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**A2 CORPORATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004**

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**A2 CORPORATION LIMITED
COMPANY DIRECTORY
AS AT 31 MARCH 2004**

Company Number	1014105
Issued Capital	20,422,059 A Class Shares 115,725,000 B Class Shares
Registered Office	Anderson Lloyd Caudwell Otago House 475 Moray Place
Shareholders	Listed on NZAX (from April 21, 2004)
Share Registrar	BK Registries Limited PO Box 384 Ashburton
Directors	Mr J K Guthrie. BA LLB (Chairman) Dr C N S McLachlan. PhD (deceased 9th August 2003) Mr H J Paterson. BA (deceased 1st July 2003) Dr W L Burt. PhD Dr A J Allison (Appointed 18th September 2003) Mr G J Paterson (Appointed 18th September 2003)
Post balance date appointments	Mr C J Cook (Appointed 31st May 2004) Mr G P Hinton (Appointed 31st May 2004)
Accountants	Jackson Valentine Limited P O Box 5546 Dunedin
Auditors	Ernst & Young P O Box 2091 Christchurch
Bankers	Bank of New Zealand Dunedin
Solicitors	Anderson Lloyd Caudwell Private Bag 1959 Dunedin

A2 CORPORATION LIMITED NOTICE OF MEETING

NOTICE is given that the Annual Meeting of A2 Corporation Limited ("the Company") for the year ended 31 March 2004 is to be held on Monday, 26 July 2004 at 2pm at Stamford Plaza Auckland, 22 Albert Street, Central Auckland.

ORDINARY BUSINESS

1. Financial Statement and Reports

To receive and consider the Financial Statements, together with the Auditor's Report and Annual Report, for the year ended 31 March 2004.

2 Directors Appointments

To elect the following as directors of the Company:

- a. Gregory Paul Hinton, in accordance with Clause 16.3 of the Company's constitution by the shareholders of the Company;
- b. Clifford James Cook, in accordance with Clause 16.3 of the Company's constitution by the shareholders of the Company.

3. Auditors Remuneration

The Auditors are automatically re-appointed as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next Annual Meeting. Shareholders are asked to authorise the Directors to fix their remuneration for the ensuing year.

PROXIES

A member entitled to attend and vote may appoint a proxy to attend and vote on that member's behalf. The proxy need not be a member of the Company. Proxy forms must be received at the registered office of the Company, not less than 48 hours prior to the date and time of the meeting. A proxy form is enclosed with this notice. (Refer page 27 of this booklet).

CORPORATE REPRESENTATIVES

A corporation which is a Shareholder may appoint a representative to attend the meeting on its behalf in the same manner as it could appoint a proxy.

POSTAL VOTING

A Shareholder is entitled to exercise his/her vote at the meeting by casting a postal vote. A postal voting form is incorporated in the proxy form.

By order of the Board of Directors.



James Kempster Guthrie on behalf of
"Clifford James Cook, Acting Chairman"

A2 CORPORATION LIMITED

DIRECTORS' REPORT/CORPORATE GOVERNANCE STATEMENT

Role of the Board

The Directors present their report and audited accounts for the year ended 31 March 2004.

The 2004 year was the company's fourth year of operation and the year in review was eventful. In many ways it marked a new beginning for our company, it becoming influenced by new shareholders, having solvency restored and key steps taken towards the further commercialisation of A2 products.

At this time last year I reported with great sadness the tragic deaths of Mr Howard Paterson and Dr Corran McLachlan in July and August 2003 respectively. As their deaths occurred in this, the current year under review, it is appropriate for me to say again how important has been their contribution to the company and its initial establishment.

Review of Events

For me, the key event for the year was the acquisition by interests associated with Mr Cliff Cook and Mr Gregory Hinton of a significant parcel of shares in Machin Investments Limited. Shareholders will recall that Machin Investments Limited is one of A2 Corporation's largest shareholders and was the vehicle by which the late Dr McLachlan and his interests owned their shares in A2 Corporation. The change in shareholder within Machin Investments Limited, allowed an agreement to be reached between all major shareholders that ultimately led to the reconstruction of the company which, whilst completed after the end of the year under review, represents the major governance change since I last reported to you.

A special general meeting of the company was held at Auckland on 14 April 2004. This meeting paved the way for the restructuring of the company, the adoption of a single class of shares all of which rank pari passu and a capital raising by way of a renounceable rights issue that raised \$3.02 million. Another major event touching upon the company's governance was the issue to the WF Asian Smaller Companies Fund Limited, an institutional investor base with Hong Kong, of 5.0 million shares in your company at 10 cents per share.

I announced some months ago my intention to stand aside as your Chairman, an office that I have held since A2 Corporation became a public company. I have suffered from Parkinson's disease for 12 years now and it has begun to seriously restrict my ability to discharge my responsibilities. It is with pleasure that I record that Mr Cook has accepted the invitation of your Board to become the company's new Acting Chairman. Mr Cook takes office with my full support and endorsement and I look forward to working with him to achieve the company's business goals.

Results and Dividend

The consolidated net loss for the year was \$2.158M which was within budget. Commercialisation of the intellectual property in Australia and in the United States of America proceeds favourably.

In August 2003 A2 Corporation granted an exclusive licence to Ideaspheres Incorporated to market A2 milk products in North America. Royalty payments due to us by Ideaspheres Incorporated have been paid on time since the licence was signed. A further payment of \$US400,000 becomes payable in September of this year bringing the total due for receipt during the first year of the licence to \$US500,000.

Your directors are confident that the company is establishing a strong presence in the markets in which it trades and that the income streams from animal testing and A2 product sales are growing in a satisfactory way. Your directors are of the unanimous opinion that these income streams are sustainable and will be sufficient to allow the company to become self funding in the near future.

A2 CORPORATION LIMITED

DIRECTORS' REPORT/CORPORATE GOVERNANCE STATEMENT

Intellectual Property

In May 2003 A2 Corporation Limited gained a cornerstone patent in the United States of America. This patent secures the rights to a DNA test enabling the genotyping of cattle - the most accurate, high throughput and cost effective approach to establish herds for the production of A2 Milk.

Corporate Governance Statement

With the company's listing on the New Zealand Stock Exchange's alternative market ("NZAX") it is proper that I should explain to you the corporate governance model that your director's have adopted. This model is intended to ensure that directors govern and management manages and that both do so in pursuit of agreed business outcomes clearly identified in the company's forward plan.

Role of the Board

The Board of A2 Corporation Limited is elected by shareholders to supervise the management of the company. The Board establishes the company's objectives, annual budgets and overall policy framework within which the business is conducted and at the same time is proactive in identifying opportunities consistent with those objectives. The Board monitors management performance relative to these goals and plans. Day to day management is delegated through Mr Andrew Clarke, the Chief Executive and Mr John Ryall, the Marketing Manager.

The Board has the obligation to protect and enhance the value of the assets of the company. It achieves this through approval of appropriate corporate strategies with particular regard to the protection of the company's brand and intellectual property. The Board approves all significant transactions related to licensing and capital expenditure, as well as being charged with the approval of the financial policies of the company and the review of the performance of the company against its strategic objectives.

Code of Conduct

The Board intends to adopt a code of conduct for its members, executives and staff specifying the business standards, ethical considerations and conducting its business with stakeholders. The code will include corporate governance matters (as described) and trading of the company's securities.

Risk Identification and Management

The company has in place policies and procedures to identify areas of significant business risk and implement procedures to effectively manage those risks. Where appropriate the Board obtains advice directly from external advisors. Once the significant business risk is identified the Board is advised and corrective action is taken promptly to mitigate or monitor the risk.

Treasury Policy

Exposure to foreign exchange and interest rate risks is managed in accordance with the company's treasury policy that sets limits on management's authority. The present policy requires all receipts to be converted into New Zealand currency as soon as cleared funds are available, whilst debts due in foreign currencies are paid first from funds available in the company's accounts overseas (if any) and then in the normal course of business from New Zealand funds.

A2 CORPORATION LIMITED

DIRECTORS' REPORT/CORPORATE GOVERNANCE STATEMENT

Board Operations and Membership

The Board comprises 6 directors, all six being non-executive directors. All six directors are independent within the meaning of the NZAX's proposed corporate governance rules and regulations. The Board members have an appropriate range of experience, skills and proficiencies to ensure that all governance responsibilities are completed and ensuring the best possible management of resources and of the business of the company in the interests of all shareholders.

The Board reviews its composition periodically to ensure that it has the appropriate mix of expertise and experience. Where a vacancy exists or it is considered that the Board will benefit from the services of a new director with particular skills the Board will make such an appointment on the basis that the new director must stand for election at the next general meeting of shareholders.

As reported in last year's annual report, following the deaths of Mr Howard Paterson and Mr Corran McLachlan, Dr John Allison and Mr Grant Paterson were appointed directors on the 18th September 2003 and are to hold office until the next Annual General Meeting. Mr Cliff Cook and Mr Greg Hinton were appointed to the Board on the 31st of May 2004.

A2 Corporation's constitution sets out policies and procedures on the operation of the Board including the appointment and removal of directors.

Board Committees

As the Board is of a small size most matters that would ordinarily be handled by a Board committee are handled by the full Board. However the Board has constituted a number of Committees

- remuneration - Mr G Paterson, Mr Hinton and Mr Cook
- audit - Mr Hinton, Mr Guthrie and Dr Allison
- scientific - committee to be headed by Dr Allison
- compliance committee - Mr G Paterson.

Committees Established by the Board

Review and analyse policy and strategies, usually developed by management which are within their terms of reference. The committees examine proposals and where appropriate make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specially mandated by it having given its authority beforehand.

The remuneration committee is responsible for establishing employee remuneration schemes, reviewing and recommending to the full Board the approval of compensation arrangements for the management team, executive and non-executive directors. Salaries of key staff are related to market performance and incentives centred on achieving specific outcomes and relative share price performance are intended.

The audit committee is responsible for overseeing the financial accounting and auditing activities of the company including meeting with and reviewing the performance of external auditors, reviewing the consolidated financial accounts and making recommendations on financial and accounting policies.

It has been a privilege to serve on the Board of A2 Corporation Limited and to have held office as its Chairman in these past three years. I thank you for your support and encouragement during that period, particularly in the dark days of winter 2003. I look forward to a prosperous summer and the achievement of the company's goals and corporate objectives.



J K Guthrie
Chairman

A2 CORPORATION LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 \$	2003 \$
Revenue		439,483	104,000
Expenses		<u>2,597,465</u>	<u>2,259,794</u>
Operating Surplus (Deficit) before Income Tax	6	(2,157,982)	(2,155,794)
Taxation Expense	4	-	-
Net Surplus (Deficit) for the year	6	<u><u>2,157,982</u></u>	<u><u>(2,155,794)</u></u>

This statement should be read in conjunction with the Notes on Pages 11 to 21

A2 CORPORATION LIMITED
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2004

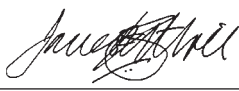
	2004	2003
	\$	\$
Equity at the Beginning of the Year	7,587,946	9,743,740
Net Surplus (Deficit) for the year	<u>(2,157,982)</u>	<u>(2,155,794)</u>
Total Recognised Revenues and Expenses for the Year	(2,157,982)	(2,155,794)
Equity at the End of the Year	<u><u>5,429,964</u></u>	<u><u>7,587,946</u></u>

This statement should be read in conjunction with the Notes on Pages 11 to 21

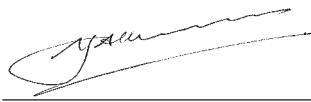
A2 CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2004

	Notes	2004 \$	2003 \$
EQUITY			
Share Capital	2	12,992,500	12,992,500
Retained Earnings (Deficit)	3	(7,562,536)	(5,404,554)
Total Equity		<u>5,429,964</u>	<u>7,587,946</u>
 CURRENT ASSETS			
Cash and Short Term Deposits		10,619	261,770
Accounts Receivable and Accruals		106,318	46,257
RWT Refund Due		<u>12,221</u>	<u>11,180</u>
Total Current Assets		129,158	319,207
 CURRENT LIABILITIES			
Bank Overdraft (Secured)		601,917	
Accounts Payable and Accruals		181,006	171,305
Employee Entitlements		18,368	8,380
BNZ Term Loan	12	<u>625,000</u>	
Total Current Liabilities		<u>1,426,291</u>	<u>179,685</u>
 WORKING CAPITAL		 (1,297,133)	 139,522
 NON CURRENT ASSETS			
Property, Plant and Equipment	7	25,683	34,552
Investments	5	13,995	50,000
Intangible Assets	8	<u>6,687,419</u>	<u>7,363,872</u>
Total Non Current Assets		6,727,097	7,448,424
 NET ASSETS		 <u>5,429,964</u>	 <u>7,587,946</u>

For and on behalf of the Board of Directors, which authorised the issue of the financial report on the 10th day of June 2004.

Directors 

 J. K. Guthrie



 A. J. Allison

A2 CORPORATION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004	2003
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		374,390	40,091
Interest received		1,255	49,475
RWT refund			52,019
Cash was disbursed to:			
Payments to suppliers and employees		1,676,415	1,294,195
Research costs		112,178	349,963
Interest expense		53,697	542
RWT paid		1,041	11,200
Net cash flows from (used in) operating activities	16	<u>(1,467,686)</u>	<u>(1,514,315)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was applied to:			
Purchase of property, plant and equipment		2,420	7,384
Purchase of investments			50,000
Purchase & development of patents, trademarks & intellectual property		-	-
Net cash flows from (used in) investing activities		<u>(2,420)</u>	<u>(57,384)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
BNZ Term Loan		625,000	
NET INCREASE (DECREASE) IN CASH BALANCES		<u>(845,106)</u>	<u>(1,571,699)</u>
Opening Cash Carried Forward		261,770	1,841,245
Effect of exchange rate changes on cash		(7,962)	(7,776)
ENDING CASH CARRIED FORWARD		<u>(591,298)</u>	<u>261,770</u>
COMPOSITION OF CASH			
Cash and Short Term Deposits		10,619	261,770
Less Bank Overdraft		(601,917)	
		<u>(591,298)</u>	<u>261,770</u>

This statement should be read in conjunction with the Notes on Pages 11 to 21

A2 CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

1 Statement of Accounting Policies

Reporting Entity

The financial statements presented here are for the reporting entity: A2 Corporation Limited.

These financial statements are presented and prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.

A. Measurement Base

The general accounting policies recognised as appropriate for the measurement and reporting of financial performance, and the financial position on the historical cost basis are followed by the company.

B. Specific Accounting Policies

The following specific accounting policies which significantly affect the reporting of financial performance and financial position have been applied:

(i) Revenue Recognition

Turnover shown in the financial statements comprises the amounts received and receivable by the company for goods/services supplied to customers in the ordinary course of business, excluding goods and services tax.

(ii) Depreciation

Depreciation is provided on a diminishing value basis on all property, plant and equipment at rates calculated to allocate the assets' cost or valuation, less estimated residual value, over their estimated useful lives.

Depreciation rates are:

Office and computer equipment 14.4% - 60%

(iii) Property, Plant and Equipment

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

(iv) Patent Rights and Trade Marks

Patent rights and trade marks are recognised at their cost and amortised to the statement of financial performance on a straight line basis over the life of patents and trademarks of thirteen years and five years respectively.

A2 CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

(v) Impairment

If the recoverable amount of an asset is less than its carrying amount, the item is written down to its recoverable amount. The write down of an asset recorded at historical cost is recognised as an expense in the statement of financial performance. When a revalued asset is written down to the recoverable amount the write down is recognised as a downward revaluation to the extent that the revaluation reserve of the class of asset concerned is in credit.

The carrying amount of an asset that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a reversal of the impairment loss. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred. Reversals of impairment write downs are accounted for as follows:

- On assets that are not revalued the reversal is recognised in the statement of financial performance.
- On revalued assets the reversal is recognised as revenue to the extent that the impairment was recognised as an expense, and the balance is treated as an upward revaluation.

(vi) Receivables

Receivables are stated at their net realisable value.

(vii) Investments

Investments are recorded at estimated market value.

(viii) Consumable Supplies

Consumable supplies are recorded at cost.

(ix) Research and Development Costs

Research expenditure is expensed in the period incurred. Development costs are expensed as incurred, except to the extent that such costs meet the criteria for recognition of an asset under FRS 13 - Accounting for Research and Development Activities. Any costs considered recoverable will then be amortised on a systematic basis over the period in which the corresponding benefits are expected to arise. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable. Any amount so identified is written off.

(x) 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.

A2 CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

(xi) Goods and Services Tax (GST)

The statement of financial performance and statement of cash flows have been prepared so that all components are stated exclusive of GST.

(xii) Financial Instruments

Financial instruments recognised in the statement of financial position includes cash balances, receivables, and payables. The company is not party to any off balance sheet financial instruments.

(xiii) Foreign Currencies

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction. Monetary assets and liabilities arising are translated at closing rates. Gains and losses due to currency fluctuations on these items are included in the statement of financial performance.

(xiv) Leases

The company leases certain premises.

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 instalments over the period of the lease.

C. Changes in Accounting Policies

Investments are now recorded at estimated market value. Previously these have been recorded at cost. There was no financial effect on these financial statements following this change.

There have been no other changes in accounting policies. These have been applied on bases consistent with those used in the previous period.

A2 CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

	2004	2003
	\$	\$
2 Share Capital		
<i>On April 19th, 2004 the Company adopted a new Constitution which restructured the share capital into one class of shares, all ranking pari passu. The following shows as a matter of record the company's capital position at balance date.</i>		
20,422,059 A Class Shares	fully paid 30,000	30,000
115,725,000 B Class Shares	fully paid 12,962,500	12,962,500
	12,992,500	12,992,500

Except as provided to the contrary in the constitution and summarised below, all shares have the same rights and privileges and are subject to the same restrictions. Each share has an equal right to share in any surplus on winding up of the company.

The holders of A Class Shares are entitled to:

- a. 15% of the total voting rights on a poll taken in accordance with clauses 16.15 to 16.22 of the constitution (both inclusive) and 15% of all distributions to shareholders (whether in the nature of a dividend, a share repurchase or otherwise howsoever); and
- b. always hold 15% of the shares in the company. Therefore if the Company issues further shares then, upon the holder of A Class Shares providing notice in writing to the company, the company will for no additional consideration whatsoever issue fully paid A Class Shares, as applicable, to that shareholder to a total amount issued, equal to 15% of the total number of shares in the Company.
- c. To appoint one of the directors of the company, and from time to time and at any time, to remove from office any director so appointed and to appoint another person in his or her place.

The holders of B Class Shares are entitled to:

- a. 85% of the total voting rights.
- b. To appoint three of the directors of the company, and from time to time and at any time, to remove from office any director so appointed and to appoint another person in his or her place.

Capital Restructure

As at 31 March 2004, the Company's share structure was divided into A and B share, as detailed above. Post 31 March 2004, the sole A shareholder agreed to give up its entrenched rights associated with the A shares and certain other rights in return for the issue of 50,302,941 B class shares. The company adopted a new constitution on April 19, 2004, and on that date, all shares were classified as ordinary shares of one class ranking pari passu in all respects. Those shares were listed on NZAX on April 21, 2004.

A2 CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

Share Options

Expire September 30, 2008

Option Scheme Limited holds an option to subscribe for a cumulative total of 7,500,000 B class shares in the Company at \$0.10 per share, at any time or times up to 30 September 2008, as agent for persons determined by the directors of A2 Corporation Limited as having made or making a significant contribution to the development or commercialisation of the Company's business including, but not limited to, directors and employees of the Company. Option Scheme Limited then has the power to decide which of the persons so determined by the directors of the Company are to be entitled to subscribe for shares and the maximum number of shares that Option Scheme Limited may subscribe for on behalf of each such person. A total of 145,000 Class B shares at \$0.50 per share (the equivalent of 725,000 shares at \$0.10 cents per share) were subscribed for and issued, in February 2001, pursuant to the exercise of the option held by Option Scheme Limited. A further 6,717,000 options have been allocated but had not been exercised at 31 March 2004. Accordingly, 58,000 options remain to be allocated and 6,775,000 shares remain to be issued pursuant to the exercise of the option.

	2004	2003
3 Retained Earnings (Deficit)	\$	\$
Opening Balance	(5,404,554)	(3,248,760)
Net Surplus (Deficit) for the Year	<u>(2,157,982)</u>	<u>(2,155,794)</u>
Closing Balance	<u>(7,562,536)</u>	<u>(5,404,554)</u>

4 Taxation

(i) Income Tax Expense

This has been estimated as follows:

Profit (Loss) Before Taxation	(2,157,982)	(2,155,794)
Taxation at 33%	-	-

Cumulative tax losses available to carry forward at 31 March 2004 are \$7,715,787; Last Year \$5,665,961.

In accordance with the accounting policy no income tax benefit has been recognised.

(ii) Imputation Credit Account

Opening Balance	11,180	51,999
Plus Credits: RWT attached to interest received	1,001	11,200
Less Debits: Income Tax Refunds		<u>52,019</u>
Closing Balance	<u>12,181</u>	<u>11,180</u>

5 Investments

New Zealand Shares - Diatranz Limited 100,000 shares converted to shares in Australian listed company		50,000
Australian Shares - Living Cell Technologies Pty Limited 67,895 shares	13,995	
	<u>13,995</u>	<u>50,000</u>
Market Value		Nil
Diatranz - 100,000 Shares		
Living Cell Technologies Pty Limited - 67,895 @ AUD \$0.18	13,995	
	<u>13,995</u>	<u>Nil</u>

A2 CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

6 Operating Surplus (Deficit) Before Taxation	2004	2003
after charging:	\$	\$
Amortisation of trade mark costs	8,557	8,558
Amortisation of Patent costs	667,897	667,898
Audit Fees related to Annual Financial Statements	13,593	8,019
Bad debts written off	3,675	74,111
Depreciation on office equipment and computers	11,289	16,914
Foreign exchange loss	7,962	2,048
Marketing costs	19,456	262,158
Rent	47,361	50,217
Research Costs	56,494	349,963
Write down of Investments to Estimated Market Value	36,005	
Interest Expense	53,697	542
after receiving:		
Interest Received	2,270	49,475
Rental Income	23,111	

7 Property, Plant and Equipment	Cost	Accumulated Depreciation	Book Value
March 31, 2004	\$	\$	\$
Office & Computer Equipment	76,985	58,364	18,621
Development Expenditure	7,062	-	7,062
Total	<u>84,047</u>	<u>58,364</u>	<u>25,683</u>
March 31, 2003			
Office & Computer Equipment	74,563	47,073	27,490
Development Expenditure	7,062	-	7,062
Total	<u>81,625</u>	<u>47,073</u>	<u>34,552</u>

8 Intangible Assets	2004	2003
	\$	\$
Patent Costs		
Opening Balance	7,346,888	8,014,786
Less amortisation of Patent Costs	<u>667,897</u>	<u>667,898</u>
	<u>6,678,991</u>	<u>7,346,888</u>
Trade Marks		
Opening Balance	16,984	25,542
Less amortisation of Trade Marks	<u>8,556</u>	<u>8,558</u>
	<u>8,428</u>	<u>16,984</u>
Total Intangible Assets	<u>6,687,419</u>	<u>7,363,872</u>

A2 CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

9 Capital Commitments

There are no capital commitments as at 31 March 2004, 31 March 2003 Year: Nil.

10 Contingent Liabilities

Child Health Research Foundation (CHRF)

According to the terms of their agreement dated October 6 2000, A2 must pay to CHRF a royalty of 5% of the gross royalties received by A2 Corporation. In respect of the three year period from 11 March 2002 to 10 March 2005, A2 Corporation guaranteed to CHRF that the minimum royalty payable under this agreement would be \$100,000 (plus GST if any). The payment of \$100,000 is due within 30 days of 30 June 2005. \$47,500 has been provided for in these financial statements.

Mr Anthony Rosen

Mr Rosen has issued proceedings against A2 Corporation whereby he is claiming £27,494.50 (approximately NZD 76,000 at 31 March 2004) plus interest in respect of payments he believes are due for agri-business consultancy services. A2 Corporation denies it has any such liability and is defending those proceedings. This claim was lodged prior to 31 March 2004.

11 Going Concern

As at 31 March 2004 the company had a negative working capital position. The Directors have adopted a going concern basis in the preparation of these financial statements. The Directors consider this is appropriate and that cash flows are adequate for the next 12 months given that post balance date a placement of shares took place raising \$500,000 and a Rights Issue was completed which raised \$3.018 million. These funds have been received by the company. Costs associated with the raising of these funds amounted to \$303,000.

12 Financial Instruments

Credit Risk

Financial instruments which potentially subject the company to credit risk, principally consist of bank balances and accounts receivable.

The company has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures with counter parties have been set and approved by the Board of Directors and are monitored on a regular basis.

Maximum exposures to credit risk at balance date are:	2004	2003
	\$	\$
Cash and Short Term Deposits	10,619	261,770
Accounts Receivable and Accruals	106,318	46,257
Resident Withholding Tax	12,221	11,180
	<u>129,159</u>	<u>319,207</u>

Concentrations of Credit Risk

A2 Corporation Limited's bank accounts are all with the Bank of New Zealand. The company does not have any other significant concentrations of credit risk.

A2 CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

Currency Risk

The company has a bank account in Australian Dollars. The balance of this bank account at balance date was AUD \$0; NZD \$0. (Last Year AUD 10,236)

The company has a bank account in US Dollars. The balance of this bank account at balance date was US \$0; NZD \$0. (Last Year Nil)

Interest Rate Risk

The company has no interest rate risk as all interest rates are floating. The interest rates at balance date range between 0% and 5.75%.

Credit Facilities

At 31 March 2004 the company had a bank overdraft facility from the Bank of New Zealand for the sum of \$625,000 repayable on demand. Of this amount \$601,917 was drawn down at balance date. The interest rate is floating and is set at 1% above the banks business base rate which is currently 9.7%. Security for the facility is by way of two related party guarantees of \$625,000.

At 31 March 2004 the company had a term loan from the Bank of New Zealand for the sum of \$625,000 repayable on 30 June 2004. The interest rate is floating and is currently 8.8%. Security for the facility is by way of two third party guarantees of \$625,000.

Since balance date and the successful completion of the Rights issue, the company has no bank borrowings.

Fair Values

The estimated fair values of the financial instruments are as follows:

	Carrying Amount 2004 \$	Fair Value 2004 \$	Carrying Amount 2003 \$	Fair Value 2003 \$
Cash and Short Term Deposits	10,619	10,619	261,770	261,770
Accounts Receivable and Accruals	106,318	106,318	46,257	46,257
Accounts Payable and Accruals	199,374	199,374	179,685	179,685
Short Term Debt	625,000	625,000	-	-

13 Segment Reporting

The company currently operates in only one country being New Zealand and in one industry being the market for sale and production of beta-casein A2 milk products.

14 Operating Lease Commitments

	2004 \$	2003 \$
Commitments in respect of non-cancellable operating leases:		
Not later than one year	17,917	43,000
Later than one year and not later than two years	-	17,917
Later than two years and not later than five years	-	-
	<u>17,917</u>	<u>60,917</u>

A2 CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

15 Transactions With Related Parties

A2 Corporation Limited paid legal fees and rent to Anderson Lloyd Caudwell barristers and solicitors of which Mr J K Guthrie is a partner. The legal fees and rent were charged at commercial rates. This year \$134,698; Last Year \$67,173. At balance date \$7,278 was outstanding; Last year \$3,580.

A2 Corporation Limited paid consultancy fees to Tenon Developments Limited of which Dr C N S McLachlan, a former director and shareholder had an interest. The consultancy services were charged at commercial rates. This year \$63,074; Last year \$150,000. At balance date no amount was outstanding.

A2 Corporation Limited paid rent to Otago Trust Limited of which Mr H J Paterson was a director and shareholder. The rental was charged at commercial rates. This year \$19,719; Last year \$5,502. At balance date \$47,182 was outstanding; Last year \$37,086.

A2 Corporation Limited paid consulting fees to Abacus Biotech Limited, of which Dr A J Allison is a director and shareholder. These fees were charged at commercial rates. This year \$29,586; Last year \$5,387. At balance date no amount was outstanding.

A2 Corporation Limited wrote off a debt in the 2003 year owing by Big Sky Dairy Farms Limited, in which interests associated with Mr H J Paterson held shares. This year \$Nil; Last year \$74,111.

16 Reconciliation of Net Surplus after Taxation with Cash Inflow (Outflow) from Operating Activities

	2004	2003
	\$	\$
Net Surplus (Deficit) After Taxation	(2,157,982)	(2,155,794)
Plus (less) Non-cash items:		
Amortisation of Trade Mark Costs	8,557	8,558
Amortisation of Patent Costs	667,896	667,898
Depreciation	11,289	16,914
Loss on sale of property, plant and equipment		275
Write down of Investments to Estimated Market Value	<u>36,005</u>	
Foreign exchange movement on foreign cash balances	<u>7,962</u>	<u>7,776</u>
	731,709	701,421
Plus (less) Movements in working capital:		
Accounts Payable and Accruals	19,689	(170,438)
RWT Refund Due	(1,041)	40,819
Accounts Receivable and Accruals	(60,061)	59,677
Prepayments		<u>10,000</u>
	<u>(41,413)</u>	<u>(59,942)</u>
Net Cash Flows From (Used In) Operating Activities	<u>(1,467,686)</u>	<u>(1,514,315)</u>

A2 CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

17 Prospective Financial Information

In December 2000, A2 Corporation Limited issued a prospectus for the subscription of 6,000,000 ordinary shares. The information below is a comparison of the forecast financial statements to A2 Corporation actual results for the year ended 31 March 2004.

	Year Ended March 31, 2004		Year Ended March 31, 2003	
	Forecast <i>(conservative)</i>	Actual	Forecast <i>(conservative)</i>	Actual
Statement of Financial Performance	\$	\$	\$	\$
Total Operating Revenue	<u>121,791,000</u>	<u>439,483</u>	<u>58,373,000</u>	<u>104,000</u>
Operating Surplus (Deficit) Before Taxation and Amortisation of Intellectual Property	82,616,000	(1,481,529)	21,311,000	(1,479,338)
Amortisation of Intellectual Property	-	(676,453)	-	(676,456)
Income tax expense (benefit)	<u>27,263,000</u>	<u>-</u>	<u>7,033,000</u>	<u>-</u>
Operating Surplus (Deficit) After Taxation	<u>55,353,000</u>	<u>(2,157,982)</u>	<u>14,278,000</u>	<u>(2,155,794)</u>

Statement of Financial Position

Equity	<u>40,551,000</u>	<u>5,429,964</u>	<u>34,098,000</u>	<u>7,587,946</u>
Current liabilities	(3,014,000)	(1,426,291)	(2,837,000)	(179,685)
Non-current liabilities	-	-	-	-
Current assets	27,221,000	129,158	19,113,000	319,207
Non-current assets	16,344,000	6,727,097	17,822,000	7,448,424
Net assets	<u>40,551,000</u>	<u>5,429,964</u>	<u>34,098,000</u>	<u>7,587,946</u>

Statement of Cash Flows

Net Cash Flow from Operating Activities	54,218,000	(1,467,686)	29,263,000	(1,514,315)
Net Cash Flow from Investing Activities	(20,000)	(2,420)	(170,000)	(57,384)
Net Cash Flow from Financing Activities	(48,900,000)	625,000	(17,500,000)	-
Net increase (decrease) in cash held	<u>5,298,000</u>	<u>(845,106)</u>	<u>11,593,000</u>	<u>(1,571,699)</u>

Actual operating revenue for the year ended March 31, 2004, is less than forecast as the company had previously decided not to proceed with testing cows and supplying A2 milk until animal research studies were completed. The company eventually launched A2 milk in New Zealand and Australia in the 2003 income year. In September 2003 it finalised a licence agreement with IdeaSphere Inc for distribution in the American market.

The non current assets are lower than forecasted due to the purchase of property, plant and equipment being deferred since the company is not supplying A2 milk.

A2 CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

18 Events Subsequent to Balance Date

Since balance date, on or about 16th April, 2004, A2 Corporation and the Child Health Research Foundation ("CHRF") agreed upon an amendment to their October 2000 agreement. CHRF will now receive 5% of A2 Corporation's earnings before interest, tax and amortisation ("EBITA"). CHRF will not however be due any payments on sales made by A2 Corporation in the three years following the completion of the Rights issue. A2 Corporation has now agreed to pay CHRF \$50,000 on completion of the Rights issue with the remaining \$50,000 to be paid by June 2005.

A2 CORPORATION LIMITED
ADDITIONAL STOCK EXCHANGE INFORMATION
FOR THE YEAR ENDED 31 MARCH 2004

The Company's ordinary shares are listed on the New Zealand Stock Exchange. Details in regard to such securities are as follows.

1 Substantial Security Holders

The company's register of substantial security holders, prepared in accordance with section 26 of the Securities Amendment Act 1988 recorded the following information as at 8 June 2004

Name	Date of Notice	No.	%
Machin Investments Limited	2nd June 2004	100,725,000	40.000
Lotus Capital Biotechnology Limited	2nd June 2004	23,565,330	9.3580

2 Directors' Shareholdings

Directors held the following equity securities in the Company at 31 March 2004.

Name of Director	Associated entity	Beneficial		Non Beneficial	
		No.	%	No.	%
W. Burt	Lotus Capital Biotechnology	15,710,220	11.53%	Nil	
W. Burt	Marint Limited	5,000,000	3.67%	Nil	
J Guthrie	Kempster Trust	750,000	0.55%	Nil	
A J Allison		1,010,000	0.74%	Nil	
R G Paterson		152,505	0.11%	Nil	

3 Twenty Largest Equity Security Holders

The names of the 20 largest holders of equity securities as at 8 June 2004 are listed below.

Top 20 Shareholders		No.	%
1	Machin Investments	100,725,000	40.000%
2	Lotus Capital Biotechnology Limited	23,565,330	9.358%
3	Silverpeaks Investments Limited	11,779,125	4.678%
4	Forbar Custodians Limited	9,238,261	3.669%
5	New Central Securities Depository	9,037,500	3.589%
6	Marint Limited	7,500,000	2.978%
7	Raewyn Hall	2,629,715	1.044%
8	Mr Adam Lindsay Gordon Ryall & Judith Mabel Ryall	2,250,000	0.894%
9	Melissa Cherie Batten	2,161,015	0.858%
10	Gregory John Paterson & Nicola Ann Marie Williams	1,935,375	0.769%
11	Janet Margaret Dunn & John Laurence Armstrong	1,847,810	0.734%
12	Leveraged Equities Custodians Limited	1,785,000	0.709%
13	Tarlogie Investments Limited	1,717,500	0.682%
14	Forbar Custodians Limited	1,577,225	0.626%
15	Kenneth John Cummings	1,542,750	0.613%
16	Lakefield Limited	1,500,000	0.596%
17	Jock Allison & Hilary Allison	1,462,500	0.581%
18	Express Oddlots Limited	1,275,283	0.506%
19	Christopher James	1,269,270	0.504%
20	Michael Bruce Guthrie & Susan Jane Leckie	1,001,700	0.398%
		185,800,35	73.786%

A2 CORPORATION LIMITED
ADDITIONAL STOCK EXCHANGE INFORMATION
FOR THE YEAR ENDED 31 MARCH 2004

4 Spread of Security Holders at 8 June 2004	No of Holders	%	No.
1-1000	18	0.005%	13,275
1,001-5,000	186	0.252%	634,245
5,001-10,000	198	0.617%	1,554,017
10,001-100,000	583	8.002%	20,149,926
100,000+	178	91.124%	229,461,037
 Total number of holders	 <u>1,163</u>	 <u>100.00%</u>	 <u>251,812,500</u>

**A2 CORPORATION LIMITED
STATUTORY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2004**

Particulars of Notices or Statements Given to or Approved By the Board

Interests Register

Directors have declared interests during the period as follows:

- Mr J K Guthrie, in his capacity as a partner of Anderson Lloyd Caudwell barristers & solicitors, recorded an interest in legal fees and rent paid by the company in relation to general legal services and office accommodation provided. The legal fees and rent were charged at commercial rates.
- Dr A J Alison in his capacity as a shareholder and director of Abacus Biotech Limited, recorded an interest in consulting fees paid by the company. These fees were charged at commercial rates.

Directors' Remuneration

There was no remuneration or other benefits paid or due to directors during the year, for their services as directors, other than Share Options as follows.

Share Options

The share options held by directors at 31 March 2004 in accordance with Note 2 of the Financial Statements were:

Name of Director	Options Held	Date Allocated
W L Burt	1,800,000	October 2003
J K Guthrie	1,800,000	December 2002 and October 2003
A J Allison	500,000	October 2003
R G Paterson	300,000	October 2003

Directors Loans

There were no loans from the company to Directors.

Use of Company Information

The board received no notices during the period from directors requesting to use the company information received in their capacity as directors which would not have been otherwise available to them.

Employee Remuneration

One employee received remuneration and other benefits in excess of \$100,000 per annum in his capacity as an employee during the year.

Donations

The company made no donations during the period ended March 31, 2004.

Audit Sub-committee

The Board has formally constituted an Audit Sub-committee.

Auditor's Report

To the Shareholders of A2 Corporation Limited

We have audited the financial statements on pages 7 to 21. The financial statements provide information about the past financial performance of the company and its 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 as at 31 March 2004 and of its 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 company's circumstances, 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.

Other than in our capacity as auditor we have no relationship with, or interest in, the company.

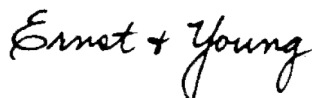
Unqualified Opinion

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 7 to 21:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the company as at 31 March 2004 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 10 June 2004 and our unqualified opinion is expressed as at that date.



Christchurch

A2 CORPORATION LIMITED PROXY FORM

Annual Meeting Notes

1. Proxies and Representatives

Proxies must reach the Company's registered office 48 hours before the time of the Annual Meeting. If a shareholder wishes to post the proxy form, it should be posted to A2 Corporation Limited, C/- Anderson Lloyd Caudwell (J K Guthrie), Private Bag 1959, Dunedin in the self addressed envelope enclosed with the proxy form, to arrive not later than 48 hours prior to the date and time of the meeting.

Any shareholder entitled to attend and vote may appoint another person as proxy to attend and vote on their behalf. A proxy need not necessarily be a shareholder of the Company.

A corporation which is a shareholder of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual Meeting.

2. Directors' Appointments

Gregory Paul Hinton and Clifford James Cook were appointed by the Board of directors 31 May 2004 and hold office as directors only until this Annual Meeting. They must be re-elected by resolution of shareholders. Both Gregory Paul Hinton and Clifford James Cook are director of the Company's largest shareholder, Machin Investments Limited.

The other four directors of the Company, James Kempster Guthrie, Wayne Leonard Burt, Richard Grant Paterson and Arthur John Allison remain in office.

A2 CORPORATION LIMITED
Shareholder's Proxy and Postal Voting Form

I/We _____
 (full name of shareholder)

of _____
 (full address)

Shareholder Number: _____

being a Shareholder of A2 Corporation Limited hereby appoint

 (full name)

of _____
 (full address)

as my/our proxy to vote for me/us on my/our behalf at the Annual Shareholders' Meeting of the Company to be held at 2pm on Monday, 26 July 2004, and at any continuation of that meeting should it be adjourned.

I/We direct my/our proxy to vote in the following manner:

Ordinary Resolution	Vote	
That Gregory Paul Hinton be appointed a director of the Company	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Ordinary Resolution	Vote	
That Clifford James Cook be appointed a director of the Company	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Ordinary Resolution	Vote	
That the Directors be authorised to fix the remuneration of the Auditors for the ensuing year.	Yes <input type="checkbox"/>	No <input type="checkbox"/>

_____ 2004

Signature of Shareholder(s) _____

Please return completed Proxy Form to:
 A2 Corporation Limited
 C/- Anderson Lloyd Caudwell (J K Guthrie), Private Bag 1959, Dunedin.



A2 Corporation Limited
58 College Hill, Ponsonby, Auckland
New Zealand

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Fax: +64 9 360 0834

Freephone: 0800 A2MILK

Email: info@a2corporation.com

Web: www.a2corporation.com