

SEALEGS®

PATENTED AMPHIBIOUS TECHNOLOGY



INTERIM REPORT
FOR THE HALF YEAR ENDING
30 SEPTEMBER 2013



Management Report

Dear Shareholders

Sealegs achieved sales of \$8.4 million for the half year ending 30th September 2013, up 10% on the same period last year of \$7.6 million.

The sales result reflects an increase in the number of Sealegs amphibious craft sold as well as growth in the license income from the sale of Sealegs technology to third party boatbuilders.

Of particular interest was the increased sales of Sealegs craft into South East Asia where the Company is opening up new markets.

In spite of increased sales, pricing pressure in overseas markets resulted in reduced gross margin and a reduced net income at (\$0.604) million versus (\$0.134) million in the same period last year. Manufacturing costs and overheads were in line with expectations. The international launch of the new, larger, higher value Sealegs craft helped maintain the average unit sales price.

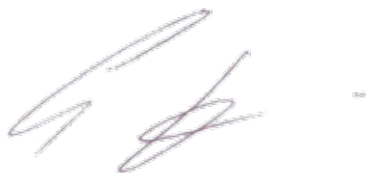
The Company is also pleased to announce a significant increase in license income for the period ending 30 September 2013. This growth in license income is pleasing. The collaboration with other boatbuilders in New Zealand has been valuable and confirms the merit of collaborating with other boatbuilders to increase the market, both awareness and demand, for Sealegs amphibious technology.

This is further confirmed by the interest of international boatbuilders who are pressing to acquire rights to use Sealegs amphibious technology. Discussions are well advanced with two foreign boatbuilders currently. The wider penetration of Sealegs technology will contribute substantial additional and higher margin earnings stream in future years.

The recent launch of SLG-100 amphibious technology, designed to be installed onto significantly larger craft, adds a new dimension to Sealegs technology and should find application in commercial, professional and government sectors.

The Company is also exploring the possibility of outsourcing the manufacture of an entry level Sealegs Craft to an appropriate jurisdiction to leverage production efficiencies and to enable Sealegs to penetrate untapped markets.

Sealegs is expecting a busy second half of the year as the foreign exposure to our patented Sealegs amphibious technology increases. The Company is entering new territories, developing new technologies and building a broader market through licensing its technology. The Sealegs brand is slowly but surely reaching its full potential.



Eric Series
Chairman



Statement of Comprehensive Income

For the half year ended 30 September 2013

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SEALEGS® INTERIM REPORT FOR THE HALF YEAR ENDING 30/09/2013

	Group Sep-13 \$	Group Sep-12 \$	Group Mar-13 \$
Continuing operations			
Sales of goods	7,860,026	7,195,565	15,503,092
Rendering of services	521,857	418,717	904,037
Revenue	8,381,883	7,614,282	16,407,129
Cost of sales	(6,323,879)	(5,492,274)	(11,576,047)
Gross profit	2,058,004	2,122,008	4,831,082
Other income	10,309	97,559	203,994
Administrative expenses	(1,564,275)	(1,372,603)	(2,811,204)
Distribution expenses	(252,136)	(201,498)	(318,554)
Marketing expenses	(608,012)	(509,800)	(1,024,369)
Occupancy expenses	(103,899)	(91,932)	(249,119)
Research expenses	(17,941)	(56,232)	(116,393)
Other expenses	(88,848)	(64,440)	(163,487)
	(566,798)	(76,938)	351,950
Finance income	13,452	69,958	123,090
Finance expense	(29,213)	(37,193)	(91,491)
Net finance benefit / (cost)	(15,761)	32,765	31,599
Profit / (loss) before share options & impairment of assets	(582,559)	(44,173)	383,549
Share options (non-cash)	(21,091)	(89,825)	(179,650)
Profit / (loss) for the year after income tax attributable to Company shareholders	(603,650)	(133,998)	203,899
Tax expense	-	-	-
Profit / (loss) for the year after income tax attributable to Company shareholders	(603,650)	(133,998)	203,899
Other comprehensive income	(46,403)	-	(81,426)
Comprehensive income for the year attributable to Company shareholders	(650,053)	(133,998)	122,473

Earnings per share from continuing operations

	Group Sep-13 Cents	Group Sep-12 Cents	Group Mar-13 Cents
Basic earning / (deficit) per share	(0.53)	(0.11)	0.10
Diluted earning / (deficit) per share	(0.51)	(0.11)	0.10

Balance Sheet

As at 30 September 2013

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SEALEGS® INTERIM REPORT FOR THE HALF YEAR ENDING 30/09/2013

	Group Sep-13 \$	Group Sep-12 \$	Group Mar-13 \$
ASSETS			
Current assets			
Cash and bank balances	1,926,462	3,334,344	3,909,085
Trade receivables and other receivables	558,833	978,517	453,336
Inventories	5,251,772	4,577,020	4,571,843
Prepayments	262,765	95,538	187,247
Total current assets	7,999,832	8,985,419	9,121,511
Non-current assets			
Term deposit	75,000	220,000	220,000
Property, plant and equipment	1,810,861	2,008,485	2,009,740
Patents and trademarks	181,096	181,658	185,636
Capitalised development costs	933,066	393,796	426,166
Computer software	58,763	47,949	35,377
Total non-current assets	3,058,786	2,851,888	2,876,919
TOTAL ASSETS	11,058,619	11,837,307	11,998,430
LIABILITIES			
Current liabilities			
Trade and other payables	1,820,487	1,666,846	2,078,764
Warranty provision	32,057	122,282	56,231
Employee entitlements	35,438	33,376	37,066
Deposits on orders	419,793	814,781	446,564
Finance lease liabilities	-	108,236	-
Total current liabilities	2,307,775	2,745,521	2,618,625
Non-current liabilities			
Finance lease liabilities	-	58,277	-
Total non-current liabilities	-	58,277	-
TOTAL LIABILITIES	2,307,775	2,803,798	2,618,625
NET ASSETS	8,750,844	9,033,509	9,379,805
EQUITY			
Equity attributable to parent company shareholders			
Contributed equity	54,795,140	54,795,140	54,795,140
Employee share option reserve	855,226	744,309	834,134
Accumulated deficit	(46,771,693)	(46,505,940)	(46,168,043)
Foreign currency translation reserve	(127,829)	-	(81,426)
TOTAL EQUITY	8,750,844	9,033,509	9,379,805

For and behalf of the board:



Christopher Weir
Director
25 November 2013



David Glen
Director
25 November 2013

Statement of Changes in Equity

For the half year ended 30 September 2013

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SEALEGS® INTERIM REPORT FOR THE HALF YEAR ENDING 30/09/2013

	GROUP SEP-13				
	Contributed Equity	Employee Share Option Reserve	Accumulated Deficit	Foreign Currency Translation Reserve	TOTAL
	\$	\$	\$	\$	\$
At 1 April 2013	54,795,140	834,135	(46,168,043)	(81,426)	9,379,806
Profit / (loss) for the half year	-	-	(603,650)	-	(603,650)
Foreign currency translation	-	-	-	(46,403)	(46,403)
Total comprehensive income for the period attributable to equity holders of the parent	-	-	(603,650)	(46,403)	(650,053)
<u>Transactions with owners in their capacity as owners:</u>					
Share based payment for the half year	-	21,091	-	-	21,091
As at 30 September 2013	54,795,140	855,226	(46,771,693)	(127,829)	8,750,844

	GROUP SEP-12				
	Contributed Equity	Employee Share Option Reserve	Accumulated Deficit	Foreign Currency Translation Reserve	TOTAL
	\$	\$	\$	\$	\$
At 1 April 2012	55,090,750	654,484	(46,371,942)	-	9,373,292
Profit / (loss) for the half year	-	-	(133,998)	-	(133,998)
Foreign currency translation	-	-	-	-	-
Total comprehensive income for the period attributable to equity holders of the parent	-	-	(133,998)	-	(133,998)
<u>Transactions with owners in their capacity as owners:</u>					
Share cancellation	(295,610)	-	-	-	(295,610)
Share based payment for the half year	-	89,825	-	-	89,825
As at 30 September 2012	54,795,140	744,309	(46,505,940)	-	9,033,509

	GROUP MAR-13				
	Contributed Equity	Employee Share Option Reserve	Accumulated Deficit	Foreign Currency Translation Reserve	TOTAL
	\$	\$	\$	\$	\$
At 1 April 2012	55,090,750	654,484	(46,371,942)	-	9,373,292
Profit / (loss) for the year	-	-	203,899	-	203,899
Foreign currency translation	-	-	-	(81,426)	(81,426)
Total comprehensive income for the period attributable to equity holders of the parent	-	-	203,899	(81,426)	122,473
<u>Transactions with owners in their capacity as owners:</u>					
Share cancellation	(295,610)	-	-	-	(295,610)
Share based payment for the year	-	179,650	-	-	179,650
As at 31 March 2013	54,795,140	834,134	(46,168,043)	(81,426)	9,379,805



Cash Flow Statement

For the half year ended 30 September 2013

	Group Sep-13 \$	Group Sep-12 \$	Group Mar-13 \$
Cash flows from operating activities			
Receipts from customers	8,066,723	7,035,546	16,767,396
Government grants	179,704	-	-
Interest received	13,452	69,958	123,090
Interest paid	-	(15,960)	(21,908)
Payments to suppliers and employees	(9,470,374)	(7,289,856)	(15,969,462)
Net cash flows from / (used in) operating activities	(1,210,496)	(200,312)	899,116
Cash flows from investing activities			
Proceeds from sale of fixed assets	24,274	-	4,803
Purchase of fixed assets	(55,592)	(70,406)	(436,684)
Payments for patents & trademarks	(16,206)	(10,748)	(33,467)
Payments made for development costs	(724,604)	(117,488)	(221,858)
Net cash flows from / (used in) investing activities	(772,127)	(198,642)	(687,206)
Cash flows from financing activities			
Repayment of finance lease	-	(73,547)	(109,670)
Payment for share buyback	-	(295,610)	(295,610)
Net cash flows from financing activities	-	(369,157)	(405,280)
Net increase / (decrease) in cash held	(1,982,623)	(768,111)	(193,370)
Add: opening cash bought forward	3,909,085	4,102,455	4,102,455
Cash at end of period	1,926,462	3,334,344	3,909,085
Comprising :			
Cash and bank balances	1,926,462	3,334,344	3,909,085
	1,926,462	3,334,344	3,909,085

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 Stock Exchange. 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 2013 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 2013.

These financial statements have been approved for issue by the board of directors on 25 November 2013.

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
Christopher Weir
David Glen
Mark Broadley
Michael Beagley

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