

AKERS BIOSCIENCES, INC.
Interim results for the half year ended 30 June, 2003

Akers Biosciences, Inc. (“Akers Biosciences”, “Akers” or the “Company”), a leading designer and manufacturer of rapid diagnostic screening and testing products, announces its interim results for the half year ended 30 June, 2003.

Highlights

- Strategic alliance formed with The Medicines Company for the co-promotion, marketing and development of the first rapid test for heparin-platelet factor 4 antibodies, important in the management of cardiac patients.
- The strategic alliance with the Battelle Memorial Institute has led to two initial contracts for the development and marketing of biowarfare agent detection tests.
- Joint venture agreement signed with Vitarich Laboratories for the marketing of the Company’s diagnostic tests with Vitarich’s nutritional supplements.
- Lithium test progressing through FDA approval process, and expected to be introduced to the market in second half of 2003.
- White blood cell tests expected to be introduced in second half of 2003.
- Introduction of certain products to the US managed care market expected in the second half of 2003 based on the recently announced alliance with FirstRx.
- Commercial bank credit facility secured, and further financing achieved.

Ray Akers, Chief Executive Officer of Akers Biosciences, said:

“The first half of 2003 has laid a solid foundation for sales growth in the second half of the year. Our product pipeline is full of products in various stages of development, clinical trials, and regulatory approvals. In addition, new partners and established partners are beginning to penetrate their markets with our products. We are experiencing a greater than anticipated demand for our nutrition-related products from the network marketing organizations we are working with through Vitarich. We also anticipate an exciting entry into the neuropsychiatric markets in the second half of 2003 upon FDA approval of our lithium test. This activity, combined with a good pipeline of new products, should provide a strong platform for future growth.”

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INTERIM RESULTS STATEMENT

Introduction

These are the interim set of results for Akers Biosciences Inc. for the half year ended 30 June, 2003. We did not expect significant revenues for this period while certain products moved through the regulatory approval process. We did, however, build the corporate infrastructure necessary to manage growth in revenues and activities in the second half of 2003.

Akers Biosciences' diagnostic and testing products are designed to bring healthcare information both rapidly and directly to the doctor or the patient in the clinic or in the field without the need for expensive laboratory equipment. Our strategy is to become a market leader in rapid testing using our proprietary technologies to generate products with clear competitive advantages in targeted markets. These products are intended for professional, consumer, and military markets in both the developed and developing world, and are brought to market through strategic partnerships with established distribution organisations.

Results

Revenues for the half year ended 30 June 2003 were \$458,800, compared with \$529,507 during the same period in 2002. Although revenues in the first four months of the year were ahead of the prior period, revenues for the six months were behind that of 2002. Certain additional revenue which the Company anticipated booking in the final two months has been booked in the second half year period.

The loss before tax was \$1,512,864 (2002 \$1,573,855). These revenues reflect initial sales into a small customer base, with significant growth potential.

Product Development

The Company now offers five different proprietary platform technologies, and has developed products based on these technologies. No longer offering only rapid, manual tests, the Company has developed a line of tests based on inexpensive, portable electronic readers.

MinDNA technology allows for the analysis of DNA in one minute, and has been applied in the development of the rapid white blood cell count and absolute neutrophil count assays that monitor a side effect of the Novartis drug clozaril (clozapine). The sales and marketing rights for these products are subject to a contractual arrangement with ReliaLab, and are expected to be introduced in the second half of 2003. Other applications of *MinDNA* technology can result in tests necessary for the safety of the blood supply, specific identification of parasitic infections, and biowarfare agent detection. *MinDNA*-based assays can be produced in both rapid manual or electronic reader versions.

Synthetic Macrocyclic Complex technology is associated with the development of novel macrocyclic organic compounds that determine quantitative levels of therapeutic drugs, such as lithium blood levels, through the use of electronic readers. These hand-held readers and their associated proprietary reagents unlock new potential in both professional and consumer markets, particularly in therapeutic drug monitoring.

The Rapid Enzymatic Metabolite technology platform focuses on the detection of blood and urine metabolites through enzymatic chemistries in quantitative or semi-quantitative formats. These products are primarily intended for pharmaceutical or nutritional markets, and include tests such as total and HDL cholesterol, glucose, cortisol and testosterone.

Particle ImmunoFiltration Assay (PIFA) technology has been developed for an extensive range of rapid testing products, including Heparin-platelet factor 4 antibodies, HIV, sexually-transmitted diseases, malaria, prostate

cancer, blood typing, and other non-infectious agents. These robust products produce results in minutes comparable to laboratory-based assays.

Finally, the Company offers MicroParticle Catalyzed Biosensor (MPC Biosensor)-based products, such as the alcohol breathalyzer, which is the only portable breathalyzer approved by the US Department of Transportation.

Business Review

All of the Company's proprietary technologies provide the platform for high margin niche products intended for use in specialized market segments. The company continues to focus on four market segments: biotech/pharmaceutical, OTC and doctor's surgeries, government/military, and the developing world.

The Company continues to believe that the biotech/pharmaceutical sector holds great potential to build a core and sustainable business. The Company's first entry into this market will be the lithium test, for which the Company has already received orders. These orders will be shipped once FDA approval is obtained, which is expected in the second half of 2003. The Company expects to have its white blood cell tests for the side effects of the neuropsychiatric drug clozaril on the market in the second half of 2003. Both products do not currently have any rapid test competition.

The rapid heparin-platelet factor-4 antibody (HPF4) test has performed satisfactorily thus far in clinical trials, and the Company expects to submit a 510(k) premarket notification to the FDA soon. The Company and its partner The Medicines Company will promote the use of this test as an initial decision point in the course of cardiology and emergency medicine where anti-thrombolytic treatment is indicated. The Medicines Company's drug Angiomax is indicated for certain patients undergoing anti-thrombolytic therapy. The availability of this test could have a significant impact on interventional cardiology as it relates to the management of anti-coagulant therapies.

In OTC, Vitarich has been successful in introducing certain products into the nutritional industry through television-based marketing organizations and network marketing organizations. The introduction of these products on television is expected in the second half of 2003. The initial product line of total, HDL, and LDL blood cholesterol tests and glucose will be expanded to include eight different products, all in various stages of development or commercialization.

Our new alliance with FirstRx provides a powerful channel into managed care groups, such as health maintenance organizations and corporate healthcare systems. First Rx also distributes to pharmaceutical companies and retail pharmacies, reaching a broad spectrum of the U.S. healthcare marketplace.

In the government/military sector, our alliance with Battelle has led to two initial contracts for the supply of products to support biowarfare agent detection systems. These initial contracts may lead to renewable annual contracts that can expand in volume. The Company is developing additional tests for both civilian and military biowarfare agent detection, and several pilot programs are providing a near term opportunity. In addition, the Company is continuing to pursue both land and marine-based sales of its alcohol breathalisers.

Financial Review

For the six months ended 30 June 2003, the loss was \$1,512,894 (\$.04 per share) compared to \$1,573,855 (\$.05 per share) in the similar period of the preceding year.

Research and development expenses continued at a level similar to that of the prior year (\$325,526 for 2003 vs. \$362,689 for 2002). The most significant objective of the Company's Research and Development department is coordination and follow-up with the FDA while several tests undergo the approval process.

Sales and general administrative expenses decreased during the current period to \$1,044,781 from \$1,209,328 in the similar period of the preceding year. This decrease was the result of extensive cost controls put into place at the end of 2002.

Funding

On 18 April 2003, the Company was successful in closing on an asset based loan arrangement with its commercial bank. The facility provides for advances of up to \$1,000,000. After an initial advance of \$250,000, additional advances will be made by the lender from time to time in amounts equal to the lesser of (a) \$750,000; or (b) the sum of 80% of the aggregate amount of eligible accounts receivable (generally those balances not over 90 days of age,) plus 50% of the amount of inventory. As of 30 June 2003 the amount outstanding under this facility was \$500,000. At 30 June 2003, the company had nominal cash balances.

On 24 July 2003 the Company entered into a private equity agreement with Southridge Capital Management, LLC (“Southridge”) via which it raised \$250,000 through the issue of 460,320 shares of common stock, at no par value (“Common Shares”), at \$0.543 (£0.338) per share. At the same time, the Company also completed a placement of 485,449 Common Shares with several high net worth individuals. The amount raised was \$274,669, at an average price of \$0.566 (£0.353).

The Company today announces that it has completed a follow-on placing of its shares with Brittany Capital Management, LTD (“Brittany,”) an affiliate of Southridge. This latest placing provides the Company with \$150,000 through the issue of 209,555 shares of common stock, at no par value, at \$0.716 (£0.456) per share.

The Company also today announces that it has completed a collateralized loan arrangement with Tundra Management LTD, whereby through pledging 2.8 million of its Common Shares, it has secured a loan for \$656,487 (gross). The terms of the loan, which is repayable in one year, include 8% annual interest, payable monthly, as well as an 8% origination fee. Net of the origination fee the proceeds of this loan are \$600,000. The share collateral will be returned to the treasury once the loan has been repaid, but can be redeemed by Tundra pro-rata in the event that the Company does not repay the loan.

The funds raised from both financings will be used for general working capital purposes to finance the company’s rapidly growing sales order backlog.

As a result of the further placing of shares with Brittany and the shares to be used as collateral for the loan from Tundra Management LTD, the Company has released the 2,954,231 Common Shares which were previously held in treasury and has issued a further 55,324 Commons Shares. Application has been made for the 55,324 Common Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange plc, such admission expected on 15 September 2003.

After the new issuance and the transactions described above, the Company has 43,633,719 Common Shares in issue, including 2,800,000 Common Shares that are being held by third parties as collateral as described above.

People

In March 2003, Lord Norman Blackwell stepped down as chairman due to pressure of other commitments, and David Wilbraham agreed to become chairman on an interim basis.

In April, 2003, Geoffrey Vero joined the Company’s Board of Directors as a non-executive director. Geoffrey’s career in the private equity industry included positions as Investment Director of ABN Amro Private Equity (previously Causeway Capital) and Lazard Development Capital, and Finance Director of Diners Club. The

Company believes that his background and experience in institutional finance will have a positive effect on the Company and its business.

Current Trading and Outlook

The company's current order book is over \$5 million and prospects for further sales growth are positive. A substantial portion of these sales depends on receipt of FDA approvals. These approvals are expected in the second half of 2003 and the infrastructure and expertise are in place to deliver product to the market rapidly. The Company believes that these initial orders will lead to repeat business, and together with a strong pipeline of new products, will provide a base for business expansion in the future.

David Wilbraham
Chairman

Raymond Akers
Chief Executive Officer

Akers Biosciences Inc.
Interim financial statements

1. Consolidated Balance Sheets as at 30 June 2002 and 2003 (unaudited)

	2003	2002
	\$	\$
Current Assets		
Cash in banks	36,472	2,055,257
Accounts receivable, net	324,074	375,662
Inventories, at lower of cost or market	225,252	48,931
Loan receivable	-	125,000
Prepays and other current assets	35,179	94,091
Total current assets	620,977	2,698,941
Property and equipment, at cost	1,223,911	1,190,594
Less : depreciation taken to date	924,944	781,577
Property and equipment, net	298,967	409,017
Other assets		
Patent costs	145,121	158,500
Intangible assets, net	9,890	12,785
Deposits and other assets	36,887	10,767
Total other assets	191,898	182,052
Total assets	1,111,842	3,290,010
Current liabilities		
Accounts payable and accrued expenses	1,237,524	674,981
Notes payable	825,340	-
Convertible debt	370,000	100,000
Other current liabilities	949,308	317,656
Current portion of long-term debt	108,533	650,000
Total current liabilities	3,490,705	1,742,637
Long -term debt, net of current maturities		
Long term obligations	689,346	720,231
Deferred Compensation	115,000	115,000
Total long term debt	804,346	835,231
Equity (deficit)		
Common stock	42,178,577	39,119,128
Accumulated deficit	(45,361,786)	(38,406,986)
Total stockholders' equity (deficit)	(3,183,209)	712,142
Total liabilities and stockholders' equity	1,111,842	3,290,010

2. Consolidated Statements of Operations for six months ended 30 June 2002 and 2003 (unaudited)

	2003	2002	Cumulative amount from inception (8 March 1989 to 30 June 2003)
	\$	\$	\$
Revenues	458,800	529,507	3,156,704
Cost of Production	532,258	696,379	5,948,084
Gross Profit (Loss)	(73,458)	(166,872)	(2,791,380)
Sales and General and Administrative Expenses	1,044,781	1,209,328	25,029,031
Research and Development Expenses	326,526	362,689	8,107,975
Total Operating Expenses	1,371,307	1,572,017	33,137,006
Income (Loss) From Operations	(1,444,765)	(1,738,889)	(35,928,386)
Discontinued Operations			
Loss from operation	-	-	(4,594,164)
Loss on disposal of Franklin Development	-	-	(870,276)
Total discontinued operations	-	-	(5,464,440)
Other Income (expense)			
Miscellaneous	-	-	75,302
Interest Income	11	1,060	223,541
Currency Translation Income	1,639	63,411	75,974
Extraordinary Income	4,253	299,870	1,995,784
Debt conversion expense	-	-	(1,332,559)
Loss on disposal of property and equipment	-	-	(836,904)
Interest Expense	(74,032)	(199,307)	(4,180,098)
Total Other Income (Expense)	(68,129)	165,034	(3,968,960)
Net (Loss)	(1,512,894)	(1,573,855)	(45,361,786)
Net (Loss) per share	(0.04)	(0.05)	

3. Consolidated Statements of Stockholders' Deficit from inception (8 March 1989) to 30 June 2003 (unaudited)

	Preferred Stock		Common Stock		Deficit Accumulated During the Development Stage (March 1989 to 30 June,2003)	Total
	Shares	Amount	Shares	Amount	\$	\$
Balance 31 December 1989	-	\$ -	100	100	(69,252)	(4,557,654)
650 for 1 stock split effective 26 September 1990	-	-	65,000	-	-	-
Retirement of original shares	-	-	(100)	-	-	-
Issuance of stock for cash	-	-	5,000	250,000	-	250,000
Expenses associated with the sale of stock	-	-	-	(20,000)	-	(20,000)
Issuance of stock in connection with raising capital	-	-	6,000	70,850	-	70,850
Net loss for the year ended 31 December 1990	-	-	-	-	(405,508)	(405,508)
Balance 31 December 1990	-	-	76,000	300,950	(474,760)	(173,810)
Issuance of stock for cash	-	-	1,500	75,000	-	75,000
Issuance of stock in exchange for \$7,500 in cash and \$17,500 ...in satisfaction of trade payable balance during 1991	-	-	500	25,000	-	25,000
Net loss for the year ended 31 December 1991	-	-	-	-	(652,357)	(652,357)
Balance 31 December 1991	-	-	78,000	\$ 400,950	(1,127,117)	(726,167)
96 for 1 stock split effective 10 September 1992	-	-	7,410,000	-	-	-
Expiration of repurchase rights	-	-	-	77,500	-	77,500
Issuance of stock for net assets of Shantou Assoc.	-	-	388,889	106,136	-	106,136
Issuance of stock for cash	-	-	2,643,629	1,572,895	-	1,572,895
Expenses associated with the sale of stock	-	-	-	(30,000)	-	(30,000)
Issuance of stock in connection with raising capital	-	-	736,272	-	-	-
Net loss for the year ended 31 December 1992	-	-	-	-	(1,228,624)	(1,228,624)
Balance 31 December 1992	-	-	11,256,790	2,127,481	(2,355,741)	(228,260)
Issuance of preferred stock for stock of Franklin, Inc.	350,000	1,091,636	-	-	-	1,091,636
Issuance of stock for cash	-	-	2,772,405	2,972,288	-	2,972,288
Cost of stock issued subject to repurchase	-	-	-	(665,502)	-	(665,502)
Expenses associated with the sale of stock	-	-	-	(205,000)	-	(205,000)
Issuance of stock and warrants in connection with debt	-	-	250,000	280,000	-	280,000
Expiration of repurchase rights	-	-	-	234,667	-	234,667
Issuance of stock in connection with raising capital	-	-	45,000	-	-	-
Stock option plan and warrant transactions	-	-	-	219,892	-	219,892
Net loss for the year ended 31 December 1993	-	-	-	-	(3,107,631)	(3,107,631)
Balance 31 December 1993	350,000	1,091,636	14,324,195	4,963,826	(5,463,372)	592,090
Issuance of stock for cash	-	-	4,315,463	6,167,920	-	6,167,920
Cost of stock issued subject to repurchase	-	-	-	(861,357)	-	(861,357)
Expenses associated with the sale of stock	-	-	-	(446,337)	-	(446,337)
Issuance of stock for products and services	-	-	39,089	58,634	-	58,634
Issuance of stock in connection with raising capital	-	-	24,000	-	-	-
Stock option plan and warrant transactions	-	-	-	27,750	-	27,750
Warrants issued in connection with debt	-	-	-	300,000	-	300,000
Net loss for the year ended 31 December 1994	-	-	-	-	(4,730,005)	(4,730,005)
Balance 31 December 1994	350,000	1,091,636	18,702,747	10,210,436	(10,193,377)	1,108,695

	Preferred Stock		Common Stock		Deficit Accumulated	Total
	Shares	Amount	Shares	Amount	During the	
					Development	
					Stage (March 1989	
		\$		\$	to 30 June 2003)	\$
Issuance of stock for cash	-	-	914,500	1,264,250	-	1,264,250
Expiration of repurchase offer	-	-	-	153,510	-	153,510
Expenses associated with the sale of stock	-	-	-	(75,775)	-	(75,775)
Issuance of stock for products and services	-	-	27,787	37,980	-	37,980
Increase in basis of assets acquired from Shantou	-	-	-	243,710	-	243,710
Issuance of stock in connection with raising capital	-	-	66,891	-	-	-
Stock option plan and warrant transactions	-	-	-	60,625	-	60,625
Stock issued in connection with debt	-	-	553,518	553,518	-	553,518
Net loss for the year ended 31 December 1995	-	-	-	-	(5,643,213)	(5,643,213)
Balance 31 December 1995	<u>350,000</u>	<u>1,091,636</u>	<u>20,265,443</u>	<u>12,448,254</u>	<u>(15,836,590)</u>	<u>(2,296,700)</u>
Issuance of stock for cash	-	-	59,793	103,301	-	103,301
Expiration of repurchase offer	-	-	-	262,200	-	262,200
Stock option plan and warrant transactions	-	-	-	720,000	-	720,000
Net loss for the year ended 31 December 1996	-	-	-	-	(5,355,148)	(5,355,148)
Balance 31 December 1996	<u>350,000</u>	<u>1,091,636</u>	<u>20,325,236</u>	<u>13,533,755</u>	<u>(21,191,738)</u>	<u>(6,566,347)</u>
Issuance of stock for cash	-	-	695,704	555,872	-	555,872
Expiration of repurchase offer	-	-	-	353,899	-	353,899
Issuance of stock and warrants in connection with debt	-	-	187,500	392,292	-	392,292
Issuance of stock in conversion of debt	-	-	200,000	150,000	-	150,000
Expenses associated with the sale of stock	-	-	-	(7,500)	-	(7,500)
Net loss for the year ended 31 December 1997	-	-	-	-	(2,055,544)	(2,055,544)
Balance 31 December 1997	<u>350,000</u>	<u>1,091,636</u>	<u>21,408,440</u>	<u>14,978,318</u>	<u>(23,247,282)</u>	<u>(7,177,328)</u>
Issuance of stock for cash	-	-	2,929,004	1,526,250	-	1,526,250
Expiration of repurchase offer	-	-	-	757,250	-	757,250
Issuance of stock for products and services	-	-	126,565	94,840	-	94,840
Issuance of stock in conversion of debt	-	-	263,014	197,258	-	197,258
Expenses associated with the sale of stock	-	-	-	(117,075)	-	(117,075)
Conversion of previously issued stock for debt	-	-	(250,000)	(250,000)	-	(250,000)
Repurchase of previously issued preferred stock inexchange for cash and debt	(175,000)	(545,818)	-	404,640	-	(141,178)
Net loss for the year ended 31 December 1998	-	-	-	-	(1,743,232)	(1,743,232)
Balance 31 December 1998	<u>175,000</u>	<u>545,818</u>	<u>24,477,023</u>	<u>17,591,481</u>	<u>(24,990,514)</u>	<u>(6,853,215)</u>
Issuance of stock for cash	-	-	2,166,421	3,405,255	-	3,405,255
Repurchase of previously issued stock for cash	-	-	(106,440)	(129,917)	-	(129,917)
Repurchase of previously issued preferred stock inexchange for cash and debt	(175,000)	(545,818)	-	348,572	-	(197,246)
Expenses associated with the sale of stock	-	-	-	(143,906)	-	(143,906)
Issuance of stock in conversion of debt	-	-	2,771,503	2,078,628	-	2,078,628
Net loss for the year ended 31 December 1999	-	-	-	-	(2,717,253)	(2,717,253)
Balance 31 December 1999	<u>-</u>	<u>-</u>	<u>29,308,507</u>	<u>23,150,113</u>	<u>(27,707,767)</u>	<u>(4,557,654)</u>

	Preferred Stock		Common Stock		Deficit Accumulated	Total
	Shares	Amount	Shares	Amount	During the	
					Development	
					Stage (March 1989	
		\$		\$	to 30 June 2003)	\$
Issuance of stock for cash	-	-	2,054,244	3,765,427	-	3,765,427
Stock option plan and warrant transactions	-	-	-	305,508	-	305,508
Issuance of common stock for trade payables	-	-	-	184,993	-	184,993
Exercise of options and warrants	-	-	127,500	79,800	-	79,800
Interest expense on warrants issued	-	-	-	267,826	-	267,826
Issuance of stock in conversion of debt	-	-	366,114	732,227	-	732,227
Net loss for the year ended 31 December 2000	-	-	-	-	(3,988,149)	(3,988,149)
Balance 31 December 2000	-	-	31,856,365	28,485,894	(31,695,916)	(3,210,022)
Issuance of stock for cash	-	-	272,262	414,875	-	414,875
Stock option plan and warrant transactions	-	-	-	1,712,065	-	1,712,065
Issuance of stock for products and services	-	-	26,000	52,000	-	52,000
Exercise of options and warrants	-	-	20,000	2,000	-	2,000
Issuance of common stock in exchange of trade payables	-	-	45,000	141,100	-	141,100
Net loss for the year ended 31 December 2001	-	-	-	-	(5,137,215)	(5,137,215)
Balance, 31 December 2001	-	-	32,219,627	30,807,934	(36,833,131)	(6,025,197)
Issuance of stock for cash	-	-	124,167	215,000	-	215,000
Proceeds from flotation (net)	-	-	2,525,000	3,818,068	-	3,818,068
Exercise of options and warrants	-	-	132,500	165,000	-	165,000
Issuance of warrants for products and services	-	-	-	425,000	-	425,000
Issuance of common stock in exchange of trade payables	-	-	209,326	325,579	-	325,579
Issuance of common stock in exchange of debt	-	-	2,994,212	5,111,996	-	5,111,996
Issuance of common stock in exchange for termination ofwarrants	-	-	1,413,573	1,310,000	-	1,310,000
Net loss for the year ended 31 December 2002	-	-	-	-	(7,015,761)	(7,015,761)
Balance,31 December 2002	-	-	39,618,395	42,178,577	(43,848,892)	(1,670,315)
Issuance of stock for cash	-	-	-	-	-	-
Proceeds from flotation (net)	-	-	-	-	-	-
Exercise of options and warrants	-	-	-	-	-	-
Issuance of common stock in exchange of trade payables	-	-	-	-	-	-
Issuance of common stock in exchange of debt	-	-	-	-	-	-
Issuance of common stock in exchange for termination ofwarrants	-	-	-	-	-	-
Net loss for six months as of 30 June 2003	-	-	-	-	(1,512,894)	(1,512,894)
Balance,30 June 2003, (Unaudited)	-	-	39,618,395	42,178,577	(45,361,786)	(3,183,209)

4. Consolidated Statement of Cash Flows for the six months ended 30 June (unaudited)

Cumulative amount
from inception
(8 March 1989
to 30 June 2003)

	30 June		
	2003	2002	
	\$	\$	\$
Operating Activities			
Net loss	(1,512,894)	(1,573,855)	(45,361,786)
Adjustments to reconcile net loss to cash used in operating activities			
Depreciation and amortization	66,000	66,000	2,206,948
Forgiveness of trade payables	-	-	(1,044,772)
Debt conversion costs	-	110,547	1,600,385
Amortization of discount on long-term debt	-	-	585,862
Amortization of deferred finance costs	-	-	20,824
Stock, Stock options and warrants issued to employees and non-employees	-	-	4,824,733
Loss on conversion of debt to common stock	-	-	194,040
Loss from disposition of property and equipment	-	-	756,730
Loss on disposal of division	-	-	870,276
Deferred compensation	-	-	115,000
(Increase) decrease in changes in operating assets and liabilities:			
....Accounts receivable	(53,884)	(314,790)	(324,074)
....Inventories	(24,490)	136,000	(225,252)
....Prepays and other current assets	100,446	(76,810)	(38,531)
....Deposits and other assets	(26,120)	(4,360)	(27,668)
Increase (decrease) in			
....Accounts payable and accrued expenses	342,764	(405,384)	3,708,861
....Other current liabilities	557,441	(34,882)	869,308
Net cash used in operating activities	(550,737)	(2,097,534)	(31,269,116)
Investing activities			
Purchase of property and equipment	1,950	(13,991)	(3,360,464)
Loan receivable advanced	-	(125,000)	-
Net proceeds from sale of property and equipment	-	-	1,817,904
Purchase of intangible assets	-	(6,191)	(549,295)
Net cash used in investing activities	1,950	(145,182)	(2,091,855)
Financing Activities			
Net proceeds (payment) from release of funds held in escrow/restricted funds	-	-	296,002
Proceeds from issuance of stock, net	-	4,206,177	25,346,746
Proceeds from warrants exercised	-	-	165,000
Proceeds from issuance of convertible debt	-	-	1,350,000
Proceeds from borrowings	791,500	650,000	14,483,923
Repayments on officers and stockholders borrowings	-	-	(263,725)
Repayments on convertible debt	-	(300,000)	(400,000)
Repayments on capital lease obligations	-	(5,700)	(27,296)
Repayments on borrowings	(208,199)	(459,133)	(7,553,275)
Net cash provided by financing activities	583,301	4,091,344	33,397,443
Increase (decrease) in cash	34,514	1,848,628	36,472
Cash as at beginning of year	1,958	206,629	-
Cash as at 30 June	36,472	2,055,257	36,472

4. Consolidated Statements of Cash Flows for the six months ended 30 June (unaudited) – continued

Supplemental disclosures of Cash Flow information:	Six months ended 30 June		Cumulative amount from inception (8 March 1989 to 30 June 2003)
	2003	2002	
	\$	\$	\$
Non-cash investing and financing activities are as follows:			
Issuance of preferred stock and notes payable in connection with the ...acquisition of a subsidiary	-	-	1,321,636
Capital lease obligation incurred related to acquisition of equipment	-	-	38,140
Conversion of debt and accrued interest payable to common stock (Note 10)	-	3,779,438	5,650,183
Common stock and warrants issued in connection with debt	-	-	1,435,189
Conversion of trade payable to debt	-	-	398,088
Conversion of trade payable to common stock	-	297,879	669,172
Acquisition of its preferred stock for debt	-	-	341,820
Conversion of accrued interest payable to debt	-	-	327,353
Conversion of Company's common stock for debt	-	-	250,000
Conversion of Directors' loan to common stock	-	-	2,050,000
Cash paid during the period for interest	65,061	43,101	3,290,412

5. Notes to Interim Financial Statements

5.1 Summary of significant accounting policies

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim 6 month period ended June 30, 2003 are not necessarily indicative of results that may be expected for the year ending December 31, 2003. For further information, refer to the Company's audited financial reports for the year ended December 31, 2002.

Principles of consolidation

The interim financial statements include the accounts of the Company. All significant intercompany balances and transactions are eliminated. The wholly-owned subsidiaries have been inactive since December 31, 1998 and have no assets or liabilities.

Use of estimates

The preparation of these financial statements requires the use of certain estimates by management in determining the Company's consolidated assets, liabilities, revenues and expenses. Actual results may vary from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible into cash and have a maturity of three months or less.

Revenue recognition

The company recognizes sales at the time goods are shipped.

Inventories

Inventories are stated at the lower of cost (first in, first out) or market, and primarily consist of raw materials used for research and development, and manufacturing.

Property and equipment

Property and equipment are stated at cost depreciation and amortization are computed over the estimated useful lives of the respective assets using straight-line and accelerated methods. Upon sale or retirement of assets, the related costs and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in operations. Expenditures for repairs and maintenance that do not increase the useful lives of the assets are charged to operations as incurred.

Research and development costs

Research and development costs are charged to operations when incurred.

Extraordinary income

Extraordinary income of \$4,253 is derived from the reversal of accounts payable that reached an age beyond the statute of limitations for collection.

Earnings per share

Basic earnings per share have been calculated by dividing the loss for the six month period of \$1,512,894 (2002: \$1,573,855 loss) by the weighted average number of shares in issue during the period of 39,618,395 (2002: 34,755,507).