

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES

Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008

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AMPER, POLITZINER & MATTIA, LLP

Independent Auditors' Report

The Board of Directors and Stockholders of
Akers Biosciences, Inc. and Subsidiaries:

We have audited the accompanying consolidated financial statements of Akers Biosciences, Inc and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as at 31 December 2009 and 2008, and the consolidated statements of operations, the consolidated statements of changes in equity (deficit) and the consolidated cash flow statements for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Akers Biosciences, Inc. as of 31 December 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board



June 17, 2010
Edison, New Jersey

AKERS BIOSCIENCES, INC AND SUBSIDIARIES
Consolidated Balance Sheet
As of 31 December 2009 and 2008

	Note	2009 \$	2008 \$
ASSETS			
Non-Current Assets			
Property, plant and equipment, net	7	320,871	336,013
Intangible assets, net	8	2,134,617	2,739,943
Long-term Receivables, net of current portion	10	1,527,183	1,250,000
Other Assets		4,282	12,632
Total Non-Current Assets		<u>3,986,953</u>	<u>4,338,588</u>
Current Assets			
Inventories (net)	9	677,352	409,085
Trade and other Receivables (net)	10	910,084	2,120,397
Cash and Cash Equivalents		2,648,973	4,311,381
Other Assets		105,172	94,812
Total Current Assets		<u>4,341,581</u>	<u>6,935,675</u>
Total Assets		<u><u>8,328,534</u></u>	<u><u>11,274,263</u></u>
	Note	2009 \$	2008 \$
EQUITY (DEFICIT)			
Share Capital	11	79,328,108	77,799,990
Accumulated Deficit		(72,149,745)	(67,521,728)
Total Equity (Deficit)		<u>7,178,363</u>	<u>10,278,262</u>
LIABILITIES			
Current Liabilities			
Trade and Other Payables		1,150,171	906,001
Borrowings, net of discounts	13	-	90,000
Total Current Liabilities		<u>1,150,171</u>	<u>996,001</u>
Total Liabilities		<u>1,150,171</u>	<u>996,001</u>
Total Equity and Liabilities		<u><u>8,328,534</u></u>	<u><u>11,274,263</u></u>

See accompanying notes to consolidated financial statements

AKERS BIOSCIENCES, INC AND SUBSIDIARIES
Consolidated Statement of Operations
As of 31 December 2009 and 2008

	Note	2009 \$	2008 \$
Revenues:			
Product Revenue		1,415,105	2,699,779
License Revenue		429,000	3,378,198
Total Revenue		<u>1,844,105</u>	<u>6,077,977</u>
Cost of Sales:			
Product Cost of Sales		(1,100,646)	(1,370,913)
License Cost of Sales		-	-
Total Cost of Sales		<u>(1,100,646)</u>	<u>(1,370,913)</u>
Gross Profit		743,459	4,707,064
Other Income		47,386	134,005
Administrative Expenses		2,805,513	1,695,642
Research and Development Expenses		662,082	430,782
Non-Cash Share Based Compensaton		1,506,613	1,185,571
Amortization of Non-Current Assets		482,201	479,700
Impairment of Non-Current Assets		353,125	-
Income (Loss) from Operations		<u>(5,018,689)</u>	<u>1,049,374</u>
Other Income/Expenses			
Foreign Currency Transaction (Income)/Expense		(300,672)	1,001,788
(Gain)/Loss on Disposal of PP&E		(90,000)	-
Interest Expense		-	85,699
Non-Cash Interest Expense		-	1,196,301
Total Other Expense		<u>(390,672)</u>	<u>2,283,788</u>
Loss Before Income Taxes		(4,628,017)	(1,234,414)
Income Tax Benefit	6	-	699,612
Net Loss		<u>(4,628,017)</u>	<u>(534,802)</u>
Basic & diluted loss per share	12	\$ (0.04)	\$ (0.01)
Weighted average basic & diluted common shares outstanding		<u>113,503,858</u>	<u>92,706,529</u>

See accompanying notes to consolidated financial statements.

AKERS BIOSCIENCES, INC AND SUBSIDIARIES
Consolidated Statements of Changes in Equity (Deficit)
As of 31 December 2009 and 2008

	Share Capital \$	Capital Reserves \$	Accumulated Deficit \$	Total Equity \$
Balance at 31 December 2007	66,543,545		(66,986,926)	(443,381)
Changes in Equity (Deficit) for 2008				
Net loss for the year			(534,802)	(534,802)
Total recognized income & expense for the period	66,543,545	-	(67,521,728)	(978,183)
Recognition of share based payments for options & warrants	1,185,571			1,185,571
Issuance of shares for board of director fees	39,375			39,375
Issuance of shares for conversion of debt & accrued interest	5,409,822			5,409,822
Sale of ordinary shares for cash	4,566,710			4,566,710
Exercise of warrants & stock options	36,569			36,569
Issuance of shares for the conversion of accounts payable	18,398			18,398
Balance at 31 December 2008	77,799,990	-	(67,521,728)	10,278,262
Changes in Equity (Deficit) for 2009				
Net loss for the year			(4,628,017)	(4,628,017)
Total recognized income & expense for the period	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
Balance at 31 December 2009	79,328,108	-	(72,149,745)	7,178,363

See accompanying notes to consolidated financial statements.

AKERS BIOSCIENCES, INC AND SUBSIDIARIES
Consolidated Cash Flow Statements
As of 31 December 2009 and 2008

	Year Ended 31-Dec-09	Year Ended 31-Dec-08
Note	\$	\$
Cash flows from operating activities		
Net loss for the year	(4,628,017)	(534,802)
Adjustments for:		
Provisions for bad debts	428,082	-
Interest expense recognized in statement of operations (cash and non-cash)	-	1,282,002
Non-cash share based compensation	1,506,613	1,185,571
Gain on disposal of property, plant and equipment	(90,000)	(34,406)
Depreciation, amortization and impairment of non-current assets	920,490	545,894
	<u>(1,862,832)</u>	<u>2,444,259</u>
Movements in working capital		
(Increase)/decrease in trade and other receivables	505,048	(1,448,330)
(Increase)/decrease in inventories	(268,267)	288,413
(Increase)/decrease in other assets	(2,010)	(892)
(Increase)/decrease in trade and other payables	244,170	(728,386)
	<u>478,941</u>	<u>(1,889,195)</u>
Interest paid	-	(85,699)
	-	(85,699)
Net cash provided by (used in) operating activities	<u>(1,383,891)</u>	<u>469,365</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(70,022)	(208,515)
Capitalized development costs	(230,000)	(440,500)
Net cash used in investing activities	<u>(300,022)</u>	<u>(649,015)</u>
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	21,505	4,603,279
Repayment of borrowings	-	(1,293,540)
Repayment of obligations under finance leases	-	(125,411)
Net cash from financing activities	<u>21,505</u>	<u>3,184,328</u>
Net increase/(decrease) in cash and cash equivalents	(1,662,408)	3,004,678
Cash and cash equivalents at beginning of year	4,311,381	1,306,703
Cash and cash equivalents at end of year	<u>2,648,973</u>	<u>4,311,381</u>
Supplemental Disclosure of Cash Flow Information		
Non-cash investing and financing activities		
Conversion of payables into common stock	-	57,773
Conversion of debt and accrued interest payable into common stock	-	5,409,822

See accompanying notes to 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 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 2009, the Company generated a net loss of \$4,628,017. As of 31 December 2009, the Company has an accumulated deficit of \$72,149,745 and had cash and cash equivalents totaling \$2,648,973.

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 June 17, 2010, the Board of Directors authorized the financial statements for issue.

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

Note 2 - Basis of Presentation (continued)

(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 statement 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 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 other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

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

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

Note 3 - Significant Accounting Policies (continued)

(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.

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

Note 3- Significant Accounting Policies (continued)

(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.

(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 a straight-line 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.

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.

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

Note 3 - Significant Accounting Policies (continued)

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.

(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.

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

Note 3 - Significant Accounting Policies (continued)

(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. For sales of goods to components of the U.S. Government (i.e. Army, Navy, etc.), transfer usually occurs when the product is received at the customer's warehouse; however, for some shipments, transfer occurs upon loading the goods onto the relevant carrier.

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.

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

Note 3 - Significant Accounting Policies (continued)

(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.

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.

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

Note 3 - Significant Accounting Policies (continued)

(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) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements:

Revised IAS 24 *Related Party Disclosures* requires disclosures about related parties and transactions with such parties. Specifically, the revised IAS 24 provide an exemption from disclosure requirements for transactions between entities controlled, jointly controlled or significantly influenced by the same state ('state controlled entities'). In addition, it amends the definitions of a related party and of a related party transaction to clarify the intended meaning and remove some inconsistencies. The revised standard becomes mandatory for the Company's 2011 financial statements. The Company is currently evaluating what impact, if any, this new pronouncement will have on the Company.

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

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) Long term trade and other receivables

The fair value of trade and other 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.

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

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.

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 other receivables

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other 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 60 percent of the Company's 2009 revenue is attributable to sales transactions with three customers; two relate to the sale of technology and the other is a healthcare product distributor. These customers accounted for 82 percent and 85 percent of accounts receivable as of 31 December 2009 and 31

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

Note 5 - Financial Risk Management (continued)

December 2008, respectively. Approximately 93% of the Company's sales are to customers in the United States.

In 2008, approximately 67 percent of the revenue was attributable to sales transactions with two customers; one related to technology and the other a component of the United States Government.

Note 6 - Income Tax Expense

The Company's income tax benefit is as follows:

	<u>Years Ended 31 December,</u>	
	<u>2009</u>	<u>2008</u>
Net state income tax benefit	\$ -	\$ 699,612
Total	<u>\$ -</u>	<u>\$ 699,612</u>

During 2008, the Company was approved by the State of New Jersey to sell a portion of its state tax benefits pursuant to the Technology Tax Certificate Transfer Program. The Company received net proceeds \$699,612 in 2008 as a result of the sale of the tax benefits, which has been included when received as an income tax benefit in the consolidated Statement of Operations.

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

Note 6 - Income Tax Expense (continued)

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 2009 and 31 December 2008.

The principle components of unrecognized deferred tax assets consisted of the following as of 31 December 2009 and 31 December 2008:

	31 December,	
	<u>2009</u>	<u>2008</u>
Unrecognized deferred tax assets:		
Reserves and other	\$ 360,870	\$ 613,551
Net operating loss carry-forwards	<u>22,111,449</u>	<u>21,420,301</u>
Total unrecognized deferred tax assets	<u>\$ 22,472,319</u>	<u>\$ 22,033,852</u>

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 2009 and 2008 are as follows:

	Year Ended	Year Ended
	31 December,	31 December,
	<u>2009</u>	<u>2008</u>
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	43.0%	1.3%
Net benefit from sale of state income tax benefits	<u>0.0%</u>	<u>(41.7%)</u>

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

Note 7 - Property Plant and Equipment

Property, plant and equipment as of 31 December 2009 and 31 December 2008 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
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Cost or Deemed Cost</i>								
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>
<i>Accumulated Depreciation</i>								
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>
<i>Net Book Value</i>								
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>

The disposal of a piece of equipment no longer utilized in the manufacturing or research and development areas that was exchanged for a \$90,000 unsecured note is not reflected in the table above. The equipment had been in storage for several years and had been removed from the balance sheet. See Note 13.

No property, plant and equipment were under finance leases at either 31 December 2009 or 31 December 2008.

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

Note 8 - Intangible Assets

On January 23, 2007, the Company completed the acquisition of certain assets, including a patent pending for a key component of a product of significant potential sales value of disposable alcohol breathalyzer tests to the U.S. military. Subsequent to this transaction, the Company filed for and was awarded a patent for this technology in the U.S. Additionally, the Company acquired a trademark and contracts to deliver the above products to the U.S. military pursuant to specific appropriations in the 2007 and 2008 appropriation bills. Prior to this transaction, the seller of the assets was the Company's distributor of product to the U.S. military. The Company paid \$2,072,000 in total consideration for the acquired intangibles, as follows:

- \$1,500,000 in cash, to be paid to the seller through withholdings of amounts that would normally have been remitted to the Company under its distribution agreement.
- Warrants for up to 1,500,000 shares of the Company's stock were granted to the owner of the business from whom we purchased these assets. These warrants were determined to have an estimated fair value of \$572,000, which was calculated using the Black Scholes option pricing model.
- Additionally, the seller will receive a 7% royalty on sales in excess of \$6,500,000.

The total consideration paid was allocated to the patent and trademark based on their relative fair values. Fair values for the patent and the trademark were estimated with the assistance of a specialist based on the discounted royalty payments that have been avoided as a result of both assets being owned.

During the year ended December 31, 2009, because of the delay in receiving orders from the U.S. military, the Company performed an impairment analysis on the customer list. As a result of evaluating impairment, the Company determined there was impairment to the asset amounting to \$353,125.

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

Note 8 - Intangible Assets (continued)

Intangible assets as of 31 December 2009 and 31 December 2008 and the movements for the years then ended are as follows:

	Patents & Trademarks	Distributor & Customer Relationships	Capitalized Development Costs	Totals
	\$	\$	\$	\$
<i>Cost or Deemed Cost</i>				
At 31 December 2008	1,789,084	1,270,639	795,000	3,854,723
Additions			230,000	230,000
Disposals				0
At 31 December 2009	1,789,084	1,270,639	1,025,000	4,084,723
<i>Accumulated Amortization</i>				
At 31 December 2008	426,075	571,705	117,000	1,114,780
Amortization Charge	125,573	254,128	102,500	482,201
Disposals				0
At 31 December 2009	551,648	825,833	219,500	1,596,981
<i>Accumulated Impairment</i>				
At 31 December 2008				
Impairment Charge		353,125		353,125
Disposals				
At 31 December 2009		353,125		353,125
<i>Net Book Value</i>				
At 31 December 2008	1,363,009	698,934	678,000	2,739,943
At 31 December 2009	1,237,436	91,681	805,500	2,134,617

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

Note 9 - Inventories

Inventories at 31 December 2009 of \$677,352 (2008: \$409,085 consists primarily of finished goods.

In 2009 changes in finished goods recognized as cost of sales amounted to \$162,518 (2008: \$422,846).

In 2009 and 2008 there was no write-down of inventories to net realizable value. There were no write-ups to inventory during the years ended 31 December 2009 and 2008.

Note 10 - Trade and other Receivables

	<u>2009</u>	<u>2008</u>
Trade account receivables	\$ 2,437,267	\$ 3,370,397
Total	<u>\$ 2,437,267</u>	<u>\$ 3,370,397</u>

Trade account receivables are net of allowances for bad debts at 31 December 2009 and 31 December 2008 of \$438,543 and \$10,461, respectively. They include a long term portion of \$1,527,183 for 2009 and \$1,250,000 for 2008.

During 2009, the Company amended the payment terms for a long term receivable with a customer. Under the amended agreement, the customer is required to make payments as follows:

Year	Payments
2010	775,000
2011	1,600,000
Total:	<u>\$ 2,375,000</u>

Note 11 - Capital

At 31 December 2009 the authorized share capital comprised 200,000,000 ordinary shares (2008: 200,000,000) and 15,000,000 preference shares (2008: 15,000,000). At 31 December 2009 there were 113,992,884 ordinary shares issued and outstanding (2008: 111,842,344) and no preference shares issued and outstanding (2008: 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.

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

Note 11 - Capital (continued)

During the year ended 31 December 2009, the Company issued 0 shares to members of the Board of Directors in compensation for their service as board members. Total expense recognized related to these Board of Directors fees were \$0 and were included in general and administrative expense.

In 2008, the Company also issued 23,939,844 shares of capital for the conversion of \$4,295,000 and \$1,114,822 of convertible notes and accrued interest, respectively. The interest expense recorded included \$798,628 recognizing the fair value on the beneficial conversion of the convertible debt.

Note 12 - Loss Per Share

Basic and Diluted Net Loss Per Share

The calculation of basic and diluted loss per share at 31 December 2009 was based on the loss attributable to ordinary shareholders of \$4,628,017 (2008: \$534,802). The weighted average number of ordinary shares outstanding for 2009 and 2008 was 113,503,858 and 92,706,529, 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 2009 and 2008 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 – 3,439,500 (2008: 3,517,500; warrants 14,996,667 (2008: 13,751,417); shares issued for the conversion of notes payable nil (2008: nil).

Note 13 - Loans and Borrowings

Following is information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

	<u>2009</u>	<u>2008</u>
<u>Current liabilities</u>		
Unsecured loans	_____ -	_____ 90,000
Total loans and borrowings	\$ _____ -	\$ _____ 90,000

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

Note 13 - Loans and Borrowings (continued)

Terms and debt repayment schedule. Terms and conditions of outstanding loans were as follows:

	<u>Nominal</u> <u>Interest rate</u>	<u>Year of</u> <u>maturity</u>	<u>31 Dec 2009</u>		<u>31 Dec 2008</u>	
			<u>Face</u> <u>value</u>	<u>Carrying</u> <u>Amount</u>	<u>Face</u> <u>value</u>	<u>Carrying</u> <u>amount</u>
Unsecured loan	10.00%	2008	-	-	90,000	90,000
Total interest-bearing liabilities			<u>-</u>	<u>-</u>	<u>90,000</u>	<u>90,000</u>

Convertible Notes

In June of 2008, the amount of convertible notes and accrued interest due to Brittany, \$4,553,765, was converted into 22,738,824 shares of common stock. The Company also recorded non-cash interest expense of \$798,628 resulting from the conversion feature of the notes.

On 14 January 2008, the Company issued 1,171,060 common shares to satisfy payment to respect of a promissory note due 22 November 2007. The outstanding balance of that loan as at 31 December 2007 was \$175,000.

Other Borrowings

The Company has a \$1 million line of credit facility with a financial institution. During 2008 the company paid down \$985,000 and as of 31 December 2009 has no balance due on this account.

During 2008 the company paid off a long term note payable in the amount of \$378,471. The company also paid off the short term debt of \$55,480.

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.

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

Note 14- 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.

	<u>2009</u>		<u>2008</u>	
<u>Warrants</u>	<u>Warrants</u>	Weighted average exercise price	<u>Warrants</u>	Weighted average exercise price
Outstanding at 1 January	13,751,417	0.76	13,815,893	1.20
Granted during the year	4,150,538	0.09	1,948,510	0.01
Forfeited during the year	-	-	-	-
Exercised during the year	(2,150,538)	0.01	(2,012,986)	(0.01)
Expired during the year	<u>(754,750)</u>	<u>1.66</u>	<u>-</u>	<u>-</u>
Outstanding at 31 December	<u>14,996,667</u>	<u>0.67</u>	<u>13,751,417</u>	<u>0.76</u>

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.

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

Note 14- Share-Based Payments (continued)

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.

<u>Employee Plan - Qualified Options</u>	<u>2009</u>		<u>2008</u>	
	<u>Options</u>	Weighted average exercise price	<u>Options</u>	Weighted average exercise price
Outstanding at 1 January	1,745,000	\$ 0.32	1,372,300	\$ 0.36
Granted during the year	0	0	647,700	0.27
Forfeited during the year	(150,000)	0.27	(225,000)	0.47
Exercised during the year	0	0	(50,000)	0.20
Expired during the year	0	0	-	-
Outstanding at 31 December	1,595,000	\$ 0.30	1,745,000	\$ 0.32

<u>Directors Plan</u>	<u>2009</u>		<u>2008</u>	
	<u>Options</u>	Weighted average exercise price	<u>Options</u>	Weighted average exercise price
Outstanding at 1 January	1,772,500	\$ 0.83	1,798,500	\$ 0.83
Granted during the year	110,000	0.18	-	-
Forfeited during the year	0	0	-	-
Exercised during the year	0	0	-	-
Expired during the year	(38,000)	1.00	(26,000)	1.00
Outstanding at 31 December	1,844,500	\$ 0.84	1,772,500	\$ 0.83

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

Note 14 - Share-Based Payments (continued)

Stock Options (continued)

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 2009 and 2008 were \$0.18 and \$0.27, respectively.

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

	<u>2009</u>	<u>2008</u>
Expected option term	10 years	5 years
Expected volatility	101.80%	87.4%
Expected dividend yield	0%	0%
Risk free interest rate	2.52%	4.7%

A summary of warrants and stock options outstanding and exercisable as of 31 December 2009 follows:

	Options Outstanding				Options Exercisable	
	Range of exercise prices	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
Stock Warrants	\$ 0.18-1.50	14,996,667	4.78	\$ 0.67	14,996,667	\$ 0.67
Employee Plan – Qualified Options	\$0.27-0.31	1,595,000	1.51	\$ 0.30	1,498,100	\$ 0.30
Directors plan	\$0.18-2.00	1,844,500	2.65	\$ 0.84	1,809,500	\$ 0.86

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

Note 15- Related Parties

During 2009 and 2008, Dr. Seckinger, a member of the Board of Directors, has served as Medical Director, pursuant to a consulting agreement. He received cash payments of \$66,000 and \$38,000 in 2009 and 2008 respectively.

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.

In 2007 Mr. Nicolette was named President of the Company. In connection with this appointment, the Company has entered into a consulting arrangement with Mr. Nicolette's consulting company for a period of 3 years under which the Company must pay Mr. Nicolette's company \$20,833 per month in fees and up to \$10,000 in reimbursement for monthly expenses. In addition, under the terms of this arrangement, Mr. Nicolette is awarded warrants to purchase shares of stock annually, which are determined based on certain performance criteria outlined in the agreement. During 2009, the Company issued him 2,150,538 (2008: 1,737,619) warrants to purchase common stock. The warrants were valued using a Black Scholes option pricing model and were ascribed a value of \$487,821 (2008: \$330,148). Amounts paid under this arrangement have been recorded in general and administrative expense. Mr. Nicolette's agreement was renegotiated in January 2010.

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.

Note 16- 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 2009 and 2008 were \$162,012 and \$152,004 respectively.

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

Note 17 - Provision

On 11 April 2005, CTS Distributing, Inc. ("CTS"), a former distributor for the Company, commenced an action against the Company in the District Court of Harris County, Texas. CTS's claims include breach of contract and fraud. The Company and its counsel believe these claims to be completely without merit. Discovery in this matter has begun and a trial was expected during the prior summer. The Company has not provided for any contingent liability within these financial statements. The Company accrued \$50,000 in relation to this litigation as of 31 December 2007.

On 07 January 2008, the Company settled an action brought by CTS Distributing, Inc. The settlement consisted of a payment of \$50,000 and the issue of 500,000 common shares of the Company.

Note 18 - Subsequent Events

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.

In February 2010, the Company was approved by the State of New Jersey to sell a portion of its state tax benefits pursuant to the Technology Tax Certificate Transfer Program. The Company received net proceeds \$283,413 as a result of the sale of the tax benefits.

On February 18, 2010 the Company issued 180,891 shares to members of the Board of Directors in compensation for their service as board members.

On March 17, 2010 the Company announced that it has licensed the exclusive sales, marketing, and distribution rights to the Company's BreathScan product line in the UK and Republic of Ireland, to BreathScan International Ltd ("BIL") for a period of five years; continuing exclusivity is conditional upon BIL achieving certain annual purchase minimums. The London-based BIL will also have a non-exclusive right to develop opportunities internationally, outside of North America.

In return for the license, ABI will receive a 20 per cent equity stake in BIL. Thomas A. Nicolette, President and Chief Executive Officer of ABI, will also sit on BIL's Board of Directors.

On March 19, 2010 the Company announced the appointment of Daniel Stewart & Company, PLC as Nominated Adviser and Broker to the Company.