



Annual Report 2010

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

There are statements in this document that are "forward-looking statements". As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Wellington, its operations, the markets in which it competes and other factors (some of which are beyond the control of Wellington). As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements. In particular, Wellington's operations and results are significantly influenced by the extent to which energy efficient motor technology is promoted in Wellington's key markets, competitor product development and demand and pricing, fluctuations in key commodity prices or costs in the countries of Wellington's suppliers, availability of key components, relative exchange rates and profitability of customers, all of which can have a substantial impact on Wellington's results of operations and financial condition. Other risks include customer concentration risk and misuse of Wellington's intellectual property.

Contents

2	2010 in Review: Key Points
4	Chairman's report to investors
6	CEO's overview
10	Directors
11	Governance
13	Statutory Information
16	Shareholder Information
18	Auditors' Report
19	Statements of Comprehensive Income
19	Statements of Movements in Equity
20	Statements of Financial Position
21	Cash Flow Statements
22	Notes to the Financial Statements
53	Directory

2010 in review:

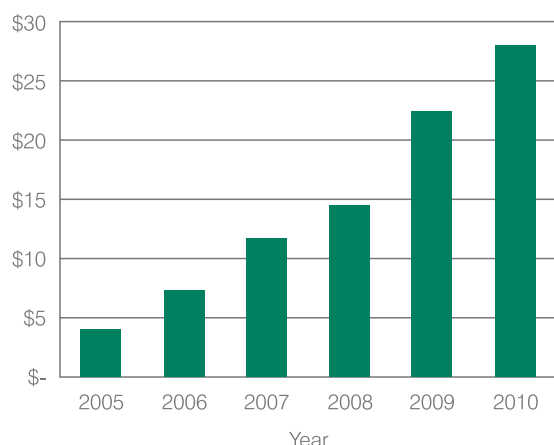
Highlights

- Sales rose 25% versus the prior year to reach \$28 million, an increase of 41% when stated in US dollars, the currency in which Wellington conducts most of its business.
- Sales volumes increased by 31% to reach 887,000 units.
- Net loss of \$14.8 million, which despite being a \$1.9 million improvement over the previous year (2009:\$16.7 million), was significantly greater than expected and due in particular to a weaker than expected gross margin performance.
- Anticipated reductions in inventory levels were not achieved, leading to higher working capital requirements and greater than planned cash consumption.
- Further capital was raised during the year, with \$7.7m raised in September 2010: a second capital raising of \$8.4m, was successfully completed in February 2011.
- The number of ECR motors sold to commercial refrigeration customers grew by 50% to reach 636,000 units.
- Ventilation sales volume grew by 47% to 105,000. Margins were unacceptably low due to the high cost of specialised components and short 'make to order' production runs, compounded by the reduced effective pricing that resulted from adverse movement of the Euro to US dollar currency exchange rate.
- Euro priced contracts were renegotiated to US dollar pricing to address the exchange rate disadvantage resulting from the mostly US dollar cost base.
- Demand was unexpectedly high in the first few months of the year. Efforts to fully capitalize on this opportunity were negatively impacted by manufacturing and supply chain deficiencies, compounded by supply constraints as the electronics components industry recovered from the global financial crisis.
- A review of sales & operations planning and manufacturing practices was completed, with actions being implemented to strengthen all core processes.
- A number of senior management changes have been made with a view to improving the company's operational performance.
- Tony Nowell, a former CEO and Managing Director of major New Zealand and international businesses, was appointed as Chairman.

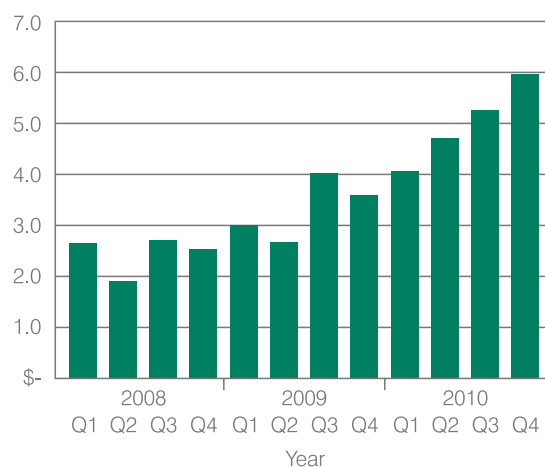
Outlook

- Wellington is undertaking a full review of its ventilation business.
- Wellington is budgeting for a substantial increase in ECR sales in 2011. January sales have been confirmed in line with this budget. The budget also projects a substantial improvement in gross margin and operating losses.

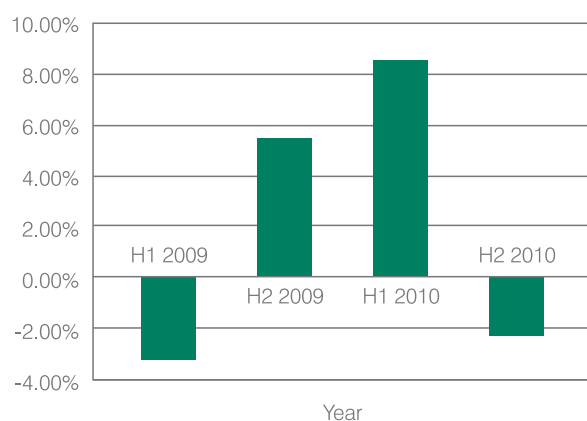
Group Revenue NZD\$m



Quarterly US\$ Revenue

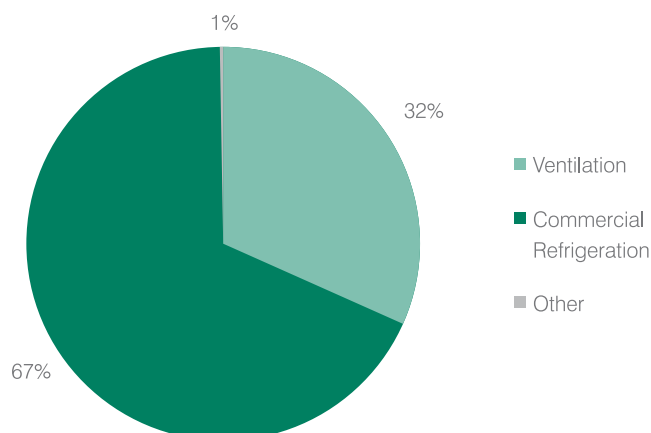


Product Gross Margin



Wellington's product gross margin declined to -2.3% in the last six months of 2010, a disappointing setback given the previous underlying improving trend. Margin was impacted by: substantial costs associated with start up of production of new motor variants; high costs for electronic components; one-off airfreight charges due to component shortages; and adverse \$US/Euro currency movements. An increase in inventory provisioning of NZ\$650,000 was incurred during the second half as a result of materials scrapped during production start-up, through component obsolescence and superseded product. These influences should not occur in 2011 and a substantial improvement in margin is expected.

Divisional Sales



Chairman's Report



2010 was a frustrating but significant year for the company, with the value opportunity offered by strong demand being diluted by both financial and operating performance that did not meet expectations.

Wellington continued to record strong growth in the sale of fan motors for commercial refrigeration point-of-sale equipment, and remains well positioned as a global leader in the supply of high-efficiency electric motors for use in retail bottle coolers and refrigerated produce display cases.

Hindered in the first half of the year by component shortages as the electronic supply industry recovered from the impact of the global financial crisis, and by deficiencies in the supply chain and manufacturing operations, the company struggled to meet the increased demand opportunity. This resulted in gross margins falling below expectations and an excessive inventory build as component orders began to fill, resulting in higher working capital requirements and the increased cash consumption that necessitated two capital raisings.

Consequent to these unsatisfactory outcomes, the company has made, and will continue to make, the many necessary changes required to improve operating and financial performance, including senior staff changes and specific steps to strengthen sales and operations management processes, manufacturing capability, and performance management throughout the organisation.

Sales of \$28 million were up 25% versus the prior year, supported by volume growth of 31%. This included an encouraging 50% volume growth in ECR motors to the important commercial refrigeration market, supported by strengthening key customer and end user relationships and major accounts continuing to grow demand towards projected levels.

New customers also began to use Wellington products in significant numbers, a further encouraging sign that the target market as a whole is moving to the use of high efficiency electric motors.

Whilst it is pleasing to report double digit volume growth, there is also a strong sense of frustration at the loss of value associated with global component shortages and the company's own operating deficiencies.

The shortage of electronic components affected many industries, and also Wellington's competitors. It delayed the launch of new products, lifted input costs as a "sellers' market" arose for components and resulted in increased airfreight charges in order to meet customer deadlines after consequent production delays.

While volume sales of new ventilation products gathered pace in the second half of the year, the decline of the Euro against the US dollar had a significant negative impact on margins, as costs for the company's Euro priced ventilation products were denominated in US dollars. Margins on new ventilation products were also adversely impacted by added costs associated with the component shortage situation and higher than expected production scrap rates as new product introductions were brought forward in attempts to meet increasing demand.

As demand increased, supply chain difficulties became particularly evident at Wellington's manufacturing operation in Singapore. A full review of operations has been completed and a number of key improvement actions are now being

implemented, including the appointment in September 2010 of a Singapore based Chief Operations Officer of more than 20 years experience in high value advanced manufacturing. This appointment has brought a sharpened focus to operations planning, manufacturing management and performance management, and will result in a much improved manufacturing, supply chain and gross margin performance for the company.

During the year most Euro-priced contracts were successfully renegotiated from Euro to US dollars, with new prices in effect for most 2011 deliveries.

Despite a certain number of factors being outside the company's direct control in 2010, a loss of \$14.8 million was greater than anticipated and completely unacceptable – notwithstanding the improvement of \$1.9 million when compared to the prior year (2009:\$16.7 million). While year-end write-downs of stock values and capitalised development expenditure contributed to this level of loss, the key issue is inadequate and unacceptable gross margin performance, which the Board and management believe will be significantly improved over the coming year.

The outlook for 2011 is encouraging. Wellington's refrigeration business goes into the year with good levels of finished goods inventory, the production capacity to meet projected demand, a leading product range and strong customer relationships. January sales were in line with budget and considerably ahead of the same month in 2010.

Wellington is budgeting 2011 to show further strong sales growth, an improved gross margin and a decline in operating losses. Product margins will improve as manufacturing processes are strengthened and managed for higher performance, while overhead cost reductions are being targeted as part of an operational expenditure review currently in progress throughout the company.

Better sales and operations planning procedures will lead to a reduction in the current unacceptably high inventory levels and to improved purchasing leverage.

The ventilation business model is currently undergoing a full review to determine Wellington's best options. The current business is able to operate efficiently if it has accurate long-term forecasts and a small number of distinct product variants, reflecting the significant development costs associated with these products and the long lead times for supplies of specialized components. However, the preferences of Wellington's ventilation customers are essentially for a build-to-order model, resulting in less than optimal production volumes, requirements for high levels of specialized production inventory and unacceptable margins at current price levels.

Having joined the Wellington board as an independent director in March 2010, I was pleased to accept the appointment to Chairman in December. With an international career as an operationally-focussed CEO in large and successful global businesses, I am excited by the opportunity Wellington has developed as a global leader in its sector. While very aware of the commercialisation issues that Wellington has faced taking its technology to market, I believe the company is an excellent example of New Zealand's developing technology capability and I look forward to working with the board and executive team to realise the company's full potential. I am committed to the company meeting key operational milestones and delivering significantly better financial performance in the near-term.

On behalf of the board I want to thank my predecessor Dr Rick Boven, who continues as a director of the company, for his service as Chairman prior to my taking the role.

The continued support of our shareholders is much appreciated as your board and executive implement the necessary actions to significantly improve performance over the coming year.

A handwritten signature in blue ink, appearing to read "T. Nowell".

Tony Nowell
Chairman

CEO's Report



Business Performance Overview

Although sales growth was pleasing, particularly in the commercial refrigeration business, the company's performance in 2010 was hampered by an unacceptable gross margin and unexpectedly high levels of inventory, resulting in poor bottom-line performance and high cash consumption.

As outlined in the recent Rights Issue Prospectus, the two main factors causing excess inventory were delays in implementing new supply chain management processes and a reduction in a major customer's projected fourth quarter deliveries (this customer has re-instated strong orders for the first quarter of 2011).

The Chairman has highlighted key changes made to the senior team and that many process improvements are being made to strengthen operations management. This has included a full review of inventory and working capital management processes. Based on the improved manufacturing and logistics controls now in place, the company ended the year with improvements becoming evident and with the supply chain significantly strengthened. As a consequence the gross margin performance and working capital position is expected to notably improve as the year progresses.

Wellington's commercial refrigeration business grew substantially throughout the year, successfully building upon the company's reputation for a strong customer service ethic, and ending the year with demand on track for a continuation of strong sales growth.

Ventilation sales showed a modest increase, as new products that have been under development for some time began to sell in appreciable numbers. The returns from this business still remain well below targets and expectations, and are not yet commensurate with the development investments made, or the on-going costs of supporting ventilation activities in the current 'make to order' form. As the Chairman has noted, the ventilation business model is under full review, with the objective of realizing a substantially improved commercial outcome in the medium term.

Operations

Good sales volume growth was achieved despite a global shortfall in the supply of electronic components which adversely affected production, sales and margins throughout much of the year. Component shortages also imposed high airfreight costs on the business as products were expedited to meet critical installation dates for key customers, most notably Coca-Cola Corporation via its international network of bottle cooler manufacturers.

In this constrained and difficult environment, Wellington's manufacturing and supply chain operations were insufficiently prepared, struggling to cope with the simultaneous introduction and volume build of a number of new product lines. This resulted in delays to product availability, high scrap levels and lost sales in a period of high customer demand.

Although a number of extraordinary external factors impacted supply-side operations, performance was less than satisfactory even with these external

factors removed. Significant steps have been taken to change and strengthen the supply chain, manufacturing and engineering operations and to improve the interfaces between these core functions.

Changes include the September 2010 appointment of K.S. Lim to the newly established post of Chief Operations Officer, Singapore. Mr Lim most recently held the role of regional General Manager of Operations for Celestica, an advanced manufacturing company with revenues of \$US6 billion. Wellington also appointed Ms Claire Williams to a new General Manager role with a specific brief to improve the delivery of customer requirements via the company's products and services. Ms Williams is a graduate of Oxford University and has filled previous roles with Dyson and Williams.

Refrigeration Business

By year's end component shortages had reduced and the company supply capability was substantially improved. A summary of performance and outlook for sales of Wellington motors to commercial refrigeration customers by geographic region follows:

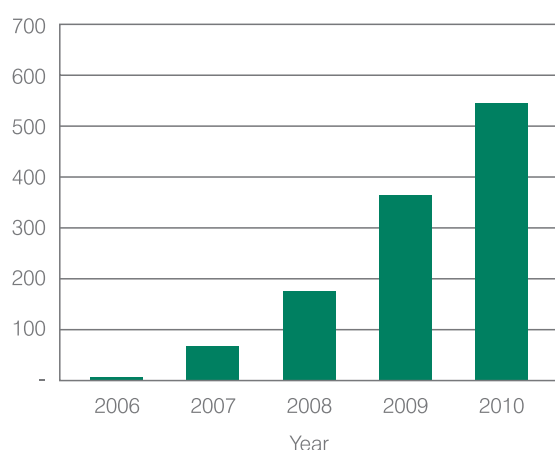
Latin America

Mexico is Wellington's largest market in Latin America, with market leadership achieved in 2010. The largest customer is Imbera, the refrigeration equipment manufacturing division of Coca-Cola FEMSA.

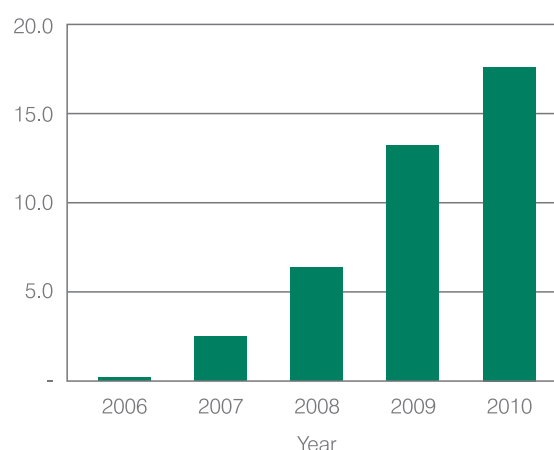
Regional demand for high efficiency motors is being driven by the sustainability initiatives of major bottle cooler and vending machine purchasers, spearheaded by Coca-Cola. High electricity prices – some 4 times New Zealand levels - provide a further incentive to adopt electricity-saving measures in Mexico, where electricity is the largest overhead cost for most owner-operator convenience stores. Most Latin American countries have similar market conditions.

In 2010 the company built on its Mexican base to step up marketing activities in Brazil, making its first in-market sales appointment, and also recorded sales in Guatemala, Chile, Argentina and Costa Rica. Given the rapid growth in this region, plans are being developed to expand our Latin American presence in 2011.

ECR Units Sold (1000s)



ECR Revenue (NZ\$m)



Europe

Wellington has traditionally supplied motors to OEM customers in Europe, where long-established relationships have provided small but steady sales growth. In 2010 the company began to expand the distributor network, offering better product access for smaller customers. Distributors have been appointed in the United Kingdom, France, Germany and some smaller markets, with discussions under way for other key regions in Europe. This increased activity will be supported by additions to the sales and applications engineering team in Europe. At year's end there were good increases in OEM orders for 2011 and an advanced discussion taking place regarding a new, long term sales contract with a major, European-based, multinational manufacturer.

USA

Growth in the US market was led by demand for "retrofit" installation of EC motors to reduce the electricity costs associated with aging and less efficient traditional motors. Retrofit projects, which are often supported by rebates and subsidies from US state governments and regional electricity companies, involve upgrading the motors of existing refrigeration equipment in supermarkets, convenience stores, restaurants and other outlets. Wellington's new ECR One and ECR85/95 products are designed particularly for retrofit use, and throughout 2010 enjoyed continuing strong customer demand. In November both of these products were launched through the distribution arrangement with A.O. Smith Corporation, one of America's largest manufacturers and distributors of electric motors.

Wellington's cost base in the USA has been adjusted and reduced, as the company focuses on working directly with a small number of major equipment OEMs and acting in support of distributors and retrofit contractors. Further cost reductions in the USA in 2011 are believed possible.

Asia

Wellington's sales in Asia have been small to date, reflecting lower energy costs and therefore slower regional adoption of EC technology. However, this is changing as the result of an increasing focus on energy efficiency, particularly in China. Off a low base of sales already started with major equipment manufacturers Sanyo and Haier, Asia is expected to provide a stronger growth profile in 2011. Consideration is being given to the opening of a small representative office in China to commence the promotion of domestic market sales and to assist with management of Wellington's China supply chain.

Ventilation business

The ventilation business faced serious challenges with new product introductions, due to the global shortage of electronic components and higher than expected scrap rates as the products were accelerated through the production build-up phase in order to meet developing demand. This resulted in poor margins and a substantial build-up of inventory as unpredictable shortages occurred in the pre-confirmed supply of small numbers of critical components, resulting in an inability to complete the production, shipment and invoicing of finished goods. This situation was compounded by the high costs of airfreight required to meet critical customer delivery dates.

As noted earlier, this business was also affected by a substantial decline in the Euro (the currency in which most sales were transacted) against the US dollar (the currency in which product costs are denominated). Following successful renegotiation throughout the year, most ventilation business is now invoiced in US dollars.

The main ventilation focus in 2010 was on the launch of new products developed for key customer Ziehl-Abegg. This proved more demanding than expected. With the launch phase now largely complete, management focus has shifted to addressing the issue of making ventilation a high performing business for Wellington, with several strategic approaches being considered.

Summary

2010 was a difficult and frustrating operating year, when the opportunity created by strong and continued demand growth for Wellington's refrigeration motors was more than offset by shortages in component supply and shortcomings in supply chain and manufacturing processes resulting in an uneconomic outcome.

By year's end the manufacturing and supply chain structure had been significantly reviewed and improved, component shortages had eased and the company was well placed to meet strong refrigeration order flow for early 2011. Importantly, this will lead to improved cash flow, gross margin and net profit performance.

A handwritten signature in blue ink that reads "R M Green".

Dr Ross Green
Chief Executive Officer

Directors



Tony Nowell - Chairman

Mr Nowell was appointed a director of Wellington in March 2010 and Chairman in December 2010. He is an experienced company leader in major New Zealand and international businesses and also Chairs Scion (the Forest

Research Institute of New Zealand) and New Zealand Food Innovation (Manukau). He is Deputy Chair of Leadership New Zealand, a board member of Food Standards Australia New Zealand, a New Zealand representative on the APEC Business Advisory Council, a member of the Export Advisory Board of Business New Zealand and was formerly Chief Executive of Zespri International, the world's largest exporter of kiwifruit. Prior to returning to New Zealand business in 2000 from an extended period of international business experience, Mr Nowell was Regional Vice President of Sara Lee Asia, President Director of Sara Lee Indonesia and President Director of L'Oreal Indonesia.



Dr Ross Green - Chief Executive Officer

Dr Green undertook major product developments for Xerox, BP and other large companies in the UK before becoming a founder of Europe's largest product development company, the Technology

Partnership Ltd. He led programmes with Robert Bosch GmbH in Germany and the Nokia Corporation in Finland amongst other companies. The founder of Wavedriver Ltd in the UK, developing advanced energy management equipment, Dr Green has a technical background in electronic engineering and has been Wellington's Chief Executive since 1998.



Mr Shawn Beck

Mr Beck has been an Executive Director of Pencarrow Private Equity Ltd since it began in 1993. He is currently a director of Home Ideas Group. He has served on boards in the specialty manufacturing, retail, road transport, aviation transport,

media, engineering consulting and food industries. He has been a director of Wellington since 1994.



Dr Ray Thomson

After graduating with a doctorate in Physics, Dr Thomson worked as an investment analyst in share broking and investment companies from 1979 to 1999. He has served as a director of a number of public and private companies; is a director

of Manuka Health New Zealand Ltd and Industrial Research Ltd. Dr Thomson has a strong involvement in the ice angel community, being on the Auckland Ice Angel Advisory Board and last year winning the William H Payne Active Angel Award. He has been a director of Wellington since 1988.



Dr Richard (Rick) Boven

Dr Boven is a professional strategist, management consultant and company director with experience in the United States and Australia, as well as New Zealand, in the areas of industry evolution, business strategy, and operational

effectiveness. Dr Boven is the Director of The New Zealand Institute, a past director of ASB Bank and Sovereign Insurance and an ex-partner with the Boston Consulting Group. He has been a Director of Wellington since December 2007 and was Chairman from March 2008 to December 2010.



Mr Simon Mander

Mr Mander is a qualified mechanical engineer whose previous positions include Planning Director with Lion Breweries New Zealand and four years with McKinsey & Company as a strategy management consultant. He has extensive

corporate experience in several industries including FMCG, industrial goods, petroleum/petrochemical and heavy industry in Asia, Australia and New Zealand. The General Manager of a specialist packaging export business, Mr Mander has been a director of Wellington since 2004.

Corporate Governance

The Board of Wellington Drive Technologies Limited is committed to acting with integrity and expects high standards of behaviour and accountability from all its officers and staff.

Role of the Board

The Board's primary objective is the enhancement of shareholder value by following appropriate strategies, and ensuring effective and innovative use of available Company resources. The Board is responsible for the management, supervision, and direction of the Group. Day-to-day management of the Group is delegated to the Chief Executive.

Compliance

The governance principles adopted by the Board are designed to meet best practice recommendations for listed companies to the extent that it is appropriate to the size and nature of Wellington's operations. The Board endorses the overall principles embodied in the N.Z. Stock Exchange Corporate Governance Best Practice Code. In a number of respects the Company's practice differs from this Code. In particular, the Company has not established a nomination committee, believing these matters are being properly dealt with at the full Board level.

Board Meetings

The Board normally meets nine to eleven times each year for scheduled meetings. Additional meetings are held where specific matters require attention between scheduled meetings. Board meetings are used to monitor, challenge, develop, and fully understand business and operational issues.

Composition of the Board

The Constitution provides that there will be not less than three and not more than eight directors. N.Z. Stock Exchange requirements are that at least two directors or one-third, are independent directors. The Board has six directors including the Chief Executive, four of whom are independent. Profiles of Directors are given on Page 10.

Criteria for Board Membership

When a vacancy arises, the Board identifies candidates with a mix of capabilities and perspectives considered necessary for the Board to carry out its responsibilities effectively. A director appointed by the Board must stand for election at the next Annual Meeting. At each Annual Meeting one-third of directors (excluding the Chief Executive) must retire by rotation. Retiring directors are eligible for re-election.

Non-executive Directors' Remuneration

The fees payable to non-executive directors are determined by the Board within the aggregate amount approved by shareholders. The Board considers the advice of independent remuneration consultants when setting remuneration levels. The current directors' fee pool limit is \$200,000 (excluding the CEO) which was approved by the shareholders at the 14 November 2006 annual meeting of shareholders.

Details of the remuneration paid to directors are disclosed on Page 13 in the Financial Statements.

Board Committees

The Board has established two committees to guide and assist the Board with overseeing certain aspects of corporate governance. These committees are the Audit and Risk Committee and the Executive Appointment and Remuneration Committee. Each sub-committee is empowered to seek any information it requires from employees in pursuing its duties and to obtain independent legal or other professional advice.

Audit and Risk Committee

The Audit and Risk Committee operates under a charter approved by the Board and is accountable to the Board for: the business's relationship with, and the independence of, the external auditors; the reliability and appropriateness of the disclosure of the financial statements and external financial communication; and the maintenance of an effective business risk management framework including compliance and internal controls.

The committee also approves any non-audit work carried out by the Company's auditors and ensures that the lead partner in the audit firm is rotated every five years.

The committee is composed of three non-executive directors, two of whom are independent. The current members are Dr Ray Thomson (Chairman), Dr Rick Boven and Simon Mander.

Executive Appointment and Remuneration Committee

The Executive Appointment and Remuneration Committee operates under a charter approved by the Board and is accountable to the Board for the remuneration and appointment of the senior executive team, management succession planning, reviewing and approving compensation arrangements, establishing employee incentive schemes and the remuneration of the Board. The committee also advises on proposals for significant company-wide remuneration policies and programmes. In carrying out this role, the sub-committee operates independently of senior management of the Company, and obtains independent advice on the appropriateness of the remuneration packages.

The current members are Tony Nowell (Chairman), Shawn Beck and Dr Rick Boven.

Trading in shares

Wellington is committed to transparency and fairness in dealing with all of its stakeholders and to ensuring adherence to all applicable laws and regulations.

Wellington has a detailed insider trading policy applying to all directors and employees. No director or employee may use confidential unpublished price sensitive information in his or her position to engage in securities trading for personal benefit or to provide benefit to any third party. Short term trading in Wellington shares and buying or selling (while in possession of unpublished price-sensitive information) is strictly prohibited.

All directors and employees must obtain consent to trade in securities prior to trading. Consents are provided by the Chairman of the Audit and Risk Committee and/or the Chairman of the Board. The Company monitors trading and reports any share movements to the board at every meeting.

Relationship with the Independent Auditor

The Company has adopted a policy to ensure that audit independence is maintained, both in fact and appearance, such that Wellington's external financial reporting is viewed as being highly reliable and credible. The policy covers the following areas:

- The external auditor must remain independent of the Company at all times and comply with the New Zealand Institute of Chartered Accountants' (NZICA) Code of Ethics;
- The external auditor must monitor its independence and report to the Board that it has remained independent;
- Guidelines in relation to the provision of non-audit services by the external auditor in order that the provision of such services does not impair the external auditor's independence or objectivity;
- The audit firm may be permitted to provide non-audit services that are not considered to be in conflict with the preservation of the independence of the auditor subject to the approval of the Audit and Risk Committee; and
- The Audit and Risk Committee must approve significant permissible non-audit work assignments that are awarded to an external auditor, and the value of non-audit work must be reported at every board meeting.

Statutory Information

Introduction

Directors have resolved that no dividend be declared payable.

Audit fees received or due and receivable by PricewaterhouseCoopers are \$85,000 (Dec 2009 - \$93,000).

The Company does not have a credit rating.

Directors and Employees

The Directors express their appreciation to the staff of the Company for their commitment and effort in commercialising and promoting Wellington's motor technologies and products over the past year.

In accordance with the Company's Constitution, Mr S. R. Beck and Mr S.J. Mander retire and, being eligible, offer themselves for re-election at the Annual Meeting. As of the date of this Annual Report no other director nominations have been received.

Remuneration of Directors

During the year the following remuneration was paid or payable to directors:

	2010	2009
Mr T. Nowell ¹	\$24,450	\$ -
Dr R. Boven	\$49,284	\$50,000
Dr R. M. Green	\$373,492	\$334,983
Mr S. R. Beck ²	\$28,000	\$28,000
Dr. R. J. Thomson	\$28,000	\$28,000
Mr S. J. Mander	\$28,000	\$28,000
Professor R. F. Meyer ³	\$ -	\$12,939

¹ Tony Nowell was appointed a director in March 2010.

² Paid to Pencarrow Private Equity Ltd for services rendered by Mr S.R. Beck as a director of the Company.

³ Professor Meyer retired after the June 2009 Annual Meeting.

Interested Transactions

The Directors have disclosed the following transactions with the Company:

- Interested Transactions – There have been no transactions during the year with interested or related parties.
- Directors' Remuneration – Remuneration details of Directors are provided above.
- Indemnification and insurance of officers and directors – The Company indemnifies directors and executive officers of the Group against all liabilities which arise out of the performance of their normal duties as director or executive officer, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Group has indemnity insurance. The total cost of this insurance expensed during the year ended 31 December 2010 was \$25,123 (December 2009 - \$16,033).

Directors' Share Transactions – In March 2010 the Shawn Beck Trust purchased 199,152 shares for \$15,932.

In April 2010 the Shawn Beck Trust purchased 100,000 shares for \$8,000.

In August 2010 the Green Family Trust subscribed for 2,000,000 part paid shares under the Company's Partly Paid Share Scheme. Further details of this issue are in note 24 of the financial statements.

In September 2010 pursuant to the Company's Share Purchase Plan dated 30 August 2010 the following directors (or Trusts in which they have interests) applied or were placed further shares (at 7.038 cents each): the Shawn Beck Trust – 142,085 shares; Rick Boven – 142,085 shares; the Boven Family Trust – 142,085 shares; Gurkha Trust – 2,983,801 shares and Waikiwi Trust – 1,562,943 shares.

No other directors acquired or disposed of any shares in the Company during the year.

- Directors' Loans - There were no loans by the Company to Directors.
- Key management Share Transactions – During the year key management acquired 1,142,085 fully paid ordinary shares in the Company. No shares were sold. At year end key management held 8,204,226 shares. Key management staff also have interests in part paid shares and US share options as detailed in Note 24. Key management were granted 4,950,000 part paid shares and 250,000 US Share Options during the year.

The Board received no notices during the year from directors requesting to use Company information received in their capacity as directors which would not otherwise have been available to them.

Directors' Shareholding

Ordinary shares	31 December 2010		31 December 2009	
	Total Relevant Interest	Direct	Total Relevant Interest	Direct
Dr R. Boven	1,902,972	699,097	1,618,802	557,012
Mr S. R. Beck	2,214,914	-	1,773,677	-
Dr R. M. Green	4,608,698	-	4,608,698	-
Dr R. J. Thomson	26,601,688	-	22,054,944	-

Note:

- Dr R.M. Green has a relevant interest in 3,400,000 partly paid shares (2009 – 1,400,000) – see note 21 for further details.
- Dr R.J. Thomson has interests in shareholders Gurkha and Waikiwi Trusts listed on page 12.

Employees

The number of employees, other than Directors, within the Group receiving remuneration and benefits above \$100,000, as is required to be disclosed in accordance with section 211(1)(g) of the Companies Act 1993, is indicated in the following table.

	GROUP		PARENT	
	2010	2009	2010	2009
\$100,000 - \$109,999	4	3	3	2
\$110,000 - \$119,999	2	-	1	-
\$120,000 - \$129,999	2	3	1	-
\$130,000 - \$139,999	3	4	2	3
\$140,000 - \$149,999	1	1	-	-
\$150,000 - \$159,999	-	2	-	2
\$160,000 - \$169,999	1	1	1	-
\$170,000 - \$179,999	1	1	1	1
\$190,000 - \$199,999	2	-	1	-
\$200,000 - \$209,999	1	-	-	--
\$240,000 - \$249,999	-	1	-	-
\$270,000 - \$279,999	-	1	-	-
\$280,000 - \$289,999	-	1	-	-
\$330,000 - \$339,999	1	1	-	1

NZX Waivers

In accordance with NZ Stock Exchange Listing Rule 10.5.3(f) the following waiver was granted by the NZ Exchange during the year ended 31 December 2010:

- Waiver dated 13 December 2010: January 2011 Simplified Disclosure Prospectus – Listing Rule 7.10.5. To enable the Company to give shareholders the right to apply for more new shares than their entitlement, to the extent of any shortfall in the issue. The waiver was subject to certain conditions being met. Further details of this waiver can be found on page 27 of the Simplified Disclosure Prospectus dated 6 January 2011, which can be viewed on the website of the Company at: <http://www.wdtil.com/pdf/WT7412WDTProspectus6Jan2011.pdf>

Auditors

In accordance with Section 200 of the Companies' Act 1993, the auditors, PricewaterhouseCoopers, continue in office.

For and on behalf of the Board

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

T. Nowell
Chairman
28 February 2011

A handwritten signature in green ink, appearing to read "R.M. Green", written over a dotted line.

Dr R.M. Green
Chief Executive Officer
28 February 2011

Shareholder Information

Shareholders

As at 31 December 2010 there were 2,709 shareholders.

Share Issues

On 10 August 2010, the Company issued 12,300,000 Partly Paid shares. 2,000,000 Partly Paid shares were issued to the Chief Executive whilst the remaining 10,300,000 were allocated between 31 staff. Also on 10 August 2010 750,000 US Share Options were issued between 3 staff. Further details of both the Partly Paid shares and US Employee share options can be found in note 24 to the Annual Report. Neither the Partly Paid shares nor the US Employee share options are quoted on the N.Z. Exchange.

On 30 August 2010 the Company issued a Share Purchase Plan whereby shareholders could purchase up to a maximum of \$10,000 shares at the lesser of a 15% discount to the average closing price of Wellington shares over the five days prior to and including 15 September 2010 or the lowest price paid by investors in a private placement. On 22 September 2010 28,772,127 ordinary shares were issued under this Plan at 7.038 cents each and 80,245,863 ordinary shares were issued by way of placement to institutional and professional investors at 7.038 cents each. As a result a total of 109,017,990 ordinary shares were issued, raising \$7,640,000 net of issue costs.

At year-end 673,663,985 ordinary fully paid shares were on issue.

On 6 January 2011 (subsequent to year-end) the Company registered a Simplified Disclosure Prospectus. Under the terms of this document, a renounceable offer to existing shareholders was made of one ordinary share for one ordinary share held, up to a maximum of 673,663,985 ordinary shares at 1.25 cents each. The offer closed on 2 February 2011, oversubscribed with applications for 811,755,300 new shares. On 4 February 2011 673,663,985 shares were issued in accordance with the Simplified Disclosure Prospectus. Refunds for oversubscriptions received were made in the week ending 11 February 2011. This resulted in the issue of the full 673,663,985 new shares and raised \$8,420,800 before issue costs.

At 15 February 2011 there were 2,759 shareholders and 1,347,327,970 ordinary shares on issue.

Shareholder Details

The ordinary shares of Wellington Drive Technologies Limited are listed on the New Zealand Stock Exchange. The information in the disclosures below have been taken from the Company's registers at 15 February 2011:

20 largest shareholders

1.	N.Z. Central Securities Depository Ltd	611,024,080
2.	Norwood Investments Ltd	52,281,786
3.	Waikiwi Trust *	32,897,782
4.	Gurkha Trust *	26,591,717
5.	Jangada Trust	19,918,268
6.	Flynn No 2 Trustees Ltd	18,562,769
7.	Tane Nui Family Trust	18,000,000
8.	Meta Capital Ltd	15,655,312
9.	Diab Investment NZ Ltd	15,104,291
10.	FNZ Custodians Ltd	14,648,109
11.	Wairahi Trust	14,000,000
12.	K.F. Bennett	12,459,133
13.	Wairahi Holdings Ltd	12,000,000
14.	Graham Trustees Ltd	11,284,170
15.	I. Douglas Trust	9,166,524
16.	Coldham Trust	7,683,922

17.	J. Whale Family Trust	7,484,170
18.	Green Family Trust	7,442,396
19.	R.B. Whale Trust	7,426,242
20.	Jarden Custodians Ltd	6,787,759

Note 1. N.Z. Central Deposit Securities Depository Limited hold shares on trust for 10 different shareholders. The largest of these are: HSBC Nominees (N.Z.) Ltd – 335,357,469 shares; Accident Compensation Corporation – 98,481,708 shares; HSBC Nominees (N.Z.) Ltd a/c State Street – 50,203,646 shares; TEA Custodians Ltd – 45,983,450 shares; National Nominees N.Z. Ltd – 37,728,935 shares; Cogent Nominees (NZ) Ltd – 20,225,684 shares; Newburg Nominees Ltd – 15,777,752 shares and Citibank Nominees (NZ) Ltd – 6,962,698 shares.

* Dr R.J. Thomson (a director) has interests in the above shareholders.

Distribution of Equity Securities

Size of Holdings (at 15 February 2011)			Shareholders		Fully Paid Ordinary Shares	
			Number	%	Number	%
1	-	999	42	1.52	24,335	-
1,000	-	1,999	96	3.48	134,438	0.01
2,000	-	4,999	372	13.48	1,188,171	0.09
5,000	-	9,999	347	12.58	2,327,838	0.17
10,000	-	49,999	814	29.50	18,895,905	1.40
50,000	-	99,999	322	11.67	22,178,172	1.65
100,000	-	499,999	547	19.83	120,894,359	8.97
500,000	-	999,999	108	3.91	73,201,373	5.43
	over	1,000,000	111	4.02	1,108,483,379	82.27
			2,759	100.00	1,347,327,970	100.00

2,624 (or 95.11%) shareholders, holding 1,291,441,420 shares (or 95.85%) reside in New Zealand.

Substantial Security Holders

Pursuant to section 26 of the Securities Markets Act 1988, details of substantial security holders and their total relevant interests as per their most recent notices are:

Name	Number of shares#	Date of Notice
Accident Compensation Corporation	38,254,013	01 Apr 2010
Hunter Hall Investment Management Ltd	171,023,450	22 Sep 2010
First NZ Capital Securities and Harbour Asset Management Ltd	69,574,965	22 Dec 2010

Number of shares is taken from notices received. No adjustments have been made for changes that may have subsequently occurred from the dates of notices stated. The definition of "relevant interest" in the Securities Markets Act 1988 provides that more than one relevant interest can exist in respect of the same securities.

In February 2010 AXA SA and AXA Asia Pacific Holdings Ltd advised they were no longer a Substantial Security Holder. In September 2010 UBS Nominees Ltd advised they were no longer a Substantial Security Holder.

Shareholder Enquires

Shareholders should send changes of address to Computershare Investor Services Limited at the address noted in the Directory on page 53. Notification must be in writing. Questions relating to shareholdings should also be addressed to Computershare Investor Services Limited. For information about the group please contact the Company at the registered office by sending an email to info@wdtl.com or visit our website <http://www.wdtl.com>.

Announcements to Shareholders

The Company has established an email list of shareholders that want to receive announcements made by Wellington Drive to the New Zealand Stock Exchange. Announcements are emailed to shareholders who wish to receive them shortly after they are released. This will include the Annual Meeting addresses. If you want to be added to this list please email info@wdtl.com and advise us of your email address. Your email details will be kept confidential.

Announcements are also posted on our website www.wdtl.com normally the day after they are released.



Independent Auditors' Report

to the shareholders of Wellington Drive Technologies Limited

Report on the Financial Statements

We have audited the financial statements of Wellington Drive Technologies Limited on pages 19 to 52, which comprise the statements of financial position as at 31 December 2010, the statements of comprehensive income and statements of movements in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2010 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with, or interests in, Wellington Drive Technologies Limited or any of its subsidiaries other than in our capacities as auditors, tax advisors and providers of other assurance services. These matters have not impaired our independence as auditors of the Company and Group.

Opinion

In our opinion, the financial statements on pages 19 to 52:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company and the Group as at 31 December 2010, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 December 2010:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

Chartered Accountants Auckland
28 February 2011

Statements of Comprehensive Income

for the year ended 31 December 2010

	Note	CONSOLIDATED		PARENT COMPANY	
		2010 \$000s	2009 \$000s	2010 \$000s	2009 \$000s
Revenue	7	28,015	22,413	28,986	24,500
Cost of sales		(27,091)	(21,194)	(26,876)	(23,549)
Gross profit		924	1,219	2,110	951
Other income	8	60	409	679	328
Operating expenses	9	(15,907)	(18,257)	(17,005)	(20,545)
Loss before interest & taxation		(14,923)	(16,629)	(14,216)	(19,266)
Finance income		129	151	129	150
Finance expenses	9	(53)	(264)	(37)	(81)
Loss before income tax		(14,847)	(16,742)	(14,124)	(19,197)
Income tax expense	10	-	-	-	-
Loss for the year		(14,847)	(16,742)	(14,124)	(19,197)
Other comprehensive income:					
Exchange differences on translating operations		(495)	(215)	(1,607)	-
Cash flow hedge	26	16	-	16	-
Income tax relating to other comprehensive income		-	-	-	-
Other comprehensive loss for the year		(479)	(215)	(1,591)	-
Total comprehensive loss for the year		(15,326)	(16,957)	(15,715)	(19,197)
Loss for the year attributable to the Owners of the Company		(14,847)	(16,742)	(14,124)	(19,197)
Total comprehensive loss attributable to the Owners of the Company		(15,326)	(16,957)	(15,715)	(19,197)
Basic earnings per share – cents	32	(2.50)	(3.67)		
Diluted earnings per share – cents	32	(2.50)	(3.67)		

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

Statements of Movements in Equity

for the year ended 31 December 2010

	Note	CONSOLIDATED		PARENT COMPANY	
		2010 \$000s	2009 \$000s	2010 \$000s	2009 \$000s
Equity at beginning of year		25,731	20,611	25,548	22,668
Comprehensive loss for year		(15,326)	(16,957)	(15,715)	(19,197)
Share option compensation expensed	26	162	129	162	129
Contributions of equity	24	7,734	22,546	7,734	22,546
Costs related to issues of new equity		(33)	(598)	(33)	(598)
Equity at end of year		\$18,268	\$25,731	\$17,696	\$25,548

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

Statements of Financial Position

as at 31 December 2010

		CONSOLIDATED		PARENT COMPANY	
	Note	31 Dec 10 \$000s	31 Dec 09 \$000s	31 Dec 10 \$000s	31 Dec 09 \$000s
Current Assets					
Cash and cash equivalents	12	2,900	16,059	2,385	15,404
Trade and other receivables	13	9,447	7,626	6,387	4,143
Derivative financial instruments	14	16	-	16	-
Inventories	15	14,246	5,925	5,110	2,622
Total current assets		26,609	29,610	13,898	22,169
Non-Current Assets					
Plant and equipment	16	2,097	2,697	1,287	1,880
Intangible assets	17	2,807	3,648	2,795	3,622
Advances to subsidiaries	30	-	-	9,697	4,452
Investment in subsidiaries	18	-	-	37	1,011
Total non current assets		4,904	6,345	13,816	10,965
Total assets		31,513	35,955	27,714	33,134
Current Liabilities					
Trade and other payables	19	12,084	7,182	8,864	5,351
Bank finance facilities	20	589	2,516	582	1,709
Provisions	21	445	333	445	333
Finance lease liability	22	59	57	59	57
Total current liabilities		13,177	10,088	9,950	7,450
Non-Current Liabilities					
Finance lease liability	22	68	136	68	136
Total liabilities		13,245	10,224	10,018	7,586
Net assets		\$18,268	\$25,731	\$17,696	\$25,548
Equity					
Contributed equity	24	98,199	90,498	98,199	90,498
Accumulated losses	25	(78,551)	(63,769)	(79,217)	(65,158)
Other reserves	26	(1,380)	(998)	(1,286)	208
Total equity		\$18,268	\$25,731	\$17,696	\$25,548

For & on behalf of the Board



Director
28 February 2011



Director
28 February 2011

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

Cash Flow Statements

for the year ended 31 December 2010

		CONSOLIDATED		PARENT COMPANY	
	Note	2010 \$000s	2009 \$000s	2010 \$000s	2009 \$000s
Cash flows from operating activities					
Receipts from customers exclusive of GST		24,969	22,321	19,376	18,001
Receipts from Group Companies		-	-	644	1,622
Payments to suppliers and employees exclusive of GST		(43,913)	(32,424)	(28,403)	(19,437)
Payments to Group Companies		-	-	(1,627)	(6,245)
Interest paid		(53)	(264)	(37)	(81)
Interest received		129	151	129	150
Net GST received		1,462	79	224	204
Net cash outflow from operating activities	31	(17,406)	(10,137)	(9,694)	(5,786)
Cash flows from investing activities					
Payments for plant and equipment		(501)	(679)	(134)	(434)
Payments for intangible assets		(877)	(1,322)	(877)	(1,322)
Proceeds from sale of plant and equipment		-	24	-	117
Advances to subsidiaries		-	-	(8,746)	(5,431)
Investment in subsidiaries		-	-	-	-
Net cash outflow from investing activities		(1,378)	(1,977)	(9,757)	(7,070)
Cash flows from financing activities					
Cash proceeds from share issues, net of issue costs		7,700	21,948	7,700	21,948
Net (repayments)/proceeds from bank finance facilities		(1,997)	286	(1,192)	663
Net cash inflow from financing activities		5,703	22,234	6,508	22,611
Net (decrease)/increase in cash and cash equivalents		(13,081)	10,120	(12,943)	9,755
Cash and cash equivalents at the beginning of the financial period		16,059	5,923	15,404	5,633
Effect of exchange rate movements on cash		(78)	16	(76)	16
Cash and cash equivalents at end of year	12	\$2,900	\$16,059	\$2,385	\$15,404

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

Notes to the Financial Statements

for the year ended 31 December 2010

1. GENERAL INFORMATION

Wellington Drive Technologies Limited (the “Company” or the “Parent”) and its subsidiaries (together the “Group”) that develop, manufacture, market and sell energy saving, electronically commutated (EC) motors and fans for worldwide use. The Company and its subsidiaries are profit oriented entities.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 16-22 Omega Street, Albany, North Shore 0632, New Zealand.

These consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2011. The entity's owners do not have the power to amend these financial statements after issue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply fully with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for profit oriented entities. These financial statements comply with International Financial Reporting Standards (IFRS).

Entities reporting

The financial statements include separate financial statements for Wellington Drive Technologies Limited as separate legal entity and the consolidated entity consisting of the Company and its subsidiaries.

Statutory base

The Company is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

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 Annual Report. These cash flow projections are based on a number of significant assumptions including:

- continuity of major customers;
- 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;
- foreign exchange rates reflective of market rates prevailing at December 2010; and
- working capital requirements to fund the growth of the business can be satisfied from the financial resources of the Group.

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 to secure the Company's long term success and its ability to continue as a going concern.

2. Summary of significant accounting policies (continued)

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 December 2010 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given and equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statements of Comprehensive Income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

(i) 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'). The consolidated and parent financial statements are presented in New Zealand dollars, which is the Group's presentation currency.

From 1 January 2010 the Parent has changed its functional currency from New Zealand dollars to US dollars. On the date of the change of functional currency all assets, liabilities, issued capital and other components of equity and income statement items were translated into US dollars at the exchange rate on 1 January 2010. The Board believes US Dollars will be the primary economic environment that the Parent will operate in from 2010 and in future years. The presentation currency for the Group and the Parent remains New Zealand dollars due to the Group's shareholder base being concentrated in New Zealand.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statements of Comprehensive Income.

(iii) Foreign operations

The results and balance sheets of all foreign operations that have a functional currency different from New Zealand dollars are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

2. Summary of significant accounting policies (continued)

- income and expenses for each Statement of Comprehensive Income are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- all resulting exchange differences are recognised as a separate component of equity.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, duties and Goods and Services Tax.

(i) Sale of Goods and Services

Revenue from the sale of goods and disposal of other assets is recognised when the Group has passed control of the goods or other assets to the buyer. Revenue from the provision of services is recognised when services are delivered to the buyer.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(iii) Royalties

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(iv) Government grants

Grants from the government are recognised within 'Other Income' in the Statements of Comprehensive Income at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the Statements of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

(e) Income tax

The income tax expense or revenue for the year is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (continued)

(f) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 14. Movements on the hedging reserve in shareholders' equity are shown in note 26. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Statements of Comprehensive Income within other income.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward exchange hedging contracts is recognised in the Statements of Comprehensive Income within 'revenue'. The gain or loss relating to the ineffective portion is recognised in the Statements of Comprehensive Income within 'other income'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statements of Comprehensive Income within 'other income'.

(g) Goods and Services Tax (GST) and Value Added Tax (VAT)

The Statements of Comprehensive Income have been prepared so that all components are stated exclusive of GST and VAT. All items in the Statements of Financial Position are stated net of GST and VAT, with the exception of receivables and payables, which include GST and VAT invoiced.

(h) Leases

The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Leases in which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and

2. Summary of significant accounting policies (continued)

finance charges so as to achieve a constant rate on the finance balance outstanding. The asset acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term.

(i) Impairment of non-financial assets

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank finance facilities drawn down, are shown within current liabilities in the Statement of Financial Position.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than approximately 120 days from the date of recognition.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, indicating that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statements of Comprehensive Income within 'operating expenses'.

When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequently recoveries of amounts previously written off are credited against Operating expenses in the Statement of Comprehensive Income.

(l) Inventories

Raw materials, work in progress and finished goods

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of first in first out. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Investments and other financial assets

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the Statement of Financial Position. Loans and receivables are carried at amortised cost using the effective interest method.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

2. Summary of significant accounting policies (continued)

(n) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of self-constructed assets includes the cost of all materials used in construction, direct labour on the project and an appropriate portion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statements of Comprehensive Income during the financial year in which they are incurred.

Depreciation on plant and equipment is calculated using the straight line method to allocate their cost net of their residual values, over their estimated useful lives, as follows:

	Useful Life
Plant and equipment	3 - 15 years
Office equipment, furniture and fittings	3 - 15 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statements of Comprehensive Income.

(o) Intangible assets

(i) *Research, development and patent costs*

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Statements of Comprehensive Income as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Statements of Comprehensive Income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight line method to allocate the cost over the period of the expected benefit, up to a maximum of 5 years.

Capitalised patent costs are amortised on a straight line basis over the period of expected benefit no longer than the life of the patent, up to a maximum of 20 years.

(ii) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

2. Summary of significant accounting policies (continued)

(p) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. These amounts represent liabilities for goods and services provided to the Group prior to balance date. The amounts are unsecured and are usually paid within 45 days of recognition.

(q) Investments in subsidiaries

Investments in subsidiaries are stated at cost less impairment.

(r) Provisions

Provisions for legal claims and warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(s) Borrowings

Borrowings and bank finance facilities are initially recognised at fair value, net of transaction costs incurred.

Borrowings including bank finance facilities are subsequently measured at amortised cost. Any difference between the proceeds (plus transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Borrowing costs

Borrowing costs are expensed when incurred unless they are directly attributable to the acquisition or construction of an asset, in which case they are capitalised.

(u) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Share based payments

Equity settled, share based compensation is provided to employees via the Wellington Partly Paid Share Scheme and Wellington Employees Share Option Plan. The fair value of the employee services received in exchange for the grant of partly paid shares or options are recognised as an expense over the vesting period. Fair value is assessed at the date that the partly paid shares are granted using a binomial option pricing model that takes into account the grant or exercise price, the three year term of the partly paid shares or options, the exercise criteria, the likelihood of staff turnover, the non-tradable nature of the partly paid shares or options, the share price at grant date and the volatility of the returns on the underlying share and risk-free interest rate for the term.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the partly paid share proceeds are received or options are exercised.

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses and creates a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. Summary of significant accounting policies (continued)

(v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

(w) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(x) Segment reporting

Operating segments are reported in a manner consistent with internal reporting to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer supported by the Senior Management Team.

(y) 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.

During the period the Group has adopted the following new and amended NZ IFRS's as of 1 January 2010. The presentation of certain comparatives has been revised to ensure consistency of disclosure with the current period.

- *NZ IFRS 3 (revised) "Business combinations"*

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently re-measured through the income statements. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply NZ IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- *NZ IFRS 5 (amendment), Non-current assets held-for-sale and discontinued operations*

The revised standard clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure would be made for this subsidiary if the definition of a discontinued operation is met.

The Group will apply NZ IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010, of which there were none.

Standards, amendments and interpretations to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods but which the Group has not early adopted:

- *NZ IFRS 9 Financial instruments: classification and measurement (mandatory for annual periods beginning on or after 1 January 2013).*

There are a number of changes under this standard in relation to the measurement and classification of financial instruments. The Group is reviewing the standard for its implications on the Group and intends to adopt NZ IFRS 9 from 1 January 2013.

- *NZ IAS 24 (Revised) Related Party Disclosures: issued in November 2009 supersedes NZ IAS 24 Related Party Disclosures issued in 2003. Application is mandatory for periods beginning on or after 1 January 2011. Earlier application is permitted. The revised standard clarifies and simplifies the definition of related party. The Company will apply the revised standard from 1 January 2011. The application of the new standard will only impact the disclosures in the financial statements.*

3. FINANCIAL RISK MANAGEMENT

Due to the broad range of the Group's activities, there is exposure to a variety of financial risks:

- Market risk (including currency risk and interest rate risk);
- Credit risk; and
- Liquidity risk

The Group's risk management programme focuses on minimising the potential adverse effects of these risks.

The Group's business is primarily denominated in foreign currencies. The Group holds New Zealand dollars and other currencies to settle transactions in the normal course of business.

(a) Market risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures. Presently the majority of the Group's revenue is derived from USD contracts. The majority of the Group's product, manufacturing and logistics costs are settled in US dollars. This provides a strong natural hedge position between revenues and costs. Part of revenues are priced in Euro which the Group converts into USD and Singapore dollar (SGD) to settle payables. Exposure to SGD based costs will increase with any growth of the Manufacturing and Logistics Headquarters in Singapore, though the majority of product costs will still remain in USD. The Group actively monitors its foreign exchange exposures and may use forward exchange contracts to reduce the currency risks associated with these purchases. Though the NZ dollar remains the main currency for corporate funding, engineering costs and Group reporting, it will continue to diminish as a proportion of total Group costs as product sales outstrip growth in the engineering cost base. Where possible, the Group has price adjustment clauses in its major contracts to adjust for significant currency movements.

The below tables show the impact on pre tax profit for the year, if the major currencies that the Company trades in weaken/strengthen by 10% to the US Dollar, with other variables held constant. The impact would mainly result in foreign exchange gains or losses on the conversion of cash, receivables and payables. The same movement on equity would be expected.

10% was chosen as a reasonable sensitivity given the historically volatile markets for foreign exchange.

31 December 2010

NZ\$000s	CONSOLIDATED			PARENT		
	Carry Amount	NZD + 10% Profit / Equity	NZD - 10% Profit / Equity	Carry Amount	NZD + 10% Profit / Equity	NZD - 10% Profit / Equity
NZD cash	1,248	125	(125)	1,248	125	(125)
NZD accounts receivable	21	2	(2)	21	2	(2)
NZD accounts payable	(498)	(50)	50	(496)	(50)	50
Total		\$77	(\$77)		\$77	(\$77)

31 December 2009

NZ\$000s	CONSOLIDATED			PARENT		
	Carry Amount	NZD + 10% Profit / Equity	NZD - 10% Profit / Equity	Carry Amount	NZD + 10% Profit / Equity	NZD - 10% Profit / Equity
NZD cash	10,989	1,099	(1,099)	10,989	1,099	(1,099)
NZD accounts receivable	257	26	(26)	257	26	(26)
NZD accounts payable	(1,233)	(123)	123	(1,233)	(123)	123
Total		\$1,002	(\$1,002)		\$1,002	(\$1,002)

3. Financial Risk Management (continued)

31 December 2010

NZ\$000s	CONSOLIDATED			PARENT		
	Carry Amount	SGD + 10% Profit / Equity	SGD - 10% Profit / Equity	Carry Amount	SGD + 10% Profit / Equity	SGD - 10% Profit / Equity
SGD cash	234	23	(23)	1	-	-
SGD accounts receivable	-	-	-	-	-	-
SGD accounts payable	(406)	(41)	41	-	-	-
Total		(18)	\$18		\$ -	\$ -

31 December 2009

NZ\$000s	CONSOLIDATED			PARENT		
	Carry Amount	SGD + 10% Profit / Equity	SGD - 10% Profit / Equity	Carry Amount	SGD + 10% Profit / Equity	SGD - 10% Profit / Equity
SGD cash	178	18	(18)	35	4	(4)
SGD accounts receivable	843	84	(84)	(76)	(8)	8
SGD accounts payable	(591)	(59)	59	-	-	-
Total		\$43	(\$43)		(\$4)	\$4

31 December 2010

NZ\$000s	CONSOLIDATED			PARENT		
	Carry Amount	EUR + 10% Profit / Equity	EUR - 10% Profit / Equity	Carry Amount	EUR + 10% Profit / Equity	EUR - 10% Profit / Equity
EUR cash	6	1	(1)	4	-	-
EUR accounts receivable	971	97	(97)	987	99	(99)
EUR accounts payable	(25)	(3)	3	2	-	-
Total		\$95	(\$95)		\$99	(\$99)

31 December 2009

NZ\$000s	CONSOLIDATED			PARENT		
	Carry Amount	EUR + 10% Profit / Equity	EUR - 10% Profit / Equity	Carry Amount	EUR + 10% Profit / Equity	EUR - 10% Profit / Equity
EUR cash	1,124	112	(112)	1,123	112	(112)
EUR accounts receivable	1,383	138	(138)	1,378	138	(138)
EUR accounts payable	(16)	(2)	2	(3)	-	-
Total		\$248	(\$248)		\$250	(\$250)

Interest Rate Risk

The Group currently has no central overdraft or debt facility. The Parent has a bank finance facility as described in note 20. The Turkish subsidiary previously used a secured overdraft facility with the local bank Yapi Kredi to fund working capital requirements which was repaid in the 2010 financial year. This was secured against cash deposits held by the Bank of New Zealand, with the Bank of New Zealand offering a letter of credit to Yapi Kredi as security.

The Group had cash deposits in various currencies at balance date as follows:

3. Financial Risk Management (continued)

Consolidated \$000s	31 December 2010		31 December 2009	
	Local Currency Amounts	NZD Equivalent	Local Currency Amounts	NZD Equivalent
NZD	1,248	1,248	10,989	10,989
EUR	3	6	566	1,124
USD	1,015	1,320	2,442	3,383
AUD	-	-	23	29
SGD	233	234	180	178
GBP	-	-	18	40
YTL	111	92	341	316
Total		\$2,900		\$16,059

The impact of a 1% increase/decrease in interest rates over a one year period on the closing cash balance would result in an increase/decrease in pre-tax profitability and equity of \$43,000 (December 2009 - \$161,000). The impact of a 1% increase/decrease in interest rates on the bank finance facility has a immaterial impact on the Parent and Group.

1% was chosen as a reasonable sensitivity given changeable interest rate markets.

(b) Credit Risk

As the majority of business is still executed through the Parent, credit risk is managed on a Group basis. This will develop over time as the international operations establish their own customer base and, in some cases, take over existing customers from the Parent. The Group generally trades with customers and banking counterparties who are well established. While there are individually significant customers the Company and Group utilise an insured trade credit facility for several of its major customers in order to provide better security and to be able to factor their receivables. The Group is also exposed to credit risk relating to component suppliers for which the Group has sold input components for the assembly of its products. Receivables balances are managed by and reported regularly to senior management according to the Company's credit management policies and procedures. The amount outstanding at balance date represents the maximum exposure to credit risk.

The Group enters into foreign exchange derivatives within specified policy limits and only with counter-parties approved by directors.

(c) Liquidity Risk

The Company maintains regular forecasts of liquidity based on expected cash flows. The table below analyses the Company's financial liabilities into relevant groups based on the remaining period at the reporting date to the end of the contractual date. The amounts disclosed are the contractual undiscounted cash flows.

Consolidated \$000's	December 2010			December 2009		
	Less than 6 months	7 to 12 months	More than 12 months	Less than 6 months	7 to 12 months	More than 12 months
Financial liabilities						
Trade and other payables	12,084	-	-	7,182	-	-
Bank finance facilities	589	-	-	2,516	-	-
Finance lease liability	29	29	69	29	29	135
	\$12,702	\$29	\$69	\$9,727	\$29	\$135

3. Financial Risk Management (continued)

d) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital (refer to note 2(a)).

The Company currently monitors capital on the basis of cash requirements and, in order to maintain or adjust the capital structure, generally issues new shares to investors through rights issues or institutional placements.

The Group and the Company have not been subject to any externally imposed capital requirements during the period.

e) Fair Values

The carrying value of all balance sheet financial instruments approximate their fair value. Derivatives are carried at fair value. Receivables and payables are short term in nature and therefore approximate to their fair value.

Interest bearing bank deposits and bank finance facilities reprice between every 1 to 90 days and are therefore approximate to their fair value.

The Group's derivatives are over-the-counter derivatives and are classified as tier 2 financial instruments under NZIFRS 7, meaning that their fair value is estimated using present value and other valuation techniques based on observable market rates.

4. FINANCIAL INSTRUMENTS BY CATEGORY

Assets per Statements of Financial Position	CONSOLIDATED		PARENT COMPANY	
	31 Dec 10 \$000s	31 Dec 09 \$000s	31 Dec 10 \$000s	31 Dec 09 \$000s
Loans and Receivables				
Trade and other receivables	9,447	7,626	6,387	4,143
Cash and cash equivalents	2,900	16,059	2,385	15,404
Advances to subsidiaries	-	-	9,697	4,452
Derivatives used for hedging				
Derivative financial instruments	16	-	16	-
	\$12,363	\$23,685	\$18,485	\$23,999
Liabilities per Statements of Financial Position				
Amortised cost				
Trade and other payables	12,084	7,182	8,864	5,351
Bank finance facility	589	2,516	582	1,709
Finance lease liability	127	193	127	193
	\$12,800	\$9,891	\$9,573	\$7,253

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates, assumptions and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

5. Critical Accounting Estimates and Judgments (continued)

(i) Going Concern Assumption

Refer note 2(a) in relation to the adoption of the going concern assumption.

(ii) Warranty Provision - \$445,000 (2009 - \$333,000)

Provisions for warranties are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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 with respect to similar products. It is expected that the provision will be utilised within one year.

(iii) Development Costs- \$1,899,000 (2009 - \$2,672,000)

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over the period of the expected benefit, up to a maximum of 5 years. Capitalised development costs are assessed for impairment annually (refer 2(ii)).

6. SEGMENT INFORMATION

(a) Reportable segments

At 31 December 2010, the Group is organised on a global basis into one operating segment: marketing, selling, manufacturing and developing electric motors and associated electronics and software. 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, whose numbers are included in the Asia region. The Company's revenue is generated mainly from the supply or manufacture of electric motors by the Company.

Revenue by Geographic Areas	CONSOLIDATED	
	2010 \$000s	2009 \$000s
New Zealand	55	29
Americas	12,828	10,448
Asia/Pacific -other	4,913	1,599
Europe	10,219	10,337
Total	\$28,015	\$22,413

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

6. Segment Information (continued)

Total Non Current Assets	CONSOLIDATED	
	31 Dec 2010 \$000s	31 Dec 2009 \$000s
New Zealand	4,084	5,503
Americas	85	114
Asia/Pacific -other	710	681
Europe	25	47
Total	\$4,904	\$6,345

Total assets are allocated based on where the owners of the assets are located

Major Customers

Three major customers (each of representing 10% or more of revenues), account for revenues of \$14,260,000, or 51% of total revenues (2009 : three customers with revenues of \$13,904,000 or 62%).

7. REVENUE

	CONSOLIDATED		PARENT COMPANY	
	2010 \$000s	2009 \$000s	2010 \$000s	2009 \$000s
Product revenue	27,844	21,412	28,815	23,499
Services revenue	140	926	140	926
Royalties & licensing	31	75	31	75
	\$28,015	\$22,413	\$28,986	\$24,500

8. OTHER INCOME

	CONSOLIDATED		PARENT COMPANY	
	2010 \$000s	2009 \$000s	2010 \$000s	2009 \$000s
Net foreign exchange gains	-	-	625	-
Government grants	52	380	52	308
Other income	8	29	2	20
	\$60	\$409	\$679	\$328

The Group recognised as income in 2010 government grants income from the NZ Government of \$52,000 (2009 - \$308,000) and Singapore Government grants under 2009 Job Credits Scheme of \$nil (2009 - \$72,000). The NZ Government Grants are in relation to the Enterprise Development Grant Market Development Scheme operated by NZ Trade and Enterprise and Technology for Business Growth and Technology Fellowship schemes operated by the Foundation for Research Science & Technology. These schemes reimburse the Group for up to 50% of eligible expenditure.

9. EXPENSES

	CONSOLIDATED		PARENT COMPANY	
	2010 \$000s	2009 \$000s	2010 \$000s	2009 \$000s
Loss before income tax includes the following specific expenses:				
Depreciation (note 16)				
Plant and equipment	764	736	493	526
Office equipment, furniture & fittings	281	326	165	201
	\$1,045	\$1,062	\$658	\$727
Amortisation of intangible assets (note 17)	698	852	684	832
Impairment of intangibles	795	-	795	-
Finance costs				
Interest expense	53	264	37	81
Employee benefits				
Wages and salaries	6,347	7,423	3,771	4,042
Long-service leave	-	(60)	-	(60)
Sick leave	154	39	154	38
Holiday pay	339	371	338	358
Employee share options expense	162	129	162	129
Others	609	425	221	155
	\$7,611	\$8,327	\$4,646	\$4,662
Auditors' remuneration				
Audit services – PricewaterhouseCoopers	85	93	85	93
Audit services – Other audit firms	10	12	-	-
Audit related services – PricewaterhouseCoopers	20	21	20	21
Tax compliance services - PricewaterhouseCoopers	13	10	13	10
	\$128	\$136	\$118	\$124
Bad and doubtful debts (recovered)/expense	(59)	177	(34)	141
Net loss on disposal of plant & equipment	-	8	-	-
Rental expense relating to operating leases	1,292	1,158	571	567
Net foreign exchange losses	750	2,033	-	3,978
Development costs expensed	790	1,242	672	1,083
Inventory write downs/(recovery)	598	283	(20)	(45)
Provisions made in respect of subsidiary advances	-	-	4,691	3,665
Provisions made in respect of subsidiary investments	-	-	940	-

10. INCOME TAX EXPENSE

(a) Income tax expense

No taxation is payable (Dec 2009 - nil), as the Company and Group have tax losses available to carry forward and offset against current year taxable income.

(b) Losses for tax purposes

	CONSOLIDATED		PARENT COMPANY	
	2010 \$000s	2009 \$000s	2010 \$000s	2009 \$000s
Reported loss for period before tax	(14,847)	(16,742)	(14,124)	(19,197)
Less non deductible expenses	498	314	6,118	3,979
Less unrecognised timing differences	1,270	(373)	647	(610)
Net loss for tax purposes	(13,079)	(16,801)	(7,359)	(15,828)
Losses carried forward from prior years	(58,533)	(43,742)	(50,570)	(34,742)
Overprovision in prior year	-	274	-	-
Expired losses	368	-	-	-
Exchange adjustments	1,290	1,736	-	-
Losses available to carry forward to future years	(\$69,954)	(\$58,533)	(\$57,929)	(\$50,570)

Of the total consolidated losses available to carry forward to future years. \$6,179,000 (2009 - \$7,153,000) arises in the U.S.A. and are subject to their continuity requirements. U.S.A. Federal tax losses expire after 15 to 20 years, depending on when those losses were incurred. During the 2010 year U.S.A. Federal tax losses of US\$283,000 expired (2009 - \$nil).

(c) Unrecognised deferred tax balances

The Company and Group have not recognised income tax losses and temporary differences as a future income tax benefit due to the uncertainty of their recoverability in the immediate future. The losses available to be carried forward are subject to the shareholder continuity requirements of the New Zealand Income Tax Act 1994 and the countries in which the losses have arisen. Further details can be found in Note 23.

11. IMPUTATION CREDITS

The Parent and the Group have no imputation credits available (2009 – nil) and no movements occurred in the Imputation Credit Account (2009 – nil).

12. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT COMPANY	
	31 Dec 10 \$000s	31 Dec 09 \$000s	31 Dec 10 \$000s	31 Dec 09 \$000s
Cash on hand and at bank	420	367	36	148
NZD call deposits	217	10,542	104	10,226
Offshore bank funds	1,153	3,842	1,135	3,722
NZD short term bank deposits less than 3 months	-	519	-	519
NZD short term bank deposits 3 to 12 months	1,110	96	1,110	96
Offshore short term bank deposits less than 3 months	-	693	-	693
Cash and cash equivalents in cash the Cash Flow Statement	\$2,900	\$16,059	\$2,385	\$15,404

All short term bank deposits can be accessed within 3 months if necessary.

13. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT COMPANY	
	31 Dec 10 \$000s	31 Dec 09 \$000s	31 Dec 10 \$000s	31 Dec 09 \$000s
Net trade receivables				
Trade receivables	8,072	6,077	6,087	3,368
Provision for doubtful debts	(401)	(460)	(390)	(424)
	7,671	5,617	5,697	2,944
Prepayments	436	1,019	314	530
Other receivables	527	572	313	573
VAT/GST refunds due	813	418	63	96
	\$9,447	\$7,626	\$6,387	\$4,143

The fair values of trade receivables approximate their carrying amounts. The fair values of loans to related parties approximate their face values because the loans are repayable on demand and are stated at net realisable value. At balance date, trade and other receivables of \$2,252,000 were past due but not considered impaired (2009 - \$653,000). The aging of these receivables is up to 26 months (2009 - 2 to 24 months) made up of: \$2,044,000 less than 6 months; \$121,000 7 to 12 months and \$86,000 greater than 12 months.

Individual receivables are assessed as impaired where customers have defaulted on payment terms and management has assessed the likelihood of recovery as remote. A full provision has been made against those individually impaired assets.

For receivables that are neither past due nor impaired, management does not foresee any likelihood of default as the receivables are due from long-standing customers.

	CONSOLIDATED		PARENT COMPANY	
	31 Dec 10 \$000s	31 Dec 09 \$000s	31 Dec 10 \$000s	31 Dec 09 \$000s
Provision for doubtful debts beginning of year	460	283	424	283
(Decrease)/increase in provision	(59)	177	(34)	141
Bad debts written off	-	-	-	-
Provision for doubtful debts end of year	\$401	\$460	\$390	\$424

Movements in the provision for doubtful debts is recognised within 'Other expenses' in the Statements of Comprehensive Income.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED & PARENT			
	Carrying Amount		Notional Contract Value	
	2010 \$000s	2009 \$000s	2010 \$000s	2009 \$000s
Cash Flow Hedges				
Forward foreign exchange contracts:				
Buy USD/Sell EUR	\$16	-	\$713	-

Part of the Parent company revenues are priced in EUR. The majority of overseas suppliers price their materials and components in USD. The Parent may hedge highly probable forecast sales in EUR against the USD purchases that are expected to occur at various dates over the next 6 months. These contracts are timed to mature when receipts from revenues are scheduled to be received. The forward currency contracts are considered to be highly effective as they are matched against forecast revenues with any gain/loss on contracts attributable to the hedged risk taken directly to equity. When revenues are collected the amount recognised in equity is recycled to the Statements of Comprehensive Income in the following year (refer note 26).

15. INVENTORIES

	CONSOLIDATED		PARENT COMPANY	
	31 Dec 10 \$000s	31 Dec 09 \$000s	31 Dec 10 \$000s	31 Dec 09 \$000s
Finished goods – at cost	7,336	3,426	4,162	1,688
Work in progress – at cost	3,745	1,272	768	639
Raw materials – at cost	4,195	1,724	324	464
Less inventory provisions	(1,030)	(497)	(144)	(169)
Total inventories	\$14,246	\$5,925	\$5,110	\$2,622

Certain inventories are subject to retention of title clauses.

An increase in inventory provisions accounted for materials scrapped during production start-up, through component obsolescence and superseded product run out.

16. PLANT AND EQUIPMENT

	CONSOLIDATED			PARENT COMPANY		
	Plant & equipment	Office equipment furniture & fittings	Total	Plant & equipment	Office equipment furniture & fittings	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
At 31 December 2008						
Cost	4,130	1,898	6,028	3,582	1,298	4,880
Accumulated depreciation	(2,008)	(748)	(2,756)	(1,943)	(647)	(2,590)
Exchange adjustment	(3)	(9)	(12)	-	-	-
Net book amount	\$2,119	\$1,141	\$3,260	\$1,639	\$651	\$2,290
Year ended 31 December 2009						
Opening net book amount	2,119	1,141	3,260	1,639	651	2,290
Additions	506	173	679	330	104	434
Depreciation	(736)	(326)	(1,062)	(526)	(201)	(727)
Disposals	(9)	(15)	(24)	(103)	(14)	(117)
Exchange adjustment	(79)	(77)	(156)	-	-	-
Closing net book amount	\$1,801	\$896	\$2,697	\$1,340	\$540	\$1,880
At 31 December 2009						
Cost	4,645	2,073	6,718	3,621	1,386	5,007
Accumulated depreciation	(2,762)	(1,103)	(3,865)	(2,281)	(846)	(3,127)
Exchange adjustment	(82)	(74)	(156)	-	-	-
Net book amount	\$1,801	\$896	\$2,697	\$1,340	\$540	\$1,880
Year ended 31 December 2010						
Opening net book amount	1,801	896	2,697	1,340	540	1,880
Additions	335	166	501	72	62	134
Depreciation	(764)	(281)	(1,045)	(493)	(165)	(658)
Disposals	-	-	-	-	-	-
Exchange adjustment	(34)	(22)	(56)	(47)	(22)	(69)
Closing net book amount	\$1,338	\$759	\$2,097	\$872	\$415	\$1,287
At 31 December 2010						
Cost	4,980	2,239	7,219	3,693	1,448	5,141
Accumulated depreciation	(3,526)	(1,384)	(4,910)	(2,774)	(1,011)	(3,785)
Exchange adjustment	(116)	(96)	(212)	(47)	(22)	(69)
Net book amount	\$1,338	\$759	\$2,097	\$872	\$415	\$1,287

17. INTANGIBLE ASSETS

CONSOLIDATED	Development costs \$000s	Patents \$000s	Software \$000s	Other intangibles \$000s	Total \$000s
At 31 December 2008					
Cost	4,137	1,102	292	162	5,693
Accumulated amortisation	(1,974)	(433)	(69)	(28)	(2,504)
Exchange adjustment	-	-	-	9	9
Net book amount	\$2,163	\$669	\$223	\$143	\$3,198
Year ended 31 December 2009					
Opening net book amount	2,163	669	223	143	3,198
Additions	1,131	191	-	-	1,322
Amortisation	(622)	(137)	(73)	(20)	(852)
Exchange adjustment	-	-	-	(20)	(20)
Closing net book amount	\$2,672	\$723	\$150	\$103	\$3,648
At 31 December 2009					
Cost	5,268	1,293	292	162	7,015
Accumulated amortisation	(2,596)	(570)	(142)	(48)	(3,356)
Exchange adjustment	-	-	-	(11)	(11)
Net book amount	\$2,672	\$723	\$150	\$103	\$3,648
Year ended 31 December 2010					
Opening net book amount	2,672	723	150	103	3,648
Additions	692	147	38	-	877
Amortisation	(492)	(112)	(80)	(14)	(698)
Impairments	(795)	-	-	-	(795)
Exchange adjustment	(178)	(38)	(4)	(5)	(225)
Closing net book amount	\$1,899	\$720	\$104	\$84	\$2,807
At 31 December 2010					
Cost	5,165	1,440	330	162	7,097
Accumulated amortisation	(3,088)	(682)	(222)	(62)	(4,054)
Exchange adjustment	(178)	(38)	(4)	(16)	(236)
Net book amount	\$1,899	\$720	\$104	\$84	\$2,807
PARENT COMPANY					
At 31 December 2008					
Cost	4,137	1,102	292	77	5,608
Accumulated amortisation	(1,974)	(433)	(69)	-	(2,476)
Net book amount	\$2,163	\$669	\$223	\$77	\$3,132
Year ended 31 December 2009					
Opening net book amount	2,163	669	223	77	3,132
Additions	1,131	191	-	-	1,322
Amortisation	(622)	(137)	(73)	-	(832)
Closing net book amount	\$2,672	\$723	\$150	\$77	\$3,622

17. Intangible Assets (continued)

PARENT COMPANY	Development costs \$000s	Patents \$000s	Software \$000s	Other intangibles \$000s	Total \$000s
At 31 December 2009					
Cost	5,268	1,293	292	77	6,930
Accumulated depreciation	(2,596)	(570)	(142)	-	(3,308)
Net book amount	\$2,672	\$723	\$150	\$77	\$3,622
Year ended 31 December 2010					
Opening net book amount	2,672	723	150	77	3,622
Additions	692	147	38	-	877
Amortisation	(492)	(112)	(80)	-	(684)
Impairments	(795)	-	-	-	(795)
Exchange adjustment	(178)	(38)	(4)	(5)	(225)
Closing net book amount	\$1,899	\$720	\$104	\$72	\$2,795
At 31 December 2010					
Cost	5,165	1,440	330	77	7,012
Accumulated depreciation	(3,088)	(682)	(222)	-	(3,992)
Exchange adjustment	(178)	(38)	(4)	(5)	(225)
Net book amount	\$1,899	\$720	\$104	\$72	\$2,795

The remaining amortisation period of these intangibles varies between 9 months and 19 years. An impairment assessment of intangible assets is performed annually in accordance with accounting policy note 2(i). Impairment losses of \$795,000 were recognised in the year ended 31 December 2010 (2009 – nil) which relate to development costs where sales revenue is not currently expected to eventuate.

18. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2.

	Country of Incorporation	Class of Shares	31 Dec 10	31 Dec 09
AirMoVent Limited	New Zealand	Ordinary	100%	100%
Wellington Drive Technologies US, Inc	USA	Ordinary	100%	100%
Wellington Motor Tecnołojileri San Tic Ltd Sti	Turkey	Ordinary	99.4%	99.4%
Wellington Italia Srl	Italy	Ordinary	100%	100%
Wellington Drive Technologies Pte Ltd	Singapore	Ordinary	100%	100%
Wellington Manufacturing Group Singapore Pte Ltd	Singapore	Ordinary	100%	100%

All subsidiaries have a common balance date of 31 December.

19. TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT COMPANY	
	31 Dec 10 \$000s	31 Dec 09 \$000s	31 Dec 10 \$000s	31 Dec 09 \$000s
Trade payables	10,942	5,827	7,206	4,208
Intercompany payables	-	-	882	364
Related party payables – refer note 30(d)	290	82	272	82
Accrued expenses	357	819	130	329
Employee entitlements				
Wages, salaries & PAYE	169	125	87	77
Holiday pay accrued	308	329	270	291
Bonuses	18	-	17	-
	\$12,084	\$7,182	\$8,864	\$5,351

20. BANK FINANCE FACILITIES

	CONSOLIDATED		PARENT COMPANY	
	31 Dec 10 \$000s	31 Dec 09 \$000s	31 Dec 10 \$000s	31 Dec 09 \$000s
Bank finance facilities (secured)	\$589	\$2,516	\$582	\$1,709

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%. 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. This guarantee was released in 2010.

21. WARRANTY PROVISION

	CONSOLIDATED		PARENT COMPANY	
	2010 \$000s	2009 \$000s	2010 \$000s	2009 \$000s
Carrying amount at start of year	333	200	333	200
Additional provisions recognised	459	304	446	304
Amounts used	(168)	-	(5)	-
Unused amounts reversed	(147)	(171)	(297)	(171)
Exchange adjustment	(32)	-	(32)	-
Carrying amount at end of year	\$445	\$333	\$445	\$333

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 Company. It is expected that the provision will be utilised within one year.

22. FINANCE LEASE LIABILITIES

	CONSOLIDATED		PARENT COMPANY	
	31 Dec 10 \$000s	31 Dec 09 \$000s	31 Dec 10 \$000s	31 Dec 09 \$000s
Commitments in relation to finance leases are payable as follows:				
Within one year	69	74	69	74
Later than one year but not later than five years	72	150	72	150
Future finance charges	(14)	(31)	(14)	(31)
Recognised as a liability	\$127	\$193	\$127	\$193
Disclosed as:				
Current portion	59	57	59	57
Non-current portion	68	136	68	136
Recognised as a liability	\$127	\$193	\$127	\$193

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.
The net book value of leased assets at 31 December 2010 is \$80,000 (2009 - \$150,000).

23. DEFERRED TAX

	CONSOLIDATED		PARENT COMPANY	
	31 Dec 10 \$000s	31 Dec 09 \$000s	31 Dec 10 \$000s	31 Dec 09 \$000s
Unrecognised deferred tax assets				
Doubtful debts	120	138	117	127
Inventory provisions	309	149	43	51
Employee benefits	128	119	117	107
Intangibles	69	275	69	275
Tax losses to carry forward	19,587	17,560	16,220	15,171
	20,213	18,241	16,566	15,731
Unrecognised deferred tax liabilities				
Fixed assets	(26)	(64)	(26)	(64)
Unrecognised net deferred tax asset	\$20,187	\$18,177	\$16,540	\$15,667

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and they relate to the same tax authority.

As a result of the change in New Zealand corporate tax rates from 33% to 28%, unrecognised deferred tax balances were remeasured to reflect this.

The Company and Group recognise possible unused tax losses and temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary tax differences and losses.

24. SHARE CAPITAL

CONSOLIDATED & PARENT	31 Dec 10 Shares	31 Dec 09 Shares	31 Dec 10 \$000s	31 Dec 09 \$000s
Ordinary shares – fully paid	673,663,985	564,645,995	98,113	90,473
Ordinary shares – partly paid	17,250,000	4,950,000	86	25
US employee share options	750,000	-	-	-
Total ordinary shares and options on issue	691,663,985	569,595,995	\$98,199	\$90,498

(a) Ordinary shares – fully paid

Opening balance of ordinary shares on issue	564,645,995	337,080,927	90,473	68,525
Issues of ordinary shares during the year:				
March 2009 rights issue at 10 cents for cash	-	114,010,309	-	11,401
March 2009 rights issue costs	-	-	-	(87)
November 2009 placement to Hunter Hall et al at 10 cents for cash	-	85,000,000	-	8,500
November 2009 placements at 10 cents for cash	-	11,474,000	-	1,147
November 2009 Share Purchase Plan at 8.77 cents for cash	-	17,080,759	-	1,498
November 2009 share issue costs	-	-	-	(511)
September 2010 Share Purchase Plan and placements @ 7.038 cents for cash	109,017,990	-	7,673	-
September 2010 share issue costs	-	-	(33)	-
Ordinary fully paid shares on issue at year end	673,663,985	564,645,995	\$98,113	\$90,473

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.

CONSOLIDATED & PARENT	2010 Shares	2009 Shares	2010 \$000s	2009 \$000s
(b) Ordinary shares – partly paid				
Partly paid shares outstanding at start of year	4,950,000	4,950,000	25	25
Issues of partly paid shares during the year:				
August 2010 issue at 11.53 cents paid to 0.5 cents	12,300,000	-	61	-
Lapsed	-	-	-	-
Surrendered	-	-	-	-
Ordinary part paid shares on issue at year end	17,250,000	4,950,000	\$86	\$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 December 2010 (numbers)	Outstanding at December 2009 (numbers)
15 Sep 2008	15 Sep 2011	15 Sep 2012	40.5	31.12	30.62	4,950,000	4,950,000
10 Aug 2010	10 Aug 2013	10 Aug 2015	11.53	11.53	11.03	12,300,000	-

In June 2008 the Company established a Partly Paid Share Scheme to enable certain employees to acquire shares in the Company. Under the Scheme the issue price of the part-paid shares is the weighted average of the market price 10 trading days prior to the issue date, plus 30%. 0.5 cents per part-paid share is required to be paid on issue. After a period of 3 years, provided the market price for the Company's shares is, at that date, equal to or greater than the hurdle price stated above (and on or before the 5th anniversary of the issue date),

24. Share Capital (continued)

employees can settle the unpaid balance of their part-paid shares and transfer the shares to their name or the name of their nominated trustee.

Under the initial Scheme rules (that applied for the first issue of partly paid shares in September 2008), the issue price was the weighted average of the market price 10 trading days prior to the issue date. The hurdle price was the market price at the date of issue plus 30%. The Scheme rules were amended in April 2010, together with the expiry date that was lengthened from the 4th to the 5th anniversary of the issue date for all subsequent issues.

Wellington Drive Technologies Share Scheme Trustee Limited (WSST) acts as trustee holding the part-paid shares on behalf of employees. These partly paid shares are not quoted on the NZX and are not tradable.

Dr Ross Green, the Company's Chief Executive, has been issued 1,400,000 part paid shares in September 2008 and 2,000,000 part paid shares in August 2010.

Fair value is assessed at the date that the partly paid shares or share options are granted using a binomial option pricing model that takes into account the exercise price, the three year term of the partly paid shares or options, the exercise criteria, the likelihood of staff turnover, the non-tradable nature of the partly paid share or option, the share price at the issue or grant date, the volatility of the returns on the underlying share and the risk-free interest rate for the term of the partly paid share or option.

The model inputs for partly paid shares issued were as follows:

	2010 issue	2008 issue
• Market price or "hurdle price" required (being the issue price plus 30%), to enable the partly paid shares to be exercised:	11.53 cents	40.5 cents
• Expected volatility of the Company's shares	42%	30.2%
• Risk-free interest rate:	4.2%	5.77%
• Expected term:	3 years	3 years

(c) U.S. employee share options (numbers)

	2010 Shares	2009 Shares
Options outstanding at start of period	-	-
Granted	750,000	-
Exercised	-	-
Lapsed	-	-
Surrendered	-	-
Outstanding at end of period	750,000	-

The Annual Meeting held in June 2010 approved the establishment of the United States Share Option Plan and authorised the Board to issue up to 3,000,000 options. All options must be exercised within 12 months after the period of three years on which the options are issued. The price at which options can be exercised under the United States Share Option Plan is the closing sales price on the date of the grant plus a 30% premium. Further details of share options granted are summarised below:

Grant Date	Expiry date	Exercise price (cents) ¹	Outstanding at December 2010 (numbers)	Outstanding at December 2009 (numbers)
10 Aug 10	10 Aug 14	12.53	750,000	-
			750,000	-

24. Share Capital (continued)

The model inputs for partly paid shares issued were as follows:	2010 issue
• Market price or "hurdle price" required (being the issue price plus 30%), to enable the partly paid shares to be exercised:	12.53 cents
• Expected volatility of the Company's shares	42%
• Risk-free interest rate:	4.2%
• Expected term:	3 years

(d) New Zealand Share options (numbers)	2010 Shares	2009 Shares
Options outstanding at start of period	900,000	900,000
Exercised	-	-
Lapsed	(900,000)	-
Surrendered	-	-
Outstanding at end of period	-	900,000

At 31 December 2009, a number of grants of share options had been made pursuant to the Wellington Employees Share Option Plan (ESOP) to employees and the Chief Executive. No new grants under this scheme are intended to be made. The ESOP was originally approved by shareholders at the General Meeting held on 28 November 2000. Subsequently in the Annual Meeting held on 14 November 2006 shareholder approval was granted to increase the number of options under the ESOP from 3,000,000 to 10,000,000 options. All options were exercisable 3 years after the vesting date (i.e. the date an offer to an employee or executive director is made to take up options) and must be exercised within 30 business days after the expiry of the 3 year period. The price at which options can be exercised under the ESOP is the weighted average market price for the 10 trading days on the N.Z. Stock Exchange prior to the date on which an offer is made plus a premium of 30%.

Further details of share options that lapsed are summarised below:

Grant Date	Expiry date	Exercise price (cents) ¹	Outstanding at December 2010 (numbers)	Outstanding at December 2009 (numbers)
13 Mar 07	27 Apr 10	50.3	-	900,000
			-	900,000

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

The fair value of the employee services received in exchange for the issue of partly paid shares or grant of options is recognised as an expense in accordance with the Group's accounting policies.

25. ACCUMULATED LOSSES

	CONSOLIDATED		PARENT COMPANY	
	2010 \$000s	2009 \$000s	2010 \$000s	2009 \$000s
Opening balance	(63,769)	(47,027)	(65,158)	(45,961)
Loss for the year	(14,847)	(16,742)	(14,124)	(19,197)
Surrendered & lapsed employee share option scheme benefits	65	-	65	-
Accumulated losses at end of year	(\$78,551)	(\$63,769)	(\$79,217)	(\$65,158)

26. OTHER RESERVES

	CONSOLIDATED		PARENT COMPANY	
	31 Dec 10 \$000s	31 Dec 09 \$000s	31 Dec 10 \$000s	31 Dec 09 \$000s
Share option compensation reserve	305	208	305	208
Currency translation reserve	(1,701)	(1,206)	(1,607)	-
Hedging reserve	16	-	16	-
	(1,380)	(\$998)	(1,286)	\$208

(a) Share Option Compensation Reserve

Share based compensation recognised at start of year	208	79	208	79
Net compensation expensed / (credited)	162	129	162	129
Surrendered & lapsed share option scheme transferred to accumulated losses	(65)	-	(65)	-
	\$305	\$208	\$305	\$208

A description of the Wellington Partly Paid Share Scheme and Employees Share Option Plan (ESOP) is provided in Notes 24(b) and 24(c) above.

(b) Currency Translation Reserve

Opening balance	(1,206)	(991)	-	-
Movements for the year	(495)	(215)	(1,607)	-
	(1,701)	(\$1,206)	(1,607)	\$ -

The Currency Translation Reserve comprises of all foreign exchange differences arising from the translation of financial statements of foreign operations into New Zealand dollars.

The Parent changed its functional currency from New Zealand dollars to US dollars from 1 January 2010 whilst its presentation currency remained New Zealand dollars. In the Parent, the Currency Translation Reserve comprises of all foreign exchange differences arising from the translation of its functional currency (US dollars) to New Zealand dollars for presentation purposes.

(c) Hedging Reserve

Opening balance	-	-	-	-
Cash flow hedge fair value gains for the year	16	-	16	-
Tax on fair value (losses)/gains	-	-	-	-
	\$16	\$ -	\$16	\$ -

The Hedging Reserve records the portion of the gain or loss on a hedging derivative in a cash flow hedge. The amounts are recognised in the Statements of Comprehensive Income when the associated hedge transactions affect profit and loss.

27. EVENTS OCCURRING AFTER BALANCE DATE

On 6 January 2011 the Company registered a Simplified Disclosure Prospectus seeking to issue up to 673,663,985 new ordinary shares at 1.25 cents each by a one for one renounceable rights issue to existing shareholders. The issue closed over-subscribed on 2 February 2011 with applications and oversubscriptions totalling \$10.1 million. Refunds of \$1.7 million oversubscriptions have been made. The new shares issued raised \$8.4 million in new capital before issue costs.

In the event of a rights issue, both the Partly Paid Share Scheme and the United States Share Option Plan rules

27. Events Occurring After Balance Date (continued)

provide for the number of part paid shares or options, or the exercise price, or both, be adjusted in a manner considered by the Board to preserve the economic positions of the Company and the participants in these plans. This adjustment has not been determined by the Board at the date of this report.

28. CONTINGENCIES

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

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

29. COMMITMENTS

(a) Capital commitments

There were no material capital commitments at 31 December 2010 (2009 - \$nil).

(b) Lease commitments : Group as lessee

The Group leases various offices, facilities and equipment. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	CONSOLIDATED		PARENT COMPANY	
	31 Dec 10 \$000s	31 Dec 09 \$000s	31 Dec 10 \$000s	31 Dec 09 \$000s
Operating leases				
Within one year	1,011	1,108	571	569
Later than one year but not later than five years	1,541	2,446	1,271	1,825
Later than five years	-	-	-	-
	\$2,552	\$3,554	\$1,842	\$2,394

30. RELATED PARTY TRANSACTIONS

(a) Directors

The names of persons who are directors of the Company are on page 10.

(b) Key management personnel and compensation

Key management personnel compensation for the years ended 31 December 2009 and 2010 is set out below. The key management personnel comprises of the Directors including the Chief Executive Officer (CEO) and all the senior executives who report directly to the CEO.

	CONSOLIDATED		PARENT COMPANY	
	2010 \$000s	2009 \$000s	2010 \$000s	2009 \$000s
Salaries, fees and other short term benefits	1,606	1,405	1,063	715
Share based remuneration	120	102	120	102
Directors' remuneration (including CEO)	531	482	531	482
Bonuses	106	31	86	31
Total	\$2,363	\$2,020	\$1,800	\$1,330

30. Related Party Transactions (continued)

(c) Transactions

During the year the Parent purchased and sold stock to and from its subsidiaries and advanced loans to its subsidiaries. These transactions and balances are by way of internal current accounts that are set out below. In presenting the financial statements of the Group, the effect of these transactions and balances between subsidiaries and those with the Parent have been eliminated.

The main transactions between the Parent and its subsidiaries involve:

- Sales of product and components to Wellington Drive Technologies US, Inc., Wellington Motor Tecnolojileri San Tic Ltd Sti and Wellington Manufacturing Group Singapore Pte Ltd; and
- Purchases of product and components from Wellington Manufacturing Group Singapore Pte Ltd.

	CONSOLIDATED		PARENT COMPANY	
	2010 \$000s	2009 \$000s	2010 \$000s	2009 \$000s
The following transactions occurred with related parties during the year:				
Revenue – subsidiaries	-	-	6,191	7,899
Purchases – subsidiaries	-	-	10,401	3,844
Other expenses – subsidiaries	-	-	1,798	3,476
Loans to related parties – subsidiaries	-	-	9,262	6,471
Changes in provisions – loans to subsidiaries	-	-	(4,691)	(3,665)
Changes to provisions – investment in subsidiaries	-	-	(940)	-

Further details of transactions with directors can be found on pages 13 & 14.

Details of directors' shareholdings, share based payments and movements therein can be found on pages 13 & 14.

(d) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	CONSOLIDATED		PARENT COMPANY	
	31 Dec 10 \$000s	31 Dec 09 \$000s	31 Dec 10 \$000s	31 Dec 09 \$000s
Receivables from subsidiaries	-	-	-	-
Loans to subsidiaries	-	-	21,941	12,679
Provisions made in respect of loans to subsidiaries	-	-	(12,244)	(8,227)
Payables to key management & personnel	290	82	272	82
Payables to subsidiaries	-	-	(882)	-

(e) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties.

Outstanding balances are unsecured and are repayable on demand in cash.

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

	CONSOLIDATED		PARENT COMPANY	
	2010 \$000s	2009 \$000s	2010 \$000s	2009 \$000s
Loss after taxation for the period	(14,847)	(16,742)	(14,124)	(19,197)
Depreciation and amortisation	1,743	1,914	1,342	1,559
Impairment of intangibles	795	-	795	-
Loss/(gain) on sale of plant & equipment	-	8	-	-
Share based payments	162	129	162	129
Inventory write downs	533	283	(25)	(45)
Provision for doubtful debts	(59)	177	(34)	141
Provisions made in respect of subsidiary advances	-	-	4,691	3,665
Provisions for subsidiary investments	-	-	940	-
Provision for warranty	112	133	112	133
Net foreign exchange differences	(131)	(260)	(1,875)	1,715
Intercompany current accounts reclassified to advances to subsidiaries	-	-	(518)	(2,968)
(Increase)/decrease in trade and other receivables	(1,762)	(345)	(2,210)	4,519
(Increase)/decrease in inventories	(8,854)	2,290	(2,463)	5,152
Increase in trade and other payables	4,902	2,276	3,513	(589)
Net cash outflow from operating activities	(\$17,406)	(\$10,137)	(\$9,694)	(\$5,786)

32. 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.

	2010	2009
Loss attributable to equity holders of the Company	(14,847,000)	(16,742,000)
Weighted average number of ordinary shares in issue (thousands)	594,813	455,965
Basic earnings per share	(2.50 cents)	(3.67 cents)
Basic earnings per share adjusted for post 2010 year-end issue*	(2.49 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.

32. Earnings Per Share (continued)

	2010	2009
Loss attributable to equity holders of the Company	(14,847,000)	(16,742,000)
Weighted average number of ordinary shares in issue (thousands)	594,813	455,965
Adjustment for partly paid shares or share options	-	-
Weighted average number of ordinary shares for diluted earnings per share (thousands)	594,813	455,965
Diluted earnings per share	(2.50 cents)	(3.67 cents)
Diluted earnings per share adjusted for post 2010 year-end issue*	(2.49 cents)	-

* As the Company issued shares subsequent to the 2010 year-end but before the date of the 2010 Annual Report, standards require the inclusion of the issued shares in the weighted average calculation at 31 December 2010. Accordingly, for 2010 the weighted average of shares on issue became 596,658,000 and the basic earnings per share was minus 2.49.

Directory

Directors

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

Senior Staff

New Zealand

Claire Williams, *General Manager*
 Steven Hodgson, *Chief Financial Officer*
 Bruce Farquharson, *Vice-President Delivery*
 David Howell, *Chief Technical Officer*
 Ron Jackson, *Secretary*

International Sales and Operations

Lim K.S., *Chief Operations Officer Singapore*
 Ali Karahasanoğlu, *Sales Director, Europe/Eurasia*
 Sue Sieben, *Director ECR Sales (USA)*
 Erick Layseca-Flores, *Business Development
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Bankers

Bank of New Zealand

Share Registry

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