



# Interim Report

## June 2010

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Our advanced motors are used by some of the world's largest companies to save energy and dramatically improve efficiency.

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## 6 Month Highlights

Total NZ\$ sales up 16%, US\$ sales up 43%, from first half of 2009

Product gross margin 8.6%, up from -3% in first half 2009

Bottom line loss: NZ\$6.6m, reduced from NZ\$9.9m

Total motor volume: 419,000, up 34%

ECR motor volumes up 76%

US distribution deal signed with A.O. Smith

Underwriters' Laboratory (UL) certification in USA for new motors

VDE European certification for new ECR One motor

ECR production volumes hit monthly record of 89,000 in June



# CEO Report



## Financial and business performance

Over the six months we continued to meet key operational milestones in keeping the company on track to profitability. No loss is satisfactory and the end-of-period loss recorded remained higher than where we want to be: nevertheless it represented a \$3.2 million improvement over the first half of 2009. The underlying trends for the business remained positive with continued strong sales growth and importantly a solid improvement in margin.

Reflecting the continuing industry-wide shift to electronically commutated (EC) motors, total sales were up 43% when measured in US dollars (which is the currency we do most of our business in) and up 16% when translated into NZ dollars. We sold 419,000 motors, a 34% increase on the same period last year. Pleasingly, ventilation motor volumes rose 20%, while our ECR commercial refrigeration motors were again the star performer with a volume increase of 76%.

Wellington uses 'product' gross margin (i.e. gross margin excluding service revenue) as a key metric of underlying performance of the company's business. We exclude service revenue as the timing of this is irregular and it distorts the underlying trend. In the near future, Wellington does not expect to receive significant amounts of service revenue as major third party development programs have been completed. Product gross margin for the period of 8.6% was a solid step up from the previous two six month periods (see graph on page 5). At the same time, operating expenditure was held flat at NZ\$6.3m compared with the second half of 2009 – and considerably below the level in the first half of last year.

We had to address a shortage of component supplies and related costs imposed by this (including NZ\$ 200,000 airfreight to get product to customers on time). The lack of electronic component supply that has affected many industries and companies globally meant we ended the period with a substantial book of orders still to be delivered. For the second half of the year, Wellington has secured an increased supply of components and this will allow a lift in production and sales, although it is not yet clear whether this will be sufficient to meet overall demand.

## Commercial refrigeration

The refrigeration business was again the stand-out performer. Wellington is now the leader in the EC segment of this market and, as noted, our sales volumes were up 76% as the shift to electronically commutated (EC) motors gathered pace. This was

further driven by a major user, Coca Cola, mandating high-efficiency coolers in key markets, aiding strong growth in Mexico and, increasingly, throughout Latin America.

Sales growth would have been considerably higher without the component shortage noted above. This is because our motors use many standard transistors, capacitors and other components, and production of these was cut by their manufacturers at the onset of the global financial crisis. With the recovery in the global economy over the past nine months, component production capacity was insufficient to meet demand, leading to global shortages that have hit the many industries that consume electronic components. Component shortages were the single main limiter to sales in the period. But our competitors were affected similarly and we did not lose customers as a result of this.

We concluded a significant distribution deal with A.O. Smith, one of America's largest manufacturers of electric motors, for sales of EC motors co-branded A O Smith and Wellington for supermarket display cases, bottle coolers and cold storage rooms. This was an important endorsement and reflected our decision to use distributors to access the fast-growing US market for upgrade or "retrofit" to refrigeration equipment already in service – to capture energy-saving benefits, including reduced electricity bills. Subsidies are available in some US states to support these retrofit programs, and this is helping drive demand for our products. We gained further new sales in Europe with more customers switching to EC motors and met with strong interest from companies there wanting to distribute Wellington motors.

Our new ranges of motors received positive customer feedback. These new motors not only offer an advanced feature set but also open up new markets. They meet a wider range of demands and are particularly useful for smaller customers and retrofit projects, both of which have different demands from the major accounts we have been targeting and winning to date. They will enable us to continue to improve margins. Because our new ECR One motor can be set to operate at the same speeds as the motors it replaces (in addition to offering the same physical dimensions, mounting arrangements and connectors) for many refrigeration customers it provides the easiest path to adopting EC technology. The new ECR 85/95 is a higher power rating than our existing products and hence opens up a new market for us (including walk in refrigeration rooms).

## Ventilation

Ventilation moved into a new growth phase as we began volume production of the new range of motors developed for our partner Ziehl-Abegg AG, the world-leading supplier of high-efficiency ventilation fans, based in Germany. The products met with a positive market reception, but sales volume growth was limited to 20%. This was due principally to the constraint mentioned above regarding electronic component supplies, which also impacted these product lines. At the end of the first-half we had substantial back-orders. Delivering on these orders will be a major driver of sales growth in the second half of the year.

Our ventilation motors are manufactured at Wellington's own factory in Singapore. Again because of the component shortage, we were constrained in shipping orders in the first half which resulted in an increase in inventory; products were held in a partly finished state waiting on component deliveries that were frequently delayed past scheduled dates. We expect raw material inventories to reduce over the next few months as increased availability of components allows us to further lift production volumes to meet orders.

The margins on sales of most ventilation motors were adversely influenced by the decline

in the €/US\$ exchange rate. Historically, most of our ventilation motor sales have been denominated in Euros, while most costs are incurred in US\$. Recently, however, we were pleased to reach agreement to move to US\$ pricing for a significant portion of our ventilation business. This new exchange regime will come into effect following completion of current outstanding orders. This is likely to be at the end of our current financial year and will assist with improvement in margins in 2011.

## Outlook

Key trends for the business are positive and we expect this situation to continue. Orders are now well above sales for the first time in the company's history.

During the last few weeks Wellington has been engaged in discussion with a number of major Commercial Refrigeration customers concerning projected order levels in 2011. The picture that emerges confirms the rapid transition of the market to EC motors – and in particular to Wellington's products. Several customers are projecting a lift in demand from several tens of thousands of units in 2010 to volumes potentially in the hundreds of thousands in 2011. While these prospects need to convert to actual orders for Wellington products, the fact that we are experiencing this level of increased interest is promising for the business. In addition, Wellington is finalising terms for a multi-year retrofit (motor replacement) program expected to start in 2011 with a currently indicated volume of more than 300,000 units being required in 2011, and similar requirements annually for several years.

Wellington's 'product' gross margin has improved during the first half of the year, but is still being affected by adverse factors that we expect to reduce or disappear. In addition to the previously mentioned unusual airfreight costs, margin is affected by the abnormal costs associated with the launch of new products and by the impact of the decline in the €/US\$ exchange rate. Wellington is planning on a continued improvement in product gross margin.

Operating expenditure, prior to depreciation and amortisation, is expected to remain largely flat for the immediate future.

With strongly increasing sales, an improving product margin, and steady operating expenditure there is a continuing trend towards profitability.

## Share Purchase Plan

For the last year it has been Directors' firm intention to take Wellington to profitability without further capital raising. At the recent AGM we stated that this remained the intention, but it was noted then that there was a low level of buffer for unanticipated events.

Wellington's most recent cash projections, including allowance for the substantial lift in Commercial Refrigeration demand outlined above, show that this will not be possible and that further capital is required. Prior to a decision to seek further capital from shareholders, Wellington had also received an approach from an institutional investor that may be interested in taking a placement of shares

As a result, Directors have resolved to undertake a Share Purchase Plan (SPP) whereby each shareholder on the company's register at 30th August will be offered up to \$10,000 of shares at a discount to the current share price. This is similar to the plan offered to shareholders in November 2009. A letter setting out the terms of the SPP is expected to be mailed to

shareholders on 31st August. Following completion of the SPP, Wellington will look to place some or all of the shares not taken up by shareholders with institutional and professional investors, (which may include the investor that originally approached Wellington) although no arrangements or commitments have been entered into at this time<sup>1</sup>.



Dr Ross Green  
Chief Executive Officer

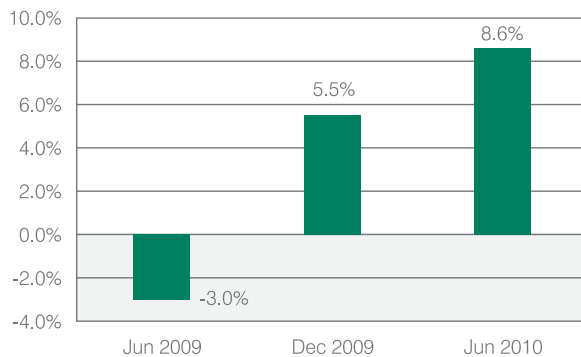
### Sales - volumes (000s of motors)

Motor sales volumes in thousands of units by six month periods

	Jun 2009	Dec 2009	Jun 2010	Jun 2010 v Jun 2009
ECR	176	248	311	76%
AMV	104	67	70	-34%
Ventilation	32	40	38	20%
<b>Total</b>	<b>312</b>	<b>355</b>	<b>419</b>	<b>34%</b>

### Product Gross Margin

Historic product gross margin by six month periods



<sup>1</sup> No money is currently being sought under the SPP and no applications for shares will be accepted or money received unless the shareholder has received the SPP Terms and Conditions.

## Statements of Comprehensive Income

Consolidated	Note	Unaudited Six Months Ended		Audited Year Ended
		30 Jun 2010 \$000s	30 Jun 2009 \$000s	31 Dec 2009 \$000s
Revenue		<b>12,557</b>	10,832	22,413
Cost of sales		<b>(11,423)</b>	(10,721)	(21,194)
Gross profit		<b>1,134</b>	111	1,219
Other income		<b>119</b>	236	409
Other operating expenses		<b>(6,471)</b>	(7,932)	(14,310)
Net exchanges losses		<b>(517)</b>	(1,244)	(2,033)
Loss before interest, tax, depreciation and amortisation (EBITDA)		<b>(5,735)</b>	(8,829)	(14,715)
Depreciation and amortisation		<b>(917)</b>	(934)	(1,914)
Loss before interest & taxation (EBIT)		<b>(6,652)</b>	(9,763)	(16,629)
Finance income		<b>80</b>	77	151
Finance expenses		<b>(30)</b>	(164)	(264)
Loss before income tax		<b>(6,602)</b>	(9,850)	(16,742)
Income tax expense		-	-	-
<b>Loss for the period</b>		<b>(6,602)</b>	(9,850)	(16,742)
Other comprehensive income:				
Currency translation differences		<b>814</b>	(101)	(215)
Cash flow hedges		<b>(129)</b>	-	-
Income tax relating to comprehensive income		-	-	-
Other comprehensive income/(loss) for the period		<b>685</b>	(101)	(215)
<b>Total comprehensive loss for the period</b>		<b>(\$5,917)</b>	(\$9,951)	(\$16,957)
Comprehensive loss attributable to the Owners of the Company		<b>(5,917)</b>	(9,951)	(16,957)
		<b>(\$5,917)</b>	(\$9,951)	(\$16,957)
Basic earnings per share – cents	14	<b>(1.17)</b>	(2.63)	(3.67)
Diluted earnings per share – cents	14	<b>(1.17)</b>	(2.63)	(3.67)

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

## Statements of Movements in Equity

Consolidated	Note	Unaudited Six Months Ended		Audited Year
		30 Jun 2010 \$000s	30 Jun 2009 \$000s	Ended 31 Dec 2009 \$000s
Equity at beginning of period		<b>25,731</b>	20,611	20,611
Comprehensive loss for period		<b>(5,917)</b>	(9,951)	(16,957)
Share option compensation expensed		<b>62</b>	58	129
Contributions of equity	10	-	11,401	22,546
Costs related to issues of new equity	10	<b>5</b>	(87)	(598)
<b>Equity at end of period</b>		<b>\$19,881</b>	\$22,032	\$25,731

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

# Statements of Financial Position

Consolidated	Note	Unaudited as at 30 Jun 2010 \$000s	Unaudited as at 30 Jun 2009 \$000s	Audited Year Ended 31 Dec 2009 \$000s
<b>Current Assets</b>				
Cash and cash equivalents		<b>5,967</b>	5,292	16,059
Trade and other receivables	5	<b>9,011</b>	6,985	7,626
Inventories	6	<b>9,521</b>	8,874	5,925
Total current assets		<b>24,499</b>	21,151	29,610
<b>Non Current Assets</b>				
Plant & equipment	7	<b>2,448</b>	3,084	2,697
Intangible assets	7	<b>3,976</b>	3,535	3,648
Total non current assets		<b>6,424</b>	6,619	6,345
Total assets		<b>30,923</b>	27,770	35,955
<b>Current Liabilities</b>				
Trade and other payables		<b>9,804</b>	2,992	7,182
Bank finance facilities	9	<b>680</b>	2,218	2,516
Provisions	8	<b>386</b>	309	333
Finance lease liability		<b>62</b>	54	57
Total current liabilities		<b>10,932</b>	5,573	10,088
<b>Non Current Liabilities</b>				
Finance lease liability		<b>110</b>	165	136
Total liabilities		<b>11,042</b>	5,738	10,224
Net assets		<b>\$19,881</b>	\$22,032	\$25,731
<b>Equity</b>				
Contributed equity	10	<b>90,503</b>	79,864	90,498
Accumulated losses		<b>(70,371)</b>	(56,877)	(63,769)
Other reserves		<b>(251)</b>	(955)	(998)
Total equity		<b>\$19,881</b>	\$22,032	\$25,731

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

## Cash Flow Statements

Consolidated	Note	Unaudited Six Months Ended		Audited Year
		30 Jun 2010 \$000s	30 Jun 2009 \$000s	Ended 31 Dec 2009 \$000s
<b>Cash flows from operating activities</b>				
Receipts from customers exclusive of GST		<b>11,710</b>	11,761	22,321
Payments to suppliers and employees exclusive of GST		<b>(19,036)</b>	(21,907)	(32,424)
Interest received		<b>80</b>	77	151
Interest paid		<b>(30)</b>	(164)	(264)
Net GST (paid)/received		<b>115</b>	(210)	79
Net cash outflow from operating activities		<b>(7,161)</b>	(10,443)	(10,137)
<b>Cash flows from investing activities</b>				
Payments for plant & equipment		<b>(163)</b>	(445)	(679)
Payments for intangible assets		<b>(586)</b>	(753)	(1,322)
Proceeds from sale of plant & equipment		-	-	24
Net cash outflow from investing activities		<b>(749)</b>	(1,198)	(1,977)
<b>Cash flows from financing activities</b>				
Cash proceeds from share issues, net of issue costs	10	-	11,314	21,948
Repayment of borrowings		<b>(2,049)</b>	(85)	(286)
Net cash inflow from financing activities		<b>(2,049)</b>	11,229	22,234
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(9,959)</b>	(412)	10,120
Cash and cash equivalents at the beginning of the financial period		<b>16,059</b>	5,923	5,923
Effect of exchange rate movements on cash		<b>(133)</b>	(219)	16
<b>Cash and cash equivalents at end of period</b>		<b>\$5,967</b>	\$5,292	\$16,059

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

# Notes to the Interim Financial Statements

for the six months ended 30 June 2010

## 1. GENERAL INFORMATION

Wellington Drive Technologies Limited (the Company) and its subsidiaries (together the Group) are technology companies that develop, manufacture, market and sell electronically-commutated electric motors for worldwide use together with related products and services. The Company and its subsidiaries are profit oriented entities.

The Company is a limited liability company incorporated under the Companies Act 1993 and domiciled in New Zealand. It is listed on the New Zealand Stock Exchange ("NZX") and is an issuer in terms of the Financial Reporting Act 1993.

These consolidated interim financial statements have been approved for issue on 19 August 2010.

These consolidated interim financial statements have not been audited. The comparative information for the year ended 31 December 2009 has been extracted from the audited Financial Statements and Annual Report.

## 2. BASIS OF PREPARATION

These consolidated interim financial statements for the six months ended 30 June 2010 have been prepared in accordance with the New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and NZ IAS 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009.

## 3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its financial statements as at and for the year ended 31 December 2009.

From 1 January 2010 The Parent has changed its functional currency from New Zealand dollars to US dollars. The Board believes US dollars will be the primary economic environment that the Parent will operate in for 2010 and in future years. The presentation currency for the Group and Parent remains New Zealand dollars.

### *Going concern convention*

These financial statements have been prepared under the going concern convention. The Directors have reviewed cash flow projections and are satisfied that the Group will have sufficient finances, after taking into account the likely raising from the Share Purchase Plan, to continue for at least twelve months from the date of this Interim Report. These projections assume continuity of major customers, maintenance of existing contractual arrangements and foreign exchange rates reflective of market rates prevailing at August 2010.

### *Standards, amendments, and interpretations effective for the year under review*

During the period the Group has adopted the following new and amended NZ IFRS's as

of 1 January 2010. The presentation of certain comparatives has been revised to ensure consistency of disclosure with the current period.

- NZ IFRS 3 (revised) "Business combinations"  
The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently re-measured through the income statements. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply NZ IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.
- NZ IFRS 5 (amendment), Non-current assets held-for-sale and discontinued operations  
The revised standard clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure would be made for this subsidiary if the definition of a discontinued operation is met.  
The Group will apply NZ IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010, of which there were none.
- NZ IFRS 7 "Financial instruments - disclosures (amendment)"  
The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of fair value measurement hierarchy. As the amended accounting policy only results in additional disclosures, there is no impact on reported earnings.

Standards, amendments and interpretations to existing standards that are not yet effective  
Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but which the Group has not early adopted:

- NZ IFRS 9 Financial instruments: classification and measurement (mandatory for annual periods beginning on or after 1 January 2013).  
There are a number of changes under this standard in relation to the measurement and classification of financial instruments. The Group is reviewing the standard for its implications on the Group and intends to adopt NZ IFRS 9 from 1 January 2013.

#### 4. SEGMENT INFORMATION

##### (a) Reportable segments

At 30 June 2010, the Company is organised on a global basis into one business segment: developing, manufacturing, marketing and selling its electronically-commutated electric motors and related products and services.

##### (b) Geographical segments

The Company's business segment operates in three main geographical areas, even though it is managed on a global basis. The home country of the Company, and the home of the parent company, is New Zealand, whose numbers are included in the Asia region. The Company's revenue is generated mainly from the supply of products through the parent company.

Revenue by Destination	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2010 \$000s	30 Jun 2009 \$000s	31 Dec 2009 \$000s
New Zealand	7	10	29
America	6,330	4,831	10,448
Asia/Pacific	2,376	733	1,599
Europe	3,844	5,268	10,337
<b>Total</b>	<b>\$12,557</b>	<b>\$10,832</b>	<b>\$22,413</b>

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

## 5. TRADE AND OTHER RECEIVABLES

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2010 \$000s	30 Jun 2009 \$000s	31 Dec 2009 \$000s
Trade receivables	4,802	5,248	5,244
Non-trade receivables	2,061	463	833
Provision for doubtful receivables	(439)	(467)	(460)
	<b>6,424</b>	<b>5,244</b>	<b>5,617</b>
Prepayments	1,414	597	1,019
Other receivables	559	544	572
VAT/GST refunds due	614	600	418
<b>Net receivables</b>	<b>\$9,011</b>	<b>\$6,985</b>	<b>\$7,626</b>

## 6. INVENTORIES

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2010 \$000s	30 Jun 2009 \$000s	31 Dec 2009 \$000s
Finished goods - at cost	3,895	6,445	3,426
Work in progress - at cost	2,792	1,908	1,272
Raw materials - at costs	3,215	1,038	1,724
Less Inventory Provisions	(381)	(517)	(497)
<b>Total Inventories</b>	<b>\$9,521</b>	<b>\$8,874</b>	<b>\$5,925</b>

## 7. PLANT & EQUIPMENT AND INTANGIBLE ASSETS

	Plant & Equipment \$000s	Intangible Assets \$000s
<b>Six months ended 30 June 2009</b>		
Opening net book value as at 1 January 2009	3,260	3,199
Additions	445	753
Disposals	-	-
Depreciation and amortisation	(519)	(417)
Exchange adjustment	(102)	-
Closing net book amount as at 30 June 2009	<u>\$3,084</u>	<u>\$3,535</u>
<b>Six months ended 30 June 2010</b>		
Opening net book value as at 1 January 2010	<b>2,697</b>	<b>3,648</b>
Additions	<b>163</b>	<b>586</b>
Disposals	-	-
Depreciation and amortisation	<b>(515)</b>	<b>(402)</b>
Exchange adjustment	<b>103</b>	<b>144</b>
Closing net book amount as at 30 June 2010	<u><b>\$2,448</b></u>	<u><b>\$3,976</b></u>

## 8. WARRANTY PROVISION

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2010 \$000s	30 Jun 2009 \$000s	31 Dec 2009 \$000s
Carrying amount at start of period	<b>333</b>	200	200
Additional provisions recognised	<b>290</b>	225	304
Amounts used	-	-	-
Unused amounts reversed	<b>(246)</b>	(116)	(171)
Exchange adjustment	<b>9</b>	-	-
Carrying amount at end of period	<u><b>\$386</b></u>	<u>\$309</u>	<u>\$333</u>

The Company sells electric motors with warranty periods of up to three years. The terms of the warranty provide that the Company will repair or replace items that fail to perform satisfactorily. A provision has been recognised based on historical data and average levels of repairs and warranty claims experienced by the industry with respect to similar products. It is anticipated that the provision will be utilised within the next year and any unused amounts released to the Statement of Comprehensive Income.

## 9. BANK FINANCE FACILITIES

	Unaudited Six Months Ended		Audited Year
	30 Jun 2010	30 Jun 2009	Ended
	\$000s	\$000s	31 Dec 2009
			\$000s
Trade Credit Finance Advances (secured)	<b>\$680</b>	\$2,218	\$2,516

The advances are secured by way of a debenture security over the Company's assets. Interest is payable at EURO/USD bank rates plus 1.25%.

Wellington has provided a guarantee to Yapi Kredi Bank, Turkey. Yapi Kredi Bank provides a credit line of up to US\$1,000,000 to Wellington Motor Teknolojileri San Tic Ltd Sti.

## 10. SHARE CAPITAL

	Six Months Ended	Six Months Ended	Six Months Ended	Six Months Ended
	30 Jun 2010	30 Jun 2009	30 Jun 2010	30 Jun 2009
	\$000s	\$000s	\$000s	\$000s
Ordinary shares – fully paid	<b>564,645,995</b>	451,091,236	<b>90,478</b>	79,839
Ordinary shares – partly paid	<b>4,950,000</b>	4,950,000	<b>25</b>	25
Total ordinary shares on issue	<b>569,595,995</b>	456,041,236	<b>\$90,503</b>	\$79,864

### (a) Ordinary shares

Opening balance of ordinary shares on issue	<b>564,645,995</b>	337,080,927	<b>90,473</b>	68,525
Issues of ordinary shares during the period:				
- March 2009 rights issue at 10 cents for cash	-	114,010,309	-	11,314
Costs related to issues of new equity	-	-	<b>5</b>	-
Ordinary fully paid shares on issue at period end	<b>564,645,995</b>	451,091,236	<b>\$90,478</b>	\$79,839

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

### (b) Ordinary shares - part paid

Ordinary part paid shares on issue at start of period	<b>4,950,000</b>	4,950,000	<b>25</b>	25
Issued	-	-	-	-
Lapsed	-	-	-	-
Surrendered	-	-	-	-
Ordinary part paid shares on issue at period end	<b>4,950,000</b>	4,950,000	<b>\$25</b>	\$25

Issue Date	Earliest date to exercise	Expiry exercise date	Share hurdle price (cents)	Partly paid share price (cents)	Balance payable on exercise (cents)	Outstanding at June 2010	Outstanding at June 2009 (numbers)
15 Sep 2008	15 Sep 2011	15 Sep 2012	40.5 cents	31.12	30.62	<b>4,950,000</b>	-
						Outstanding at June 2010 (numbers)	Outstanding at June 2009 (numbers)
(c) Share Options							
Options outstanding at start of period						<b>900,000</b>	900,000
Granted						-	-
Exercised						-	-
Lapsed						<b>(900,000)</b>	-
Outstanding at end of period						-	900,000

Further details of share options granted are summarised below:

Vesting Date	Expiry date	Exercise price (cents) <sup>1</sup>	Outstanding at June 2010 (numbers)	Outstanding at June 2009 (numbers)
13 Mar 07	27 Apr 10	50.3	-	900,000
			-	900,000

<sup>1</sup> The stated exercise price has been adjusted for the effect of cash issues in December 2005, June 2007 and the cash issue in March 2009 in accordance with the terms of the Wellington Employees Share Option Plan.

## 11. CONTINGENCIES

The Company is seeking to recover approximately \$65,000 from a former distributor of the Company's products. The distributor has refused to make payment and has stated that if a claim by the Company were to be pursued the Company might be liable for up to approximately \$900,000 in further distribution related costs. No details of these costs have been provided by the distributor, despite the Company's repeated requests and the matter is ongoing. As these matters are uncertain, no provisions have been made in the accounts for either the claim by the Company or for the possible further distribution related costs.

There are no other material contingent liabilities or assets (June 2009:\$nil).

## 12. RELATED PARTY TRANSACTIONS

### (a) Directors

The names of persons who are Directors of the Company are on page 17.

### (b) Key management and personnel and compensation

Key management personnel compensation for the six months ended 30 June 2010 and six months ended 30 June 2009 is set out below. The key management personnel is comprised of the Directors and the Chief Executive Officer (CEO) and all the senior executives that report directly to the CEO.

	<b>Six Months Ended</b> 30 Jun 2010 \$000s	<b>Six Months Ended</b> 30 Jun 2009 \$000s
Salaries, fees and other short term benefits	<b>982</b>	1,317
Net share option compensation expensed	<b>49</b>	48
Bonuses	<b>134</b>	-
Total	<b>\$1,165</b>	\$1,365

### 13. EVENTS OCCURRING AFTER HALF YEAR END

In August 2010 the Company issued 12,300,000 part paid shares pursuant to the Wellington Drive Technologies Partly Paid Share Scheme to twenty seven staff and to Dr R.M. Green. The issue price is 11.53 cents payable 0.5 cents on issue and the balance in accordance with the Scheme during the period from 10 August 2013 to 10 August 2015, provided the volume weighted average price of the Company's shares on the NZSX over the ten trading days period to 10 August 2013 is in excess of 11.53 cents. The Company further issued a total of 750,000 share options to three senior staff pursuant to its United States Employee Share Option Plan that was approved by shareholders on 18 June 2010. These options can be exercised between 11 August 2013 and 10 August 2014 provided the price of the Company's shares on the NZSX on 10 August 2013 is in excess of 12.35 cents. The price payable for the options is 12.35 cents.

### 14. EARNINGS PER SHARE

#### (i) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

	<b>Six Months Ended</b> 30 Jun 2010 \$000s	<b>Six Months Ended</b> 30 Jun 2009 \$000s
Loss attributable to equity holders of the Company	<b>(\$6,602)</b>	(\$9,850)
Weighted average number of ordinary shares on issue (thousands)	<b>564,646</b>	373,939
Basic earnings per share	<b>(1.17 cents)</b>	(2.63 cents)

#### (ii) Diluted

Generally diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all part paid shares and share options. The Company issues part paid shares and share options at a premium to the market price of the shares at grant date with a vesting date in the future.

Where their exercise price is greater than the market price for the Company shares at the reporting date, the part paid shares and options are excluded from the calculation of diluted earnings per share.

	Six Months Ended 30 Jun 2010 \$000s	Six Months Ended 30 Jun 2009 \$000s
Loss attributable to equity holders of the Company	<b>(\$6,602)</b>	(\$9,850)
Weighted average number of ordinary shares on issue (thousands)	<b>564,646</b>	373,939
Adjustment for partly paid shares or share options	-	-
Diluted earnings per share	<b>(1.17 cents)</b>	(2.63 cents)

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

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2010 \$000s	30 Jun 2009 \$000s	31 Dec 2009 \$000s
Loss after taxation for the period	<b>(6,602)</b>	(9,850)	(16,742)
Depreciation and amortisation	<b>917</b>	934	1,914
Loss/(gain) on sale of plant & equipment	-	-	8
Share based payments	<b>62</b>	58	129
Inventory write downs	<b>(116)</b>	302	283
Provision for doubtful debts	<b>(21)</b>	184	177
Provision for warranty	<b>53</b>	109	133
Net foreign exchange differences	<b>768</b>	124	(260)
(Increase) in trade and other receivables	<b>(1,364)</b>	289	(345)
(Increase) in inventories	<b>(3,480)</b>	(678)	2,290
Increase in trade and other payables	<b>2,622</b>	(1,915)	2,276
<b>Net cash outflow from operating activities</b>	<b>(\$7,161)</b>	(\$10,443)	(\$10,137)

Note 15 is included as a supplemental disclosure to the Interim Report released 20 August 2010.

# Directory

## Directors

Dr Rick Boven, Chairman  
Dr Ross Green, Chief Executive Officer  
Shawn Beck  
Simon Mander  
Tony Nowell  
Dr Ray Thomson

## Senior Staff: New Zealand

Steven Hodgson, Vice-President  
Corporate Services  
Bruce Farquharson, Vice-President Delivery  
Jamie Wilkinson, Chief Engineer  
David Howell, Chief Technical Officer  
Ron Jackson, Secretary

## International Sales and Operations

Ray Cox, Vice-President Sales  
Ali Karahasanoğlu, Sales Director,  
Europe/Eurasia  
Susan Sieben, Sales Director, USA  
Erick Layseca-Flores, Business Leader,  
Mexico

## Phone/Fax

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## Internet

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Email: [info@wdtl.com](mailto:info@wdtl.com)

## Addresses

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North Shore City 0632, New Zealand  
PO Box 302-533, North Harbour  
Auckland 0751, New Zealand

## Registered Office

16 - 22 Omega Street, Rosedale  
North Shore City 0632, New Zealand

## Auditors

PricewaterhouseCoopers  
188 Quay Street, Auckland, New Zealand

## Bankers

Bank of New Zealand

## Share Registry

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



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