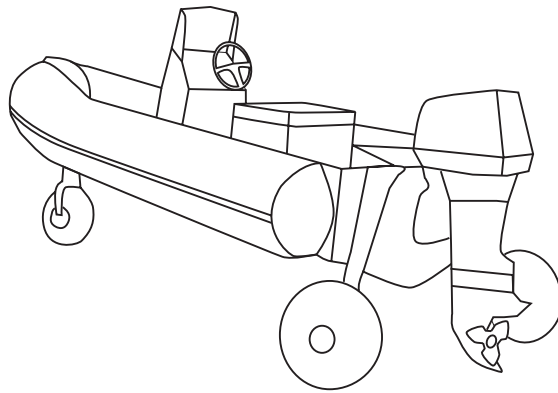


# SEALEGS CORPORATION LIMITED

(Formerly IT Capital Limited)



ANNUAL REPORT **2004**

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[WWW.SEALEGS.COM](http://WWW.SEALEGS.COM)

Dear Shareholder,

Sealegs has moved into a manufacturing and marketing phase.



Soon after the close of the financial year under review, the company's first amphibious boats were delivered to customers. The year ahead will be one where revenues are generated from local sales, where production capability is built and where marketing strategies both locally and internationally are developed.

The Group has reported a loss of \$2.695 million for the financial year ending 31 March 2004. No revenue from boat sales was recorded. The loss includes amortisation of goodwill amounting to \$1.214 million and legal fees incurred to defend the claims by Power Beat International for the return of our shares in Deep Video Imaging Limited of in excess of NZ\$200,000.

Sealegs Corporation has two investments:

#### **Deep Video Imaging Limited**

This company undertook a rights issue in June 2003, which Sealegs Corporation Ltd did not subscribe to. This diluted our shareholding from forty two percent to nineteen percent.

#### **Sealegs International Limited**

Following the acquisition of a further thirty percent, for the purchase of Sealegs International in September 2003, Sealegs International Limited is now fully owned by the Group. Sealegs International Limited is the development, manufacturing and marketing company for amphibious boats.

Your board and management are keen to see the business develop with a clear focus on amphibious boats. Over time, a series of models will be launched to satisfy the demands of different markets.

Our amphibious boats are displayed at all the major boat shows in New Zealand and will be displayed at the Sydney International Boat Show in Australia in August. Shareholders who have not seen the boat are encouraged to do so by attending one of the shows. Our web site, [www.sealegs.com](http://www.sealegs.com), also provides a useful overview.

David McKee Wright and Maurice Bryham lead our management team. Trusts related to them make up some thirty seven percent of the shareholding in Sealegs Corporation. Their support as a management team, and their Trusts as shareholders and as underwriters of the November 2003 rights issue, is outstanding.

As the company develops, we are paying attention to the skills required on our board. In September 2003, we welcomed Brian Taylor onto our board. Brian has a strong commercial background and is a major investor. In June 2004, we have welcomed to the board Simon Vodanovich, a partner from Buddle Findlay. Simon will be an independent director and brings expertise in corporate governance and commercial law.

At the 2003 Annual General Meeting Alan Townsend and Jay Snider retired as directors. Both deserve our thanks for their assistance over the years.

I thank management and board members for their critical contributions as Sealegs has passed through its early development years. Thank you shareholders for your support. Due to the efforts and resources of management, board and shareholders, an amphibious boat has been launched with very encouraging prospects.

On behalf of the Board  
John Robertson, Chairman

Dear Shareholder,

The past six months has brought to a conclusion the restructure of IT Capital into Sealegs Corporation and seen the company initiate the production of Sealegs amphibious boats.

The restructure was brought to an end with the sale of our shareholding in Golden Orb Technologies and the renaming of the company from IT Capital Ltd to Sealegs Corporation Ltd.

Further to this, the rights issue concluded successfully and the DVI litigation was resolved as a result K One W One Limited, (an investment company owned by Stephen Tindall), purchasing the remaining 3% shareholding held by Power Beat International Limited in DVI.

In February a production license to build Sealegs boats in Dubai was not executed when the ownership rights to the Intellectual Property in the boat appeared at risk by the proposed license agreement. The company has much overseas potential and several international patents pending. Exposing our intellectual property to risk was not acceptable.

With the restructure completed and a focus established, management is working one hundred percent on Sealegs and the adjacent development plan, where we are currently positioned at stage 4 – “Market Seeding”.

#### Sealegs Development Plan



The last six months of activity has been centered on building a high quality product, able to withstand various consumer uses. The production prototype saw much work go into the hydraulic drive and lift system, the marine exhaust, heat exchanging and weight distribution. The outcome is a boat the company, and you as shareholders, can all be proud of.



Further to this we commenced a production run of twelve boats. These were all sold and three have been shipped at the time of writing this report. Enquiries from all over New Zealand and the world have continued to come in steadily. Despite this enquiry rate, our focus is on completing construction of the initial twelve units before undertaking further marketing activities. The next production run will include minor improvements and will be built with greater efficiencies in place.

Looking forward, we will continue to spend money securing the intellectual property in the Sealegs system. We will persevere with our development plan and build the company. While we are not forecasting a profit for the 2005 financial year, we expect to become cash flow positive as sales climb.

International interest in the product has been very encouraging, particularly from Europe and the United States. The company is courting international relationships with a view to future distributorships, production licensing and sales.

Sealegs is a very exciting product and is advancing well on its development plan. Thank you for your support and encouragement

David McKee Wright  
Managing Director



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# AUDITOR'S REPORT

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To the Shareholders of Sealegs Corporation Limited

We have audited the financial statements on pages 6 to 24. The financial statements provide information about the past financial performance of the company and group and their financial position as at 31 March 2004. This information is stated in accordance with the accounting policies set out on pages 11 to 13.

## Directors' Responsibilities

The directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company and group as at 31 March 2004 and of their financial performance and cash flows for the year ended on that date.

## Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the directors and report our opinion to you.

## Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the company and group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Ernst & Young provides taxation advice and accounting assistance to the company.

## Fundamental Uncertainty

In forming our unqualified opinion, we have considered the adequacy of the disclosures made in the financial statements regarding the additional funding required. As stated in note 28, the financial statements have been prepared on the going concern basis, the validity of which depends upon additional funding being obtained. The financial statements do not include any adjustments that would result from a failure to obtain additional funding.

## Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 6 to 24:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the company and group as at 31 March 2004 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 15 June 2004 and our unqualified opinion is expressed as at that date.

*Ernst & Young*

Auckland

## STATEMENT OF FINANCIAL PERFORMANCE

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for the year ended 31st March 2004

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
<b>Income</b>				
Sales	19,000	-	1,246,248	-
Interest Income	26,434	22,285	52,905	52,905
Other Income	210,249	198,896	76,167	88,467
Profit on Sale of Investment <sup>3</sup>	5,684	5,684	-	37,531
<b>Operating Revenue <sup>2, 4</sup></b>	<b>261,367</b>	<b>226,865</b>	<b>1,375,320</b>	<b>178,903</b>
<b>Auditors Remuneration</b>				
- audit of financial statements	21,600	21,600	19,500	19,500
- other services	21,115	21,115	25,938	25,838
Bad and Doubtful Debts	-	-	(37,598)	-
Depreciation – Computer Equipment	19,807	20,067	89,545	23,178
Depreciation – Plant and Equipment	7,288	-	-	-
Directors' Fees <sup>5</sup>	75,000	75,000	117,188	117,188
Rent	201,817	167,369	257,813	105,085
Research and Development	250,120	-	348,433	-
Amortisation of Goodwill <sup>16</sup>	1,213,847	-	657,381	-
Reduction in carrying value of Investments	-	3,905,320	-	-
Interest and Finance Charges	-	-	4,509	9
Loss on Sale of Investment <sup>3</sup>	-	-	469,208	-
<b>Other Expenses</b>	<b>1,175,111</b>	<b>849,700</b>	<b>2,118,771</b>	<b>1,034,675</b>
<b>Operating Surplus (Deficit) Before Taxation</b>	<b>(2,724,338)</b>	<b>(4,833,306)</b>	<b>(2,695,368)</b>	<b>(1,146,570)</b>
<b>Taxation <sup>6</sup></b>	<b>(29,045)</b>	<b>(30,659)</b>	<b>-</b>	<b>-</b>
<b>Operating Deficit After Taxation <sup>4</sup></b>	<b>(2,695,293)</b>	<b>(4,802,647)</b>	<b>(2,695,368)</b>	<b>(1,146,570)</b>
<b>Net Surplus (Deficit) Attributable to the Shareholders of the Parent Company</b>	<b>(2,695,293)</b>	<b>(4,802,647)</b>	<b>(2,695,368)</b>	<b>(1,146,570)</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 31st March 2004

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
<u>Equity at beginning of the year</u>	<u>3,556,331</u>	<u>8,543,123</u>	<u>1,011,699</u>	<u>4,449,693</u>
Net Deficit attributable to:				
Parent company shareholders	(2,695,293)	(4,802,647)	(2,695,368)	(1,146,570)
<u>Total recognised revenues and expenses for the year</u>	<u>(2,695,293)</u>	<u>(4,802,647)</u>	<u>(2,695,368)</u>	<u>(1,146,570)</u>
Contribution from owners:				
Ordinary shares issued during the year <sup>8</sup>	1,169,470	1,169,470	5,240,000	5,240,000
<u>Equity at end of the year</u>	<u>2,030,508</u>	<u>4,909,946</u>	<u>3,556,331</u>	<u>8,543,123</u>

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

as at 31st March 2004

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	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
<b>Shareholders' Equity</b>				
Capital <sup>8</sup>	37,128,461	37,128,461	35,958,991	35,958,991
Accumulated deficit <sup>9</sup>	(35,097,953)	(32,218,515)	(32,402,660)	(27,415,868)
<b>Total Shareholders' Equity</b>	<b>2,030,508</b>	<b>4,909,946</b>	<b>3,556,331</b>	<b>8,543,123</b>
<b>Current Liabilities</b>				
Accounts payable <sup>18</sup>	96,108	9,995	125,571	44,219
Sundry payables and accruals <sup>18</sup>	176,280	133,445	59,493	58,051
Employee entitlements <sup>18</sup>	7,256	7,256	-	-
Deposits on orders <sup>18</sup>	253,592	-	-	-
	<b>533,236</b>	<b>150,696</b>	<b>185,064</b>	<b>102,270</b>
<b>Total Equity and Liabilities</b>	<b>2,563,744</b>	<b>5,060,642</b>	<b>3,741,395</b>	<b>8,645,393</b>

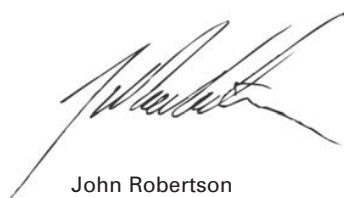
The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

as at 31st March 2004

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
<b>Current Assets</b>				
Cash at Bank and on Hand <sup>17</sup>	396,117	125,502	173,929	17,242
Bank Deposits <sup>17</sup>	98,933	98,933	999,783	999,783
Accounts Receivable <sup>11</sup>	4,594	4,594	37,854	3,825
Inventory <sup>12</sup>	119,065	-	-	-
Accrued Interest <sup>11</sup>	-	-	14,404	14,404
Prepayments & Bonds <sup>11</sup>	21,267	329	25,049	25,049
Other Receivable <sup>11</sup>	74,218	61,145	72,837	13,314
	<b>714,194</b>	<b>290,503</b>	<b>1,323,856</b>	<b>1,073,617</b>
<b>Non Current Assets</b>				
Investment in DVI Investment Co Limited <sup>10, 15</sup>	-	1	-	3,905,319
Investment in Sealegs International Ltd <sup>10, 14</sup>	-	4,357,061	-	3,050,000
Intercompany Receivables – Sealegs <sup>11, 21</sup>	-	401,895	-	594,521
Property, Plant and Equipment <sup>13</sup>	79,235	11,182	43,358	21,936
Intangibles <sup>16</sup>	1,770,314	-	2,374,181	-
	<b>1,849,549</b>	<b>4,770,139</b>	<b>2,417,539</b>	<b>7,571,776</b>
<b>Total Assets</b>	<b>2,563,743</b>	<b>5,060,642</b>	<b>3,741,395</b>	<b>8,645,393</b>

For and on behalf of the Board, who authorised the issue of this annual report on 15 June 2004:



John Robertson  
Director



David McKee Wright  
Director

The accompanying notes form part of these financial statements.

## STATEMENT OF CASHFLOWS

for the year ended 31st March 2004

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	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
<b>Cashflows from Operating Activities</b>				
<i>Cash was provided from:</i>				
Receipts from customers	583,559	240,074	1,261,295	226,610
Interest received	26,439	22,289	38,500	38,500
<i>Cash was disbursed to:</i>				
Payments to suppliers and employees	(1,699,771)	(1,026,321)	(3,073,823)	(1,649,856)
Interest paid	-	-	(122)	(9)
Tax paid	(21,612)	(19,998)	-	-
<b>Net Cashflows from Operating Activities <sup>24</sup></b>	<b>(1,111,385)</b>	<b>(783,956)</b>	<b>(1,774,150)</b>	<b>(1,384,755)</b>
<b>Cashflows from Investing Activities</b>				
<i>Cash was provided from:</i>				
Proceeds from sale of investments	5,684	5,684	121,315	121,315
<i>Cash was applied to:</i>				
Purchase of fixed assets	(72,489)	(9,892)	(13,878)	(399)
Increase in loans to investees	-	(503,879)	-	(594,521)
<b>Net Cashflows from Investing Activities</b>	<b>(66,805)</b>	<b>(508,087)</b>	<b>107,437</b>	<b>(473,605)</b>
<b>Cashflows from Financing Activities</b>				
<i>Cash was provided from:</i>				
Proceeds from issue of shares	499,491	499,491	2,100,000	2,100,000
<i>Cash was applied to:</i>				
Proceeds from loans and advances	-	-	(35,715)	-
<b>Net Cashflows from Financing Activities</b>	<b>499,491</b>	<b>499,491</b>	<b>2,064,285</b>	<b>2,100,000</b>
<b>Net increase / (decrease) in cash held</b>	<b>(678,699)</b>	<b>(792,552)</b>	<b>397,572</b>	<b>241,640</b>
Cash at the beginning of the year	1,098,712	942,025	853,872	699,984
Loss on foreign currency denominated accounts	37	(38)	401	401
Cash balances relating to disposal of subsidiary	-	-	(153,133)	-
<b>Cash at the end of the year <sup>17</sup></b>	<b>420,050</b>	<b>149,435</b>	<b>1,098,712</b>	<b>942,025</b>

The accompanying notes form part of these financial statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March 2004

## 1. Statement of Accounting Policies

### Reporting Entity

- Sealegs Corporation Limited (the "Company", formerly known as IT Capital Limited) is a company registered under the Companies Act 1993 and listed on the New Zealand Exchange.
- The Company and its subsidiaries comprises the Group (the "Group").
- The Company is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of the Company and the Group have been prepared in accordance with the Financial Reporting Act 1993.

### Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position, on a historic cost basis, are followed by the Group.

### Specific Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and financial position, have been applied.

#### a) Basis of Consolidation – Purchase Method

Subsidiaries are entities in which the Company has the capacity to determine the financing and operating policies and from which it has an entitlement to significant ownership benefits.

The consolidated financial statements include the parent company and its subsidiaries accounted for using the purchase method. All significant inter-company transactions are eliminated on consolidation. In the company's financial statements investments in subsidiaries are recognised at the lower of cost or net realisable value.

#### b) Associate Companies

Associates are investees (but not subsidiaries or joint ventures) in which the Group has the capacity to affect substantially, but not unilaterally determine, the operating and/or financial policy decisions. Associates have been reflected in the consolidated financial statements on an equity accounting basis which recognises the Group's share of retained surpluses in the consolidated statement of financial performance and its share of post acquisition increases or decreases in net assets, in the consolidated statement of financial position. In the Company's financial statements investments in associates are recognised at cost.

#### c) Intangible Assets

Goodwill represents the excess of the purchase consideration over the fair value of the net tangible and identifiable intangible assets, acquired at the time of acquisition of a business. Goodwill is amortised by the straight-line method over the period during which benefits are expected to be received. Goodwill is amortised over a period not exceeding ten years. The carrying value of goodwill is reviewed by directors on a regular basis for impairment.

#### d) Property, Plant and Equipment

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

1. Computer equipment
2. Plant and equipment

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.

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 the statement of financial performance.

## Statement of Accounting Policies continued

### d) Property, Plant and Equipment continued

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. When an asset is revalued the depreciation charge is calculated on that revalued amount from the date of revaluation.

Major depreciation rates are:

- |                        |           |
|------------------------|-----------|
| 1. Computer equipment  | 34% - 30% |
| 2. Plant and equipment | 8% - 24%  |

### e) Receivables

Receivables are stated at their estimated realisable value.

### f) Taxation

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effect of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

### g) Financial Instruments

Financial instruments recognised in the statement of financial position include cash balances, receivables, payables and investments. All financial instruments are stated at fair value, and any gain or loss is recognised in the statement of financial performance. No hedging activities are undertaken.

### h) Investments

Investments are stated at cost, plus in the case of associate companies, an appropriate share of earnings since acquisition. Where the valuation of an individual investment is considered to represent a permanent diminution in value, then the unrealised loss is recognised in the financial statements.

### i) Cash Flows

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

### j) Employee Entitlements

A liability for annual leave and long service leave is accrued and recognised in the statement of financial position. The liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date.

### k) Inventories

Inventories are recognised at the lower of cost, determined on a first-in-first-out basis, and net realisable value. The cost of work in progress and finished goods includes the cost of direct material, direct labour and a proportion of the manufacturing overhead, based on the normal capacity of the facilities, expended in putting the inventories in their present location and condition.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March 2004

## Statement of Accounting Policies continued

### l) Research and Development Costs

Research expenditure is recognised in the statement of financial performance 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 the statement of financial performance in the period that they are incurred. Deferred development costs are amortised over future periods (not exceeding five years) in relation to expected future revenue in each period. 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.

### m) Leases

Sealegs Group entities lease certain buildings.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal installments over the period of the lease.

### n) Foreign Currencies

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

## Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

## 2. Operating Revenue

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Sales	19,000	-	1,246,248	-
Interest Income	26,434	22,285	52,905	52,905
Other Income	210,249	198,896	76,167	88,467
Gain on Sale of Investments	5,684	5,684	-	37,531
<b>Total Operating Revenue</b>	<b>261,367</b>	<b>226,865</b>	<b>1,375,320</b>	<b>178,903</b>

## 3. Disposal of Investments

During March 2004, Sealegs Corporation disposed of their investment in Golden Orb Technologies Limited.

Summary of the effect of disposal of investments:

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Consideration of disposal				
Cash	5,684	5,684	121,315	121,315
Less carrying value of investment when disposed	-	-	(590,523)	83,784
<b>Gain/(Loss) on sale of investment</b>	<b>5,684</b>	<b>5,684</b>	<b>(469,208)</b>	<b>37,531</b>

## 4. Continuing Activities

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
<b>Continuing Activities</b>				
Operating Revenue	261,367	-	129,072	178,903
Operating Surplus (deficit) before non recurring items	(2,695,293)	-	(2,655,954)	(1,146,570)
<b>Operating Surplus (Deficit)</b>	<b>(2,695,293)</b>	<b>-</b>	<b>(2,655,954)</b>	<b>(1,146,570)</b>
<b>Discontinued Activities</b>				
Operating Revenue	-	226,865	1,246,248	-
Operating Deficit	-	(4,802,647)	(39,414)	-
<b>Operating Surplus (Deficit)</b>	<b>-</b>	<b>(4,802,647)</b>	<b>(39,414)</b>	<b>-</b>
<b>Totals</b>				
Operating Revenue	261,367	226,865	1,375,320	178,903
<b>Operating Surplus (Deficit)</b>	<b>(2,695,293)</b>	<b>(4,802,647)</b>	<b>(2,695,368)</b>	<b>(1,146,570)</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March 2004

## 5. Directors' Fees

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Total Directors' Fees	75,000	75,000	117,188	117,188

During the year, shares were issued in return for a portion of the director's fees.

## 6. Income Tax Expense (Benefit)

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Operating deficit before taxation	(2,724,338)	(4,833,306)	(2,695,368)	(1,146,570)
Prima facie income tax	(899,032)	(1,594,991)	(889,471)	(378,368)
Taxation effect of adjustments	400,561	1,288,756	472,727	77,260
Taxation effect of tax losses/ adjustments not previously recognised	(29,045)	(30,659)	-	-
Tax loss offset	-	-	-	-
Benefit of tax losses not taken up as an asset	498,471	306,235	416,744	301,108
<b>Tax charge</b>	<b>(29,045)</b>	<b>(30,659)</b>	<b>-</b>	<b>-</b>

The Income Tax Expense/(Benefit) is represented by:

Current Tax	(29,045)	(30,659)	-	-
Deferred Tax	-	-	-	-
<b>Income tax expense (benefit)</b>	<b>(29,045)</b>	<b>(30,659)</b>	<b>-</b>	<b>-</b>

Sealegs Corporation Limited has tax losses of \$15,968,129 to carry forward. Sealegs Corporation Group has tax losses of \$16,729,940 to carry forward. (2003: In the prior year Sealegs Corporation Limited had tax losses of \$14,881,560 available for set off against future assessable income. Sealegs Corporation Group had tax losses of \$15,289,449). These taxation losses are subject to Inland Revenue Department approval and continued compliance with legislation for the carry forward of tax losses.

## 7. Imputation Credit Account

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Balance at beginning of the year	36,347	36,347	4,762	4,762
Imputation credits attached to dividends received during the year	-	-	-	-
Imputation credits attached to dividends paid during the year	-	-	-	-
RWT payments	21,612	19,998	36,070	36,070
Imputation credits forfeited due to shareholder continuity breach	-	-	(4,485)	(4,485)
<b>Balance at end of the year</b>	<b>57,959</b>	<b>56,345</b>	<b>36,347</b>	<b>36,347</b>
At balance date the imputation credits available to the shareholders of the Company were:				
Through direct shareholding in the Company	-	56,345	-	36,347
Through indirect interests in subsidiaries and in-substance subsidiaries	57,959	-	36,347	-
	<b>57,959</b>	<b>56,345</b>	<b>36,347</b>	<b>36,347</b>

## 8. Share Capital

	MARCH 2004 Group & Parent NZ\$	MARCH 2003 Group & Parent NZ\$
Ordinary Shares 672,397,518 (2003: 302,699,760)	37,128,461	35,958,991
	<b>37,128,461</b>	<b>35,958,991</b>

672,175,518 (2003: 302,477,760) of the ordinary shares are fully paid  
100,000 (2003: 100,000) of the ordinary shares have 44c uncalled  
87,000 (2003: 87,000) of the ordinary shares have 66c uncalled  
5,000 (2003: 5,000) of the ordinary shares have 56c uncalled  
30,000 (2003: 30,000) of the ordinary shares have 26c uncalled

Total share capital	37,128,461	35,958,991
---------------------	------------	------------

All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up. Partly paid shares represent shares originally held in Iddison Holdings Limited. In accordance with the restructuring which occurred on 1 April 1999 these shares were converted to partly paid shares in Sealegs Corporation Limited. The values of these shares were adjusted in line with the following ratio; \$1 in Iddison Holdings Limited for \$0.88 in Sealegs Corporation Limited.

Participatory options expiring 1 April 2004 - Opening	5,567,500	
Issued	-	
Cancelled	-	
Participatory options expiring 1 April 2004 - Closing	5,567,500	Exercise Price \$0.14
Participatory options expiring 1 April 2004 - Opening	750,000	
Issued	-	
Cancelled	-	
Participatory options expiring 1 April 2004 - Closing	750,000	Exercise Price \$0.17

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March 2004

### 8. Share Capital continued

Participatory options expiring 1 April 2004 - Opening	8,473,958	
Issued	-	
Cancelled	-	
<u>Participatory options expiring 1 April 2004 - Closing</u>	<u>8,473,958</u>	<u>Exercise Price \$0.24</u>
Participatory options expiring 1 April 2004 - Opening	4,002,851	
Issued	-	
Cancelled	-	
<u>Participatory options expiring 1 April 2004 - Closing</u>	<u>4,002,851</u>	<u>Exercise Price \$0.34</u>
Participatory options expiring 1 April 2004 - Opening	1,750,000	
Issued	-	
Cancelled	(275,000)	
<u>Participatory options expiring 1 April 2004 - Closing</u>	<u>1,475,000</u>	<u>Exercise Price \$0.38</u>
Participatory options expiring 23 April 2004 - Opening	10,000,000	
Issued	-	
Cancelled	(10,000,000)	
<u>Participatory options expiring 23 April 2004 - Closing</u>	<u>-</u>	<u>Exercise Price \$0.08</u>
Participatory options expiring 27 July 2003 - Opening	10,000,000	
Issued	-	
Cancelled	(10,000,000)	
<u>Participatory options expiring 27 July 2003 - Closing</u>	<u>-</u>	<u>Exercise Price \$0.105</u>
Participatory options expiring 23 January 2004 - Opening	10,000,000	
Issued	-	
Cancelled	(10,000,000)	
<u>Participatory options expiring 23 January 2004 - Closing</u>	<u>-</u>	<u>Exercise Price \$0.13</u>
Participatory options expiring 23 July 2004 - Opening	10,000,000	
Issued	-	
Cancelled	(10,000,000)	
<u>Participatory options expiring 23 July 2004 - Closing</u>	<u>-</u>	<u>Exercise Price \$0.155</u>
Participatory options expiring 23 January 2005 – Opening	10,000,000	
Issued	-	
Cancelled	(10,000,000)	
<u>Participatory options expiring 23 January 2005 - Closing</u>	<u>-</u>	<u>Exercise Price \$0.18</u>
Participatory options expiring 31 December 2005 – Opening	1,000,000	
Issued	-	
Cancelled	-	
<u>Participatory options expiring 31 December 2005 - Closing</u>	<u>1,000,000</u>	<u>Exercise Price \$0.04</u>

Options participate in any restructure of share capital, including cash and bonus issues, on a pro-rata basis. If the above options were exercised, the Company would receive \$4,902,169 (2003: \$11,402,149).

for the year ended 31st March 2004

## 9. Accumulated Deficit

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Balance at beginning of the year	(32,402,660)	(27,415,868)	(29,707,292)	(26,269,298)
Net Surplus (deficit) attributable to the Shareholders of the company	(2,695,293)	(4,802,647)	(2,695,368)	(1,146,570)
<b>Balance at end of the year</b>	<b>(35,097,953)</b>	<b>(32,218,515)</b>	<b>(32,402,660)</b>	<b>(27,415,868)</b>

## 10. Investments

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Investments in Sealegs International Limited	-	4,357,061	-	3,050,000
Investments in DVI Investment Co. Limited	-	1	-	3,905,319
Investments in Sealegs Middle East Limited	-	-	-	-
<b>Total Investments</b>	<b>-</b>	<b>4,357,062</b>	<b>-</b>	<b>6,955,319</b>

## 11. Receivables and Prepayments

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Trade Receivables	4,594	4,594	37,854	3,825
Sundry Receivables	23,561	10,488	72,837	13,314
Inter-Company Receivables	-	401,895	-	594,521
Tax Receivable	50,657	50,657	-	-
Accrued Interest	-	-	14,404	14,404
Prepayments	21,267	329	25,049	25,049
<b>Total Receivables and Prepayments</b>	<b>100,079</b>	<b>467,963</b>	<b>150,144</b>	<b>651,113</b>

## 12. Inventory

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Stock on hand	119,065	-	-	-
<b>Total Inventory</b>	<b>119,065</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March 2004

## 13. Property, Plant and Equipment

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Leasehold Improvements	-	-	24,632	-
Accumulated Depreciation	-	-	(3,209)	-
	-	-	21,423	-
Computer Equipment	77,095	75,102	93,447	93,447
Accumulated Depreciation	(64,020)	(63,920)	(71,512)	(71,512)
	13,075	11,182	21,935	21,935
Plant and Equipment	75,445	-	-	-
Accumulated Depreciation	(9,285)	-	-	-
	66,160	-	-	-
<b>Total Property, Plant and Equipment</b>	<b>79,235</b>	<b>11,182</b>	<b>43,358</b>	<b>21,935</b>

## 14. Investments in Subsidiaries

Significant Subsidiaries:	Percentage Held		Balance Date
	2004	2003	
DVI Investment Company Limited	100%	100%	31 <sup>st</sup> March
Sealegs International Limited	100%	70%	31 <sup>st</sup> March
Sealegs Middle East Limited	100%	-	31 <sup>st</sup> March

### DVI Investment Company Limited

DVI Investment Company Limited is an investment company that holds a 19% investment in Deep Video Imaging Limited.

### Sealegs International Limited

Sealegs are manufacturers of amphibious marine crafts.

In September 2003, 30% of Sealegs International Limited was acquired in return for the issue of 61,997,998 shares, valued at \$0.01 each.

### Sealegs Middle East Limited

Sealegs Middle East Limited is a 100% owned subsidiary of Sealegs International Limited. The company has never traded.

## Acquisition of Subsidiaries

On 30 September 2004, the Company acquired the remaining 30% of the shares in Sealegs International Limited, an amphibious marine craft manufacturing company.

Assets and liabilities of the entity acquired are as follows:

	NZ\$000	NZ\$000
Net assets acquired:		
Bank	16,141	
Receivables	9,210	
Property, plant and equipment	7,019	
Payables	(11,729)	
Loan	(209,124)	
		(188,483)
Goodwill		609,980
Consideration, paid by issue of shares in the Company and forgiveness of debt		798,463

for the year ended 31st March 2004

## 15. Associates

	Percentage Held		Balance Date
	2004	2003	
Significant Associates:			
Deep Video Imaging Limited	19%	42%	31st March
Golden Orb Technologies Pty Limited	0%	40%	30th June

Deep Video Imaging Limited (DVI) – DVI's display technology enables next generation multi-media for liquid crystal display computers and interactive kiosks.

Golden-Orb Technologies Pty Limited – an Australian e-commerce developer that enables small and emerging businesses to quickly and easily build websites and conduct business online. Sealegs Corporation sold its shareholding in Golden Orb on 31 March 2004.

## 16. Goodwill

	MARCH 2004 Group NZ\$	MARCH 2003 Group NZ\$
Goodwill		
Cost	3,031,562	3,031,562
Additional Goodwill purchased during the year	609,980	-
Accumulated amortisation	(1,871,228)	(657,381)
	<u>1,770,314</u>	<u>2,374,181</u>

Goodwill is amortised over a period not exceeding ten years from the date of acquisition. The carrying value of goodwill is reviewed on a regular basis for impairment. In the year ended 31 March 2004, the goodwill arose on the acquisition of the remaining 30% of Sealegs International Limited.

## 17. Bank

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Cash at Bank and on hand	396,117	125,502	173,929	17,242
Bank deposits	23,933	23,933	924,783	924,783
	<u>420,050</u>	<u>149,435</u>	<u>1,098,712</u>	<u>942,025</u>

The New Zealand Exchange Limited holds a NZ\$75,000 deposit for the Group as a normal listing requirement. This amount has not been included in the bank balances above.

## 18. Payables and Accruals

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Trade payables	96,108	9,995	125,571	44,219
Sundry payables and accruals	176,280	133,445	43,868	42,426
Payable to Directors	-	-	15,625	15,625
Deposits on orders	253,592	-	-	-
Employee Entitlements	7,256	7,256	-	-
Total Payables	<u>533,236</u>	<u>150,696</u>	<u>185,064</u>	<u>102,270</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March 2004

### 18. Payables and Accruals continued

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Opening balance	-	15,245	252,555	152,555
Provision utilised	-	-	(152,555)	(122,310)
Provision utilised	-	(15,245)	(100,000)	(15,000)
Closing balance	-	-	-	15,245

### 19. Contingent Liabilities

There were no contingent liabilities at balance date (2003: Nil)

### 20. Commitments

#### Operating Lease Commitments

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Lease commitments under non-cancelable operating leases:				
Less than 1 year	-	-	173,656	156,323
Total Operating Lease Commitments	-	-	173,656	156,323

### 21. Transactions with Related Parties

During the year Sealegs Corporation Limited made a loan advance of \$503,879 to its subsidiary Sealegs International Limited (2003: \$594,521). The loan is payable on demand, and no interest is charged on the balance.

Platinum Management Limited provides management services to the Group. David McKee Wright and Maurice Bryham are employed by Platinum Management Limited, David being the director of this company. David McKee Wright and Maurice Bryham also hold significant shareholdings in Sealegs Corporation Limited. Total payments made to Platinum Management during the year totaled \$300,000 (2003: \$300,000).

### 22. Earnings Per Share

	MARCH 2004 Group	MARCH 2003 Group
Earnings (deficit) per share (undiluted)	(0.30 cents)	(0.89 cents)
Earnings (deficit) per share (diluted)	(0.29 cents)	(0.722 cents)

### 23. Financial Instruments

Maximum exposure to credit risk at balance date are:

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Bank balances	495,050	224,435	1,173,712	1,017,025
Receivables	78,812	65,739	125,095	626,064

No collateral is held on the above amounts. There are no significant concentrations of credit risk for the parent or group.

## 23. Financial Instruments cont..

### Interest Rate Risk

At 31 March 2004 the Sealegs Corporation Group held the following short-term deposits at fixed rates of interest ranging from 4.0% to 5.1% per annum.

	VALUE NZ\$ Group & Parent	VALUE NZ\$ 2003
Bank Deposit	98,933	96,546

### Fair Values

The estimated fair values of financial instruments are as follows:

	MARCH 2004		MARCH 2003	
	Carrying Amount NZ\$	Fair Value NZ\$	Carrying Amount NZ\$	Fair Value NZ\$
Parent				
Investments – Unlisted	4,357,062	4,357,062	6,955,319	6,955,319

There are no significant exposures to currency risk for the parent or the group.

The following methods and assumptions were used to estimate the fair value of each class of the following instruments.

#### *Bank Balances, Receivables, Payables and Investments*

The carrying value is the fair value for each of these classes of financial instrument.

## 24. Reconciliation of Reported Surplus After Taxation with Net Cash Flows from Operating Activities

	MARCH 2004		MARCH 2003	
	Group NZ\$	Parent NZ\$	Group NZ\$	Parent NZ\$
Reported surplus (deficit) after taxation	(2,695,293)	(4,802,647)	(2,695,368)	(1,146,570)
Add (less) non-cash items and non-operating items:				
Amortisation of goodwill	1,213,847	-	657,381	-
Depreciation	27,095	20,067	59,974	23,178
Property, plant and equipment written off	-	-	-	-
Provision for doubtful debts	-	-	-	-
Other	9,515	3,905,320	(2,536)	(37,932)
Non Cash Directors Fees	60,000	60,000	90,000	90,000
Write down in value of advances to investees	-	-	-	-
(Gain) loss on sale of investments	-	-	506,739	-
Transfer of shares to employees	-	-	-	-
Foreign exchange gain	(37)	38	-	-
	1,310,420	3,985,425	1,311,568	75,246

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March 2004

### 24. Reconciliation of Reported Surplus After Taxation with Net Cash Flows from Operating Activities continued

#### Movement in Working Capital

Increase (decrease) in payables & accruals	94,580	48,426	(775,502)	(399,639)
(Increase) decrease in receivables	33,260	(769)	212,536	(3,825)
(Increase) decrease in other current assets	61,778	36,266	-	90,033
Increase (decrease) in tax balance	(50,657)	(50,657)	-	-
(Increase) decrease in inventory	(119,065)	-	-	-
Increase (decrease) in income in advance	253,592	-	-	-
Less Non Cash item relating to disposal of subsidiary	-	-	172,616	-
<b>Net cash flows from operating activities</b>	<b>(1,111,385)</b>	<b>(783,956)</b>	<b>(1,774,150)</b>	<b>(1,384,755)</b>

### 25. Employee Share Ownership Plan

1. 55,000 (2003: 55,000) partly paid shares are held by the Employee Share Ownership Plan. These are all allocated.
2. At 31 March 2004 the options issued had exercise prices ranging between \$0.04 and \$0.38, as determined by management. Directors and associated persons of Directors are excluded from participating in the issue of such options if the issue is a material transaction with a related party, unless the transaction is approved by an ordinary resolution of shareholders and the notice of the meeting approved by an appraisal report.

For the year ended 31 March 2004 the Employee Share Scheme had:

- 20,000 ordinary shares paid to \$0.01 – uncalled \$0.66. 22.98% of the class.
- 5,000 ordinary shares paid to \$0.01 – uncalled \$0.56. 100% of the class.
- 30,000 ordinary shares paid to \$0.01 – uncalled \$0.26. 100% of the class.
- 100,000 shares partly paid to \$0.01 - exercise price \$0.44. 100% of the class.
- 5,567,500 options expiring 1 April 2004 – exercise price \$0.14. 100% of the class.
- 750,000 options expiring 1 April 2004 – exercise price \$0.17. 100% of the class.
- 8,473,958 options expiring 1 April 2004 – exercise price \$0.24. 100% of the class.
- 4,002,851 options expiring 1 April 2004 – exercise price \$0.34. 100% of the class.
- 1,475,000 options expiring 1 April 2004 – exercise price \$0.38. 100% of the class.
- 1,000,000 options expiring 31 December 2005 – exercise price \$0.04. 100% of the class.

The company has the power to appoint and remove trustees of the Employee Share Scheme. The shares held by employees under the Employee Share Scheme carry the same voting rights as other issued ordinary shares pro-rata to paid up value. There are no advances made by the Company to the employee share ownership plan. Unallocated shares of the employee share ownership plan are not subject to put or call options.

### 26. Segment Information

At 31 March 2004 the company operated predominantly in one industry as an amphibious marine craft manufacturing company. All material operations are within New Zealand.

## 27. Foreign Currency Transactions

	MARCH 2004 Group & Parent NZ\$	MARCH 2003 Group & Parent NZ\$
Payables		
SGD	-	SGD 5,219
AUS	AUS 5,000	AUS 8,095

## 28. Going Concern

Based on current forecasts, the Directors of Sealegs Corporation Limited have determined that funding of \$1.7 million will be required to cover the working capital needs for the twelve months from the date of the audit report. The Group has cash of \$420,050 as at 31 March 2004. After making due enquiry with potential investors, the considered view of the Directors of Sealegs Corporation Limited is that there is reasonable expectation that the company and group will be able to obtain the additional \$1.3 million in funding to continue operations at existing levels for the next 12 months from the date of the audit report.

Given the anticipated additional capital investment, the directors believe the going concern assumption is a valid basis on which to prepare the financial statements.

The Board has reached this conclusion having regard to the circumstances which it considers likely to affect the company and group during the period of one year from 15 June 2004 and to circumstances which it knows will occur after that date which could affect the validity of the going concern assumption.

If the company and group were unable to continue in operational existence, adjustments would have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts which are currently recorded in the statement of financial position. In addition, liabilities may need to be recognised for costs associated with the realisation process.

The statements of financial performance and of financial position for the company and group do not include any adjustments that would result should the financial support not continue.

## 29. Significant Events After Balance Date

There were no significant events after balance date.

## SHAREHOLDER INFORMATION

for the year ended 31st March 2004

### Substantial Security Holders

The following information is given pursuant to section 26 of the Securities Amendment Act 1988.

The following persons as at 31/03/04 have disclosed they are substantial security holders of the Company and provide the following information.

	Number of Shares Held	Percentage Held
Nada Daisy Bryham & KPMG Legal Trustee Company Ltd	146,412,301	21.74
Kenneth Edward McKee Wright & Christina Carol McKee Wright	106,496,968	15.81
Raphael Chaikin	45,636,542	6.77
Brian Ernest Taylor	43,383,542	6.44

### Statement of Directors' Interests

Present directors held the following equity securities in the Company:

		Beneficially Held	
		2004	2003
John Robertson	Options \$0.14	600,000	600,000
	Ordinary	4,108,000	1,304,000
Donald Caldwell	Options \$0.17	300,000	300,000
	Ordinary	3,250,000	500,000
Brian Taylor	Ordinary	43,383,542	12,250,000
David McKee Wright	Ordinary	106,496,968	35,625,000

### Twenty Largest Shareholders as at 31 March 2004

	Number of Shares Held	Percentage Held
Nada Daisy Bryham & KPMG Legal Trustee Company Ltd	146,412,301	21.74
Kenneth Edward McKee Wright & Christina Carol McKee Wright	106,496,968	15.81
Raphael Chaikin	45,636,542	6.77
Brian Ernest Taylor	43,383,542	6.44
Cross Atlantic Capital Partners Inc	29,267,028	4.34
Johnny Lum	19,897,707	2.95
ANZ Nominees Limited	16,366,273	2.43
The Co Investment 2000 Fund LP	12,500,000	1.85
Ben John Bernstone & Kevin Rainey	10,890,000	1.61
Glen James Robinson	10,020,600	1.48
Arthur Frederick Whitaker	6,000,000	0.89
Silver Spur Investments Limited	5,730,000	0.85
Gary Simpson	4,724,226	0.70
John Struan Robertson	4,108,000	0.61
Lynda Hart Bailey	3,400,000	0.50
Donald Caldwell	3,250,000	0.48
Francis Keegan & Jean Keegan	2,925,903	0.43
Springbrook Partner L.P.	2,885,017	0.42
Citibank Nominees (New Zealand) Limited	2,009,225	0.30
Esta Holdings Limited	2,000,000	0.29
	477,903,332	70.89

Spread of Security Holders as at 31 March 2004

Size of Shareholding	Number of Holders	Percentage	Number of Shares Held
1 – 499	20	0.44	3,782
500 – 999	60	1.29	36,902
1,000 – 1,999	318	6.86	386,493
2,000 – 4,999	832	17.94	2,506,481
5,000 – 9,999	757	16.33	4,820,382
10,000 – 49,999	1,810	39.03	38,142,711
50,000 – 99,999	347	7.48	22,540,054
100,000 – 499,999	420	9.06	76,816,335
500,000 – 999,999	36	0.78	24,218,333
1,000,000 – 99,999,999	37	0.80	502,926,045
	4,637	100.01	672,397,518

Principal Activities

The principal activities of the Company are an amphibious marine craft manufacturer.

Directors Holding Office During the Year Were;

Parent:

Alan Townsend	Resigned	25/09/03
Brian Taylor	Appointed	25/09/03
David McKee Wright	Appointed	25/09/03
Donald Caldwell	Appointed	2000
Jay Snider	Resigned	25/09/03
John Robertson	Appointed	1993

Subsidiaries:

Sealegs International Limited

Brian Taylor	Appointed	12/11/03
David McKee Wright	Appointed	01/09/03

Remuneration of Directors

	Group NZ\$	Parent NZ\$
John Robertson	30,000	30,000
Alan Townsend	7,500	7,500
Jay Snider	7,500	7,500
Donald Caldwell	15,000	15,000
David McKee Wright	7,500	7,500
Brian Taylor	7,500	7,500

Remuneration of Employees

	Group	Parent
\$100,001 – 150,000	-	-
\$150,001 – 200,000	-	-
\$200,001 – 250,000	-	-
\$250,001 – 300,000	-	-

There are no employees with remuneration of \$100,000 or more.

## SHAREHOLDER INFORMATION

for the year ended 31st March 2004

### Entries in the Interests Register

#### Directors' Interest

Directors have declared interests in the following transactions with the Company during the year:

Brian Taylor purchased 9,066,771 non-beneficially held shares during the year.

Jay Snider disposed of 9,066,771 non-beneficially held shares during the year.

During the year a Rights Issue was conducted and underwritten by David McKee Wright and Maurice Bryham. David McKee Wright took up rights, resulting from this underwriting, of 34,496,968 shares.

### Share Dealings

During the year the following present directors acquired or disposed of equity securities in the Company:

Director	Number of Shares Acquired (Disposed)	Class of Shares	Consideration Paid (received) (NZ\$)	Date of Acquisition or Disposal
John Robertson	1,304,000*	Ordinary	2,152	21/11/03
Donald Caldwell	875,000*	Ordinary	1,444	21/11/03
Brian Taylor	9,066,771	Ordinary	45,334	04/11/03
Brian Taylor	21,316,771*	Ordinary	35,173	21/11/03
David McKee Wright	70,121,968*	Ordinary	115,701	21/11/03

\* Shares acquired as a result of Rights Issue

### Annual General Meeting

The 2004 Annual General Meeting of Sealegs Corporation Limited is to be held on Thursday 26 August 2004 at 1:00pm in Hamilton.

For and on behalf of the Board:



John Robertson  
Director  
15 June 2004



David McKee Wright  
Director  
15 June 2004

## Board Committee

The Board has established two committees.

### Audit Committee

J Robertson (Chairman)

D Caldwell

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's financial results and to review and make appropriate inquiry into the audits of the company's accounts.

### Remuneration Committee

J Robertson (Chairman)

B Taylor

This committee assists the Board in considering recommendations regarding Directors' remuneration and compensation and in determining compensation adjustments for senior managers.

## DIRECTORY

for the year ended 31st March 2004

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Company Number:	HN/345055
Date of Incorporation:	16 July 1987
Directors:	J Robertson, MBA, BBS (Hons), CA, Chairman D Caldwell, BS, MBA, CPA D McKee Wright, ACA B Taylor
Registered Office:	c/- KPMG 18 Viaduct Harbour Avenue AUCKLAND Ph: (+649) 414 5528 Fax: (+649) 414 5546 Email: info@sealegs.com Web: www.sealegs.com
Auditor:	Ernst & Young, Auckland, New Zealand
Bankers:	ASB Bank Limited, Auckland, New Zealand ANZ Banking Group (New Zealand) Limited, Auckland, New Zealand
Share Registry:	Computershare Investor Services Limited Private Bag 92119 AUCKLAND 1020 Ph: (+649) 488 8777 Fax: (+649) 488 8787 Email: enquiry@computershare.co.nz