



SEALEGS CORPORATION LIMITED



AMPHIBIOUS MARINE CRAFT

CONVENIENCE • SAFETY • PERFORMANCE

INTERIM REPORT
2004





"What can you say? No Trailers, no hassle and dependability. Been out over a dozen times without a problem. The answer to anyone living on or near the water who wants the easiest possible launch".
Jack Rosen



"Sealegs has been the answer to our dreams for our island beach-house. We need no trailer, winch or moorings and don't need to worry about coming into a wharf. We drive up and down the beach at any tide and park on the front lawn".
Brett Lornie

"I've launched my Sealegs in both easy and difficult environments. In San Francisco Bay, Sealegs handled big waves and rolled up sandy beaches with ease, opening up many nooks and crannies for exploration. At Lake Tahoe, it took on coarser sands, and made it up a difficult beach to the surprise of many".
David Teece



"There's no doubt the boat will go well overseas".
"Sealegs has a tiger by the tail, and I know a bit about that kind of thing". "They've done a heck of a job of the hydraulics and the drive system is brilliant".
Richard Izard

"Great technology, great vision for multi-faceted boating purposes. A peep into the future for recreational boaties".
Ian Gillespie





Dear Shareholders,

It is with much pleasure I report on the past six months and give an insight into the forthcoming six months. In recent weeks we have announced a share consolidation, which completes all restructuring and will enable future strategic placements. For the first time in many years the company has generated its own operating cash flows and thus begun the journey to building a significant revenue statement and balance sheet.

I use the word significant, as the majority of sales to date have been made in New Zealand with only local exposure. The product has matured, production processes have been defined and we are ready for a confident international launch next year.

Sealegs is an international product with huge export potential. The coming year will see some of that potential exploited which should provide an exciting time for the shareholders of the company. This international exposure is being co-ordinated with intellectual property protection and the filing of international patents, registered designs and trademarks (refer to schedule).

The first Sealegs boat was delivered in March 2004 and at the time of writing this report the company had delivered a total of ten boats and had orders for a further six. The majority of the sales were New Zealand based with the exception of boats delivered to San Francisco, Sydney and Paris.

These three export deliveries have given us the experience and expertise to ensure we can deliver overseas from New Zealand cost effectively, on time, and to the customer's doorstep.

With these positive experiences behind us we are planning to attend several international boat shows next year including, Dubai, Sanctuary Cove, Melbourne, Sydney, Paris and the USA.

These shows are expected to result in sales and we know from experience that nothing sells a boat better than seeing one in action. The more we seed the market, the greater demand should be, thus our expectation of sales growth.

Turnover for the six months ending 30th September 2004 was \$1,737K and operating earnings before amortisation and tax was \$605K. These earnings are inflated by the sale proceeds from our shares in Deep Video Imaging, which amounted to \$1,026K. If normalised this would show a trading loss of \$421K on sales of \$711K. Further to this we have amortised \$500K of the purchase price of Sealegs International Limited, our wholly owned subsidiary, leaving a balance of \$1,270K, which we currently plan to amortise over the next ten years.

All research and development to date has been expensed. On-going patent costs will be amortised over the course of ten years.

The remaining six months of the year should see sales continue to grow and we expect losses will reduce as sales scale.

Production is outsourced and final assembly is carried out at our Albany production facility. There are still considerable efficiencies to be made through centralising production, however the focus today is on delivering a quality product. In time we will look at centralising production, however we will need to move to larger facilities before we can consider such a move.

We have included the thoughts and feedback from some of our customers. They are hugely supportive, and I'd like to take this time to thank them.

Thanks & Regards,

David McKee Wright
Managing Director
Sealegs Corporation Limited



PATENTS AND TRADEMARKS SUMMARY

Type	Country	Title	App No
Patent	United Arab Emirates	Amphibious Vehicle	50/2004
Patent	Australia	Amphibious Vehicle	2002359096
Patent	Canada	Amphibious Vehicle	2,471,585
Patent	European Patent Office (EPO)	Amphibious Vehicle	2793599.8
Patent	Malaysia	Amphibious Vehicle	PI 20041985
Patent	Norway	Amphibious Vehicle	2004 3069
Patent	New Zealand	Amphibious Vehicle	526705
Patent	United States of America	Amphibious Vehicle	10/493,624
Patent	South Africa	Amphibious Vehicle	2004/4955
Patent	New Zealand	Retractable Leg Assembly	528471
Patent	PCT	Retractable Leg Assembly	PCT/NZ2004/000232
Design	Australia	A Boat	2080/2003
Design	European Design	A Boat	000043500-001
Design	New Zealand	A Boat	403199
Design	United States of America	A Boat	29/185,032
Trade Mark	New Zealand	Sealegs	657146
Trade Mark	New Zealand	Sealegs	670732
Trade Mark	United Arab Emirates	Sealegs	59907
Trade Mark	Australia	Sealegs	958062
Trade Mark	European Community Trade Mark Office	Sealegs	3229523
Trade Mark	United States of America	Sealegs	76/524,744

FINANCIAL RESULTS

Half year report on consolidated results (including the results for the previous corresponding half year) in accordance with Listing Rule 10.4.2

This report has been prepared in a manner that complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on unaudited financial statements.

The Listed Issuer has a formally constituted Audit Committee of the Board of Directors.

STATEMENT OF FINANCIAL PERFORMANCE

	Current Half Year NZ\$000	Up/Down %	Previous Half Year NZ\$000
OPERATING REVENUE			
Sales Revenue	704	3,605%	19
Other Revenue	1,034	741%	123
Total Operating Revenue	1,738	1,124%	142
OPERATING SURPLUS (DEFICIT) BEFORE UNUSUAL ITEMS AND TAX			
	105	1,323%	(1,284)
Operating Surplus (Deficit) after Tax but before Minority Interests			
	105	1,323%	(1,284)
OPERATING SURPLUS (DEFICIT) AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER			
	105	1,323%	(1,284)
Extraordinary Items after Tax	-	-	-
Less Minority Interests	-	-	-
Extraordinary Items after Tax attributable to Members	-	-	-
TOTAL OPERATING SURPLUS (DEFICIT) AND EXTRAORDINARY ITEMS AFTER TAX			
	105	1,323%	(1,284)
Operating Surplus (Deficit) and Extraordinary Items after Tax Attributable to Minority Interest			
	-	-	-
OPERATING SURPLUS (DEFICIT) AND EXTRAORDINARY ITEMS AFTER TAX ATTRIBUTABLE TO MEMBERS			
	105	1,323%	(1,284)



DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/EXPENSES FOR THE CURRENT HALF YEAR

	Current Half Year NZ\$000	Previous Half Year NZ\$000
Interest Revenue	6	16
Leasing and renting expenses	40	-
Depreciation	11	13
Amortisation of Goodwill	500	505

DISCONTINUED, UNUSUAL (INCLUDING NON RECURRING), AND EXTRAORDINARY ITEMS OF THE GROUP

	Operating Revenue NZ\$000	Operating Surplus NZ\$000
Material Unusual (including Non Recurring) Items		
Receipt of funds from sale of 19% shareholding in DVI	1,026	-
TOTAL MATERIAL NON-RECURRING ITEMS	1,026	-

STATEMENT OF MOVEMENTS IN EQUITY

	Current Half Year NZ\$000	Previous Half Year NZ\$000
NET SURPLUS (DEFICIT) ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER	105	(1,284)
Net Surplus (Deficit) attributable to minority interest	-	-
TOTAL RECOGNISED REVENUES AND EXPENSES	105	(1,284)
EQUITY AT BEGINNING OF HALF YEAR	2,030	3,556
EQUITY AT END OF HALF YEAR	2,135	2,272

COMMENTS BY DIRECTORS

Material factors affecting the revenues & expenses of the group for the Current Half Year:

Nil

Significant trends or events since the end of the Current Half Year:

Nil

Changes in accounting or adopted policies since the last Annual/Half Year Report:

Nil

STATEMENT OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

	At End of Current Half Year NZ\$000	As Shown in Last Annual Report NZ\$000	As Shown in Last Half Yearly Report NZ\$000
CURRENT ASSETS			
Cash	912	396	477
Receivables	4	5	5
Inventories	131	119	-
Other	49	194	91
TOTAL CURRENT ASSETS	1,096	714	573
NON-CURRENT ASSETS			
Property, Plant and Equipment	72	79	40
Goodwill	1,270	1,770	1,869
Other Intangible Assets	51	-	-
TOTAL NON-CURRENT ASSETS	1,393	1,849	1,909
TOTAL ASSETS	2,489	2,563	2,482
CURRENT LIABILITIES			
Accounts Payable	236	96	121
Income in Advance	123	254	-
Provisions	19	176	89
Other	(24)	7	-
TOTAL CURRENT LIABILITIES	354	533	210
TOTAL LIABILITIES	354	533	210
NET ASSETS	2,135	2,030	2,272
SHAREHOLDERS' EQUITY			
Share Capital	37,128	37,128	35,959
Retained Surplus (Accumulated Deficit)	(34,993)	(35,098)	(33,687)
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY	2,135	2,030	2,272
TOTAL SHAREHOLDERS' EQUITY	2,135	2,030	2,272



STATEMENT OF CASH FLOWS

	Current Half Year NZ\$000	Previous Half Year NZ\$000
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
Receipts from Customers	573	124
Interest Received	6	16
Payments to Suppliers and Employees	(1,196)	(883)
Interest Paid	-	-
Income Taxes Paid	14	-
Other	-	56
NET OPERATING CASH FLOWS	(603)	(687)
CASH FLOWS RELATING TO INVESTING ACTIVITIES		
Cash Proceeds from Sale of Investments	1,026	-
Cash Paid for Purchases of Property, Plant and Equipment	(4)	(10)
Other	-	-
NET INVESTING CASHFLOWS	1,022	(10)
CASH FLOWS RELATED TO FINANCING ACTIVITIES		
Cash Proceeds from Issues of Shares, Options, etc.	-	-
Borrowings	-	-
Other	-	-
NET FINANCING CASH FLOWS	-	-
NET INCREASE (DECREASE) IN CASH HELD	418	(697)
Cash at Beginning of Half Year	419	1,099
Exchange Rate Adjustments	-	-
CASH AT END OF HALF YEAR	837	402

RECONCILIATION OF CASH

For the purposes of the above Statement of Cash Flows, Cash includes:

	Current Half Year NZ\$000	Previous Half Year NZ\$000
Cash on Hand and at Bank	13	379
Deposits at Call	824	23
Total Cash at End of Half Year	837	402

GROUP SHARE OF RESULTS OF ASSOCIATED COMPANIES

	EQUITY EARNINGS	
	Current Half Year NZ\$000	Previous Half Year NZ\$000
OPERATING *SURPLUS (DEFICIT) BEFORE TAX	-	-
Less Tax	-	-
OPERATING *SURPLUS (DEFICIT) AFTER TAX	-	-
Extraordinary Items (gross)	-	-
Less Tax	-	-
Extraordinary Items (net)	-	-
OPERATING *SURPLUS (DEFICIT) AND EXTRAORDINARY ITEMS AFTER TAX	-	-
Less Dividends Paid to Group	-	-
NET *ADDITION TO (REDUCTION IN) EQUITY CARRYING VALUE OF INVESTMENTS FROM CURRENT PROFITS	-	-

MATERIAL INTERESTS IN CORPORATIONS NOT BEING SUBSIDIARIES

The group has a material interest in the following corporations:

	Percentage of ordinary shares held at end of Half Year		Contribution to operating surplus (deficit) and extraordinary items after tax	
	Current Half Year	Previous Half Year	Current Half Year NZ\$000	Previous Half Year NZ\$000
			Equity Accounted	
Golden Orb Technologies	0.0%	40.0%	-	-
Deep Video Imaging Limited	0.0%	19.0%	-	-

INVESTMENTS IN ASSOCIATED COMPANIES

Current Previous	Half Year NZ\$000	Half Year NZ\$000
Carrying value of investments in associated companies (CV)	-	-
Share of associated companies' retained profits and reserves not included in CV:		
Retained Surplus	-	-
Reserves	-	-
Carrying Value of Investments in Associated Companies (CV)	-	-



EARNINGS PER SECURITY

Calculation of basic and fully diluted EPS, in accordance with IAS33 : Earnings Per Share

	Current Half Year NZ Cents	Previous Half Year NZ Cents
Basic EPS	0.02	(0.42)
Diluted EPS (if materially different)	0.02	(0.40)

MATERIAL ACQUISITIONS OF SUBSIDIARIES

Nil

MATERIAL DISPOSALS OF SUBSIDIARIES

Nil

REPORTS FOR INDUSTRY AND GEOGRAPHICAL SEGMENTS

At Balance Date the Company operated predominantly in one industry, as an amphibious marine craft manufacturing company. All material operations are within New Zealand.

ISSUED AND QUOTED SECURITIES AT END OF CURRENT HALF YEAR

Category of Securities	Quoted	Number	Paid-Up Value (if not fully paid)
ORDINARY SHARES:	Fully Paid Ordinary Shares	672,397,518	-
	Class 001 Partly Paid	100,000	\$0.01
	Class 002 Partly Paid	87,000	\$0.01
	Class 003 Partly Paid	5,000	\$0.01
	Class 004 Partly Paid	30,000	\$0.01
ISSUED DURING CURRENT HALF YEAR		Nil	

	Quoted	Number	Exercise Price	Expiry Date
OPTIONS:	Class 019 Options	500,000	\$0.04	31/12/2005
	Class 020 Options	500,000	\$0.04	31/12/2005

ISSUED DURING CURRENT HALF YEAR Nil

This Half Year Report was approved by resolution of the Board of Directors, on the 26/11/2004.

John Robertson
Director
26/11/2004



To automatically receive the very latest news and updates from Sealegs you can register your email address at www.sealegs.com/news.asp

LATEST NEWS:

Sealegs has unveiled designs of a new amphibious jet boat for 2005.





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