



INTERIM REPORT
FOR THE HALF YEAR ENDING
30 SEPTEMBER 2012

SEALEGS®
PATENTED AMPHIBIOUS TECHNOLOGY

LETTER FROM THE CHAIRMAN

Dear Shareholders,

Sealegs Corporation Limited is pleased to report a much improved operating performance for the half year ending 30th September 2012. Highlights include:

- Sales for the half year ending 30th September 2012 of \$7.614m, up 11% on the same period last year of \$6.889m
- Significantly reduced loss for the period of \$134k, representing a \$1.041m or 89% improvement on the loss of \$1.175m in the same period last year
- EBITDA for the period was \$174k, representing a \$1.071m improvement on the same period last year
- 90% of sales accruing from overseas markets
- First revenue earned from a license arrangement with an independent boatbuilder

As at 30 September 2012, the Company had invoiced 50 boats, compared to 49 in the comparable half year period ending 30 September 2011 and 105 boats in the full financial year ending 31 March 2012. The Company is especially satisfied that over 90% of these were exported, despite the strong NZD exchange rate which continues to provide a challenge.

Given that the number of Sealegs craft sold is essentially unchanged from that of the same period last year, the major contributing factors to the improved financial performance are an increase in average unit price, tighter control of sales and marketing activities and costs, and the benefits of the restructuring of the Company workforce.

The increased average unit price reflects the introduction of new Sealegs models that extend the product range at the top-end of the market to include a 7.7m Cabin boat and a 7.7m wide console craft. These craft have been well received in New Zealand, Australia and UK markets, where there is strong demand for these luxury craft. These craft will be introduced in other global markets in 2013.

Sealegs has also been able to penetrate new markets, with sales into Russia and African markets providing both diversity of sales markets and significant potential for growth in new regions.

The restructuring programme undertaken in September 2011 has resulted in reduced payroll costs and the Company is now on a sound and appropriate cost base to move forward with confidence.

At the end of the financial period the Company had cash and bank balances of \$3.334 million.

For the first time the Company has earned license revenues from its technology, with Smuggler Boats completing the first 3rd party built boat that incorporates Sealegs technology. This is a significant milestone in Sealegs development and evolution and a very good portent as to the potential for an additional, high margin, earnings stream in future years. Business development opportunities whereby existing Sealegs technologies can be licensed are being actively pursued in a number of markets.

As reported previously, Sealegs remains committed to the development of new, larger format technologies where larger craft can be fitted with Sealegs patented amphibious technology. The opportunity exists to provide Sealegs technology on a license basis to a significant number of 3rd party boatbuilders around the world who are well established in emergency management services, commercial and other governmental agency markets, including law enforcement. These new technologies are expected to be commercially available in 2013.

I am pleased with the progress made in the past 12 months and take this opportunity to reassure shareholders that the Board and senior executive team are committed to a strategy and vision that they hope will generate significant value for all shareholders.



Eric Series
Chairman

Statement of Comprehensive Income

For the half year ended 30 September 2012

	Group Sep-12	Group Sep-11	Group Mar-12
Continuing operations			
Sales of goods	7,195,565	6,685,929	13,370,954
Rendering of services	418,717	203,001	459,250
Revenue	7,614,282	6,888,930	13,830,204
Cost of sales	(5,150,855)	(5,080,829)	(10,575,477)
Gross profit	2,463,427	1,808,101	3,254,728
Other income	97,559	32,055	81,517
Administrative expenses	(1,372,603)	(1,590,143)	(2,971,625)
Distribution expenses	(201,498)	(185,893)	(345,545)
Marketing expenses	(509,800)	(702,571)	(1,095,257)
Occupancy expenses	(91,932)	(75,697)	(210,532)
Research expenses	(56,232)	(132,055)	(197,460)
Other expenses	(405,858)	(276,922)	(48,959)
Net loss on disposal of subsidiary	-	-	(105,626)
	(76,937)	(1,123,125)	(1,638,758)
Finance income	69,958	56,321	98,792
Finance expense	(37,193)	(43,148)	(137,270)
Net finance (cost) / benefit	32,765	13,174	(38,478)
Loss before share options & impairment of assets	(44,172)	(1,109,952)	(1,677,236)
Share options (non-cash)	(89,825)	(64,720)	(181,696)
Loss for the year before income tax	(133,998)	(1,174,672)	(1,858,932)
Tax expense	-	-	-
Loss for the year after income tax attributable to the Company's shareholders	(133,998)	(1,174,672)	(1,858,932)
Other comprehensive income	-	-	-
Comprehensive income for the year attributable to the Company's shareholders	(133,998)	(1,174,672)	(1,858,932)
Deficit per share from continuing operations	Group Sep-12	Group Sep-11	Group Mar-12
	Cents	Cents	Cents
Basic deficit per share	(0.11)	(0.95)	(1.50)
Diluted deficit per share	(0.11)	(0.95)	(1.50)

Balance Sheet

As at 30 September 2012

SEALEGS® INTERIM REPORT FOR THE HALF YEAR ENDING 30/09/2012

	Group Sep-12	Group Sep-11	Group Mar-12
ASSETS			
Current assets			
Cash and bank balances	3,334,344	3,744,007	4,102,455
Trade receivables and other receivables	978,517	467,277	358,700
Inventories	4,577,020	5,739,596	4,206,884
Prepayments	95,538	115,968	136,619
Total current assets	8,985,420	10,066,848	8,804,658
Non-current assets			
Term deposit	220,000	75,000	220,000
Property, plant and equipment	2,008,485	2,277,735	2,141,275
Patents and trademarks	181,658	181,675	189,840
Capitalised development costs	393,796	186,600	284,308
Computer software	47,949	82,585	63,898
Total non-current assets	2,851,887	2,803,595	2,899,321
TOTAL ASSETS	11,837,307	12,870,443	11,703,979
LIABILITIES			
Current liabilities			
Trade and other payables	1,666,846	1,780,942	1,581,198
Warranty provision	122,282	121,000	110,000
Employee entitlements	33,376	31,631	30,423
Deposits on orders	814,781	674,149	369,006
Finance lease liabilities	108,236	167,845	141,540
Total current liabilities	2,745,521	2,775,567	2,232,167
Non-current liabilities			
Finance lease liabilities	58,277	154,300	98,520
Total non-current liabilities	58,277	154,300	98,520
TOTAL LIABILITIES	2,803,798	2,929,867	2,330,687
NET ASSETS	9,033,509	9,940,576	9,373,292
EQUITY			
Equity attributable to Company's shareholders			
Contributed equity	54,795,140	55,090,750	55,090,750
Employee share option reserve	744,309	537,508	654,484
Accumulated deficit	(46,505,940)	(45,687,682)	(46,371,942)
TOTAL EQUITY	9,033,509	9,940,576	9,373,292

For and on behalf of the board:



Christopher Weir
Director
14 November 2012



David Glen
Director
14 November 2012

Statement of Changes in Equity

For the half year ended 30 September 2012

	GROUP SEP-12			
	Ordinary Shares	Employee Share Option Reserve	Accumulated Deficit	Total
	\$	\$	\$	\$
At 1 April 2012	55,090,750	654,484	(46,371,942)	9,373,292
Loss for the period	-	-	(133,998)	(133,998)
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>				
Ordinary shares cancelled	(295,610)	-	-	(295,610)
Share based payment for the half year	-	89,825	-	89,825
At 30 September 2012	54,795,140	744,309	(46,505,940)	9,033,510

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

	GROUP MAR-12			
	Ordinary Shares	Employee Share Option Reserve	Accumulated Deficit	Total
	\$	\$	\$	\$
At 1 April 2011	55,070,750	472,788	(44,513,010)	11,030,528
Loss for the year	-	-	(1,858,932)	(1,858,932)
Total comprehensive income for the period attributable to equity holders of the parent	-	-	(1,858,932)	(1,858,932)
<u>Transactions with owners in their capacity as owners:</u>				
Share options exercised	20,000	-	-	20,000
Share based payment for the year	-	181,696	-	181,696
At 31 March 2012	55,090,750	654,484	(46,371,942)	9,373,292

Cash Flow Statement

For the half year ended 30 September 2012

SEALEGS® INTERIM REPORT FOR THE HALF YEAR ENDING 30/09/2012

	Group Sep-12	Group Sep-11	Group Mar-12
	\$	\$	\$
Cash flows from operating activities			
Receipts from customers	7,035,546	6,972,138	14,490,798
Interest received	69,958	56,321	98,792
Interest paid	(15,960)	(5,421)	(23,628)
Payments to suppliers and employees	(7,289,856)	(7,864,279)	(14,803,183)
Net cash flows from / (used in) operating activities	(200,312)	(841,241)	(237,221)
Cash flows from investing activities			
Proceeds from sale of subsidiary	-	-	620,000
Proceeds from sale of fixed assets	-	858	858
Purchase of fixed assets	(70,406)	(379,372)	(506,677)
Purchase of term deposit	-	-	(145,000)
Patents & trademarks	(10,748)	(15,569)	(41,934)
Development costs	(117,488)	(101,680)	(199,388)
Loan from (to) investees	-	403,893	-
Net cash flows from / (used in) investing activities	(198,642)	(91,870)	(272,141)
Cash flows from financing activities			
Proceeds from finance lease	-	143,805	164,795
Repayment of finance lease	(73,547)	(57,340)	(143,631)
Proceeds from issue of shares	-	20,000	20,000
Payments for share buyback	(295,610)	-	-
Net cash flows from financing activities	(369,157)	106,465	41,164
Net increase / (decrease) in cash held	(768,111)	(826,646)	(468,198)
Add: opening cash brought forward	4,102,455	4,570,653	4,570,653
Cash at end of period	<u>3,334,344</u>	<u>3,744,007</u>	<u>4,102,455</u>
Comprising :			
Cash and bank balances	3,334,344	3,744,007	4,102,455
	<u>3,334,344</u>	<u>3,744,007</u>	<u>4,102,455</u>



Prince Charles - Auckland Naval base, Diamond Jubilee tour 2012



"A RIB that is up to the demanding maritime conditions I operate in - robust, good riding, and nicely over-engineered!"

Bear Grylls - Sealegs Owner, 2012

Notes to the financial statements

Reporting Entity

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

These unaudited consolidated interim financial statements for the half year ended 30 September 2012 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 2012.

These financial statements have been approved for issue by the board of directors on 14 November 2012.

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.

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SEALEGS[®]

PATENTED AMPHIBIOUS TECHNOLOGY



Smuggler Strata 770



Directory

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Auditor

Ernst & Young, Auckland, New Zealand

Lawyers

Buddle Findlay, Auckland, New Zealand

Company number

HN / 345055

Date of Incorporation

16 July 1987

Directors

Eric Series - Chairman
Christopher Weir
David Glen
Mark Broadley
Michael Beagley

Bankers

ASB Bank Ltd, Auckland, New Zealand
ANZ Banking Group (New Zealand)
Limited, Auckland, New Zealand
Citibank, N.A., San Antonio, Texas,
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