

WELLINGTON DRIVE TECHNOLOGIES LIMITED
Consolidated Statement of Financial Performance
for the six months ended 31 December 2001

	Six months ended 31 December		Year ended 30 June
	2001	2000	2001
	\$000	\$000	\$000
Operating Revenue			
Product sales, & fees	73	24	109
Royalty income	82	84	191
Interest income	72	121	240
Grants	44	-	22
Other income	9	1	9
Total operating revenue	\$280	\$230	\$571
Less operating expenses	(1,552)	(1,088)	(2,639)
Net Deficit before taxation	(1,272)	(858)	(2,068)
Less taxation expense	-	-	-
Deficit attributable to the Shareholders of Wellington Drive Technologies Limited	(1,272)	(\$858)	(\$2,068)
Earnings per share (basic) cents	(2.43)	(1.71)	(2.05)

Consolidated Statement of Movements in Equity

	3,759	1,923	1,923
Equity at 1 July			
Net deficit for period	(1,272)	(858)	(2,068)
Increases in paid up capital	-	3,546	3,904
Equity at 31 December 2001	\$2,487	\$4,611	\$3,759

There has been no change in accounting policies, which have been applied on the bases consistent with the previous year.

These interim financial statements are prepared in accordance with Financial Reporting Standard no. 24 issued by the Institute of Chartered Accountants of New Zealand and should be read in conjunction with the Group's annual financial report for the year ended 30 June 2001.

These half year accounts have not been audited

WELLINGTON DRIVE TECHNOLOGIES LIMITED
Consolidated Statement of Financial Position
as at 31 December 2001

	As at 31 December		As at 30 June 2001
	2001	2000	2001
	\$000	\$000	\$000
Non Current Assets			
Joint venture development costs	286	200	274
Fixed assets	479	301	446
	765	501	720
Current Assets			
Cash on hand & at bank	32	11	5
Bank call/short term deposits	1,939	4,483	3,330
Receivables & tax	179	206	308
Inventories	88	-	21
	2,238	4,700	3,664
Total assets	\$3,003	\$5,201	\$4,384
Shareholders' Equity			
104,007,246 (Dec 00 - 101,340,579) (Jun 01 - 104,007,246) ordinary shares	14,055	13,697	14,055
Accumulated deficit	(11,568)	(9,086)	(10,296)
	2,487	4,611	3,759
Non Current Liabilities	198	249	224
Current Liabilities			
Accounts payable	90	233	147
Accruals & provisions	177	57	203
Deferred rental income	51	51	51
	318	341	401
Total funds employed	\$3,003	\$5,201	\$4,384

Share Options

As at 31 December 2001 Dr R.M. Green held 2,000,000 options due on 1 April 2002 @ 13.75 cents each, 2,000,000 on 1 April 2003 @ 15.125 cents, 2,000,000 on 1 April 2004 @ 16.64 cents, and, 1,000,000 on 1 April 2005 @ 18.3 cents. Five senior staff hold 1,300,000 options (in total) due on 26 October 2004 at 52.8 cents. No options are quoted on N.Z. Stock Exchange.

WELLINGTON DRIVE TECHNOLOGIES LIMITED
Consolidated Statement of Cash Flows
for the six months ended 31 December 2001

	Six months ended 31 December		Year ended 30 June
	2001	2000	2001
	\$000	\$000	\$000
Operating cash flows:			
Cash was provided from	427	610	487
Cash was applied to	(1,659)	(1,088)	(2,231)
	(1,232)	(478)	(1,744)
Investing cash flows:			
Purchase of fixed assets	(121)	(185)	(408)
Joint venture development costs	(11)	(21)	(49)
	(132)	(206)	(457)
Financing cash flows:			
Cash from share issues	-	3,546	3,904
Net increase/(decrease) in cash held	(1,364)	2,862	1,703
Cash at beginning of period	3,335	1,632	1,632
Cash at end of period	\$1,971	\$4,494	\$3,335

Reconciliation of Net Surplus to Operating Cash Flows

Reported net deficit after tax	(1,272)	(858)	(2,068)
<i>Add non cash items:</i>			
Depreciation & amortisation	88	30	106
Increase in joint venture development costs accrued	-	-	(46)
Increase in asset purchases accrued	(1)	(20)	(18)
<i>Add/(Less) working capital movements:</i>			
Receivables & tax	129	(25)	(127)
Inventories	(67)	-	(21)
Accounts payable, accruals & provisions	(83)	395	156
Deferred rental income	(26)	-	274
Net operating cash flows	(\$1,232)	(\$478)	(\$1,744)


Interim Report
31 December 2001

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Financial Results

The Company recorded a loss (\$1,272k) for the half year ending 31 December 2001. Marketing and sales activities continued at a high level. Revenues (at \$280k) were modestly above the figure for the corresponding period in the last financial year. Revenue growth however, was significantly lower than projected in the Listing Profile dated December 2000, primarily due to longer than expected timescales in negotiating satisfactory agreements with prospective new licensees. Expenses (at \$1.552M) were in line with expectations.

Overview of Operations

Marketing and sales activities were held at a high level throughout the half year. Negotiations were progressed (and are continuing) with several selected prospects in Europe and the United States. Late in the half year a supply agreement was reached with one prospective licensee, and deliveries to Europe of RF66 product (manufactured in New Zealand) commence later this year. The first stages of development of an integrated appliance product were also completed under contract to a leading Italian company. Discussions regarding further development of this product are progressing well.

Subsequent to the half year a Memorandum of Understanding was signed with a North American motor manufacturer regarding the joint development, manufacture and sales of certain appliance motors in the building products area.

Full certification trials on the RF66 motor were completed by Underwriters' Laboratories {UL} (USA). All tests were passed successfully at the first attempt, which is a creditable result. "UL" listing of the motor awaits some administrative procedures by Underwriters' Laboratories, which should be completed shortly.

The RF66 has been tested by independent laboratories to applicable Australian and European standards, and passed successfully. The motor is thus "CE compliant" and will be suitable for CE marking once certain administrative procedures are completed. This is a notable achievement, and is of considerable assistance in promoting sales of the product.

A sample of 35 RF66 motors has completed an aggregate of over 100,000 hours of accelerated life testing at high temperatures (42C) without failure. A further sample of 9 RF66 units has completed an aggregate of over 10,000 hours testing under extreme vibration conditions without failure. These successes, together with the UL and CE compliance testing are important from the customer viewpoint, and are significant aids to further sales.

In response to customer demand, the Company has developed two variants of the basic RF66 motor. These are the "REC" series of motors for commercial refrigeration applications - where improved motors are in demand - and the "FEC" series for industry-standard fan and blower applications. REC motors began beta trials with several Australasian companies this month, and orders are being sought for delivery of production quantities in August. Orders are also being sought for August delivery of the FEC series. Both new motor series are described at the Company's website (www.wdtl.com) and both product ranges were officially launched at the "HomeTech" exhibition in Berlin, Germany on February 27th 2002.

Development of the RF200 unit was finally completed during the half year, and samples of motors have satisfactorily completed a variety of trials under extreme conditions. The RF200 is an excellent demonstration of the benefits of Wellington designs. RF200 units have successfully completed preliminary examination by Underwriters' Laboratories (USA).

Production, marketing and sales of the RF200 is primarily the responsibility of the Company's joint venture partner, Australian Fan & Motor

Company Pty. Ltd (AFM). AFM has, to date, encountered difficulties in meeting demands for trial quantities, and in supporting Wellington Drive's own sampling programme for these motors. Recently, however, the joint venture received a further order for RF200 motors. AFM is confident that it will be able to complete this order without difficulty.

We believe there is significant demand in Europe and the United States for the RF200 unit (or close variants thereon). RF200 samples have been delivered to several companies in Australia, the United States, Europe and South Africa. We remain cautiously optimistic that the joint venture can move forward in the near future and overcome the supply difficulties encountered to date.

Torrington Research Corporation {TRC} renewed its licence for a further period during the half year, and has continued to produce batches of motors for use in a frozen cocktail machines. Production rates are presently running at approximately 400 units per month. TRC has (in association with the Wellington Technology Support Centre) produced a sample quantity of an up-rated RF66 motor for use in air filters. This sample is presently undergoing field trials and regulatory approval tests by an established TRC customer. Production orders are expected later this year. TRC has several other motors in field trial with customers, and has expanded its staff count in the motor area.

Prospects have shown a strong interest in purchasing quantities of (particularly) RF66 variants - for test marketing that we anticipate is a precursor to concluding a wider commercial relationship, including technology licensing. In response to this demand, the Company has expanded the range of RF66 variants produced in New Zealand. Prevailing exchange rates, prices for electronic components and assemblies, commodity prices, and shipping rates - together with the efficiency of the proprietary RF66 manufacturing process, mean that it is likely that supply of fully-built-up motors from New Zealand to the USA and Europe will be more cost effective than

expected when the Company's production facility was initially planned. In consequence, since November Wellington Drive has been emphasising its ability to supply production quantities of motors in lots of thousands, rather than samples only. This offer has had an excellent response. It gives prospective licensees a low-risk route for assessing Wellington benefits in their markets and product lines, and also a progressive route for acquiring their own Wellington production capability.

The Directors advise that Mr Martyn Gall has resigned as a director. The Directors wish to thank Mr Gall for his input as a director over the last 2 years.

Summary of Outlook

Shareholders should note that offering prospective licensees easier access to the Company's proprietary designs reduces the likelihood of large, one-off payments for licence fees in the short term. The Board expects to see a steady growth in revenue over the next 12 months although, in the absence of one-off licence payments, the Company is likely to continue to trade at a loss throughout this period. However, this change in approach to the market should result in good acceptance and penetration of our motor styles in the medium term without compromising the magnitude of longer-term opportunities.

As a result of the absence of large one-off license payments and this change in strategy a capital raising will be necessary. The Directors are currently entering discussions with several parties who may be interested in providing capital to the Company. The Directors will advise shareholders of any progress on this and/or other potential plans as soon as any information is available.



Dr R. M. Green, Director
4 March 2002