



Wellington<sup>®</sup>

Wellington Drive Technologies Limited

## Notice of Annual Meeting of Shareholders and Explanatory Memorandum

**to be held on 27 May 2013 at the registered office of Wellington, 16-22  
Omega Street, North Harbour, Auckland commencing at 3:00 pm**

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This is an important document and requires your immediate attention. It should be read in its entirety. It has been prepared to assist you in understanding the Resolutions to be put to Shareholders for consideration at the Meeting. The Directors encourage you to read this Notice of Annual Meeting and Explanatory Memorandum and exercise your right to vote at the Meeting.

# Important information

## Documents provided to Shareholders

This Notice of Annual Meeting and Explanatory Memorandum is dated 9 May 2013.

It has been sent to you as a Shareholder in Wellington to assist you in understanding the Resolutions to be put to Shareholders for consideration at the Meeting.

The Shareholder documentation consists of the following information:

- a letter from the chairman of Wellington;
- a Notice of Meeting setting out the text of the Resolutions to be considered;
- an Explanatory Memorandum, which provides detailed information regarding the Resolutions;
- an Independent Report prepared by Simmons Corporate Finance Limited; and
- a Voting and Proxy Form, to enable Shareholders to vote on the Resolutions either by attending the Meeting, by appointing a proxy to attend and vote at the Meeting or by postal vote.

**Shareholders are urged to complete and return the Voting and Proxy Form as soon as possible if they do not plan to attend the Meeting.**

**Please call Wellington on (09) 414 6590 if you did not receive a Voting and Proxy Form or have lost it.**

## Important Dates

Record date for determination of voting entitlements for the Meeting	5:00 pm, 23 May 2013
Last time for receipt of completed Voting and Proxy Forms	3:00 pm, 25 May 2013
Meeting date and time	27 May 2013, commencing at 3:00 pm

## Important Notes

### Defined terms

Capitalised terms used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary on page 14.

All references to:

- “\$” or “dollars” are to New Zealand dollars; and
- dates and times are to New Zealand dates and times.

### Investment decision

This Notice of Meeting and Explanatory Memorandum does not take into account the individual investment objectives, financial situation or particular needs of any Shareholder. You should consult your financial or other professional adviser before deciding how to vote on the Resolutions to be put to Shareholders at the Meeting.



## Letter from the Chairman

9 May 2013

Dear Shareholder

Enclosed is the Notice of Meeting for Wellington's 2013 annual shareholders' meeting.

At the Meeting, we will cover the following matters:

- we will provide an update in relation to Wellington's progress over the past year;
- Shareholders will be asked to consider the normal resolutions regarding the appointment of Directors and fixing of auditors' remuneration; and
- Shareholders will be asked to consider a range of resolutions to approve aspects of the capital raising programme that Wellington has undertaken.

As advised to the market in February, to provide the best governance possible to support the next phase of development and growth, the Board has been actively assessing new Board candidates who have the requisite operational knowledge, international domain experience and governance credentials to help guide Wellington on its growth and development path. This selection and assessment process continues and the Board will appoint two new directors as soon as the process is complete. Dr Rick Boven, who has supported the company through the past five years of its development, including a period of 3½ years as Board Chair, has decided to retire from the Board at the annual shareholders' meeting. The Board thanks Dr Boven for his significant contribution to Wellington.

As you may be aware, Wellington has undertaken a capital raising programme in order to support Wellington's financial improvement plans, product roadmap investments and new growth strategy.

To that end, on 14 March 2013 Wellington issued 16.0m ordinary Shares by way of private placement to institutional and professional investors at a price of 13 cents per share, raising \$2.08m (the **first tranche**).

Wellington has also undertaken a Share Purchase Plan under which each Shareholder with a New Zealand address on Wellington's share register was able to apply for up to \$15,000 of Shares at a price of 13 cents per Share, with a cap on the plan of \$1,000,000. We are pleased that the plan was well supported by Shareholders and we have raised a further \$510,000.

The final part of the programme is the second tranche of private placements that we have commitments for from a range of institutions, professional investors, Directors and management (the **second tranche**). These Shares will also be issued at a price of 13 cents

per share and, if all of the placements are approved by Shareholders, this will raise a further \$1.92m.

The funds raised from the second tranche will be used to improve commercial terms with selected suppliers, finance continued supply chain improvements, allow investment in Wellington, provide working capital and accelerate customer growth strategies.

Beyond the placements proposed at this Meeting and the recent Share Purchase Plan, Wellington has no current plans to raise additional capital. The Board however has requested that Shareholders also ratify the first tranche of share issues, in order to provide the Board with the future financial flexibility to place Shares if, for instance, a strategic partner that would provide Wellington with both enhanced strategic capability and additional capital is identified later in the year.

As previously stated, the sought after strategic capability investment could include lower cost supply chain services, access to broader technology resources, new distribution channels or customer synergies that would provide a collaborative partnership and further opportunity for shareholder value creation. For this reason, the Board believes the proposed ratification of the first tranche of share issues is important and fair to Wellington and its Shareholders.

The issue of the placements making up the second tranche are subject to receiving all required shareholder approvals for each placement for the purposes of the Listing Rules and the Takeovers Code (in respect of the share issue to SuperLife Investments Limited).

I encourage you to read the Notice of Meeting and explanatory notes in full, including the Independent Report from Simmons Corporate Finance enclosed with it, before deciding how to cast your votes on the placements at the Meeting. Shareholders should note the Independent Report in section 2.2 concludes *"In our opinion, after having regard to all relevant factors, the positive aspects of the allotment of shares under the SuperLife Allotment outweigh the negative aspects from the perspective of the Non-associated Shareholders."*

The Directors of Wellington unanimously recommend that Shareholders vote to approve the placements to SuperLife and the institutional and professional investors as they will bring important further funding for Wellington as we grow the business. The non-participating Directors also unanimously support the issue to members of the Board and management. These share issues will bring to a successful conclusion the current capital raising programme, with (if Shareholders approve these placements) over \$4.5m being raised.

Yours faithfully



Chairman

# Notice of Meeting

## Notice

Notice is hereby given that the Annual Meeting of Shareholders of Wellington Drive Technologies Limited will be held at the registered office of Wellington, 16 – 22 Omega Street, Rosedale, Auckland, on 27 May 2013 commencing at 3.00pm.

## Business

### Addresses

To hear the addresses from the Chairman and the Chief Executive Officer.

### Resolutions

To consider, and if thought fit, to pass the following resolutions as ordinary resolutions:

#### 1. Election of Directors

- (a) *To re-elect Dr Ray Thomson who, in accordance with the constitution of Wellington, retires by rotation and, being eligible, offers himself for re-election as a director of Wellington.*
- (b) *To re-elect Mr Simon Mander who, in accordance with the constitution of Wellington, retires by rotation and, being eligible, offers himself for re-election as a director of Wellington.*

#### 2. Auditors Remuneration

*To authorise the directors of Wellington to fix the remuneration of the auditor for the ensuing year.*

#### 3. Ratification of issue of Shares (first tranche)

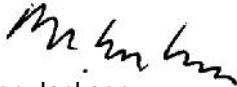
*To approve and ratify, for all purposes including Listing Rule 7.3.5(a)(iii), the issue on or around 14 March 2013 of 16,000,002 ordinary shares in Wellington to institutional and professional investors at an issue price of 13 cents per share.*

#### 4. Authorise issue of Shares (second tranche)

- (a) *To authorise, for all purposes including Listing Rule 7.3.1(a), Listing Rule 7.5.1 and Rule 7(d) of the Takeovers Code, the issue of 8,000,000 ordinary shares in Wellington to SuperLife Investments Limited at an issue price of 13 cents per share.*
- (b) *To authorise, for all purposes including Listing Rule 7.3.1(a), the issue of 2,307,692 ordinary shares in Wellington to Harbour Asset Management Limited at an issue price of 13 cents per share.*
- (c) *To authorise, for all purposes including Listing Rule 7.3.1(a), the issue of 1,076,923 ordinary shares in Wellington to Meta Capital Limited at an issue price of 13 cents per share.*

- (d) *To authorise, for all purposes including Listing Rule 7.3.1(a), the issue of 1,384,615 ordinary shares in Wellington to Accident Compensation Corporation at an issue price of 13 cents per share.*
  
- (e) *To authorise, for all purposes including Listing Rule 7.3.1(a), the issue of, in aggregate, 2,000,000 ordinary shares in Wellington to members of the Board and management at an issue price of 13 cents per share.*

By Order of the Board of Wellington Drive Technologies Limited



Ron Jackson  
Company Secretary  
9 May 2013

## Explanation of Resolutions

### 1. Elections of Directors

Dr Thomson and Mr Mander retire by rotation. Profiles of Dr Ray Thomson and Mr Simon Mander are set out in the Explanatory Memorandum.

### 2. Auditor's Remuneration

PricewaterhouseCoopers is the existing auditor of Wellington and is automatically re-appointed by virtue of section 200 of the Companies Act 1993.

The proposed ordinary resolution is required to authorise the Directors to fix the auditor's remuneration for the purposes of section 197 of the Companies Act 1993.

### 3. Ratification of issue of Shares (first tranche)

The first tranche Shares were issued in accordance with Listing Rule 7.3.5. Broadly, that Listing Rule allows the Board to undertake placements of Shares up to, in aggregate in any year, 20% of Wellington's share capital without first seeking shareholder approval.

Ratification of the issue of the first tranche Shares by way of Resolution 3 is sought under Listing Rule 7.3.5(a)(iii). This will have the effect of refreshing the Board's capacity to issue Shares under Listing Rule 7.3.5.

### 4. Authorisation of issue of Shares (second tranche)

Authorisation of the issues of Shares by way of Resolutions 4(a) to (e) is required by:

- i. Listing Rule 7.3.1(a), which requires issues of Shares by Wellington to be approved by an ordinary resolution of Shareholders – this applies to all issues of Shares under the second tranche.
- ii. Listing Rule 7.5.1, where the issue of the Shares will result in a Shareholder (with more than a 1% holding) materially increasing its ability to exercise, or direct the exercise of (either now or at any time in the future), effective control of Wellington – this applies to the issue of Shares to SuperLife.
- iii. Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code, where the issue of the Shares will result in a Shareholder holding or controlling more than 20% of the voting rights in Wellington – this applies to the issue of Shares to SuperLife.

## Independent Report

The Listing Rules require an independent appraisal report to be prepared in respect of the placement to SuperLife. Rule 18 of the Takeovers Code requires an independent adviser's report to be prepared for the placement to SuperLife having regard to the interests of Shareholders who may vote on Resolution 4(a).

The Independent Report has been prepared for both these purposes by the Independent Expert, Simmons Corporate Finance Limited, and has two distinct sections dealing with the specific requirements of the Listing Rules and the Takeovers Code.

A copy of the Independent Report is enclosed with this Notice of Meeting and Explanatory Memorandum.

# Important notes

## Requisite Majority

Each of the Resolutions is an ordinary resolution. An ordinary resolution requires the approval of a simple majority of votes of those Shareholders entitled to vote and voting (in person, by proxy or by postal vote) in order for it to be passed.

Each Resolution is a separate resolution to be voted on separately by Shareholders. Accordingly, each Resolution may be approved regardless of the outcome of the vote on any other Resolution.

## Takeovers Panel exemption and disclaimer

The New Zealand Takeovers Panel has granted SuperLife an exemption in respect of Rule 7(d), and Wellington an exemption in respect of Rule 16(b), of the Takeovers Code. The exemption allows disclosure in this Notice of Meeting and Explanatory Memorandum of potential maximum numbers and proportion of voting securities that will be held or controlled by SuperLife and its Associates following the allotment of the SuperLife Shares rather than the exact numbers and percentages required by Rule 16(b) of the Takeovers Code. The exact amounts cannot be shown as at the date of this Notice of Meeting and Explanatory Memorandum as that will depend on whether Shareholders approve the allotment of the remaining Private Placement Shares and the timings of those allotments. The Panel's exemption is conditional upon this Notice of Meeting and Explanatory Memorandum containing required information – including that set out in the Schedule – and there being no change of control in SuperLife that results in another person becoming the holder or controller of an increased percentage of voting rights in Wellington prior to the allotment of the SuperLife Shares.

By granting these exemptions the New Zealand Takeovers Panel is:

- (a) neither endorsing nor supporting the accuracy or reliability of the contents of this Notice of Meeting and Explanatory Memorandum; and
- (b) not implying that it has a view on the merits of the proposed allotment of the SuperLife Shares.

## Determining entitlement to vote

Subject to the voting exclusions described below, the persons who will be entitled to vote on the Resolutions at the Meeting are those persons (or their proxies or representatives) who are Shareholders at 5.00pm on 23 May 2013.

## Voting exclusion statements

### SuperLife Investments Limited

In accordance with the Listing Rules and the Takeovers Code, SuperLife and its Associates and Associated Persons may not vote on Resolution 3 and Resolution 4(a).

### Harbour Asset Management Limited

In accordance with the Listing Rules, Harbour Asset Management Limited and its Associated Persons may not vote on Resolution 3 and Resolution 4(b).

### Meta Capital Limited

In accordance with the Listing Rules, Meta Capital Limited and its Associated Persons may not vote on Resolution 4(c).



## **Accident Compensation Corporation**

In accordance with the Listing Rules, Accident Compensation Corporation and its Associated Persons may not vote on Resolution 3 and Resolution 4(d).

## **Board/management**

In accordance with the Listing Rules, the members of the Board and Management being issued Shares and Associated Persons of all of them may not vote on Resolution 4(e).

The voting disqualifications set out above do not apply where any of those persons is acting as a proxy or representative for a person who is entitled to vote and is voting in accordance with express directions of that person on the Voting and Proxy Form.

## **Proxies and corporate representatives**

Shareholders entitled to attend and vote at the Meeting may appoint a proxy or representative (in the case of a corporate Shareholder) to attend and vote on their behalf. A proxy need not be a Shareholder. Shareholders may appoint "the chairman of the meeting" as their proxy. It is intended that the chairman of the Board be the chairman of the Meeting. Mr Tony Nowell intends to vote discretionary proxies held by the "chairman of the meeting" and himself personally in favour of all of the Resolutions.

## **Postal voting**

Shareholders entitled to attend and vote at the Meeting may cast a postal vote instead of attending in person or appointing a proxy to attend. Wellington's Secretary has been authorised by the Board of Wellington to receive and count postal votes at the Meeting.

## **Return of Voting and Proxy Form**

A Voting and Proxy Form accompanies this Notice of Meeting and Explanatory Memorandum.

If a Shareholder wishes to appoint a proxy or representative (in the case of a corporate Shareholder), or cast a postal vote, the Voting and Proxy Form must be received by Wellington no later than 3:00pm on 25 May 2013. The delivery, post, facsimile and email address of Wellington for this purpose is as follows:

### *Hand delivery*

16-22 Omega Street, North Harbour, Auckland

### *Post*

PO Box 302-533, North Harbour, Auckland 0751, New Zealand

### *Facsimile*

(09) 414 6591

### *Email*

Ron.Jackson@wdtl.com

**If you plan to attend the Meeting, please call Wellington (Chenene Smith) on (09) 414-6590 and advise the numbers attending. Alternatively, you may email Wellington on info@wdtl.com.**

# Explanatory Memorandum

## Introduction

This Explanatory Memorandum is important and has been prepared to assist Shareholders in considering the Resolutions. The Directors of Wellington recommend that Shareholders read this Explanatory Memorandum in full and consult their financial or other professional adviser before deciding how to vote on the Resolutions.

## Resolution 1 – Election of Directors

### Dr Ray Thomson



After graduating with a doctorate in physics, Dr Thomson worked as an investment analyst in share broking and investment companies from 1979 to 1999. He has served as a director of a number of public and private companies and is currently Chairman of Manuka Health New Zealand Ltd. Dr Thomson has a strong interest in the commercialisation of innovative technologies, being on the Auckland Ice Angel Advisory Board and Chairman of the Angel Association New Zealand Council. He has been a director of Wellington since 1988.

Dr Thomson is not considered by the Board to be an independent director for the purposes of Listing Rule 3.3.2.

### Mr Simon Mander



Mr Mander is a qualified mechanical engineer. He has extensive corporate experience in several industries including FMCG (fast moving consumer goods), industrial goods, petroleum/petrochemical and heavy industry in Asia, Australia and New Zealand. The Managing Director of a specialist packaging export business, Mr Mander has been a director of Wellington since 2004.

Mr Mander is considered by the Board to be an independent director for the purposes of Listing Rule 3.3.2.

## Resolution 2 – Auditor's remuneration

The auditor's remuneration is detailed in note 9 (see page 41) of the 2012 Annual Report. PricewaterhouseCoopers remuneration in 2012 was \$95,000 (2011 - \$100,000) for audit services provided to the Wellington group. In addition, fees for audit related services of \$20,000 for 2012 (2011 - \$21,000) were paid to PricewaterhouseCoopers and 2012 fees of \$18,000 (2011 - \$16,000) were paid or payable in relation to the audit of subsidiary companies of Wellington in Singapore.

## Resolution 3 – Ratification of issue of Shares (first tranche)

### Introduction

On 15 March 2013, Wellington issued in aggregate 16,000,002 Shares to institutional and professional investors, including SuperLife, at a price of 13 cents per Share paid in cash. These Shares ranked equally with existing Shares. No Director or any Associated Persons participated in this Share issue.

The first tranche was equivalent to 19.8% of the total Shares on issue in Wellington (before the issue) and represents 16.65% of the total Shares on issue in Wellington (post-issue). The price of 13 cents per Share represented a discount of 6.7% over the five Trading Day volume weighted average price of Wellington's Shares prior to the announcement of the first tranche on 11 March 2013.

The capital from the first tranche was raised to fund improved supplier terms, to finance supply chain improvements and investments in new product development and working capital requirements.

The first tranche Shares were issued in accordance with Listing Rule 7.3.5. Broadly, that Listing Rule allows the Board to undertake private placements of up to, in aggregate in any year, 20% of Wellington's share capital without first seeking shareholder approval. The effect of the issue of the first tranche Shares has been to substantially utilise the 20% capacity available to the Board to issue Shares by way of private placement in this way.

Beyond the Placements proposed at the Meeting and the recent Share Purchase Plan, Wellington has no current plans to raise additional capital. The Board however has requested that Shareholders also ratify the first tranche of Share issues, in order to provide the Board with the future financial flexibility to place Shares if, for instance, a strategic partner that would provide Wellington with both enhanced strategic capability and additional capital is identified later in the year. Without this flexibility, Wellington would not be able to undertake any further private placements under Listing Rule 7.3.5 before March 2014 without shareholder approval.

As previously stated, the sought-after strategic capability investment could include lower cost supply chain services, access to broader technology resources, new distribution channels or customer synergies that would provide a collaborative partnership and further opportunity for Shareholder value creation.

### **Shareholder approval required**

Shareholder approval is requested, for the purposes of Listing Rule 7.3.5(a)(iii), to ratify the first tranche of Shares issued.

### **Board recommendation**

The Board believes that the proposed ratification is fair to Wellington and its Shareholders and, accordingly, recommends that Shareholders vote to ratify the issue of the first tranche of Shares issued as proposed under Resolution 3.

## **Resolution 4(a) – Issue of Shares to SuperLife Investments Limited**

The need for Resolution 4(a) is set out in the Explanation of Resolutions section of the Notice of Meeting.

### **Takeovers Code information**

The information required in connection with the issue of 8 million Shares to SuperLife (the **SuperLife Shares**) in accordance with Rule 16 of the Takeovers Code is set out in the Schedule to this Notice of Meeting and Explanatory Memorandum.

### **SuperLife Investments Limited**

SuperLife is a New Zealand owned specialist provider for superannuation, KiwiSaver, investments and insurance benefits to businesses and individuals. They provide superannuation, KiwiSaver, investment and insurance options to over 40,000 members and have over \$1,000m of assets invested.

SuperLife are focused on providing flexible investment, savings and personal insurance protection plans designed for New Zealanders. Their goal is to provide the best solutions in terms of security, flexibility, convenience and value for its members.

SuperLife Limited is a private company and part of the New Zealand-owned Aventine Group. Aventine also provides superannuation, investment and actuarial consulting services and record keeping services. SuperLife has been in the superannuation business for over 15 years and has over 50 staff, with its main office located in Auckland. Its directors and senior people are market leaders in the superannuation industry with an average experience of over 30 years. They have a reputation for quality and innovative thought and for applying that expertise to help its members save for their retirement and manage their money and investments.

### **Details of the Placement**

SuperLife has agreed under the relevant Subscription Agreement to subscribe for 8 million Shares at a price of 13 cents per Share (which represents a discount of approximately 6.7% over the volume weighted average price of the Shares of \$0.1394 for the five Trading Days before the placement was announced on 11 March 2013). Payment of the subscription price for the relevant Shares is due in cash on the allotment date of the Shares. The allotment date of the relevant Shares is to be within five Trading Days of Resolution 4(a) being passed. The SuperLife Shares will, from the date they are issued, rank equally with existing Shares.

The placement to SuperLife will only proceed if Resolution 4(a) is passed.

### **Summary of Independent Report**

The Independent Report prepared in connection with the SuperLife Share allotment for the purposes of the Takeovers Code concluded, in respect of the merits of the issue of SuperLife Shares, that *“In our opinion, after having regard to all relevant factors, the positive aspects of the allotment of Shares under the SuperLife Allotment outweigh the negative aspects from the perspective of the non-associated Shareholders.”*

In addition, the Independent Report concluded, in respect of the fairness of the issue of SuperLife Shares for the purposes of the Listing Rules, that *“In our opinion, after having regard to all relevant factors, the consideration and the terms and conditions of the SuperLife Allotment are fair to the non-associated Shareholders.”*

The Directors encourage Shareholders to read the Independent Report.

## Resolutions 4(b), 4(c) and 4(d) – Issues of Shares to other Investors

The need for Resolutions 4(b), 4(c) and 4(d) is set out in the Explanation of Resolutions section of the Notice of Meeting.

Each of the investors has agreed under the relevant Subscription Agreement to subscribe for Shares at a price of 13 cents per Share. This represents a discount of approximately 6.7% over the volume weighted average price of the Shares of \$0.1394 for the five Trading Days before the placement was announced on 11 March 2013. Payment of the subscription price for the relevant Shares is due in cash on the allotment date of the Shares. The allotment date of the relevant Shares is to be within five Trading Days of the corresponding Resolution being passed. The placement to each investor will only proceed if the corresponding Resolution is passed.

The Shares issued to each investor will, from the date they are issued, rank equally with existing Shares. Harbour Asset Management Limited may subscribe for its Shares through a nominee.

## Resolution 4(e) – Issue of Shares to Board and management

The need for Resolution 4(e) is set out in the Explanation of Resolutions section of the Notice of Meeting.

The Directors participating in this Share issue are as follows:

	Total relevant interest at 9 May 2013*	Additional shares sought	Percentage of total Shares in Wellington held after issue**
Shawn Beck	300,572 shares	76,973 Shares	0.327%
Rick Boven	190,298 shares	230,769 Shares	0.365%
Ray Thomson	3,253,960 shares	769,231 Shares	3.483%

The management participating in this Share issue are as follows:

	Total relevant interest at 9 May 2013*	Additional shares sought	Percentage of total Shares in Wellington held after issue**
Greg Allen	70,000 shares	192,308 Shares	0.227%
Howard Milliner	-	192,308 Shares	0.166%
Steve Hodgson	928,138 shares	230,769 Shares	1.103%
Ron Jackson	207,777 shares	153,846 Shares	0.360%
Dave Howell	-	153,846 Shares	0.133%

\*Excludes part paid shares

\*\*Assuming that all Share Purchase Plan and Private Placement Shares are issued

Each has agreed under the relevant Subscription Agreement to subscribe for his Shares at a price of 13 cents per Share. This represents a discount of approximately 6.7% over the volume weighted average price of the Shares of \$0.1394 for the five Trading Days before the placement was announced on 11 March 2013.

Payment of the subscription price for the relevant Shares is due in cash on the allotment date of the Shares. The allotment date of the relevant Shares is to be within five Trading Days of Resolution 4(e) being passed. The placement to the Directors and management will only proceed if Resolution 4(e) is passed. Each participating Director and member of management may subscribe for their Shares through a nominee.

The Shares issued to the Directors and management will, from the date they are issued, rank equally with existing Shares.

<b><i>Summary of Shares if all Resolutions are approved</i></b>	
Total Shares as at the date of this Notice of Meeting (excluding Shares to be issued under the Share Purchase Plan)	96,766,452
Shares to be issued under the Share Purchase Plan	3,923,021
<b>Total Shares on issue prior to Private Placement Shares</b>	<b>100,689,473</b>
Total Private Placement Shares to be issued	14,769,230
<b>Total Shares on issue after issue of Private Placement Shares</b>	<b>115,458,703</b>
<b><i>Maximum dilutionary impact if all Private Placement Shares are issued</i></b>	<b>12.8%</b>

### **Effect of non-approval**

Because each of the placements referred to in Resolutions 4(a) to 4(e) are conditional on shareholder approval, if that is not received, the issue of the relevant Private Placement Shares will not proceed and Wellington will be required to seek alternative sources of funding to deliver on its corporate objectives. If the placements proposed in the second tranche are not approved by Shareholders this would have a serious impact on Wellington's ability to execute its strategy in respect of research and development, customer project plans and supply chain cost improvements.

# Glossary

<b>Associated Persons</b>	has the meaning given to that term in the Listing Rules.
<b>Associates</b>	has the meaning given to that term in the Takeovers Code.
<b>Board</b>	the board of Directors.
<b>Directors</b>	the directors of Wellington.
<b>Explanatory Memorandum</b>	the explanatory memorandum set out on pages 9 to 13 of this Notice of Meeting and Explanatory Memorandum.
<b>Independent Expert</b>	Simmons Corporate Finance Limited.
<b>Independent Report</b>	the independent report and appraisal report prepared by the Independent Expert in connection with the allotment of the SuperLife Shares.
<b>Listing Rules</b>	the listing rules of the NZX Main Board.
<b>Meeting</b>	the meeting of Shareholders to consider the Resolutions to be held on 27 May 2013, at the registered office of Wellington, 16-22 Omega Street, North Harbour, Auckland commencing at 3:00pm, or at any adjournment, in accordance with the Notice of Meeting.
<b>Notice of Meeting</b>	the notice of meeting set out on pages 4 to 8 of this Notice of Meeting and Explanatory Memorandum.
<b>Notice of Meeting and Explanatory Memorandum</b>	this notice of meeting and explanatory memorandum dated 9 May 2013.
<b>NZX</b>	NZX Limited.
<b>NZX Main Board</b>	the main board equity security market operated by NZX.
<b>Voting and Proxy Form</b>	the Admission Card and Appointment of Proxy/Voting Form in respect of the Meeting accompanying this Notice of Meeting and Explanatory Memorandum.
<b>Private Placement Shares</b>	means the Shares to be issued, if approved, under Resolutions 4(a) to 4(e).
<b>Resolution</b>	a resolution outlined in the Notice of Meeting.
<b>Share Purchase Plan</b>	means the share purchase plan offered to Shareholders under the offer document dated 12 April 2013.
<b>Shareholder</b>	a holder of Shares.
<b>Shares</b>	fully paid, ordinary shares in Wellington.
<b>Subscription Agreements</b>	the subscription agreements entered into by Wellington and each investor dated 11 March 2013.
<b>SuperLife</b>	SuperLife Investments Limited.
<b>SuperLife Shares</b>	the 8 million Shares to be issued to SuperLife.
<b>Takeovers Code</b>	the Takeovers Code, recorded in the Takeovers Code Approval Order 2000 (SR 2000/210) and includes the amendments pursuant to the Takeovers Code Approval Amendments Regulations 2007 (SR 2007/122).
<b>Trading Day</b>	any day on which securities are able to be traded on the NZX Main Board.
<b>Wellington</b>	Wellington Drive Technologies Limited.

## Schedule: SuperLife Shares

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In accordance with Rule 16 of the Takeovers Code (as modified by the Takeovers Code (Wellington Drive Technologies Limited) Exemption Notice 2013), it is noted that:

**SuperLife's current holding:** SuperLife and its Associates currently hold or control 16,785,926 Shares, representing 17.34 of the total voting securities of Wellington as at the date of this Notice of Meeting and Explanatory Memorandum (prior to the issue of Shares under the Share Purchase Plan).

**Number of Shares:** 8 million Shares is the maximum number of voting securities that will be allotted to SuperLife.

**SuperLife Shares:** The SuperLife Shares represent 7.6% of the aggregate of all Wellington voting securities on issue on completion of the allotment of SuperLife Shares.

**SuperLife's proportionate holding:**

The potential maximum percentage of all Wellington voting securities on issue:

- that could be held or controlled by SuperLife on completion of the issue of SuperLife Shares is 23.4%; and
- that could be held or controlled by SuperLife, and SuperLife's Associates, on completion of the issue of SuperLife Shares is 23.8%.

*Key assumptions:*

These percentages have been calculated on the basis that:

- (a) the number of voting securities on issue is the number of voting securities on issue on the date of this Notice of Meeting and Explanatory Memorandum, including partly paid shares;
- (b) there is no change in the total number of voting securities on issue, other than as a result of the allotment of SuperLife Shares;
- (c) all the voting securities under the allotment of SuperLife Shares are allotted;
- (d) none of the Private Placement Shares other than the SuperLife Shares are issued; and
- (e) no voting securities are allotted pursuant to the Share Purchase Plan, other than to SuperLife and its Associates, who each take up their maximum entitlement under the Share Purchase Plan.

The calculations above therefore indicate the maximum percentage holding that SuperLife could have at the conclusion of the capital raising programme.

This maximum percentage holding will, in fact, be reduced by:

- (a) the remaining Shares to be issued under the Share Purchase Plan; and
- (b) if approved, the issue of the remaining Private Placement Shares.

The table below outlines the maximum aggregate holdings that SuperLife and its Associates will hold in Wellington, assuming various outcomes in relation to the other parts of the capital raising programme.

	Percentage of all voting securities of Wellington that SuperLife and its Associates will hold or control.
Maximum holding prior to any the issue of any further Shares	23.8%
Following the allotment of Share Purchase Plan Shares (including the Shares to be issued to SuperLife and its Associates under the Share Purchase Plan)	23.0%



Following the allotment of the Share Purchase Plan Shares and assuming the allotment of all of the remaining Private Placement Shares	21.7%
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**Issue price and date for payment:** The issue price for the SuperLife Shares is \$0.13 per Share and SuperLife is to pay the subscription amount for the relevant Shares within five Trading Days of Resolution 4(a) being passed at the Meeting.

**Purpose of the issue of the SuperLife Shares:** The funds raised from the issue of the SuperLife Shares, together with the remaining funds raised under Wellington's capital raising programme, will be used to improve commercial terms with selected suppliers in order to deliver cost reductions, finance continued supply chain improvements, allow investment in Wellington's new Intelligent Solutions and advanced motor products, provide working capital and to ensure customer growth strategies can be accelerated.

**Approval for purposes of the Takeovers Code:** The allotment of the SuperLife Shares, if approved by Shareholders, will be permitted under Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code. The disclosures made in this Notice of Meeting and Explanatory Memorandum have been modified in reliance on the Takeovers Code (Wellington Drive Technologies Limited) Exemption Notice 2013.

**Statement by SuperLife:** Wellington has been advised by SuperLife that no agreements or arrangements have been, or are intended to be, entered into between SuperLife and any other person relating to the allotment, holding or control of the SuperLife Shares or to the exercise of voting rights in Wellington, other than the Subscription Agreement between Wellington and SuperLife dated 11 March 2013.

**Directors' statement for the purposes of Rule 19 of the Takeovers Code:** The Directors recommend the allotment of the SuperLife Shares on the grounds that the Share issue will provide the required financial resources to support Wellington's financial improvement plans, product roadmap investments and new growth strategy as outlined above.

#### **Conditions of exemption relating to Notice of Meeting**

SuperLife and Wellington have been exempted by the Takeovers Code (Wellington Drive Technologies Limited) Exemption Notice 2013 from complying with Rule 7(d) of the Takeovers Code to the extent that it relates to the Notice of Meeting, and Rule 16(b) of the Takeovers Code.

The exemptions are subject to the following conditions:

- (a) The Notice of Meeting must contain, or be accompanied by:
  - i. the particulars of the allotment of SuperLife Shares and related disclosures, in each case as set out in this Schedule, including the Key Assumptions set out on page 15;
  - ii. a summary of the terms and conditions of the exemptions granted by the Takeovers Panel; and
  - iii. the disclaimer on page 7; and
- (b) Prior to the date of the allotment of SuperLife Shares there must be no change in control of SuperLife that results in another person becoming the holder or controller of an increased percentage of voting rights in Wellington.

# Wellington Drive Technologies Limited

## Independent Adviser's Report and Appraisal Report

### In Respect of the Proposed Allotment of Shares to SuperLife Investments Limited

*May 2013*

#### Statement of Independence

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this Independent Adviser's Report.

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## 1. Introduction

### 1.1 Background

Wellington Drive Technologies Limited (**Wellington** or the **Company**) develops, manufactures, markets and sells energy saving electronically commutated motors and fans for commercial refrigerators, beverage merchandisers and vending machines.

Wellington is listed on the main equities security market (**NZX Main Board**) operated by NZX Limited (**NZX**) with a market capitalisation of \$12.5 million as at 3 May 2013 and audited total equity of \$7.5 million as at 31 December 2012.

A profile of the Company is set out in section 4.

### 1.2 SuperLife Investments Limited

#### *Overview*

SuperLife Investments Limited (**SuperLife**) is a specialist financial services solution provider. It provides superannuation, KiwiSaver, investment and insurance options to over 40,000 members and has over \$1 billion of assets invested. SuperLife has been in the superannuation business for over 15 years and has over 50 staff. Its main office is located in Auckland.

SuperLife is owned by Aventine Group Limited (**Aventine**). Aventine also provides superannuation, investment and actuarial consulting services and record keeping services.

#### *2012 Placement*

SuperLife entered into a subscription agreement with Wellington on 27 September 2012 to subscribe for 13,400,000 fully paid ordinary shares at an issue price of \$0.155 per share, which raised \$2.0 million for the Company (after costs). The shares were issued to SuperLife Trustee Nominees Limited (**SuperLife Trustee**) who holds the shares on behalf of SuperLife. The capital was used to fund near-term operating losses, the global sales and sales support team, product development and working capital requirements.

SuperLife Trustee was issued a further 3,076,923 fully paid ordinary shares on 14 March 2013 under the capital raising described in section 1.3, increasing its shareholding to 16,476,923 fully paid ordinary shares.

#### *SuperLife Associates*

SuperLife's directors are Michael Chamberlain and Owen Nash. Aventine is jointly owned by Ballynagarrick Investments Limited (**Ballynagarrick**) and Naawo Investments Limited (**Naawo**). Ballynagarrick's shareholders and directors are Marian Chamberlain and Michael Chamberlain. Naawo's shareholders and directors are Elizabeth Nash and Owen Nash.

Ballynagarrick holds 309,003 fully paid ordinary shares in Wellington in its own name.

Mr Chamberlain is a director of both SuperLife and Ballynagarrick and has delegated authority to approve transactions in respect of both companies' shareholdings in Wellington.

We refer to SuperLife, SuperLife Trustee and Ballynagarrick collectively as the **SuperLife Associates**. The SuperLife Associates currently hold 16,785,926 fully paid ordinary shares in Wellington, representing:

- 17.35% of the Company's fully paid ordinary shares on issue
- 17.34% of the voting rights in the Company (taking into account the voting rights attached to the partly paid ordinary shares (**PPSs**) on issue).

### 1.3 2013 Capital Raising

Wellington announced on 11 March 2013 a capital raising program designed to support the Company's financial improvement plans, product roadmap investments and new growth strategy.

The Company entered into subscription agreements for 2 tranches of shares:

- the first tranche involved the issue of 16,000,002 ordinary shares by way of private placement to institutional and professional investors (including SuperLife) at an issue price of \$0.13 per share on 14 March 2013 and raised \$2.08 million (the **First Tranche**)
- the second tranche involves the issue of 14,769,230 ordinary shares by way of private placement to institutions, professional investors, directors and management at an issue price of \$0.13 per share (the **Second Tranche**).

The Second Tranche will represent 15.3% of the shares currently on issue and will raise \$1.92 million, subject to Wellington receiving required shareholder approvals for the purposes of the Takeovers Code (the **Code**) in respect of SuperLife's participation in this tranche and the NZSX Listing Rules (the **Listing Rules**).

In addition, the Company's board of directors (the **Board**) implemented a share purchase plan (the **SPP**) whereby all New Zealand registered shareholders were able to subscribe for ordinary shares at an issue price of \$0.13 per share. Shareholders were entitled to apply for \$1,000 to \$15,000 worth of shares. The SPP closed on 3 May 2013 and the shares will be allotted on or about 10 May 2013. The SPP raised \$0.5 million and 3,923,021 ordinary shares will be allotted.

SuperLife and Ballynagarrick each subscribed for their maximum entitlement of \$15,000 (115,384 shares) under the SPP.

We refer to the First Tranche, the Second Tranche and the SPP collectively as the **2013 Capital Raising**.

The funds from the 2013 Capital Raising will be used to improve commercial terms with selected suppliers in order to deliver cost reductions, finance continued supply chain improvements, allow investment in the Company's new Intelligent Solutions and advanced motor products, provide working capital flexibility and to ensure customer growth strategies can be accelerated.

## 1.4 SuperLife Allotment

The Second Tranche includes the issue of 8,000,000 new fully paid ordinary shares to SuperLife (the **SuperLife Allotment**).

The SuperLife Allotment will result in the SuperLife Associates holding between:

- 21.67% and 23.02% of the fully paid ordinary shares in the Company and
- 21.66% and 23.01% of the voting rights in the Company

depending on whether the other issues under the Second Tranche are approved (as discussed in section 1.5).

The lower percentage is based on all 14,769,230 fully paid ordinary shares being issued under the Second Tranche (including the SuperLife Allotment) (the **Minimum Scenario**).

The upper percentage is based on only the SuperLife Allotment being approved, resulting in only 8,000,000 fully paid ordinary shares being issued under the Second Tranche (the **Maximum Scenario**).

Changes in Control of Voting Rights					
	SuperLife Associates		Non-associated Shareholders		Total No. of Voting Rights
	No. of Voting Rights	%	No. of Voting Rights	%	
<b>Minimum Scenario</b>					
Current <sup>1</sup>	16,785,926	17.34%	80,031,933 <sup>2</sup>	82.66%	96,817,859
SPP	230,768	5.88%	3,692,253	94.12%	3,923,021
Second Tranche <sup>3</sup>	8,000,000		6,769,230		14,769,230
Post 2013 Capital Raising	<u>25,016,694</u>	<u>21.66%</u>	<u>90,493,416<sup>2</sup></u>	<u>78.34%</u>	<u>115,510,110</u>
<b>Maximum Scenario</b>					
Current <sup>1</sup>	16,785,926	17.34%	80,031,933 <sup>2</sup>	82.66%	96,817,859
SPP	230,768	5.88%	3,692,253	94.12%	3,923,021
Second Tranche <sup>4</sup>	8,000,000		-		8,000,000
Post 2013 Capital Raising	<u>25,016,694</u>	<u>23.01%</u>	<u>83,724,186<sup>2</sup></u>	<u>76.99%</u>	<u>108,740,880</u>

<sup>1</sup> As at 26 April 2013 (ie after the completion of the First Tranche on 14 March 2013)  
<sup>2</sup> Includes PPS voting rights equivalent to 51,407 fully paid ordinary shares  
<sup>3</sup> Assumes all placements in the Second Tranche are approved  
<sup>4</sup> Assumes only the SuperLife Allotment in the Second Tranche is approved

The Maximum Scenario assumes that shareholders only approve the SuperLife Allotment and do not approve any of the other placements under the Second Tranche.

We consider it highly unlikely that this will occur and therefore we are of the view that the SuperLife Associates will not reach the theoretical maximum voting rights level of 23.01%.

We consider the Minimum Scenario to be closer to the likely outcome, which would result in the SuperLife Associates holding 21.66% of the voting rights following the completion of the 2013 Capital Raising.

## 1.5 Annual Meeting

The Company's shareholders not associated with the SuperLife Associates (the **Non-associated Shareholders**) will vote on an ordinary resolution in respect of the SuperLife Allotment (the **SuperLife Allotment Resolution**) at the Company's annual meeting on 27 May 2013 (resolution 4(a)).

SuperLife and its associates / associated persons are not permitted to vote on the SuperLife Allotment Resolution.

As part of the business of the annual meeting, shareholders will also vote on ordinary resolutions in respect of:

- the re-election of Ray Thomson and Simon Mander as directors of the Company (resolution 1)
- the authorisation of the Board to fix the auditors' fees for the ensuing year (resolution 2)
- the ratification of the issue of 16,000,002 ordinary shares under the First Tranche (resolution 3)
- the authorisation of the issue of 2,307,692 ordinary shares to Harbour Asset Management Limited (**Harbour**) under the Second Tranche (resolution 4(b))
- the authorisation of the issue of 1,076,923 ordinary shares to Meta Capital Limited under the Second Tranche (resolution 4(c))
- the authorisation of the issue of 1,384,615 ordinary shares to Accident Compensation Corporation under the Second Tranche (resolution 4(d))
- the authorisation of the issue of 2,000,000 ordinary shares to members of the Board and management under the Second Tranche (resolution 4(e)).

The issue of shares under resolutions 4(a), 4(b), 4(c), 4(d) and 4(e) are not conditional upon each other or on shareholder approvals being obtained for the other placements.

## 1.6 Regulatory Requirements

### *Takeovers Code*

Rule 6 of the Code prohibits:

- a person who holds or controls less than 20% of the voting rights in a code company from increasing its holding or control of voting rights beyond 20%
- a person holding or controlling 20% or more of the voting rights in a code company from increasing its holding or control of voting rights

unless the person and that person's associates comply with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(d) of the Code, enables a person and its associates to increase their holding or control of voting rights by an allotment of shares if the allotment is approved by an ordinary resolution of the code company.

The SuperLife Allotment will result in the SuperLife Associates increasing their control of the voting rights in Wellington from 17.34% to between 21.66% and 23.01% (depending on the level of subscriptions under the SPP and whether resolutions 4(b) to 4(e) in respect of the Second Tranche are approved).

Accordingly, the Non-associated Shareholders will vote at the Company's annual meeting on an ordinary resolution in respect of the SuperLife Allotment in accordance with the Code.

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an allotment under Rule 7(d).

This Independent Adviser's Report is to be included in, or accompany, the notice of meeting pursuant to Rule 16(h).

### ***NZSX Listing Rules***

Listing Rule 7.3.1 states that no Issuer shall issue any Equity Securities unless the precise terms and conditions of the specific proposal to issue those Equity Securities have been approved by separate resolutions (passed by a simple majority of votes) of holders of each Class of Quoted Equity Securities of the Issuer whose rights or entitlements could be affected by that issue.

Listing Rule 7.5 states that no issue of Securities shall be made by an Issuer if:

- there is a significant likelihood that the issue will result in any person or group of Associated Persons materially increasing their ability to exercise, or direct the exercise of effective control of that Issuer and
- that person or group of Associated Persons is entitled before the issue to exercise not less than 1% of the total votes attaching to the Securities of the Issuer

unless the precise terms and conditions of the issue have been approved by an ordinary resolution of the Issuer.

The SuperLife Associates currently hold 17.35% of the Company's fully paid ordinary shares and 17.34% of the voting rights in the Company. The SuperLife Allotment involves the issue of equity securities which may materially increase the SuperLife Associates' ability to exercise, or direct the exercise of effective control of the Company.

Accordingly, the Non-associated Shareholders will vote at the Company's annual meeting on an ordinary resolution in respect of the SuperLife Allotment in accordance with the Listing Rules.

Listing Rule 6.2.2 (a) requires an Appraisal Report to be prepared where a meeting will consider a resolution required by Listing Rule 7.5.



## 1.7 Purpose of the Report

The Board has engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the allotment of shares under the SuperLife Allotment in accordance with Rule 18 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 8 April 2013 to prepare the Independent Adviser's Report.

The Board has engaged Simmons Corporate Finance to prepare an Appraisal Report on the fairness of the SuperLife Allotment in accordance with Listing Rule 6.2.2 (a).

Simmons Corporate Finance was approved by NZX Regulation on 12 April 2013 to prepare the Appraisal Report.

Simmons Corporate Finance issues this Independent Adviser's Report and Appraisal Report to the Board for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the SuperLife Allotment Resolution.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits and fairness of the allotment of shares under the SuperLife Allotment in relation to each shareholder. This report on the merits and fairness of the allotment of shares under the SuperLife Allotment is therefore necessarily general in nature.

This Independent Adviser's Report and Appraisal Report is not to be used for any other purpose without our prior written consent.

## 2. Evaluation of the Merits of the SuperLife Allotment

### 2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the allotment of shares to SuperLife under the SuperLife Allotment having regard to the interests of the Non-associated Shareholders.

There is no legal definition of the term *merits* in New Zealand in either the Code or in any statute dealing with securities or commercial law.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel guidance note on the role of independent advisers dated August 2007
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

We are of the view that an assessment of the merits of the allotment of shares to SuperLife under the SuperLife Allotment should focus on:

- the rationale for the SuperLife Allotment
- the terms and conditions of the SuperLife Allotment
- the impact of the SuperLife Allotment on Wellington's financial position
- the impact of the SuperLife Allotment on the control of the Company
- the impact of the SuperLife Allotment on Wellington's share price
- the benefits and disadvantages to SuperLife of the SuperLife Allotment
- the benefits and disadvantages to the Non-associated Shareholders of the SuperLife Allotment
- the implications if the SuperLife Allotment Resolution is not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

## 2.2 Summary of the Evaluation of the Merits of the SuperLife Allotment

**In our opinion, after having regard to all relevant factors, the positive aspects of the allotment of shares under the SuperLife Allotment outweigh the negative aspects from the perspective of the Non-associated Shareholders.**

Our evaluation of the merits of the allotment of shares to SuperLife under the SuperLife Allotment is set out in detail in sections 2.3 to 2.13. In summary, the key factors leading to our opinion are:

- the rationale for the SuperLife Allotment is sound. It represents a significant portion of the total funds expected to be raised from all of the allotments making up the Second Tranche. The Second Tranche is a key component of the 2013 Capital Raising which will raise up to \$5.0 million of capital for the Company
- the terms of the SuperLife Allotment are reasonable. The issue price of \$0.13 per ordinary share is the same as for the First Tranche, other issues under the Second Tranche and the SPP. The issue price represents a discount of 7% to the one week volume weighted average share price (**VWAP**) and a 13% discount to the one month VWAP immediately before the date on which the Board resolved to proceed with the 2013 Capital Raising (including the SuperLife Allotment)
- the SuperLife Allotment will have a positive impact on the Company's financial position. The SuperLife Allotment will increase the Company's equity by \$1.04 million and increase the carrying value of equity per share
- the SuperLife Allotment will increase the SuperLife Associates' ability to influence the outcome of shareholding voting but only to a moderate degree
- the SuperLife Allotment is not expected to increase the SuperLife Associates' influence over the Board or the Company's operations
- the dilutionary impact of the SuperLife Allotment on Non-associated Shareholders will be, at most, approximately 8%. This level of dilution will reduce to some extent for any Non-associated Shareholders who subscribe for shares under the Second Tranche
- the SuperLife Allotment is unlikely to have any material impact on the Company's share price or the liquidity of its shares in the near term
- the SuperLife Allotment is unlikely to reduce the attraction of Wellington as a takeover target to SuperLife or other bidders
- the implication of the SuperLife Allotment not being approved by the Non-associated Shareholders is that the SuperLife Allotment cannot proceed and the Company will not receive the \$1.04 million of additional equity from SuperLife.

### 2.3 Rationale for the SuperLife Allotment

The SuperLife Allotment is an integral part of the 2013 Capital Raising. The SuperLife Allotment will raise \$1.04 million of additional equity, representing 20.8% of the maximum capital of \$5.0 million to be raised under the 2013 Capital Raising:

- \$2.08 million was raised under the First Tranche on 14 March 2013
- \$1.92 million will be raised under the Second Tranche (including \$1.04 million from the SuperLife Allotment)
- \$0.5 million of the targeted \$1.0 million was raised under the SPP.

The capital raised will be used to improve commercial terms with selected suppliers in order to deliver cost reductions, finance continued supply chain improvements, allow investment in the Company's new Intelligent Solutions and advanced motor products, provide working capital flexibility and to ensure customer growth strategies can be accelerated.

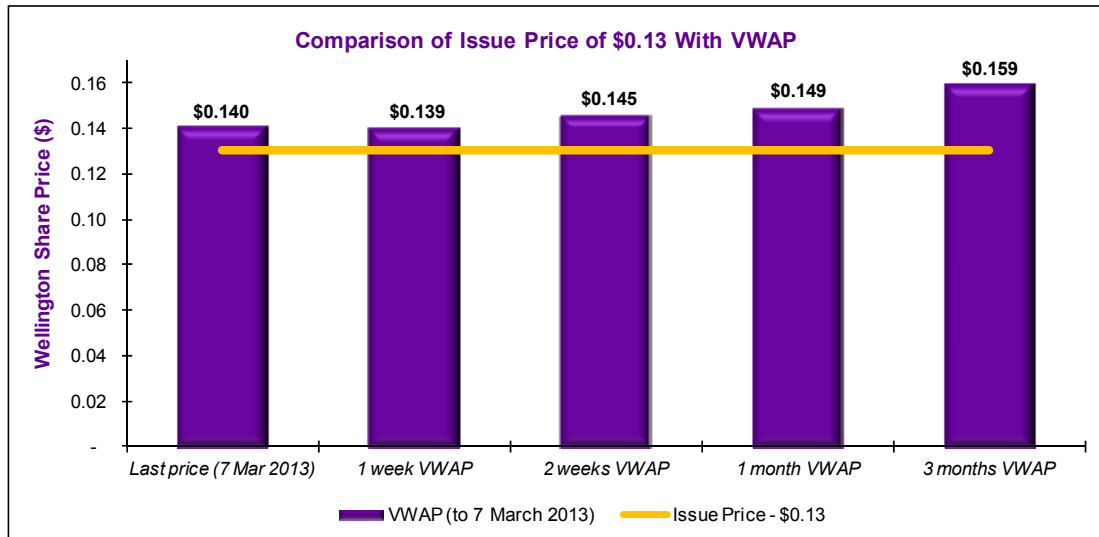
### 2.4 Terms of the SuperLife Allotment

The terms of the SuperLife Allotment are set out in a subscription agreement between Wellington and SuperLife dated 9 March 2013 (the **Subscription Agreement**). The key terms of the SuperLife Allotment are:

- Wellington will issue 8,000,000 new fully paid ordinary shares to SuperLife
- SuperLife will subscribe for the shares at a price of \$0.13 per share, payable in cash
- the new shares will be issued on the same terms and have the same rights and rank equally with all of Wellington's existing fully paid ordinary shares
- the SuperLife Allotment is conditional on shareholder approval of the SuperLife Allotment Resolution
- if the condition is not satisfied by 31 May 2013, SuperLife's obligation to subscribe for the 8,000,000 new fully paid ordinary shares will be terminated
- the total subscription price of \$1.04 million for SuperLife is payable on or before the 5th trading day following the date on which the Subscription Agreement becomes unconditional.

The issue price of \$0.13 per share is the same as for all the other components of the 2013 Capital Raising (ie the First Tranche, the remainder of the Second Tranche and the SPP). The issue price was set by the Board on 8 March 2013 when it resolved to proceed with the 2013 Capital Raising.

Set out in section 4.10 is an analysis of Wellington's share price history from 5 January 2011. The issue price of \$0.13 represents a 7% discount to the Company's one week VWAP, a 10% discount to the 2 weeks VWAP, a 13% discount to the one month VWAP and an 18% discount to the 3 months VWAP up to 7 March 2013 (the day before the Board resolution).



In instances where a company is issuing shares to a shareholder and that shareholder will subsequently hold a significant percentage of the company’s voting rights - but less than 50% - we consider the market value of the company’s shares to be the most appropriate basis upon which to evaluate the reasonableness of the issue price.

Placements of shares in companies listed on the NZX Main Board have generally (but not always) been undertaken at a discount to their market value (determined on a VWAP basis). A placement of new shares at a discount to their market value results in a value transfer from existing shareholders to the recipients of the new shares. The quantum of the value transfer is dependent on the size of the discount and the size of the share placement.

We are of the view that the issue price of \$0.13 for the SuperLife Allotment is fair to the Non-associated Shareholders:

- the issue price is at a reasonable discount to the recent trading prices
- the issue price is the same as the issue price for all other placements under the First Tranche and the Second Tranche
- Non-associated Shareholders were able to participate in the SPP at the same price of \$0.13 per share.

Accordingly, we are of the view that any value transfer between the Non-associated Shareholders and SuperLife will be negligible.

We consider the other terms of SuperLife Allotment to be in line with normal commercial terms for a transaction of this nature.

## 2.5 Impact on Financial Position

Wellington's audited total equity as at 31 December 2012 was \$7.5 million. This equated to \$0.093 per share.

The SuperLife Allotment will raise \$1.04 million as part of the allotments making up the Second Tranche (which will raise \$1.92 million in total), which in turn is part of the 2013 Capital Raising (which will raise up to \$5.0 million).

For illustrative purposes, if the proceeds from the 2013 Capital Raising were to have been received on 31 December 2012, Wellington's total equity would increase by 60% to \$12.0 million and equity per share would increase by 12% to \$0.104 per share.

Illustrative Effect of the 2013 Capital Raising on Wellington's Financial Position			
	Equity (\$000)	No. of Shares <sup>1</sup> (000)	Equity / Share (\$)
31 December 2012	7,486	80,766.5	\$0.093
First Tranche proceeds	2,080	16,000.0	\$0.130
Post the First Tranche	9,566	96,766.5	\$0.099
SPP proceeds	510	3,923.0	\$0.130
Second Tranche proceeds <sup>2</sup>	1,920	14,769.2	\$0.130
Post the SPP and the Second Tranche	11,996	115,458.7	\$0.104

<sup>1</sup> Fully paid ordinary shares  
<sup>2</sup> Includes \$1.04 million from the SuperLife Allotment

The SuperLife Allotment will strengthen the Company's financial position:

- \$1.04 million of additional equity will be raised (representing 54.2% of the Second Tranche proceeds and 23.1% of the proceeds from the 2013 Capital Raising)
- the carrying value of equity per share will increase as the SuperLife Allotment is at \$0.13 per share whereas equity per share after the First Tranche was \$0.099 per share.

## 2.6 Impact on Control

### Share Capital and Shareholders

Wellington currently has 96,766,452 fully paid ordinary shares on issue. The names, number of shares and percentage holding of the Company's 10 largest shareholders as at 26 April 2013 are set out in section 4.4.

Wellington currently has 3 substantial security holders:

- various entities associated with Hunter Hall Investment Management Limited (**Hunter Hall**) – 17.67%
- the SuperLife Associates – 17.35%
- Harbour – 9.25%.

The 3 shareholders collectively hold 44.27% of the fully paid ordinary shares in the Company at present.

### **SuperLife Associates' Shareholding Levels**

The allotment of shares under the SuperLife Allotment will enable the SuperLife Associates to increase their control of voting rights in Wellington from 17.34% to between 21.66% and 23.01% without having to make a formal offer to all shareholders in accordance with Rules 7(a) or 7(b) of the Code. This is the reason why the Code requires the Non-associated Shareholders to have the opportunity to vote for or against the SuperLife Allotment Resolution.

### **Shareholding Voting**

The SuperLife Associates' current level of voting rights of 17.34% does not enable them to block special resolutions (which require the approval of 75% of the votes cast by shareholders) or to singlehandedly pass or block ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders).

Following the SuperLife Allotment, the SuperLife Associates' ability to influence the outcome of shareholder voting will increase but not by a material level. Their increased level of voting rights of between 21.66% and 23.01% will still not be able to singlehandedly block special resolutions, or pass or block ordinary resolutions.

We note that while a 21.66% to 23.01% interest is technically not sufficient to block a special resolution, in reality, it most likely is in a listed company with more than 2,500 shareholders (as Wellington currently has). This is because a number of shareholders in listed companies tend not to vote on resolutions and hence the relative weight of the 21.66% to 23.01% interest increases. Having said that, it is possible that the SuperLife Associates' current 17.34% level of voting rights already provides the ability to block a special resolution.

The ability for any shareholder to influence the outcome of voting on the Company's ordinary resolutions or special resolutions may be reduced by external factors such as the Company's constitution, the Code, the Listing Rules and the Companies Act 1993.

Given the above, we are of the view that the allotment of shares to SuperLife under the SuperLife Allotment will not significantly increase the SuperLife Associates' ability to exert shareholder control over Wellington.

### **Board Control**

As set out in section 4.3, the Company currently has 5 directors, none of whom are deemed to be associates of the SuperLife Associates.

We are advised by the Company that at this point in time, no agreements have been made with the SuperLife Associates as to future Board representation following the SuperLife Allotment.

### **Operations**

We are advised by the Company that the SuperLife Associates currently do not have any influence over the operations of the Company and this is not expected to change following the SuperLife Allotment.

## 2.7 Dilutionary Impact

8,000,000 new fully paid ordinary shares will be issued under the SuperLife Allotment. This will result in the Non-associated Shareholders' proportionate shareholdings in the Company potentially being diluted by a maximum of approximately 8%, depending on whether resolutions 4(b) to 4(e) in respect of each of the allotments making up the Second Tranche are approved.

Maximum Dilutionary Impact on Non-associated Shareholders			
Maximum Scenario	Fully Paid Ordinary Shares		
	SuperLife Associates	Non-associated Shareholders	Total
Current	16,785,926	79,980,526	96,766,452
SPP	230,768	3,692,253	3,923,021
Post SPP	17,016,694	83,672,779	100,689,473
SuperLife Allotment <sup>1</sup>	8,000,000	-	8,000,000
Post the 2013 Capital Raising	<u>25,016,694</u>	<u>83,672,779</u>	<u>108,689,473</u>
Maximum dilutionary impact			7.6%

<sup>1</sup> Assumes only the SuperLife Allotment in the Second Tranche is approved

Non-associated Shareholders were able to subscribe for between \$1,000 and \$15,000 of new ordinary shares in the Company under the SPP at the same issue price of \$0.13 per share as per the SuperLife Allotment. Non-associated Shareholders subscribed for 3,692,253 ordinary shares under the SPP. Some Non-associated Shareholders will also participate in the Second Tranche at an issue price of \$0.13 per share (subject to shareholder approval).

Any subscription for new shares by Non-associated Shareholders under the Second Tranche will reduce the maximum dilutionary impact of the SuperLife Allotment set out above.

## 2.8 Impact on Share Price and Liquidity

### Share Price

A summary of Wellington's daily closing share price and daily volume of shares traded from 5 January 2011 is set out in section 4.10.

Given that the number of shares issued under the SuperLife Allotment represents approximately 8% of the fully paid ordinary shares currently on issue (after the allotment of 3,923,021 ordinary shares under the SPP) and the issue price of \$0.13 per share is broadly in line with the current market price, the Company's share price (in theory) is unlikely to change after the SuperLife Allotment. However, a range of factors influence the Company's share price (including the levels of supply and demand for the shares, macro economic factors and general movements in the equity markets) and these factors may place downwards or upwards pressure on the Company's share price following the SuperLife Allotment.



## ***Liquidity***

Trading in the Company's shares is relatively thin, reflecting that the Hunter Hall, the SuperLife Associates and Harbour collectively hold 44.27% of the fully paid ordinary shares. Only 6.3% of the Company's shares have traded in the past year.

The size of the pool of shares held by the Non-associated Shareholders will not change under the SuperLife Allotment.

In our view, the SuperLife Allotment on its own is unlikely to have a positive or negative effect on the liquidity of Wellington's shares.

## **2.9 Benefits to the SuperLife Associates**

The key benefit of the SuperLife Allotment to the SuperLife Associates is that it provides them with the opportunity to increase their shareholding (and level of control) in Wellington at an issue price of \$0.13 per share.

## **2.10 Disadvantages to the SuperLife Associates**

### ***Increased Exposure to the Risks of Wellington***

As the SuperLife Associates' ownership in Wellington increases, so does their exposure to the key issues and risks that are likely to impact upon the Company's business operations as discussed in section 4.6.

### ***Significant Financial Commitment***

The SuperLife Allotment requires the SuperLife Associates to subscribe for \$1.04 million of new fully paid ordinary shares.

## **2.11 Benefits to the Non-associated Shareholders**

### ***Certainty of Capital Raising***

The key benefit to the Non-associated Shareholders of the SuperLife Allotment is that the Company is certain to obtain an additional \$1.04 million of equity capital in order to execute its strategy.

### ***Cornerstone Shareholders***

The SuperLife Allotment will enhance the SuperLife Associates' position as an important cornerstone shareholder in the Company.

The SuperLife Allotment also further signals SuperLife's confidence in the future prospects of Wellington.

### ***Non-associated Shareholder Approval is Required***

Pursuant to Rule 7(d) of the Code, the Non-associated Shareholders must approve by ordinary resolution the SuperLife Allotment.

The SuperLife Allotment will not proceed unless the Non-associated Shareholders approve the SuperLife Allotment Resolution.

## 2.12 Disadvantages to the Non-associated Shareholders

### *Dilutionary Impact*

The main disadvantage is that the SuperLife Allotment will increase the SuperLife Associates' control of voting rights in Wellington from 17.34% to between 21.66% and 23.01%, which will result in the Non-associated Shareholders' shareholdings being diluted by up to a maximum of approximately 8%.

However, the dilutionary effect of the SuperLife Allotment on the Non-associated Shareholders will be reduced to some extent if the Non-associated Shareholders take up their full entitlements under the SPP and / or subscribe for shares under the Second Tranche.

### *Likelihood of a Takeover Offer from the SuperLife Associates does not Change Significantly*

As long as the SuperLife Associates hold more than 20% and not more than 50% of the voting rights in the Company, they cannot increase the level of their shareholding unless they comply with the provisions of the Code. They will only be able to acquire more shares in the Company if:

- they make a full or partial takeover offer or
- the acquisition is approved by way of an ordinary resolution of the Non-associated Shareholders or
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of the Non-associated Shareholders.

The SuperLife Associates could also increase their level of shareholding in the Company if Wellington undertook a share buyback that was approved by the Company's shareholders and the SuperLife Associates did not fully participate in the buyback.

The SuperLife Associates will not be able to increase their shareholding under the creep provisions of Rule 7(e) of the Code as these provisions are only available to persons that hold between 50% and 90% of the voting securities in a code company.

We do not consider that an increase in the SuperLife Associates' control of voting rights from 17.34% to between 21.66% and 23.01% under the SuperLife Allotment will change the likelihood of a takeover offer for the Company from the SuperLife Associates to any significant degree.

### *Likelihood of Other Takeover Offers does not Change Significantly*

With the SuperLife Associates currently holding 17.34% of the voting rights in the Company, any bidder looking to fully take over the Company would need to ensure that the SuperLife Associates would accept its offer.

Following the SuperLife Allotment, the SuperLife Associates will control between 21.66% and 23.01% of the voting rights in the Company. Accordingly, the position for any bidder would be the same – it would still need to ensure that the SuperLife Associates would accept its offer.

Similarly, in the event that a bidder made a partial takeover offer for (say) 50.1% of the Company, it would currently want to ensure that the SuperLife Associates would accept its offer to increase the likelihood of the success of its offer, although this would not necessarily be essential. Following the SuperLife Allotment, a bidder would still want to ensure that the SuperLife Associates would accept its offer, although again it would not necessarily be essential.

In our view, the increase in the SuperLife Associates' control of voting rights from 17.34% to between 21.66% and 23.01% under the SuperLife Allotment will not have a material impact on the attraction of Wellington as a takeover target to other parties.

### **2.13 Implications of the Resolution not Being Approved**

In the event that the SuperLife Allotment Resolution is not approved, then the SuperLife Allotment cannot proceed. As a consequence, Wellington will not receive the \$1.04 million of additional equity from the SuperLife Allotment.

If resolution 3 is approved (thereby ratifying the issue of 16,000,002 fully paid ordinary shares under the First Tranche), then Wellington will have the ability - without the need for shareholder approval - to place a lesser number of shares to SuperLife so that the SuperLife Associates' control of voting rights does not exceed 20%.

However, if this option is not available, then the Company will have to adapt its plans in line with the lower level of capital raised. This would likely have a serious impact on Wellington's ability to execute its strategy in respect of research and development, customer project plans and supply chain cost improvements.

### **2.14 Voting For or Against the SuperLife Allotment Resolution**

Voting for or against the SuperLife Allotment Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

### 3. Evaluation of the Fairness of the SuperLife Allotment

#### 3.1 Basis of Evaluation

Listing Rule 1.7.2 requires an Appraisal Report to consider whether the consideration and the terms and conditions of the proposed issue are *fair* to the Non-associated Shareholders.

There is no legal definition of the term *fair* in New Zealand in either the Listing Rules or in any statute dealing with securities or commercial law.

We are of the view that an assessment of the merits of a transaction is a broader test than the fairness of the transaction and encompasses a wider range of issues associated with the transaction. Our assessment of the merits of the allotment of shares under the SuperLife Allotment is set out in section 2 and considers the fairness of the likely increase in effective control by the SuperLife Associates in Wellington as well as the fairness of the terms and conditions of the SuperLife Allotment.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

#### 3.2 Evaluation of the Fairness of the SuperLife Allotment for the Purposes of Listing Rule 1.7.2

**In our opinion, after having regard to all relevant factors, the consideration and the terms and conditions of the SuperLife Allotment are fair to the Non-associated Shareholders.**

The basis for our opinion is set out in detail in sections 2.3 to 2.13. In summary, the key factors leading to our opinion are:

- the rationale for the SuperLife Allotment is sound
- the terms of the SuperLife Allotment are reasonable
- the SuperLife Allotment will have a positive impact on the Company's financial position
- the SuperLife Allotment will increase the SuperLife Associates' ability to influence the outcome of shareholding voting but only to a moderate degree
- the SuperLife Allotment is not expected to increase the SuperLife Associates' influence over the Board or the Company's operations
- the dilutionary impact of the SuperLife Allotment on Non-associated Shareholders will be, at most, approximately 8%. This level of dilution will reduce to some extent for any Non-associated Shareholders who subscribe for shares under the Second Tranche
- the SuperLife Allotment is unlikely to have any material impact on the Company's share price or the liquidity of its shares in the near term
- the SuperLife Allotment is unlikely to reduce the attraction of Wellington as a takeover target to the SuperLife Associates or other bidders

- the implication of the SuperLife Allotment not being approved by the Non-associated Shareholders is that the SuperLife Allotment cannot proceed and the Company will not receive the \$1.04 million of additional equity from SuperLife.

### **3.3 Voting For or Against the SuperLife Allotment Resolution**

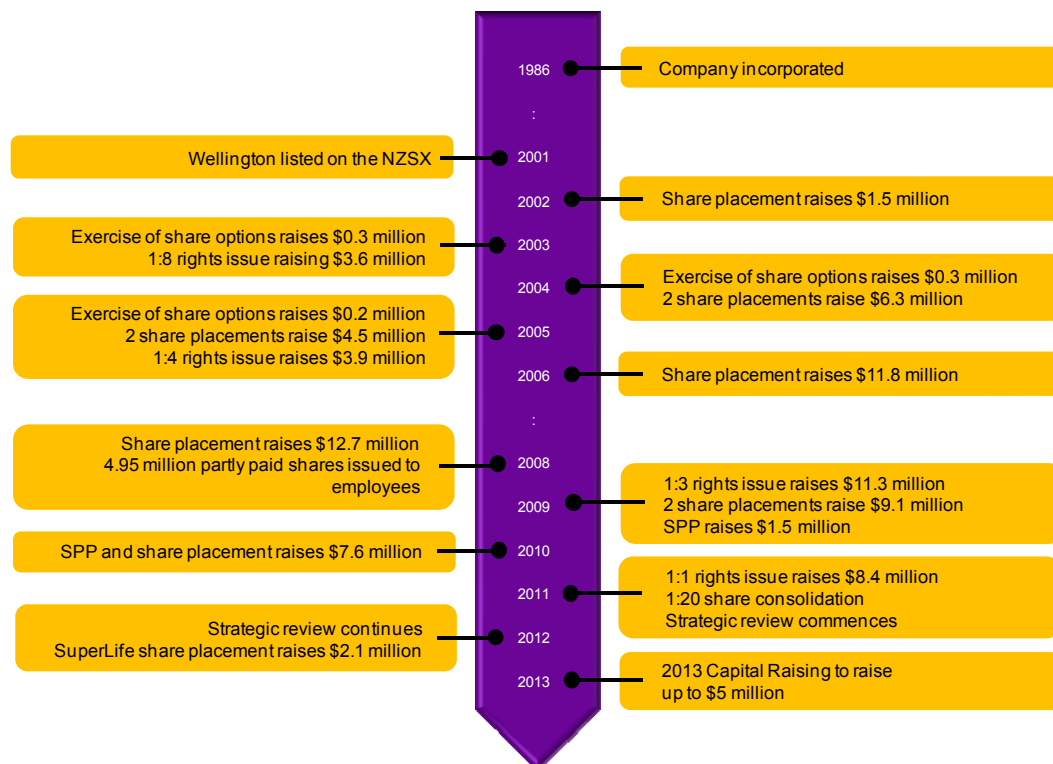
Voting for or against the SuperLife Allotment Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

## 4. Profile of Wellington Drive Technologies Limited

### 4.1 Background

The Company was incorporated on 24 October 1986 as Clark Automotive Development Limited. It changed its name to Cadac Holdings Limited on 28 February 1989, to Cadac Limited on 23 June 1994 and to Wellington Drive Technologies Limited on 30 September 1996.

The Company's key capital market events are set out below.





### 4.2 Nature of Operations

Wellington focuses on energy saving electronically commutated motors, fans and electronic control solutions for refrigerated display cases. The Company's products and solutions use Wellington's proprietary and patented designs which have been developed and refined over the past 20 years to meet the needs of major food and beverage brands and refrigeration manufacturers worldwide.

Wellington is a global organisation with offices in New Zealand, the Americas, Europe and Asia. Its products are in service in 45 countries. The Company has a highly skilled engineering team specialising in electronically commutated motors and electronic controls and refrigeration solutions in its Commercialisation Centre in Auckland.

The Company is promoting 3 main brands:

-  - energy saving motors and fans
-  - ECR Series of condenser and evaporator motors and fans for commercial refrigerators, beverage merchandisers and vending machines
- *Intelligent Solutions* – electronic control solutions for commercial refrigerators.

### 4.3 Directors and Senior Management

The directors of Wellington are:

- Shawn Beck
- Rick Boven
- Simon Mander
- Tony Nowell - Chairman
- Ray Thomson.

Wellington's senior management team consists of:

- Greg Allen – Chief Executive Officer (**CEO**)
- Howard Milliner – Chief Financial Officer
- Steve Hodgson – Senior Vice President, Commercial
- David Howell – Chief Technical Officer
- Ali Karahasanoglu – Sales Director, Europe, Middle East and Asia
- Erick Layseca – Business Development Director, Americas
- Gabriel Villalobos Cid – Director of Finance Administration & Operations, Americas
- Gerardo Gonzalez – Vice President and General Manager, Intelligent Solutions Business Unit
- Ron Jackson – Company Secretary.

### 4.4 Capital Structure and Shareholders

#### *Fully Paid Ordinary Shares*

Wellington currently has 96,766,452 fully paid ordinary shares on issue held by 2,595 shareholders.

The names, number of shares and percentage holding of the 10 largest shareholders as at 26 April 2013 are set out below.

Wellington's 10 Largest Shareholders		
Shareholder	No. of Shares Held	%
New Zealand Central Securities Depository Limited ( <b>NZCSD</b> )	35,382,987	36.57%
SuperLife Trustee	14,156,923	14.63%
Investment Custodial Services Limited	5,381,922	5.56%
SuperLife Trustee	2,085,000	2.15%
Raymond Thomson, Graeme Thomson and Ronald Sasse	1,644,889	1.70%
Raymond Thomson, Tracey Thomson and Alan Fortune	1,609,071	1.66%
Wairahi Holdings Limited	1,500,000	1.55%
Graham Trustees Limited	1,214,556	1.26%
Roger Armstrong	1,083,007	1.12%
Graeme Thomson and Christine Compton	995,913	1.03%
Subtotal	65,054,268	67.23%
Others (2,585 shareholders)	31,712,184	32.77%
<b>Total</b>	<b>96,766,452</b>	<b>100.00%</b>

*Source: NZX Data*

NZCSD holds the shares on behalf of a number of shareholders, including Hunter Hall and Harbour.

### Partly Paid Ordinary Shares

Wellington currently has 2,692,591 PPSs on issue.

The Partly Paid Share Scheme was established in June 2008 to enable certain employees to acquire shares in the Company. The key terms of the scheme are:

- the issue price is the VWAP over the 10 trading days prior to the issue date plus a margin (generally 20% to 30%)
- the earliest exercise date is either 2 or 3 years after issue
- \$0.005 per PPS is required to be paid on issue
- after the earliest exercise date, provided the market price for the Company's shares is at that date equal to or greater than the hurdle price (and on or before the 5th anniversary of the issue date), employees can settle the unpaid balance of their PPSs and transfer the shares to their name or the name of their nominated trustee
- Wellington Drive Technologies Share Scheme Trustee Limited acts as trustee holding the PPSs on behalf of employees
- the PPSs are not quoted on the NZX Main Board
- the PPSs are not tradable.

Greg Allen, the Company's CEO, was issued 1,347,329 PPSs in December 2011 and 807,665 PPSs in April 2013. These have a 2 year vesting period.

Partly Paid Ordinary Shares						
Issue Date	Earliest Exercise Date	Expiry Exercise Date	Share Hurdle Price	PPS Price	Balance Paid on Exercise	No. of PPSs Outstanding
10 Aug 2010	10 Aug 2013	10 Aug 2015	\$1.6385 <sup>1</sup>	\$1.6385 <sup>1</sup>	\$1.6335 <sup>1</sup>	537,597
6 Dec 2011	6 Dec 2013	6 Dec 2016	\$0.2556	\$0.2556	\$0.2506	1,347,329
15 Apr 2013	15 Apr 2015	15 Apr 2018	\$0.1725	\$0.1725	\$0.1675	807,665
			<u>\$0.5068<sup>2</sup></u>	<u>\$0.5068<sup>2</sup></u>	<u>\$0.5018<sup>2</sup></u>	<u>2,692,591</u>

1 Hurdle and issue prices adjusted for 1:20 share consolidation in June 2011  
2 Weighted average price

The PPSs carry voting entitlements proportionate to the amount paid up on each share. In total, the PPSs carry voting rights equivalent to 51,407 fully paid ordinary shares.



### US Employee Share Options

Wellington currently has 37,500 options on issue. The United States Share Option Plan was established in June 2010 and the Board was authorised to grant up to 3,000,000 options. All options must be exercised within 12 months after the period of 3 years in which the options are granted. The exercise price for the options is the closing sales price on the date of the grant plus a 30% premium.

US Employee Share Options			
Grant Date	Expiry Date	Exercise Price	Options Outstanding
10 Aug 2010	10 Aug 2014	\$2.47 <sup>1</sup>	37,500

<sup>1</sup> Issue price adjusted for 1:20 share consolidation in June 2011

### 4.5 Strategic Plan

In the 2011 annual report, the Company stated it was commencing a full strategic review of the business. The outcome of this review was the creation of a turnaround plan. This plan focused on improving near term operating performance and revising the long term growth strategy. A new long term strategy was approved by the Board in August 2012, which focused on:

- continued growth and financial improvement in the core electronic motor and airflow solutions business through improved market expansion, cost reduction programs, *Voice of the Customer* driven product development and lean business process improvements
- develop and sell innovative intelligent electronic control solutions by exploiting the Company's strong electronics and software skills and tier 1 customer relationships.

The 5 main priorities for the Company in 2013 are:

- market expansion through deeper value-added relationships with customers to meet customer needs with new and improved products
- to shorten customer lead times to improve customer satisfaction, increase revenue and reduce costs
- cost reduction, including both supply chain cost reduction and operating cost improvement
- to seek a strategic partner to provide the Company with increased capability (eg lower cost supply chain services, access to broader technology resources, new distribution channels and customer synergies) and further capital to support growth plans
- to strengthen the Company's resources to support the execution of a number of cost reduction and growth initiatives including improving payment terms with major suppliers to access supply chain cost reductions, investing in a new Intelligent Solutions product roadmap, investing in skills needed to accelerate growth, improving customer commercial terms and implementing strategic regional inventory to reduce lead times.

#### 4.6 Key Issues Affecting the Company

The main industry and specific business factors and risks that the Company faces include:

- commercialisation of a new technology, which is inherently high risk
- material changes in key commodity prices (copper, steel, aluminium) or supplier costs
- the uncertainty of longer term orders
- significant fluctuations in the Company's sales volume would have negative consequences for the Company's ability to access the volume-dependent prices negotiated with manufacturing suppliers
- a reduction in overall market demand
- a shortage of electronic components, which may result in an inability to meet customers' orders
- the concentration of the Company's customer base amongst a few large customers
- the Company's ability to finance its activities
- circumvention of the Company's intellectual property protection (via legal or illegal means)
- the inadvertent breach of another company's intellectual property
- regulatory or legislative changes including those in respect of energy efficiency
- foreign currency fluctuations that may adversely affect earnings.

#### 4.7 Financial Performance

A summary of Wellington's recent financial performance is set out below.

Summary of Wellington Financial Performance				
	Year to 31 Dec 09 (Audited) \$000	Year to 31 Dec 10 (Audited) \$000	Year to 31 Dec 11 (Audited) \$000	Year to 31 Dec 12 (Audited) \$000
Revenue	22,413	28,015	34,985	35,562
Gross profit	1,219	924	1,719	4,972
Loss before interest and taxation	(16,629)	(14,923)	(14,460)	(6,280)
Loss before income tax	(16,742)	(14,847)	(14,472)	(6,319)
Loss for the year	(16,742)	(14,847)	(14,472)	(6,333)

*Source: Wellington audited financial statements*

Wellington's revenue increased by 54% in the 2009 financial year, notwithstanding the effects of the global financial crisis (**GFC**). The commercial refrigeration business was the most successful area of the business, with a 105% increase in revenue. North America was the Company's biggest and fastest-growing market in 2009. Profitability was affected by \$2.0 million of foreign exchange losses together with other one-off expenses from a reorganisation and rationalisation of the Company's manufacturing and supply chain operations.

Revenue increased by 25% in the 2010 financial year, driven by a 50% volume increase in ECR motors to the commercial refrigeration market and strengthening key customer relationships and key account growth. The loss was due primarily to weaker gross margins arising from component shortages in the electronic supply industry caused by the effects of the GFC. The Company also recorded an intangible asset impairment of \$0.8 million, foreign exchange losses of \$0.8 million and inventory write-downs of \$0.6 million.

Revenue increased by 25% in the 2011 financial year due to strengthening of the customer value proposition and acceptance of the product range by key international customers. Geographic areas of growth included America and Europe. The Company launched a restructuring program in 2011, which had the objectives of reducing costs and improving cash. The 2011 result included non-recurring costs of \$5.2 million, reflecting inventory provisioning and restructuring items related to the wind down of the ventilation business, rationalisation of the refrigeration product range and changes to Wellington's organisation structure.

Wellington's financial performance improved markedly in the 2012 financial year due to an improvement in gross margins due to the release of stock and warranty provisions no longer required (\$0.7 million) and operational improvements including targeting higher margin sales activities, reductions in operating costs and cost reduction initiatives with major suppliers. Operating expenses decreased as a result of a significant reduction in headcount as a result of ceasing internal manufacturing in Singapore and the benefits of a lean business improvement program focused on eliminating wasteful business processes and reducing associated costs.

#### 4.8 Financial Position

A summary of Wellington's recent financial position is set out below.

Summary of Wellington Financial Position				
	As at 31 Dec 09 (Audited) \$000	As at 31 Dec 10 (Audited) \$000	As at 31 Dec 11 (Audited) \$000	As at 31 Dec 12 (Audited) \$000
Current assets	29,610	26,609	22,732	14,914
Non-current assets	6,345	4,904	3,797	1,773
Total assets	<u>35,955</u>	<u>31,513</u>	<u>26,529</u>	<u>16,687</u>
Current liabilities	(10,088)	(13,177)	(14,040)	(9,201)
Non-current liabilities	(136)	(68)	(9)	-
Total liabilities	<u>(10,224)</u>	<u>(13,245)</u>	<u>(14,049)</u>	<u>(9,201)</u>
Total equity	<u>25,731</u>	<u>18,268</u>	<u>12,480</u>	<u>7,486</u>

Source: Wellington audited financial statements

Wellington's main current assets are trade receivables and inventories. The Company has significantly reduced its inventory holding over the period from a peak of \$14.2 million as at 31 December 2010 to \$4.5 million as at 31 December 2012.

Wellington's main non-current assets are intangible assets in the form of patents, development costs and software.

Liabilities consist mainly of trade and other payables, bank finance facilities and provisions.

Wellington had cash on hand amounting to \$1.9 million and bank finance facilities of \$1.2 million as at 31 December 2012.

#### 4.9 Cash Flows

A summary of Wellington's recent cash flows is set out below.

Summary of Wellington Cash Flows				
	Year to 31 Dec 09 (Audited) \$000	Year to 31 Dec 10 (Audited) \$000	Year to 31 Dec 11 (Audited) \$000	Year to 31 Dec 12 (Audited) \$000
Net cash outflow from operating activities	(10,137)	(17,406)	(6,518)	(3,453)
Net cash used in investing activities	(1,977)	(1,378)	(1,452)	(241)
Net cash from financing activities	22,234	5,703	8,870	2,001
Net increase / (decrease) in cash held	10,120	(13,081)	900	(1,693)
Opening cash balance	5,923	16,059	2,900	3,628
Effect of exchange rate movements	16	(78)	(172)	(66)
Closing cash balance	16,059	2,900	3,628	1,869

*Source: Wellington audited financial statements*

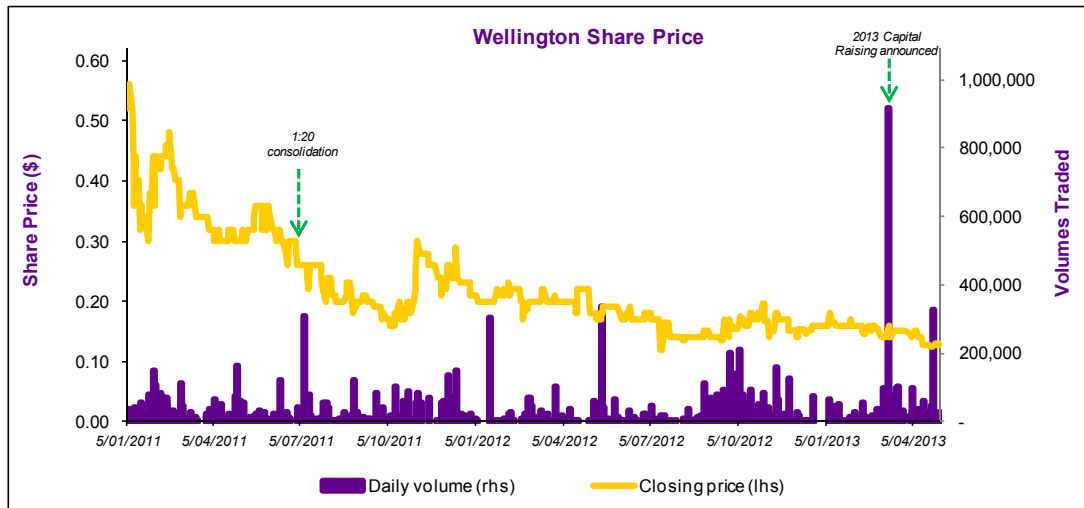
Net cash outflows from operating activities were particularly high in the 2010 financial year due to high levels of inventory due to component supply problems.

Net cash used in investing activities mainly represents expenditure on intangible assets.

Net cash from financing activities includes \$39.9 million of net proceeds from share issues over the 4 years.

#### 4.10 Share Price History

Set out below is a summary of Wellington’s daily closing share price and daily volumes of shares traded from 5 January 2011 to 3 May 2013. Closing prices and daily volumes prior to 28 June 2011 have been adjusted to reflect the 1:20 share consolidation that the Company undertook on 28 June 2011.



During the period, Wellington’s shares have traded between \$0.12 and \$0.56 at a VWAP of \$0.22.

Trading in the Company’s shares is extremely thin, reflecting that 44.27% of the shares are currently held by SuperLife, Hunter Hall and Harbour and the top 10 shareholders collectively hold 67.23% of the shares. 6.3% of the Company’s shares have traded in the past year on 140 days.

An analysis of VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) is set out below.

Share Trading					
Period	Low <sup>1</sup> (\$)	High <sup>1</sup> (\$)	VWAP <sup>1</sup> (\$)	Volume Traded <sup>1</sup> (000)	Liquidity
1 month	0.125	0.155	0.131	693	0.7%
3 months	0.125	0.170	0.145	2,290	2.4%
6 months	0.125	0.180	0.150	3,173	3.3%
12 months	0.120	0.210	0.157	6,116	6.3%

<sup>1</sup> To 3 May 2013

## **5. Sources of Information, Reliance on Information, Disclaimer and Indemnity**

### **5.1 Sources of Information**

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft notice of annual meeting
- the Wellington annual reports for the years ended 31 December, 2010 to 2012
- the Subscription Agreement
- the SPP documentation
- data in respect of Wellington from NZX Data and Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from the Board and executive management of Wellington and Wellington's legal advisers.

The Board has confirmed that we have been provided for the purpose of this Independent Adviser's Report and Appraisal Report with all information relevant to the SuperLife Allotment that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is desirable for the purpose of preparing this Independent Adviser's Report and Appraisal Report.

In our opinion, the information to be provided by Wellington to the Non-associated Shareholders is sufficient to enable the Board and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the SuperLife Allotment.

### **5.2 Reliance on Information**

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Wellington and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Wellington. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

### **5.3 Disclaimer**

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Wellington will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Wellington and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update our report.

We have had no involvement in the preparation of the notice of annual meeting issued by Wellington and have not verified or approved the contents of the notice of annual meeting. We do not accept any responsibility for the contents of the notice of annual meeting except for this report.

### **5.4 Indemnity**

Wellington has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Wellington has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

## **6. Qualifications and Expertise, Independence, Declarations and Consents**

### **6.1 Qualifications and Expertise**

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), CFIP.

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

### **6.2 Independence**

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Wellington or the SuperLife Associates or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to these transactions.

Simmons Corporate Finance has not had any part in the formulation of the SuperLife Allotment or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the SuperLife Allotment. We will receive no other benefit from the preparation of this report.

### **6.3 Declarations**

An advance draft of this report was provided to the Board for its comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

### **6.4 Consents**

We consent to the issuing of this report in the form and context in which it is to be included in the notice of annual meeting to be sent to Wellington's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.



Peter Simmons  
Director

**Simmons Corporate Finance Limited**  
6 May 2013