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Akers Biosciences, Inc.
("Akers" or the "Company")

Preliminary Results for the Year Ended 31 December 2006

Chairman's and CEO's Statement

Results

Since reporting that the Company expected 2006 revenues to be \$5.2 million, the Company has acquired the assets of its major distributor of breathalyzers to the US Military, 'Bout Time Marketing ("BTM"). As a consequence of the accounting treatment of this acquisition, which is explained below, the Company's 2006 revenues were in fact \$1.0 million (2005: \$4.6 million).

Under the terms of the acquisition, Akers acquired the assets of BTM which, amongst other things, included an inventory of products supplied by Akers but not yet shipped to BTM's customers. As part of the audit process, the Company's auditors reviewed the accounting treatment associated with this acquisition and requested that the Company commission an independent valuation report on the intangible assets of BTM, in part to ascertain the revenues that could be recognized by the Company in the 2006 financial year. The independent valuation report was finalized at the end of last week and substantiated the price paid by the Company, both for BTM and WNCK, Inc. The Company's auditors have subsequently reviewed the valuation report and informed the Board that only the sale proceeds of breathalyzers that were actually shipped by BTM to the end user (the US Military) in the 2006 financial year could be recognized in the Company's 2006 accounts.

2006 revenues primarily comprise:

- initial sales of the Company's Heparin/Platelet Factor-4 antibodies test into a small hospital customer base which, with very satisfactory product acceptance by clinicians, is expected to contribute significantly to future growth;
- alcohol breathalyzer sales, but most importantly initial sales of approximately \$500,000 to the US Military.

While the revenues reported here are extremely disappointing, the Board expects to realize the balance of the full \$4.2 million in the 2007 financial year. The Company has already realized \$1.5 million of this revenue during H1 2007, from sales of breathalyzers to the US Military, and expects to receive further contracts.

The Company's pre-tax loss was \$9.6 million (2005: pre-tax loss of \$4.5 million). This figure was adversely affected by the Company recording a significant bad debt from a distributor, the financial impact of which, although painful, is expected to be ameliorated by the Company taking back into inventory the product, with the intention of re-sale.

Business Review

All of the Company's proprietary technologies provide the platform for high margin niche products, intended for use in specialized market segments. These market segments include:

clinical laboratories, homeland security, military, OTC, industrial and consumer safety, doctor's surgeries, and clinical research.

Revenues in 2007 will be primarily due to the market penetration of four of the Company's products, which are detailed here.

PIFA[®] Heparin Platelet Factor 4 Rapid Assay

The Company's rapid HPF4 test is sold into the US clinical laboratory market through Cardinal Health and Corgenix Medical Group 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. The market response clearly indicates a significant clinical need for the product, and several studies have been presented at scientific meetings indicating that the Company's test may be more accurate than any competitor on the market.


Cardinal Health has signed a new contract with the Company for the distribution of this product. This evergreen agreement guarantees that the product will remain in Cardinal's highest focus of products at least through 2008, and that the Company will be in the highest tier of supplier relationships. In addition, the agreement provides a price increase beginning 1 August 2007 and for the distribution of additional products.

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 Heparin-Induced Thrombocytopenia ("HIT"), 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 HIT, 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 a heparin "allergy" or other serious thrombolytic reaction 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. HIT 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 2006, over 3.5 million tests were performed using current laboratory tests to confirm a potential "heparin allergy" or HIT, primarily in cardiology and emergency medicine patients.

The Company has expanded its customer base through new distribution relationships in the UK and Europe. In addition, the Company plans to distribute the product to the US physicians' office market through new distributors in 2007.

Breath Alcohol [®] and BreathScan[®] Alcohol Breathalyzers

The Company is the only manufacturer of portable, disposable alcohol breathalyzers in the US. The Company is continuing to pursue sales of its Alcohol Breathalyzers through its own Breath Alcohol [®] brand and the recently acquired BreathScan[®]. These sales are generated through a rapidly expanding distributor network, as well as through direct sales.

In February, 2006, the Company acquired certain assets of WNCK, Inc., ("WNCK") of The Woodlands, Texas, USA, in an effort to strengthen its position in the alcohol breathalyzer industry. WNCK had been the leading distributor of disposable alcohol breathalyzers in the U.S., and the Company had been the sole manufacturer of WNCK's products for the past 5 years.

Through this acquisition, the Company now owns the BreathScan product line, one of the industry standards for the past 15 years, and WNCK's customer base. The Company has already benefited from increased margins as well as direct distribution channels, which are likely to have a synergistic effect with other products.

This is especially important in view of rapidly expanding markets resulting from new Coast Guard regulations and US Military safety programs. One of the Company's marketing partners, 'Bout Time Marketing ("BTM") has helped develop a special safety program for the US Military, and is a significant distributor of disposable alcohol breathalyzers to the U.S. Military and retail markets. Its Legal Limit product line and Alcohol Safety Program were amongst the first products to address responsible alcohol consumption by soldiers and civilians.

In January, 2007 the Company acquired certain assets of BTM, and now owns the Legal Limit product line, and BTM's customer base. The Company has already benefited from increased margins and distribution channels, and has received contracts with the US Military in 2006 and 2007. The Board expects that additional contracts will be received in 2007, and that a stable, recurring business will be achieved in future years. On 19 June, 2007, the US Patent and Trademark Office issued a Notification of Allowance for a patent for certain features of the Legal Limit product, further strengthening this product line.


In addition to being profit-enhancing from the day of closing, these acquisitions have established the Company as the premier force in portable alcohol breathalyzers in the U.S.

Moreover, these acquisitions represent initial steps in the Company's strategy to transform the portable alcohol breathalyzer industry. The Company has positioned its breathalyzers as security and safety devices by enhancing the technology through the development of electronic readers. The Company believes that this new product positioning, together with the addition of the Legal Limit products will enhance market penetration and profit margins.

Additional applications of the breathalyzer product line include a program to curb driving under the influence of alcohol used by the Italian government. The Company's distributor in the UK, Advanced Rapid Diagnostics, Ltd., has also had success in selling the product into the industrial safety sector. Also, the DOT approval announced in September, 2006 opened the maritime safety industry to the Company's breathalyzer products.

TriCholesterol ®

The Tri-Cholesterol Test Kit is the only FDA-approved rapid assay that provides a complete cholesterol profile of the patient, with semi-quantitative determinations of high-density lipoprotein (HDL) cholesterol, low-density lipoprotein (LDL) cholesterol, and total cholesterol levels in whole blood obtained from a finger stick. The Company is currently marketing this product through new distribution channels due to the unsatisfactory performance of its former distributor. The Company plans to re-launch this product with a new distributor in the second half of 2007, and believes that there is still significant market potential.

In addition, the Company has further developed this product into a format suitable for doctor's offices, TriCholesterol ®-Pro. The Company is in discussions with several US physicians' office distributors, and plans to introduce the product to this new market in the second half of 2007.

Battlefield Blood Transfusion Card

The ABO Blood Group was the first to be identified and is the most significant for transfusion practice. Accurate testing of donor and recipient blood for ABO/D compatibility is essential for the prevention of hemolytic transfusion reactions. To respond to the unpredictable demands of battlefield transfusion support, the U.S. Military may use "the walking blood bank" as its blood supply. This requires on site identification of the donor and recipient blood types. The Battlefield Blood Transfusion Card can accomplish this task using only the card, a drop of blood, and a drop of a rinse reagent.

Following several successful clinical trials, the Company has received several small orders from the US Military for this product. The demand for the product is expected to grow significantly since over 40% of blood transfusions in the military theatre of operations are performed under field conditions, and there is currently no other rapid test competition. The Company is in discussions with the US Military to expand the use of the product under field conditions.

Financials:

Share Issues

During January and again in November and December 2006, three of the Company's independent directors received an aggregate of 147,459 shares of the Company's common stock as payment for directors fees and other fees owing to them at the time of issuance in the amount of \$145,012.

On 27 February 2006, WNCK, Inc. received 125,000 shares of the Company's common stock as partial consideration for the Company's purchase from WNCK of its trademark and customer and distributor lists.

During the second half of 2006, Brittany Capital converted the \$2,770,000 of Convertible Notes outstanding at 31 December 2005 plus Original Issue Discount plus Premium plus accrued interest thereon into 4,279,168 shares of the Company's common stock.

Other Income

The Company was able to continue to take advantage of a program in the State of New Jersey wherein companies that incur net operating losses are able to sell their state NOL's at a nominal discount to their implied value. The benefit recognized for 2006 was \$0.5 million vs. \$0.3 for 2005.

Liquidity and Cash Resources

As of 31 December 2006, the Company had yet to generate positive cash flow from its own operations due to the preliminary nature of such operations, substantial ongoing investment in research and development efforts, and expenditures to build the appropriate infrastructure to support its expected growth. Consequently, the Company has been substantially dependent on the issuance of convertible debt securities and borrowing from its revolving credit facility with the Company's cash.

The Company issued \$2.0 million of new Convertible Notes to Brittany during 2006 and drew down \$0.95 million against its revolving credit facility to partially fund its 2006 loss.

During May 2007, the Company refinanced the Convertible Notes due to Brittany at 31 December 2006, as well as approximately \$1.3 million borrowed during the first five months of 2007 from Brittany. Brittany issued new Convertible Notes which extend the maturity of the 2006 and 2007 Notes until 31 December 2008 and which permit the Company to draw up to an

additional \$1,000,000 during the second half of 2007. This facility, supplemented by expected NOL sales at equal to or higher levels than during 2006 and a continuation of the higher level of revenue experienced during the first half of 2007, should provide the liquidity the Company needs to meet its obligations during the next 12 months.

Personnel

As part of its objective of strengthening its management team the Company has made significant management changes with the appointment of very experienced executives. Thomas A. Nicolette has joined the company as President, and is responsible for the operations of the business and Arthur Mullin has replaced Paul Freedman as Chief Financial Officer. It is appropriate for the Board of Directors to recognise the contribution Paul Freedman has made to the Company over many years and to thank him for his all his efforts and dedication.

Product Development

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

During 2006, the Company proceeded with the development of products for its new Homeland Security suite of rapid tests. These include the environmental detection of anthrax (*Bacillus anthracis*) and plague (*Yersinia pestis*), and a High Pathogenicity BioScreen Assay, which could be used for mass screening in the event of an outbreak of avian flu or biowarfare agents. All of these products are based on the Particle ImmunoFiltration Assay technology, and are packaged in a format similar to its PIFA Heparin/PF-4 test.

In addition, the Company completed the development of the Battlefield Blood Transfusion Card, and introduced this product to the US Military. The Company is also currently in discussion with the military regarding the development of a multi-screen theatre card.

Current Trading and Outlook

The Company has achieved significant milestones in the market penetration of two of its key products in 2006, and plans to re-launch its cholesterol test in 2007. The Company has restructured its debt in 2007, and is financially stable. The acquisitions completed in 2006 and early 2007 have shown the significant potential of the alcohol breathalyzer business, and the Company has already received two military contracts. These acquisitions have made the Company a premier force within the industry, and have put the Company on a positive future revenue track. If US Military contracts are obtained as expected in 2007, the Company will produce its first operating profit in its history.

David Wilbraham
Chairman

Raymond F. Akers, Jr., Ph.D.
President and CEO

Akers Biosciences, Inc.
Financial Statements

Consolidated Balance Sheets as at 31 December 2006 and 2005

	2006	2005
Assets		
Current Assets		
Cash	\$ 41,142	\$ 3,173,017
Trade receivables, net of allowance for doubtful accounts of \$452,916 and \$963,630 in 2005 and 2004, respectively	617,036	3,203,777
Inventories	1,106,941	1,219,275
Prepaid and other current assets	228,458	147,333
Total current assets	<u>1,993,577</u>	<u>7,743,402</u>
Property and Equipment, net	<u>224,464</u>	246,580
Other Assets		
Patent costs, net of accumulated amortization	82,803	97,119
Other intangibles	657,641	-
Deferred financing costs, net of accumulated amortization	31,847	135,456
Deposits and other assets	12,632	12,632
Total other assets	<u>784,923</u>	<u>245,207</u>
	<u>\$ 3,002,964</u>	<u>\$ 8,235,189</u>
Liabilities and Stockholders' Deficiency		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,817,062	\$ 1,611,122
Accrued interest payable	174,006	117,547
Notes payable	3,251,098	2,903,478
Current portion of long-term debt	29,964	38,731
Current portion of obligations under capital leases	12,829	12,829
Total current liabilities	<u>5,284,959</u>	<u>4,683,707</u>
Long-Term Debt		
Long-term debt, net of current portion	384,699	414,663
Obligations under capital leases, net of current portion	1,845	13,080
Total long-term debt	<u>386,544</u>	<u>427,743</u>
Stockholders' Equity(Deficiency)		
Preferred stock, no par value		
Authorized 15,000,000 shares, no shares issued and outstanding at December 31, 2006 and 2005	-	-
Common stock, no par value		
Authorized 80,000,000 shares		

issued and outstanding 59,806,044 and 55,762,885 shares at December 31, 2005 and 2004	62,593,546	58,790,850
Accumulated deficiency	(65,262,085)	(55,667,111)
Total stockholders' equity (deficiency)	(2,668,539)	3,123,739
 Total Liabilities and Stockholders' Equity (Deficiency)	 \$ 3,002,964	 \$ 8,235,189

Consolidated Statements of Operations for years ended 31 December 2006 and 2005

	2006	2005
Revenues	\$ 1,019,629	\$ 4,610,567
Cost of production	2,463,999	2,939,836
Gross profit(loss)	(1,444,370)	1,670,731
 Sales and general and administrative expenses	 6,485,299	 3,087,316
Research and development expenses	786,676	789,750
Total expenses	7,271,975	3,877,066
Loss from operations	(8,716,345)	(2,206,335)
Other income (expense)		
Interest income	19,062	10,529
Litigation recovery	-	713,046
Forgiveness of trade payables	-	9,472
Sale of New Jersey NOL's	483,086	304,533
Loss on disposal of property and equipment	-	(328)
Foreign currency transactions income (loss)	(13,078)	1,240
Interest expense	(1,256,227)	(650,009)
Total other income (expense)	(767,157)	388,483
 Net loss before US GAAP adjustment	 (9,483,502)	 (1,817,852)
US GAAP adjustment for equity compensation for options and warrants issued	(111,472)	(2,688,759)
Net loss	\$ (9,594,974)	\$ (4,506,611)

Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred Stock		Common Stock		Accumulated	Total
	Shares	Amount	Shares	Amount	Deficiency	
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
Issuance of stock for acquisition	-	-	-	125,000	-	148,365	-	-	-	148,365
Issuance of warrants for products and services	-	-	-	147,459	-	256,484	-	-	-	256,484
Issuance of common stock in exchange of debt	-	-	-	4,312,234	-	3,397,847	-	-	-	3,397,847
Net loss for the year ended December 31, 2006	-	-	-	-	-	-	-	(9,594,974)	-	(9,594,974)
Balance, December 31, 2006	-	\$	-	60,347,578	\$	62,593,546	\$	(65,262,085)	\$	(2,668,539)

Statements of Cash Flows for the years ended 31 December 2006 and 2005

	2006	2005
Cash Flows From Operating Activities		
Net loss	\$ (9,594,974)	\$ (4,506,611)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	199,095	101,139
Amortization of deferred finance costs	140,456	209,369
Stock, stock options and warrants issued to employees and non-employees	111,472	2,688,759
Adjustments for litigation recovery	-	(713,046)
Provisions for bad debts	2,804,149	182,267
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Trade receivables	(217,408)	(3,280,062)
Inventories	112,334	(599,629)
Prepays and other current assets	(81,125)	69,776
Increase (decrease) in:		
Accounts payable and accrued expenses	990,508	234,416
Net cash used in operating activities	(5,305,493)	(5,613,622)
Cash Flows From Investing Activities		
Purchase of property and equipment	(64,629)	(87,968)
Purchase of intangible assets	(607,310)	-
Net cash used in investing activities	(671,939)	(87,968)
Cash Flows From Financing Activities		
Proceeds from issuance of stock, net	-	10,000
Proceeds from warrants exercised	-	2,543,750
Proceeds from borrowings	4,532,145	10,039,043
Repayments of capital lease obligations	(11,235)	(7,788)
Repayments on borrowings	(1,638,506)	(3,552,852)
Deferred financing costs	(36,847)	(340,000)
Net cash provided by financing activities	2,845,557	8,692,153
Increase (decrease) in cash	(3,131,875)	2,990,563
Cash, beginning of year	3,173,017	182,454
Cash, end of year	\$ 41,142	\$ 3,173,017

Consolidated Statements of Cash Flows for the years ended 31 December 2006 and 2005
(continued)

	2006	2005
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	\$ 3,397,847	\$ 5,108,989
Conversion of trade payable to common stock	\$ 145,012	\$ 73,336
Issuance of stock for acquisition	\$ 148,365	\$ -
Equipment purchased under capital lease	\$ -	\$ 17,569
Cash Paid During the Period for Interest	\$ 175,280	\$ 66,933

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 four patents from the United States Patent Office (5,565,366, 5,231,035, 5,827,749, and D368045). Other patents have been granted through the World Patent Cooperation Treaty (“PCT”) (WO 92/05440, US2005/027822, US2005/015875, US91/06870, and US2005/036109), 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 numerous 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 and its subsidiaries. All significant intercompany balances and transactions are

eliminated. The subsidiaries are currently asset holding companies and have no direct operations at this time.

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. 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, and primarily consist of finished goods.

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 \$148,682 and \$134,366 as of December 31, 2006 and 2005, respectively. Amortization expense amounted to \$14,316 and \$20,811 for the years ended December 31, 2006 and 2005, respectively.

Deferred Financing Costs: Costs incurred in connection with financing have been capitalized and are being amortized on the straight-line basis over the term of the related debt. As of December 31, 2006 and 2005, accumulated amortization was \$28,949 and \$27,018, respectively. As of December 31, 2006 all deferred finance costs from long term debt has been fully amortized. Amortization expense for each of the years ended December 31, 2006 and 2005 was \$1,931 and \$2,895, respectively. Short term financing charges are expensed over the life of the loan as additional interest expense and any unexpensed amounts at year end are included as deferred financing costs. The balance of \$133,536 was expensed in 2006. As of December 31, 2006 \$31,847 of financing costs related to short obligations remain on the books and will be expensed in 2007.

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, 2006 and 2005 were \$85,979 and \$11,422, respectively.

Stock-Based Compensation: SFAS No. 123, as amended, "Accounting for Stock-Based Compensation ("SFAS No. 123") requires expanded disclosures of stock-based compensation cost to be measured based on the fair value of the equity instrument awarded. This standard allows the Company, and the Company has elected, to measure compensation cost for these plans through December 31, 2005 using the intrinsic value based method of accounting prescribed by the Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees ("APB 25"). As of December 31, 2005, all stock options were vested. Beginning in January 1, 2006, the Company has adopted as required the provisions of SFAS No.123(R) for all outstanding options under the prospective method. Under the prospective method, noting the Company previously applied APB 25 using the minimum value method, the Company is not required to recognize compensation expense going-forward for non-vested options as of December 31, 2005. Beginning January 1, 2006, the company is required to recognize compensation costs for all share-based payments granted equal to the fair value over the vesting period of each award.

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 \$0.17 (2005: \$0.09) has been calculated by dividing the net loss for the year of \$9,594,974 (2005; \$4,506,611) by the weighted average number of shares in issue during the period of 56,787,413 (2005: 50,079,576).

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