



# Interim Report

## June 2011

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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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® is a registered Trade Mark of Wellington Drive Technologies Ltd

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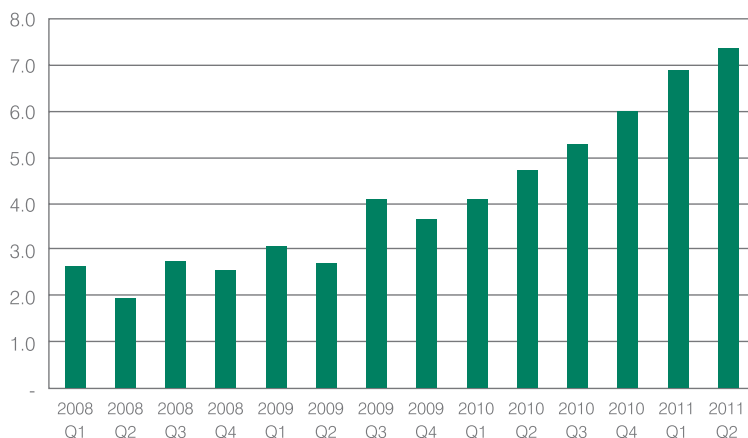
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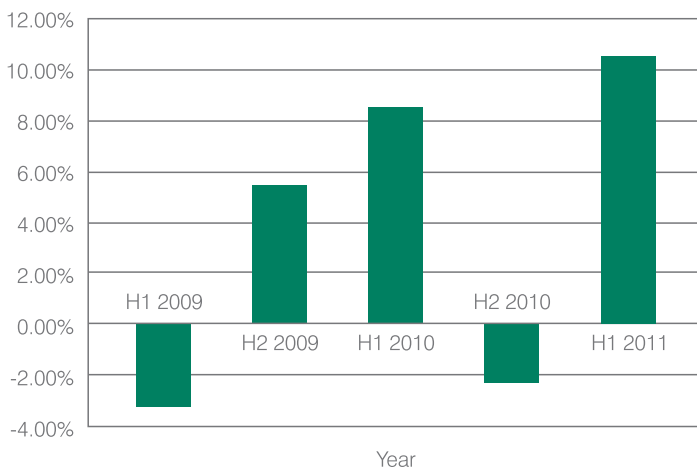
## Six Month Highlights

- Sales volume for the period was 636,000 motors, up 52% over the same period in 2010, with the volume of EC Refrigeration motors up 57% to 489,000 units.
- Revenue generated during the period was NZ\$18.1m, up 44% on the prior year, increasing in US\$ terms by 62%.
- During the period Wellington progressed the previously announced review of its Ventilation business, following which it will restructure to reduce complexity, working capital and operating expenditure, leading to an improvement in operating margins.
- Post restructuring Wellington will focus tightly on its rapidly expanding Commercial Refrigeration business in the primary growth markets of Latin America and Europe, significantly reducing its exposure to the manufacturing and sale of the more complex and working capital intensive ventilation products.
- Including restructuring costs of \$1,921,000, Wellington recorded a loss of NZ\$6,986,000 for the six month period to 30 June. This result also included foreign exchange losses of \$372,000.
- The normalised product gross margin, after adding back restructuring costs was 10.8%, an improvement from 8.6% in the 2010 first half.
- The global search process for a new Chief Executive is nearing completion.

## Quarterly US\$ Revenue



## Normalised Product Gross Margin



H1 2011 normalised product gross margin has been calculated as follows:

	\$000s
Normalised gross profit	2,094
Less service revenue	(147)
Normalised product gross margin	<u>\$1,947</u>

# Chairman's Report

## Restructuring announced

As communicated at the Annual Shareholder Meeting, the Executive team and Board of Wellington have undertaken a review of the company's Ventilation business, extending this review to encompass the company's global operations.

The review was based around the dual goals of market leadership and the desire to have the company move to profitability within its current financial resources. This review culminated in a restructuring plan.

## The plan

The key aspects of the restructuring plan are:

- A reduction in Wellington's Singapore-based in-house manufacturing activities. In future, Singapore operations will focus on the management and development of contract manufacturing partners in the Asian region and elsewhere. The intended changes will result in lower operational expenditures and substantial reductions in related levels of working capital;
- Discussions are well advanced with our partner Ziehl-Abegg AG ("Ziehl") regarding a substantially changed agreement between our companies. The revised agreement is not yet fully complete, but major provisions include the transfer of manufacturing capability to Ziehl for certain motors that are currently made by Wellington for Ziehl.
- A review of operational expenditures has been undertaken across the Group, and planned reductions are being implemented.
- A key objective of the restructuring plan is to increase funds available for investment in our Latin American businesses (particularly Mexico and Brazil) and to strengthen Wellington's European business, headquartered in Turkey. These markets are driving Wellington's current growth, and offer the best prospects for profitable growth.
- Financial projections assume a staged introduction of the restructuring changes. Inventory is projected to reduce from the NZ\$14.2m as at 31 December 2010 to NZ\$9m or below by the second half of 2012. Six month operating expenditure (prior to depreciation and amortisation) for the second half of 2012 is projected to be approximately NZ\$5m, down from NZ\$6.3m in this current results period and \$13.4m for the full 2010 financial year.

## Normalised interim result

Unaudited Six Months Ended 30 June 2011

Consolidated	Note	Reported Result \$000s	Restructuring Costs \$000s	Normalised Result \$000s
Revenue		18,087	-	18,087
Cost of sales		(17,565)	1,572	(15,993)
Gross profit		522	1,572	2,094
Other income		109	-	109
Other operating expenses		(6,296)	270	(6,026)
Net exchanges losses		(372)	-	(372)
Loss before interest, tax, depreciation and amortisation (EBITDA)		(6,037)	1,842	(4,195)
Depreciation and amortisation		(981)	79	(902)
Loss before interest & taxation (EBIT)		(7,018)	1,921	(5,097)
Finance income		63	-	63
Finance expenses		(30)	-	(30)
Loss before income tax		(6,985)	1,921	(5,064)
Income tax expense		(1)	-	(1)
Loss for the period		(\$6,986)	\$1,921	(\$5,065)

Restructuring costs include the impact of warranty provisioning, impairment of development costs, inventory provisioning and onerous contracts reflected in operating costs caused by the decision to rationalise ventilation and refrigeration product lines.

# Business performance

## Sales growth continues in Commercial Refrigeration

Wellington's Commercial Refrigeration business continued to show strong growth during the first half year. Refrigeration revenues increased by 62%, with volumes up by 54%. This included further expansion in our biggest market of Latin America as shipments began to (notably) Brazilian customers, and further growth in Mexico. Faster growth – from a smaller base – was recorded in Europe and the USA.

Sales growth continues to be driven by the focus on energy saving equipment by leading global companies, in particular Coca Cola. Wellington's energy-saving ECR motor product range was the key driver of growth during the period.

Uptake of the new ECR One and ECR82/92P products was strong and particularly pleasing. These products are specifically engineered for the requirements of bottle coolers and display cases used in convenience stores and supermarkets, and have been in development and customer trials for several years. Transition to this new product range has required inventory holdings well above long term levels. The transition will be completed during the second half of the current financial year at which time the production of older products will cease.

The outlook for the Commercial Refrigeration business remains strong. We are seeing growth both from existing customers and new customers, and importantly from significant new markets, including Brazil, where users of refrigeration motors are starting to move more aggressively to 'greener' EC technology.

## Ventilation business performance

Wellington's Ventilation business had a difficult first half. While strong revenue growth was achieved, with sales up 61% in US\$ terms, on-going issues with components and material supplies increased costs, meant that margins remained unacceptably low and we were unable to reduce inventory as quickly as planned.

## Normalised margin improvement

Wellington's reported gross margin for the first half, taking into account the costs of planned restructuring, was NZ\$521,980 or 2.9% of reported sales. An underlying margin improvement is masked by the significant restructuring costs provided for in the result. Prior to these costs, Wellington produced a normalised product gross margin of 10.8%, ahead of the 8.6% product gross margin for the first half of the previous year and a significant improvement from the -2.3% outcome for the second half of 2010.

Looking forward, Wellington does not anticipate further provisioning at the level incurred in this result. We expect further steady increases in gross margin as operational efficiencies improve and scale benefits lead to lower costs.




## Outlook

Strong growth in Commercial Refrigeration markets is expected to continue.

The restructuring changes are designed to allow the Company to focus its resources on those markets where we believe a satisfactory level of profitability can be achieved in the quickest possible time. Strong efforts are therefore being made to reduce the operating expenditures and working capital requirements so that the Company can be appropriately positioned. The Directors recognise that it is not appropriate to consider any growth capital requirements until such time as the business is showing a more acceptable level of profitability.

An extensive global search process for a new Chief Executive is taking place and is nearing completion.

A handwritten signature in blue ink, appearing to read "T. Nowell", written over a dotted line.

Tony Nowell  
Chairman

# Statements of Comprehensive Income

Consolidated	Note	Unaudited Six Months Ended		Audited Year Ended
		30 Jun 2011 \$000s	30 Jun 2010 \$000s	31 Dec 2010 \$000s
<b>Revenue</b>		<b>18,087</b>	12,557	28,015
Cost of sales		<b>(17,565)</b>	(11,423)	(27,091)
Gross profit		<b>522</b>	1,134	924
Other income		<b>109</b>	119	60
Other operating expenses		<b>(6,296)</b>	(6,471)	(13,414)
Net exchanges losses		<b>(372)</b>	(517)	(750)
Loss before interest, tax, depreciation and amortisation (EBITDA)		<b>(6,037)</b>	(5,735)	(13,180)
Depreciation and amortisation		<b>(981)</b>	(917)	(1,743)
Loss before interest & taxation (EBIT)		<b>(7,018)</b>	(6,652)	(14,923)
Finance income		<b>63</b>	80	129
Finance expenses		<b>(30)</b>	(30)	(53)
Loss before income tax		<b>(6,985)</b>	(6,602)	(14,847)
Income tax expense		<b>(1)</b>	-	-
<b>Loss for the period</b>		<b>(6,986)</b>	(6,602)	(14,847)
Other comprehensive income:				
Currency translation differences		<b>(824)</b>	814	(495)
Cash flow hedges		<b>(24)</b>	(129)	16
Income tax relating to comprehensive income		-	-	-
Other comprehensive income/(loss) for the period		<b>(848)</b>	685	(479)
<b>Total comprehensive loss for the period</b>		<b>(7,834)</b>	(\$5,917)	(\$15,326)
Loss for the period attributable to the Owners of the Company		<b>(6,986)</b>	(\$6,602)	(\$14,847)
<b>Total comprehensive loss attributable to the Owners of the Company</b>		<b>(7,834)</b>	(\$5,917)	(\$15,326)
Basic earnings per share – cents	16	<b>(11.45)</b>	(23.38)	(49.92)
Diluted earnings per share – cents	16	<b>(11.45)</b>	(23.38)	(49.77)

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 Ended
		30 Jun 2011 \$000s	30 Jun 2010 \$000s	31 Dec 2010 \$000s
Equity at beginning of period		<b>18,268</b>	25,731	25,731
Comprehensive loss for period		<b>(7,834)</b>	(5,917)	(15,326)
Share option compensation expensed		<b>108</b>	62	162
Contributions of equity	11	<b>8,421</b>	-	7,734
Costs related to issues of new equity	11	<b>(78)</b>	5	(33)
<b>Equity at end of period</b>		<b>\$18,885</b>	\$19,881	\$18,268

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 2011 \$000s	Unaudited as at 30 Jun 2010 \$000s	Audited as at 31 Dec 2010 \$000s
<b>Current Assets</b>				
Cash and cash equivalents		<b>5,123</b>	5,967	2,900
Trade and other receivables	5	<b>8,148</b>	9,011	9,447
Derivative financial instruments		-	-	16
Inventories	6	<b>12,768</b>	9,521	14,246
Total current assets		<b>26,039</b>	24,499	26,609
<b>Non Current Assets</b>				
Plant & equipment	7	<b>1,865</b>	2,448	2,097
Intangible assets	7	<b>2,569</b>	3,976	2,807
Total non current assets		<b>4,434</b>	6,424	4,904
Total assets		<b>30,473</b>	30,923	31,513
<b>Current Liabilities</b>				
Trade and other payables	8	<b>9,732</b>	9,804	12,084
Bank finance facilities	9	<b>571</b>	680	589
Derivative financial instruments		<b>8</b>	-	-
Provisions	10	<b>1,187</b>	386	445
Finance lease liability		<b>58</b>	62	59
Total current liabilities		<b>11,556</b>	10,932	13,177
<b>Non Current Liabilities</b>				
Finance lease liability		<b>32</b>	110	68
Total liabilities		<b>11,588</b>	11,042	13,245
Net assets		<b>\$18,885</b>	\$19,881	\$18,268
<b>Contributed equity</b>				
Contributed equity	11	<b>106,542</b>	90,503	98,199
Accumulated losses		<b>(85,921)</b>	(70,371)	(78,551)
Other reserves		<b>(1,736)</b>	(251)	(1,380)
Total equity		<b>\$18,885</b>	\$19,881	\$18,268
Net tangible assets per share, adjusted for share consolidation - cents		24.22	56.34	45.90

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

# Cash Flow Statements

		Unaudited Six Months Ended	Audited Year Ended	
Consolidated	Note	30 Jun 2011 \$000s	30 Jun 2010 \$000s	31 Dec 2010 \$000s
Cash flows from operating activities				
Receipts from customers exclusive of GST		18,827	11,710	24,969
Payments to suppliers and employees exclusive of GST		(23,070)	(19,036)	(43,913)
Interest received		63	80	129
Interest paid		(30)	(30)	(53)
Net GST (paid)/received		(988)	115	1,462
Net cash outflow from operating activities		(5,198)	(7,161)	(17,406)
Cash flows from investing activities				
Payments for plant & equipment	7	(327)	(163)	(501)
Payments for intangible assets	7	(446)	(586)	(877)
Net cash outflow from investing activities		(773)	(749)	(1,378)
Cash flows from financing activities				
Cash proceeds from share issues, net of issue costs	11	8,343	-	7,700
Net (repayment of)/proceeds from bank finance facilities		(55)	(2,049)	(1,997)
Net cash inflow from financing activities		8,288	(2,049)	5,703
Net (decrease)/increase in cash and cash equivalents				
		2,317	(9,959)	(13,081)
Cash and cash equivalents at the beginning of the financial period		2,900	16,059	16,059
Effect of exchange rate movements on cash		(94)	(133)	(78)
Cash and cash equivalents at end of period		\$5,123	\$5,967	\$2,900

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 2011

## 1. GENERAL INFORMATION

Wellington Drive Technologies Limited (the "Company" or the "Parent") 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 26 August 2011.

These consolidated interim financial statements have not been audited. The comparative information for the year ended 31 December 2010 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 2011 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 2010.

## 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 2010.

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 has sufficient finances to continue for at least twelve months from the date of this Interim Report. These cash flow projections are based upon a number of major assumptions including:

- continuity of major customers, timing and quantities of sales to forecast;
- working capital reductions can be achieved to fund operations of the Group;
- completion of a restructure of operations, as outlined in note 12, in a timely manner and at anticipated commercial terms;
- achievement of forecasted sales growth and unit sales to customers;

- maintenance of existing contractual supplier relationships on acceptable commercial terms;
- forecast prices for significant components and other input costs are attained; and
- foreign exchange rates reflective of market rates prevailing at August 2011.

In the event that there are material variations from the assumptions adopted in the cash flow projections the Company may be required to seek further funding from shareholders, other investors or lenders, or restructure operations further, to secure the Company's long term success and its ability to continue as a going concern.

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

During the period the Group has not adopted any new standards, amendments, and interpretations.

## 4. SEGMENT INFORMATION

### (a) Reportable segments

At 30 June 2011, the Group is organised on a global basis into one operating segment: marketing, selling, manufacturing and developing electric motors and associated electronics and software.

### (b) Geographical segments

The Company operates in four 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. The Company's revenue is generated mainly from the supply or manufacture of electric motors by the company.

Revenue by Destination	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2011 \$000s	30 Jun 2010 \$000s	31 Dec 2010 \$000s
New Zealand	11	7	55
Americas	8,629	6,330	12,828
Asia/Pacific	1,882	2,376	4,913
Europe	7,565	3,844	10,219
Total	\$18,087	\$12,557	\$28,015

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 2011	30 Jun 2010	31 Dec 2010
	\$000s	\$000s	\$000s
Net trade receivables			
Trade receivables	<b>7,362</b>	6,863	8,072
Provision for doubtful debts	<b>(434)</b>	(439)	(401)
	<b>6,928</b>	6,424	7,671
Prepayments	<b>236</b>	1,414	436
Other receivables	<b>357</b>	559	527
VAT/GST refunds due	<b>627</b>	614	813
Net receivables	<b>\$8,148</b>	\$9,011	\$9,447

## 6. INVENTORIES

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2011	30 Jun 2010	31 Dec 2010
	\$000s	\$000s	\$000s
Finished goods – at cost	<b>6,786</b>	3,895	7,336
Work in progress – at cost	<b>3,274</b>	2,792	3,745
Raw materials – at cost	<b>4,367</b>	3,215	4,195
Less inventory provisions (refer below *)	<b>(1,659)</b>	(381)	(1,030)
Total inventories	<b>\$12,768</b>	\$9,521	\$14,246

\* The \$629,000 net movement in inventory provisions includes \$821,000 restructuring costs offset by other provision releases during the period.



## 7. PLANT & EQUIPMENT AND INTANGIBLE ASSETS

	Plant & Equipment \$000s	Intangible Assets \$000s
<b>Six months ended 30 June 2010</b>		
Opening net book value as at 1 January 2010	2,697	3,648
Additions	163	586
Disposals	-	-
Depreciation and amortisation	(515)	(402)
Exchange adjustment	103	144
Closing net book amount as at 30 June 2010	<b>\$2,448</b>	<b>\$3,976</b>
<b>Six months ended 30 June 2011</b>		
Opening net book value as at 1 January 2011	<b>2,097</b>	<b>2,807</b>
Additions	<b>327</b>	<b>446</b>
Disposals	-	-
Depreciation and amortisation	<b>(468)</b>	<b>(313)</b>
Impaired intangibles (refer below *)	-	<b>(200)</b>
Exchange adjustment	<b>(91)</b>	<b>(171)</b>
Closing net book amount as at 30 June 2011	<b>\$1,865</b>	<b>\$2,569</b>

\* Of the \$200,000 impaired intangibles above, \$79,000 relates to the planned restructure of operations.

## 8. TRADE AND OTHER PAYABLES

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2011 \$000s	30 Jun 2010 \$000s	31 Dec 2010 \$000s
Trade payables	<b>8,330</b>	8,738	10,942
Related party payables	<b>317</b>	299	290
Accrued expenses (refer below*)	<b>648</b>	328	357
Employee expenses			
Wages, salaries & PAYE	<b>92</b>	89	169
Holiday pay accrued	<b>308</b>	342	308
Bonuses	<b>37</b>	8	18
Total payables	<b>\$9,732</b>	\$9,804	\$12,084

\* Included in accrued expenses is \$271,000 of accruals relating to the planned restructure of operations.

## 9. BANK FINANCE FACILITIES

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2011 \$000s	30 Jun 2010 \$000s	31 Dec 2010 \$000s
Bank finance facilities (secured)	<b>\$571</b>	\$680	\$589

The advances are secured by way of a debenture security over the Company's assets. Interest is payable at EURO/USD bank rates plus 2%. Advances are less than three months in nature and settled upon receipt of customer payments.

The Parent had provided a guarantee to Yapi Kredi Bank, Turkey. Yapi Kredi Bank provided a credit line of up to US\$1,000,000 to Wellington Motor Teknolojileri San Tic Ltd Sti. The guarantee was released in 2010.

## 10. WARRANTY PROVISION

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2011 \$000s	30 Jun 2010 \$000s	31 Dec 2010 \$000s
Carrying amount at start of period	<b>445</b>	333	333
Additional provisions recognised (refer below *)	<b>1,161</b>	290	459
Amounts used	<b>(42)</b>	-	(168)
Unused amounts reversed	<b>(336)</b>	(246)	(147)
Exchange adjustment	<b>(41)</b>	9	(32)
Carrying amount at end of period	<b>\$1,187</b>	\$386	\$445

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.

\*Of the \$1,187,000 provision above, \$752,000 relates to the planned restructure of operations.

## 11. SHARE CAPITAL

	Six months ended 30 Jun 11 Shares	Six months ended 30 Jun 10 Shares	Six months ended 30 Jun 11 \$000s	Six months ended 30 Jun 10 \$000s
Ordinary shares – fully paid	<b>67,366,450</b>	564,645,995	<b>106,456</b>	90,478
Ordinary shares – partly paid	<b>862,500</b>	4,950,000	<b>86</b>	25
US employee share options	<b>37,500</b>	-	-	-
Total ordinary shares and options on issue	<b>68,266,450</b>	569,595,995	<b>\$106,542</b>	\$90,503

### (a) Ordinary shares

Opening balance of ordinary shares on issue	<b>673,663,985</b>	564,645,995	<b>98,113</b>	90,473
Issues of ordinary shares during the period:				
- February 2011 rights issue at 1.25 cents for cash	<b>673,663,985</b>	-	<b>8,421</b>	-
Costs related to issues of new equity	-	-	<b>(78)</b>	5
20 for 1 share consolidation on 30 June 2011	<b>(1,279,961,520)</b>		-	
Ordinary fully paid shares on issue at period end	<b>67,366,450</b>	564,645,995	<b>\$106,456</b>	\$90,478

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	<b>17,250,000</b>	4,950,000	<b>86</b>	25
Issued	-	-	-	-
Lapsed	-	-	-	-
Surrendered	-	-	-	-
20 for 1 share consolidation on 30 June 2011	<b>(16,387,500)</b>		-	
Ordinary part paid shares on issue at period end	<b>862,500</b>	4,950,000	<b>\$86</b>	\$25

## 11. Share Capital (continued)

Issue Date	Earliest date to exercise	Expiry exercise date	Share hurdle price \$	Partly paid share price \$	Balance payable on exercise \$	Outstanding at June 2011 (numbers)	Outstanding at June 2010 (numbers)
15 Sep 2008	15 Sep 2011	15 Sep 2012	* 8.09	* 6.23	* 6.13	* <b>247,500</b>	4,950,000
10 Aug 2010	10 Aug 2013	10 Aug 2015	1.71 <sup>1.</sup>	1.71 <sup>1.</sup>	1.63 <sup>1.</sup>	* <b>615,000</b>	-

\* Adjusted for the 20 for 1 share consolidation on 30 June 2011.

<sup>1.</sup> The stated share price hurdle, share price and balance payable has been adjusted for the cash issue in February 2011 in accordance with the Wellington Part Paid Share Scheme and the share consolidation in June 2011.

	Outstanding at June 2011 (numbers)	Outstanding at June 2010 (numbers)
<b>(c) U.S. employee share options</b>		
Options outstanding at start of period	<b>750,000</b>	-
Granted	-	-
Exercised	-	-
Lapsed	-	-
20 for 1 share consolidation on 30 June 2011	<b>(712,500)</b>	
Outstanding at end of period	<b>37,500</b>	-

The June 2010 Annual Shareholder Meeting approved the establishment of the United States Share Option Plan and authorised the issue of up to 3,000,000 options. Further details of U.S. employee share options granted are:

Grant Date	Expiry date	Exercise price \$ *	Outstanding at June 2011 (numbers)	Outstanding at June 2010 (numbers)
10 Aug 10	10 Aug 14	* 2.47	* 37,500	-

\* Adjusted for the 20 for 1 share consolidation on 30 June 2011.

	Outstanding at June 2011	Outstanding at June 2010
<b>(d) New Zealand share options</b>		
Options outstanding at start of period	-	900,000
Granted	-	-
Exercised	-	-
Lapsed	-	(900,000)
Outstanding at end of period	-	-

No new grants under this scheme are intended to be made.

## 12. EVENTS OCCURRING AFTER HALF YEAR END

In July 2011 the Company issued 125,000 part paid shares to two senior staff pursuant to the Wellington Partly Paid Share Scheme. The issue price is 32.74 cents payable 0.5 cents on issue and the balance is payable (in accordance with the Scheme) during the period from 21 July 2014 to 21 July 2016.

On 4 August 2011 the Company issued 177,078 part paid shares to twenty six staff. This issue adjusted for the impact of the Company's cash issue in February 2011. The issue price of \$1.71 per share, is payable per the Scheme rules, on the third anniversary of the issue of the underlying part paid, provided the volume weighted average price of the Company's shares on the NZSX over the ten days trading prior to 10 August 2013 is in excess of \$1.71.

On 26 August 2011 the Company announced a plan to restructure the operations of the Group. The key aspects of the plan include: a reduction in Wellington's Singapore-based in-house manufacturing; transfer of manufacturing capability for certain products to a customer; reductions in operational expenditure; a focus on growth markets in Latin America and Europe; and a reduction in inventory levels. The plan will focus the Company in the commercial refrigeration segment by a staged introduction of changes that should be complete by June 2012. The Company estimates further restructuring costs of \$560,000 will be incurred. These costs are not included in this result.

## 13. CONTINGENCIES

There are no material contingent liabilities or assets (June 2010:\$nil).

## 14. RELATED PARTY TRANSACTIONS

### (a) Directors

The names of persons who are directors of the Company are on page 21.

### (b) Key management personnel and compensation

Key management personnel compensation for the six months ended 30 June 2011 and six months ended 30 June 2010 is set out below. The key management personnel comprises of the Directors including the Chief Executive Officer (CEO) and all the senior executives that report directly to the CEO.

	Six months ended 30 Jun 2011 \$000s	Six months ended 30 Jun 2010 \$000s
Salaries, fees and other short term benefits	747	700
Share based remuneration	75	49
Directors remuneration including CEO <sup>1</sup>	236	282
Bonuses	124	134
Total	<b>\$1,182</b>	\$1,165

<sup>1</sup> Includes Dr R. Green who resigned as a director in June 2011.

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

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2011 \$000s	30 Jun 2010 \$000s	31 Dec 2010 \$000s
Loss after taxation for the period	<b>(6,986)</b>	(6,602)	(14,847)
Depreciation and amortisation	<b>781</b>	908	1,743
Impairment of intangibles	<b>200</b>	-	795
Share based payments	<b>108</b>	62	162
Inventory write downs	<b>629</b>	(116)	533
Provision for doubtful debts	<b>33</b>	(21)	(59)
Provision for warranty	<b>742</b>	53	112
Net foreign exchange differences	<b>(468)</b>	778	(131)
(Increase) in trade and other receivables	<b>1,266</b>	(1,364)	(1,762)
(Increase) in inventories	<b>849</b>	(3,480)	(8,854)
Increase in trade and other payables	<b>(2,352)</b>	2,621	4,902
Net cash outflow from operating activities	<b>(\$5,198)</b>	(\$7,161)	(\$17,406)

## 16. EARNINGS PER SHARE

(i) *Basic* - Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Six months ended 30 Jun 2011 \$000s	Six months ended 30 Jun 2010 \$000s
Loss attributable to equity holders of the Company	<b>(\$6,986)</b>	(\$6,602)
Weighted average number of ordinary shares on issue (thousands)	<b>67,366</b>	28,232
Basic earnings per share - cents	<b>(11.45)</b>	(23.38)

(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.

	Six months ended 30 Jun 2011 \$000s	Six months ended 30 Jun 2010 \$000s
Loss attributable to equity holders of the Company	<b>(\$6,986)</b>	(\$6,602)
Weighted average number of ordinary shares on issue (thousands)	<b>67,366</b>	28,232
Adjustment for partly paid shares or share options	-	-
Diluted earnings per share - cents	<b>(11.45)</b>	(23.38)

## Directory

### Directors

Tony Nowell, Chairman  
Shawn Beck  
Dr Rick Boven  
Simon Mander  
Dr Ray Thomson

### Senior Staff: New Zealand

Dr Ross Green, Chief Executive Officer  
Steven Hodgson, Chief Financial Officer  
David Howell, Chief Technical Officer  
Claire Williams, General Manager  
Bruce Farquharson, Vice-President Delivery  
Ron Jackson, Company Secretary

### International Sales and Operations

KS Lim, Chief Operations Officer, Singapore  
Ali Karahasanoğlu, Sales Director, Europe  
Eurasia  
Erick Layseca-Flores, Business Development  
Manager, Latin America  
Jane Dunning, Controller, US Operations

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### 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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