

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES

Consolidated Financial Statements  
For the Years Ended December 31, 2010 and 2009

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES

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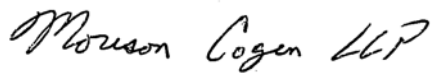
## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of  
Akers Biosciences, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of Akers Biosciences, Inc. and Subsidiaries (the "Company") as of December 31, 2010, and the related consolidated statements of operations, cash flows, and changes in equity (deficit) for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of Akers Biosciences, Inc. and Subsidiaries as of December 31, 2009 were audited by other auditors, whose report dated June 17, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Akers Biosciences, Inc. and Subsidiaries as of December 31, 2010, and the results of their operations and their cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.



April 8, 2011

**AKERS BIOSCIENCES, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**As of 31 December 2010 and 2009**

	<b>Note</b>	<b>2010</b> <b>\$</b>	<b>2009</b> <b>\$</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment, net	7	433,608	320,871
Intangible assets, net	8	2,057,426	2,134,617
Long-term Receivables, net of current portion	11	3,755,889	1,527,183
Other Assets		4,282	4,282
<b>Total Non-Current Assets</b>		<u>6,251,205</u>	<u>3,986,953</u>
<b>Current Assets</b>			
Inventories (net)	9	685,623	677,352
Trade Account Receivables (net)	10	114,977	135,084
Long-term Receivables	11	159,956	775,000
Cash and Cash Equivalents		423,250	2,648,973
Other Assets		81,880	105,172
<b>Total Current Assets</b>		<u>1,465,686</u>	<u>4,341,581</u>
<b>Total Assets</b>		<u><u>7,716,891</u></u>	<u><u>8,328,534</u></u>
<b>EQUITY</b>			
Share Capital	12	79,515,496	79,328,108
Accumulated Deficit		(73,069,628)	(72,149,745)
<b>Total Equity</b>		<u>6,445,868</u>	<u>7,178,363</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables		1,271,023	1,150,171
<b>Total Current Liabilities</b>		<u>1,271,023</u>	<u>1,150,171</u>
<b>Total Liabilities</b>		<u>1,271,023</u>	<u>1,150,171</u>
<b>Total Equity and Liabilities</b>		<u><u>7,716,891</u></u>	<u><u>8,328,534</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**AKERS BIOSCIENCES, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
**As of 31 December 2010 and 2009**

	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>\$</b>	<b>\$</b>
Revenues:			
Product Revenue		3,053,281	1,415,105
License Revenue		-	429,000
Total Revenue		<u>3,053,281</u>	<u>1,844,105</u>
Cost of Sales:			
Product Cost of Sales		<u>(1,287,686)</u>	<u>(1,100,646)</u>
Total Cost of Sales		(1,287,686)	(1,100,646)
Gross Profit		1,765,595	743,459
Other Income		3,163	47,386
Administrative Expenses		1,775,173	2,805,513
Research and Development Expenses		674,682	662,082
Non-Cash Share Based Compensation		111,015	1,506,613
Amortization of Non-Current Assets		340,481	482,201
Impairment of Non-Current Assets		-	353,125
Loss from Operations		(1,132,593)	(5,018,689)
Other Income/Expenses			
Foreign Currency Transaction (Income)/Expense		70,703	(300,672)
Gain on Disposal of Property, Plant & Equipment		-	(90,000)
Total Other Expense/(Income)		<u>70,703</u>	<u>(390,672)</u>
Loss Before Income Taxes		(1,203,296)	(4,628,017)
Income Tax Benefit	6	283,413	-
Net Loss		<u>(919,883)</u>	<u>(4,628,017)</u>
Basic & diluted loss per share	13	\$ (0.01)	\$ (0.04)
Weighted average basic & diluted common shares outstanding		<u>114,386,516</u>	<u>113,503,858</u>

The accompanying notes are an integral part of these consolidated financial statements.

**AKERS BIOSCIENCES, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity (Deficit)**  
**As of 31 December 2010 and 2009**

	Share Capital \$	Capital Reserves \$	Accumulated Deficit \$	Total Equity \$
<b>Balance at 31 December 2008</b>	77,799,990		(67,521,728)	10,278,262
<b>Changes in Equity for 2009</b>				
Net loss for the year			(4,628,017)	(4,628,017)
	77,799,990	-	(72,149,745)	5,650,245
Recognition of share based payments for options & warrants	1,506,613			1,506,613
Exercise of warrants & stock options	21,505			21,505
<b>Balance at 31 December 2009</b>	79,328,108	-	(72,149,745)	7,178,363
<b>Changes in Equity for 2010</b>				
Net loss for the year			(919,883)	(919,883)
	79,328,108	-	(73,069,628)	6,258,480
Recognition of share based payments for options & warrants	111,015			111,015
Issuance of shares for the settlement of other payables	41,250			41,250
Deferred charges for shares & warrants issued for future services	12,171			12,171
Sale of ordinary shares	20,320			20,320
Exercise of warrants & stock options	2,632			2,632
<b>Balance at 31 December 2010</b>	79,515,496	-	(73,069,628)	6,445,868

The accompanying notes are an integral part of these consolidated financial statements.

**AKERS BIOSCIENCES, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**As of 31 December 2010 and 2009**

	<b>Note</b>	<b>Year Ended 31-Dec-10 \$</b>	<b>Year Ended 31-Dec-09 \$</b>
<b>Cash flows from operating activities</b>			
Net loss for the year		(919,883)	(4,628,017)
Adjustments for:			
Provisions for bad debts		12,320	428,082
Non-cash share based compensation		111,015	1,506,613
Gain on disposal of property, plant and equipment		-	(90,000)
Depreciation, amortization & impairment of non-current assets		484,029	920,490
		<u>(312,519)</u>	<u>(1,862,832)</u>
Movements in working capital			
(Increase)/decrease in trade and long-term receivables		(1,605,875)	505,048
Increase in inventories		(8,271)	(268,267)
(Increase)/decrease in other assets		35,463	(2,010)
Decrease in trade and other payables		162,102	244,170
		<u>(1,416,581)</u>	<u>478,941</u>
<b>Net cash used in operating activities</b>		<u>(1,729,100)</u>	<u>(1,383,891)</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(256,285)	(70,022)
Capitalized development costs		(263,290)	(230,000)
<b>Net cash used in investing activities</b>		<u>(519,575)</u>	<u>(300,022)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares		20,320	21,505
Proceeds from issuance of warrants		2,632	-
<b>Net cash from financing activities</b>		<u>22,952</u>	<u>21,505</u>
Net decrease in cash and cash equivalents		(2,225,723)	(1,662,408)
Cash and cash equivalents at beginning of year		2,648,973	4,311,381
Cash and cash equivalents at end of year		<u>423,250</u>	<u>2,648,973</u>
<b>Supplemental Disclosure of Cash Flow Information</b>			
<b>Non-cash financing activities</b>			
Issuance of shares for settlement of other payables		<u>\$ 41,250</u>	<u>\$ -</u>
Issuance of shares & warrants in exchange for deferred charges		<u>\$ 12,171</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements.

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 1 - Reporting Entity

Akers Biosciences, Inc. and Subsidiaries (the “Company”) is a company domiciled in the United States of America. The address of the Company’s registered office is 201 Grove Road, Thorofare, New Jersey, 08086. The Company’s parent company is incorporated in the United States of America under the laws of the State of New Jersey. The Company commenced research and development operations in September 1989 and until 2005 had devoted substantially all its efforts to establishing the new business.

The Company’s primary focus is the development and sale of disposable diagnostic testing devices that can be performed in minutes, to facilitate time-sensitive therapeutic decisions. The Company’s main products are a disposable breathalyzer test that measures the blood alcohol content of the user, a rapid test detecting the antibody causing an allergic reaction to Heparin and a disposable breathalyzer test that measures the Free Radical activity in the human body. When the Company enters into an agreement with a new distributor it requires an upfront licensing fee to be paid for the right to sell the Company’s products in specific markets.

**Liquidity**

The accompanying consolidated financial statements have been prepared on a going-concern basis, which contemplates the continuation of operations, realization of assets and liquidation of liabilities in the ordinary course of business. For the year ended 31 December 2010, the Company generated a net loss of \$919,883. As of 31 December 2010, the Company has an accumulated deficit of \$73,069,628 and had cash and cash equivalents totaling \$423,250. On February 10, 2011, the Company raised \$3,200,000 of additional capital (Note 18).

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 2 - Basis of Presentation

**(a) Statement of compliance**

The consolidated financial statements of Akers Biosciences, Inc. (“ABI” or the “Company”) are prepared in US dollars and in accordance with International Financial Reporting Standards (“IFRS”). The consolidated financial statements of Akers were prepared under the historical cost convention, except as disclosed in the accounting policies below. On April 8, 2011, the Board of Directors authorized the consolidated financial statements for issue.

**(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Acquired intangible assets are measured at estimated fair values on the date of acquisition
- Share-based payment arrangements are measured at fair value.
- Equity based instruments issued in connection with debt obligations are recorded based on estimated fair value

The methods used to measure fair values are discussed further in note 4.

**(c) Functional and presentation currency**

These consolidated financial statements are presented in U.S. Dollars, which is the Company’s functional currency. All financial information presented in U.S. Dollars has been rounded to the nearest dollar. Foreign Currency Transaction Gains or Losses, resulting from loans and cash balances denominated in Foreign Currencies, are recorded in the consolidated statements of operations.

**(d) Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes for warrants and employee share based payments.

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 2 - Basis of Presentation (continued)

(e) **Comprehensive Income**

Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. Since the Company has no items of other comprehensive income (loss), comprehensive income (loss) is equal to net income (loss).

Note 3 - Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Company's subsidiaries.

(a) **Basis of consolidation**

(i) **Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company owns, directly or indirectly through subsidiaries, more than half of the voting power of the entity. Control also exists when the Company owns half or less of the voting power when there is power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) **Transactions eliminated on consolidation**

Intra-Company balances and transactions, and any unrealized income and expenses arising from intra-Company transactions, are eliminated in preparing the consolidated financial statements.

(b) **Financial instruments**

(i) **Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and long-term receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 3 - Significant Accounting Policies (continued)

Cash and cash equivalents comprise cash balances and call deposits. The Company considers all highly liquid investments, which include short-term bank deposits (up to 3 months from date of deposit) that are not restricted as to withdrawal date or use, to be cash equivalents. Bank overdrafts are shown as part of trade and other payables in the balance sheet.

Accounting for finance income and expense is discussed in Note 3(k).

The carrying amounts of current trade and long-term receivables and trade and other payables approximate fair value given their short term nature.

**(ii) Share capital**

Common stock shares:

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

**(c) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income" in profit or loss.

**(ii) Revaluation model**

If fair value can be measured reliably, an entity can carry all items of property, plant and equipment of a class at a revalued amount, which is the fair value of the items at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The Company has not elected the revaluation model.

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 3 - Significant Accounting Policies (continued)

**(iii) Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

**(iv) Depreciation**

Depreciation is recognized in profit or loss on an accelerated basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- |                                   |            |
|-----------------------------------|------------|
| • plant and equipment             | 5-12 years |
| • furniture and fixtures          | 5-10 years |
| • computer equipment and software | 3-5 years  |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

**(d) Intangible assets**

**(i) Patents and Trade Secrets**

The Company has developed or acquired several diagnostic tests that can detect the presence of various substances in a person's breath, 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.

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 3 - Significant Accounting Policies (continued)

(i) **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.

In addition, patents may be purchased from third parties. The costs of acquiring the patent are capitalised as patent costs if it represents a future economic benefit to the Company. Once a patent is acquired it is amortised over its remaining life.

(ii) **Research and Development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognized in profit or loss as incurred. Other development expenditure is recognized in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) **Other intangible assets**

Other intangible assets that are acquired by the Company, which have definite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) **Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 3 - Significant Accounting Policies (continued)

**(v) Amortization**

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- patents and trademarks 12-17 years
- customer lists 5 years
- development costs 10 years

**(e) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Inventories are written down to net realisable value by item. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In subsequent periods, when the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the inventory write-down is reversed up to original cost.

**(f) Impairment**

**(i) Non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 3 - Significant Accounting Policies (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(g) Employee benefits**

**(i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 3 - Significant Accounting Policies (continued)

**(ii) Share-based payment transactions**

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

**(h) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(i) Revenue**

**i. Goods sold**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale, either transfer occurs when the product is received at the customer's warehouse, or upon loading the goods onto the relevant carrier.

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 3 - Significant Accounting Policies (continued)

During December 2010, the company sold \$282,240 of BreathScan products to BreathScan International, Ltd (“BIL”) (Note 16) under a “bill and hold” transaction. Under this arrangement, BIL asked the company to retain the product in the company’s warehouse facility and ship the products directly to BIL’s customers in order to save shipping costs and time. BIL acknowledged in writing that they had ordered the inventory that the company was storing on their behalf, that they had taken title to the product and all risks of ownership, and have accepted billing of the \$282,240 owed as of December 31, 2010. There were no “bill and hold” transactions during 2009. The “bill and hold” transaction in 2010 comprised 10% of total company revenues. See Note 11 for payment terms. The customer has met the monthly payment terms through March 2011.

**ii. Multiple Element Arrangements**

When the Company enters into arrangements that contain more than one deliverable, the Company allocates revenue to the separate elements under the arrangement based on their relative fair values. When fair values are not determinable for delivered elements, the Company uses the residual method for allocating revenue to separate elements. Under this method, consideration is first allocated to the undelivered elements based on their fair values and the remaining consideration is allocated to those elements that have been delivered.

**(j) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

**(k) Finance income and expenses**

Finance income comprises interest income on funds invested. Finance expenses comprise interest expense on borrowings.

**(l) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 3 - Significant Accounting Policies (continued)

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**(m) Earnings per share**

The Company presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

**(n) Reclassifications**

Certain reclassifications were made to the 2009 consolidated financial statements in order to conform to the 2010 consolidated financial statement presentation.

**(o) New standards and interpretations not yet adopted**

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning January 1, 2011:

IFRS 3 (revised), *Business combinations*, and consequential amendments to IAS 27, *Consolidated and separate financial statements*, IAS 28, *Investments in associates*, and IAS 31, *Interests in joint ventures*, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The application of these standards had no material impact on the consolidated financial statements.

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
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Note 3 - Significant Accounting Policies (continued)

Amendment to IAS 7 *Statement of Cash Flows*, issued as part of the *Improvements to IFRSs* issued on April 2009. The amendment clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. The application of the amendment had no material impact on the consolidated financial statements.

The following are new standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2010.

IFRS 9, *Financial instruments*, issued in November 2009. This standard is the first step in the process to replace IAS 39, *Financial instruments: recognition and measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The second part was published in October 2010, the IASB added to IFRS 9 requirements related to the classification and measurement of financial liabilities. Also in October 2010, the requirements for IAS 39 related to the derecognition of financial assets and financial liabilities were carried forward unchanged to IFRS 9. The standard is not applicable until January 1, 2013 but is available for early adoption. The standard was not early adopted.

IAS 24 (revised), *Related Party Disclosure*, issued in November 2009. The revised standard supersedes the IAS 24 issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revision is effective for annual periods beginning on or after January 1, 2011, with earlier application permitted, but is not expected to have any material impact on the Company's consolidated financial statements. The standard was not early adopted.

In May 2010 that IASB issued *Improvements to IFRSs* that includes amendments to existing IFRSs, most of them are effective for annual periods beginning on or after January 2011. The standards were not early adopted.

In October 2010, an amendment to IFRS 7 *Financial instruments: Disclosures* was published. The amendment broadens the disclosures requirement regarding financial assets that were transferred to other parties (hereinafter – the amendments to IFRS 7), and will be effective for reporting periods commencing on July 1, 2011 or beyond. An amendment to IFRS 9 *Financial instruments* (hereinafter – the amendment to IFRS 9) was also published and will be effective for reporting periods commencing on January 1, 2013 or beyond. The company chose not to early adopt the amendment to IFRS 7 and to IFRS 9.

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Note 4 - Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**(i) Intangible assets acquired**

The fair value of purchased patents and trademarks is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

**(ii) Trade and long-term receivables**

The fair value of trade and long-term receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

**(iii) Share-based payment transactions**

The fair value of employee stock options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for expected changes), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Note 5 - Financial Risk Management

**Overview**

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- concentration risk

This note presents information about the Company's exposure to each of the above risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

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Note 5 - Financial Risk Management (continued)

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review may include external ratings, when available, and in some cases bank references.

**Trade and long-term receivables**

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and long-term receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Companies of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. See Note 1 for further discussion on liquidity.

**Concentration risk**

Approximately 79 percent of the Company's 2010 revenue is attributable to sales transactions with three customers; all are healthcare product distributors. These customers accounted for 46 percent and 2 percent of accounts receivable as of 31 December 2010 and 31 December 2009, respectively.

Approximately 39% of the Company's sales are to customers in the United States, 9% in Guernsey, and 49% in the United Arab Emirates.

In 2009, approximately 62 percent of the revenue was attributable to sales transactions with three customers; two related to technology and the other a healthcare product distributor.

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Note 6 - Income Tax Expense

The Company's income tax benefit is as follows:

	<b><u>Years Ended 31 December,</u></b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>
Net state income tax benefit	\$ 283,413	\$ -
Total	<u>\$ 283,413</u>	<u>\$ -</u>

During 2010, the Company was approved by the State of New Jersey to sell a portion of its state tax benefits that existed as of December 31, 2006, pursuant to the Technology Tax Certificate Transfer Program. The Company received net proceeds \$283,413 in 2010 as a result of the sale of the tax benefits, which has been included when received as an income tax benefit in the consolidated statements of operations.

The Company has had recurring tax losses and the Company has determined that it is not probable that the Company will be able to utilize its net operating loss carry-forwards and other tax attributes in the future. Accordingly, the Company has not recorded any deferred tax assets as of 31 December 2010 and 31 December 2009.

The principle components of unrecognized deferred tax assets consisted of the following as of 31 December 2010 and 31 December 2009:

	<b><u>31 December,</u></b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>
Unrecognized deferred tax assets:		
Reserves and other	\$ 316,244	\$ 360,870
Net operating loss carry-forwards	<u>19,896,664</u>	<u>22,111,449</u>
Total unrecognized deferred tax assets	<u>\$ 20,212,908</u>	<u>\$ 22,472,319</u>

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Note 6 - Income Tax Expense (continued)

The reconciliation of income taxes computed using the statutory U.S. income tax rate and the benefit from income taxes for the years ended 31 December 2010 and 2009 are as follows:

	<b>Year Ended</b>	<b>Year Ended</b>
	<b>31 December,</b>	<b>31 December,</b>
	<b><u>2010</u></b>	<b><u>2009</u></b>
Statutory U.S. Federal income tax rate	(34.0%)	(34.0%)
New Jersey State income taxes, net of U.S. Federal benefit	(9.0%)	(8.99%)
Increase in unrecognized deferred tax assets	19.4%	43.0%
Net benefit from sale of state income tax benefits	(23.6%)	(0.0%)

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Note 7 - Property, Plant and Equipment

Property, plant and equipment as of 31 December 2010 and 31 December 2009 and the movements for the years then ended are as follows:

	Machinery & Equipment	Molds & Dies	Office Equipment	Computer Equipment	Computer Software	Furniture & Fixtures	Leasehold Improvements	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost or Deemed Cost</b>								
At 31 December 2008	993,266	247,466	50,049	97,214	22,930	29,939	214,900	1,655,764
Additions	10,118	53,300		3,191			3,413	70,022
Disposals								
At 31 December 2009	<u>1,003,384</u>	<u>300,766</u>	<u>50,049</u>	<u>100,405</u>	<u>22,930</u>	<u>29,939</u>	<u>218,313</u>	<u>1,725,786</u>
<b>Accumulated Depreciation</b>								
At 31 December 2008	923,496	223,995	12,521	86,110	18,975	15,370	39,284	1,319,751
Depreciation Charge	22,636	20,531	11,947	8,623	1,582	4,153	15,692	85,164
Disposals								
At 31 December 2009	<u>946,132</u>	<u>244,526</u>	<u>24,468</u>	<u>94,733</u>	<u>20,557</u>	<u>19,523</u>	<u>54,976</u>	<u>1,404,915</u>
<b>Net Book Value</b>								
At 31 December 2008	<u>69,770</u>	<u>23,471</u>	<u>37,528</u>	<u>11,104</u>	<u>3,955</u>	<u>14,569</u>	<u>175,616</u>	<u>336,013</u>
At 31 December 2009	<u>57,252</u>	<u>56,240</u>	<u>25,581</u>	<u>5,672</u>	<u>2,373</u>	<u>10,416</u>	<u>163,337</u>	<u>320,871</u>
<b>Cost or Deemed Cost</b>								
At 31 December 2009	1,003,384	300,766	50,049	100,405	22,930	29,939	218,313	1,725,786
Additions	476	251,528					4,281	256,285
Disposals								
At 31 December 2010	<u>1,003,860</u>	<u>552,294</u>	<u>50,049</u>	<u>100,405</u>	<u>22,930</u>	<u>29,939</u>	<u>222,594</u>	<u>1,982,071</u>
<b>Accumulated Depreciation</b>								
At 31 December 2009	946,132	244,526	24,468	94,733	20,557	19,523	54,976	1,404,915
Adj to FA Schedule	(47,092)	6,944	7,661	(15,654)		33	49,562	1,454
Depreciation Charge	36,048	72,397	7,168	9,194	949	3,034	13,304	142,094
Disposals								
At 31 December 2010	<u>935,088</u>	<u>323,867</u>	<u>39,297</u>	<u>88,273</u>	<u>21,506</u>	<u>22,590</u>	<u>117,842</u>	<u>1,548,463</u>
<b>Net Book Value</b>								
At 31 December 2009	<u>57,252</u>	<u>56,240</u>	<u>25,581</u>	<u>5,672</u>	<u>2,373</u>	<u>10,416</u>	<u>163,337</u>	<u>320,871</u>
At 31 December 2010	<u>68,772</u>	<u>228,427</u>	<u>10,752</u>	<u>12,132</u>	<u>1,424</u>	<u>7,349</u>	<u>104,752</u>	<u>433,608</u>

A reclassification of accumulated depreciation for prior years was made during 2010 to reflect updated fixed asset schedules. This resulted in an adjustment of \$1,464 in additional depreciation expense, which is included in the consolidated statements of operations.

No property, plant and equipment were under finance leases at either 31 December 2010 or 31 December 2009.

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Notes to Consolidated Financial Statements

Note 8 - Intangible Assets

Intangible assets as of 31 December 2010 and 31 December 2009 and the movements for the years then ended are as follows:

	<b>Patents &amp; Trademarks</b>	<b>Distributor &amp; Customer Relationships</b>	<b>Capitalized Development Costs</b>	<b>Totals</b>
	\$	\$	\$	\$
<b><i>Cost or Deemed Cost</i></b>				
At 31 December 2008	1,789,084	1,270,639	795,000	3,854,723
Additions			230,000	230,000
Disposals				
At 31 December 2009	<u>1,789,084</u>	<u>1,270,639</u>	<u>1,025,000</u>	<u>4,084,723</u>
<b><i>Accumulated Amortization</i></b>				
At 31 December 2008	426,075	571,705	117,000	1,114,780
Amortization Charge	125,573	254,128	102,500	482,201
Impairment Charge		353,125		353,125
Disposals				
At 31 December 2009	<u>551,648</u>	<u>1,178,958</u>	<u>219,500</u>	<u>1,950,106</u>
<b><i>Net Book Value</i></b>				
At 31 December 2008	<u>1,363,009</u>	<u>698,934</u>	<u>678,000</u>	<u>2,739,943</u>
At 31 December 2009	<u>1,237,436</u>	<u>91,681</u>	<u>805,500</u>	<u>2,134,617</u>
<b><i>Cost or Deemed Cost</i></b>				
At 31 December 2009	1,789,084	1,270,639	1,025,000	4,084,723
Additions			263,290	263,290
Disposals				
At 31 December 2010	<u>1,789,084</u>	<u>1,270,639</u>	<u>1,288,290</u>	<u>4,348,013</u>
<b><i>Accumulated Amortization</i></b>				
At 31 December 2009	551,648	1,178,958	219,500	1,950,106
Amortization Charge	127,024	84,628	128,829	340,481
Impairment Charge				
Disposals				
At 31 December 2010	<u>678,672</u>	<u>1,263,586</u>	<u>348,329</u>	<u>2,290,587</u>
<b><i>Net Book Value</i></b>				
At 31 December 2009	<u>1,237,436</u>	<u>91,681</u>	<u>805,500</u>	<u>2,134,617</u>
At 31 December 2010	<u>1,110,412</u>	<u>7,053</u>	<u>939,961</u>	<u>2,057,426</u>

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 9 - Inventories

Inventories at 31 December 2010 of \$685,623 (2009: \$677,352) consists primarily of finished goods.

In 2010 changes in finished goods recognized as cost of sales amounted to (\$8,271) (2009: \$162,518).

In 2010 and 2009 there were no write-down of inventories to net realizable value. There were no write-ups to inventory during the years ended 31 December 2010 and 2009.

Note 10 - Trade Account Receivables

	<u>2010</u>	<u>2009</u>
Trade account receivables	\$ 114,977	\$ 135,084
Total	<u>\$ 114,977</u>	<u>\$ 135,084</u>

Trade account receivables are net of allowances for bad debts at 31 December 2010 and 31 December 2009 of \$6,955 and \$438,543, respectively.

**Allowance for Bad Debts**

	<u>2010</u>	<u>2009</u>
At January 1	\$ 438,543	\$ 10,461
Receivables written-off during the year	(443,908)	-
Change in Allowance <sup>1</sup>	12,320	428,082
At December 31	<u>\$ 6,955</u>	<u>\$ 438,543</u>

<sup>1</sup> Doubtful account expenses are recorded in the statement of operations under administrative expenses

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES  
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Note 11 - Long-Term Receivables

Customer	Anticipated Payment Schedule				
	2010	2011	2012	2013	Total
Al Tawadi Medical Equip	\$ -	\$ 30,000	\$ 700,000	\$ 779,200	\$ 1,509,200
BreathScan Int'l <sup>1</sup>	-	129,956	152,284	-	282,240
Pulse Health <sup>2</sup>	690,539	1,600,000	-	-	2,290,539
	<u>\$ 690,539</u>	<u>\$ 1,759,956</u>	<u>\$ 852,284</u>	<u>\$ 779,200</u>	<u>4,081,979</u>
Less:					
Current Portion					(159,956)
Fair Value Impingement					(166,134)
Long-Term Receivables					<u>\$ 3,755,889</u>

<sup>1</sup> The customer remits in Pounds Sterling (£). The exchange rate applied to the schedule is \$1.5471 effective 31Dec10.

<sup>2</sup> Payments are suspended due to renegotiation of contract terms. Payments are applied as received on a per shipment basis. No current portion is included at 31 December 2010.

Note 12 - Capital

At 31 December 2010 the authorized share capital comprised 200,000,000 ordinary shares (2009: 200,000,000) and 15,000,000 preference shares (2009: 15,000,000). At 31 December 2010 there were 114,715,666 ordinary shares issued and outstanding (2009: 113,992,884) and no preference shares issued and outstanding (2009: nil). The ordinary and preference shares have no par value. All issued shares are fully paid.

The holders of ordinary shares are entitled to one vote per share at meetings of the Company. Holders of preference shares do not carry the right to vote.

During the year ended 31 December 2010, the Company issued 180,891 shares to members of the Board of Directors to settle compensation for the service included in other payables for \$41,250 and \$1,838 recognized in general administrative expense.

During 2009 there were no shares issued to members of the Board of Directors.

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Note 13 - Loss Per Share

**Basic and Diluted Net Loss Per Share**

The calculation of basic and diluted loss per share at 31 December 2010 was based on the loss attributable to ordinary shareholders of \$919,883 (2009: \$4,628,017). The weighted average number of ordinary shares outstanding for 2010 and 2009 was 114,386,516 and 113,503,858, respectively.

Diluted net loss per share is computed using the weighted average number of common and dilutive potential common shares outstanding during the period.

Potential common shares consist of stock options, non-vested stock and warrants. Diluted net loss per common share was the same as basic net loss per common share for the years ended 31 December 2010 and 2009 since the effect of stock options, non-vested stock and warrants was anti-dilutive for all years. Instruments excluded from dilutive earnings per share, because their inclusion would be anti-dilutive, were as follows: employee and consulting stock options – 1,961,200 (2009: 3,439,500); warrants 10,415,344 (2009: 14,996,667); shares issued for the conversion of notes payable nil (2009: nil).

Note 14 - Loans and Borrowings

The company had no outstanding loans at 31 December 2010 (2009: nil).

**Convertible Notes**

The company had no outstanding convertible notes outstanding at 31 December 2010 (2009: nil).

**Other Borrowings**

During 2009 the company exchanged the unsecured \$90,000 note for a piece of equipment no longer utilized in the manufacturing or research and development areas. The equipment had no book value and the gain on the disposal was included in other income.

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Note 15 - Share-Based Payments

**Stock Warrants**

The Company has issued warrants to various employees, consultants and members of the Board of Directors of the Company for their services either in connection with the Company's ongoing efforts to raise capital or the development of the Company's products. In addition, the Company has granted warrants to lenders in connection with the issuance of debt. Each warrant granted may be exchanged for a prescribed number of shares of common stock. The warrants expire at various dates through January 2019.

	2010		2009	
	Weighted Average		Weighted Average	
	Warrants	Exercise Price	Warrants	Exercise Price
Outstanding at 1 January	14,996,667	0.67	13,751,417	0.76
Granted during year	573,502	0.25	4,150,538	0.09
Forfeited during year				
Exercised during year	(263,158)	0.01	(2,150,538)	0.01
Expired during year	(4,891,667)	1.20	(754,750)	1.66
Outstanding at 31 December	10,415,344	0.41	14,996,667	0.67

The Company has adopted two option plans that permit the granting of options to purchase shares of common stock. The plans provide for the granting of both incentive stock options ("Incentive Stock Plan"), as defined in Section 422 of the U.S. Internal Revenue Code (the "Code"), and options defined by Section 422 of the Code ("Non-qualified options").

The plans are administered by a Compensation Committee, which is appointed by the Board of Directors, who grants all options and determines their terms. Options are non-transferable and are only granted to employees, officers and directors, and advisors or consultants who agree to be employed or to provide services to the Company for a period of at least one year after the grant date. The maximum term of any option under the plans is ten years, and generally vest over 3 years.

**Stock Options**

Qualified option holders may exercise their options at their discretion through various dates ending January 2019. Each option granted may be exchanged for a prescribed number of shares of common stock.

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Notes to Consolidated Financial Statements

Note 15 - Share-Based Payments (continued)

**Employee's Plan - Qualified Options**

	<b>2010</b>		<b>2009</b>	
	<b>Options</b>	<b>Weighted Average Exercise Price</b>	<b>Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding at 1 January	1,595,000	0.30	1,745,000	0.32
Granted during year				
Forfeited during year			(150,000)	0.27
Exercised during year				
Expired during year	(1,124,300)	0.31		
Outstanding at 31 December	<u>470,700</u>	<u>0.27</u>	<u>1,595,000</u>	<u>0.30</u>

**Director's Plan**

	<b>2010</b>		<b>2009</b>	
	<b>Options</b>	<b>Weighted Average Exercise Price</b>	<b>Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding at 1 January	1,844,500	0.84	1,772,500	0.83
Granted during year			110,000	0.18
Forfeited during year				
Exercised during year				
Expired during year	(354,000)	1.06	(38,000)	1.00
Outstanding at 31 December	<u>1,490,500</u>	<u>0.79</u>	<u>1,844,500</u>	<u>0.84</u>

The options and warrants issued under the above three plans were valued using a Black Scholes option pricing model on the date of measurement. The weighted average measurement date fair values for options granted in 2010 and 2009 were \$0.18 and \$0.27, respectively.

The following weighted average assumptions were used in valuing the awards:

	<u>2010</u>	<u>2009</u>
Expected option term	5 years	5 years
Expected volatility	82.00%	101.80%
Expected dividend yield	0%	0%
Risk free interest rate	2.46%	2.52%

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Note 15 - Share-Based Payments (continued)

A summary of warrants and stock options outstanding and exercisable as of 31 December 2010 follows:

	<u>Low</u>	<u>High</u>	<u>Shares</u>	<u>Outstanding Wgt'd Avg Life Remaining</u>	<u>Wgt'd Avg Exercise Price</u>	<u>Shares</u>	<u>Exercisable Wgt'd Avg Exercise Price</u>
Director's Plan	0.32	2.00	1,490,500	1.53	0.79	1,490,500	0.79
Warrants	0.01	1.50	10,415,344	5.84	0.41	10,415,344	0.41
Employee's Plan	0.27	0.27	470,700	2.30	0.27	470,700	0.27
			<u>12,376,544</u>			<u>12,376,544</u>	

Note 16 - Related Parties

During 2009, Dr. Seckinger, a member of the Board of Directors, served as Medical Director, pursuant to a consulting agreement. He received cash payments of \$66,000 in 2009.

During the year ended December 31, 2009, the Company paid \$250,000 to an advisor of one of the Company's investors for investment banking and consulting services.

Raymond Akers is an uncompensated member of the Medical Advisory Board of Pulse Health LLC, a customer of the Company. Dr. Akers serves as advisor in relationship to the Technology transferred to Pulse Health during 2008.

On January 1, 2010, the Company entered into a consulting arrangement with Nicolette Consulting Group Limited ("NCG") for a period of one year under which the Company must pay NCG \$23,700 per month in fees and up to \$10,000 in reimbursement for monthly expenses for the services of Mr. Nicolette as President and Chief Executive Officer of the Company.

During 2009, the Company issued him 2,150,538 warrants to purchase common stock. The warrants were valued using a Black Scholes option pricing model and were ascribed a value of \$487,821. Amounts paid under this arrangement have been recorded in general and administrative expense.

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Note 16 - Related Parties (continued)

On March 17, 2010, in exchange for an exclusive licensing agreement, ABI received a 20 per cent equity stake in BreathScan International Ltd (“BIL”). Thomas A. Nicolette, President and Chief Executive Officer of ABI, was also appointed to BIL's Board of Directors. The equity stake is accounted for using the equity method of accounting in accordance with IAS 28, Accounting for Investments in Associates. The equity investment was initially recorded at cost, which was nil. BIL did not have any operational activity during 2010, therefore the adjustment to reflect the Company's share of BIL's net profit or loss was nil.

Note 17 - Commitments

**Operating Leases**

The Company leases office space in Thorofare, New Jersey under an operating lease with annual rentals of \$125,004 plus common area maintenance (“CAM”) charges. The lease, which took effect on 01 January 2008, reduced the CAM charges allowing the company to reach their own agreements with utilities and other maintenance providers. The Company's lease term expires 31 December 2012, but the Company may terminate early on or after July 1, 2010 for no penalty.

Rent expense including related CAM charges for the years ended 31 December 2010 and 2009 were \$164,179 and \$162,012 respectively.

Note 18 - Subsequent Events

On February 9, 2011 the Company issued 4,000,000 warrants expiring February 11, 2011 to certain directors and key employees to enable them to invest at the placement price of the common shares of no par value, which began trading on February 10, 2011.

On February 10, 2011 the Company raised \$3,200,000 of additional capital with the placement of an additional 50,000,000 shares of common shares of no par value.

On March 16, 2011 the Company was granted patent protection in the United States, under patent 7,896,167 B2, for its novel blood cell separator technology (the “Technology”). The Technology forms a key element of the Company's PIFA POC test – the point-of-care extension of ABI's heparin platelet factor 4 rapid assay and has also been integrated into ABI's Lithium “Check” system. The Technology could also be used in many other diagnostic tests transforming them from use only in clinical laboratories to point-of-care.

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Notes to Consolidated Financial Statements

Note 18 - Subsequent Events (continued)

On April 8, 2011 the Company entered into an agreement with Pulse Health, LLC (“Pulse”) to purchase all Technology relating to non-invasive exhaled breath testing which Pulse acquired from ABI in December, 2008. In exchange for this technology, ABI will release Pulse from any obligation to make further payments under the Technology Transfer Agreement, which currently total \$2,325,000, including a long-term receivable of \$2,290,539.

The companies also agreed to enter into a Supply Agreement under which ABI will sell Pulse breath tubes for use in the Pulse devices. Pulse will buy the Pulse tubes of the kind covered by either of the ABI Patents until Pulse has purchased \$2,325,000 worth of such tubes, after which Pulse may 1) continue to purchase the tubes from ABI, 2) have the tubes made for a royalty fee of \$0.40 per tube or 3) discontinue use of the technology and ABI Patents.