SEALEGS®

PATENTED AMPHIBIOUS TECHNOLOGY

ALL BLACKS®
OFFICIAL MARINE
PARTNER

INTERIM REPORT
FOR THE HALF YEAR ENDING
30 SEPTEMBER 2011

Dear Shareholders,

Sealegs Corporation Limited achieved sales for the half year ending 30th September 2011 of $6.889m, up 72% on the same period last year of $4.002m. The loss for the period was $1.175m, compared to a loss of $0.941m for the same period last year.

As at 30 September 2011, the company had invoiced 49 boats in the period, compared to 29 in the comparable half year period ending 30 September 2010 (and 76 boats in the full financial year ending 31 March 2011). This was a pleasing increase in boats sold during the period.

At the end of the financial period the Company had cash and bank balances of $3.744 million, which allows the company to continue to invest in its development as highlighted below.

As a primary step to place the Company on a more sound financial footing, the Company took a decision to take greater control of its sales and marketing activities, and to focus its resources on a smaller number of target markets which the Directors believe can generate significant boat sales moving forward. In particular, the Company established its own sales and service presence in the US with a facility in Boston. Given the pleasing preliminary results of this investment, the Company continues to assess possible additional owned facilities in further locations. In addition to this expansion in the US, the Company undertook a review of its European operations and expects to complete the disposal of this business in the second half of the financial year to a partner who is better placed to develop that market on behalf of the Company.

Additionally, a restructuring programme was undertaken in September 2011 which reduced the Company's permanent workforce and, on an annualised basis, reduced costs by approximately $800,000. The benefits of this initiative will begin to be reflected in the second half of the financial year but the Directors believe this focus on an appropriately sized cost base will stand the Company in good stead moving forward.

In addition to the operational improvements of the last 6 months, the Company has appointed David Glen as CEO.

Subject to shareholder approval, the Board proposes to incentivise David Glen together with executive director Mark Broadley who has served as Interim CEO for the past seven months, through the issue of share options, which when exercised would ultimately raise more capital for the Company.

The Board has also determined that it wishes to have the flexibility to manage its capital base through the possible on market repurchase of its shares should suitable opportunities arise, and will seek shareholder approval to undertake a share buyback programme.

Accordingly, enclosed is a Notice of Special Meeting, to be held on 28 November 2011, to authorise and approve resolutions for the issue of options and the share buyback, together with an Independent Adviser's Report on these resolutions.

I commend both resolutions to shareholders and take this opportunity to reassure shareholders that the Board and senior executive team are committed to a strategy and vision that they hope will generate significant value for all shareholders.

Eric Series

Chairman

Statement of Comprehensive Income

For the half year ended 30 September 2011

	Group Sep-11	Group Sep-10	Group Mar-11
Continuing operations			
Sales of goods	6,685,929	3,909,503	9,778,371
Rendering of services	203,001	92,070	276,821
Revenue	**6,888,930**	**4,001,573**	**10,055,192**
Cost of sales	(4,391,782)	(2,627,292)	(6,642,129)
Gross profit	**2,497,148**	**1,374,281**	**3,413,063**
Other income	32,055	35,458	138,914
Administrative expenses	(1,842,228)	(1,110,441)	(2,836,889)
Distribution expenses	(185,893)	-	(324,148)
Marketing expenses	(702,572)	(685,925)	(2,507,103)
Occupancy expenses	(419,209)	(281,301)	(674,713)
Research expenses	(132,055)	-	(106,151)
Other expenses	(370,369)	(142,826)	(335,445)
	(1,123,123)	**(810,754)**	**(3,232,472)**
Finance income	56,321	37,172	122,933
Finance expense	(43,150)	(48,881)	(166,838)
Net finance benefit / (cost)	**13,171**	**(11,709)**	**(43,905)**
Profit / (loss) before share options and impairment of assets	**(1,109,952)**	**(822,463)**	**(3,276,377)**
Share options (non-cash)	(64,720)	(118,971)	(237,943)
Impairment of development costs	-	-	(68,088)
Profit / (loss) for the half year before income tax	**(1,174,672)**	**(941,434)**	**(3,582,408)**
Tax expense	-	-	-
Profit / (loss) for the half year after income tax attributable to Company shareholders	**(1,174,672)**	**(941,434)**	**(3,582,408)**
Other comprehensive income	-	-	-
Comprehensive income for the half year attributable to Company shareholders	**(1,174,672)**	**(941,434)**	**(3,582,408)**

Earnings per share from continuing operations	Group Sep-11 Cents	Group Sep-10 Cents	Group Mar-11 Cents
Basic earnings / (deficit) per share	(0.95)	(0.85)	(3.52)
Diluted earnings / (deficit) per share	(0.95)	(0.85)	(3.52)

Balance Sheet

As at 30 September 2011

	Group Sep-11	Group Sep-10	Group Mar-11
ASSETS			
Current assets			
Cash and bank balances	3,819,007	7,207,706	4,645,653
Trade receivables and other receivables	467,277	1,169,246	1,248,840
Inventories	5,739,596	5,290,968	5,716,315
Prepayments	115,968	216,857	101,506
Total current assets	**10,141,848**	**13,884,777**	**11,712,314**
Non-current assets			
Property, plant and equipment	2,277,735	1,565,576	1,999,051
Patents and trademarks	181,675	177,772	183,216
Capitalised development costs	186,600	130,257	84,920
Computer software	82,585	-	97,600
Total non-current assets	**2,728,595**	**1,873,605**	**2,364,787**
TOTAL ASSETS	**12,870,443**	**15,758,382**	**14,077,101**
LIABILITIES			
Current liabilities			
Trade and other payables	1,780,942	2,006,864	2,126,779
Warranty provision	121,000	90,000	88,000
Employee entitlements	31,631	34,029	37,302
Deposits on orders	674,149	60,000	558,812
Finance lease liabilities	167,845	155,219	114,189
Total current liabilities	**2,775,567**	**2,346,112**	**2,925,082**
Non-current liabilities			
Finance lease liabilities	154,300	139,740	121,491
Total non-current liabilities	**154,300**	**139,740**	**121,491**
TOTAL LIABILITIES	**2,929,867**	**2,485,852**	**3,046,573**
NET ASSETS	**9,940,576**	**13,272,530**	**11,030,528**
EQUITY			
Equity attributable to parent company shareholders			
Contributed equity	55,090,750	54,790,750	55,070,750
Employee share option reserve	537,508	353,816	472,788
Retained earnings and reserves	(45,687,682)	(41,872,036)	(44,513,010)
TOTAL EQUITY	**9,940,576**	**13,272,530**	**11,030,528**

For and on behalf of the board:

Eric Series
Director
8 November 2011

Mark Broadley
Director
8 November 2011

Statement of Changes in Equity

For the half year ended 30 September 2011

GROUP SEP-11

	Ordinary Shares	Employee Share Option Reserve	Accumulated Deficit	Total
	$	$	$	$
At 1 April 2011	55,070,750	472,788	(44,513,010)	11,030,528
Profit / (loss) for the period	-	-	(1,174,672)	(1,174,672)
Total comprehensive income for the period attributable to equity holders of the parent	-	-	(1,174,672)	(1,174,672)
Transactions with owners in their capacity as owners:				
Share options exercised	20,000			20,000
Share based payment for the half year		64,720		64,720
At 30 September 2011	55,090,750	537,508	(45,687,682)	9,940,576

GROUP SEP-10

	Ordinary Shares	Employee Share Option Reserve	Accumulated Deficit	Total
	$	$	$	$
At 1 April 2010	46,285,550	234,845	(40,930,602)	5,589,793
Profit / (loss) for the period	-	-	(941,434)	(941,434)
Total comprehensive income for the period attributable to equity holders of the parent	-	-	(941,434)	(941,434)
Transactions with owners in their capacity as owners:				
Shares issued during the half year	8,505,200	-	-	8,505,200
Share based payment for the half year	-	118,971	-	118,971
At 30 September 2010	54,790,750	353,816	(41,872,036)	13,272,530

GROUP MAR-11

	Ordinary Shares	Employee Share Option Reserve	Accumulated Deficit	Total
	$	$	$	$
At 1 April 2010	46,285,550	234,845	(40,930,602)	5,589,793
Profit / (loss) for the period	-	-	(3,582,408)	(3,582,408)
Total comprehensive income for the period attributable to equity holders of the parent	-	-	(3,582,408)	(3,582,408)
Transactions with owners in their capacity as owners:				
Shares issued during the year (net of issue costs)	8,775,200	-	-	8,775,200
Share options exercised	10,000	-	-	10,000
Share based payment for the year	-	237,943	-	237,943
At 31 March 2011	55,070,750	472,788	(44,513,010)	11,030,528

Cash Flow Statement

For the half year ended 30 September 2011

	Group Sep-11 $	Group Sep-10 $	Group Mar-11 $
Cash flows from operating activities			
Receipts from customers	6,972,138	3,780,335	9,774,608
Government grants	-	-	88,889
Interest received	56,321	37,172	122,933
Interest paid	(5,421)	(4,330)	(37,508)
Payments to suppliers and employees	(7,864,279)	(7,116,480)	(15,388,107)
Net cash flows from / (used in) operating activities	**(841,241)**	**(3,303,303)**	**(5,439,185)**
Cash flows from investing activities			
Proceeds from sale of fixed assets	858	19,302	229,011
Purchase of fixed assets	(379,372)	(507,050)	(1,437,823)
Patents & trademarks	(15,569)	(11,396)	(32,934)
Development costs	(101,680)	(59,379)	(82,130)
Deposit received for sale of investment in Sealegs Europe	403,893	-	-
Net cash flows from / (used in) investing activities	**(91,870)**	**(558,523)**	**(1,323,876)**
Cash flows from financing activities			
Proceeds from finance lease	143,805	21,898	18,584
Repayment of finance lease	(57,340)	(64,551)	(121,026)
Proceeds from issue of shares	20,000	8,386,229	9,010,000
Payment of share issue costs	-	-	(224,800)
Net cashflows from financing activities	**106,465**	**8,343,576**	**8,682,758**
Net increase / (decrease) in cash held	(826,646)	4,481,750	1,919,697
Add: opening cash brought forward	4,570,653	2,650,956	2,650,956
Cash at end of period	**3,744,007**	**7,132,706**	**4,570,653**
Comprising :			
Cash and bank balances	3,819,007	7,207,706	4,645,653
Less: New Zealand Stock Exchange Limited deposit	(75,000)	(75,000)	(75,000)
	3,744,007	**7,132,706**	**4,570,653**

Notes to the financial statements

Reporting Entity
Sealegs Corporation Limited (the "Company") is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Exchange Limited ("NZX"). The Company is an issuer for the purposes of the Financial Reporting Act 1993.

These unaudited consolidated interim financial statements for the half year ended 30 September 2011 comprise the company and its subsidiaries (together referred to as the "Group").

All accounting policies have been applied on a consistent basis to those used in the audited financial statements for the year ended 31 March 2011.

These financial statements have been approved for issue by the board of directors on 8 November 2011.

Measurement Base
These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZGAAP"), the Companies Act 1993 and the Financial Reporting Act 1993 and are presented in New Zealand dollars, rounded to the nearest dollar.

DIRECTORY

Company Number
HN/345055

Date of Incorporation
16 July 1987

Directors
Eric Series, Chairman
Mark Broadley
Michael Beagley
Christopher Weir

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