2020
Mr J McMahon [1]	**$50,000**	$23,333
Mr G Pausch [2]	**$193,000**	$69,333
Mr K Oliver [3]	**$50,000**	$32,500
Mr J Scott	**$45,000**	$30,000
Mr G Allen [4]	**$109,008**	-
Dr L Jacobs [5]	**-**	$9,167

Note.

1. Fees for Mr J McMahon are paid to Meta Capital Ltd.
2. Fees for Mr G Pausch are paid to Board Advisory Services Ltd.
3. Fees for Mr K Oliver are paid to Alto Capital Ltd.
4. Mr G Allen was appointed a director on 30 October 2020. His fees are paid to RJ-Alpha Advisory Services Ltd.
5. Dr L Jacobs resigned with effect from 28 February 2020.

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 of the directors.
- Directors' remuneration: Remuneration details of directors are provided above. Gottfried Pausch's remuneration includes a $151,179 consultancy fee paid for his interim Auckland-based executive role. Greg Allen's remuneration includes a $109,000 consultancy fee paid for the period from 1 April 2021 to 31 December 2021.
- 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 2021 was $115,315 (2020: $98,214).
- Directors' share transactions: Details of numbers of shares held by directors are shown below.
- Directors' loans: There were no loans by the Company to directors.
- The Board received no notices during the year from directors requesting to use Company information received in their capacity as directors which would not otherwise have been available to them.

Directors' shareholding

	31 December 2021		31 December 2020	
Ordinary shares	**Total Relevant Interest**	**Direct**	Total Relevant Interest	Direct
Mr J McMahon	**19,178,253**	**-**	19,178,253	-
Mr J Scott	**-**	**850,000**	-	850,000
Mr G Allen	**-**	**7,493,382**	-	7,493,382
Mr G Pausch	**-**	**2,416,640**		2,416,640

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	
	2021	2020
$100,000 - $109,999	**4**	6
$110,000 - $119,999	**7**	5
$120,000 - $129,999	**4**	4
$130,000 - $139,999	**4**	2
$140,000 - $149,999	**1**	5
$150,000 - $159,999	**2**	2
$160,000 - $169,999	**3**	1
$170,000 - $179,999	**1**	2
$180,000 - $189,999	**4**	2
$190,000 - $199,999	**2**	1
$200,000 - $210,000	**2**	3

	Group	
	2021	2020
$210,000 - $219,999	**2**	2
$240,000 - $249,999	**1**	-
$250,000 - $259,999	**3**	1
$270,000 - $279,999	**2**	-
$290,000 - $299,999	**1**	-
$300,000 - $309,999	**2**	-
$310,000 - $319,999	**-**	1
$320,000 - $329,999	**1**	-
$340,000 - $349,999	**1**	-
$390,000 - $399,999	**-**	1
$440,000 - $449,999	**1**	-

In 2020, employee salaries were reduced during the period from May 2020 to December 2020 by agreement, as part of the Company's response to COVID-19. The amount of salary sacrifice was paid to employees in 2021. Payment under the short-term incentive plan for the 2019 year (payable in 2020) was also delayed by agreement with relevant employees until early 2021. It was paid in January 2021. The amounts paid to employees in 2021 include the payments of salary sacrifice and the 2019 short-term incentive.

Shareholder information

Shareholders

As at 31 December 2021 there were 2,723 shareholders holding 431,914,620 fully paid ordinary shares.

Share issues

There were no issues of shares in 2021.

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 share register at 15 February 2022:

20 largest shareholders	Ordinary Shares
1. East West Legacy LLC.	55,149,807
2. Wairahi Investments Limited	25,800,000
3. Ballynagarrick Investments Ltd	21,185,103
4. Tea Custodians Ltd	20,015,916
5. ASB Nominees Ltd (Meta Capital Ltd)	19,178,253
6. HSBC Nominees (New Zealand) Ltd	18,801,403
7. Hobson Wealth Custodians Ltd	16,369,839
8. Graham Trustees Ltd	16,092,744
9. FNZ Custodians Ltd	10,475,396
10. New Zealand Depository Nominee Ltd	9,303,392
11. Flynn No 2 Trustees Ltd	8,564,758
12. Greg Allen	6,488,049
13. BNP Paribas Nominees (NZ) Ltd	6,135,089
14. Accident Compensation Corporation	6,000,000
15. JP Morgan Chase Bank NA New Zealand Branch	4,901,165
16. Forsyth Barr Custodians Ltd	4,278,935
17. Howard Duncan Milliner	3,536,561
18. Lean Holdings Pty Ltd	3,338,025
19. FNZ Custodians Ltd	3,215,858
20. Circada Ltd	3,200,000
20. Stephen Christopher Montgomery	3,200,000

Distribution of equity securities

Size of holdings at 15 February 2022.

			Shareholders		Fully paid Ordinary Shares	
			Number	%	Number	%
1	-	999	853	30.7	273,568	0.1
1,000	-	1,999	230	8.3	301,641	0.1
2,000	-	4,999	340	12.2	1,052,326	0.2
5,000	-	9,999	263	9.5	1,775,817	0.4
10,000	-	49,999	605	21.8	13,792,754	3.2
50,000	-	99,999	176	6.3	11,910,465	2.8
100,000	-	499,999	211	7.6	44,205,189	10.2
500,000	-	999,999	39	1.4	25,991,106	6.0
over		1,000,000	60	2.2	332,611,754	77.0
			2,777	100.00	431,914,620	100.00

2,732 (or 98.4%) shareholders, holding 360,687,882 shares (or 95.0%) reside in New Zealand.

Substantial product holders

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

Name	Number of shares[2]	Date of notice
Jarden Securities Ltd & Harbour Asset Management Ltd	48,823,486	20 July 2021
Wairahi Investments Ltd	26,120,286	4 August 2021
East West Legacy, LLC	55,149,807	24 December 2021

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

Shareholder enquiries

Shareholders should send changes of address to Computershare Investor Services Limited at the address noted in the directory on page 108. 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 wish to receive announcements made by the Company to the New Zealand Stock Exchange. Announcements are emailed to shareholders who wish to receive them shortly after they are released to the NZX. This will include the annual meeting addresses. If you wish 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.

Corporate governance

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

Role of the Board

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

Compliance

The governance principles adopted by the Board are designed to meet best practice recommendations for listed companies to the extent that they are appropriate to the size and nature of Wellington's operations. The Board endorses the overall principles embodied in the NZX Corporate Governance Code 2020 (the NZX Code) and believes the Company's corporate governance principles, policies and practices are appropriately aligned with the NZX Code.

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

Wellington takes a "continuous improvement" approach to corporate governance. Our governance programme includes reviewing of policies and Board and committee charters, with the last major reviews having been completed in 2020.

This statement is current to 23 February 2022 and has been approved by the Wellington Board of Directors.

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

NZX Code

Principle 1 – Code of ethical behaviour

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

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

- **Code of Business Conduct and Ethics for Wellington team members and directors:** Wellington team members are committed to being ethically and socially responsible and our business decisions should reflect our values, acting within the laws of the countries in which it operates. The code, which can be found at http://www.wdtl.com/governance, provides a guide to these general principles of conduct and ethics. It brings together all our policy principles and provides a working guide for directors and employees to do the right thing when making decisions in our daily activities, and to:

√ Act safely, ethically and responsibly
√ Act in Wellington's best interests always
√ Protect the confidentiality of Wellington's business information

- √ Always comply with the principles in the Code, the legal and regulatory obligations in their country and the spirit of the law
- √ Hold their colleagues accountable for behaving ethically and following the Code
- √ Not engage in any activity whether within or outside of the workplace that is likely to bring Wellington into disrepute
- √ Deal honestly with Wellington's people, customers, shareholders, suppliers and other stakeholders
- √ Ensure that they do not knowingly enter into transactions or make commitments on behalf of Wellington that the Company cannot or does not intend to fully honour
- √ Undertake their duties with care and diligence
- √ Ensure that any personal opinions Wellington people express are clearly identified as their own and are not represented to be the views of the Company
- √ Value individuals' differences and treat people with respect
- √ To the best of their ability, ensure that Wellington's records and documents, including financial reports, are true, correct and conform to Wellington's reporting standards and internal controls
- √ Not accept or offer bribes or improper inducements
- √ Speak up about unsafe or unethical behaviours

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

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

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

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

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

Principle 2 – Board composition and performance

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

The Wellington Constitution requires the Company to comply with the minimum Board composition requirements of the NZ Stock Exchange which are that there must be at least three directors, and at least two directors must be independent directors and two ordinarily resident in New Zealand. We assess director independence against the "disqualifying relationship" criteria in the NZX Listing Rules. The Board currently has five directors, four of whom are considered independent and one director, Greg Allen, who is not considered independent due to his recent role as Chief Executive Officer of the Company.

Profiles of all directors and their dates of appointment are set out in the Directors section of this Annual Report on pages 41 to 42 and are available on the Company's website.

Attendance at meetings held during 2021 was:

Directors' meetings	John McMahon	Gottfried Pausch	Keith Oliver	John Scott	Greg Allen
Meetings held whilst a director	10	10	10	10	10
Attendance	10	10	10	8	8

Audit and Risk Committee meetings	John McMahon	Keith Oliver	Gottfried Pausch
Meetings held whilst a committee member	2	2	1
Attendance	2	2	1

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

When a decision is made to recruit a new director, the Board identifies candidates with a mix of capabilities and perspectives considered necessary for the Board to carry out its responsibilities effectively. The Board also considers the skills of the existing directors to ensure that the skills of the new director will complement and add to the effectiveness of decision making. Appropriate pre-appointment checks are made on the background and suitability of all directors. New Board members enter into a written agreement establishing the terms of their appointment. A director appointed by the Board must stand for election at the next annual meeting. Listing Rule 2.7.1 requires directors to stand for re-election on the later of three years and the third annual shareholders' meeting after their appointment. Retiring directors are eligible for re-election.

Year of director appointment:

Gottfried Pausch	John McMahon	Keith Oliver	John Scott	Greg Allen
2013	2014	2019	2019	2020

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

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

The Company recognises our people are critical to our business. Wellington has a very small number of employees, a significant number of whom are based outside of New Zealand, which makes it challenging for the Company to adopt any formal targets in relation to diversity as is recommended by the NZX Code. While we do not have any such formal targets, Wellington values and respects the contributions, ideas and experiences of people from all backgrounds and is proud to have a diverse company with staff from around the world and from many cultures. As stated, the Company has a diversity policy included in its Code of Business Conduct and Ethics, and is committed to attracting, developing and advancing the best person for the role. Recognising the small size of the Company, the Company's diversity policy does not include measurable objectives to be met, as recommended by the NZX Code. Attracting the best person for a role may involve a global search for a suitable candidate and that selection may add to our diversity. Wellington recognises diversity brings a range of ideas, skills and innovation to the Company, which is important to the achievement of our objectives. The Board is generally not satisfied with the Company's performance in relation to diversity, and considers that the Company could improve its diversity at the senior management and board level and is conscious of the benefits a diverse leadership team can provide to the business.

During 2022, the Company will continue to strive to ensure the best person for the role is identified in the recruitment process for all positions becoming available and will strive to ensure it continues to improve diversity in its workforce. It will ensure gender, race, sexual orientation, disability, age, religious or other bias are not present in hiring decisions. The Company aims to encourage development of its existing staff through global re-deployment and training.

Diversity by gender statistics

In accordance with NZX Listing Rule 3.8.1 the Company makes the following diversity disclosures as at 31 December 2021:

	Male		Female		Total
31 December 2021	#	%	#	%	
Board	5	100%	-	-	5
Senior management team*	6	75%	2	25%	8
Other staff	64	79%	17	21%	81
Total Company	75	80%	19	20%	94

	Male		Female		Total
31 December 2020	#	%	#	%	
Board	5	100%	-	-	5
Senior management team*	7	88%	1	12%	8
Other staff	60	73%	22	27%	82
Total Company	72	76%	23	24%	95

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

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

Principle 3 – Board committees

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

Audit and Risk Committee

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

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

The committee currently comprises three non-executive directors, all of whom independent and one of whom has a financial or accounting background. The Chairman of the Committee is not also the Chairman of the Board. Employees only attend meetings of the Audit and Risk Committee at the invitation of the Committee.

The current members are John McMahon (Committee Chairman), Keith Oliver and Gottfried Pausch.

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

Executive Appointment and Remuneration Committee

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

The Committee must be comprised of at least a majority of independent directors. Employees only attend meetings of the Executive Appointment and Remuneration Committee at the invitation of the Committee.

The current members are independent directors Keith Oliver (Committee Chairman) and Gottfried Pausch (Past Committee Chairman).

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

Other committees

From time-to-time the Board may establish a committee to assist in the management of a matter or project.

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

Health and safety

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

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

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

Principle 4 – Reporting and disclosure

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

Financial reporting

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

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

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

Continuous disclosure

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

The Board reviews and approves material announcements and specifically considers with management at each Board meeting whether there are any issues which might require disclosure to the market under the NZX continuous disclosure requirements.

Trading in shares

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

Wellington has a detailed share trading policy, the Rules for Trading in Wellington Securities that can be found at http://www.wdtl.com/governance, which applies to all directors and employees. No director or employee may use

confidential non-public price sensitive information in his or her position to engage in securities trading for personal benefit or to provide benefit to any third party. Short-term trading in Wellington shares and buying or selling (while in possession of non-public price-sensitive information) is strictly prohibited.

Given the small size of the Company, 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 Chair of the Wellington Board or (where the Chair is unavailable) the Chair of the Board's Audit and Risk Committee, will approve or decline the application. The Company monitors trading and reports share movements to the Board at every meeting.

Information for investors

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

Principle 5 – Remuneration

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

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

Director remuneration

Directors' fees are intended to be aligned with other organisations of similar scale and complexity. Directors' fees are currently set at a maximum aggregate cap of $400,000 per annum. This was approved by shareholders at the 2019 Annual Meeting. Directors' fees paid in the 2021 financial year amounted to $186,821 due to the small size of the Board, and the fact that Directors forwent part of their fees during the year in response to COVID-19. Full disclosure of director remuneration is set out on page 89. Gottfried Pausch received a consulting fee in 2021 of $151,179 for his interim Auckland based executive role with the Company. Greg Allen received remuneration for his role as Chief Executive Officer until 31 March 2021 and a consultancy fee of $109,008 for the period from 1 April 2021 to 31 December 2021. Greg Allen did not receive director fees in 2021. His director fees commenced on 1 January 2022, upon expiry of his consultancy. Other than as disclosed here, no director is entitled to any other remuneration or retirement benefits from Wellington. Directors are entitled to be reimbursed for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings or otherwise in connection with Wellington business.

The Executive Appointment and Remuneration Committee conducts a regular review of directors' fees, to determine whether the level of fees paid to the Company's chairperson and other non-executive directors is aligned with other organisations of similar scale, scope and complexity. The next review is scheduled for early 2022. Any increases in fees paid to directors must be authorised by the Board and be within the above aggregate cap approved by shareholders.

Executive Remuneration Policy

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

Base salary

As stated above, the Company recognises our people are critical to our business and its growth strategies.

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

Short-Term Incentive

Our Short-Term Incentive (STI) model is focused on delivering financial and business improvement performance goals, predicated on measurable outcomes, differentiating high performance, and rewarding delivery. The STI programme applies only to key management and other selected staff members. STI values are calculated as a percentage of base salary, ranging between 10% to 33% for eligible employees. Executive team STI payments are determined following a Board level review of the Company's and the individual's performance and may be paid out at between zero to 100% of an individual's STI target. It is possible for an executive to achieve 200% on financial metrics if targets are substantially overachieved.

Employee share purchase plans

Wellington has two Long Term Incentive (LTI) share purchase plans, a partly paid share scheme which has been operating since 2008 and the United States employee share option plan which has operated since 2010. There are no partly paid share issues or options currently outstanding.

The Company intends to review its long-term incentive plans to ensure that the Company continues to have plans that are fit for the purpose of retaining and attracting the right talent for the business.

CEO remuneration

The following tables sets out the payments made to the CEO during FY2021.

Greg Allen – CEO until 31 March 2021	
Fixed remuneration	$220,950
Short term incentive for 2019, paid in January 2021	$131,321
Total remuneration	$352,271

The Greg Allen's STI payment for the FY2019 year was $121,224. Payment was made in January 2021 with accrued interest of $10,097. STI targets for FY2020 were not achieved.

Greg Balla – CEO from 8 August 2021	
Fixed remuneration	$214,360
Total remuneration	$214,360

Greg Balla does not participate in the Company's STI programme. He has been issued 12,930,000 share options representing 2.99% of the Company's ordinary shares at the time of issue. Provided he is a full-time employee at that date, 8.62 million options shall vest on 1 October 2024 and may be exercised within 18 months following 1 October 2024 at an exercise price of 9.1 cents per share. Provided he is a full-time employee on 1 October 2025, a further 4.31 million options shall vest on 1 October 2025 and may be exercised within 18 months of that date at an exercise price of 11.5 cents per share.

Principle 6 – Risk management

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

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

As discussed above, the Board has established an Audit and Risk Committee to assist the Board with its oversight, monitoring and review of risk. Bi-annually there is a review of the entire risk landscape to establish a forward-looking perspective on business risks, both financial and non-financial, in both the internal and external environment.
The committee provides a forum for discussion of risk, including the Board's appetite for risk, with the CEO and management. The CEO and senior management team are required to regularly identify the major risks affecting the business and to develop strategies to mitigate these risks. Significant risks are discussed at each Board meeting, or as required.

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

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

Principle 7 – Auditors

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

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

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

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

Deloitte is the existing auditor of the Company and was automatically re-appointed by virtue of section 207T of the New Zealand Companies Act 1993.

During 2021 other services provided by Deloitte amounted to $49,000 relating to tax compliance services.

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

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

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

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

Principle 8 – Shareholder rights and relations

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

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

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

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

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

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

Notices of annual meetings are made available as soon as possible and posted on the website of the Company usually more than one month prior to the meeting. However, the Company has not typically been able to post the notices on its website within 20 working days prior to the meetings, as recommended by Recommendation 8.5 of the NZX Corporate Governance Code. The reason for this in 2021 was due to the challenges posed by COVID-19.

The annual meeting for the 2021 year is planned to be held on 25 May 2022. Due to COVID-19 considerations, the annual meeting may be held virtually, as was the case in 2020. All shareholders are welcome to attend and ask questions, whether or not the meeting is held virtually or in person or appoint a proxy on their behalf, or submit a postal vote, if they are unable to attend. The external auditor, Deloitte will be in attendance to answer questions about the audit and their audit report.

Shareholders are encouraged to attend, participate and vote at meetings. Results of proxies and postal votes are summarised and disclosed at the meeting. Results of meetings are announced on the NZX as soon as possible following the closure of the shareholder meeting.

Contacts

Wellington offices

New Zealand (Head office)
Wellington Drive Technologies Ltd
21 Arrenway Drive
Rosedale, Auckland 0632
New Zealand

Postal Address
P.O. Box 302 – 533
North Harbour
Auckland 0751, New Zealand

Ph: 64-9-477 4500

Mexico
Wellington Latin America Services SA de CV
San Serafin No. 4
Residencial San Gil
San Juan del Rio, Qro,
Mexico 76815

PO Box 57
San Juan del Rio
Querétaro
Mexico 76800

Ph: +52 427 167 3857

Brazil
Wellington Drive Technologies (Brazil)
Rua Xamim, 370 - Iririu
Joinville, SC
Brazil 89227917-315

Ph: +55 47 3028 3858

Turkey
Wellington Motor Teknolojileri San Tic Ltd. Sti.
Fatih Sultan Mehmet Mah.
Poligon Cad. No: 8C
Buyaka Kule 3 Kat:11 Daire:70
Tepeüstü 34771 Umraniye – Istanbul

Ph: +90 0 (216) 420 12 02
Fax: +90 0 (216) 420 12 05

Phone/fax
Ph: 64-9-477 4500
Fax: 64-9-479 5540

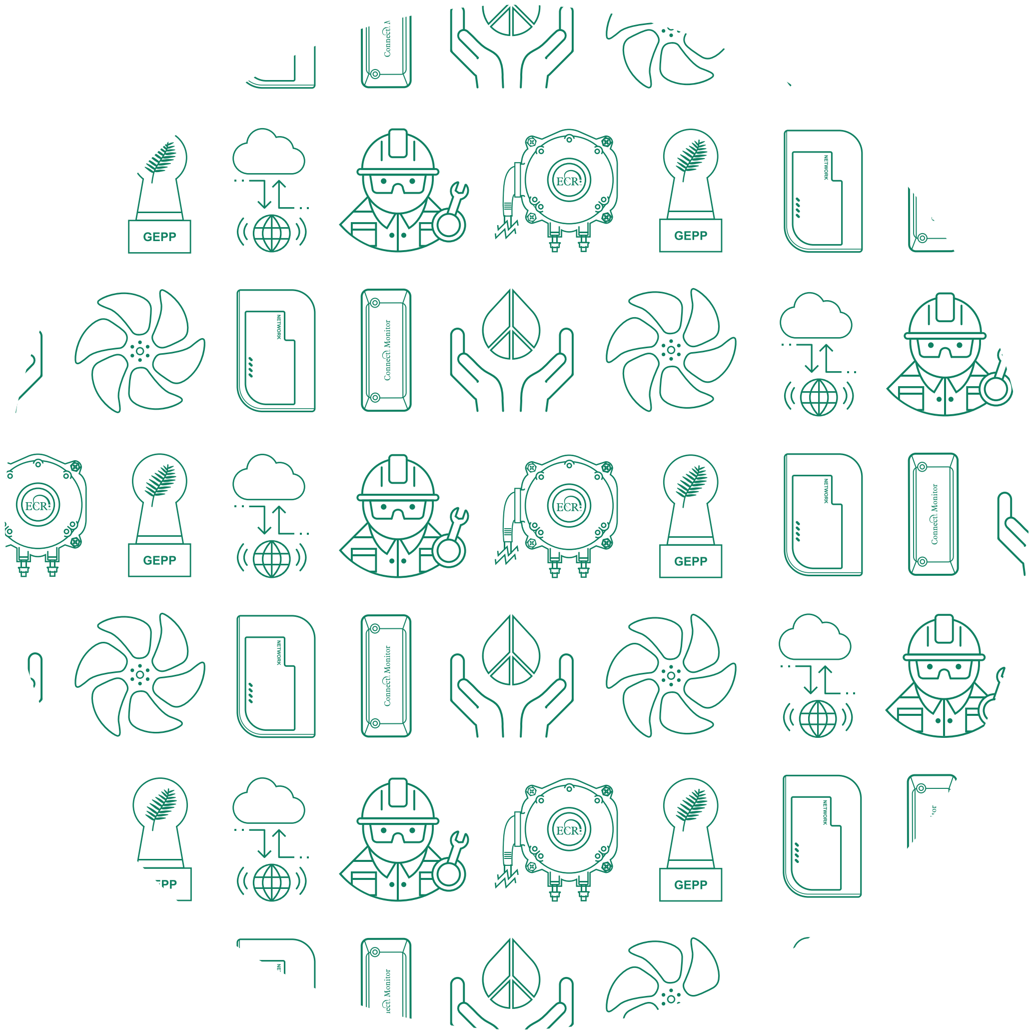
Internet and social media
Website: www.wdtl.com
Email: info@wdtl.com
LinkedIn
Twitter

Address and registered office
21 Arrenway Drive
Rosedale, Auckland 0632, New Zealand
PO Box 302-533, North Harbour,
Auckland 0751, New Zealand

Auditor
Deloitte Limited
80 Queen Street, Auckland CBD, Auckland 1010

Banker
Bank of New Zealand

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



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