

# Akers Biosciences

designs, manufactures and markets rapid screening and testing products, which bring healthcare information both instantly and directly to the patient or healthcare professional.

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# Highlights

- Flotation on AIM achieved along with successful fund raising of \$3.8 million net in May 2002.
- Company successfully transitioned from development to operating stage.
- Significant expansion of corporate infrastructure in sales and marketing, manufacturing, product development, and regulatory affairs.
- *minDNA* technology platform developed; initial test applications include levels and disorders of various blood cell types.
- Lithium reader technology platform developed results in the first rapid test for the detection of lithium levels in blood.
- Product line developed for nutritional marketplace that matches rapid tests to nutritional supplements.

**David Wilbraham**  
Chairman

**Raymond F. Akers, Jr.**  
President and CEO

# Chairman's and CEO's Statement

## Introduction

These are the first annual set of results for Akers Biosciences Inc. since its listing on AIM in May 2002. While our revenues for the year are nominal, we have successfully made the transition from development to operating stage, and have the corporate infrastructure necessary to manage growth in revenues and activities in 2003.

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

## Results

Revenues for the year ended 31 December 2002 were \$811,628, compared with \$621,388 during the same period in 2001. The loss before tax was \$7,015,761 (2001 \$5,137,215). These revenues reflect initial sales into a small customer base, and the loss is affected by adjustments from US GAAP treatment of certain warrants and debt conversion at the time of the placement. While it has taken longer than anticipated to bring some major contracts to completion, these are now expected to contribute significantly to future growth.

## Product Development

The Company has made significant progress in the development of three new proprietary platform technologies in the second half of 2002, which have expanded both products and target markets. Key to the development of two of these new technologies is the Company's new found capabilities in the development and programming of 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). These products are under contractual arrangement with ReliaLAB, and are expected to be introduced in 2003. Other applications of *minDNA* technology can result in tests necessary for the safety of the blood supply, specific identification of parasitic infections, and biowarfare agent detection. *minDNA*-based assays can be produced in both rapid manual or electronic reader versions.

The second new platform technology is associated with the development of novel electronic readers that determine quantitative levels of therapeutic drugs, such as lithium blood levels. These hand-held readers and their associated proprietary reagents unlock new potential in both professional and consumer markets, particularly in therapeutic drug monitoring.

The third new 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 and testosterone.

## **Chairman's & CEO's Statement (continued)**

Previously developed technologies include Particle ImmunoFiltration Assay (PIFA) and MicroParticle Catalyzed Biosensor (MPC Biosensor). The Company offers an extensive range of rapid testing products based on PIFA, including 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. MPC Biosensor-based products include breathalyzers, most notably the Company's alcohol breathalyzer, which is the only portable breathalyzer approved by the US Department of Transportation.

### **Business Review**

All of the Company's proprietary technologies provide the platform for high margin niche products intended for use in specialized market segments. The Company continues to focus on four market segments: biotech/pharmaceutical, OTC and doctor's surgeries, government/military, and developing world. Experience during the past year has helped us to identify more clearly the sectors likely to provide early uptake.

The Company continues to believe that the biotech/pharmaceutical sector holds great potential to build a core and sustainable business. We announced an order for our lithium test in January 2003, subject to FDA approval, which is in process. The white blood cell tests for side effects of the neuropsychiatric drug clozapine referred to in our statement on 26 September 2002 are going through FDA approval. Both of these products will be marketed by ReliaLAB and are expected to be onstream in 2003. We believe both hold great market potential in a niche without competition currently in rapid tests.

The Company and The Medicines Company will promote the use of a rapid heparin-platelet factor-4 antibody test as an initial decision point in the course of cardiology and emergency medicine where anti-coagulant treatment is indicated, such as in possible myocardial infarction or angioplasty surgical procedures. The Medicines Company's anti-thrombolytic drug Angiomax is indicated for certain patients undergoing these types of procedures. The availability of this test could have a significant impact on interventional cardiology as it relates to the management of anti-coagulant therapies.

In addition, the Company is making progress with DiaMed for sale of infectious disease and cardiology tests into DiaMed's distribution network in Europe, South America, and Asia, although regulatory hurdles have delayed the introduction of blood typing cards into Europe.

In the OTC segment, the joint venture with Vitarich is providing a market entrée to the nutritional industry. The Company has introduced its initial product line, and received significant orders, especially for its total, HDL, and LDL blood cholesterol tests. While these initial orders are intended for distribution through certain television-based marketing organizations, other channels have also been targeted. Additional tests are under development for other product specialties in the nutritional market.

The OTC sector in Europe has proved a disappointment so far. Both in the case of Boots, and with another potential partner in Europe, we have concluded that this market will not develop rapidly until the concept is fully established with hospitals and physicians. Although delayed, the Company continues to lay the groundwork with thought leaders and government institutions that are necessary for penetration.

The government/military sector is showing useful progress. The usage of portable breathalyzers in the US transportation industry is growing rapidly. Our partnership in this field announced in November has produced useful sales in the first part of 2003, and further growth is expected as more testing staff are trained and approved by the D.O.T. A substantial new opportunity is the recent announcement of new Coast Guard regulations requiring inventories of breathalyzers on commercial sea-going vessels, going into effect later in 2003. The Coast Guard anticipates that these regulations will result in a new \$40 million market for breathalyzers.

## **Chairman's & CEO's Statement (continued)**

The expansion of our alliance with Battelle provides the Company with the resources necessary to develop and compete in both civilian and military biowarfare agent detection markets. The Company is developing tests for biowarfare agent detection, although this is seen as a medium term opportunity.

During 2002, the Company received orders from branches of the Kenyan government totaling over \$40m. As these were backed by organizations like the World Bank we were hopeful of early shipment, but did not proceed until letters of credit were established. In any event, the World Bank did not release funds pending the change of government in Kenya. We are advised that the funds are still available but release depends on reforms, which the new administration is planning to implement. We still believe our products have great potential in this sector, and our partners continue to expand their presence in these markets. The Company remains hopeful that while the timing is unpredictable at best, these efforts will result in revenues at some stage.

Since the flotation, the Company has established key operating managers in sales and marketing, manufacturing, regulatory affairs, and product development, and expanded upon its capabilities in all areas. Moreover, the Company's abilities to manufacture products have also been expanded through both internal and external means.

### **People**

During 2002, Lord Blackwell was chairman of your Company. In March 2003, due to pressure of other commitments he had to step down, and David Wilbraham agreed to become chairman on an interim basis. We would all like to thank Lord Blackwell for his wise counsel during his time as chairman, and to wish him well in the future.

In April 2003, we were delighted to welcome Geoffrey Vero as a non-executive director. Geoffrey's career in the private equity industry included positions as Investment Director of ABN Amro Private Equity (previously Causeway Capital) and Lazard Development Capital, and Finance Director of Diners Club. The Company believes that his background and experience in institutional finance will have a positive effect on the Company and its business.

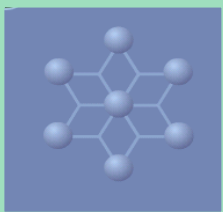
During a time of financial constraint for the Company, a number of directors and employees have deferred compensation due to them. We would like to thank them on your behalf for their belief in and commitment to the success of the Company.

### **Current Trading and Outlook**

The immediate future is expected to be dominated by sales of breathalyzers to the transportation industry, lithium and white blood cell tests to the pharmaceutical industry, and the suite of cholesterol and other tests to the nutritional supplement industry. The Company's current order book is over \$3 million. A significant part of this is dependent upon receiving product approvals from the FDA. Notwithstanding, the Company's revenues through 30 April 2003 were ahead of revenues for the same period in 2002. The Company is confident that once these approvals are in hand, these initial orders will lead to a sustainable revenue base. The Company believes that its ability to identify and target market sectors of near-term growth, and the development and introduction of new technologies, will establish its position in the global diagnostics industry. The events of 2002 produced an extraordinary time in the Company's development, and we look forward to an exciting year ahead.

David Wilbraham  
Chairman

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



# Products

The Company has developed and offers the following products:

## Chronic Diseases

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Microalbuminuria  
Glucose (urine and blood)

Total, HDL and LDL Cholesterol  
Rheumatoid arthritis factor

## Non-Infectious Agents

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Alcohol  
Blood group antigens  
Drugs of abuse (10 drugs)  
Prostate Specific Antigen (PSA)  
White Blood Cells  
Lithium

Rapid blood typing  
Rare blood antigens  
Reverse grouping  
Absolute Neutrophils  
Heparin platelet factor 4

## Infectious Disease

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Chagas disease  
Chlamydia  
Cytomegalovirus  
Dengue fever  
Echinococcus granulosis  
Entamoeba histolytica  
Gonorrhea  
Syphilis

Hepatitis B  
Hepatitis C  
Hepatitis / HIV Combo  
Infectious mononucleosis  
Human Immunodeficiency Virus (HIV 1+2)  
Lyme Disease  
Malaria



# Clinical Areas

The Company's products impact a wide range of healthcare specialties.

## Neuropsychiatry

WBC  
Lithium

## Metabolism/Nutrition

Cholesterol  
Glucose  
Alcohol Breathalyzer

## Blood Transfusion Medicine

Blood Typing  
Blood-borne Pathogens

## Cardiology/Emergency Medicine

Heparin/PF-4  
Rapid Blood Typing

## Infectious Diseases/ Bioagent Detection

Biowarfare Agents  
HIV, STDs  
Malaria

## Diabetes

Glucose  
Microalbuminuria

## Oncology

PSA



# Partnerships

The Company has developed relationships with these key players to leverage their sales and marketing expertise.

**ReliaLAB, Inc.**

Neuropsychiatry

**Vitarich Laboratories**

Nutrition

**Colebrand Ltd.**

Developing World

**Battelle Memorial Institute**

Biowarfare Agents – Military

**The Medicines Company**

Cardiology

**Defense Group, Inc.**

Biowarfare Agents – Civilian

**Houston Medical Testing Services**

Alcohol Breathalyzers

**DiaMed AG**

Blood Transfusion Medicine



# Research and Development

**Our multi-disciplinary approach to research and development has resulted in the generation of five platform technologies with proprietary and patented positions.**

<b>Biochemistry and Immunochemistry</b>	<b>Molecular Biology</b>	<b>Material Sciences</b>	<b>Electronics</b>
<p>This key group is tasked with the development of new applications based on PIFA technology and the expansion of nutritional and metabolism-related tests.</p>	<p>Our molecular biology scientists have produced the breakthrough <i>minDNA</i> assay technology, and are now testing the limits of possibility of this exciting new platform.</p>	<p>Critical to the success of all of our technologies is the membrane systems and devices that form the backbone of each product. These scientists are also responsible for the synthesis of novel organic compounds.</p>	<p>This newly developed capability has, in a short time, developed a family of electronic readers for professional use, expanding our technical horizons to include quantitative determinations.</p>

## SHARE ISSUE

On 22 May 2002, the Company's shares were admitted to the Alternative Investment Market of the London Stock Exchange (AIM) following the placing of 2,525,000 new common shares with institutions at 136p per share. After expenses this Initial Public Offering raised approximately \$3.8 million. The total amount raised during the last year was \$4.033 million net from both the IPO and pre-IPO fundraising.

## RESULTS OF OPERATIONS

The Company continued as a development stage enterprise throughout the year 2002. For the year the loss was \$7.0 million (\$0.19 loss per share), however, \$3.1 million of the amount resulted from U.S. GAAP treatment of conversion of warrants to common stock by two officers at less than the fair market value of the shares (compensation), warrants issued to service providers (marketing expense) and the cost of reductions in conversion prices afforded debt holders as inducements to convert (Debt Conversion Expense). Without these adjustments the operating loss would have been \$3.9 million. The comparative amounts for 2001 were loss for the year, \$5.1 million (\$0.16 loss per share).

Research and development expenses increased to \$850,000 from \$760,000 in the previous year, as the Company continued to invest in a process which would not only refine the products but to prepare certain of the products to be in a position wherein final FDA approvals could be attained. The latter step is essential in order for the Company to execute on its business model and fulfill orders.

Sales and general and administrative expenses increased from \$4.0 million in 2001 to \$4.9 million in 2002. Of the amount incurred in 2002, \$1.7 million resulted from U.S. GAAP adjustments referred to above regarding compensation and marketing expenses resulting from the issuance of common shares. The amount so incurred in 2001 was also \$1.7 million.

## OTHER INCOME

The Company benefited from the expiration of the statute of limitations in regard to uncollected trade debt in the amount of \$327,000 in 2002 (\$2,700 in 2001.) Also the Company was able to continue to take advantage of a program in the State of New Jersey wherein companies who incur net operating losses are able to sell their state NOL's at a nominal discount to their implied value. The benefit recognized for 2002 was \$242,000 vs. \$371,000 for 2001.

## CAPITAL EXPENDITURES

Capital expenditures were negligible in both 2002 and 2001.

## LIQUIDITY AND CASH RESOURCES

Subsequent to the receipt of funds from the placing of shares in May 2002, ongoing losses from operations continued to consume available cash. By 31 December 2002 the cash balance had been reduced to less than \$2,000. Shortly after year-end the Company's commercial bank approved an asset-based loan facility in the amount of \$1 million. The facility provides for advances from time to time based on an amount not greater than 80% of eligible accounts receivable plus 50% of inventory.

On 14 November, the Company announced its intention to enter into a loan agreement to provide further funds. In its statement of 22 January 2003, the Company announced that it had been able to avoid drawing down any of this money. The Company has continued to manage its tight cash position, but is now negotiating with a number of parties to obtain further funding to bridge the gap until operating cash flow becomes positive.

# Board of Directors

**Raymond F. Akers, Jr., Ph.D.** — Chief Executive Officer, President and a member of the Board, having co-founded the Company in 1989. He has over 19 years of experience in the diagnostics industry having co-founded Drug Screening Systems, Inc. a publicly listed company, in 1987 and Akers Medical Technology, Inc. in 1984. He was chief executive officer and vice president of research and development of Drug Screening Systems, Inc. until the sale of the company in 1989 and served as president and chief executive officer of Akers Medical Technology, Inc. until 1987. He holds a Ph.D. in Neurochemistry from Northwestern University. Dr. Akers is the inventor of PIFA.

**Paul B. Freedman, CPA** — Chief Financial Officer and a member of the Board, having joined the Company in 1998. He was previously the managing partner of the Philadelphia office of BDO Seidman LLP and has over 40 years of financial accounting experience.

**Daniel Seckinger** — Director of Clinical Development and a member of the Board, having joined Akers in February 1994. He was a member of the House of Delegates at the American Medical Association for nine years and past president of the College of American Pathologists. Currently he is a secretary of the American Registry of Pathology.

**Edward Mulhare** — Non-Executive Director, having joined the Board in April 1994. He has served as chairman of the board of SenTech EAS Corporation since May 1994, and over the past ten years has served as a director of fifteen companies including Aldila, Inc., Truck Components, Inc., PanAmerican Diamond Co., McGraw Industries, Inc., and American Silver Co. He served as the chairman of the board and chief executive officer of Merrill Lynch Interfunding, Inc. which managed a \$1.6 billion leveraged acquisition portfolio. In addition, he has served as executive vice president of Republic National Bank of New York and vice president of Prudential Insurance Co.

**Edward Wampold** — Non-Executive Director, having joined the Board in July 1990. Since 1989, he has engaged as a private consultant to the biomedical industry. From 1986 to 1990, he served as president and chief executive officer of Technimed Corporation, a diagnostics corporation. Prior to 1985, he served in various executive management positions with divisions of Johnson & Johnson, Cooper Biomedical, Inc., Geometric Data (a division of SmithKline plc) and Biological Corporation of America, Inc.

**David Wilbraham BSc, Ph.D.** — Non-Executive Director, having joined the Board on 8 May 2002 and is currently serving as Interim Chairman. He is currently a non-executive director of St. Ives plc, RPC Group plc and Intelligent Engineering Limited. He holds a doctorate in chemical engineering from Imperial College, London of which he is also a Governor and member of its audit committee. He previously held senior management roles in specialty chemical companies including Hickson International plc, Laporte plc and ICI plc.

**Geoffrey Vero** — Non-Executive Director. Chartered accountant with a long and distinguished career in the private equity industry. He was an investment director of ABN Amro Private Equity (previously Causeway Capital) from 1987 until 2002 and before that was an investment director at Lazard Development Capital. Previous to that, he was finance director of Diners Club.

# Senior Management

**Donald H. Russell** — Senior Vice President for technical issues, joined the Company in January 1993. He previously has served as an executive with Arco Chemical Company as new business manager for Chemical and biotechnology products.

**John Durrenberger** — Vice President of Manufacturing, joined the Company in October 1999. He has been involved with plastic and glass production and product development for the pharmaceutical packaging industry for more than thirty years.

**Leroy J. Meyers, Jr.** — Vice President, Research and Development, joined the Company in July 2002. With over 25 years in the medical device and pharmaceutical packaging industry, Mr. Meyers is widely experienced in manufacturing, quality assurance, sales, marketing and product development. Previous to joining the Company, he held similar positions at Comar, Inc. and National Medical Care, Inc.

**Frank Goodman, Ph.D.** — Vice President of Business Development, joined the Company in May 2001. From 1985-2000, he served in the business development and strategic marketing at Novartis Pharmaceuticals, Inc. Prior to 1985, he was a professor of pharmacology at South Western Medical School, Dallas, Texas; Indiana University Medical School; and the University of Kentucky School of Pharmacy.

**Fred Ryan** — Senior Vice President of Sales and Marketing US, joined the Company in February 2001. Prior to joining the Company, he was vice president and general partner of Stack Pharmaceuticals, Inc. a healthcare consulting company. From 1985-2000, he was employed by Novartis Pharmaceuticals, Inc. His last assignment at Novartis was executive director Mature Products Portfolio where he managed a sales portfolio in excess of \$600 million annually.

**Joseph P. Koz, Ph.D.** — Vice President, Strategic and Military Sales, joined the Company in September 1996. During his career in the US Air Force, Dr. Koz has served as inspector general and director of operations in Korea and director of the offices of attachés.

# Directors' Report

## DIRECTORS AND THEIR INTERESTS

The Directors who served during the year, together with their beneficial interest in the common shares (no par value) of the Company as of 31 December 2002, are as follows:

### Executive

Raymond F. Akers, Jr. <sup>(1)</sup>	Chief Executive Officer	3,566,139
Paul B. Freedman	Chief Financial Officer	163,750

### Non-Executive

Lord Norman Blackwell <sup>(2)</sup>	Chairman	20,000
Daniel Seckinger		166,667
Edward Mulhare <sup>(3)</sup>		713,988
Edward Wampold		178,000
David Wilbraham <sup>(2)</sup>		100,000

- (1) Included in the amount of shares shown for Dr. Akers are 115,000 common shares which are held by the Akers Family Foundation, of which Dr. Akers is the trustee.
- (2) Lord Blackwell resigned from the board of directors effective 28 March 2003. On that date, David Wilbraham became chairman on an interim basis pending further appointments to the board.
- (3) Included in the amount of shares shown for Edward Mulhare are 54,876 shares held by his wife.

## SHARE CAPITAL

Information relating to shares issued in the financial period is given in the accompanying Consolidated Statements of Stockholders' Deficiency (page 9 of the Consolidated Financial Statements).

## AUDITORS

For the year ended 31 December 2002, McGladrey & Pullen, LLP, a member firm of RSM International, served as the Company's auditors.

## SUBSTANTIAL SHAREHOLDINGS

As of 31 December 2002, and with no changes between that date and the date of this report, the following shareholders were registered as being interested in 3% or more of the Company's common shares outstanding:

	Number of Shares Held	Percent (%)
Raymond F. Akers, Jr.	3,566,139	9.0
Dolores Akers <sup>(1)</sup>	2,525,866	6.4
DMI Investments BV	2,504,840	6.3
Milan Holding Company, Inc.	4,429,573	11.2

- (1) Dolores Akers is the mother of Raymond F. Akers, Jr.

# Corporate Governance

Companies that have securities traded on the Alternative Investment Market (AIM) are not required to comply with the disclosures of the Combined Code. However the Board is committed to maintaining the highest standards of corporate governance.

## BOARD OF DIRECTORS

The Company is controlled by the Board of Directors which comprises two executive and five non-executive Directors.

All Directors are able to take independent financial advice in furtherance of their duties if necessary.

The Board is responsible to shareholders for the proper management of the Company and meets formally at least six times a year to set the overall direction and strategy of the Company, to review financial and operating performances and to advise on senior management appointments. Financial policy and budgets, including capital expenditure, are approved and monitored by the Board. All key operational decisions are subject to Board approval. The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Directors are subject to election by shareholders at the first opportunity after their appointment.

## COMMITTEES OF THE BOARD

**Remuneration Committee:** The Remuneration Committee comprises three non-executive Directors under the chairmanship of Edward Wampold. It reviews, inter alia, the performance of the executive Directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. The Remuneration Committee also determines the allocation of share options to executive Directors under the Approval and Executive Schemes.

It is a policy of the Remuneration Committee that no individual participates in discussions or decisions concerning his own remuneration.

**Audit Committee:** The Audit Committee comprises three non-executive Directors under the chairmanship of David Wilbraham. It meets at least twice per year and oversees the monitoring of the Company's internal controls, accounting policies and financial reporting and provides a forum through which the external auditors report. It meets at least once a year with the external auditors without executive Board members present.

## RELATIONS WITH SHAREHOLDERS

The Board attaches great importance to effective communication with shareholders and encourage dialogue with both its institutional and private investors and responds promptly to all questions received verbally or in writing. Directors regularly attend meetings with analyst and institutional shareholders throughout the year. All shareholders have at least 10 days notice of the Annual General Meeting at which they have the opportunity to discuss the Company's developments and performance.

In addition the Company operates a website which can be found at [www.akersbiosciences.com](http://www.akersbiosciences.com). It contains further details of the Company and its activities.

## **CORPORATE GOVERNANCE (continued)**

### **MAINTENANCE OF A SOUND SYSTEM OF INTERNAL CONTROL**

The Directors have overall responsibility for ensuring that the Company maintains a system of internal control to provide them with reasonable assurance that the assets of the Company are safeguarded and that the shareholders' investments are protected. The system includes internal controls covering financial, operational and compliance areas, and risk management. There are limitations in any system of internal control, which can provide reasonable but not absolute assurance with respect to the preparation of financial information, the safeguarding of assets and the possibility of material misstatement or loss.

The Board has considered and reviewed the system of internal controls in place. An assessment of the major risk areas for the business and methods used to monitor and control them was also undertaken. In addition to financial risk, the review covered operational, commercial, environmental, regulatory and research and development risks. The risk reviews is an ongoing process with regular review by the Board at least annually.

The key procedures designed to provide an effective system of internal control that have operated throughout the year and up to the date of the sign-off of this report are described below:

#### **Control Environment**

There is an organizational structure with clearly defined lines of responsibility and delegation of accountability and authority.

#### **Risk Management**

The Company employs Directors and senior executives with the appropriate knowledge and experience for a company such as Akers Biosciences, Inc. A formal risk management review is performed annually as a part of the process of determining the Company's system of internal controls and risk mitigation procedures.

#### **Financial Information**

The Company prepares detailed budgets and working capital projections, which are approved annually by the Board and are updated regularly throughout the year. Detailed management accounts and working capital cash flows are prepared on a monthly basis and compared to budgets and projections to identify any significant variances.

#### **Management of Liquid Resources**

The Board is risk adverse when investing the Company's surplus cash funds. The Company's treasury management policy is reviewed annually and sets out strict procedures and limits on how surplus funds are invested.

The Board has considered it inappropriate to establish an internal audit function, given the size of the Company. However, this decision will be reviewed as the operations of the Company develop.

# Compensation Report

## (Remuneration Report)

### REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

#### THE REMUNERATION COMMITTEE

During 2002, the Remuneration Committee was comprised of three non-executive directors under the chairmanship of Edward Wampold.

#### REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

The remuneration policy has been designed to ensure that executive Directors should receive appropriate incentive and reward given their performance, responsibility and experience. In determining this, the Remuneration Committee has regard to ensure that the policy aligns the interests of executive Directors with those of the shareholders.

The Company's remuneration policy for executive Directors is to:

- Have regard to the individual's experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality, while avoiding remunerating those Directors more than is necessary.
- Link individual remuneration packages to the Company's long-term performance through the award of share options and bonus schemes.
- Provide employment related benefits including the provision of life assurance and medical insurance.

#### REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The remuneration of the non-executive Directors is determined by the Board as a whole, based on a review of current practices in other equivalent companies. The non-executive Directors do not receive any pension or other benefits from the Company.

#### DIRECTOR'S REMUNERATION

The Directors received the following remuneration during the year:

Name of Director	Salary and Fees	(U.S. Dollars)		
		Taxable Benefits	2002 Total	2001 Total
<b>Executive</b>				
Raymond F. Akers, Jr.	267,362 <sup>(1)</sup>		267,362	140,000
Paul B. Freedman	240,000 <sup>(1)</sup>	7,200	247,200	96,000
<b>Non-Executive</b>				
Lord Norman Blackwell	13,860		13,860	
Daniel Seckinger	5,625		5,625	
Edward Mulhare	5,625		5,625	
Edward Wampold	5,625		5,625	
David Wilbraham	11,250		11,250	

(1) The salaries of the executive Directors include previously deferred amounts from 2001; \$50,000 for Raymond F. Akers, Jr. and \$70,000 for Paul B. Freedman.

## **Remuneration Report (continued) for the year ended 31 December 2002**

### **DIRECTORS' SHARE OPTIONS AND WARRANTS**

Aggregate emoluments disclosed above do not include any amounts for the value of options or warrants to acquire common shares in the Company granted to or held by the Directors. Details of the options and warrants are as follows.

Name of Director	As of 31 December 2002 <sup>(1)</sup>	Exercise Price (\$)	Date of Expiry
<b>Executive</b>			
Raymond F. Akers, Jr.	2,150,000	1.00 – 1.50	30/06/2006 – 31/12/2009
Paul B. Freedman	703,000	0.75 – 2.00	31/12/2006 – 04/09/2008
<b>Non-Executive</b>			
Lord Norman Blackwell	165,000 <sup>(2)</sup>	2.00	08/05/2009
Daniel Seckinger	53,000	1.00	31/12/2005 – 31/12/2011
Edward Mulhare	14,000	1.00 – 2.00	31/12/2005 – 31/12/2011
Edward Wampold	310,500	1.00 – 2.00	31/12/2005 – 31/12/2011
David Wilbraham	110,000	2.00	08/05/2009

- (1) There have been no options or warrants granted, exercised nor lapsed from the date of the flotation, 22 May 2002, through 31 December 2002.
- (2) In as much as Lord Blackwell resigned effective 28 March 2003, in accordance with the terms of his grant of options, only 95,000 options had vested through that date.

### **DIRECTORS' SHAREHOLDINGS**

This information may be found within the Directors' Report.

# Corporate Directory

**Chairman (Non-Executive)**

David Wilbraham (succeeded Lord Norman Blackwell as Chairman effective 28 March 2003)

**Chief Executive Officer**

Raymond F. Akers, Jr.

**Chief Financial Officer**

Paul B. Freedman

**Non-Executive Director**

Edward Mulhare  
Edward Wampold  
Daniel Seckinger  
Geoffrey Vero (effective 30 April 2003)

**Principal Place of Business and Registered Office**

201 Grove Road  
Thorofare, NJ 08086, USA

**Corporate Financial Advisers/Stockbrokers**

KBC Peel Hunt  
London

**Corporate Legal Advisers**

Stephen B. Schneer  
New York, NY USA

**Registered Auditors**

McGladrey & Pullen, LLP  
Blue Bell, PA USA

**Bankers**

Commerce Bank  
Cherry Hill, NJ USA

**Registrars and Transfer Office**

Capita Registrars  
Essex, Kent

**Registered in New Jersey, USA**

# **Independent Auditor's Report**

**31 December 2002**