Wellington®

Interim Report

June 2009

WTB0104

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Interim Management Report

Key Points

- Revenue at $10.8 million for the six month period to 30 June 2009, up 66% against the same period in 2008;
- Reported loss $9.85 million, including foreign exchange losses of $1.2 million;
- Commercial refrigeration revenue continues to grow rapidly with 194% lift over the first half of 2008;
- Still targeting profitability in 2010

Overview

The first half of 2009 saw Wellington continue strong progress towards its goal of a growing and profitable global motor business. Sales growth of 66% was achieved during the half year (compared to the same period in 2008) at a time when our major customers' businesses were more significantly impacted by the global recession than they had expected. ECR sales now comprise 60% of revenues and grew 194% during the half year (compared to the same period in 2008).

Foreign exchange losses of $1.24 million impacted the reported loss of $9.85 million for the period.

Our reported gross margin for the first half was lower than expected, being significantly impacted by unusual and one-off items associated principally with restructuring of the supply chain. Unanticipated costs associated with use by customers of our products in new applications were also incurred.

With the increased sales now being achieved, Wellington's supply chain is able to operate with improved efficiency, so that unit costs are starting to reduce towards target levels and margins are improving. Investments in product development and range extensions across both commercial refrigeration and ventilation businesses continue.

Margins are yet to show the effects of cost reduction initiatives, or the better supply chain costs now being achieved due to increased throughput. For instance, almost all sales reported during the half year were from stocks built and purchased before these improvements were completed.

Taken together with reduced costs from the supply chain improvements that have been put in place, design changes will result in a substantial lift in margins from the levels currently being reported. The company has a central focus on improving margins.

Financial Review

A loss of $9.85 million is reported for the 6 month period to the 30th June, 2009 (2008:$4.4 million). A foreign exchange loss of $1.24 million is included in this figure. Before foreign exchange effects the result was a loss of $8.6 million, $0.2 million higher than projected in the trading update released to the markets on June 10th.

Revenue for the six months was $10.8 million, 66% above revenues for the same period in 2008, and $0.3 million ahead of the revised guidance issued in June. Several sales which were forecast to occur in early July were booked in late June.

Wellington's reported gross margin for the first half ($0.11 million) was affected by unusual items. These included particularly the inventory provisions and freight costs that resulted from rationalisation of Wellington's UK warehouse and the move of ventilation motor production from New Zealand to Singapore. The latter also resulted in duplicated production labour costs for a period. Inventory provisioning alone amounted to almost NZ$0.9m for the period, including valuation effects from exchange rate movements (in addition to the separately disclosed $1.24 million foreign exchange loss discussed previously). Some costs associated with reprogramming of stocks of products to meet customer requirements for a new application were also incurred in the period and adversely affected margins.

Operating expenses, before the exchange rate loss mentioned previously, were NZ$8.9 million, above those for the comparable period in 2008 ($6.3 million), and slightly above the second half of 2008 ($8.5 million), as the company operations have begun to stabilise. Some operating expense reductions will result from the restructuring of the company's New Zealand operations carried out during June and July; these take effect in the second half of the 2009 financial year.

The cash balance at the end of June was $5.3 million.

Stock on hand of $8.9 million was above the figure of $8.5 million at December 31st, 2008 and larger than forecast ($8.0 million). This is a direct result of lower sales during the second quarter of the year. Wellington is currently working through a substantial inventory reduction, with good progress being achieved as customer order levels recover.

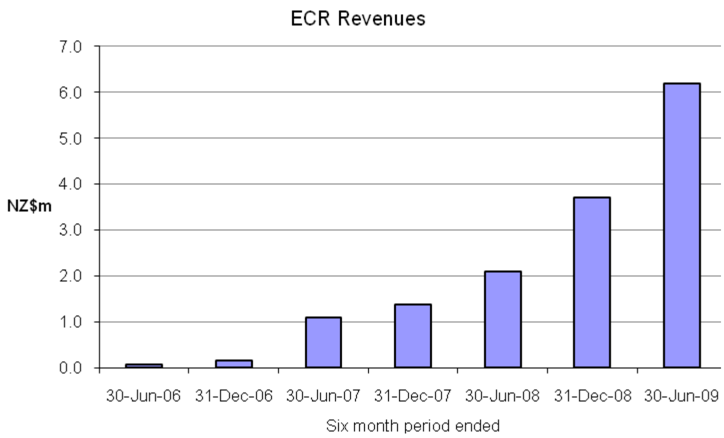
Receivables of $7.0 million were lower than the $7.5 million recorded at the end of December.

Operations Review

Commercial Refrigeration

Sales of Wellington's electricity-saving "ECR" commercial refrigeration motors grew rapidly in the first six months of 2009, with revenues (as reported in New Zealand dollars) up 194% compared to the first half of 2008, continuing the rapid growth trend that this business has achieved since commercial launch in 2006 (see graph below). We expect this performance to continue for the foreseeable future.

Commercial refrigeration customers – supermarkets and convenience stores – have proved to be leaders in the adoption of electricity-saving, energy efficient 'EC' motors, represented by Wellington's ECR product line. The fact that these motors operate 24 hours a day means that aggregate energy savings by replacing inefficient induction motors with high efficiency EC motors are considerable and payback periods for supermarket owners are short. Supermarkets typically have one motor for every metre of chilled product space, with 400 ECR motors used in representative supermarkets in the United States. Some of the largest supermarkets require over 600 motors.



We estimate that the total commercial refrigeration segment consumes 25 million to 30 million motors each year, while currently only approximately 10% are high efficiency types. In the longer term, we expect that the market will switch entirely to high efficiency EC motors, like Wellington's ECR products.

Wellington is currently winning a substantial proportion of global high efficiency motor sales for supermarket and convenience store refrigeration equipment, with a particularly strong position in the important American market. The company's objective is to dominate this segment. Wellington believes that the commercial refrigeration segment alone is of sufficient scale to provide the company with an opportunity for substantial growth and profit in the next few years.

Wellington has had a strong six months with respect to new customer acquisition, and we believe that this is a good sign of a continued increase in sales levels over the next twelve months, particularly into 2010. Considerable effort, and related expense, is associated with bringing new customers to this point, and these costs of customer acquisition are in our results now. Thereafter twelve months or more are required before such customers begin to consume regular quantities at their full, or "annualised", rate – and the full benefits are then seen in our reported results.

The commercial refrigeration industry, particularly in North America, is continuing the process of switching from low efficiency induction motors to high efficiency EC (electronically commutated) motors. This process will eventually see EC motors as the dominant, and perhaps only, choice for commercial refrigeration equipment. The rate of adoption accelerated during the first half year, notwithstanding the difficult economic conditions overall.

Wellington's well publicised success with major customers such as Hill Phoenix (who supply Wal*Mart) and Vendo de Mexico (a major supplier of equipment for Coca-Cola) means we are considered as an EC motor supplier by virtually all major commercial refrigeration manufacturers, and have become the first choice supplier for many.

Ventilation (including Fan Filter Units)

Wellington's ventilation business contributed sales of $3 million for the six months to 30th June, down 4% on the same period in 2008. Competitors in this general sector reported sales volume declines of 25% to 40% over the same period.

While Wellington's sales growth in the ventilation segment has been substantially lower than growth in commercial refrigeration, this market remains of considerable interest. As with commercial refrigeration, the ventilation market is transitioning to high efficiency products, meaning that the high efficiency segment of the overall market is expected in normal circumstances to grow rapidly for a sustained period of time.

However, while the market remains attractive, the costs of developing and supporting the required sales and support infrastructure globally are high. This arises mainly because the customer base is fragmented compared to commercial refrigeration. "Fragmented" means that the ventilation market is largely comprised of a large number of smaller customers. As a result, staffing levels, distribution infrastructure and overall support costs needed to adequately serve the customer base are high. Hence, Wellington's chosen strategy in this area is to access the market via our OEM partner.

Wellington has been developing a range of ventilation motors, based on our "DD series" of premium ventilation products, with this partner. The last of the initial range of motors covered by the 2008 agreement should be completed in the next few months. Initial orders have been received which is a significant milestone for this area of our business.

Range Extensions

Our "ECR" range of electricity-saving motors for commercial refrigeration equipment is being expanded with three new products. Two of these new products extend our range further into market segments that offer higher revenues per unit, and improved margins.

The ECR85/95 is a motor with higher power output than our other ECR motors, rated for supermarket bulk storage facilities for chilled produce. The higher power output means that prices are also higher, and design features in these motors mean that we expect to achieve good margins.

The ECR83/93 has special features to improve ease of use for certain "retrofit" projects. A "retrofit" project involves replacing motors in refrigeration equipment on site at a supermarket or convenience store while the equipment remains in service. Reduced electricity costs with ECR motors is the motivating factor behind a retrofit project, which is usually commissioned by the supermarket or convenience store owner. As the equipment remains in service, the project must be completed as quickly as possible to minimise costs: the ECR83/93 products have features that assist speedy completion of some retrofit projects.

The third ECR product is a revised version of our ECR82/92 motor, currently our largest-selling product line, which offers customers improved service performance and has lower production costs.

These products are currently being assessed by customers – feedback so far is positive - and are also being taken through the required regulatory approval processes necessary before sales begin. We anticipate that commercial sales will begin in the first quarter of 2010.

In our ventilation business, three new products derived from our "DD" series of premium motors are being introduced by our international OEM partner. All of these products are positioned in premium segments of the market.

Manufacturing and Logistics

Refinement and rationalisation of Wellington's manufacturing platform continued, with efficiencies improving and costs per unit falling as our production volumes increase.

Wellington's original manufacturing arrangements were designed for low volume, keeping investments at the lowest practical level while entering the ventilation and commercial refrigeration markets. Given the growth path established, particularly for commercial refrigeration products, during 2008 Wellington invested in higher volume manufacturing facilities with contracted partners in China, to prepare for the substantial increase in volume that is now being achieved.

Our manufacturing centre in Singapore was also set up and opened in August 2008. The Singapore facility is responsible for management, quality control and logistics associated with our contracted factories and subcontractors in the Asian region. Production of ventilation motors and specialised, lower-volume, ECR motors is also done there.

The first half of 2009 has seen the current phase of development of the company's manufacturing platform come close to completion. Transfer of manufacturing of ventilation motors from New Zealand to Singapore was completed in May. Manufacturing of ECR80/90 motors is being moved from contract partners in-house to our Singapore facility, resulting in notable cost savings. Assembly of ECR80/90 motors has begun in Singapore, and transfer of the full process is expected to be complete in September. Manufacture of the new ECR 85/95 motor range, rated for supermarket bulk storage chillers, which is being evaluated by leading customers now, will also be undertaken in Singapore on the ECR80/90 production line.

The company's logistics operations have been further developed during 2009, with substantially reduced costs now being achieved. Wellington has entered into a global freight contract with Kuhne & Nagel and contracts third party logistics services from this organisation for those markets where we do not have our own warehousing facilities. This arrangement has proved to be lower cost than having our own facilities in certain regions. Our facility in Italy was closed last year and closure of our UK warehouse was completed in the first quarter of 2009.

Total Integration

Wellington's Total Integration service provides application specific motor and system design for commercial and residential appliance manufacturers. The ability to design in and scale the physical properties of Wellington's innovative motor offering, together with associated software and special-purpose electronic controls, allows the company's design team to deliver electricity saving solutions with low total system costs. Our Total Integration offering differentiates us in today's motor market.

Wellington's two major Total Integration projects both achieved excellent technical results during the first six months of 2009.

The project with Panasonic Refrigeration Devices Singapore, with whom we have been working on compressors for domestic and light industrial refrigerators, has now concluded. While the project has been a technical success, Panasonic has indicated that it does not wish to proceed further with the project immediately. We are currently in discussions with Panasonic as to whether they wish instead to acquire the developed technology, which Wellington owns, for commercialisation purposes. Should these discussions not reach a successful conclusion, Wellington will be pursuing other commercialisation strategies for this important new technology.

Negotiations in respect of Wellington's other major project are progressing as expected. Our customer is undertaking comprehensive technical due diligence that will be followed by final commercial negotiations. We expect this process to be concluded by the end of the calendar year.

The rapid growth of Wellington's commercial refrigeration business over the last two years has led us to place an increased focus on that market. Correspondingly, the financial conditions that we look for from Total Integration projects have been made more stringent. Even with this change in our contractual requirements, Wellington started a new total integration project in the first six months of the year, and we are in the final stages of negotiating an additional project that may see engineering work begin in the last quarter of 2009.

Outlook

We continue to expect rapid growth in revenues and an improved margin performance in the second half of the year: with ongoing tight control of operating expenditure we expect that financial performance will improve substantially.

The table below updates the company's expectations for the full 2009 year (assuming exchange rates to the New Zealand $ of $US0.55 and $US0.65) and compares this to the previous update released on June 10th.

Forecast Consolidated Statement of Income for the year ended 31 December 2009	**June 2009 Guidance @ US$0.55 $millions**	**Current Guidance @ US$0.55 $millions**	**Current Guidance @ US$0.65 $millions**	**Normal variance to Forecasts**
Revenue	33.7	29.7	27.1	+/- 10%
Gross profit	5.9	3.4	2.9	
Operating expenses	(15.1)	(14.5)	(14.3)	
Exchange losses	-	(1.2)	(1.2)	
Depreciation and amortisation	(2.1)	(2.1)	(2.1)	
Earnings before interest & taxation (EBIT)	(11.3)	(14.4)	(14.7)	+/- 10%
Net finance income	(0.1)	(0.1)	(0.1)	
Loss before tax	($11.4)	($14.5)	($14.8)	+/- 10%

Major contributors to the changes between the June update and the current guidance include:

- The June forecast included actual management accounting information for the first four months of the year and forecasts for the remaining eight months. The updated forecast includes actual numbers through to and including July and forecasts for the last five months. For the extra three months of actual information in the updated forecast sales in US dollars were ahead of the June guidance, but due to the actual exchange rate being above the US$0.55 forecast in June, sales reported in New Zealand dollars were below guidance by approximately NZ$0.7 million.
- There has been a lift in the indicated levels of demand for ECR motors from major customers, particularly in the Americas region. Offsetting this, the timing and initial quantities ordered by a range of smaller ECR customers are now expected to be smaller and/or later than previously projected.
- The initial orders for ventilation motors received from our OEM partner were lower than was projected in the previous guidance.
- An order for fan filter motors that was forecast for the second half of the year is now not expected to take place.
- Projected gross margin is lower because the reduced sales projections mean that the second half year still sees us working through stocks that were purchased at higher costs than current levels. We are expecting a significant lift in second half gross margins as the unusual level of provisioning and freight costs incurred in the first half are not repeated, and the benefits of lower procurement costs flow through to reported results.

Wellington is still targeting profitability in 2010 and this is a core aim for the company. As noted above, margins are improving and are expected to continue to improve. The company's overhead cost base has been stabilized following an increase in overhead costs to prepare for the sales growth now being achieved; substantial increases in costs above current levels are not required as volumes grow further. In addition, one off costs associated with the changes to our manufacturing and logistics arrangements are not expected to be repeated.

The substantial majority of projected business for the remainder of 2009, and into 2010, is with customers who have been using our products for a considerable period, extending to several years in some cases. The sales growth we expect with those customers also comes in the main from current products and contracts that are only now rising to the full, projected annual rates.

Cornerstone Process

Wellington's cornerstone shareholder process is ongoing, with no further announcements to be made at this time

For and on behalf of the Board

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Dr R. Boven
Chairman
25 August 2009

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Dr R.M. Green
Director
25 August 2009

WELLINGTON DRIVE TECHNOLOGIES LIMITED

Consolidated Statement of Comprehensive Income

	Note	Unaudited Six Months Ended 30 Jun 2009 $000s	30 Jun 2008 $000s	Audited Year Ended 31 Dec 2008 $000s
Revenue		**10,832**	6,538	14,508
Cost of sales		**(10,721)**	(5,746)	(13,602)
Gross profit		**111**	792	906
Other income		**236**	804	4,543
Operating expenses		**(10,110)**	(6,349)	(14,838)
Loss before interest & taxation (EBIT)		**(9,763)**	(4,753)	(9,389)
Finance income		**77**	384	650
Finance expenses		**(164)**	(63)	(300)
Loss before income tax		(9,850)	(4,432)	(9,039)
Income tax expense		-		-
Loss for the period		(9,850)	(4,432)	(9,039)
Other comprehensive income:				
Exchange differences on translating foreign operations		**(101)**	17	(994)
Income tax relating to comprehensive income		**-**	-	-
Other comprehensive (loss)/income for the period		**(101)**	17	(994)
Total comprehensive loss for the period		**($9,951)**	($4,415)	($10,033)
Loss attributable to the Owners of the Company		**(9,850)**	(4,432)	(9,039)
		($9,850)	($4,432)	($9,039)
Comprehensive loss attributable to the Owners of the Company		**(9,951)**	(4,415)	(10,033)
		($9,951)	($4,415)	($10,033)
Basic earnings per share – cents	11	**(2.63)**	(1.33)	(2.70)
Diluted earnings per share – cents	11	**(2.63)**	(1.33)	(2.70)
Note: Net impact of exchange (losses)/gains included in Loss for the period above		**(1,244)**	480	4,422

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

Statement of Movements in Equity

	Note	Unaudited Six Months Ended 30 Jun 2009 $000s	Unaudited Six Months Ended 30 Jun 2008 $000s	Audited Year Ended 31 Dec 2008 $000s
Equity at beginning of period		20,611	17,626	17,626
Comprehensive loss for period		(9,951)	(4,415)	(10,033)
Share option compensation expensed		58	-	270
Contributions of equity	9	11,401	12,865	12,890
Costs related to issues of new equity	9	(87)	(142)	(142)
Equity at end of period		$22,032	$25,934	$20,611

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

WELLINGTON DRIVE TECHNOLOGIES LIMITED

Consolidated Balance Sheet

	Note	Unaudited as at 30 Jun 2009 $000s	Unaudited as at 30 Jun 2008 $000s	Audited as at 31 Dec 2008 $000s
CURRENT ASSETS				
Cash and cash equivalents		5,292	15,529	5,923
Trade and other receivables		6,985	3,978	7,458
Inventories		8,874	4,095	8,498
Total current assets		21,151	23,602	21,879
NON CURRENT ASSETS				
Plant & equipment	6	3,084	2,753	3,260
Intangible assets	6	3,535	2,938	3,198
Total non current assets		6,619	5,691	6,458
Total assets		27,770	29,293	28,337
CURRENT LIABILITIES				
Trade and other payables		2,992	1,826	4,906
Bank finance facilities (secured)	8	2,218	1,101	2,375
Provisions	7	309	163	200
Current portion of lease liability(secured)		54	54	51
Total current liabilities		5,573	3,144	7,532
NON CURRENT LIABILITIES				
Lease liability		165	215	194
Total liabilities		5,738	3,359	7,726
Net assets		$22,032	$25,934	$20,611
EQUITY				
Contributed equity	9	79,864	68,525	68,550
Accumulated losses		(56,877)	(42,737)	(47,027)
Other reserves		(955)	146	(912)
Total equity		$22,032	$25,934	$20,611

The above Balance Sheet should be read in conjunction with the accompanying notes.

WELLINGTON DRIVE TECHNOLOGIES LIMITED

Consolidated Cash Flow Statement

	Note	Unaudited Six Months Ended 30 Jun 2009 $000s	30 Jun 2008 $000s	Audited Year Ended 31 Dec 2008 $000s
Cash flows from operating activities				
Receipts from customers exclusive of GST		11,761	6,996	10,972
Payments to suppliers and employees exclusive of GST		(21,907)	(11,142)	(25,194)
Net GST (paid)/received		(210)	15	(17)
Cash utilised in operations		(10,356)	(4,131)	(14,239)
Interest received		77	384	650
Interest paid		(164)	(63)	(300)
Net cash outflow from operating activities		(10,443)	(3,810)	(13,889)
Cash flows from investing activities				
Payments for plant & equipment		(445)	(894)	(2,110)
Payments for intangible assets		(753)	(327)	(1,019)
Proceeds from sale of plant & equipment		-	-	291
Net cash outflow from investing activities		(1,198)	(1,221)	(2,838)
Cash flows from financing activities				
Cash proceeds from share issues, net of issue costs	9	11,314	12,723	12,748
(Repayment of)/proceeds from borrowings		(85)	-	1,130
Net cash inflow from financing activities		11,229	12,723	13,878
Net (decrease)/increase in cash and cash equivalents		(412)	7,692	(2,849)
Cash and cash equivalents at the beginning of the financial period		5,923	7,837	7,837
Effect of exchange rate movements on cash		(219)	-	935
Cash and cash equivalents at end of period		$5,292	$15,529	$5,923

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

Notes to the Interim Financial Statements
for the six months ended 30 June 2009

1. GENERAL INFORMATION

Wellington Drive Technologies Limited (the Company) and its subsidiaries (together the Group) are technology companies that develop, manufacture and market brushless electric motors for worldwide use. 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 25 August 2009.

These consolidated interim financial statements have not been audited. The comparative information for the year ended 31 December 2008 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 2009 have been prepared in accordance with the New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International 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 2008.

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 31st December 2008.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) and the Accounting Standards Review Board in New Zealand (ASRB) that are mandatory for future periods and which the Group will adopt when they become mandatory. These new standards, amendments and interpretations include:

- NZ IFRS8: Operating Segments (mandatory for annual periods beginning on or after 1 January 2009). NZ IFRS 8 replaces IAS 14 "Segment Reporting", and requires a 'management approach'. This means the segments need to be presented on the same basis as that used for internal reporting purposes. When the Group applies the standard in its financial statements for the year ended 31 December 2008 it is expected there will be some additional disclosures compared with those required under IAS 14;
- NZ IFRS2: Share-Based Payments (effective from annual periods beginning on or after 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. It is not expected to have a material impact on the Group's financial statements when the standard is applied;
- NZ IAS36 (Amendment): Impairment of assets (effective from annual periods beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS36 (Amendment) and provide the required disclosure where applicable for impairment tests in the financial statements for the year ended 31 December 2009. No significant changes in disclosures are anticipated;
- There are a number of minor amendments to: NZ IFRS3 - Business Combinations (Revised) and NZ IAS27 - Consolidated and Separate Financial Statements (Revised); NZ IFRS5 (Amendment) - Non-current assets held-for-sale and discontinued operations; NZ IFRS 7 - Financial instruments - Disclosures; NZ IAS8 - Accounting policies, changes in accounting estimates and errors; NZ IAS10 - Events after the reporting period; NZ IAS18 – Revenue; and NZ IAS34 - Interim financial reporting, which are part of the IASB's annual improvements project published in May 2008. These amendments are unlikely to have a significant impact on the Group's financial statements and have therefore not been analysed in detail.

4. FUNDING

These financial statements have been prepared on a historical cost basis, the validity of which depends on the ability of the Company to maintain sufficient capital resources to fund the fixed asset and working capital investment, operating costs and ongoing development for the twelve months from the date of the Interim Report. The Directors remain confident that the Company will have sufficient capital resources for the next twelve months from the date of the Interim Report.

5. SEGMENT INFORMATION

The Company is organised on a global basis into one business segment: developing, manufacturing and marketing and selling electric motors. The segment result is reflected in the financial statements.

(a) Reportable segments

At 30 June 2009, the Company is organised on a global basis into one business segment: developing, manufacturing and marketing its brushless electric motors. The segment result is reflected in the financial statements.

(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.

	Unaudited Six Months Ended 30 Jun 2009 $000s	Unaudited Six Months Ended 30 Jun 2008 $000s	Audited Year Ended 31 Dec 2008 $000s
Revenue by Destination			
America	**4,831**	1,544	4,185
Asia/Pacific	**733**	1,063	2,179
Europe	**5,268**	3,931	8,144
Total	**$10,832**	$6,538	$14,508

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

	Unaudited Six Months Ended 30 Jun 2009 $000s	Unaudited Six Months Ended 30 Jun 2008 $000s	Audited Year Ended 31 Dec 2008 $000s
Revenue by Origin			
America	**1,883**	-	1,318
Asia/Pacific	**8,037**	5,878	11,886
Europe	**912**	660	1,304
Total	**$10,832**	$6,538	$14,508

Revenue is allocated above based on the country from which the products were delivered.

6. PLANT & EQUIPMENT AND INTANGIBLE ASSETS

	Plant & Equipment $000s	Intangible Assets $000s
Six months ended 30 June 2008		
Opening net book value as at 1 January 2008	2,204	2,966
Additions	894	361
Disposals	-	-
Depreciation and amortisation	(351)	(392)
Exchange adjustment	6	3
Closing net book amount as at 30 June 2008	$2,753	$2,938
Six months ended 30 June 2009		
Opening net book value as at 1 January 2009	**3,260**	**3,199**
Additions	**444**	**753**
Disposals	**-**	**-**
Depreciation and amortisation	**(519)**	**(417)**
Exchange adjustment	**(101)**	**-**
Closing net book amount as at 30 June 2009	**$3,084**	**$3,535**

7. WARRANTY PROVISION

	Unaudited Six Months Ended		**Audited Year Ended**
	30 Jun 2009 $000s	**30 Jun 2008** $000s	**31 Dec 2008** $000s
Carrying amount at start of period	200	156	156
Additional provisions recognized	225	16	172
Amounts used	-	(1)	(42)
Unused amounts reversed	(116)	(8)	(86)
Carrying amount at end of period	$309	$163	$200

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 expected that the provision will be utilised within one year.

8. BANK FINANCE FACILITIES

	Unaudited Six Months Ended		**Audited Year Ended**
	30 Jun 2009 $000s	**30 Jun 2008** $000s	**31 Dec 2008** $000s
Trade Credit Finance Advances (secured)	$2,218	$1,101	$2,375

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.

9. SHARE CAPITAL

	Six months ended 30 Jun 09 Shares	Six months ended 30 Jun 08 Shares	6 months ended 30 Jun 09 $000s	6 months ended 30 Jun 08 $000s
Ordinary shares – fully paid	**451,091,236**	337,080,927	**79,839**	68,525
Ordinary shares – partly paid	**4,950,000**	-	**25**	-
Total ordinary shares on issue	**456,041,236**	337,080,927	**$79,864**	$68,525

(a) Ordinary shares

Opening balance of ordinary shares on issue	**337,080,927**	306,080,927	**68,525**	55,802
Issues of ordinary shares during the period:				
- March 2009 rights issue at 10 cents for cash	**114,010,309**	-	**11,314**	-
- January 2008 issue at 41.5 cents for cash	**-**	31,000,000	**-**	12,723
Ordinary fully paid shares on issue at period end	**451,091,236**	337,080,927	**$79,839**	$68,525

All ordinary shares are authorised, fully paid 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	4,950,000	-	25	-
Issued	-	-	-	-
Lapsed	-	-	-	-
Surrendered	-	-	-	-
Ordinary part paid shares on issue at period end	4,950,000	-	$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 2009 (numbers)	Outstanding at June 2008 (numbers)
15 Sep 2008	15 Sep 2011	15 Sep 2012	40.5 cents	31.12	30.62	4,950,000	-

(c) Share options

	Outstanding at June 2009 (numbers)	Outstanding at June 2008 (numbers)
Options outstanding at start of period	**900,000**	7,400,000
Granted	**-**	-
Exercised	**-**	-
Lapsed	**-**	-
Outstanding at end of period	**900,000**	7,400,000

Further details of share options granted are summarised below:

Vesting Date	Expiry date	Exercise price (cents) [1]	Outstanding at June 2009 (numbers)	Outstanding at June 2008 (numbers)
28 Oct 05	9 Dec 08	31.7	**-**	500,000
13 Mar 07	27 Apr 10	50.3	**900,000**	4,900,000
20 Jun 07	30 Jul 10	49.4	**-**	2,000,000
			900,000	7,400,000

1. The stated exercise price has been adjusted for the effect of cash issues in December 2005, June 2007 and (for the remaining 900,000 options on issue) the cash issue in March 2009 in accordance with the terms of the Wellington Employees Share Option Plan.

10. CONTINGENCIES

As at 30 June 2009 the parent entity and Group had no contingent liabilities or assets (Jun 2008: $nil).

11. RELATED PARTY TRANSACTIONS

(a) Directors

The names of persons who are directors of the Company are on page 1.

(b) Key management and personnel and compensation

Key management personnel compensation for the six months ended 30 June 2009 and six months ended 30 June 2008 is set out below. The key management personnel comprise of the directors and the Chief Executive Officer (CEO) and all the senior executives that report directly to the CEO. The increases relate to senior appointments made in the New Zealand team in July 2008, to strengthen company management capability: there have been no remuneration increases for senior staff already in post as of June 2008.

	6 months ended 30 Jun 09 $000s	6 months ended 30 Jun 08 $000s
Salaries, fees and other short term benefits	**1,317**	819
Net share option compensation expensed	**48**	84
Bonuses	**-**	-
Total	**$1,365**	$903

12. 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 in issue during the year.

	6 months ended 30 Jun 09	6 months ended 30 Jun 08
Loss attributable to equity holders of the Company	(9,850,000)	($4,432,000)
Weighted average number of ordinary shares on issue (thousands)	373,939	333,334
Basic earnings per share	(2.63 cents)	(1.33 cents)

(ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of share options.

	6 months ended 30 Jun 09	6 months ended 30 Jun 08
Loss attributable to equity holders of the Company	(9,850,000)	($4,432,000)
Weighted average number of ordinary shares on issue (thousands)	373,939	333,334
Adjustment for partly paid shares or share options	-	-
Diluted earnings per share	(2.63 cents)	(1.33 cents)

13. PROSPECTIVE FINANCIAL INFORMATION

The Prospectus and Investment Statement dated 9 January 2009 for Wellington Drive Technologies Limited one for three renounceable rights issue contained two years prospective financial figures to 31 December 2008 and 2009. The following information is a comparison of the unaudited prospective financial statements of Wellington Drive Technologies Limited from the 9 January 2009 prospectus with the unaudited actual results for the period ended 30 June 2009:

Consolidated Income Statement

	UNAUDITED Actual 6 months ended 30 Jun 2009 $000s	UNAUDITED Prospective 6 months ended 30 Jun 2009 $000s
Revenue	10,832	15,572
Cost of sales	(10,721)	(13,873)
Gross profit	111	1,699
Other income	236	-
Employee costs	(5,002)	(4,478)
Other operating expenses	(4,114)	(2,825)
Earnings before Interest, Taxation, Depreciation & Amortisation (EBITDA)	(8,769)	(5,604)
Depreciation & amortisation	(994)	(1,238)
Earnings before Interest & Taxation (EBIT)	(9,763)	(6,842)
Finance income	77	151
Finance expenses	(164)	(80)
Loss before income tax	(9,850)	(6,771)
Income tax expense	-	-
Loss attributable to equity holders for the period	($9,850)	($6,771)

Consolidated Statement of Changes in Equity

	UNAUDITED Actual 6 months ended 30 Jun 2009 $000s	UNAUDITED Prospective 6 months ended 30 Jun 2009 $000s
Equity at beginning of period	20,611	19,624
Net loss for period	(9,850)	(6,771)
Movement in Reserves	(43)	180
Total recognised income and expense for period	(9,893)	(6,591)
Contributions of equity	11,401	11,401
Costs related to issues of new equity	(87)	(100)
Equity at end of period	$22,032	$24,334

13. Prospective financial information - continued

Consolidated Statement of Financial Position

	UNAUDITED Actual as at 30 Jun 2009 $000s	UNAUDITED Prospective as at 30 Jun 2009 $000s
CURRENT ASSETS		
Cash and cash equivalents	5,292	7,731
Trade and other receivables	6,985	10,218
Inventories	8,874	8,045
Total current assets	21,151	25,994
NON CURRENT ASSETS		
Property, plant & equipment	3,084	2,912
Intangible assets	3,535	2,892
Total non current assets	6,619	5,804
Total assets	27,770	31,798
CURRENT LIABILITIES		
Trade and other payables	2,992	4,357
Bank finance facilities (secured)	2,218	2,694
Provisions	309	193
Current portion of lease liability	54	54
Total current liabilities	5,573	7,298
NON CURRENT LIABILITIES		
Lease liability	165	166
Total liabilities	5,738	7,464
Net assets	$22,032	$24,334
EQUITY		
Contributed equity	79,864	79,826
Accumulated losses	(56,877)	(56,040)
Other reserves	(955)	548
Total equity	$22,032	$24,334

13. Prospective financial information - continued

Consolidated Statements of Cash Flows

	UNAUDITED Actual 6 months ended 30 Jun 2009 $000s	UNAUDITED Prospective 6 months ended 30 Jun 2009 $000s
Cash flows from operating activities		
Receipts from customers exclusive of GST	11,761	13,466
Payments to suppliers and employees exclusive of GST	(21,907)	(19,949)
Net GST (paid)/received	(210)	-
Interest received	77	151
Interest paid	(164)	(80)
Net cash outflow from operating activities	(10,443)	(6,412)
Cash flows from investing activities		
Payments for plant and equipment	(445)	(961)
Payments for intangible assets	(753)	(250)
Proceeds from sale of plant and equipment	-	-
Net cash outflow from investing activities	(1,198)	(1,211)
Cash flows from financing activities		
Cash proceeds from share issues, net of issue costs	11,314	11,301
Proceeds from borrowings	(85)	-
Net cash inflow from financing activities	11,229	11,301
Net increase in cash and cash equivalents	(412)	3,678
Cash and cash equivalents at the beginning of the financial year	5,923	4,053
Effect of exchange rate movements on cash	(219)	-
Cash and cash equivalents at end of the period	$5,292	$7,731

The major reasons for the difference between the prospective financial information and actual figures are as follows:

Consolidated Income Statement

Revenue:

Revenue for the period was below that projected in the Prospective Financial Information. Lower than expected orders from Wellington's major customers, particularly in the America's region, was the major reason for this. Ventilation motor shipments were also below expectations as some expected initial orders from Wellington's OEM customer were delayed but are expected to occur later in 2009.

Gross Profit:

Gross profit was lower than projected both as a result of the lower than forecast sales - discussed above –and also due to higher than projected freight expense and stock provisioning. These were related to the closure of Wellington's UK warehouse, the transfer of production facilities for Ventilation motors from NZ to Singapore and the transfer of some further low volume manufacturing processes from China to Singapore. The lower than projected sales volume also meant that the lower pricing Wellington is receiving from its suppliers has taken longer than expected to be reflected in financial results.

Employee costs:

Employee costs were higher than projected due to a number of unbudgeted hires to Wellington's US and Singapore operations.

Other operating expenses:
Other operating expenses were above projections, almost entirely as a result of the NZ$1.244m in foreign exchange losses, which were not forecast in the Prospectus.
Depreciation and Amortisation:
Depreciation and Amortisation charges were lower than budgeted due primarily to lower than projected depreciation rates within Wellington's Singapore subsidiary.

Statement of Financial Position

Current Assets:

Wellington's cash position was lower than projected as a result of the higher than projected loss. Lower than projected sales also resulted in Wellington ending the period with higher level of inventory than projected, which also reduced the cash balance at 30 June. The lower balance for Trade and Other Receivables was also a reflection of the lower level of sales achieved, particularly in the last few months of the period.

Intangible Assets:

Intangible assets were higher than projected in the Prospectus. The mix of engineering work for the period resulted in a higher than projected level of capitalisation of development work.

Current Liabilities:

Lower balances for Trade and other payables and for Bank finance facilities reflected the lower level of sales achieved in the period. Warranty provisions were higher than budgeted.

Consolidated Statement of Cash Flow

Cashflow from operating activities:

Net cash outflow from operating activities was higher than forecast in the prospective financial information. The lower level of sales achieved during the period resulted in less cash being received from customers. Higher employee costs and the greater than projected stock build resulted in higher expenditure on payments to suppliers and employees.

Cashflow from Investing activities

Overall cashflow from investing activities was in line with projections, however within this, investment in plant and equipment was lower than expected due to both timing of project expenditure and also decisions made to restrict capital expenditure. Investment in intangible assets was ahead of forecast as discussed above.

Wellington®

Interim Report

June 2009