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AKERS BIOSCIENCES, INC.
Results for the year ended 31 December, 2004

Akers Biosciences, Inc. (“Akers Biosciences”, “Akers” or the “Company”), a leading designer and manufacturer of rapid diagnostic screening and testing products, announces its annual results for the year ended 31 December, 2004.

Highlights

- FDA approval for the Company’s rapid test for heparin platelet factor-4 antibodies, important in the management of surgery patients, was received.
- Alliance formed with Cardinal Health to distribute the Company’s core tests, giving the Company broad access to hospital, physicians’ office, and pharmacy markets in the US.
- Alliances formed with Helena Laboratories and Corgenix Medical Group to market and distribute the heparin platelet factor-4 test to US hospital and reference laboratories, and to some international markets.
- The Company has started to build an internal sales and marketing organization to manage the launch of its own brands of products into the marketplace, initially its tests for heparin platelet factor-4, lithium, cholesterol, and alcohol breathalyzers.
- Development of the Biosniffer technology was completed, with initial deployment planned for the continuous monitoring of biowarfare agents such as anthrax.
- Appointment of Robert W. Baird as nominated advisor and corporate broker was effected.

Prospects

- The Company is starting a trial in conjunction with Pfizer Inc. to introduce its cholesterol test to US physicians and consumers, through a program involving Pfizer’s cholesterol-lowering drug Lipitor.
- A recent alliance with Alco Industries will lead to the company’s breathalyzer and cholesterol tests being trialed in US retail markets.
- Regulatory clearance (CE mark) has been obtained for the heparin platelet factor-4, lithium, and drugs of abuse tests, and additional clearances are expected, which will allow sales to be started in Europe during 2005.
- The Company will introduce its products in the UK and certain EU countries through new alliances with Helena Biosciences Europe and Advanced Rapid Diagnostics Ltd.
- Development of the Biosniffer technology will be expanded into hospital-related airborne infections.

- The recently announced \$2.5 million financing will allow expansion of the Company's production capability and sales force.
Ray Akers, Chief Executive Officer of Akers Biosciences, said: "The pieces of the puzzle have all come together. While our alliances with pharmaceutical companies provided the marketing and promotional component of our business model, our new alliances provide the distribution component. Another dimension has been added to our company through our new and expanding sales force, which coupled with the sales forces of our partners, should enable broad market penetration of our products. All of these elements are enhanced when combined with our core development and manufacturing strengths, and our many proprietary platform technologies. We now also have the necessary financial resources to expand our organization, as well as to establish a presence in UK and European markets. We are optimistic about the effect these actions will produce on our revenues for 2005"

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PRELIMINARY RESULTS STATEMENT

Introduction

We are pleased to announce the preliminary results for Akers Biosciences Inc. for the year ended 31 December 2004. 2004 has been a year of considerable progress for Akers with significant revenue growth, new alliances formed, and a solid foundation now in place for the expansion of the business.

Results

Revenues for the year ended 31 December 2004 were \$1,325,022 compared with \$1,114,980 during the same period in 2003. The net loss was \$4,419,970 (2003: \$2,891,638). Whilst this growth has produced record annual sales in 2004, as the Company announced in January, 2005, problems with the supply of key components for the Company's PIFA heparin/platelet factor-4 ("HPF4") test from third party suppliers prevented Akers from shipping the anticipated levels of this product, and negatively impacted 2004 revenues. The Company has since rectified these problems and has resumed shipping this product. 2004 revenues reflect initial sales into a small customer base that are now expected to contribute significantly to future growth.

Business Review

All of the Company's proprietary technologies provide the platform for high margin niche products, intended for use in specialized market segments. In addition to its ongoing efforts with its strategic partners, the Company has also begun to build its own brands. Early introductions of the company's products were branded by the chosen marketing partner. This included ReliaLab for lithium, WNCK for breathalysers, and VitaRich for cholesterol. Now that the company has the financial resources to start building its own sales and marketing team, it can begin to build its own brands. This strategy has begun to be implemented with lithium, cholesterol and breathalysers for certain markets, and has been in place from the outset with its heparin platelet factor-4 product HPF4. The company continues to focus on four market segments: biotech/pharmaceutical, OTC and doctor's surgeries, government/military, and the developing world.

Biotech/Pharmaceutical

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 was the lithium test, for which the Company is realizing steadily increasing sales, although the initial sales cycle was slower to develop than expected. The Company has opened up a new market sector for this product by introducing its own "Lithium Check " brand to the hospital and clinical laboratory market. The test is currently being sold by the Company's sales force and distributed by Cardinal Health. ReliaLab, Inc. of Basking Ridge, NJ, USA, intends to sell the product direct to psychiatrists once the FDA CLIA waiver is obtained, which is expected to happen in 2005.

While the Company has experienced significant delays in obtaining approval for its white blood cell tests, the FDA has recently granted expedited review status for this product. This status is usually granted for products perceived to be of a critical medical need. This product will be marketed to two distinct clinical areas initially; psychiatry, as tests for the side effects of the neuropsychiatry drug clozapine, and oncology, as tests for the side effects of chemotherapy and radiation therapy.

The rapid HPF4 test has already received FDA approval, and has been introduced into the US market. The Company expects to introduce the product into Europe now that regulatory clearance has been

obtained. This is the first rapid test for HPP4 antibodies, and the product is protected by two of the Company's patents, with additional patents pending. After a lengthy validation period in many US hospital laboratories, the test has been enthusiastically accepted, and product placement is steadily increasing. The Company's own sales force is working with a number of major hospitals to develop product sales and to solve any initial usage issues. Cardinal Health distributes the product to hospitals and physicians throughout the US, Helena Laboratories sells and distributes the product to hospital laboratories, and Corgenix Medical Group covers reference and clinical laboratories. As the product becomes more widely accepted in the US, the Company expects to introduce the product into Europe.

The Company and its partner The Medicines Company are also promoting 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. Moreover, additional potential uses for this product have progressed much faster than the Company expected. Over 20 million patients in the US and Europe are given heparin each year during many different surgical and therapeutic procedures. The clinical market has quickly perceived the value of our test in many areas in addition to cardiac surgery, which should have a positive impact on sales.

OTC and Doctors' Surgeries

We believe that our collaboration with Pfizer, Inc., and our alliance with Alco Industries enable the most effective approach into the OTC and doctor's surgery markets. We have received an order for cholesterol tests which Pfizer will test market to physicians in conjunction with its cholesterol-lowering drug Lipitor. If this trial program is successful, the volume of demand could be significant. In addition, this program can stimulate the success of the follow-on retail market, which will be managed by Alco Industries. Alco is a major US retailer already in the market with the Company's alcohol breathalyzers, and is a key partner in the Company's strategy to penetrate the OTC markets. In the nutritional sector of this market, Vitarich Laboratories has been successful in introducing certain products, although progress has been much slower than expected. The initial product line of total, HDL, and LDL blood cholesterol and glucose tests has been expanded to include six different products, and product development is now complete.

Government and Military

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 continues to progress with the testing and approvals process, but does not have a clearly defined expectation of when shipping can begin. 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 breathalizers. Quest Diagnostics is the Company's primary distributor of Akers' own brand of product, and has steadily increased its sales and customer base.

Financial Review

Profit and Loss For the year ended 31 December 2004, revenues increased by 19% to \$1.3M (2003:\$1.1M). The net loss was \$4,419,970 (\$0.10 loss per share), compared to \$2,891,638 (\$0.07 loss per share) in 2003.

Research and development expenses increased to \$1,107,628 from \$729,940 in the previous year.

Sales and general and administrative expenses increased to \$3,245,980 from \$2,099,998 in 2003. A substantial amount of this increase resulted from a greater provision for bad debts in 2004 (\$809,000 vs. \$155,000 in 2003.). In addition, the expansion of the sales and marketing team with the addition of two senior management personnel and a small field force resulted in expenses not experienced in prior years.

Capital expenditures were negligible in both 2004 and 2003. The Company had 46,955,614 common shares in issue at 31 December 2004.

Tundra Litigation

Within the footnotes to the financial statements for the year ended 31 December 2004 the company described a matter of litigation that it had commenced against Tundra Management LTD. ("Tundra") and Alliance Investment Management LTD. ("Alliance".) On February 18, 2005, the United States District Judge presiding over this matter signed a Default Final Judgment against Tundra in the amount of \$980,635. This judgment provides for set-off of the damage amount against the loan from Tundra, thereby satisfying in full the debt under the loan agreements. Accordingly, all of the agreements which evidence the original loan are therefore paid, fully satisfied and fully performed by the Company, who has been released of any and all further obligations to Tundra. The Company chooses not to recognize any net realizable value in connection with the amount of the judgment which exceeds the recorded obligation. As to defendant Alliance, discovery has not yet commenced. No provision for any damages to be recovered from or paid to Alliance has been provided within the financial statements, for the year ended 31 December 2004.

Financing

On 11 March 2005, the company completed a placement of \$2,500,000 of principle amount of promissory notes to an investment group. The notes, which are convertible into shares of the Company's common stock, have an 18-month maturity, and bear simple interest at the annual rate of 6%. The notes may be repaid by the Company or converted into the Company's common stock under certain terms and conditions. Along with the placement of the notes, the company has issued to the investors two different classes of warrants to purchase additional shares of the Company's common stock at specified prices.

People

In March 2004, the Company hired Robert McGowan as its Vice-President of Sales and Marketing. In June, 2004, Patrice McMorro was hired as Director of Marketing. Mr. McGowan and Ms. McMorro have more than thirty years of combined senior sales and marketing experience in the healthcare field, and have been successful in the launch of a number of products. The Company is pleased to add individuals of their caliber and expertise to its management team. In addition, the Company has also built a small sales force to sell its core products into the US hospital and laboratory markets.

Product Development

The Company now offers six different proprietary platform technologies, and has developed products based on these technologies.

During 2004, the Company developed the BioSniffer technology, which is designed to continuously monitor airborne bacterial, viral and fungal pathogens. The initial application of this technology is a system that provides real-time information on the probable cause of an atmospheric release of biowarfare agents.

The BioSniffer system consists of two components: a portable electronic sniffing and detection device, and a disposable reaction cartridge containing liquid reagents that react in the presence of certain bioagents. Initial development focused around Bacillus anthracis (anthrax); the company is now focusing on hospital related infections, such as methicillin-resistant streptococcus aureus (MRSA).

Current Trading and Outlook

This has been a successful year on many fronts. The Company has successfully obtained FDA approvals for key products, allied itself with major pharmaceutical firms, and secured broad distribution channels. The Company has expanded its production capabilities, and taken the significant step of building, and then growing, its own sales force. The Company is today financially stronger. Whilst we experienced shipping delays at the end of 2004, those problems have been overcome. Sales in the first quarter of 2005 exceeded those of the first quarter of 2004, and this positive trend for sales growth is expected to continue through 2005 and beyond, enabling the company to meet expectations.

David Wilbraham
Chairman
Raymond Akers
Chief Executive Officer

APPENDIX

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 organizations.

The Company now offers six 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). 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.

Our 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 Immuno Filtration Assay (PIFA) technology has been developed with 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.

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

The Biosniffer technology is designed to continuously monitor airborne bacterial, viral, and fungal agents. The initial application of this technology is a system that provides real-time information on the probable cause of an atmospheric release of biowarfare agents. Each system is designed to provide visual, auditory and electronic warning signals to indicate that a bioagent release event has occurred. Tests are under development for other specific biowarfare agents, as well as hospital-related airborne infections, such as methicillin-resistant streptococcus aureus (MRSA).

Akers Biosciences, Inc.
Financial Statements

1. Consolidated Balance Sheets as at 31 December 2004 and 2003

| | 2004 | 2003 |
|---|-----------|-----------|
| | \$ | \$ |
| Assets | | |
| Current Assets | | |
| Cash | 182,454 | 593,394 |
| Trade receivables, net of allowance for doubtful accounts of \$963,630 and \$154,747 in 2004 and 2003, respectively | 105,982 | 481,850 |
| Inventories | 619,646 | 450,151 |
| Prepaid and other current assets | 217,109 | 71,390 |
| | <hr/> | <hr/> |
| Total Current Assets | 1,125,191 | 1,596,785 |
| | <hr/> | <hr/> |
| Property and Equipment, net | 221,371 | 270,857 |
| | <hr/> | <hr/> |
| Other Assets | | |
| Patent costs, net of accumulated amortization | 117,930 | 132,242 |
| Deferred financing costs, net of accumulated amortization | 4,825 | 7,719 |
| Deposits and other assets | 12,632 | 10,767 |
| | <hr/> | <hr/> |
| Total other assets | 135,387 | 150,728 |
| | <hr/> | <hr/> |
| | 1,481,949 | 2,018,370 |
| | <hr/> | <hr/> |
| Liabilities and Stockholders' Deficiency | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | 1,601,114 | 1,762,744 |
| Accrued interest payable | 191,336 | 114,746 |
| Notes payable | 1,665,674 | 1,152,174 |
| Current portion of long-term debt | 359,787 | 857,592 |
| Current portion of obligations under capital leases | 5,974 | 945 |
| | <hr/> | <hr/> |
| Total current liabilities | 3,823,885 | 3,888,201 |
| | <hr/> | <hr/> |
| Long-Term Debt | | |
| Long-term debt, net of current portion | 442,394 | 517,478 |
| Obligations under capital leases, net of current portion | 10,154 | - |
| | <hr/> | <hr/> |
| Total long-term debt | 452,548 | 517,478 |
| | <hr/> | <hr/> |

| | | |
|--|--------------------|--------------------|
| Stockholders' Deficiency | | |
| Preferred stock, no par value | | |
| Authorized 15,000,000 shares, no shares | | |
| issued and outstanding | | |
| at December 31, 2004 and 2003 | - | - |
| Common stock, no par value | | |
| Authorized 60,000,000 shares | | |
| issued and outstanding 46,955,614 and 42,674,564 | | |
| at December 31, 2004 and 2003 | 48,366,016 | 44,353,221 |
| Accumulated deficiency | (51,160,500) | (46,740,530) |
| Total stockholders' deficiency | <u>(2,794,484)</u> | <u>(2,387,309)</u> |
| Total Liabilities and Stockholders' Deficiency | <u>1,481,949</u> | <u>2,018,370</u> |

2. Consolidated Statements of Operations for years ended 31 December 2004 and 2003

| | 2004 | 2003 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Revenues | 1,325,022 | 1,114,980 |
| Cost of production | 1,495,763 | 1,119,653 |
| Gross profit(loss) | <u>(170,741)</u> | <u>(4,673)</u> |
| Sales and general and administrative expenses | 3,245,980 | 2,099,998 |
| Research and development expenses | 1,107,628 | 729,940 |
| Total expenses | <u>4,353,608</u> | <u>2,829,938</u> |
| Loss from operations | <u>(4,524,349)</u> | <u>(2,834,611)</u> |
| Other income(expense) | | |
| Interest income | 1,333 | 97 |
| Forgiveness of trade payables | - | 4,253 |
| Sale of New Jersey NOL's | 323,896 | 224,259 |
| Foreign currency transactions(loss) | (377) | (389) |
| Interest expense | (220,473) | (285,247) |
| Total other income (expense) | <u>104,379</u> | <u>(57,027)</u> |
| Net loss | <u>(4,419,970)</u> | <u>(2,891,638)</u> |

3. Consolidated Statements of Stockholders' Deficit

| | Preferred Stock | Preferred Stock | Common Stock | Common Stock | Accumulated Deficiency | Total |
|--|--------------------|--------------------|-----------------|--------------|---------------------------|-------------|
| | Shares | Amount | Shares | Amount | | |
| | | \$ | | \$ | \$ | \$ |
| Balance, December 31, 2002 | - | - | 39,618,395 | 42,178,577 | (43,848,892) | (1,670,315) |
| Issuance of stock for cash | - | - | 2,708,531 | 1,814,630 | - | 1,814,630 |
| Issuance of warrants for products and services | - | - | - | 39,688 | - | 39,688 |
| Exercise of options and warrants | - | - | 80,156 | 60,117 | - | 60,117 |
| Issuance of common stock in exchange of debt | - | - | 75,000 | 75,000 | - | 75,000 |
| Issuance of common stock in exchange of trade payables | - | - | 192,482 | 185,209 | - | 185,209 |
| Net loss for the year ended December 31, 2003 | - | - | - | - | (2,891,638) | (2,891,638) |
| Balance, December 31, 2003 | - | - | 42,674,564 | 44,353,221 | (46,740,530) | (2,387,309) |
| Issuance of stock for cash | - | - | 2,632,722 | 3,281,965 | - | 3,281,965 |
| Issuance of common stock in exchange of debt | - | - | 1,455,000 | 463,419 | - | 463,419 |
| Issuance of common stock in exchange of trade payables | - | - | 193,328 | 267,411 | - | 267,411 |
| Net loss for the year ended December 31, 2004 | - | - | - | - | (4,419,970) | (4,419,970) |
| Balance, December 31, 2004 | - | - | 46,955,614 | 48,366,016 | (51,160,500) | (2,794,484) |

4. Statements of Cash Flows for the years ended 31 December 2004 and 2003

| | 2004 | 2003 |
|---|----------------|----------------|
| Cash Flows From Operating Activities | | |
| Net loss | \$ (4,419,970) | \$ (2,891,638) |
| Adjustments to reconcile net loss to cash used in operating activities: | | |
| Depreciation and amortization | 102,681 | 110,371 |
| Deferred Interest expense | 13,500 | - |
| Amortization of deferred finance costs | 2,894 | 2,895 |
| Stock, stock options and warrants issued to employees and non-employees | 40,000 | 39,688 |
| Provisions for bad debt | 808,883 | 154,748 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Trade receivables | (433,016) | (366,407) |
| Inventories | (169,495) | (249,389) |
| Prepays and other current assets | (145,718) | 64,774 |
| Deposits and other assets | (1,865) | - |

| | | |
|--|--------------------|-------------|
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 104,370 | 661,074 |
| Net cash used in operating activities | (4,097,736) | (2,473,884) |
| Cash Flows From Investing Activities | | |
| Purchase of property and equipment | (19,383) | - |
| Net cash used in investing activities | (19,383) | - |
| Cash Flows From Financing Activities | | |
| Proceeds from issuance of stock, net | 3,281,965 | 1,814,630 |
| Proceeds from warrants exercised | - | 60,117 |
| Proceeds from borrowings | 1,120,000 | 1,575,279 |
| Repayments on officers' and stockholders' borrowings | - | (105,385) |
| Repayments of capital lease obligations | (4,317) | (9,899) |
| Repayments on borrowings | (691,469) | (269,422) |
| Net cash provided by financing activities | 3,706,179 | 3,065,320 |
| Increase (decrease) in cash | (410,940) | 591,436 |
| Cash, beginning of year | 593,394 | 1,958 |
| Cash end of year | \$ 182,454 | \$ 593,394 |

Consolidated Statements of Cash Flows for the years ended 31 December 2004 and 2003 - continued

| | 2004 | 2003 |
|---|-------------------|-------------------|
| Supplemental Disclosures of Cash Flow Information: | | |
| Non-cash investing and financing activities are as follows: | | |
| Conversion of debt and accrued interest payable to common stock | \$ 465,419 | \$ 75,000 |
| Conversion of trade payable to common stock | \$ 189,411 | \$ 185,209 |
| Cash Paid During the Period for Interest | \$ 73,441 | \$ 211,010 |

Summary of Significant Accounting Policies

The Summary of Significant Accounting Policies below are integral parts of the accompanying Consolidated Financial Statements.

Description of Business: Akers Biosciences, Inc. and its subsidiaries (the "Company" or "Akers") is a New Jersey Corporation, which was incorporated on March 8, 1989. The Company commenced research and development operations in September 1989, and until 2003 had devoted substantially all its efforts to establish the new business.

The Company's financial statements issued in prior years include amounts and disclosures as required by generally accepted accounting principles in the United States of America as it relates to a Development Stage Company. Based on the current status of the Company, considering the development of products and sales activity, the Company is no longer deemed a Development Stage Company.

Patents and Trade Secrets: The Company has developed several diagnostic tests that can detect the presence of various substances in a person's blood, urine and saliva. Proprietary protection for the Company's products, technology and process is important to its competitive position. To date, the Company has received three patents from the United States Patent Office (5,565,366, 5,231,035, and 5,827,749). Other patents have been granted through the World Patent Cooperation Treaty ("PCT") (WO 92/05440), European Patent Convention (EP 0 556 202 B1), and in Japan (516757/91). Patents are in the national phase of prosecution in many PCT-participating countries. Additional proprietary technology consists of eleven different inventions. The Company intends to file additional patent applications, where appropriate, relating to new products, technologies and their use in the US, European and Asian markets. Management intends to protect all other intellectual property (e.g., copyrights, trademarks and trade secrets) using all legal remedies available to the Company.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company. All significant intercompany balances and transactions are eliminated. The subsidiaries have been inactive since December 31, 1996 and have no assets or liabilities.

Revenue Recognition: The Company recognizes sales at the time goods are shipped.

Trade Receivables: Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Trade receivables are written off when deemed uncollectable. Recoveries of trade receivables previously written off are recorded when received. Trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Management may elect to charge interest on past due trade receivables.

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.

Patent Costs: Costs associated with applying for patents are capitalized as patent costs. Once the patents are approved, the respective costs are amortized over a period of twelve to seventeen years on a straight-line basis. Patent pending costs for patents that are not approved are charged to operations the year the patent is rejected. Accumulated amortization related to patents was \$113,555 and \$99,243 as of December 31, 2004 and 2003, respectively. Amortization expense amounted to \$14,311 for each of the years ended December 31, 2004 and 2003.

Deferred Financing Costs: Costs incurred in connection with long-term financing have been capitalized and are being amortized on the straight-line basis over the term of the related debt. As of December 31, 2004 and 2003, accumulated amortization was \$24,123 and \$21,228, respectively. Amortization expense for each of the years ended December 31, 2004 and 2003 was \$2,895.

Research and Development Costs: Research and development costs are charged to operations when incurred.

Advertising and Promotion: Advertising and promotion costs are charged to current operations when incurred. Advertising and promotion costs for the years ended December 31, 2004 and 2003 were \$7,685 and \$1,210, respectively.

Stock-Based Compensation: The Company adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 "*Accounting for Stock-Based Compensation*," but elected to continue to utilize the "*intrinsic value*" method of accounting for recording stock-based compensation expense for employees, as provided for in Accounting Principles Board No. 25 "*Accounting for Stock Issued to Employees*" ("APB No. 25").

Income Taxes: Deferred income taxes are provided on a liability method. Whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Stock Options and Warrants: The Company's intention is to issue stock options and warrants at no less than fair market value on the date of grant. On infrequent occasions, stock options and warrants have been issued at less than fair market value for services and in connection with financings, and the effect of these issuances has been recorded as an expense in the period of issuance of the option or warrant. Previously, the fair market value of common stock had been determined based on the price that the Company has received for the issuance of stock to investors during a comparable time period. Since May 22, 2002, fair market value is deemed to be the price of the company's shares as quoted on the Alternative Investment Market of the London Stock Exchange.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loss per share: Basic loss per share has been calculated by dividing the loss for the year of \$4,419,970 (2003; \$2,891,638) by the weighted average number of shares in issue during the period of 45,528,669(2003: 40,239,335).