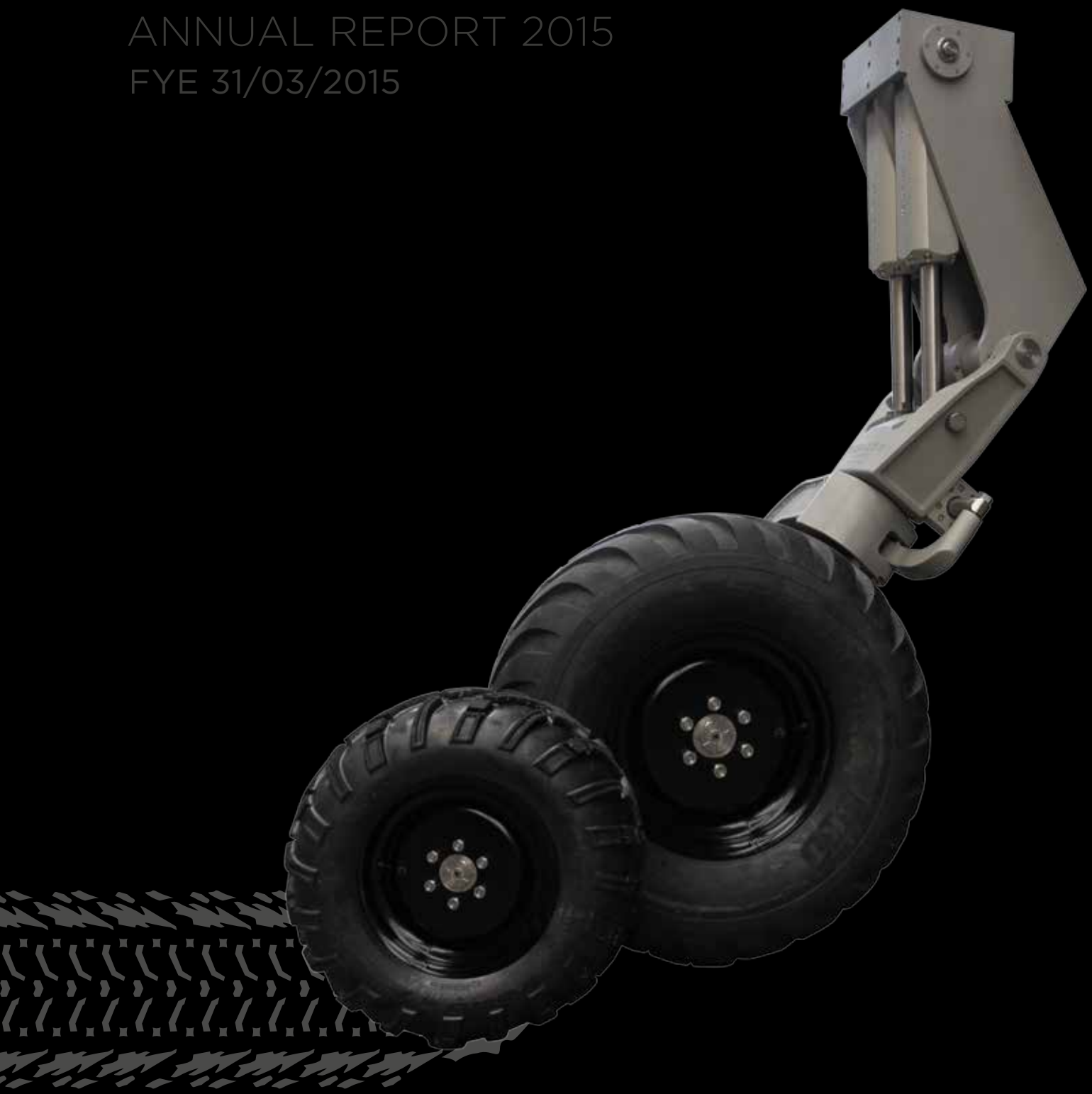
SEALEGS®

BE AMPHIBIOUS

ANNUAL REPORT 2015

FYE 31/03/2015



Letter from the CHAIRMAN

Dear Shareholders,

Sealegs Corporation has made NZD2.396m loss for the year to April 2015. This result reflects both the significant investments made into the growth and diversification of the business and the difficult trading environment that we have faced in many markets.

Overall turnover has increased slightly, reaching NZD18.5m from the sale of 101 units compared to NZD18.2m from 106 units for the corresponding period last year. Robust sales figures for the USA, UK and Australian regions are particularly notable offsetting somewhat poor sales from regions that suffered economic downturn and very unfavourable currency exchange movement, such as Russia. Margins were reduced thanks in no small part to the increased number of sales via partners (and therefore at reduced margin) and discounting to help alleviate the foreign exchange burden.

Partnerships with Stabicraft and Smuggler have served to increase the product range further with 2 new models available to customers. The pre-order of the first RC-36 model by a loyal US customer was of particular note, with the vessel due for delivery in August 2015.

As the business continues to look forward and grow, the focus will be on 3 important areas. First, outsourcing of the manufacture of existing hull designs, allowing reduced costs of production and greater efficiencies in the factory. Second, increased partnership with other hull manufacturers allowing the OEM to be added to a further range of models and diversifying the market. Third, the expansion of the global dealer network to promote and sell the product to a wider audience globally via partnerships with market-leading retailers.

Eric Series
Chairman

From the CEO

Dear Shareholders,

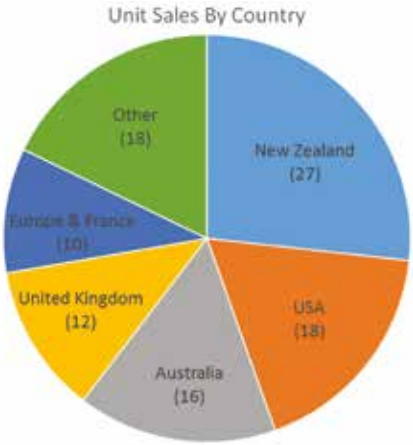
FYE 2015 was a challenging year, but was also a year in which we celebrated many exciting and unique successes. I'd like to share with you our financial result, our successes and what we look forward to in the coming year.

FYE 2015 FINANCIAL RESULT

FYE 2015 was a year of much change, and disappointingly the result of this change was a loss of $2.396 million (FYE14 loss of $0.833 million). The result is best explained by the following key factors:

SALES & EXCHANGE RATE

Despite foreign exchange pressure on pricing sales revenue before discounts and commissions increased by $0.3 million (FYE15: $18.5m or 101 units, FYE14: $18.2m or 106 units) due to an increased average unit price increase (FYE15: $154k; FYE14: $146k). The Northern Hemisphere, in particular Europe and UK, showed promising performance. NZ continues to steadily perform – but Australia sales have been affected by economic conditions.



The strong New Zealand dollar resulted in price rises around the world making sales very difficult. A good example of this was in Russia when the Ruble fell against a rising Kiwi Dollar. Over the course of 2014 the Ruble depreciated 48% against the Kiwi which effectively doubled the price of a Sealegs for our Russian partner. This resulted in the cancellation of orders and brought to a halt what had previously looked like a promising market, demonstrated by a 75% decrease in orders from Russia between 2013 and 2014.

GROSS PROFIT

The 19% gross profit result was $551K down on the previous year which reported a 23% margin (FYE15: $3.592m; FYE14: $4.143m). This result is best accounted for by:

- An increased proportion of sales being made through the dealer channel at reduced margin.
- Discounting as a result of the overseas price increases due to the strong kiwi dollar & exchange rate.

EXPENSES

Total expenses in 2015 increased year on year by $1,564K (FYE15:$2,369; FYE14: $805). The majority of this increase is explained by:

- $506k incurred during a company restructure aimed at reducing future fixed costs and,
- $598k of non-cash impairment expenses.

SUCCESSES IN 2015

MOST INNOVATIVE COMPANY AWARD

Sealegs was awarded the Most Innovative Company award at the 5th Asian Marine & Boating Awards ceremony, held at the 20th International Boat Show in Shanghai, China. In winning the innovation, award Sealegs found itself in good company; other award winners were Sunseeker, Hanse Yachts, and Ferretti.

SUPERYACHT MARKET

Sealegs Amphibious Boats are being increasingly factored into the design of new superyachts. In the last 12 months the company has delivered to Riga, Motor Boat A and Phoenix 2. All the craft delivered were modified to facilitate storage on board and complement the design of the yacht.

LUXURY MARKET

Sealegs Europe and UK has seen an increasing demand from the high end luxury market.

Recently, the acclaimed creator Philippe Starck designed a custom made Sealegs in collaboration with Sealegs in order to perfectly fit his need. The very prestigious Guacalito De La Isla resort purchased a Sealegs for their customers' enjoyment during their stay.

RESCUE MARKET

Sealegs continues to prove itself as the ultimate inshore rescue craft. In 2015 the Airports Services Australia (ASA) purchased a fleet of 7.1M rescue boats after a comprehensive analysis of its options. Sealegs was selected after a comparison of airboats, traditional boats, and amphibious quad bikes.

The primary role of the ASA is to rescue people and protect property from an aircraft that has crashed or caught fire during landing or take-off, and to control and extinguish fire at the airport in general.

COASTGUARD

Being the fastest way to launch and retrieve a boat, Sealegs continues to assist the good work of the coast guard in many parts of the world. 2015 saw that network increase the the delivery of craft to Broome Sea Rescue in Australia, as well as the Hibiscus Coast and Tauranga Coast Guards.

INAUGURAL INTERNATIONAL DEALER CONFERENCE

This year, Sealegs International completed its inaugural international dealer conference. 23 Sealegs dealers from around the globe descended into Auckland for the 5 day event which created the largest gathering of Sealegs knowledge ever to assemble in one location.

The conference was an overwhelming success. From seminars to jet-boating, face-to-face meetings to the Onetangi Beach Races, our dealers were exposed to an awesome experience in the birthplace of amphibious boating.


Sealegs onboard super yacht "A"


Sealegs onboard super yacht "Phoenix 2"


Philippe Starck's custom 7.1m Sealegs


ASA 7.1m Rescue Sealegs


Broome Sea Rescue 7.7m Sealegs

VOLVO OCEAN RACE AND DONG FENG

Sealegs and Dongfeng Race Team

The Volvo Ocean Race is without doubt one of the most gruelling sporting challenges anywhere in the world and it is with great pride that Sealegs has become an official supplier to the Dongfeng Race Team.

The partnership began as Dongfeng found themselves in deep trouble - in the middle of the night on March 30th, the team's mast snapped 240 nautical miles off Cape Horn in one of the most perilous stretches of water in the world. Thankfully, all crew were safe and the boat was able to limp to Ushuaia, southern Argentina. From here, it was a race against time for the boat to get to Itajai in Brazil and have a new mast fitted in time for the next leg. This is the time where Sealegs swung into action with Igor Alexandre Souza and his team from Sealegs in Brazil providing advice, logistical support and personnel along with Sealegs vehicles to the team once they had reached Itajai.

Sealegs will be supporting Dongfeng for the remainder of the race as they call at the ports of Lorient, France; The Hague, Netherlands; and finally, the finishing line at Gothenburg, Sweden.

NEW MEDIA

As part of our attendance at METS in Holland, Sealegs launched a new website focused on its three divisions:

SEALEGS® BE AMPHIBIOUS	AMPHIBIOUS BY SEALEGS®	SLG TECHNOLOGIES
Recreational & Professional	OEM Supplied Craft	Sealegs Technologies

The recreational and professional sites maintain their existing focus but the third and new division is the creation of an "Amphibious by Sealegs" section. This section showcases existing boat builders who have developed an amphibious boat utilising Amphibious by Sealegs technology.

The technology site has been developed to support our effort to license Sealegs Technology to existing boat builders.

From the recreational site you'll be able to find links to social media relating to Sealegs, marketing material and all recent announcements.

LOOKING FORWARD

An exciting period is approaching for Sealegs as we lead up to the Auckland New Zealand on the Water Boat Show. In the coming months will see:

DEBUT OF SYSTEM 100 AND THE RC36

The RC36C-SLG represents a paradigm shift in coastal and riverine professional operations. The boat includes a military grade all-wheel drive amphibious enablement system (System 100) which has a 6,500kgs capacity. 6.5T load capacity will enable craft up to 10 metres and is far better suited to the military and commercial market, when compared to our existing system at 2.5T load capacity and a maximum length of 8 metres.


RC36 with System 100

The business plan is aimed at established boat builders, with established customers and designs, who adapt their designs to incorporate System 100. The result will be a marriage between Sealegs technology and boat builders which together deliver amphibious boating in a variety of models for a variety of international applications.

10 YEAR ANNIVERSARY AND 1000th DELIVERY

In 2004 amphibious boating was something the majority of the world could not conceive. Today, thanks to Sealegs, Amphibious Boating is the reality of over 1000 owners around the world and an inspiration to many more. The Auckland on the water boat show will commemorate the delivery of its 1000th boat and 10 years of production. Both events are significant achievements on the journey to making Sealegs amphibious technology a globally recognised requirement for marine craft.

BROADENING OF OEM RELATIONSHIPS

Following on from the success of Asis boats in Dubai and of Stabicraft and Smuggler Boats in New Zealand, Sealegs is looking for new hull designs from international boat manufacturers to be modified for the Sealegs System.

This combination of our existing amphibious enablement system (System 60) and imminent release of System 100 will expand the international reach of amphibious boating. By delivering the technology to existing boat builders Sealegs will no longer need to invest in traditional boat design or market development. This will enable the company to focus on its core competence - the manufacture and design of amphibious enablement systems.

These partnerships will enable Sealegs to leverage the existing boat builders experience, customer relationships and facilities.

FINALLY

I'd like to acknowledge the support of the board and shareholders in my recent appointment as CEO.

The greatest challenge in our journey to making Sealegs a commercial success has been "blazing the trail" in what was the uncharted world of amphibious boating. The team have worked tirelessly to create an exceptional product and bring it to a formally non-existent market through research and development, brand education and the creation of our extraordinary network.

With this challenge behind us we can use the experience gained and look forward to a prosperous new year.

Yours Sincerely,

David Mckee Wright
Chief Executive Officer


Stabicraft 2100 Supercab


Smuggler Strata 770


ASIS Oliver Jet


International Dealer Conference
February 2015

Auditors REPORT

EY
Building a better working world

Chartered Accountants

Independent Auditor's Report

To the Shareholders of Sealegs Corporation Limited

Report on the Financial Statements

We have audited the group financial statements of Sealegs Corporation Limited and its subsidiaries ("the Group") on pages 8 to 33, which comprise the statement of financial position of the Group as at 31 March 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 461G (1) of the Financial Markets Conduct Act 2013. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's 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.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing 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 our 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, we have considered the internal control relevant to the entity's preparation and fair presentation of the financial statements 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 we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

We provide taxation advice to the Group. We have no other relationship with, or interest in, the Group.

Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

Opinion
In our opinion, the financial statements on pages 8 to 33:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- present fairly, in all material respects, the financial position of the Group as at 31 March 2015 and the financial performance and cash flows of the Group for the year then ended.

Emphasis of Matter
In forming our unqualified opinion, as stated in Note 28 the financial statements have been prepared on the going concern basis, the validity of which depends upon sufficient funding being available through achievement of forecast cashflows and alternative sources of funding that may be pursued as required.

Ernst + Young

25 June 2015
Auckland

Consolidated Statement of COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Note	Group 2015 $	Group 2014 $
Continuing operations			
Sales of goods		16,168,606	15,953,764
Rendering of services		1,161,407	829,148
Revenue		**17,330,013**	**16,782,912**
Cost of sales		(13,737,757)	(12,639,206)
Gross profit		**3,592,256**	**4,143,706**
Other income	2	98,459	23,295
Administrative expenses	3,4	(3,401,192)	(2,890,063)
Distribution expenses		(529,915)	(452,021)
Marketing expenses		(1,003,533)	(1,098,251)
Occupancy expenses	3	(190,360)	(223,324)
Research expenses		(53,225)	(55,724)
Other expenses		(184,812)	(210,580)
		(1,672,322)	**(762,962)**
Finance income	5	20,738	23,941
Finance expense	5	(96,026)	(52,046)
Net finance benefit / (cost)		**(75,288)**	**(28,105)**
Profit / (loss) before share options & impairment of assets		**(1,747,610)**	**(791,067)**
Share options/ Share based payment (non-cash)	4	(50,000)	(42,183)
Impairment of Fixed Assets	16	(121,226)	-
Impairment of Intangible Assets	18	(476,831)	-
Profit / (loss) for the year before income tax		**(2,395,667)**	**(833,250)**
Tax expense	7	-	-
Profit / (loss) for the year after income tax attributable to Company shareholders		**(2,395,667)**	**(833,250)**
Exchange differences on translation of foreign operations recyclable through profit and loss		69,223	(80,517)
Comprehensive income for the year attributable to Company shareholders		**(2,326,444)**	**(913,767)**

Earnings per share from continuing operations		**Group 2015 Cents**	**Group 2014 Cents**
Basic earning / (deficit) per share	9	(1.82)	(0.75)
Diluted earnings / (deficit) per share	9	(1.82)	(0.75)

The above financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of FINANCIAL POSITION As at 31 March 2015

	Note	Group 2015 $	Group 2014 $
ASSETS			
Current assets			
Cash and bank balances	19	2,123,037	997,353
Trade receivables and other receivables	13	609,037	684,983
Inventories	14	5,126,436	5,885,914
Prepayments		226,089	179,209
Total current assets		**8,084,599**	**7,747,459**
Non-current assets			
Term deposit	19	75,000	75,000
Property, plant and equipment	16	1,399,706	1,674,640
Patents and trademarks	18	162,522	173,078
Capitalised development costs	18	1,895,583	1,653,174
Computer software	18	26,642	40,754
Total non-current assets		**3,559,453**	**3,616,646**
TOTAL ASSETS		**11,644,052**	**11,364,105**
LIABILITIES			
Current liabilities			
Trade and other payables	11	1,367,974	2,334,584
Warranty provision	15	127,000	50,000
Employee entitlements		890,483	43,415
Deferred revenue	20	747,242	-
Deposits on orders		642,276	360,335
Total current liabilities		**3,774,975**	**2,788,334**
TOTAL LIABILITIES		**3,774,975**	**2,788,334**
NET ASSETS		**7,869,077**	**8,575,771**
Equity attributable to parent company shareholders			
Contributed equity	10	56,432,440	54,862,690
Employee share reserve		926,317	876,317
Accumulated deficit		(49,396,960)	(47,001,293)
Foreign currency translation reserve		(92,720)	(161,943)
TOTAL EQUITY		**7,869,077**	**8,575,771**

For and on behalf of the board who authorise the issue of these financial statements on 25 June 2015.

Christopher Weir
Director

David McKee Wright
Director

The above financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of CHANGES IN EQUITY

For the year ended 31 March 2015

	Note	Contributed Equity $	Employee Share Reserve $	Accumulated Deficit $	Foreign Currency Translation Reserve $	Total $
				GROUP 2015		
At 1 April 2014		54,862,690	876,317	(47,001,293)	(161,943)	8,575,771
Profit / (loss) for the year		-	-	(2,395,667)	-	(2,395,667)
Foreign currency translation		-	-	-	69,223	69,223
Total comprehensive income for the period attributable to equity holders of the parent		**-**	**-**	**(2,395,667)**	**69,223**	**(2,326,444)**
Transactions with owners in their capacity as owners:						
Share options exercised	**10**	300,000	-	-	-	300,000
Shares issued	**10**	1,269,750	-	-	-	1,269,750
Share based payment for the year		-	50,000	-	-	50,000
As at 31 March 2015		**56,432,440**	**926,317**	**(49,396,960)**	**(92,720)**	**7,869,077**
				GROUP 2014		
At 1 April 2013		54,795,140	834,134	(46,168,043)	(81,426)	9,379,805
Profit / (loss) for the year		-	-	(833,250)	-	(833,250)
Foreign currency translation		-	-	-	(80,517)	(80,517)
Total comprehensive income for the period attributable to equity holders of the parent		**-**	**-**	**(833,250)**	**(161,943)**	**(913,767)**
Transactions with owners in their capacity as owners:						
Share cancellation		67,550	-	-	-	67,550
Share based payment for the year		-	42,183	-	-	42,183
As at 31 March 2014		**54,862,690**	**876,317**	**(47,001,293)**	**(161,943)**	**8,575,771**

Consolidated Statement of CASH FLOWS

For the year ended 31 March 2015

	Note	Group 2015 $	Group 2014 $
Cash flows from operating activities			
Receipts from customers		18,763,009	16,582,851
Government grants		145,471	224,428
Interest received		20,738	23,941
Interest paid		-	-
Payments to suppliers and employees		(17,849,118)	(18,131,656)
Net cash flows from / (used in) operating activities	**21**	**1,080,100**	**(1,300,436)**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	55,059
Purchase of fixed assets		(226,646)	(180,970)
Payments for patents & trademarks		(25,960)	(29,761)
Payments for development costs		(1,283,579)	(1,523,173)
Net cash flows from / (used in) investing activities		**(1,536,185)**	**(1,678,846)**
Cash flows from financing activities			
Proceeds from issue of shares		1,569,750	67,550
Net cash flows from financing activities		**1,569,750**	**67,550**
Net increase / (decrease) in cash held		1,113,665	(2,911,732)
Net foreign exchange differencies		12,019	-
Add: opening cash bought forward		997,353	3,909,085
Cash at end of period	**19**	**2,123,037**	**997,353**

The above financial statements should be read in conjunction with the accompanying notes.

Notes to and forming part of t
FINANCIAL STATE

1. Summary of significant accounting policies

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 FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

The consolidated financial statements of Sealegs Corporation Limited as at and for the year ended 31 March 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

The Company is an issuer for the purposes of the Financial Markets Conduct Act 2013. The consolidated financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules. In accordance with the Financial Markets Conduct Act 2013, because Group financial statements are prepared and presented for Sealegs Corporation and it's subsidiaries, separate financial statements for Sealegs Corporation Limited are no longer required to be prepared and presented.

These financial statements have been approved for issue by the board of directors on 25 June 2015.

Measurement Base

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the Companies Act 1993. The company has designated itself as profit-oriented.

The consolidated financial statements have been prepared on a historical cost basis.

The information is presented in New Zealand dollars ($), which is the Company's functional currency and rounded to the nearest dollar.

Specific Accounting Policies

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The consolidated financial statements comply with International Financial Reporting Standards ("IFRS"). Accounting policies adopted are consistent with those of the previous financial year.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
  - The ability to use its power over the investee to affect its returns

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings., as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

c) Intangible assets

Intangible assets are initially measured at cost. The cost of an intangible asset is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Sealegs Corporation Limited performs its impairment testing annually by comparing the carrying value of the cash generating unit with its recoverable amount. The whole group is determined to be the cash generating unit. The recoverable amount is the higher of fair value less costs to sell or value in use. Intangibles have been allocated to the one cash generating unit.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (see note (t) for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

The useful economic life of finite intangibles is determined for amortisation as:

1. Development costs	Over the period of expected future benefit from the related project
2. Patents	Over the life of the patent
3. Computer software	Over the estimated life of the software

d) Property, plant and equipment

The Group has the following classes of property, plant and equipment:

1. Computer Equipment
2. Plant and Equipment
3. Furniture and Fittings

All items of property, plant and equipment are initially recorded at cost, including costs directly attributable to bringing the asset to its working condition.

Any expenditure that increases the economic benefits derived from an asset is capitalised. Expenditure on repairs and maintenance that does not increase the economic benefits is expensed in the period it occurs.

Subsequent to initial recognition, property, plant and equipment is stated at historic cost less accumulated depreciation and any accumulated impairment losses.

When an item of property, plant and equipment is disposed of the difference between net disposal proceeds and the carrying amount is recognised as a gain or loss in profit or loss.

Depreciation is provided for on a straight-line basis on all property, plant and equipment items, at depreciation rates calculated to allocate the asset's cost or valuation less estimated residual value, over their estimated useful lives.

Major depreciation rates are:

1. Computer Equipment	10% - 30%
2. Plant and Equipment	5% - 40%
3. Furniture and Fittings	6.5% - 30%

e) Trade and other receivables

"Trade receivables, which generally are paid before or on delivery, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an on-going basis. Individual debts that management consider to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate."

f) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

• when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
• when the taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

• when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

• when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Revenues, expenses and assets are recognised net of the amount of GST except:

• when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

• receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

g) Financial instruments

Financial instruments comprise cash and cash equivalents, term deposits, trade and other receivables and trade and other payables.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Impairment of Financial Assets

The Company assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar characteristics. All impairment losses are recognised in profit or Loss. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference

between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

h) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity 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.

For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts.

i) Employee entitlements

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share based payment transactions

The share option programme allows certain Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a trinomial option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options expected to vest, except where forfeiture is only due to the share price not achieving the threshold for vesting.

Cancellation of the scheme is treated as an acceleration of vesting and the remaining fair value is immediately recognised in the profit and loss.

j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligations.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

When the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss net of any reimbursement.

k) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

l) Research and development costs

Research expenditure is recognised in profit or loss in the period that it is incurred.

Development costs are deferred where future benefits are expected to exceed those costs, otherwise they are recognised in profit or loss in the period that they are incurred. Deferred development costs are subject to impairment testing. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount so identified is written off. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee:

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

n) Foreign currencies

(i) Functional and presentation currency

Both the functional and presentation currency of Sealegs Corporation Limited and its New Zealand subsidiaries is New Zealand dollars ($). The United States subsidiaries' functional currency is United States Dollars which is translated to the presentation currency (see below for consolidated reporting).

(ii) Transactions and balances

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. At balance date foreign currency monetary assets and liabilities are translated at the closing rate and exchange variations arising from these translations are recognised in profit or loss.

(iii) Translation of Group Companies' functional currency to presentation currency

The results of the United States subsidiaries are translated into New Zealand Dollars (presentation currency) at the average monthly exchange rate for each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in United States subsidiaries are taken to the foreign currency translation reserve.

o) Revenue recognition policy

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Local sales are recorded on the day the boat is picked up by or delivered to the customer at which time all the risks and rewards of ownership pass to the customer. Export sales are recorded on the day the boat is uplifted from Sealegs premises, at which time all the risks and rewards of ownership pass to the customer.

Deposits on orders are held as a current liability on the balance sheet until such time that revenue from the sale is recognised in profit or loss.

(ii) Government Grants

Government grants are recognised when there is a reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(iii) Service revenue

Revenue from the servicing and repair of boats is recorded at the time of completion, which is on the day the boat is picked up by or delivered back to the customer.

p) Borrowing costs

All borrowing costs are recognised as an expense in the period they are incurred, as there are no qualifying assets against which interest needs to be capitalised.

q) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

r) 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.

s) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 9)

t) Impairment of non financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Sealegs Corporation Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. 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 inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

u) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historic experience and other factors including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the

equity instruments at the date at which they are granted. The fair value is determined by an external valuer using option pricing models. The accounting estimates and assumptions relating to equity-settled share-based payments would have no significant impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(ii) Capitalised development costs

Development costs are only capitalised by the Group when it can be demonstrated that all the conditions under NZ IAS 38 are satisfied. This includes reliably estimating the amount of time and cost which has been incurred in developing the asset. As part of this process management performs an assessment for each asset to determine both the intention to complete and the ability to use or sell the asset. This assessment includes judgement around the future economic benefits which the Group will derive from future sales which includes judgment and estimates around both the size of the market opportunity and an assessment of the markets in which the products will likely be sold. Once the asset has been capitalised management need to estimate the period over which costs will be amortised which includes an assessment of the life of the intangible asset along with the number of units that will be sold.

(iii) Warranty claims provision

In determining the level of provision required for warranty expenses the Group has made judgements in respect of the expected performance of the product and the costs of fulfilling any warranty claims. Historical experience and current knowledge of the performance of the products has been used in determining this provision.

v) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers - being the executive management team. The Company and Group operating results are reviewed by the executive management team as a single operating unit; manufacturing and selling amphibious marine crafts.

w) New standards and interpretation

The following issued Standards, Interpretations and Amendments have not been applied by the Group:

Standard/Interpretation	Effective Date	Applicable Date
NZ IFRS 9 - Financial Instruments	1 January 2017	1 April 2017
NZ IFRS 15 - Revenue Recognition	1 January 2017	1 April 2017

Impact on Group

The Directors have yet to assess the impact the above standards are likely to have on the financial statements of the Group.

		Group 2015 $	Group 2014 $
2. Other income			
Forfeited deposits		60,000	-
Other revenue		38,459	23,295
Total other revenue		98,459	23,295
3. Administrative and occupancy expenses			
The following items of expenditure are included in administrative and occupancy expenses:			
Operating lease expense		116,244	133,742
Depreciation of fixed assets		347,629	375,431
Amortisation of computer software		19,625	36,493
Amortisation of patents and trademarks		36,516	42,319
Auditor's remuneration to Ernst & Young comprises:			
Audit of financial statements		60,000	58,000
Tax compliance		20,668	25,320
Total auditors remuneration		80,668	83,320
4. Personnel expenses			
Wages and salaries		4,443,272	3,933,770
Defined contribution benefits		89,342	74,888
Share-based payments		50,000	42,183
Directors' compensation	6	746,270	380,000
Total personnel expense		5,328,884	4,430,841
5. Finance costs			
Interest income		20,738	23,941
Finance income		20,738	23,941
Interest expense		-	-
Foreign exchange loss		71,255	28,428
Bank charges		24,771	23,618
Finance expense		96,026	52,046
Net finance costs		(75,288)	(28,105)
6. Directors' compensation			
Salaries and bonuses		603,562	280,000
Share based compensation to Directors		50,000	-
Directors' fees		92,708	100,000
Total directors' compensation		746,270	380,000

		Group 2015 $	Group 2014 $
7.	**Taxation**		
	Profit / (Loss) from continuing operations before income tax	(2,395,667)	(833,250)
	Prima facie income tax @ 28% (2014: 28%)	(670,787)	(233,310)
	Share based payments	14,000	11,811
	Benefit of tax losses not taken up as an asset	656,787	221,499
	Utilisation of tax losses	-	-
	Income tax expense	-	-
	The income tax expense is represented by:		
	Current tax	-	-
	Deferred tax	-	-
	Income tax expense reported in Profit or Loss	-	-

A deferred tax asset has not been recognised to the extent that it is not probable that taxable profit will be available against which the unused tax losses can be utilised. Sealegs Corporation Group has tax losses of $29,665,998 (2014: $28,205,285) to carry forward. These taxation losses are subject to Inland Revenue Department approval and continued compliance with legislation for the carry forward of tax losses.

		Group 2015 $	Group 2014 $
8.	**Imputation credit account**		
	The amount of imputation credits available for use in subsequent reporting periods	-	-

		Group 2015 $	Group 2014 $
9.	**Earnings per share**		
	Gain (Loss) attributable to ordinary shareholders	(2,326,444)	(913,767)
	Weighted average number of ordinary shares issued	127,785,295	121,715,044
	Effect of dilution:		
	Share options	-	4,000,000
	Total potential ordinary shares	127,785,295	125,715,044

	Group 2015 Cents	Group 2014 Cents
Basic earning/(deficit) per share	(1.82)	(0.75)
Diluted earning/(deficit) per share	(1.82)	(0.75)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2015 Group		2014 Group	
	Shares	$	Shares	$
10. Share capital				
Opening ordinary shares (issued and authorised)	122,052,795	54,862,690	121,377,293	54,795,140
Ordinary shares issued during the year	8,465,000	1,269,750	-	-
Ordinary shares cancelled during the year	-	-	-	-
Share options exercised during the year	3,000,000	300,000	675,502	67,550
Closing ordinary shares	133,517,795	56,432,440	122,052,795	54,862,690
Total share capital	133,517,795	56,432,440	122,052,795	54,862,690

133,517,795 (2014: 122,052,795) ordinary shares are fully paid and have no par value. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up. There are no uncalled shares as at 31 March 2015 (2014: nil).

(a) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Management consider shareholders' equity as managed capital.

As the market is constantly changing, management may issue new shares or rights.

The Group has no externally imposed capital requirements.

During 2015, no dividends were paid (2014: nil). Management do not plan to pay dividends for the foreseeable future.

11. Trade and other payables	Group 2015 $	Group 2014 $
Current		
Trade payables	1,008,782	1,701,497
Sundry payables and accruals	359,192	633,087
Total payables	1,367,974	2,334,584

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

12. Financial Instruments

The Group's principal financial instruments comprise receivables, payables, cash and short and long-term deposits.

Risk exposures and responses

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with management. The board reviews and agrees policies for managing each of the risks identified below, including credit allowances, and future cash flow forecast projections.

(i) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. This is assessed and monitored as follows:

	Group 2015 $	Group 2014 $
Cash and bank balances	2,123,037	997,353
Trade receivables	102,700	344,080
Other receivables	506,338	265,903

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. No impairment loss on trade receivables has been recognised by the Group in the current year (2014: nil). No impairment loss on the intercompany receivable has been recognised by the Parent in the current year (2014: nil).

The status of trade and other receivables at the reporting date are as follows:

	Gross receivable Group 2015 $	Gross receivable Group 2014 $
0-30 days	504,194	647,875
31-120 days	25,493	37,108
121-360 days PDNI*	79,350	-
121-360 days CI**	-	-
360+ days PDNI*	-	-
360+ days CI**	-	-
	609,037	684,983

* Past due not impaired ('PDNI')
** Considered impaired ('CI')

Receivables past due but not considered impaired are: Group $79,350 (2014: nil).

The intercompany receivable by Sealegs Corporation Limited from Sealegs International Limited of $8,698,431 (2014: $9,045,876) is not past due and is repayable on demand. It is expected that balance will be received when due.

Term deposits are only held with reputable financial institutions.

(ii) Liquidity risk
Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of finance leases, committed available credit lines and potential share issues.

The Group manages its liquidity risk by monitoring the total cash outflows expected on a monthly basis. The following tables set out the contractual cash flows for all financial liabilities:

Trade and other payables	Group 2015 $	Group 2014 $
Balance sheet	2,385,458	2,427,999
Contractual cash flows	2,385,458	2,427,999
6 months or less	2,385,458	2,427,999
6-12 months	-	-
1-2 years	-	-
2-5 years	-	-
More than 5 years	-	-
Total	2,385,458	2,427,999

(iii) Market risk

The foreign currency concentration of cash balances held at year end are as follows:

	Group 2015 $	Group 2014 $
New Zealand Dollar (NZD)	1,262,078	565,480
United States Dollar reported in NZD	317,974	282,353
Australian Dollar reported in NZD	542,985	149,520
	2,123,037	997,353

Other market risk for the Group is immaterial.

13. Receivables

Current		
Trade receivables	102,700	344,080
Intercompany receivables	209,511	-
Sundry receivables	296,826	340,903
	609,037	684,983
Total Receivables	609,037	684,983

14. Inventories

Raw materials	2,040,101	2,067,834
Work in progress	1,781,584	2,004,232
Finished goods	1,304,751	1,813,848
Total inventories	5,126,436	5,885,914

15. Warranty Provision

Movement in warranty provision		
Balance as at 1 April	50,000	56,231
Arising during the year	101,000	139,872
Other	20,000	-
Utilised	(44,000)	(146,103)
Balance as at 31 March	127,000	50,000

The Group has recognised a $1,000 per boat provision for all boats sold during the last 12 months to cover any warranty claims that may be made. This provision is based on the Group's experience of warranty claims. Cash outflows are expected to be settled within 12 months.

16. Property, plant and equipment

	Group 2015 $	Group 2014 $
Computer equipment - opening net book value	31,427	38,902
Additions	7,438	22,350
Disposals	-	-
Impairment	(6,477)	-
Depreciation	(14,034)	(29,825)
Computer equipment - closing net book value	18,354	31,427
Computer Equipment - Cost	163,392	155,954
Accumulated depreciation and impairment losses	(145,038)	(124,527)
Computer equipment - closing net book value	18,354	31,427
Plant and equipment - opening net book value	1,539,704	1,866,884
Additions	213,052	93,992
Transfer from leased equipment	-	-
Disposals	(26,568)	(98,051)
Impairment	(86,245)	-
Depreciation	(308,878)	(323,121)
Plant and equipment - closing net book value	1,331,065	1,539,704
Plant and equipment - Cost	2,922,760	2,709,708
Accumulated depreciation and impairment losses	(1,591,695)	(1,170,004)
Plant and equipment - closing net book value	1,331,065	1,539,704
Furniture and fittings - opening net book value	103,509	103,954
Additions	-	22,758
Disposals	-	(718)
Impairment	(28,505)	-
Depreciation	(24,717)	(22,485)
Furniture and fittings - closing net book value	50,287	103,509
Furniture and fittings - Cost	191,212	191,212
Accumulated depreciation and impairment losses	(140,925)	(87,703)
Furniture and fittings - closing net book value	50,287	103,509
Leased equipment - Cost	849,841	849,841
Accumulated depreciation and impairment losses	(849,841)	(849,841)
Leased equipment - closing net book value	-	-
Total cost	4,127,205	3,906,715
Total accumulated depreciation and impairment losses	(2,727,499)	(2,232,075)
Total closing net book value	1,399,706	1,674,640

17. Subsidiaries

Significant subsidiaries:	Balance date	Percent held 2015	Percent held 2014
Sealegs International Limited	31st March	100%	100%
Sealegs (US) Corporation	31st March	100%	100%

	Country of incorporation
Sealegs International Limited	
The Company manufactures amphibious marine craft.	New Zealand
Sealegs (US) Corporation	
The Company imports amphibious marine craft.	United States of America

18. Intangible assets

(a) *Reconciliation of carrying amounts at the beginning and end of the period*

	Computer Software 2015 $	Development Costs 2015 $	Patents and Trademarks 2015 $	Total 2015 $
Group				
At 1 April 2014 net of accumulated amortisation and impairment	40,754	1,653,174	173,078	1,867,006
Acquisitions	6,156	-	25,960	32,116
Internally developed	-	1,283,579	-	1,283,579
Amortisation for the year	(19,625)	-	(36,516)	(56,141)
Impairment charge	(643)	(476,188)	-	(476,831)
Transferred to inventory	-	(210,000)	-	(210,000)
Government grants applied	-	(354,982)	-	(354,982)
At 31 March 2015 net of accumulated amortisation and impairment	26,642	1,895,583	162,522	2,084,747
Cost (gross carrying amount)	271,413	2,531,596	462,783	3,265,792
Accumulated amortisation and impairment	(244,771)	(636,013)	(300,261)	(1,181,045)
Net carrying amount	26,642	1,895,583	162,522	2,084,747

Onetangi Beach Races, Waiheke Island. February 2015

	Computer Software 2014 $	Development Costs 2014 $	Patents and Trademarks 2014 $	Total 2014 $
Group				
At 1 April 2013 net of accumulated amortisation and impairment	35,377	426,166	185,636	647,179
Acquisitions	41,870	-	29,761	71,631
Internally developed	-	1,523,173	-	1,523,173
Amortisation for the year	(36,493)	(71,737)	(42,319)	(150,549)
Impairment charge	-	-	-	-
Government grants applied	-	(224,428)	-	(224,428)
At 31 March 2014 net of accumulated amortisation and impairment	40,754	1,653,174	173,078	1,867,006
Cost (gross carrying amount)	265,257	1,812,999	436,823	2,739,507
Accumulated amortisation and impairment	(224,503)	(159,825)	(263,745)	(872,501)
Net carrying amount	40,754	1,653,174	173,078	1,867,006

(b) Impairment

(i) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised over the period of the future expected benefit (not exceeding 10 years) from the related project. Impairment testing is conducted periodically at a review meeting by the board of directors.

(ii) Patents and Trademarks

Patents and trademarks acquired are carried at cost less accumulated amortisation and impairment losses. Patents and trademarks are amortised using the straight line method over a period not exceeding 10 years. Amortisation rate and method are reviewed annually for appropriateness. Patents and trademarks are impairment tested whenever there is an indication of impairment.

(iii) Computer Software

Computer Software acquired is carried at cost less accumulated amortisation and impairment losses. Computer software is amortised using the straight-line basis over the estimated useful life for a period not exceeding 4 years. Amortisation rate and method are reviewed annually for appropriateness. Computer software is impairment tested whenever there is an indication of impairment.

19. Bank and Term Deposits

	Group 2015 $	Group 2014 $
Cash at bank and on hand	2,123,037	997,353

The New Zealand Exchange Limited holds a $75,000 (2014: $75,000) deposit for the Group as a normal listing requirement. The company can only access these funds through delisting. This is included in non current assets.

20. Deferred revenue

	Group 2015 $	Group 2014 $
At 1 April	124,896	-
Deferred during the year	747,242	124,896
Released to statement of profit or loss	(124,896)	-
At 31 March	747,242	124,896
Current	747,242	124,896
Non-current	-	-
	747,242	124,896

The deferred revenue refers to boats sold in the current financial year but not delivered until post balance date which is in line with the Groups revenue recognition policy.

21. Commitments

Operating lease commitments

The Group has entered into a commercial lease on its premises. The lease is for 6 years, with a renewal option included within the contract. There are no restrictions placed upon the lessee by entering into the lease.

The Group has entered into three vehicle leases. The leases have a life of 3 years.

The Group has entered into a commercial lease on its USA premises. The lease is for 3 years, with a renewal option included within the contract. There are no restrictions placed upon the lessee by entering into the lease.

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	Group 2015 $	Group 2014 $
Within one year	508,788	462,814
One to five years	36,108	468,158
Total minimum lease payments	544,896	930,972

22. Reconciliation of reported surplus (deficit) after taxation with cash flows from operating activities

	Group 2015 $	Group 2014 $
Reported income (deficit) after taxation	(2,326,444)	(913,767)
Add non-cash items and non-operating items:		
Amortisation of capitalised development costs	-	71,737
Amortisation of computer software	19,625	36,493
Amortisation of patents and trademarks	36,516	42,319
Depreciation of fixed assets	347,629	375,431
Impairment of fixed assets	93,996	-
Impairment of development costs	476,188	-
Share options - employees/directors	50,000	42,183
	1,023,953	568,163
Movement in working capital		
Increase (decrease) in payables & accruals	1,870,584	582,848
(Increase) decrease in receivables	(35,158)	(241,880)
(Increase) decrease in other current assets	(212,315)	18,271
(Increase) decrease in inventory	759,478	(1,314,071)
Net cash flows from operating activities	1,080,100	(1,300,436)

23. Employee share reserve

In 2010, the Group established a share option programme that entitled key management personnel and senior employees to purchase shares in the entity. The ESOP is designed to align participants' interests with those of shareholders by increasing the value of the company's shares. During the year ended 31 March 2015 no additional share options were granted (2014: nil).

Grant date / Employees entitled	Number of instruments (000's)	Vesting conditions	Exercise price	Expiry date
Option grant to employee on 27 July 2009 commencing 30 June 2010	2,000	Continued service and share price reaching $0.12 after commencement date and before expiry date.	NZ$0.10	29 June 2014
Option grant to employee on 27 July 2009 commencing 30 June 2011	2,000	Continued service and share price reaching $0.14 after commencement date and before expiry date.	NZ$0.10	29 June 2014

(a) *Summaries of options granted under ESOP*

In thousands of options:	Weighted average exercise price 2015	Number of options (000's) 2015	Weighted average exercise price 2014	Number of options (000's) 2014
Outstanding at 1 April	$0.10	4,000,000	$0.12	8,887,500
Cancelled during the period	$0.00	-	$0.00	-
Exercised during the period	$0.10	(3,000,000) *	$0.10	(675,502)
Expired during the period	$0.10	(1,000,000)	$0.10	(4,211,998)
Granted during the period	$0.00	-	$0.00	-
Outstanding at 31 March	$0.00	-	$0.10	4,000,000
Exercisable at 31 March	$0.00	-	$0.11	4,000,000

* Includes options exercised by David McKee Wright who is a director and CEO of Sealegs Corporation Limited.

(b) *Weighted average remaining contractual life*

The weighted average remaining contractual life for the share options outstanding as at 31 March 2015 is Nil (2014: 0.3 years).

(c) *Employee share reserve*

The reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

24 . Related parties

(a) *Transactions with related parties*

Sealegs Europe is owned by QCPM Group Limited, a subsidiary of Avenport Investment Corporation Limited. Eric Series is a director of Sealegs Corporation Limited and Avenport Investment Corporation Limited. Avenport is a significant shareholder in Sealegs Corporation Limited. During the year, Sealegs Europe purchased ten boats (2014: five boats) for a total consideration of $1,255,008 (2014: $843,649). In accordance with terms and conditions under the dealer agreement with Sealegs Europe, Sealegs International Limited advanced a marketing contribution of $136,000 (2014: $70,000) to Sealegs Europe. During the year Avenport purchased 1 boat for a total consideration of $70,000 (2014: Nil)

(b) *Loans to related parties*

During the year ended 31 March 2015, Sealegs Corporation Limited made advances on the loan to its subsidiary Sealegs International Limited of Nil (2014: $67,550). During the year ended 31 March 2015, Sealegs International Limited made a loan advance of $347,445 (2014: $252,295) to its parent Sealegs Corporation Limited. The balance outstanding as at 31 March 2015 is $8,698,431 (2014: $9,045,876). The loan is interest free and repayable on demand.

(c) *Compensation for Key management personnel*

	Group 2015 $	Group 2014 $
Short-term employee benefits	774,290	565,000
Bonuses to key management personnel	299,000	-
Share-based payments	50,000	42,183
Termination benefits	35,000	-
Total compensation	1,158,290	607,183

Bonuses to key management personnel were settled by supplying two boats at cost.

25. Government grants

The accounting policies adopted and the description of government grants received by the Group, including the conditions attached to the grants, have been disclosed in note 1 (o) (ii).

26. Contingent liabilities

There are no contingent liabilities at balance date (2014: nil).

27. Segment information

(a) Revenues from external customers

	Group 2015 $	Group 2014 $
New Zealand	6,277,781	5,093,614
USA	2,887,204	2,974,051
Australia	2,421,589	2,136,779
Indonesia	-	1,260,000
United Kingdom	1,718,943	1,254,192
Thailand	344,296	896,040
France	1,255,008	843,649
Brazil	580,951	-
South Korea	365,508	-
China	324,400	-
Chile	-	569,960
Middle East	-	501,990
Russia	732,100	470,944
Other foreign countries	422,233	781,693
	17,330,013	16,782,912

(b) Non current assets

Non current assets are located in the following geographic locations:

	Net book value	Net book value
	Group 2015 $	Group 2014 $
New Zealand	1,305,610	1,542,453
USA	94,097	132,187
	1,399,706	1,674,640

28. Going Concern

The financial statements have been prepared on the going concern basis. Based upon the achievement of the forecasted cash flows for the 12 months from the date of these financial statements, and alternative sources of funding that may be pursued as required, the board of directors believe that sufficient funds will be available to sustain operations and complete the current development projects in the next twelve months following the approval of the financial statements. Therefore it is appropriate to continue to adopt the going concern assumption for the completion of these financial statements.

29. Post balance date events

There were no significant events post balance date (2014: nil).

Shareholder INFORMATION

Substantial Shareholders

	Number of Shares Held	Percentage Held
Avenport Investment Corporation	47,016,164	38.52

Statement of Directors' Interests

Present directors held an interest in the following equity securities in the Company:

		2015	2014
Eric Series	Ordinary	47,016,164	47,016,164
Mark Broadley	Ordinary	3,196,596	3,196,596
Wayne Mapp	Ordinary	150,000	-
David McKee Wright	Ordinary	3,047,067	3,047,067

Twenty Largest Shareholders as at 31 March 2015	Number of Shares Held	Percentage Held
Avenport Investment Corporation	47,016,164	35.21
HSBC Nominees (New Zealand) Limited	19,072,074	14.28
Raphael Chaikin	5,110,000	3.83
Brian Ernest Taylor	4,600,000	3.45
National Nominees New Zealand Limited	3,381,252	2.53
Izard Investments Ltd	3,153,628	2.36
Kenneth McKee Wright & Christina Carol McKee Wright	2,720,000	2.04
Tracy Ann Bryham	2,645,000	1.98
Pad Saint Riom SA	2,483,836	1.86
Accident Compensation Corporation	2,108,935	1.58
Marco Erwin Kleyn	2,035,220	1.52
Steve Napier Limited	1,408,062	1.05
J P Morgan Chase Bank	1,353,364	1.01
Brendan John Hodge & GYW Trustees	1,200,000	0.90
Glen James Robinson	950,000	0.71
4 Eyes limited	706,771	0.53
Fraser Wright Maddigan	632,906	0.47
Leslie James Harpley	600,000	0.45
Robert Warner Seddon Walker & Bridget Georgina Johnson	483,574	0.36
Somsmith Nominees Limited	451,099	0.34
	102,111,885	76.48
Total number of shares on issue	133,517,795	100.00

Spread of Shareholders as at 31 March 2015

Size of Shareholding	Number of Holders	Percentage	Number of Shares Held
1 to 499	16	0.00	2,958
500 to 999	24	0.01	14,765
1,000 to 1,999	514	0.56	754,170
2,000 to 4,999	599	1.40	1,865,557
5,000 to 9,999	339	1.73	2,307,214
10,000 to 49,999	500	7.21	9,620,107
50,000 to 99,999	85	3.95	5,268,314
100,000 to 499,999	72	9.37	12,507,498
500,000 to 999,999	4	2.16	2,889,677
1,000,000 to 9,999,999,999,999	14	73.61	98,287,535
	2167	100.00	133,517,795

Principal Activities

The principal activities of the Company and Group is the manufacture of amphibious marine craft.

Directors Holding Office During the Year

Parent:

Sealegs Corporation Limited		
Christopher Weir	Appointed	20/10/11
David Glen	Retired	7/11/14
Eric Series	Appointed	4/08/10
Mark Broadley	Appointed	16/02/11
Michael Beagley	Retired	29/08/14
Wayne Mapp	Appointed	11/11/14
David McKee Wright	Appointed	11/11/14

Subsidiary:

Sealegs International Limited		
David Glen	Retired	7/11/14
David McKee Wright	Appointed	11/11/14

Remuneration of Directors

	Group NZ$
Christopher Weir	25,000
David Glen	337,735
Eric Series	25,000
Mark Broadley	25,000
Michael Beagley	8,333
Wayne Mapp	9,375
David McKee Wright	315,827

Shareholder INFORMATION

Remuneration of Employees

The number of employees as at 31 March 2015 who are not directors, whose remuneration and benefits exceeded $100,000 in the financial year was:

	Group
$100,001 - $110,000	-
$110,001 - $130,000	2
$130,001 - $140,000	-
$140,001 - $150,000	-
$150,001 - $190,000	2
$190,001 - $200,000	-
$380,001 - $390,000	1

Entries in the Interests Register

The Company has entered into deeds of indemnity with each director pursuant to which it has agreed to indemnify them against liability incurred by them arising out of their acts or omissions in their capacity as a director of the Company, subject to certain exceptions which are normal in such indemnities.

The Company has in place directors' and officers' liability insurance to cover risks normally covered by such policies arising our of acts or omissions of directors or employees of the Company in that capacity.

There were transactions with directors. Refer note 23 and 24 for additional information.

Independent Directors

The board has determined the following directors' to be Independent Directors:

- Christopher Weir
- Wayne Mapp

The remaining directors are not independent, due to their shareholding interests.

Annual General Meeting

The 2015 Annual General Meeting of Sealegs Corporation Limited is to be held on Friday 4th September 2015 at 3pm, at the Takapuna Boating Club, 39 The Strand, Takapuna Beach, Auckland.

For and on behalf of the board:

Christopher Weir
Director
25 June 2015

David McKee Wright
Director
25 June 2015

Corporate GOVERNANCE

The Company and Group are committed to a high standard of corporate behaviour and ethics and has adopted a code of ethics and board, audit and remuneration committee charters. These principles differ from NZX's Corporate Governance Best Practice Code only in that:

a) the Company has not established a nominations committee; and

b) given the size of the board, the company's audit committee has a majority of non-executive directors.

Audit Committee
Christopher Weir (Chairman)
Mark Broadley
Wayne Mapp

The function of this audit committee is to assist the board in carrying out its responsibilities regarding management's accounting practices, policies and controls relative to the Company and Groups' financial results and to review and make appropriate inquiry into the audits of the Company and Groups accounts.

Diversity
A breakdown of gender composition of directors and officers as at 31 March 2015 is shown below;

	Male	Female
Directors	5	-
Officers [1, 2]	4	1

1 Excludes Chief Executive Officer (included in breakdown of Directors)

2 Officers includes those employees who the directors have deemed to have disclosure obligations under section 19T of the Securities Market Act 1988 and is consistent with that used for the Compensation for key management personnel disclosure in the Financial Statements (note 24).

The Company does not have a formal Diversity policy.

Directory

Company Number
HN/345055

Date of Incorporation
16 July 1987

Directors
Eric Series (Chairman)
Christopher Weir
David McKee Wright
Mark Broadley
Wayne Mapp

Auditor
Ernst & Young, Auckland, New Zealand

Lawyers
Buddle Findlay, Auckland, New Zealand

Bankers
ASB Bank Limited, Auckland, New Zealand
ANZ Banking Group (New Zealand) Limited, Auckland, New Zealand
Citibank, N.A., San Antonio, Texas, United States of America

Registered Office
5 Unity Drive, South Albany, Auckland 0632, New Zealand

Phone	(+64 9) 414 5542	Fax	(+64 9) 414 5546
Email	info@sealegs.com	Website	www.sealegs.com

Share Registry
Computershare Investor Services Limited
Private Bag 92119
Auckland 1020

Phone	(+64 9) 488 8777	Fax	(+64 9) 488 8787
Email	enquiry@computershare.co.nz		

Christmas Photo Competition Winner
Peter Thorn - Great Mercury Island, NZ

www.sealegs.com