

**Embargoed: 0700hrs, 4 April 2006**

**AKERS BIOSCIENCES, INC.**  
(“Akers Biosciences”, “Akers” or the “Company”),  
**Results for the year ended 31 December, 2005**

Akers Biosciences, Inc. a leading designer and manufacturer of rapid diagnostic screening and testing products, announces its annual results for the year ended 31 December, 2005.

**Highlights**

- Revenue of \$4.6 million represents a 250% increase over 2004 revenues (\$1.3 million).
- Pre-tax loss of \$1.8 million before US GAAP adjustments is smallest in Company's history (2004: \$4.4 million).
- Cash balances at the end of 2005 were \$3.2 million.
- Regulatory approvals received included an FDA indication which allows OTC sales of Cholesterol test, and CE marks obtained for European distribution of HPF-4, Lithium, Drugs of Abuse, and Breathalyzers.
- \$7.75 million financings completed for expansion of production and sales force.
- Trial started with Pfizer to introduce Akers Cholesterol test to US physicians and consumers.

**Prospects**

- Over 300 hospitals now using HPF-4 test; over 60 Lithium systems placed in psychiatrist's offices.
- Partnerships with Alco Industries to distribute Breathalyzers and Cholesterol tests to US retail markets.
- Cardinal Health and Corgenix Laboratories have begun marketing of the HPF-4 test in the US.
- Italian government approval Breathalyzer for enforcement of drunk driving laws could result in significant sales.
- The company has begun to expand its manufacturing capabilities from its current 5,000 sq. ft. facility to a 43,000 sq. ft. facility located in Puerto Rico.
- The acquisition, completed in February 2006, of WNCK, the Company's primary distributor for its alcohol breathalyzers, is expected to result in significantly increased margin and greater access to customers.

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

“We are very pleased to report record-breaking revenues for our Company in the fiscal year 2005, and expect revenues in 2006 to be even stronger. We have undertaken an ambitious program that we believe will result in an increase in the customer base of all products, expansion of our manufacturing capabilities, and the integration of a recent acquisition in the breathalyzer field. Revenues for 2006 will be shaped in large part by three core products: the home Tri-Cholesterol Check test, the PIFA Heparin/PF-4 Rapid

Assay, and the Alcohol Breathalyzer. The Company's outlook for 2006 is very positive and we expect another record-breaking year."

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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 2005.

### **Results**

Results for the year ended 31 December 2005 were \$4.6 million compared with \$1.3 million during the same period in 2004. The pre-tax loss before US GAAP adjustment was \$1.8 million (2004: \$4.4 million). 2005 revenues primarily reflect initial sales of its test for Heparin/Platelet Factor-4 antibodies into a small hospital customer base that are now expected to contribute significantly to future growth, the initial launch of its home Cholesterol test into retail channels, on top of continuing breathalyzer sales.

### **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. The company continues to focus on four market segments: biotech/pharmaceutical, OTC and doctor's surgeries, government/military and the developing world, although effort is currently being concentrated on the first three sectors as these represent the most attractive immediate opportunities.

#### Biotech/Pharmaceuticals

The Company remains confident that the biotech/pharmaceutical sector holds great potential to build a core and sustainable business.

- *Heparin/platelet factor-4 antibodies test ("HPF4")*

The Company's rapid HPF4 test has been introduced into the US market under the Company's brand "PIFA Heparin/PF-4 Rapid Assay". This is the first rapid test for HPF4 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. Over 300 hospitals in the US are now using the test today as a result of the Company's direct sales efforts. While the sales cycle of the Heparin/PF-4 Rapid Assay is longer than had been anticipated, repeat orders from existing customers have exceeded expectations. The extent of marketing penetration by the Company's distribution partners, Cardinal Health and Corgenix Medical Group will be additive to this number.

As background, heparin is the most widely used intravenous anticoagulant, and is commonly used for the prophylaxis and treatment of thromboembolic disease, as well as numerous other applications including certain types of lung and heart disorders, and during or after a variety of surgeries including open heart, bypass, dialysis and orthopedic procedures. Patients with recent exposure to heparin are at a much greater risk for developing HITTS, than are those not having

previously been given the drug. The Company's test detects the presence of Heparin/PF-4 antibody, which is associated with patients at risk for HITTS, and is rapidly becoming a standard of care in hematology and cardiology.

The Company and its partners have initially promoted the use of the test as a replacement for current laboratory tests used in the detection of HITTS resulting from heparin treatment. The Company's product has significant advantages both in terms of cost and time to result. The Company's test takes minutes to perform, while the current laboratory tests take hours to perform on complex instrumentation. HITTS can rapidly progress in minutes or hours, and can result in death or dismemberment. The Company's product is the only test available on the market that can provide real-time information that can be useful in formulating a clinical diagnosis. In 2004, approximately 3 million tests were performed using current laboratory tests to confirm a potential "heparin allergy" or HITTS, primarily in cardiology and emergency medicine patients.

- *Lithium Test*

The Company's first entry into this market was the lithium test. 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. has also begun selling the product direct to psychiatrists under its own brand, "InstaRead," now that the FDA CLIA waiver has been obtained, and, in fact, has successfully placed nearly 70 systems.

- *White Blood Cells Tests*

The approval process for this product has made steady progress, but the above initiatives have taken priority over the introduction of this product. Therefore, the Company does not expect to introduce this product until H2 at the earliest.

### OTC and Doctors' Surgeries

The Company has focused primarily on its home tests for Tri-Cholesterol Check and Alcohol Breathalyzers.

The Tri-Cholesterol Check is marketed in parallel through a collaboration with Pfizer, Inc., and an alliance with Alco Industries. Pfizer markets the test on a trial basis to physicians and their patients in conjunction with its cholesterol-lowering drug Lipitor. Alco Industries has made a significant impact on the US retail market sector through the introduction of the product in late 2004. The uptake of the Tri-Cholesterol Assay into the US retail market continues to exceed expectations.

Alco is also marketing the Alcohol Breathalyzers to the retail sector. The addition by Akers of retail distribution relationships acquired through the recent WNCK transaction will augment these efforts in 2006.

### Government and Military

The Company is continuing to pursue both land and marine-based sales of its Alcohol Breathalyzers through its own "Breath Alcohol Check" brand and the recently acquired BreathScan® brand. The Company's breathalyzer has been approved by the Italian government for use in a program to curb driving under the influence of alcohol. Quest Diagnostics is the Company's primary distributor of Akers' own brand of product, and has steadily increased its sales and customer base. The Company has also multiplied its access to customers through its acquisition of WNCK's distributor relationships.

Additional products now being aggressively marketed to the military include the Company's Battlefield Blood Transfusion Card, and the PIFA Heparin/PF-5 Rapid Assay.

### **Financial Review**

## Profit and Loss

For the year ended 31 December 2005, revenues increased by 254% to \$4.6M (2004:\$1.3M). The net loss before US GAAP adjustment was \$1,817,852 (\$0.04 loss per share), compared to \$4,419,970 (\$0.10 loss per share) in 2004.

Research and development expenses decreased to \$789,750 from \$1,107,628 in the previous year.

Sales and general and administrative expenses decreased to \$3,087,316 from \$3,245,980 in 2004.

Capital expenditures were negligible in both 2005 and 2004. The Company had 55,762,885 common shares in issue at 31 December 2005.

## Tundra Litigation

In the matter of Akers Biosciences Inc (the "Company"), Tundra Management LTD ("Tundra") and Alliance Investment Management LLC ("Alliance"), the case has been decided, with the following results. 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. The judgment provided for set-off of the damage amount against the loan from Tundra, thereby satisfying, in full, the debt under the loan agreements. Accordingly the company has recognized as income \$713,000, which represents the entire unpaid amount of the loan principal and interest. On September 1, 2005, following a six day trial in the United States District Court for the Southern District of Florida, the jury ruled that Alliance shall receive no damages from Akers, and a final judgment reflecting that verdict was entered by the Court. Alliance has recently appealed the verdict and it will be several months before the Appellate Court decides on the matter. Management believes the appeal is without merit and plans to defend the appeal vigorously.

## 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 were convertible into shares of the Company's common stock had an 18-month maturity, and bore simple interest at the annual rate of 6%. Between 8 April 2005 and 23 June 2005, the entire principle amount of the promissory note, along with the related interest, was converted to 3,264,689 shares of the Company's common stock. 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.

On 6 October 2005 the investors elected to exercise warrants to purchase 2,604,167 shares at 60 pence per share, bringing in funds of \$2,750,000 before related expenses.

On 15 September 2005 the Company agreed to sell up to \$5,000,000 in convertible debentures, bearing annual interest of 9%. On the same date the Company delivered the first tranche of the debentures in the amount of \$2,500,000. \$2,230,000 of that debenture has been converted to 2,252,855 shares. The company plans to repay the balance of \$270,000 by the maturity date of 30 June 2006. On 22 December 2005 the Company availed themselves of the second tranche of that facility, providing an additional \$2,500,000 of funding, before related expenses. This debenture matures on 30 June 2006 as well.

## **Product Development**

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

During 2005, the Company developed rapid tests for the environmental detection of anthrax (*Bacillus anthracis*) and plague (*Yersinia pestis*) based on its Particle ImmunoFiltration Assay technology, and in a format similar to its PIFA Heparin/PF-4 test. These tests are currently under evaluation by the

Company's partner Battelle. In addition, the Company successfully published the results of a clinical trial of its Battlefield Blood Transfusion Card.

### **Current Trading and Outlook**

Important accomplishments in 2005 included FDA approvals for key products, the establishment of alliances with major pharmaceutical and medical products companies, and successful product launches. The focus in 2006 will be on significantly increasing market penetration across all product lines, expanding production capabilities, and successfully integrating WNCK's business. We are confident that this focus will augment revenues, move the Company towards profitability, and increase shareholder value, leading to another year of significant growth and expansion.

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 2005 and 2004

	<b>2005</b>	2004
<b>Assets</b>		
Current Assets	<b>\$</b>	<b>\$</b>
Cash	<b>3,173,017</b>	182,454
Trade receivables, net of allowance for doubtful accounts of \$452,916 and \$963,630 in 2005 and 2004, respectively	<b>3,203,777</b>	105,982
Inventories	<b>1,219,275</b>	619,646
Prepaid and other current assets	<b>147,333</b>	217,109
Total current assets	<b>7,743,402</b>	1,125,191
Property and Equipment, net	<b>246,580</b>	221,371
<b>Other Assets</b>		
Patent costs, net of accumulated amortization	<b>97,119</b>	117,930
Deferred financing costs, net of accumulated amortization	<b>135,456</b>	4,825
Deposits and other assets	<b>12,632</b>	12,632
Total other assets	<b>245,207</b>	135,387
	<b>\$</b>	<b>\$</b>
	<b>8,235,189</b>	1,481,949
<b>Liabilities and Stockholders' Deficiency</b>		
Current Liabilities	<b>\$</b>	<b>\$</b>
Accounts payable and accrued expenses	<b>1,611,122</b>	1,601,114
Accrued interest payable	<b>117,547</b>	191,336
Notes payable	<b>2,903,478</b>	1,919,746
Current portion of long-term debt	<b>38,731</b>	105,715
Current portion of obligations under capital leases	<b>12,829</b>	5,974
Total current liabilities	<b>4,683,707</b>	3,823,885
Long-Term Debt		
Long-term debt, net of current portion	<b>414,663</b>	442,394
Obligations under capital leases, net of current portion	<b>13,080</b>	10,154
Total long-term debt	<b>427,743</b>	452,548

Stockholders' Equity(Deficiency)		
Preferred stock, no par value		
Authorized 15,000,000 shares, no shares		
issued and outstanding		
at December 31, 2005 and 2004	-	-
Common stock, no par value		
Authorized 80,000,000 shares		
issued and outstanding 55,762,885 and 46,955,614 shares		
at December 31, 2005 and 2004	<b>58,790,850</b>	48,366,016
Accumulated deficiency	<b>(55,667,111)</b>	(51,160,500)
Total stockholders' equity (deficiency)	<b><u>3,123,739</u></b>	<u>(2,794,484)</u>
	<b>\$</b>	<b>\$</b>
Total Liabilities and Stockholders' Equity (Deficiency)	<b><u>8,235,189</u></b>	<u>1,481,949</u>

2. Consolidated Statements of Operations for years ended 31 December 2005 and 2004

	2005	2004
	\$	\$
Revenues	<b>4,610,567</b>	1,325,022
Cost of production	<b>2,939,836</b>	1,495,763
Gross profit(loss)	<b><u>1,670,731</u></b>	<u>(170,741)</u>
Sales and general and administrative expenses	<b>3,087,316</b>	3,245,980
Research and development expenses	<b>789,750</b>	1,107,628
Total expenses	<b><u>3,877,066</u></b>	<u>4,353,608</u>
Loss from operations	<b><u>(2,206,335)</u></b>	<u>(4,524,349)</u>
Other income (expense)		
Interest income	<b>10,529</b>	1,333
Litigation recovery	<b>713,046</b>	-
Forgiveness of trade payables	<b>9,472</b>	-
Sale of New Jersey NOL's	<b>304,533</b>	323,896
Loss on disposal of property and equipment	<b>(328)</b>	-
Foreign currency transactions income (loss)	<b>1,240</b>	(377)
Interest expense	<b>(650,009)</b>	(220,473)
Total other income (expense)	<b><u>388,483</u></b>	<u>104,379</u>
<b>Net loss before US GAAP adjustment</b>	<b>(1,817,852)</b>	(4,419,970)
US GAAP adjustment for equity compensation for options and warrants issued	<b>(2,688,759)</b>	-
<b>Net loss</b>	<b><u><u>\$(4,506,611)</u></u></b>	<u><u>\$(4,419,970)</u></u>

3. Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred Stock		Common Stock		Accumulated	Total
	Shares	Amount	Shares	Amount	Deficiency	
		\$			\$	\$
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 warrants for products and services	-	-	-	40,000	-	40,000
Issuance of common stock in exchange of debt	-	-	1,455,000	501,419	-	501,419
Issuance of common stock in exchange of trade payables	-	-	193,328	189,411	-	189,411
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)
Issuance of stock for cash	-	-	2,627,306	2,291,750	-	2,291,750
Issuance of warrants for products and services	-	-	-	2,688,759	-	2,688,759
Issuance of common stock in exchange of debt	-	-	5,931,746	5,207,000	-	5,207,000
Issuance of common stock in exchange of trade payables	-	-	248,219	237,325	-	237,325
Net loss for the year ended December 31, 2005	-	-	-	-	(4,506,611)	(4,506,611)
Balance, December 31, 2005	-	\$-	55,762,885	\$58,790,850	\$(55,667,111)	\$3,123,739

#### 4. Statements of Cash Flows for the years ended 31 December 2005 and 2004

	2005	2004
Cash Flows From Operating Activities		
Net loss	<b>\$(4,506,611)</b>	\$(4,419,970)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	<b>101,139</b>	100,732
Amortization of deferred finance costs	<b>209,369</b>	2,894
Stock, stock options and warrants issued to employees and non-employees	<b>2,688,759</b>	40,000
Adjustments for litigation recovery	<b>(713,046)</b>	-
Provisions for bad debts	<b>182,267</b>	808,883
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Trade receivables	<b>(3,280,062)</b>	(433,016)
Inventories	<b>(599,629)</b>	(169,495)
Prepays and other current assets	<b>69,776</b>	(145,718)
Deferred financing costs	<b>(340,000)</b>	-
Deposits and other assets	-	(1,865)
Increase (decrease) in:		
Accounts payable and accrued expenses	<b>234,416</b>	104,370

<b>Net cash used in operating activities</b>	<b>(5,953,622)</b>	<b>(4,113,185)</b>
Cash Flows From Investing Activities		
Purchase of property and equipment	<b>(87,968)</b>	(17,434)
<b>Net cash used in investing activities</b>	<b>(87,968)</b>	<b>(17,434)</b>
Cash Flows From Financing Activities		
Proceeds from issuance of stock, net	<b>10,000</b>	3,281,965
Proceeds from warrants exercised	<b>2,543,750</b>	-
Proceeds from borrowings	<b>10,039,043</b>	1,120,000
Repayments of capital lease obligations	<b>(7,788)</b>	(4,317)
Repayments on borrowings	<b>(3,552,852)</b>	(677,969)
<b>Net cash provided by financing activities</b>	<b>9,032,153</b>	<b>3,719,679</b>
<b>Increase (decrease) in cash</b>	<b>2,990,563</b>	<b>(410,940)</b>
Cash, beginning of year	<b>182,454</b>	593,394
Cash, end of year	<b>\$3,173,017</b>	<b>\$182,454</b>

4. Consolidated Statements of Cash Flows for the years ended 31 December 2005 and 2004 (continued)

	<b>2005</b>	2004
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	<b>\$5,108,989</b>	\$501,419
Equipment purchased under capital lease	<b>\$17,569</b>	\$19,500
Conversion of trade payable to common stock	<b>\$73,336</b>	\$189,411
Cash Paid During the Period for Interest	<b>\$66,933</b>	\$73,441

**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.

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.

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 receivables are 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.

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 \$134,366 and \$113,555 as of December 31, 2005 and 2004, respectively. Amortization expense amounted to \$20,811 and \$14,311 for the years ended December 31, 2005 and 2004, respectively.

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, 2005 and 2004, accumulated amortization was \$27,018 and \$24,123, respectively. Amortization expense for each of the years ended December 31, 2005 and 2004 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, 2005 and 2004 were \$11,422 and \$7,685, 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 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. Under US GAAP rules, options or warrants issued to non-employees must be valued based on the Black-Sholes model, or another acceptable measurement procedure, with the calculated fair value to be charged to the statement of operations on the date of issuance. 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 of \$0.04 (2004: \$0.10) has been calculated by dividing the net loss for the year before US GAAP adjustment of \$1,817,852 (2004; \$4,419,970) by the weighted average number of shares in issue during the period of 50,079,576 (2004: 45,528,669).