



Interim Report

June 2012

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

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2012 Interim Key Points

↑ **23%**

Revenue Growth



Normalised Gross
Margin increased
to 12.6%



EBITDA loss
reduced by
\$4.1m to \$1.9m



↑ **\$4.3** million

Inventory Reduction

Operating Revenue up 23%
to \$22.3 million

.....

Normalised Gross Margin
expanded from 11.6% to 12.6%

.....

EBITDA loss reduced from
-\$6.0 million to -\$1.9 million

.....

Inventory reduced by \$4.3 million
to \$6.7 million

.....

Chairman and CEO Report

The first six months of 2012 has demonstrated solid progress towards our financial turnaround objectives, despite the backdrop of a worsening global economic environment and subsequent demand weakness in Europe and South America.

Our turnaround initiatives are gaining traction, with growth in revenue, improved inventory performance and reducing operating expenses, all while meeting our promise of managing the business within our current cash reserves.

The company's financial performance showed an improvement over the same period last year with an EBITDA loss of NZ\$1.9m, a significantly improved result when compared to the \$6.0m loss for the same period in 2011.

Highlights of the first six months were as follows:

- Revenue generated during this period was NZ\$22.3m, up 23% over the same period in 2011. In US\$ terms, revenue growth was 26%, with our new USA distribution model gaining momentum and resulting in strong sales in our USA retrofit market. Volume growth in motor sales (compared to the same period in 2011) was 12.5% which included 8.4% growth in Wellington's core refrigeration business. Completion and shipment of final orders for Ventilation motors prior to the planned closure of Singapore manufacturing saw Ventilation volume grow abnormally by 58% for the period. Our reported gross margin was 12.3%, a substantial improvement over the 2.9% recorded in the first half of 2011. On a normalised basis gross margin was 12.6%, compared to 11.6% in the first half of 2011. This improvement reflects the increased focus on driving cost reduction and efficiency in the supply chain.
- Normalisation adjustments had a smaller overall impact than in the previous period. These adjustments included:
 - Following a review of Wellington's product road-map and current customer and market buying trends, the decision was made to cancel and subsequently wind-up some development programs. This has allowed the company to re-focus development activities on R&D programs that deliver higher margin potential through closer alignment to changing or emerging customer needs. This decision has resulted in the write-off of NZ\$950,000 of previously capitalised development expenditure along with other related costs of exiting these programs.
 - The company realised a gain of \$244,000 on the sale of assets.
- Other operating expenses fell to NZ\$5m, an improvement of NZ\$1.3m or 20% for the period. As a result of the increased gross margin and lower operating expenditures, our normalised EBITDA loss, prior to exchange rate gains, improved by 63% to NZ\$2.1m.
- Reported depreciation, amortisation and impairment expense of NZ\$1.4m rose by 48% compared to the first half of 2011, due largely to the substantial write-off of capitalised development expenditure referred to above. Normalised depreciation and amortisation

expenses declined by 45% compared to the same period in 2011. The company's reported EBIT loss reduced by 53% from NZ\$7.0m to NZ\$3.3m.

- Inventory reduced from NZ\$10.9m at 31 December to NZ\$6.7m at June 30 2012 and the company's cash balance at 30 June was in line with expectations at NZ\$2.4m. This positive outcome was delivered through an increased focus on demand supply planning, improved sell down of finished goods stocks and collaboration with strategic suppliers in managing production planning more effectively.

Normalised interim result

	Normalised Result	Reported Result	Reported Result
for the Six Months Ended	30 June 2012	30 June 2012	30 June 2011
	\$000s	\$000s	\$000s
Revenue	22,276	22,276	18,087
Cost of sales	(19,532)	(19,532)	(17,565)
End-of-life inventory provisioning	53	-	-
Gross profit	2,797	2,744	522
Other Income	47	47	109
Operating expenses (excluding FX)	(5,004)	(5,004)	(6,296)
R&D write-offs	135	-	-
Onerous supply contracts	(7)	-	-
Restructuring redundancy costs	(52)	-	-
Net foreign exchange	319	319	(372)
Loss before interest, tax, depreciation and amortisation (EBITDA)	(1,765)	(1,894)	(6,037)
Depreciation, amortisation & impairment	(1,449)	(1,449)	(981)
Gain on sale of plant & equipment	(125)	72	-
Intangibles impaired	950	-	-
Loss before interest and taxation (EBIT)	(2,389)	(3,271)	(7,018)
Finance income	3	3	63
Finance expenses	(24)	(24)	(30)
Loss before income tax	(2,410)	(3,292)	(6,985)
Income tax expense	-	-	(1)
Loss for the period	(\$2,410)	(\$3,292)	(\$6,986)

Turnaround Plan

As noted in our 2011 Annual Report, the 2012 Turnaround Plan is focused on five key strategic initiatives. We continue to make progress across these initiatives with particular highlights in the completion of the Ventilation manufacturing exit project, inventory reduction plan and improved customer relationships:

1. Complete the exit from the Singapore manufacturing of ventilation motors and move to an outsourced supply chain

This objective was achieved as planned in June 2012, with the completion of supply commitments to Ziehl-Abegg and the cessation of ventilation motor manufacturing activities in Singapore. This resulted in achieving the planned reductions of inventory and operating expenditures, allowing our supply chain team to focus completely on improving our core refrigeration supply chain performance.

2. Reduce supply chain costs and shorten customer lead-times

As previously stated, our goal is to reduce order-to-ship lead-times to 8 weeks over the next 12 to 18 months. Our order-to-ship lead-times have reduced in the period by 23%, making a solid start to achievement of this goal, however much remains to be done to reach our desired end state. This initial reduction was achieved through improving our demand management process and collaborating with our customers and suppliers on more effective production scheduling.

The global macro-economic environment and subsequent pricing pressure in the supply chain is having an impact on our ability to drive the supply chain cost reduction we had expected. Despite that backdrop we are seeing the results of several collaborative cost reduction projects with our suppliers, with a first half highlight being our motor manufacturing partner implementing lean manufacturing techniques to reduce headcount and improve production efficiency.

3. Reduce Inventory levels

During the first half we have reduced inventory levels by NZ\$4.3m, with \$4.1m of this reduction coming from operating improvements and the remaining \$200,000 due to an increase in the provisioning of obsolete inventory. Our plan for the full year is for a \$3-5m reduction in inventory, so this first half result was a pleasing performance, reflective of focused efforts on improving the planning process, customer collaboration and finished goods management. We expect to be able to continue a trend of inventory management improvement and are targeting further reductions in the second half of 2012.

4. Cost reduction through introduction of lean business practices and improved management operating systems

Our efforts to reduce costs through simplifying and improving our business processes are on-going. Operating costs fell by 20% during the period and we continue to focus on ways of further reducing costs and refocusing operating expenditure on adding value for our customers. Highlights of improvements made in this period are:

- Improved utilisation of premises. We have made substantial reductions to premises expenditure in the USA and New Zealand, and are investigating the potential for further premises cost reductions in Singapore.
- At the beginning of the year we committed to starting a formal continuous improvement program that would focus on simplifying our business process and reducing waste. To that end we have introduced a new role of Company Lean Champion, with our new Lean Champion already carrying out internal training in Kaizen, and we will start several Kaizen programs in the second half of the year. Continuous improvement through Kaizen will be a strong focus going forward and will form part of our key management objective of streamlining and simplifying the business.

5. Develop deeper value added relationships with customers and suppliers.

Our teams have been increasing the time spent in the field with customers and suppliers, listening to their needs and including that feedback in our future growth planning. Our stated intent at the beginning of the year was to focus on the core commercial refrigeration business and to look for new areas of innovation where our electronics and software expertise could 'add value' beyond the motor'. In the first half we completed a review of our product and solutions roadmap resulting in a renewed product strategy that is more closely aligned with the company's direction of 'developing deeper value added relationships with customers and suppliers'.

We have seen solid momentum in new customer acquisition with the addition of two new OEM brand-names in commercial refrigeration, one in Europe and one in North America. Revenue shipments with these customers commenced during the second quarter. We are actively working on a number of further opportunities with new customers, including technology partnership projects, new refrigeration system controls, and adding new customers for our existing EC motors. We are targeting to close these new deals in Q4 2012.

Outlook

- As noted in our Annual Shareholder Meeting comments, and consistent with the difficult economic environment in Europe, demand from our European customers weakened during the first half and we continue to experience poor demand visibility from this market.
- In contrast, Latin American demand was strong through the first half, to some extent helping offset the European market weakness. However over the last month of the second quarter we saw signs of demand weakness also appearing in some Latin American countries and our initial second half customer demand forecasts are lower than expected seasonal trends. We are in the early stages of analysing the impact of this demand slowdown, but at this point indications are that full year revenue will be in the NZ\$35-38m range, below our previous expectation of NZ\$40m.
- We will continue to focus strongly on management and reduction of costs and are expecting further improvements in gross margin as a result of this focus. Our stated

commitment of a 17% gross margin run rate by quarter four remains our target, although the uncertainty in end market demand does make this objective more difficult and introduces higher risk in achieving this goal within 2012.

- Customer demand visibility is low with respect to 2013, given the uncertainty in the global macro-economic environment and the difficulty customers have in providing the company with accurate long range demand plans. We are however winning new customers, which is encouraging and an early indication that we have the potential to deliver continued growth in 2013.
- We expect an EBITDA loss of approximately NZ\$2.5m for the second half of 2012. A positive EBITDA result in 2013 remains our objective but will be challenging given the weak outlook in Europe.

Strategic options

As Wellington's operating performance stabilises, the board and management are increasingly focused on strategic options available to maintain this stability and best exploit longer term growth opportunities. We are seeing solid progress in new customer acquisitions and business development momentum is building in new geographical markets, while customer interest is increasingly focused on new technology projects that can provide higher growth and margin potential for Wellington over the longer term.

While our forecasts show that the company has sufficient cash to operate for the next 12 months there are significant risks to these forecasts.

To de-risk the short term outlook and support our medium term growth plans, the company has initiated a project to identify a strategic partner who will invest in the business. This strategic partner will strengthen Wellington Drive's capability to take advantage of the new business momentum we are seeing in current and new markets, to deliver further improvement in supply chain performance and to develop innovative solutions that add value for our customers.



Tony Nowell
Chairman



Greg Allen
Chief Executive

Statements of Comprehensive Income

Consolidated	Note	Unaudited Six Months Ended		Audited Year Ended
		30 Jun 2012 \$000s	30 Jun 2011 \$000s	31 Dec 2011 \$000s
Revenue	4	22,276	18,087	34,985
Cost of sales		(19,532)	(17,565)	(33,266)
Gross profit		2,744	522	1,719
Other income		47	109	155
Other operating expenses	5	(5,004)	(6,296)	(13,283)
Net exchange gains/(losses)		319	(372)	(551)
Loss before interest, tax, depreciation and amortisation (EBITDA)		(1,894)	(6,037)	(11,960)
Depreciation, amortisation and impairment		(1,449)	(981)	(2,500)
Gain on sale of plant and equipment		72	-	-
Loss before interest & taxation (EBIT)		(3,271)	(7,018)	(14,460)
Finance income		3	63	76
Finance expenses		(24)	(30)	(88)
Loss before income tax		(3,292)	(6,985)	(14,472)
Income tax expense		-	(1)	-
Loss for the period		(3,292)	(6,986)	(14,472)
Other comprehensive income:				
Exchange differences on translating operations		(398)	(824)	137
Cash flow hedges		(26)	(24)	40
Income tax relating to comprehensive income		-	-	-
Other comprehensive income/(loss) for the period		(424)	(848)	177
Total comprehensive loss for the period		(3,716)	(\$7,834)	(\$14,295)
Loss for the period attributable to the Owners of the Company		(3,292)	(6,986)	(14,472)
Total comprehensive loss attributable to the Owners of the Company		(3,716)	(\$7,834)	(\$14,295)
Basic earnings per share – cents	16	(4.89)	(11.45)	(21.68)
Diluted earnings per share – cents	16	(4.89)	(11.45)	(21.68)

The above Statements of Comprehensive Income 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 2012 \$000s	30 Jun 2011 \$000s	31 Dec 2011 \$000s
Equity at beginning of period		12,480	18,268	18,268
Comprehensive loss for period		(3,716)	(7,834)	(14,295)
Share option compensation expensed		76	108	187
Contributions of equity	12	-	8,421	8,428
Costs related to issues of new equity	12	-	(78)	(77)
Refunds of lapsed part paid shares	12	(12)	-	(31)
Equity at end of period		\$8,828	\$18,885	\$12,480

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 2012 \$000s	Unaudited as at 30 Jun 2011 \$000s	Audited as at 31 Dec 2011 \$000s
Current Assets				
Cash and cash equivalents		2,438	5,123	3,628
Trade and other receivables	6	10,862	8,148	8,104
Derivative financial instruments		30	-	56
Inventories	7	6,666	12,768	10,944
Total current assets		19,996	26,039	22,732
Non Current Assets				
Plant and equipment	8	987	1,865	1,467
Intangible assets	8	1,370	2,569	2,330
Total non-current assets		2,357	4,434	3,797
Total assets		22,353	30,473	26,529
Current Liabilities				
Trade and other payables	9	10,291	9,732	10,125
Bank finance facilities	10	1,472	571	1,192
Derivative financial instruments		-	8	-
Provisions	11	1,726	1,187	2,658
Finance lease liability		36	58	65
Total current liabilities		13,525	11,556	14,040
Non Current Liabilities				
Finance lease liability		-	32	9
Total liabilities		13,525	11,588	14,049
Net assets		\$8,828	\$18,885	\$12,480
Equity				
Contributed equity	12	106,507	106,542	106,519
Accumulated losses		(95,963)	(85,921)	(92,671)
Other reserves		(1,716)	(1,736)	(1,368)
Total equity		\$8,828	\$18,885	\$12,480
Net tangible assets per share - cents		11.07	24.22	15.07

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
		30 Jun 2012	30 Jun 2011
Consolidated	Note	\$000s	\$000s
			31 Dec 2011
		\$000s	\$000s
Cash flows from operating activities			
Receipts from customers exclusive of GST		19,028	18,827
Payments to suppliers and employees exclusive of GST		(21,352)	(23,070)
Interest received		3	63
Interest paid		(24)	(30)
Net GST received/(paid)		861	(988)
Net cash outflow from operating activities		(1,484)	(5,198)
Cash flows from investing activities			
Proceeds from sale of plant & equipment		310	-
Payments for plant & equipment		(107)	(327)
Payments for intangible assets		(187)	(446)
Net cash inflow/(outflow) from investing activities		16	(773)
Cash flows from financing activities			
Cash (refunds)/proceeds from share and part paid share issues, net of issue costs	12	(12)	8,343
Net proceeds from/(repayment of) bank finance facilities		242	(55)
Net cash inflow from financing activities		230	8,288
Net (decrease)/increase in cash and cash equivalents			
		(1,238)	2,317
Cash and cash equivalents at the beginning of the financial period		3,628	2,900
Effect of exchange rate movements on cash		48	(94)
Cash and cash equivalents at end of period		\$2,438	\$5,123
			\$3,628

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 2012

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 28 August 2012.

These consolidated interim financial statements have not been audited. The comparative information for the year ended 31 December 2011 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 2012 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 2011.

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 2011.

(a) *Going concern convention*

The Group reported a loss of \$3,292,000 and operating cash outflows of \$1,484,000 for the half year ended 30 June 2012. For the full year ended 31 December 2011 the Group reported a loss of \$14,472,000 and operating cash outflows of \$6,518,000.

These financial statements have been prepared under a going concern convention. The directors have reviewed cash flow projections of the Group which are based on a number of assumptions including:

- further working capital reductions can be achieved to fund operations and growth of the Group. Inventory levels have declined considerably since December 2011 and additional reductions are dependent on a number of issues including improvements to Sales and Operational Planning processes and acceptance by customers of minimal safety stock levels.
- continuity of major customers and existing terms. Due to global economic uncertainty, particularly with European demand, forecasting sales, revenue growth, prices and terms remain problematic. Major customers regularly seek to renegotiate price,

payment and delivery terms with Wellington and such discussions are currently underway or are expected to start shortly with several major customers. There is no guarantee that the current price and terms that have been assumed in these forecast will be sustained following completion of these negotiations;

- achievement of forecasted sales growth and unit sales to customers. In addition to the usual product and pricing considerations, increasingly customers are interested in Wellington's supply capabilities and use a wide range of criteria to assess this. These reviews often include assessing Wellington's financial resources as well as operational effectiveness. The ability to win new business and maintain current business is impacted by the somewhat unpredictable outcomes of these customer reviews;
- maintenance of existing contractual supplier relationships on acceptable commercial terms, including through periods of fluctuating demand. Periodically Wellington has operated outside its formally agreed payment terms with major suppliers while retaining support from these suppliers. This currently is the situation with several suppliers and the cash forecasts assume that this level of support will continue in the future;
- Availability of significant components and prices of components and other input costs are maintained at current levels;
- successful conclusion of the restructuring activities announced in 2011 which involved: a reduction of in-house manufacturing; finalising production for Ziehl-Abegg AG in April 2012 and the transfer of production capability to Ziehl-Abegg AG; and reductions in operational expenditures following the review of global operations. These activities are largely complete at the date of this Interim Report with activities to optimise operational expenditures continuing.
- continuity of the bank finance facility on existing terms; and
- foreign exchange rates reflective of market rates prevailing at June 2012.

Wellington's cash forecast shows that the Group has sufficient cash resources to operate on a "business as usual" basis for the next 12 months. However this forecast is based on the assumptions above and achievement of it involves significant risks. Wellington has initiated a project to find a strategic partner to provide both capital and non-financial support to Wellington. A strategic partner, as envisaged, will both reduce risks associated with achieving projected levels of cash in the forecast and provide support to grow the business beyond the 12 month cash flow projection. Directors have assumed that this project is successful within the next 12 months in arriving at the going concern conclusion.

Whilst the Directors believe that the Group's forecast trading performance along with the restructuring plan and strategic partner initiatives described above will provide the Group with adequate levels of financing and liquidity for the foreseeable future, the Directors acknowledge that the above assumptions represent a material uncertainty in relation to the Group's ability to continue as a going concern.

In the event that there are material variations from the assumptions adopted in the cash flow projections, the minimum cash facilities available to the Group over the forecast period may be inadequate. The Company may therefore be required to seek further funding from shareholders, other investors or lenders to provide the Group with appropriate liquidity and secure the Company's long term success and its ability to continue as a going concern.

The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

(b) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). From 1 January 2010 the Parent changed its functional currency from New Zealand dollars to US dollars, as the Board believes US dollars will be the primary economic environment that the Parent will operate in. The consolidated and parent financial statements are presented in New Zealand dollars, which is the Group's presentation currency.

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

During the period the Group adopted FRS44, which sets out New Zealand specific disclosures for entities that apply NZ IFRS. The new standard and amendments do not have a material impact on the Group or Company's financial statements.

4. SEGMENT INFORMATION

(a) Reportable segments

At 30 June 2012, 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. The segment result is reflected in the financial statements.

(b) Geographical segments

The Company's 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.

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2012	30 Jun 2011	31 Dec 2011
	\$000s	\$000s	\$000s
Revenue by Destination			
.....			
New Zealand	50	11	42
Americas	11,014	8,629	16,407
Asia/Pacific - other	2,219	1,882	2,356
Europe	8,993	7,565	16,180
Total	\$22,276	\$18,087	\$34,985

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

5. OPERATING EXPENSES

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2012	30 Jun 2011	31 Dec 2011
	\$000s	\$000s	\$000s
Employee benefits	2,837	3,777	7,197
Rental expense relating to operating leases	567	641	1,299
Development costs expensed	60	503	1,128
Restructuring (provision releases)/costs	(59)	-	1,750
Other operating costs	1,599	1,375	1,909
Total	\$5,004	\$6,296	\$13,283

6. TRADE AND OTHER RECEIVABLES

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2012	30 Jun 2011	31 Dec 2011
	\$000s	\$000s	\$000s
Net trade receivables			
Trade receivables	9,851	7,362	6,758
Provision for doubtful debts	(97)	(434)	(172)
	9,754	6,928	6,586
Prepayments	263	236	401
Other receivables	185	357	169
VAT/GST refunds due	660	627	948
	\$10,862	\$8,148	\$8,104

7. INVENTORIES

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2012	30 Jun 2011	31 Dec 2011
	\$000s	\$000s	\$000s
Finished goods – at cost	4,528	6,786	6,772
Work in progress – at cost	2,640	3,274	2,844
Raw materials – at cost	1,933	4,367	4,088
Less inventory provisions	(2,435)	(1,659)	(2,760)
Total inventories	\$6,666	\$12,768	\$10,944

8. PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Plant & Equipment \$000s	Intangible Assets \$000s
Six months ended 30 June 2011		
Opening net book value as at 1 January 2011	2,097	2,807
Additions	327	446
Disposals	-	-
Depreciation and amortisation	(468)	(313)
Impaired intangibles	-	(200)
Exchange adjustment	(91)	(171)
Closing net book amount as at 30 June 2011	\$1,865	\$2,569

Six months ended 30 June 2012

Opening net book value as at 1 January 2012	1,467	2,330
Additions	107	187
Disposals	(238)	-
Depreciation and amortisation	(308)	(191)
Impaired intangibles	-	(950)
Exchange adjustment	(41)	(6)
Closing net book amount as at 30 June 2012	\$987	\$1,370

9. TRADE AND OTHER PAYABLES

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2012 \$000s	30 Jun 2011 \$000s	31 Dec 2011 \$000s
Trade payables	9,155	8,330	9,196
Related party payables	303	317	212
Accrued expenses	468	648	244
Employee expenses	365	437	473
	\$10,291	\$9,732	\$10,125

10. BANK FINANCE FACILITIES

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2012 \$000s	30 Jun 2011 \$000s	31 Dec 2011 \$000s
Bank finance facilities (secured)	\$1,472	\$571	\$1,192

10. Bank Finance Facilities (continued)

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.

11. PROVISIONS

	Unaudited Six Months Ended		Audited Year Ended
	30 Jun 2012	30 Jun 2011	31 Dec 2011
	\$000s	\$000s	\$000s
Restructuring provisions	852	-	1,510
Warranty provisions	874	1,187	1,148
	\$1,726	\$1,187	\$2,658

(a) Restructuring provisions

Carrying amount at start of period	1,510	-	-
Additional provisions recognised	188	-	1,510
Amounts used	(600)	-	-
Unused amounts reversed	(246)	-	-
Exchange adjustment	-	-	-
Carrying amount at end of period	\$852	\$ -	\$1,510

In August 2011, the Company announced a plan to restructure its operations. Further restructuring initiatives were recognised following a review of the business by new CEO in the last quarter of 2011. As a result provisions have been made to recognise the costs expected to be incurred from redundancies, onerous lease contracts and onerous supply contracts. The provisions are expected to be utilised with one year of balance date.

(b) Warranty provisions

Carrying amount at start of period	1,148	445	445
Additional provisions recognised	382	1,161	1,498
Amounts used	(278)	(42)	(149)
Unused amounts reversed	(371)	(336)	(688)
Exchange adjustment	(7)	(41)	42
Carrying amount at end of period	\$874	\$1,187	\$1,148

The Group 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 Group. It is expected that the provision will be utilised within one year as any product failures are typically exhibited within one year of sale.

12. SHARE CAPITAL

	Six months ended 30 Jun 12 Shares	Six months ended 30 Jun 11 Shares	Six months ended 30 Jun 12 \$000s	Six months ended 30 Jun 11 \$000s
Ordinary shares – fully paid	67,366,450	67,366,450	106,456	106,456
Ordinary shares – partly paid	1,976,810	862,500	51	86
US employee share options	37,500	37,500	-	-
Total ordinary shares and options on issue	69,380,760	68,266,450	\$106,507	\$106,542

(a) Ordinary shares

Opening balance of ordinary shares on issue	67,366,450	673,663,985	106,456	98,113
Issues of ordinary shares during the period:				
- February 2011 rights issue at 1.25 cents for cash	-	673,663,985	-	8,421
- February 2011 share issue costs	-	-	-	(78)
June 2011 20 for 1 share consolidation	-	(1,279,961,520)	-	-
Ordinary fully paid shares on issue at period end	67,366,450	67,366,450	\$106,456	\$106,456

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	2,195,641	17,250,000	63	86
Issued	-	-	-	-
Lapsed	(218,831)	-	(12)	-
Surrendered	-	-	-	-
20 for 1 share consolidation on 30 June 2011	-	(16,387,500)	-	-
Ordinary part paid shares on issue at period end	1,976,810	862,500	\$51	\$86

12. Share Capital (continued)

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 2012 (numbers)	Outstanding at June 2011 (numbers)
15 Sep 2008	15 Sep 2011	15 Sep 2012	*599.2	*460.9	*460.4	-	*247,500
10 Aug 2010	10 Aug 2013	10 Aug 2015	*163.85	*163.85	*163.35	554,481	*615,000
21 Jul 2011	21 Jul 2014	21 Jul 2016	32.74	32.74	32.24	75,000	-
6 Dec 2011	6 Dec 2013	6 Dec 2016	25.56	25.56	25.06	1,347,329	-

* Adjusted for the cash issue in February 2011 (in accordance with the Wellington Part Paid Share Scheme) and the 20 for 1 share consolidation on 30 June 2011.

	Outstanding at June 2012 (numbers)	Outstanding at June 2011 (numbers)
(c) U.S. employee share options		
Options outstanding at start of period	37,500	750,000
Granted	-	-
Exercised	-	-
Lapsed	-	-
20 for 1 share consolidation on 30 June 2011	-	(712,500)
Outstanding at end of period	37,500	37,500

The June 2010 Annual 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 (cents)	Outstanding at June 2012 (numbers)	Outstanding at June 2011 (numbers)
10 Aug 10	10 Aug 14	* 247	* 37,500	*37,500

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

13. CONTINGENCIES AND COMMITMENTS

There are no material contingent liabilities, assets or capital commitments (June 2011:\$nil).

14. RELATED PARTY TRANSACTIONS

(a) Directors

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

14. Related Party Transactions (continued)

(b) Key management personnel and compensation

Key management personnel compensation for the six months ended 30 June 2012 and six months ended 30 June 2011 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 2012 \$000s	Six months ended 30 Jun 2011 \$000s
Salaries, fees and other short term benefits	802	747
Share based remuneration	54	75
Directors remuneration	81	*236
Bonuses	203	124
Total	\$1,140	\$1,182

* Includes Dr R. Green who resigned as a director in June 2011.

(c) Transactions

During the period the Parent purchased and sold inventory to and from its subsidiaries and advanced loans to its subsidiaries. In presenting the condensed interim financial statements of the Group, the effect of transactions and balances between fellow subsidiaries and those with the Parent have been eliminated. All transactions with related parties were in the normal course of business, provided on commercial terms and are repayable on demand in cash.

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

	Unaudited Six Months Ended 30 Jun 2012 \$000s	30 Jun 2011 \$000s	Audited Year Ended 31 Dec 2011 \$000s
Loss after taxation for the period	(3,292)	(6,986)	(14,472)
Depreciation and amortisation	499	781	1,548
Impairment of intangibles, property and equipment	950	200	952
Share based payments	76	108	187
Inventory write downs	(325)	629	1,730
Provision for doubtful debts	(75)	33	(229)
Provision for warranty	(274)	742	703
Provision for restructuring	(658)	-	1,510
Net foreign exchange differences	(471)	(468)	368
(Increase) in trade and other receivables	(2,683)	1,266	1,572
(Increase) in inventories	4,603	849	1,572
Increase in trade and other payables	166	(2,352)	(1,959)
Net cash outflow from operating activities	(\$1,484)	(\$5,198)	(\$6,518)

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 period.

	Six months ended 30 Jun 2012 \$000s	Six months ended 30 Jun 2011 \$000s
Loss attributable to equity holders of the Company	(\$3,292)	(\$6,986)
Weighted average number of ordinary shares on issue (thousands)	67,366	67,366
Basic earnings per share - cents	(4.89)	(11.45)

(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 2012 \$000s	Six months ended 30 Jun 2011 \$000s
Loss attributable to equity holders of the Company	(\$3,292)	(\$6,986)
Weighted average number of ordinary shares on issue (thousands)	67,366	67,366
Adjustment for partly paid shares or share options	-	-
Diluted earnings per share – cents	(4.89)	(11.45)

Directory

Directors

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

Senior Staff

Greg Allen, *Chief Executive Officer*
Steven Hodgson, *Chief Financial Officer*
David Howell, *Chief Technical Officer*
Lim, K.S., *Chief Operations Officer Singapore*
Marcia Swain, *Group Financial Controller*
Ron Jackson, *Company Secretary*
Ali Karahasanoğlu, *Sales Director, Europe,
Middle East and Africa*
Erick Layseca-Flores, *Business Development
Director, Americas*

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Bankers

Bank of New Zealand

Share Registry

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