Interim report

June 2021

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WT9430

Contents

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.

References to the Company are to Wellington Drive Technologies Limited

Wellington’s financial year end is 31 December.

Business highlights

Business highlights

- **Revenue** — ↑ 49% to $30.6m
- **IoT Contribution** — Now 64% of gross profit from IoT products
- **EBITDA** — Positive EBITDA of $1.8m
- **Net Profit** — $0.6m net profit
- **Cash** — $6.1m at 30 June 2021 with $1.9m of available bank facility

Report of the Chairman and CEO

Wellington Drive Technologies (Wellington or Company) recovered strongly in the six months to 30 June 2021 (H1-2021) as customer demand returned to pre-COVID levels. Revenue increased 49.2% compared to 2020, which was significantly affected by COVID-19. Invoicing in US$ terms increased 70.5%, with the difference in growth largely explained by the stronger NZ$ this year.

We wish to acknowledge the achievements of the Wellington team who have managed the buoyant sales demand alongside pandemic related issues, component shortages and shipping constraints. At all times, our team have been focussed on keeping our customers operational by working closely with strategic suppliers and sourcing alternative components where available and adjusting customer pricing where possible.

Metric - $m - Six months	2021	2020	Change
Revenue	$30.6m	$20.5m	+49.2%
Wellington Connect™ IoT revenue	*$12.8m*	*$8.0m*	*+59.7%*
ECR® 2 motor revenue	*$12.8m*	*$7.6m*	*+68.0%*
ECR legacy motor revenue	*$4.6m*	*$4.2m*	*+11.0%*
Gross profit	$8.9m	$6.2m	+42.5%
Gross margin %	29.0%	30.3%	-1.3%
Operating expenses net of other income	-$6.7m	-$5.7m	-17.8%
Loss / (gain) on remeasurement of contingent consideration	-$0.3m	$0.6m	-$0.9m
EBITDA[1]	$1.83m	$1.14m	+61.1%
EBIT	$0.71m	-$0.55m	+$1.25m
Profit (loss)	$0.61m	-$0.79m	+$1.40m
Operating cash flows	$3.12m	$0.72m	+332.4%

The result for H1-2021 includes the following costs, which are not considered normal operating costs.

- 2021 is the final year for the achievement of performance targets related to the acquisition of iProximity Pty Limited (iPX) in 2018. If forecast Connect™ SCS unit volumes are achieved, Wellington will be required to issue shares to the vendors of iPX. The fair value of this contingent consideration is estimated at $0.293m and has been recognised as an expense in H1-2021. In H1-2020, a gain on remeasurement of $0.638m was recognised.

- The Board recognises the salary reductions agreed to by staff last year to mitigate the impact of COVID-19 and is committed to repaying staff, in whole or in part, if the Company can afford to do so out of profits. The improved trading performance has enabled the Company to commit to repay 30% of the amount of those reductions. No commitment has been given as to the remaining 70% and further payments are at the Board’s discretion. $0.380m has been recognised as an expense in H1-2021.

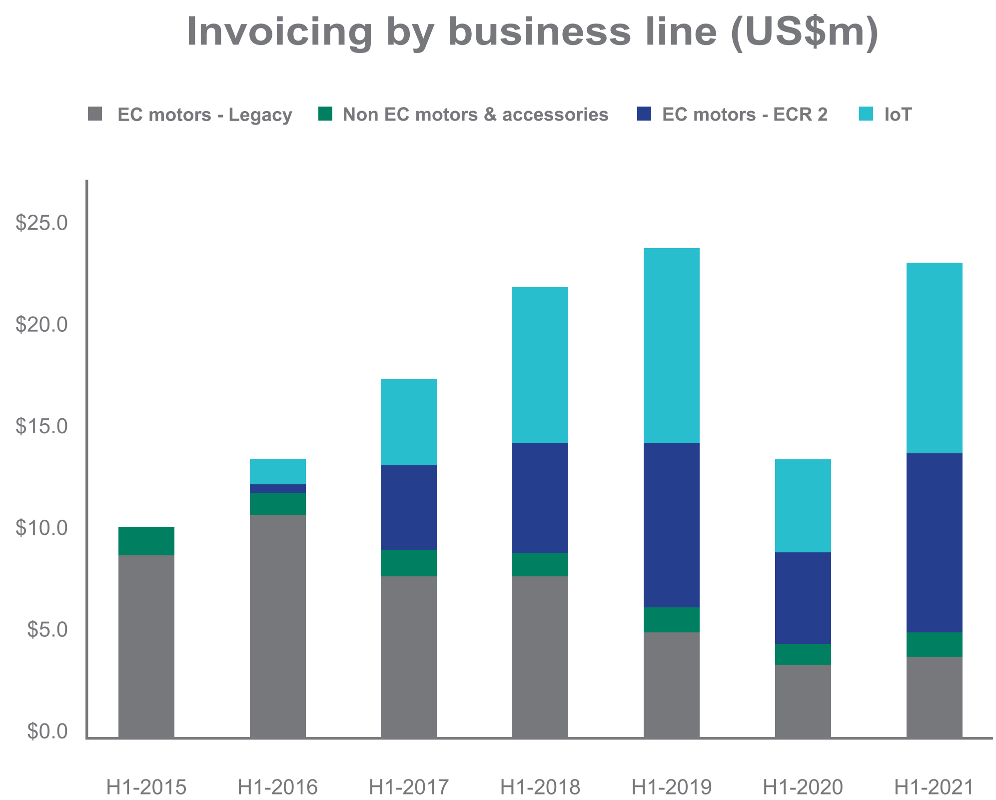
If reported earnings are adjusted to exclude these items, then adjusted earnings are shown below.

	2021	2020	Change
EBITDA			
As reported	$1.83m	$1.14m	+61.1%
Adjustments set out above	$0.67m	-$0.64m	
Adjusted	$2.50m	$0.50m	+$2.00m
Profit / (loss)			
As reported	$0.61m	-$0.79m	+$1.40m
Adjustments set out above	$0.67m	-$0.64m	
Adjusted	$1.28m	-$1.43m	+$2.71m

Revenue

Revenue for the first half was $30.6m, a 49.2% increase compared to the same period last year. As previously reported, Q1-2021 revenue was $14.6m compared to $15.4m in 2020. Q2-2021 revenue was $16.0m compared to $5.1m in 2020 which was the quarter most significantly impacted by COVID-19.

US$ invoicing, inclusive of deferred service revenue to be recognised in subsequent periods, increased from US$13.4m in H1-2020 to US$22.8m in 2021.



Wellington's ECR 2 motor and IoT core products represent 80.9% of first half US$ invoicing compared to 74.0% for the same period last year.

Wellington Connect IoT

Revenue from Connect IoT products and services, including Connect SCS hardware, data services and iProximity software was $12.8m compared to $8.0m last year. Invoicing of IoT data services increased 67.0% from $0.8m to $1.4m.

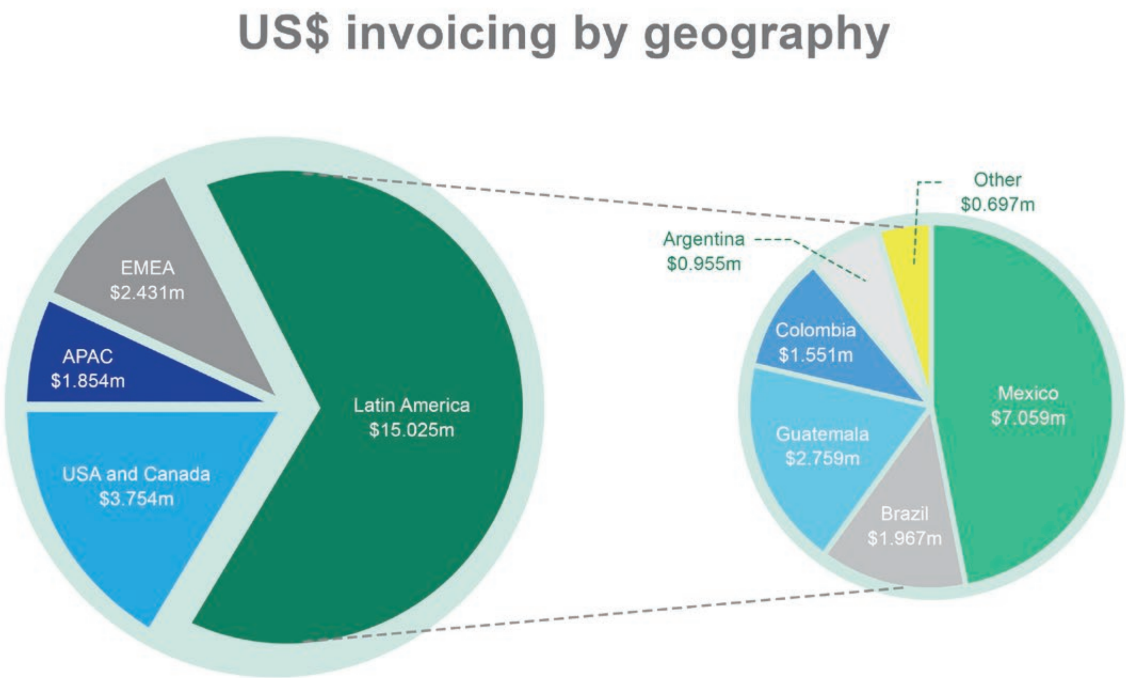
$0.6m of data contract revenue was recognised in H1-2021. Data services are multi-year contracts and revenue is recognised progressively over the term of the contract, typically from five to ten years. The amount of unrecognised IoT data services revenue held on the balance sheet on 30 June 2021 was $5.1m.

Wellington ECR motors

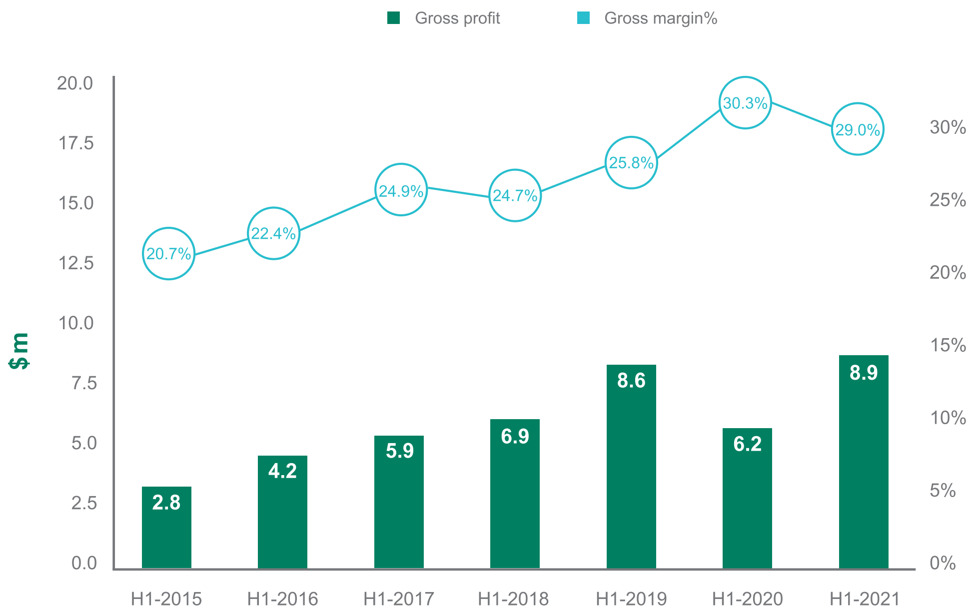
Wellington shipped 685,000 ECR motors in H1-2021, an increase of 63.2%. Around 68.3% of these motors were the high performing ECR 2 motor. Wellington has continued to grow revenue for its ECF™ 2 Fanpack product, a high-performance fan assembly specifically designed for supermarket applications, with 42,000 units shipped in H1-2021, a 67.6% increase over 2020.

Sales regions

All regions recorded strong revenue growth in H1-2021. USA/Canada increased 84%, Asia/Pacific increased 52%, Europe increased 58% and Latin America increased 72%.

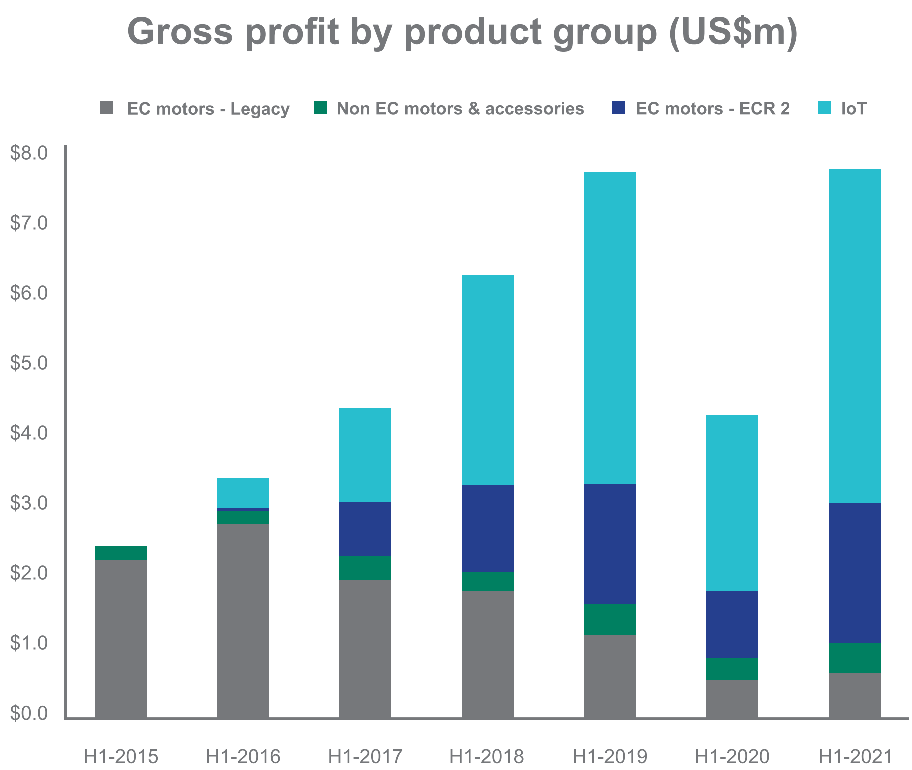


Gross margin and gross profit changes



Gross profit increased by $2.7m to $8.9m from the same period last year and gross margin declined slightly from 30.3% to 29.0% due to increased manufacturing costs driven by commodity price changes and component cost increases. The increase in gross profit was largely due to increased volumes of higher gross margin products. As has been reported widely, there are product cost increases being driven by commodity price increases (copper), and due to demand pressures and supply constraints on electronic components. Shipping costs have also increased significantly. Cost pressures and supply constraints are expected to continue into H2-2021. Where possible, Wellington is adjusting selling prices to customers to recover these increased costs.

IoT solutions contributed 64.2% of gross profit with ECR 2 motors at 26.0% and legacy EC motors at 8.2%.



Operating costs

Operating costs for the period amounted to $6.8m, compared to $6.3m for the same period in 2020. Net operating costs after deducting other income was $6.7m compared to $5.7m for 2020.

Staff salaries in H1-2020 were reduced for the period from May to December 2020 and were restored in full on 1 January 2021. The Company has now agreed to reimburse staff for approximately 30% of their 2020 salary reduction. The cost recognised in the Income Statement for H1-2021 was $0.4m and will be paid in September.

Headcount at 30 June 2021 has reduced from 88 at December 2020 to 83 at June 2021. Recruitment of IT and specialist engineering skilled staff in New Zealand is proving challenging due to competition for these skills and salaries for critical staff in certain areas, especially IT, required adjustment to manage staff retention. The Company is looking to recruit offshore for in-market staff, especially for customer facing roles to support our growth strategy.

Profit performance

EBITDA[1] for the first half was $1.8m compared to $1.1m for the same period in 2020. This includes a $0.3m expense arising from a change in fair value of the contingent consideration payable for the acquisition of iPX and $0.4m for the agreed part repayment to staff of 2020 salary reductions. If these one-off charges are excluded, underlying EBITDA for H1-2021 was $2.5m, a $2.0m increase over the same period in 2020. EBIT was $1.4m, a $2.6m increase and the profit was $1.3m, a $2.6m increase.

Working capital

Operating cash inflows for the six months amounted to $3.1m. Investing cash outflows amounted to $1.3m, meaning a net cash inflow before financing activities of $1.8m (2020 cash outflow of $1.0m). The amounts owing by customers and to suppliers have increased reflecting increased trading activity. Trade and other receivables increased $6.1m, and trade and other payables increased by $7.4m compared to 31 December 2020.

Cash at 30 June 2021 was $6.1m compared to $4.6m at 31 December 2020. The amount owing under the $2.5m bank trade finance facility at 30 June 2021 was $0.6m, compared to $0.6m on 31 December 2020.

Product development and Marketing

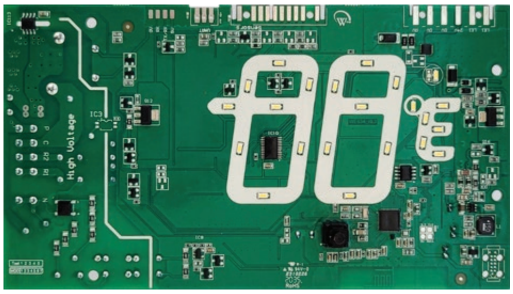
Connect Monitor

Connect™ Monitor launched in March 2021, with production for the complete feature set commencing in late second quarter. Connect Monitor links existing field refrigeration equipment to the Wellington Connect™ Cloud through a simple retrofit process. Although most customers have been including our connected controllers in new build or upgraded equipment, this currently represents less than 20% of their entire fleet. Customers can now cost-effectively retrofit their remaining fleet with Connect Monitor.

Fleet managers have access to Connect Monitor's advanced features, including cutting-edge technical diagnostics and have raised equipment manufacturers' interest as a solution for the frozen and foodservice sectors.

Pre-launch marketing activity commenced in 2020, and strong sales have exhausted the planned production ramp-up while supporting the onboarding of new customers.

SCS 400 – the cooler controller



Wellington's flagship product, the Connect™ SCS 600 intelligent controller, was conceived as a full-featured solution to connect refrigeration equipment fleets to the cloud. As a result, there was a strategic opportunity to partner with Imbera (refer to media release **here**) to develop the SCS 400 series, a lower-cost controller architecture focusing on strengthening the return-on-investment (ROI) for our joint customers.

SCS 400 was released in January 2021, and demand has increased.

Connect Network

Wellington is planning to release Connect™ Network in the fourth quarter of 2021. Connect Network represents an expansive addition to the Connect IoT ecosystem, enabling always-on data collection and real-time alerts for the equipment fleet.

Connect Network is an always-on cellular and Wi-Fi enabled hub for all Wellington Connect IoT devices. It is compatible with all current and future Connect IoT devices, including Connect SCS, Connect™ Click and Connect Monitor, and forms part of the Connect IoT ecosystem.

Connect Network joins the Company's existing suite of data acquisition tools that includes several Company apps and software kits for customer apps. As a result, our customers can balance data acquisition cost and data priority by utilising field-collected and always-on data acquisition solutions.

The Connect Network solution addresses further expansion challenges for customers that have no direct contact with field equipment (indirect distribution) or have high-end requirements driven by premium products or markets.

Reframing and reinforcing Wellington media presence

The Company's program managers have been working closely with customers to help them understand the value of the insights from connected refrigeration. Based on these learnings, the Company is publishing customer case studies concentrating on the ROI, leading to an overall refresh of our IoT collateral with ROI at the core.

Governance

Greg Allen finished as Group CEO on 31 March 2021 but continues as a Director. Greg Balla was appointed Group CEO and commenced on 9 August 2021. Gottfried Pausch assumed the Interim CEO role from March 2021 and relinquished this when Greg Balla commenced.

2021 outlook

Guidance for 2021 is unchanged from the increase in outlook provided on 28 June 2021.

Wellington is experiencing strong customer demand reflecting both new customer wins over the last 18 months, initial revenue from recent new product launches and a strengthening global economy. Wellington is forecasting US$ invoicing in the range of US$45m to US$50m, subject to component supply chain risks.

Wellington expects EBITDA earnings to be in the range of NZ$3.5m to NZ$4.5m before deduction of non-recurring charges. The H1-2021 result includes $0.7m for the fair value change on iPX contingent consideration and 2020 staff salary sacrifice part repayment. Assuming the repayment in full of remaining 2020 staff salary sacrifice in H2-2021 (which remains at the discretion of the Board) the EBITDA earnings range after non-recurring charges is expected to be in the range of $2.0m to $3.0m.

This forecast remains subject to the higher than usual level of risk that prevails in the current global environment, in particular for unexpected cost increases and unanticipated disruptions to supply. Suppliers are reporting an inability to supply some critical electronic components, despite confirmed purchase orders. Wellington's supply chain team has done well so far this year to secure components, especially with the significant unforecast increase in customer demand, and will continue to work to avoid supply disruption over the forecast period. We do not want to disappoint customers.

The forecast assumes a NZ$/US$ exchange rate of US$0.70 for the second half of FY2021.

Wellington's cash outlook also looks strong. While month end net cash can fluctuate due to customer mix and timing, as well as inventory levels, Wellington is currently forecasting to finish 2021 with net cash of around NZ$5m with a further NZ$1.9m of undrawn bank facility.

Note 1: EBITDA (i.e. Earnings before Interest, Taxation, Depreciation, Amortisation and Impairment) is a non-GAAP earnings figure that equity analysts tend to focus on for comparable company performance analysis. The Company considers that it is a useful financial indicator because it avoids the distortions caused by the differences in amortisation and impairment policies.

Financial Statements

Financial Statements

Consolidated and Condensed Interim Statement of Comprehensive Income

	Note	Six months ended Unaudited 30 Jun 2021 $000s	Six months ended Unaudited 30 Jun 2020 $000s	Year ended Audited 31 Dec 2020 $000s
Revenue	2.1,2.3	**30,561**	20,484	36,880
Cost of sales		**(21,707)**	(14,270)	(26,332)
Gross profit		**8,854**	6,214	10,548
Other income	2.4	**109**	623	1,156
Operating expenses		**(6,840)**	(6,339)	(11,530)
(Loss) / gain on remeasurement of contingent consideration	5.1	**(293)**	638	1,016
Earnings before interest, taxation, depreciation, amortisation and impairment		**1,830**	1,136	1,190
Depreciation	3.5	**(278)**	(328)	(641)
Amortisation	3.6	**(847)**	(901)	(1,686)
Impairment	3.6	**-**	(456)	(456)
Profit / (loss) / before interest and taxation		**705**	(549)	(1,593)
Finance income	4.2	**12**	6	7
Finance expenses	4.2	**(99)**	(228)	(389)
Profit / (loss) before income tax		**618**	(771)	(1,975)
Income tax expense		**(7)**	(16)	(179)
Profit / (loss) for the period		**611**	(787)	(2,154)
Other comprehensive income: *Items that may be reclassified subsequently to the profit or loss:* Exchange differences on translating operations		**330**	(121)	(1,565)
Other comprehensive loss for the period		**330**	(121)	(1,565)
Total comprehensive income for the period		**$941**	($908)	$3,719
Profit / (loss) for the period attributable to the Owners of the Company		**611**	($787)	(2,154)
Total comprehensive income attributable to the Owners of the Company		**941**	($908)	(3,719)
Basic earnings per share – cents	2.6	**0.14**	(0.24)	(0.50)
Diluted earnings per share – cents	2.6	**0.14**	(0.24)	(0.50)

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

Consolidated and Condensed Interim Statement of Movements in Equity

	Note	Share capital $000s	Accumulated losses $000s	Other reserves $000s	Total equity $000s
Unaudited for the six months ended 30 June 2021					
Balance at 1 January 2021		**135,555**	**(116,892)**	**(3,948)**	**14,715**
Comprehensive income:					
Income for the period		**-**	**611**	**-**	**611**
Other comprehensive income:					
Exchange differences on translation of foreign operations		**-**	**-**	**330**	**330**
Total comprehensive income		**-**	**611**	**330**	**941**
Contributions of equity net of costs	4.3	**-**	**-**	**-**	**-**
Balance at 30 June 2021		**$135,555**	**($116,281)**	**($3,618)**	**$15,656**
Unaudited for the six months ended 30 June 2020					
Balance at 1 January 2020		130,228	(114,738)	(2,383)	13,107
Comprehensive income:					
Loss for the period		-	(787)	-	(787)
Other comprehensive income:					
Exchange differences on translation of foreign operations		-	-	(121)	(121)
Total comprehensive income		-	(787)	(121)	(908)
Contributions of equity net of costs	4.3	54	-	-	54
Balance at 30 June 2020		$130,282	($115,525)	($2,504)	$12,253
Audited for year ended 31 December 2020					
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		-	-	(1,565)	(1,565)
Total comprehensive income		-	(2,154)	(1,565)	(3,719)
Contributions of equity net of costs		5,327	-	-	5,327
Balance at 31 December 2020		$135,555	($116,892)	($3,948)	$14,715

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

Consolidated and Condensed Interim Statement of Financial Position

	Note	Unaudited 30 Jun 2021 $000s	Unaudited 30 Jun 2020 $000s	Audited 31 Dec 2020 $000s
Current Assets				
Cash and cash equivalents		**6,146**	3,062	4,610
Trade and other receivables	3.1	**14,717**	9,933	8,624
Derivative financial instruments		**-**	64	-
Inventories	3.2	**4,765**	4,828	3,417
Total current assets		**25,628**	17,887	16,651
Non-Current Assets				
Property, plant and equipment	3.5	**1,914**	2,524	2,083
Intangible assets	3.6	**13,144**	12,821	12,397
Total non-current assets		**15,058**	15,345	14,480
Total assets		**40,686**	33,232	31,131
Current Liabilities				
Trade and other payables	3.3	**17,315**	11,775	9,872
Contract liability	2.3	**1,209**	1,140	1,044
Provisions	3.4	**199**	432	315
Derivative financial instruments		**13**	-	-
Borrowings	4.1	**1,095**	2,332	863
Total current liabilities		**19,831**	15,679	12,094
Non-Current Liabilities				
Borrowings	4.1	**1,019**	1,230	1,170
Contract liability	2.3	**3,887**	3,692	3,152
Contingent consideration		**293**	378	-
Total non-current liabilities		**5,199**	5,300	4,322
Total liabilities		**25,030**	20,979	16,416
Net assets		**$15,656**	$12,253	$14,715

Consolidated and Condensed Interim Statement of Financial Position - continued

	Note	Unaudited		Audited
		30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Equity				
Contributed equity	4.3	**135,555**	130,282	135,555
Accumulated losses		**(116,281)**	(115,525)	(116,892)
Other reserves		**(3,618)**	(2,504)	(3,948)
Total equity		**$15,656**	$12,253	$14,715

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

Consolidated and Condensed Interim Cash Flow Statement

	Note	Six months ended Unaudited 30 Jun 2021 $000s	Six months ended Unaudited 30 Jun 2020 $000s	Year ended Audited 31 Dec 2020 $000s
Cash flows from operating activities				
Receipts from customers exclusive of GST/VAT		**25,446**	24,731	41,531
Payments to suppliers and employees exclusive of GST/ VAT		**(23,059)**	(24,840)	(42,606)
Other income		**109**	623	1,156
Interest paid		**(98)**	(216)	(404)
Interest received	4.2	**12**	6	7
Taxation (paid) / received		**(5)**	71	13
Net GST / VAT received		**717**	347	643
Net cash inflow from operating activities		**3,122**	722	340
Cash flows from investing activities				
Payments for property, plant and equipment	3.5	**(48)**	(64)	(210)
Proceeds from disposals of property, plant and equipment		**-**	41	-
Payments for intangible assets	3.6	**(1,289)**	(1,694)	(3,153)
Net cash outflow from investing activities		**(1,337)**	(1,717)	(3,363)
Cash flows from financing activities				
Cash proceeds from ordinary shares	4.3	**-**	54	5,327
New loan and drawdowns	4.1	**1,154**	4,509	7,240
Loan repayments	4.1	**(1,152)**	(3,965)	(7,950)
Finance lease borrowing	4.1	**-**	-	27
Finance lease repayments	4.1	**(178)**	(144)	(262)
Net cash (outflow) / inflow from financing activities		**(176)**	454	4,382
Net increase / (decrease) in cash and cash equivalents		**1,609**	(541)	1,359
Cash and cash equivalents at the beginning of the financial period		**4,610**	3,459	3,459
Effect of exchange rate movements on cash		**(73)**	144	(208)
Cash and cash equivalents at end of period		**$6,146**	$3,062	$4,610

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

Notes to the Interim Financial Statements

for the six months ended 30 June 2021

1. Basis of preparation

1.1 General Information

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

The Company is a limited liability 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 interim financial statements do not include all the notes and disclosures set out in the annual report. As a result, this report should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

These consolidated and condensed financial statements have been approved for issue by the Board of Directors on 25 August 2021 and have not been audited.

1.2 Summary of Significant Accounting Policies

Basis of preparation

These consolidated and condensed 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. These consolidated and condensed financial statements comply with New Zealand International Accounting Standard 34: Interim Financial Reporting.

All significant accounting 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 information and contingent consideration which is measured at fair value.

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:

- Amendments to IAS 37 - Onerous contracts – Cost of Fulfilling a Contract – effective from 1 January 2022
- Amendments to IAS 16 - Property, Plant and Equipment – effective from 1 January 2022
- Amendments to IAS 1 - Classification of liabilities as Current and Non-Current – effective from 1 January 2023

Going concern assumption

The Group reported a profit for the six months ended 30 June 2021 of $611,000 (2020: loss of $787,000) and positive operating cash flows of $3.1m (2020: $0.7m). Cash at 30 June 2021 was $6.1m (2020: $3.1m) and bank loans had been reduced to $0.9m at 30 June 2021 from $2.1m last year.

The Group remains subject to higher than usual level of risk in the current global environment, in particular for unexpected cost increases and unanticipated disruptions to supply. COVID-19 cases recently resulted in our supplier having temporarily closed down its Vietnam production facility for a short period. Suppliers are also reporting an inability to supply some critical electronic components, despite confirmed purchase orders.

The Group has managed through these disruptions and expects to continue to do so. 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 and they continue to adopt the going concern basis of accounting in preparing the financial statements.

Critical accounting estimates

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. COVID-19 clearly had an impact on the business operations in the last financial year. Whilst COVID-19 is still having an impact on the Group's operations, as seen in the recent temporary closure of our production facility in Vietnam, the challenge this year has been caused by the resurgence of demand and the constraints caused by electronic component shortages and reduced shipping capacity and cost increases.

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:

Area of estimation

- Going concern – forecasts – note 1.2
- Probability of contingent consideration targets being achieved – note 5.1

Areas of judgement

- Deferred tax asset – recognition – note 2.7
- Development costs and goodwill impairment – note 3.6

2. Results for the period

2.1 Segment information

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

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

(a) Reportable segments

The Group is now 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:

June 2021 (six months)	Motors $000s	IoT $000s	Unallocated $000s	Total $000s
Revenue	17,802	12,759	-	30,561
Cost of goods sold	(14,635)	(7,072)	-	(21,707)
Gross profit	3,167	5,687	-	8,854
Gross profit %	17.8%	44.6%		29.0%
Other income	4	25	80	109
Operating expenses	(1,157)	(1,885)	(3,798)	(6,840)
Loss on remeasurement of contingent consideration	-	(293)	-	(293)
EBITDA	2,014	3,534	(3,718)	1,830
Depreciation	(26)	(92)	(160)	(278)
Amortisation and impairment	(152)	(685)	(10)	(847)
Profit / (loss) before interest & taxation	1,836	2,757	(3,888)	705
Finance income	-	-	12	12
Finance expense	-	-	(99)	(99)
Profit / (loss) before income tax	1,836	2,757	(3,975)	618
Income tax expense	-	-	(7)	(7)
Profit / (loss) for the period	$1,836	$2,757	($3,982)	$611

Non-current assets				
Property, plant and equipment	**582**	**133**	**1,199**	**1,914**
Goodwill	**-**	**3,138**	**-**	**3,138**
Intangible assets	**3,937**	**5,762**	**307**	**10,006**
Total non-current assets	**$4,519**	**$9,033**	**$1,506**	**$15,058**

June 2020 (six months)	Motors $000s	IoT $000s	Unallocated $000s	Total $000s
Revenue	12,496	7,988	-	20,484
Cost of goods sold	(9,805)	(4,465)	-	(14,270)
Gross profit	2,691	3,523	-	6,214
Gross profit %	21.5%	44.1%		30.3%
Other income	218	238	167	623
Operating expenses	(1,251)	(1,656)	(3,432)	(6,339)
Gain on remeasurement of contingent consideration	-	638	-	638
EBITDA	1,658	2,743	(3,265)	1,136
Depreciation	(120)	(30)	(178)	(328)
Amortisation and impairment	(235)	(1,113)	(9)	(1,357)
Profit / (loss) before interest & taxation	1,303	1,600	(3,452)	(549)
Finance income	-	-	6	6
Finance expense	-	-	(228)	(228)
Profit / (loss) before income tax	1,303	1,600	(3,674)	(771)
Income tax expense	-	-	(16)	(16)
Profit / (loss) for the period	$1,303	$1,600	($3,690)	($787)
Non-current assets				
Property, plant and equipment	775	183	1,566	2,524
Goodwill	-	3,154	-	3,154
Intangible assets	4,450	5,054	163	9,667
Total non-current assets	$5,225	$8,391	$1,729	$15,345

December 2020 (full year)	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 profit %	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 and impairment	(408)	(1,724)	(10)	(2,142)
Profit / (loss) before interest & taxation	2,252	1,933	(5,778)	1,593
Finance income	-	-	7	7
Finance expense	-	-	(389)	(389)
Profit / (loss) before income tax	2,252	1,933	(6,160)	(1,975)
Income tax expense	-	-	(179)	(179)
Profit / (loss) for the period	$2,252	$1,933	($6,339)	($2,154)
Non-current assets				
Property, plant and equipment	636	150	1,297	2,083
Goodwill	-	3,139	-	3,139
Intangible assets	3,818	5,152	288	9,258
Total non-current assets	$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	Six months ended 30 Jun 2021 $000s	Six months ended 30 Jun 2020 $000s	Year ended 31 Dec 2020 $000s
Americas	**25,117**	16,379	28,735
Asia / Pacific	**2,079**	1,701	3,518
Europe / Middle East / Africa	**3,365**	2,404	4,627
Total	**$30,561**	$20,484	$36,880

Revenue is allocated above based on the country in which the customer is located. APAC revenue includes $589,000 (2020: $114,000) from New Zealand customers.

Total non-current assets	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Americas	**21**	26	26
Asia / Pacific - mainly in New Zealand	**14,976**	15,242	14,379
Europe / Middle East / Africa	**61**	77	75
Total	**$15,058**	$15,345	$14,480

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

2.2 Seasonality of operations

Revenues and operating profits are generally expected to be higher in the first six months of a calendar year, lower in the third quarter due to customers in the northern hemisphere shutting down for summer holidays and increasing again in the fourth quarter. This does not appear to be the case this year with current forecasts showing a higher second half year and a high third quarter. It is not clear if this year is benefitting from delayed 2020 demand.

Revenues and operating profits in the fourth and first quarters of a calendar year can be impacted by the timing of the China New Year and Vietnam Tet holidays.

2.3 Revenue

	Six months ended 30 Jun 2021 $000s	Six months ended 30 Jun 2020 $000s	Year ended 31 Dec 2020 $000s
Sales of goods revenue	**29,973**	19,882	35,678
Services revenue	**588**	602	1,202
Total	**$30,561**	$20,484	$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 revenues from contracts by geographical regions.

(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 sale 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 extent 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 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 2.3(a), no explicit element of financing is deemed present.

Contract liabilities	Six months ended 30 Jun 2021 $000s	Six months ended 30 Jun 2020 $000s	Year ended 31 Dec 2020 $000s
Carrying amount at start of period	**4,196**	4,418	4,418
Invoiced in the period	**1,368**	819	1,310
Recognised in revenue	**(588)**	(602)	(1,202)
Exchange adjustment	**120**	197	(330)
Carrying amount at end of period	**$5,096**	$4,832	$4,196
Current portion	**1,209**	1,140	1,044
Non-current portion	**3,887**	3,692	3,152
	$5,096	$4,832	$4,196

2.4 Other income

	Six months ended 30 Jun 2021 $000s	Six months ended 30 Jun 2020 $000s	Year ended 31 Dec 2020 $000s
Net foreign exchange gains	**63**	(8)	18
COVID-19 government subsidies	**15**	626	1,090
Other income	**31**	5	48
Total	**$109**	$623	$1,156

2.5 Operating expenses include

	Six months ended 30 Jun 2021 $000s	Six months ended 30 Jun 2020 $000s	Year ended 31 Dec 2020 $000s
Wages and salaries and other short-term benefits	**5,632**	5,285	9,807
Employer contributions to Kiwisaver and 401K plans	**189**	170	324
Employee benefits	**$5,821**	$5,455	$10,131
Capitalisation of labour and expenses to intangible assets	**($1,253)**	($1,670)	($3,099)

2.6 Earnings per share

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

Basic EPS of a profit of 0.14 cents (June 2020 – loss of 0.24 cents) is calculated by dividing the profit attributable to equity holders of the Company of $611,000 (June 2020 – loss of $787,000) by the weighted average number of ordinary shares in issue during the period of 431,914,620 (June 2020 – 322,799,268).

Diluted EPS for the six months ended 30 June 2021 of a profit of 0.14 cents (June 2020 - deficit of 0.24 cents) is calculated by dividing the profit attributable to equity holders of the Company of $611,000 (June 2020: - loss of $787,000) by the weighted average number of shares in issue adjusted to reflect any commitments the Group has to issue shares in future that would decrease EPS. The weighted average number of ordinary shares is compared with the number of shares that would have been issued assuming the exercise of share options.

2.7 Unrecognised deferred tax balances

The Group has not recognised income tax losses and temporary differences as a future income tax benefit due to the uncertainty of their recoverability in the foreseeable future. This is due to uncertainty as to where revenues will be recorded, as customers determine which warehouse and therefore which legal entity shall supply them. 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 unrecognised net deferred tax asset in the audited financial statements for the year ended 31 December 2020 was $29,550,000, determined using the New Zealand corporate tax rate of 28%.

3. Operating assets and liabilities

3.1 Trade and other receivables

	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Trade receivables	**13,960**	9,476	7,695
Provision for loss allowance	**(195)**	(257)	(157)
Net trade receivables	**13,765**	9,219	7,538
Prepayments	**507**	314	462
VAT/GST refunds due	**55**	(3)	113
Income tax refund due	**250**	357	253
Other receivables	**140**	46	258
	$14,717	$9,933	$8,624

The Group applies the simplified approach permitted by NZ IFRS 9 which requires expected lifetime 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.

NZ IFRS 9 requires the Group to calculate expected credit losses on trade receivables using a provision matrix. The Group has previously determined that the probability weighted credit loss experience over the period from 2013 to 2020 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 30 June 2021 has been calculated at 1.5% (2020: 1.5%) for customers assessed as higher risk and 0.1% for all others (2020: 0.1%).

3.2 Inventories

	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Finished goods – at cost	**3,976**	4,067	2,833
Work in progress – at cost	**454**	700	383
Raw materials – at cost	**721**	526	655
Less inventory provisions	**(386)**	(465)	(454)
Total inventories	**$4,765**	$4,828	$3,417

3.3 Trade and other payables

	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2019 $000s
Trade payables	**13,883**	8,951	7,375
Employee entitlements	**1,544**	1,583	1,620
VAT/GST payable	**358**	-	-
Accrued expenses	**1,530**	1,241	877
	$17,315	$11,775	$9,872

3.4 Provisions

Warranty provisions	**30 Jun 2021 $000s**	30 Jun 2020 $000s	31 Dec 2020 $000s
Carrying amount at start of period	**315**	468	468
Additional provisions recognised	**26**	21	12
Amounts used	**(149)**	(83)	(148)
Exchange adjustment	**7**	26	(17)
Carrying amount at end of period	**$199**	$432	$315

3.5 Plant and equipment

	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Net book amount at start of period	**2,083**	2,658	2,658
Additions	**48**	64	210
Depreciation	**(278)**	(328)	(641)
Disposals	**-**	(41)	-
Exchange adjustment	**61**	171	(144)
Net book amount at end of period	**$1,914**	$2,524	$2,083
Depreciation			
Property	**90**	103	200
Plant and equipment	**132**	163	316
Office equipment, furniture & fittings	**56**	62	125
	$278	$328	$641

Capital commitments

Capital commitments contracted at 30 June 2021 amounted to $124,000 (June 2020 $104,000)

3.6 Intangible assets

	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Net book amount at start of period	**12,397**	12,147	12,147
Additions	**1,289**	1,694	3,153
Amortisation	**(847)**	(901)	(1,686)
Impairment	**-**	(456)	(456)
Exchange adjustment	**305**	337	(761)
Net book amount at end of period	**$13,144**	$12,821	$12,397
Analysis of net book amount			
Internally generated development assets	**9,327**	9,199	8,854
Patents	**218**	267	217
Goodwill	**3,138**	3,154	3,139
Other	**461**	201	187
	$13,144	$12,821	$12,397

Additions in the six months to 30 June 2021 include $1,253,000 (2020: $1,670,000) for internally generated development costs and $36,000 (2020: $24,000) for patents, trademarks and software. Payments for intangible assets in the period amounting to $1,289,000 (2020: $1,694,000) are included in the Consolidated and Condensed Interim Cash Flow Statement.

Internally generated development costs include $3,289,000 (2020: $2,981,000) for projects underway and not complete at balance date. This cost is not yet being amortised.

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 an impairment test at 30 June 2021. The recoverable amount of the IoT CGU at 30 June 2021 has been determined based on a 5 year value in use calculation using cash flow projections from forecasts for 2021, 2022 and 2023. The pre-tax discount rate applied to the cash flow projections is 14% (2020: 14%) and cash flows beyond 2023 using a 5% growth rate. The calculation of value in use is most sensitive to assumptions on gross margins, completion and launch of new products and retaining volumes to current customer and growth rates used to extrapolate cash flows beyond the forecast period. Gross margins are based on current pricing and product costs. As a result of this analysis, management did not identify an impairment for this CGU.

4. Capital and financing costs

4.1 Borrowings

	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Current portion			
Loan facility – BNZ Trade Finance	**576**	2,065	572
Loan facility – Banco del Bajio	**216**	-	-
Bank term loan	**1**	-	-
Liabilities in respect of right-of-use assets	**225**	198	217
Other Borrowings	**77**	69	74
	$1,095	$2,332	$863
Non-Current portion			
Liabilities in respect of right-of-use assets	**878**	1,084	992
Bank term loan	**76**	-	73
Other Borrowings	**65**	146	105
	$1,019	$1,230	$1,170

Loan facility – BNZ Trade Finance

The Company has a $2.5m trade finance facility. The bank holds a security interest over financed trade receivables. The facility has no term and is payable on demand. The Company can finance invoices to certain customers over a maximum term of 120 days. Interest is payable on repayment at a 3% margin above bank base lending rate.

Loan facility – Banco del Bajio

The Company's Mexican subsidiary borrowed 3m Pesos from its bank. The facility is for a 4 year term and each drawdown is repayable after 180 days. The interest rate on the loan is the Mexican Overnight TIIE Funding Rate plus 5%.

Bank term loan

The Company's US subsidiary borrowed US$52,100 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.

Other borrowings

Comprises equipment finance and lease liabilities in respect of "right-of-use" assets.

4.2 Finance income and expenses

	Six months ended		Year ended
	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Finance income			
Interest income	**12**	6	7
	$12	$6	$7
Finance expense			
Interest expense - Bank trade finance facility	**14**	53	87
Other interest expense	**85**	175	302
	$99	$228	$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.

	30 Jun 2021 Shares	30 Jun 2020 Shares	**30 Jun 2021 $000s**	30 Jun 2020 $000s
Ordinary shares – fully paid (a)	**431,914,620**	323,936,592	**135,553**	130,257
Ordinary shares – partly paid (b)	**421,980**	4,869,802	**2**	25
US employee share options (c)	**-**	769,725	**-**	-
Employee share options (d)	**12,930,000**	-	**-**	-
Total shares and options on issue	**445,266,600**	329,576,119	**$135,555**	$130,282

(a) Ordinary shares – fully paid

	30 Jun 2021 Shares	30 Jun 2020 Shares	**30 Jun 2021 $000s**	30 Jun 2020 $000s
Opening balance of ordinary shares on issue	**431,914,620**	322,707,005	**135,553**	130,202
Part paid shares and US employee options exercised	**-**	1,229,587	**-**	69
Share issue costs	**-**	-	**-**	(14)
Ordinary fully paid shares on issue at period end	**431,914,620**	323,936,592	**$135,553**	$130,257

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

	Six months ended			
	30 Jun 2021 Shares	30 Jun 2020 Shares	**30 Jun 2021 $000s**	30 Jun 2020 $000s
Partly paid shares on issue at start of period	**421,980**	5,810,742	**2**	26
Exercised	**-**	(940,940)	**-**	(1)
Ordinary part paid shares on issue at period end	**421,980**	4,869,802	**$2**	$25

(c) US employee share options (numbers)

	30 Jun 2021	30 Jun 2020
Options outstanding at start of period	**-**	1,058,372
Exercised	**-**	(288,647)
Outstanding at end of period	**-**	769,725

(d) Employee share options (numbers)

	30 Jun 2021	30 Jun 2020
Options outstanding at start of period	**-**	-
Issued	**12,930,000**	-
Outstanding at end of period	**12,930,000**	-

5. Other information

5.1 Acquisition of iProximity Limited

On 2 July 2018 the Company acquired 100% of the issued share capital of iProximity Pty Limited, an Australian based innovative proximity marketing solutions and consumer intelligence company. The consideration for the acquisition 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.
- 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 for the same period (9,448,964 shares). Due to the impact of COVID-19, the Company agreed to extend the period for the Connect 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.

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 was not payable and the 9,448,964 fully paid ordinary shares were not required to be issued in respect of those targets. 4,724,482 ordinary shares in the Company have been issued to 31 December 2020 in respect of the Connect SCS targets. A further 4,724,482 shares will be issued should the revised Connect SCS targets be achieved in 2021.

At 31 December 2020, the Group did not expect Connect SCS targets to be achieved and no contingent consideration was recognised as a liability at that date. Customer demand has rebounded in 2021. Should the Group's current forecasts for the 2021 financial year for sales of Connect SCS be achieved, the Company will be required to issue a further 3,149,654 shares. The fair value of the share-based contingent consideration was determined to be $293,000 at 30 June 2021 based on the Company's share price of $0.093 and has been recognised as a fair value expense in the Condensed Statement of Comprehensive Income. At 30 June 2020 the contingent consideration was determined based on 4,724,482 shares and an $0.08 share price.

Contingent consideration	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Fair value at start of period	**-**	1,016	1,016
Remeasurement recognised in income statement	**293**	(638)	(1,016)
	$293	$378	-

5.2 Related party transactions

(a) Directors

The names of persons who are Directors of the Company are on page 36.

(b) Key management personnel and compensation

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

	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Salaries, fees and other short-term benefits	**914**	738	1,351
Directors' remuneration	**259**	94	168
Total	**$1,173**	$832	$1,519

(c) Employee share-based remuneration

Equity settled, share based compensation is provided to employees via the Wellington Partly Paid Share Scheme and Wellington Employees Share Option Plan. The fair value of the employee services received in exchange for the grant of part paid shares or options are recognised as an expense over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when the partly paid share proceeds are received, or options are exercised.

(d) 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. All pricing is on an arms-length basis.

	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Purchases from East West	**19,428**	12,254	19,865
Sales to East West	**254**	364	459
Cash payments to East West	**13,742**	15,363	26,036
Cash receipts from East West	**128**	671	879
Trade receivable from East West at period end	**171**	159	45
Trade payable to East West at period end	**9,970**	7,527	4,285
Interest payments to East West for extended credit terms	**-**	44	103

5.3 Contingencies and commitments

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

5.4 Leases

The Consolidated and Condensed Interim Statement of Financial Position shows the following amounts related to leases of right-of-use assets:

	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Right-of-use assets			
Properties	**834**	1,100	893
Plant and equipment	**31**	20	40
Office equipment, furniture and fittings	**7**	11	8
	$872	$1,131	$941
Additions to right-of-use assets in the period			
Plant and equipment	**-**	-	27
Office equipment, furniture and fittings	**-**	-	-
	$ -	$ -	$27

	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2021 $000s
Depreciation charge for right-of-use assets			
Properties	**88**	96	170
Plant and equipment	**9**	3	9
Office equipment, furniture and fittings	**2**	2	3
	$99	$101	$182
Interest expense on lease liabilities	**$39**	$44	$86
Expense relating to short-term leases (included in operating expenses)	**$21**	$3	$37

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

	Six months ended		Year ended
	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Cash outflow for right-of-use leases	**$107**	$95	$193
Lease repayments for leases previously classified as finance leases under NZ IAS 17	**$71**	$49	$69

5.5 Financial instruments by category

	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Assets per Statement of Financial Position			
Financial assets measured at amortised cost			
Trade and other receivables	**14,412**	9,579	8,258
Cash and cash equivalents	**6,146**	3,062	4,610
Derivatives used for hedging at fair value			
Derivative financial instruments	**-**	64	-
	$20,558	$12,705	$12,868
Liabilities per Statement of Financial Position at amortised cost			
Trade and other payables	**17,315**	11,775	9,872
Borrowings	**2,114**	3,562	2,033
Liabilities per Statement of Financial Position at fair value			
Contingent consideration	**293**	378	-
Derivative financial instruments	**13**	-	-
	$19,735	$15,715	$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 estimated number of shares that are to be issued to the vendors pursuant to the purchase agreement (as amended) and the Company's share price at balance date. The probability adjusted number of shares and the Company share price at 30 June 2021 and 30 June 2020 are set out in note 5.1.

5.6 Maturity analysis

The amounts disclosed are the contractual undiscounted cash flows.

30 June 2021	Trade and other payables $000s	Borrowings $000s	Lease liabilities $000s	Total $000s
Less than 6 months	**17,270**	**792**	**139**	**18,201**
7 to 12 months	**-**	**-**	**144**	**144**
2 to 5 years	**-**	**-**	**962**	**962**
	$17,270	**$792**	**$1,245**	**$19,307**

30 June 2020	Trade and other payables $000s	Borrowings $000s	Lease liabilities $000s	Total $000s
Less than 6 months	11,432	2,065	133	13,630
7 to 12 months	-	-	137	137
2 to 5 years	-	-	1,227	1,227
	$11,432	$2,065	$1,497	$14,994

31 December 2020	Trade and other payables $000s	Borrowings $000s	Lease liabilities $000s	Total $000s
Less than 6 months	9,785	572	143	10,500
7 to 12 months	-	-	148	148
2 to 5 years	-	73	1,097	1,170
	$9,785	$645	$1,388	$11,818

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

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

	Six months ended Unaudited		Year ended Audited
	30 Jun 2021 $000s	30 Jun 2020 $000s	31 Dec 2020 $000s
Profit / (loss) after taxation for the period **Adjustments for:**	**611**	(787)	(2,154)
Depreciation, amortisation and impairment	**1,125**	1,685	2,783
Decrease in Inventory provision	**(68)**	(71)	(82)
Increase in loss allowance provision	**38**	108	7
(Decrease) in provision for warranty	**(116)**	(36)	(153)
Change in fair value of contingent consideration	**293**	(638)	(1,016)
Net foreign exchange differences	**307**	(680)	(478)
(Increase) / decrease in trade and other receivables	**(6,131)**	4,751	6,160
Increase / (decrease) in contract liabilities	**900**	414	(222)
(Increase) / decrease in inventories	**(1,280)**	39	1,461
Increase / (decrease) in trade and other payables	**7,443**	(4,063)	(5,966)
Net cash inflow from operating activities	**$3,122**	$722	$340

5.8 Events after reporting date

There are no events after reporting date requiring disclosure.

Directory

Directors

Gottfried Pausch, *Chairman*

John McMahon

John Scott

Keith Oliver

Greg Allen

Executive Team

Greg Balla, *Chief Executive Officer*

Howard Milliner, *Chief Financial Officer and Company Secretary*

David Howell, *Chief Technical Officer*

Marc Tinsel, *Vice President, Supply Chain, Operations and GM Engineering*

Beatriz Mibach, *Global Head of Products*

David Burden, *Vice President, Group Marketing and IoT Products*

Peter Barnes, *Global Quality Leader*

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Auditor

Auditor

Deloitte Limited

80 Queen Street, Auckland 1010, New Zealand

Banker

Bank of New Zealand

Share Registry

Computershare Investor Services Ltd,

Private Bag 92119, Auckland 1142,
New Zealand

Who we are

Wellington is one of the world's leading suppliers of cloud-based IoT fleet management platforms. By leveraging our hardware, software, and support services, we enable our customers to lower their operating costs, increase revenue, and drive new levels of efficiency and profitability.

Using unique consumer engagement technologies, we enable our customers to influence their consumers at the point of decision to build brand loyalty and take market share in a crowded space.

Proven global industry leadership

24	Wellington's Connect IoT platform is currently deployed across 24 countries and growing.
1.2 million	With over one million Connect SCS controllers sold, Wellington is improving visibility, reliability, and serviceability of refrigeration and frozen fleets.
2.3 million	Over two million ECR 2 motors have saved an estimated 2.2GWh of energy, while protecting food quality and improving the lifespan of equipment.
99.97%	ECR 2 motors specifically designed to last 10 years in tough environments have a proven 99.97% reliability.

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