



**FUTURE MOBILITY™
SOLUTIONS**

powered by innovation

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017



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CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholder,

On behalf of the Board of Directors, we are pleased to present the following results for the six-month period ended 30 September 2017:

- ↻ Revenue of \$12.3m, an increase of \$ 3.9m or 47% over the prior corresponding period ("PCP")
- ↻ An increase in gross margin from \$2.7m to \$3.5m or 28% over the PCP
- ↻ EBITDA* of \$0.5m compared to \$0.7 in the PCP
- ↻ Net loss after tax of \$0.5m, down from a profit of \$0.4m in the PCP

This six-month period has seen the strategy to become a multi-brand marine and related technology business come to life. The acquisition of a 70% interest in Sillinger S.A.S was completed in August, and the acquisitions of Sealegs Europe S.A.S and Lancer Industries Ltd completed in September and October respectively.

Accordingly, of the \$3.9m increase in revenue, \$1.8m related to Sillinger. Excluding Sillinger, revenue improved by 26% which was achieved on the sale of 55 Sealegs craft and 5 enablement systems which compared to 44 craft and 3 enablement systems sold by Sealegs in the PCP.

Gross margin as a percentage of sales was 28% in the current period. Gross margin is likely to vary in the immediate future as it will steadily adjust to reflect all of the Group's operating businesses over a full year period. Equally, the Group is seeing margin changes as both the product mix continues to evolve and, especially, as the Group develops an increased focus on multiple boat orders to government and commercial organisations rather than pure leisure users.

The ongoing transformation of the Group from one with a single operating business, to one with multiple operating businesses around the globe also required change at the Group level to facilitate this and to manage activities going forward. While this has increased the cost base of the Group, there is an expectation that cost efficiencies can be driven through the Group and will provide an offset to this longer term. This increased cost base, together with an increase in marketing and distribution expenses associated with increased sales, resulted in a decline in EBITDA compared to that reported in the same period last year.

The loss after tax of \$0.5m was mainly attributable to litigation and acquisition related costs of \$0.7m. These costs are classified below EBITDA in the financial statements.

This is an exciting time for the Group and the Board will continue to consider acquisition opportunities if they provide a good fit both geographically and technologically. The transaction to acquire Willard Marine Incorporated continues to progress well. However, due to delays in

* Earnings before interest, tax, depreciation, amortisation and other items.

obtaining South African regulatory approval for the acquisition of Gemini Marine, a condition precedent which was not satisfied, the sale and purchase agreement has expired. Accordingly, the acquisition will no longer proceed.

The Board also noted that the various recently completed and the announced acquisitions will result in a significant increase in the scale of the Group assuming all acquisitions proceed as planned. FMS reported revenue of \$17.7m in its 2017 annual financial statements. Based on an aggregation of the reported revenue from the latest annual financial statements of each of the entities expected to form part of the Group, it is expected that FMS will report Group revenue of at least double that level in the future. To be clear, this is not a forecast, but simply an indication of the scale of growth achieved through acquisition. Exchange rates used for translation purposes, together with changes in the operating landscape will all impact the revenue reported in the financial year following the year in which the acquisitions complete.

We would like to take this opportunity to thank the members of the Board, the employees, customers, shareholders and commercial partners for their continued support and commitment to the success of the company.



Eric Series
Chairman



Mark Broadley
Director and Chief Executive Officer



INTERIM CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
 (UNAUDITED)

For the six months ended
 30 September 2017

	Note	Six months ended 30 Sept. 2017 \$ '000s	Six months ended 30 Sept. 2016 \$ '000s
Sales of goods		11,781.8	7,972.8
Rendering of services		542.1	425.1
Revenue	4	12,323.9	8,397.9
Cost of sales and other direct costs		(8,865.1)	(5,696.0)
Gross margin		3,458.8	2,701.9
Other income		38.7	63.4
Marketing and distribution costs		(790.8)	(658.5)
Research and development costs		(36.8)	(14.5)
Administrative and other expenses		(2,151.4)	(1,442.2)
Total operating expenses and other income		(2,940.3)	(2,051.8)
Earnings before interest, tax, depreciation, amortisation and other items (EBITDA)		518.5	650.1
Depreciation, amortisation and impairment		(318.3)	(278.4)
Litigation fees and acquisition costs	5	(718.8)	-
Net interest (expense) / income	6	(19.2)	3.2
Profit / (loss) before tax		(537.8)	374.9
Tax credit		23.8	-
Profit / (loss) after tax		(514.0)	374.9
Movement in foreign currency translation reserve		(53.5)	(11.4)
Total comprehensive income / (loss) for the period		(567.5)	363.5
Profit / (loss) after tax attributable to:			
Owners of the parent		(490.7)	374.9
Non-controlling interests		(23.3)	-
		(514.0)	374.9
Total comprehensive income / (loss) attributable to:			
Owners of the parent		(551.8)	363.5
Non-controlling interests		(15.7)	-
		(567.5)	363.5
Basic earnings / (deficit) per share (cents)	7	(0.36)	0.28
Diluted earnings / (deficit) per share (cents)	7	(0.34)	0.28

The accompanying notes form an integral part of these condensed consolidated interim financial statements

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Note	As at 30 Sept. 2017 (Unaudited) \$ '000s	As at 31 March 2017 (Audited) \$ '000s
ASSETS			
Current assets			
Cash and cash equivalents		3,570.8	3,236.0
Trade receivables and other receivables		3,595.0	917.0
Inventories		6,472.8	5,017.7
Prepayments and other assets		578.5	88.4
Total current assets		14,217.1	9,259.1
Non-current assets			
Property, plant and equipment	8	3,357.5	882.4
Intangible assets	9	4,450.6	2,090.4
Other non-current assets		108.9	75.0
Total non-current assets	4	7,917.0	3,047.8
TOTAL ASSETS		22,134.1	12,306.9
LIABILITIES			
Current liabilities			
Trade and other payables		5,043.7	1,697.9
Interest bearing loans and borrowings	10	2,320.2	-
Provisions		408.4	132.0
Employee entitlements		660.9	300.2
Deferred revenue		1,503.2	778.2
Current tax liabilities		222.7	-
Total current liabilities		10,159.1	2,908.3
Non-current liabilities			
Interest bearing loans and borrowings	10	685.3	-
Deferred tax liabilities		439.9	-
Total non-current liabilities		1,125.2	-
TOTAL LIABILITIES		11,284.3	2,908.3
NET ASSETS		10,849.8	9,398.6
EQUITY			
Owners of the parent		10,254.9	9,398.6
Non-controlling interests		594.9	-
TOTAL EQUITY		10,849.8	9,398.6
Net tangible asset backing per ordinary security (cents)		0.04	0.05

For and on behalf of the board who authorise the issue of these financial statements on 29 November 2017.



Christopher Weir
Director



Mark Broadley
Director

The accompanying notes form an integral part of these condensed consolidated interim financial statements

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended
30 September 2017

Note	Attributable to owners of the parent					Non-controlling interests	Total equity
	Contributed equity \$ '000s	Share based payment reserve \$ '000s	Accumulated deficit \$ '000s	Foreign currency translation reserve \$ '000s	Total \$ '000s	\$ '000s	\$ '000s
At 1 April 2016	56,432.4	-	(48,013.0)	(49.3)	8,370.1	-	8,370.1
Profit for the six months to 30 September 2016, net of tax	-	-	374.9	-	374.9	-	374.9
Other comprehensive loss for the period, net of tax	-	-	-	(11.4)	(11.4)	-	(11.4)
Total comprehensive income for the period, net of tax	-	-	374.9	(11.4)	363.5	-	363.5
As at 30 September 2016	56,432.4	-	(47,638.1)	(60.7)	8,733.6	-	8,733.6
Profit for the six months to 31 March 2017, net of tax	-	-	252.9	-	252.9	-	252.9
Other comprehensive profit for the period, net of tax	-	-	-	32.1	32.1	-	32.1
Total comprehensive income for the period, net of tax	-	-	252.9	32.1	285.0	-	285.0
Shares issued	170.0	-	-	-	170.0	-	170.0
Share based payment for the year	-	210.0	-	-	210.0	-	210.0
As at 31 March 2017	56,602.4	210.0	(47,385.2)	(28.6)	9,398.6	-	9,398.6
Loss for the six months to 30 September 2017, net of tax	-	-	(490.7)	-	(490.7)	(23.3)	(514.0)
Other comprehensive loss for the period, net of tax	-	-	-	(61.1)	(61.1)	7.6	(53.5)
Total comprehensive loss for the period, net of tax	-	-	(490.7)	(61.1)	(551.8)	(15.7)	(567.5)
Shares issued	11 1,618.1	(420.0)	-	-	1,198.1	-	1,198.1
Share based payment for the year	13 -	210.0	-	-	210.0	-	210.0
Non-controlling interest arising on acquisition of subsidiaries	12 a) -	-	-	-	-	610.6	610.6
As at 30 September 2017	58,220.5	-	(47,875.9)	(89.7)	10,254.9	594.9	10,849.8

The accompanying notes form an integral part of these condensed consolidated interim financial statements



INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended
30 September 2017

	Note	Six months ended 30 Sept. 2017 \$ '000s	Six months ended 30 Sept. 2016 \$ '000s
Cash flows from operating activities			
Receipts from customers		11,192.1	8,239.5
Interest received		6.2	3.2
Payments to suppliers and employees		(10,691.5)	(8,249.9)
Net cash flows from / (used in) operating activities		506.8	(7.2)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		6.3	6.5
Purchase of property, plant and equipment		(178.1)	(18.1)
Payments for intangible assets		(51.2)	(30.8)
Payments for acquisition of subsidiary	12 a)	(2,417.6)	-
Net cash flows used in investing activities		(2,640.6)	(42.4)
Cash flows from financing activities			
Proceeds from borrowings		1,052.6	-
Repayments of borrowings		(71.2)	-
Principal repayments for finance lease obligations		-	-
Interest paid		(28.5)	-
Net cash flows from financing activities		952.9	-
Net decrease in cash and cash equivalents		(1,180.9)	(49.6)
Cash and cash equivalents at the beginning of the period		3,236.0	1,787.3
Cash and cash equivalents acquired on business combination		1,573.1	-
Effect of changes in exchange rates		(57.4)	40.2
Cash and cash equivalents at the end of period		3,570.8	1,777.9



	Note	Six months ended 30 Sept. 2017 \$ '000s	Six months ended 30 Sept. 2016 \$ '000s
Reconciliation of reported net profit with cash flows from operating activities			
Profit / (loss) after tax		(514.0)	374.9
Adjustments for:			
Depreciation, amortisation and impairment	8, 9	318.3	278.4
Loss on disposal of property, plant and equipment		14.4	-
Share based payment expense	13	105.0	-
Prepaid share based payment	13	105.0	-
Interest expense classified as a financing cash flow		25.4	-
Working capital acquired on business combination		160.1	-
Net loss on foreign exchange		(25.7)	-
Other items		11.0	(35.8)
		<u>713.5</u>	<u>242.6</u>
Net movement in working capital:			
Increase / (decrease) in other current liabilities excluding borrowings		4,930.5	(368.3)
Increase in receivables		(2,678.0)	(187.5)
Increase in inventories		(1,455.1)	(114.0)
(Increase) / decrease in prepayments and other current assets		(490.1)	45.1
		<u>307.3</u>	<u>(624.7)</u>
Net cash flows from / (used in) operating activities		<u>506.8</u>	<u>(7.2)</u>

The accompanying notes form an integral part of these condensed consolidated interim financial statements



CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2017

1. Reporting Entity

Future Mobility Solutions 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 the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The Interim Condensed Consolidated Financial Statements of Future Mobility Solutions Limited as at and for the six months ended 30 September 2017 comprise the Company and its subsidiaries (together referred to as the “Group”).

The Interim Condensed Consolidated Financial Statements of the Group for the period ended 30 September 2017, were not audited or reviewed. They were approved for issue by the board of directors on 29 November 2017.

2. Accounting Policies and Basis of Preparation

Measurement Base

These interim financial statements have been prepared on an historical cost basis except where otherwise stated. They are prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). NZ GAAP consists of New Zealand equivalents to International Reporting Standards as appropriate to profit-orientated entities.

These interim financial statements comply with NZ IAS 34: Interim Financial Reporting and IAS 34: Interim Financial Reporting. They do not include all the information and disclosures required in the annual financial statements. They should be read in accordance with the 2017 Annual Report, which include a full description of the Group’s accounting policies and have been prepared in accordance with NZ GAAP.

Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those of the previous financial year.

No new or revised accounting standards were adopted during the period that had a material effect on the financial position or performance of the Group.

Prior year comparative numbers have been reclassified for the purposes of consistency.

Going Concern

The financial statements have been prepared on a going concern basis.

As disclosed in the 2017 Annual Report, the Group is reliant upon raising additional equity or debt to ensure it can meet all obligations, including the financing component of planned acquisitions, as they fall due. This creates an uncertainty which may cast doubt on the ability of the Group to continue as a going concern. However, the Directors are confident that further capital can be raised to the extent required. The Directors therefore consider the going concern assumption to be a valid basis on which to prepare these financial statements.

Seasonality

Operating results for the six months to 30 September 2017 may not be indicative of the results that may be expected for the year ending 31 March 2018 due to business seasonality and the impact of acquisitions. Business seasonality results from higher sales of the Group's products in the warmer months of the year. The Group's methods of accounting for fixed costs such as depreciation and interest expense are not affected by business seasonality.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer costs at the end of the financial year.

3. Foreign Currency and Translation

Financial information is presented in New Zealand dollars ("NZ dollar") and rounded to the nearest hundred dollars, unless otherwise stated. Future Mobility Solutions Limited translates the income statements of overseas operations to the NZ dollar at average exchange rates and the balance sheets at the closing exchange rates at 30 September. The exchange rates used for translation purposes in respect of one NZ dollar are:

	Average rate for the six months ended		Closing rate as at	
	30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	31 March 2017
US dollar	0.7146	0.7056	0.7200	0.7000
Euro	0.6166		0.6127	

4. Segmental Analysis

a) Revenue

	Six months ended 30 Sept. 2017 \$ '000s	Six months ended 30 Sept. 2016 \$ '000s
New Zealand	3,476.7	3,146.2
USA	2,839.1	1,429.2
Malaysia	1,684.4	702.1
Australia	676.4	903.9
Other countries	3,647.3	2,216.5
Total revenue	12,323.9	8,397.9

Sales in New Zealand and countries which individually represent at least 10% of the Group sales are disclosed separately. The analysis of sales is stated by customer location.

b) Non-current assets

	As at 30 Sept. 2017 \$ '000s	As at 31 March 2017 \$ '000s
New Zealand	2,908.0	3,009.3
France	4,941.5	-
United States	67.5	38.5
Total non-current assets	7,917.0	3,047.8

Goodwill is attributed to the countries of the subsidiaries where the related acquired business is operated. All other non-current assets are attributed to the country of the legal owner.

5. Litigation Fees and Acquisition Costs

	Note	Six months ended 30 Sept. 2017 \$ '000s	Six months ended 30 Sept. 2016 \$ '000s
Litigation fees	a)	(668.8)	-
Acquisition cost	b)	(50.0)	-
Total litigation fees and acquisition costs		(718.8)	-

a) Sealegs International Limited ("Sealegs International") has commenced an action against Orion Limited, Orion Marine Limited and Smuggler Marine Limited, over the alleged infringement of Sealegs International's intellectual property.

b) Acquisition costs relate to the acquisition of Sillinger S.A.S. ("Sillinger").

6. Net Interest (Expense) / Income

	Note	Six months ended 30 Sept. 2017 \$ '000s	Six months ended 30 Sept. 2016 \$ '000s
Bank deposits		6.2	3.2
Total interest income		6.2	3.2
Bank loans and overdrafts		(2.9)	-
Loans from related parties	13	(18.2)	-
Finance charges payable under finance leases		(4.3)	-
Total interest expense		(25.4)	-
Net interest (expense) / income		(19.2)	3.2

7. Earnings Per Share

	Note	Six months ended 30 Sept. 2017 '000s	Six months ended 30 Sept. 2016 '000s
Profit / (loss) attributable to ordinary shareholders (\$ '000s)		(490.7)	374.9
Weighted average number of ordinary shares issued		138,060	133,518
Effect of dilution:			
Share based payment for services	13	672	-
Share based payment for acquisition of Lancer Industries Limited	14	4,074	-
Total potential ordinary shares		142,806	133,518
		Six months ended 30 Sept. 2017 \$	Six months ended 30 Sept. 2016 \$
Basic earnings / (deficit) per share		(0.36)	0.28
Diluted earnings / (deficit) per share		(0.34)	0.28

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.

8. Property, Plant and Equipment

	Land and buildings \$ '000s	Plant and equipment \$ '000s	Furniture and fittings \$ '000s	Computer equipment \$ '000s	Total \$ '000s
Net book value at 31 March 2017	-	841.9	28.2	12.3	882.4
Additions	-	135.3	10.1	32.8	178.2
Disposals	-	(20.7)	-	-	(20.7)
Arising on acquisition	1,735.1	335.9	404.3	4.1	2,479.4
Depreciation	(22.6)	(147.7)	(14.5)	(7.2)	(192.0)
Effect of foreign currency translation	21.7	3.7	4.8	-	30.2
Net book value at 30 September 2017	1,734.2	1,148.4	432.9	42.0	3,357.5

9. Intangible Assets

	Patents and trademarks \$ '000s	Development costs \$ '000s	Goodwill (provisional) \$ '000s	Computer software \$ '000s	Total \$ '000s
Net book value at 31 March 2017	162.1	1,927.7	-	0.6	2,090.4
Arising on acquisition	7.9	-	2,379.0	32.5	2,419.4
Internally developed	39.2	12.0	-	-	51.2
Amortisation	(17.0)	(107.1)	-	(2.2)	(126.3)
Effect of foreign currency translation	0.1	-	15.4	0.4	15.9
Net book value at 30 September 2017	192.3	1,832.6	2,394.4	31.3	4,450.6

As a result of recent acquisitions, the Group is now recognising goodwill in its Consolidated Statement of Financial Position. The final amount of goodwill that will be recognised is subject to change based on the outcome of the valuation work required to assess the fair values of the identifiable net assets acquired for the respective acquisitions. The goodwill will not be amortised, but will be subject to impairment testing on an annual basis or whenever there is an indication of impairment.

10. Interest Bearing Loans and Borrowings

	Note	As at 30 Sept. 2017 \$ '000s	As at 31 March 2017 \$ '000s
Current			
Bank loans and overdrafts		302.9	-
Loans from related parties	13	1,876.3	-
Other loans		13.2	-
Obligations under finance leases		127.8	-
Total current interest bearing loans and borrowings		2,320.2	-
Non-current			
Bank loans and overdrafts		316.8	-
Obligations under finance leases		368.5	-
Total non-current interest bearing loans and borrowings		685.3	-

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11. Share Capital

	Note	Shares	\$
Ordinary shares (issued and authorised) as at 31 March 2017		134,517,795	56,602,440
Ordinary shares issued in respect of share based payment for services	13	3,000,000	420,000
Ordinary shares issued in respect of Sillinger S.A.S acquisition	12 a)	3,625,377	529,305
Ordinary shares issued in respect of Sealegs Europe S.A.S acquisition	12 b)	5,350,000	668,750
Ordinary shares as at 30 September 2017		146,493,172	58,220,495

146,493,172 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 30 September 2017.

12. Acquisitions

a) Sillinger S.A.S

On 14 August 2017 the Company acquired a 70% interest in Sillinger. French based Sillinger is one of the most trusted manufacturers of hypalon rigid inflatable boats ("RIBs") to the military and defence sectors.

Details of the acquisition are as follows:

	Fair value acquired \$ '000s
Cash and cash equivalents	1,573.1
Inventories	3,069.9
Other current assets	682.7
Property, plant and equipment	2,479.5
Identifiable intangible assets	40.4
Non-current term deposit	31.7
Current loans and borrowings	(1,257.3)
Other current liabilities	(3,415.8)
Non-current loans and borrowings	(710.6)
Deferred tax liability	(458.1)
Fair value of net identifiable assets acquired	2,035.5
Non-controlling interest in Sillinger	(610.6)
Net identifiable assets acquired, after non-controlling interests	1,424.9
Goodwill arising on acquisition (provisional)	1,522.0
Net assets acquired	2,946.9
Shares issued	529.3
Cash paid	2,417.6
Total consideration	2,946.9

The fair values of the acquired assets and liabilities assumed are preliminary and pending finalisation. Sillinger contributed revenue of \$1,826.8 thousand and a loss of \$77.8 thousand to the results of the Group for the six months ended 30 September 2017.

The goodwill arising on the acquisition of Sillinger is attributed to synergies that the Group will be able to realise by combining operations with the wider Group, along with the value associated with existing customer relationships.

b) Sealegs Europe S.A.S

On 21 September 2017 the Company acquired Sealegs Europe S.A.S (“Sealegs Europe”) from QCPM Group Limited (“QCPM”), a wholly-owned subsidiary of the Company’s largest shareholder, Avenport Investment Corporation Limited (“Avenport”).

Sealegs Europe is the master dealer that currently represents the Company in Europe, Africa and a number of other territories in the Indian Ocean. Acquiring Sealegs Europe provides the Company with an increased ability to control the distribution of its products.

Details of the acquisition are as follows:

	Fair value acquired \$ '000s
Current assets other than cash and cash equivalents	136.4
Non-current assets	1.8
Loans (other than bank and related party)	(13.3)
Other current liabilities	(313.1)
Net tangible assets acquired	(188.2)
Goodwill arising on acquisition (provisional)	857.0
Net assets acquired	668.8
Shares issued	668.8
Total consideration	668.8

The fair values of the acquired assets and liabilities assumed are preliminary and pending finalisation. Sealegs Europe did not contribute to the result of the Group for the six months ended 30 September 2017.

The goodwill arising on the acquisition of Sealegs Europe is attributed to the elimination of the need to pay a dealer margin in the overseas jurisdictions that Sealegs Europe represents. There is also expected to be some cost rationalisation.

notes continue over page



13. Related Party Transactions

As discussed in note 12 b), Sealegs Europe was acquired from the Company's largest shareholder, Avenport. Eric Series is a director of both Future Mobility Solutions Limited and Avenport. An independent adviser's report prepared by Simmons Corporate Finance Limited concluded that the consideration and terms of the Sealegs Europe acquisition were fair to the non-associated shareholders. Shareholders approved this acquisition on 28 April 2017.

During the reporting period prior to acquisition of Sealegs Europe on 21 September 2017, Sealegs Europe purchased two boats (six months to 30 September 2016: three) for a total consideration of \$321.9 thousand (2016: \$466.5 thousand). At the date of the acquisition, a balance of \$120.8 thousand was payable from Sealegs Europe to Sealegs International.

During the year, an unsecured loan of US\$ 375.0 thousand (NZ\$ 514.1 thousand) was made from Capital Key Holdings Limited ("Capital Key") to the Company. No repayments were made during the year, resulting in a period end balance of \$520.8 thousand. Interest expensed and accrued amounted to \$8.8 thousand at an effective rate of 11.93% payable quarterly. The loan is repayable on 9 August 2018.

During the year, an unsecured loan of US\$ 375.0 thousand (NZ\$ 521.1 thousand) was made from Avenport to the Company. No repayments were made during the year, resulting in a period end balance of \$520.8 thousand. Interest expensed and accrued amounted to \$4.3 thousand at an effective rate of 11.93% payable quarterly. The loan is repayable on 5 September 2018.

Sillinger holds loans with a value of \$817.0 to Groupe Marck Holding, who hold the non-controlling interest in the business. The loans bear interest at the rate of the French legal deductible maximum interest rate. The loans are repayable by 17 August 2020.

Mark Broadley, through Capital Key, has been contracted by the Company to provide certain investment banking and advisory services beyond those expected to be provided in his capacity as a director and has been appointed as the Company's Chief Executive Officer. The contract has a two year duration and ends on 31 March 2018. The contract was settled through the issue of 3,000,000 shares on 12 May 2017, at an issue price of 14 cents (refer note 11). A share based payment expense of \$210.0 thousand was recognised in March 2017, representing the cost of the first year of the contract. For the six months to 30 September 2017, the Company recorded a share based payment expense of \$105.0 thousand (2016: nil) in administrative and other expenses in the Consolidated Statement of Comprehensive Income, with the remaining balance of \$105.0 thousand recognised as a prepayment in the Consolidated Statement of Financial Position.



14. Commitments

a) Acquisition commitments

On 24 July 2017, Future Mobility Solutions announced that it intended to acquire Lancer Industries Limited (“Lancer”). The acquisition was subsequently completed on 2 October 2017. Consideration for the acquisition was \$400.0 thousand to be settled in cash and the issue of up to 4,074,074 new shares in the Group. The new shares will be issued following the satisfaction of post-settlement conditions. Part of the consideration is also contingent upon the share price for two years after the acquisition. The acquisition balance sheet is in the process of being finalised.

On 27 September 2017, Future Mobility Solutions announced that it had entered into a conditional agreement for the acquisition of Willard Marine Incorporated (“Willard”). Willard is headquartered in the United States of America and manufactures and sells a wide range military grade RIBs, along with aluminium and fiberglass boats. The consideration for the acquisition will total US\$ 6,850.0 thousand, with US\$ 1,650.0 thousand to be paid on completion, US\$ 2,600.0 thousand to be paid on the first anniversary, and US\$ 2,600.0 thousand to be paid on the second anniversary. The acquisition is subject to the execution of the definitive acquisition agreement. It is currently anticipated that the acquisition of Willard will be completed prior to the end of the 2018 reporting year.

b) Operating lease commitments

Sealegs International has entered into a commercial lease on its premises. The lease is for six years, with a renewal option included within the contract which was exercised at 31 March 2016 for a further term of three years. There are no restrictions placed upon the lessee by entering into the lease.

Sealegs (US) Corporation has entered into a commercial lease on its USA premises. The lease is for three years, with a renewal option included within the contract which was exercised on 1 July 2016 for a further term of two years. There are no restrictions placed upon the lessee by entering into the lease.

Sealegs International has entered into four vehicle leases during 2017. The leases each have a life of four years.

Future minimum rentals payable under non-cancellable operating leases as at 30 September 2017 are as follows:

	As at 30 Sept. 2017 \$ '000s	As at 31 March 2017 \$ '000s
Within one year	295.8	469.3
One to five years	331.1	389.6
Total minimum lease payments	826.9	858.9

c) Commitments for property, plant and equipment

As at 30 September 2017, there were no commitments for capital expenditure on property, plant and equipment.

15. Contingent Liabilities

There are no contingent liabilities at balance date.

16. Post Balance Date Events

As discussed in note 14, on 2 October 2017 the Company completed the acquisition of 100% of New Zealand based Lancer. Due to the recent settlement of the acquisition, the fair-value adjusted acquisition balance sheet is still in the process of being finalised.

Further to the announcement on 6 June 2017, which advised that a definitive sale and purchase agreement in respect of the acquisition of a 50.1% interest in Gemini Marine Proprietary Limited had been signed, the Company now advises that due to the condition precedent relating to South African regulatory approval not being fulfilled within the time limited prescribed that the agreement has now expired. Accordingly, the acquisition will no longer proceed.

DIRECTORY

Company Number

HN/345055

Date of Incorporation

16 July 1987

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