

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES

Consolidated Financial Statements
For the Years Ended 31 December, 2008 and 2007

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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 2008 and 2007, 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 2008 and 2007, 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

Amper, Politziner & Mattia LLP

March 21, 2009
Edison, New Jersey

AKERS BIOSCIENCES, INC AND SUBSIDIARIES

Consolidated Balance Sheets

As of 31 December 2008 and 2007

	Note	<u>2008</u>	<u>2007</u>
		\$	\$
ASSETS			
Non-current assets			
Property, plant and equipment, net	7	336,013	193,692
Intangible assets, net	8	2,739,943	2,779,143
Deferred financing costs		-	49,978
Long-term Receivables, net of current portion		1,250,000	-
Other assets		12,632	12,633
Total non-current assets		<u>4,338,588</u>	<u>3,035,446</u>
Current assets			
Inventories (net)	9	409,085	697,498
Trade and other receivables(net)	10	2,120,397	1,922,067
Cash and cash equivalents		4,311,384	1,306,706
Other assets		94,812	93,920
Total current assets		<u>6,935,678</u>	<u>4,020,191</u>
Total assets		<u>11,274,266</u>	<u>7,055,637</u>
EQUITY (DEFICIT)			
Share capital	11	77,799,990	66,543,545
Accumulated deficit		(67,521,725)	(66,986,923)
Total equity (deficit)		<u>10,278,265</u>	<u>(443,378)</u>
LIABILITIES			
Non-current liabilities			
Borrowings, net of current portion	13	-	346,097
Obligations under finance leases		-	-
Total non-current liabilities		<u>-</u>	<u>346,097</u>
Current liabilities			
Trade and other payables		906,001	1,692,160
Borrowings, net of discount of \$122,597 as of 31 December 2007	13	90,000	5,335,347
Obligations under finance leases		-	-
Accrued interest payable		-	125,411
Total current liabilities		<u>996,001</u>	<u>7,152,918</u>
Total liabilities		<u>996,001</u>	<u>7,499,015</u>
Total equity and liabilities		<u>11,274,266</u>	<u>7,055,637</u>

See accompanying notes to consolidated financial statements.

AKERS BIOSCIENCES, INC AND SUBSIDIARIES
Consolidated Statements of Operations
As of 31 December 2008 and 2007

	Note	Year ended 31/12/08 \$	Year ended 31/12/07 \$
Revenues:			
Product revenue		2,699,779	5,519,961
License revenue		3,378,198	-
Total Revenue		<u>6,077,977</u>	<u>5,519,961</u>
Cost of Sales:			
Product cost of sales		(1,370,913)	(2,014,389)
License cost of sales		-	-
Total cost of sales		<u>(1,370,913)</u>	<u>(2,014,389)</u>
Gross profit		4,707,064	3,505,572
Other income		134,005	17,279
Administrative expenses		1,695,642	2,875,123
Research and Development expenses		430,782	125,893
Noncash share based compensation		1,185,571	1,854,480
Amortization of non-current assets		<u>479,700</u>	<u>408,300</u>
Income/(Loss) from operations		1,049,374	(1,740,945)
Foreign Currency Transaction Expense		1,001,788	0
Interest Expense		85,699	209,058
Non-Cash Interest Expense		<u>1,196,301</u>	<u>415,764</u>
Total Other Expense		2,283,788	624,822
Loss before income taxes		(1,234,414)	(2,365,767)
Income tax benefit	6	<u>699,612</u>	<u>640,929</u>
Net Loss		<u><u>(534,802)</u></u>	<u><u>(1,724,838)</u></u>
Basic and diluted loss per share	12	\$ (0.01)	\$ (0.03)
Weighted average basic & diluted common shares outstanding		<u>92,706,529</u>	<u>62,264,974</u>

See accompanying notes to consolidated financial statements.

AKERS BIOSCIENCES, INC AND SUBSIDIARIES
Consolidated Statements of Changes in Equity (Deficit)
As of 31 December 2008 and 2007

	\$	\$	\$	\$
	<u>Share capital</u>	<u>Capital reserves</u>	<u>Accumulated Deficit</u>	<u>Total equity</u>
Balance at 31 December 2006	62,593,546	-	(65,262,085)	(2,668,539)
Changes in equity (deficit) for 2007				
Net loss for the year			(1,724,838)	(1,724,838)
Total recognised income and expense for the period	62,593,546	-	(66,986,923)	(4,393,377)
Recognition of share based payments	1,662,630			1,662,630
Issuance of shares for board of director fees	191,850			191,850
Issuance of shares for the conversion of debt and accrued interest	905,595			905,595
Issuance of warrants in connection with convertible notes	264,163			264,163
Sale of ordinary shares	266,376			266,376
Issuance of shares as consideration for the refinancing of convertible notes	79,132			79,132
Exercise of warrants and stock options	8,235			8,235
Issuance of warrants for purchase of intangible assets	572,018			572,018
Balance at 31 December 2007	66,543,545	-	(66,986,923)	(443,378)
Changes in equity (deficit) for 2008				
Net loss for the year			(534,802)	(534,802)
Total recognised income and expense for the period	66,543,545	-	(67,521,725)	(978,180)
Recognition of share based payments for options and warrants	1,185,571			1,185,571
Issuance of shares for board of director fees	39,375			39,375
Issuance of shares for the conversion of debt and accrued interest	5,409,822			5,409,822
Sale of ordinary shares for cash	4,566,710			4,566,710
Exercise of warrants and 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	-	(67,521,725)	10,278,265

See accompanying notes to consolidated financial statements.

AKERS BIOSCIENCES, INC AND SUBSIDIARIES
Consolidated Cash Flow Statements
As of 31 December 2008 and 2007

	NOTES	Year ended 31/12/08 \$	Year ended 31/12/07 \$
Cash flows from operating activities			
Net loss for the year		(534,802)	(1,724,838)
Adjustments for:			
Provisions for bad debts		-	86,129
Interest expense recognised in statement of operations (cash and non-cash)		1,282,002	624,822
Noncash share based compensation		1,185,571	1,854,480
Noncash Other Income from conversion of debt		(34,406)	-
Provision for (reversal of) bifurcation charges related to convertible debt		-	(230,000)
Depreciation and amortization of non-current assets		545,894	460,083
		<u>2,444,259</u>	<u>1,070,676</u>
Movements in working capital			
(Increase)/decrease in trade and other receivables		(1,448,330)	(1,391,160)
(Increase)/decrease in inventories		288,413	409,443
(Increase)/decrease in other assets		(892)	195,539
Increase (decrease) in trade and other payables		(728,386)	106,753
		<u>(1,889,195)</u>	<u>(679,425)</u>
Income taxes paid		-	-
Interest paid		(85,699)	(209,058)
Net cash used in operating activities		<u>469,365</u>	<u>182,193</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(208,515)	(20,992)
Capitalised development costs		(440,500)	(375,000)
Purchase of intangible assets		-	(1,500,000)
Net cash used in investing activities		<u>(649,015)</u>	<u>(1,895,992)</u>
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		4,603,279	274,611
Proceeds from new borrowings		-	2,758,028
Repayments of borrowings		(1,293,540)	(38,602)
Repayments of obligations under finance leases		(125,411)	(14,674)
Deferred financing costs		-	-
Net cash from financing activities		<u>3,184,328</u>	<u>2,979,363</u>
Net increase/(decrease) in cash and cash equivalents		3,004,678	1,265,564
Cash and cash equivalents at beginning of year		1,306,706	41,142
Cash and cash equivalents at end of year		<u>4,311,384</u>	<u>1,306,706</u>
Supplemental Disclosure of Cash Flow Information:			
Non-cash investing and financing activities:			
Conversion of payables into common stock		<u>\$ 57,773</u>	<u>\$ -</u>
Conversion of debt and accrued interest payable into common stock		<u>\$ 5,409,822</u>	<u>\$ 905,595</u>
Issuance of warrants for purchase of intangible assets		<u>\$ -</u>	<u>\$ 572,018</u>
Issuance of shares in connection with debt refinancing		<u>\$ -</u>	<u>\$ 79,132</u>
Coverion of accounts payable to notes payable		<u>\$ -</u>	<u>\$ 90,000</u>

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 2008, the Company generated a net loss of \$ 534,802. As of 31 December 2008, the Company has an accumulated deficit of \$ 67,521,725 and had cash and cash equivalents totaling \$ 4,311,384.

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 March 23, 2009, 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 5.

(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 Translation Gains or losses, resulting from loans 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 IFRSs requires management to make judgements, 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 recognised 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 judgements in applying accounting policies that have the most significant effect on the amounts recognised 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 unrealised 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 4(p).

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

(ii) Loans and borrowings

Loans and borrowings are measured at amortised cost using the effective interest method, less any impairment losses.

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

Note 3 - Significant Accounting Policies (continued)

(iii) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

(iv) 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 recognised 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 recognised 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 recognised 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 derecognised. 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 recognised 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 capitalised 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 capitalised includes the cost of materials, direct labour 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 recognised in profit or loss as incurred. Other development expenditure is recognised 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) **Amortisation**

Amortisation 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 recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised 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.

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.

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

(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 2008, and have not been applied in preparing these consolidated financial statements:

IFRS 8 *Operating Segments* introduces the “management approach” to segment reporting. IFRS 8, which becomes mandatory for the Company’s 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them. Currently the Company operates in one segment. Management is currently evaluating what impact, if any, this new pronouncement will have on the Company.

Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company’s 2009 financial statements and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions the Company will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Company’s 2009 financial statements, is not expected to have any impact on the consolidated financial statements.

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) Loans and convertible notes

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(iv) 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.

Concentration risk

Approximately, 67 percent of the company's 2008 revenue is attributable to sales transactions with two customers, one relates to the sale of technology and the other is a component of the United States Government. In 2007 approximately 79 percent of the company's revenue was attributable to 2 components of the United States Government. These customers accounted for 67 percent and 85 percent of accounts receivables as of 31 December 2008 and 31 December 2007, respectively. Approximately 90% of the company's sales are to customers in the United States.

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

Note 5 - Financial Risk Management (continued)

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.

Note 6 - Income Tax Expense

The Company's income tax benefit is as follows:

	<u>Years Ended 31 December,</u>	
	<u>2008</u>	<u>2007</u>
Net state income tax benefit	<u>\$ 699,612</u>	<u>\$ 640,929</u>
Total	<u>\$ 699,612</u>	<u>\$ 640,929</u>

During 2008 and 2007, 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 of \$699,612 and \$650,083 in 2008 and 2007, respectively, 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 carryforwards and other tax attributes in the future. Accordingly, the Company has not recorded any deferred tax assets as of 31 December 2008 and 31 December 2007.

The principle components of unrecognised deferred tax assets consisted of the following as of 31 December 2008 and 31 December 2007:

	31 December,	
	<u>2008</u>	<u>2007</u>
Unrecognized deferred tax assets:		
Reserves and other	\$ 613,551	\$ 1,729,592
Net operating loss carry-forwards	<u>21,420,301</u>	<u>20,011,000</u>
Total unrecognized deferred tax assets	<u>\$ 22,033,852</u>	<u>\$ 21,740,592</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 2008 and 2007 are as follows:

	Year Ended	Year Ended
	31 December,	31 December,
	<u>2008</u>	<u>2007</u>
Statutory U.S. Federal income tax rate	(34.0%)	(34.0%)
New Jersey State income taxes, net of U.S. Federal benefit	(8.99%)	(8.99%)
Increase in unrecognized deferred tax assets	1.3%	19.89%
Net benefit from sale of state income tax benefits	<u>(41.7)%</u>	<u>(27.1)%</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 2008 and 31 December 2007 and the movements for the years then ended are as follows:

	<u>Machinery & Equipment</u>	<u>Molds & Dies</u>	<u>Office Equipment</u>	<u>Computer Equipment</u>	<u>Computer Software</u>	<u>Furniture & Fixtures</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost or deemed Cost</u>								
At 1 January 2008	\$ 973,817	\$ 242,957	\$ 12,716	\$ 75,437	\$ 22,930	\$ 13,950	\$ 105,442	\$ 1,447,249
Additions	19,449	4,509	37,333	21,777	-	15,989	109,458	208,515
Disposals								
At 31 December 2008	<u>\$ 993,266</u>	<u>\$ 247,466</u>	<u>\$ 50,049</u>	<u>\$ 97,214</u>	<u>\$ 22,930</u>	<u>\$ 29,939</u>	<u>\$ 214,900</u>	<u>\$ 1,655,764</u>
<u>Accumulated Depreciation</u>								
At 1 January 2007	\$ 896,319	\$ 213,500	\$ 5,054	\$ 80,605	\$ 16,338	\$ 12,753	\$ 28,988	\$ 1,253,557
Additions	27,177	10,495	7,467	5,505	2,637	2,617	10,296	66,194
Disposals								
At 31 December 2007	<u>\$ 923,496</u>	<u>\$ 223,995</u>	<u>\$ 12,521</u>	<u>\$ 86,110</u>	<u>\$ 18,975</u>	<u>\$ 15,370</u>	<u>\$ 39,284</u>	<u>\$ 1,319,751</u>
<u>Net book value</u>								
At 1 January 2008	<u>\$ 77,498</u>	<u>\$ 29,457</u>	<u>\$ 7,662</u>	<u>\$(5,168)</u>	<u>\$ 6,592</u>	<u>\$ 1,197</u>	<u>\$ 76,454</u>	<u>\$ 193,692</u>
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>

Substantially all of the Company's assets are pledged as collateral under the debt facilities of the Company. There were no property, plant and equipment under finance leases at either 31 December 2008 or 31 December 2007.

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.

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

Note 8 - Intangible Assets (continued)

Intangible assets as of 31 December 2008 and 31 December 2007 and the movements for the years then ended are as follows:

	<u>Patents and Trademarks</u>	<u>Distributor and Customer Relationships</u>	<u>Capitalised Development Costs</u>	<u>Total</u>
<u>Cost</u>				
At 1 January 2007	564,585	423,138	-	987,723
Capitalised development costs			375,000	375,000
Other intangibles acquired during 2007	<u>1,224,499</u>	<u>847,501</u>		<u>2,072,000</u>
At 31 December 2007	1,789,084	1,270,639	375,000	3,434,723
Capitalised development costs			420,000	420,000
At 31 December 2008	<u>1,789,084</u>	<u>1,270,639</u>	<u>795,000</u>	<u>3,854,723</u>
<u>Amortisation</u>				
At 1 January 2007	169,694	77,585	-	247,279
Amortisation for 2007	<u>130,808</u>	<u>239,993</u>	<u>37,500</u>	<u>408,301</u>
At 31 December 2007	300,502	317,578	37,500	655,580
Amortisation for 2008	<u>125,573</u>	<u>254,127</u>	<u>79,500</u>	<u>459,200</u>
At 31 December 2008	<u>426,075</u>	<u>571,705</u>	<u>117,000</u>	<u>1,114,780</u>
<u>Carrying Amount</u>				
At 31 December 2007	<u>1,488,582</u>	<u>953,061</u>	<u>337,500</u>	<u>2,779,143</u>
At 31 December 2008	<u>1,363,009</u>	<u>698,934</u>	<u>678,000</u>	<u>2,739,943</u>

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

Note 9 - Inventories

Inventories at 31 December 2008 of \$409,085 (2007: \$697,498) consist primarily of finished goods.

In 2008 changes in finished goods recognised as cost of sales amounted to \$422,846 (2007: \$765,830).

In 2008 the write-down of inventories to net realisable value amounted to \$0 (2007: \$5,000). The write-down is included in cost of sales. There were no write-ups to inventory during the years ended 31 December 2008 and 2007.

Note 10 - Trade and other Receivables

	<u>2008</u>	<u>2007</u>
Loans to employees	\$ -	\$ 2,819
Trade account receivables	<u>3,370,397</u>	<u>1,919,248</u>
Total	<u>\$ 3,370,397</u>	<u>\$ 1,922,067</u>

Trade account receivables include allowances for bad debts at 31 December 2008 and 31 December 2007 of \$10,461 and \$2,890,000, respectively. The allowance has decreased in 2008 due to write offs of accounts reserved for in prior periods as uncollectable.

Note 11 - Capital

At 31 December 2008 the authorised share capital comprised 200,000,000 ordinary shares (2007: 200,000,000) and 15,000,000 preference shares (2007: 15,000,000). At 31 December 2008 there were 111,842,344 ordinary shares issued and outstanding (2007: 66,928,063) and no preference shares issued and outstanding (2007: 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 2008, the Company issued 144,300 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 \$39,375 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.

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

Note 12 - Loss Per Share

Basic and Diluted Net Loss Per Share

The calculation of basic and diluted loss per share at 31 December 2008 was based on the loss attributable to ordinary shareholders of \$534,802 (2007: 1,724,838). The weighted average number of ordinary shares outstanding for 2008 and 2007 was 92,706,529 and 62,264,974, 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 2008 and 2007 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 – 3,663,500 (2007:3,170,800); warrants 13,001,417 (2007:13,626,351); shares issued for the conversion of notes payable nil (2007: 20,825,000).

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 amortised cost.

	<u>2008</u>	<u>2007</u>
<u>Non-current liabilities</u>		
Secured bank loans	\$ _____ -	_____ 346,097
<u>Current liabilities</u>		
Convertible notes	-	3,997,493
Unsecured loans	90,000	320,480
Current portion of secured bank loans	-	32,374
Secured bank facility	_____ -	_____ 985,000
	<u>90,000</u>	<u>5,335,347</u>
Total loans and borrowings	<u>\$ 90,000</u>	<u>\$ 5,681,444</u>

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>31 Dec 2008</u>		<u>31 Dec 2007</u>	
	<u>Nominal</u> <u>Interest rate</u>	<u>Year of</u> <u>maturity</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>
Secured bank loan	7.77%	2016	-	-	378,471	378,471
Secured bank facility	Prime + 2%	2008	-	-	985,000	985,000
Unsecured loan	10.00%	2007	-	-	175,000	175,000
Unsecured loan	10.00%	2008	90,000	90,000	90,000	90,000
Unsecured loan	7.50%	2008	-	-	55,480	55,480
Convertible notes	10.00%	2008	-	-	<u>4,120,000</u>	<u>3,997,493</u>
Total interest-bearing liabilities			<u>90,000</u>	<u>90,000</u>	<u>5,803,951</u>	<u>5,681,444</u>

Convertible Notes

As of 1 January 2007 the Company had an outstanding balance of \$2,230,00 in convertible Notes with Brittany Capital. Between January and May 2007, the Company sold additional Convertible Notes totaling \$925,000 to Brittany Capital and on 31 May 2007, the Company entered into a new facility with Brittany Capital for up to \$4,500,000 of financing. The remaining balance on the Convertible Notes owing Brittany at 31 December 2006, as well as the \$925,000 borrowed during the first 5 months of 2007, were rolled into this facility with an additional \$675,000, which includes a premium earned by Brittany on conversion of the Convertible notes in the amount of \$213,864, accrued interest of \$74,900 and an additional borrowing of \$386,236. From the date of this refinancing through the end of 2007, Brittany Capital made additional loans of \$1,250,000 to the Company. In addition, during 2007 Brittany Capital also elected to convert \$730,000 and \$238,706 in principle and accrued interest, respectively, into shares of capital.

As compensation for the total facility during 2007, the Company issued 250,000 shares of the Company's common stock as a closing fee. The value of the shares of stock issued was \$79,132, and was recorded as deferred financing fees, which were included in other assets. This amount was charged to interest expense in 2008 upon conversion of the convertible notes to capital.

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

Note 13 - Loans and Borrowings (continued)

Convertible Notes (continued)

During 2007, in conjunction with the re-financing of the convertible notes, all of Brittany's existing warrants to purchase up to 1,365,000 were modified to lower the exercise price to 30 pence per share. The Company calculated the difference between the modified warrants and the existing warrants immediately prior to the modification and determined that there was \$193,969 in incremental fair value resulting from the modification. This amount was recorded as additional discount on the notes and was recognized through interest expense over the term of the notes. In addition, the Company issued warrants to purchase common shares with Convertible Notes issued during the year, which were valued at \$70,194. The value of these warrants was initially recorded as a discount to the Convertible Notes payable. When these notes were refinanced in May 2007, this value was recorded in full as interest expense.

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 institute. During 2008 the company paid down \$985,000 and as of 31 December 2008 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.

The Company is carrying a note of \$90,000 on its books that is unsecured and due to a private party.

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 and consultants 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 July 2013.

Share-Based Payments (continued) ~~Stock Warrants (continued)~~ 2007

<u>Warrants</u>	<u>Warrants</u>	Weighted average exercise <u>price</u>	<u>Warrants</u>	Weighted average exercise <u>price</u>
Outstanding at 1 January	14,199,850	0.74	6,376,417	1.17
Granted during the year	1,948,510	0.01	8,671,932	0.41
Forfeited during the year	-	-	-	-
Exercised during the year	(2,012,986)	(0.01)	(723,499)	(0.01)
Expired during the year	-	-	(125,000)	(1.60)
Outstanding at 31 December	<u>14,135,374</u>	<u>0.75</u>	<u>14,199,850</u>	<u>0.74</u>

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

Note 14 - Share-based payments(continued)

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 September 2017. Each option granted may be exchanged for a prescribed number of shares of common stock.

<u>Employee Plan - Qualified Options</u>	<u>2008</u>		<u>2007</u>	
	<u>Options</u>	<u>Weighted average exercise price</u>	<u>Options</u>	<u>Weighted average exercise price</u>
Outstanding at 1 January	1,372,300	\$ 0.36	2,464,900	\$ 1.04
Granted during the year	647,700	0.27	1,372,300	0.34
Forfeited during the year	(225,000)	0.47	(960,000)	1.03
Exercised during the year	(50,000)	0.20	(10,000)	0.01
Expired during the year	-	-	(1,494,900)	1.03
Outstanding at 31 December	<u>1,745,300</u>	<u>\$ 0.32</u>	<u>1,372,300</u>	<u>\$ 0.36</u>

<u>Directors Plan</u>	<u>2008</u>		<u>2007</u>	
	<u>Options</u>	<u>Weighted average exercise price</u>	<u>Options</u>	<u>Weighted average exercise price</u>
Outstanding at 1 January	1,798,500	\$ 0.83	965,500	\$ 1.50
Granted during the year	-	-	1,017,500	0.32
Forfeited during the year	-	-	(95,000)	2.00
Exercised during the year	-	-	-	-
Expired during the year	(26,000)	1.00	(89,500)	1.00
Outstanding at 31 December	<u>1,772,500</u>	<u>\$ 0.83</u>	<u>1,798,500</u>	<u>\$ 0.83</u>

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

Note 14 - Share-Based Payments (continued)

Stock Options (continued)

The Company has granted non-qualified options as follows:

<u>Non-qualified options</u>	<u>2008</u>		<u>2007</u>	
	<u>Options</u>	<u>Weighted average exercise price</u>	<u>Options</u>	<u>Weighted average exercise price</u>
Outstanding at 1 January	-	-	150,000	1.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	(150,000)	1.00
Outstanding at 31 December	-	-	-	-
Exercisable at 31 December	-	-	-	-

The options 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 2008 and 2007 was \$0.27 and \$0.64, respectively.

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

	<u>2008</u>	<u>2007</u>
Expected option term	5 years	5 years
Expected volatility	87.4%	90.6%
Expected dividend yield	0%	0%
Risk free interest rate	4.7%	4.3%

A summary of warrants and stock options outstanding and exercisable as of 31 December 2008 follows:

	<u>Options Outstanding</u>			<u>Options Exercisable</u>		
	<u>Range of exercise prices</u>	<u>Number outstanding</u>	<u>Weighted average remaining life (years)</u>	<u>Weighted average exercise price</u>	<u>Number exercisable</u>	<u>Weighted average exercise price</u>
Stock Warrants	\$0.23 – 2.00	14,135,374	5	\$0.75	12,135,374	\$0.88
Employee Plan – Qualified Options	\$0.27 – 0.32	1,745,000	3	\$0.32	581,667	\$0.30
Directors plan	\$0.23 – 2.00	1,772,500	4	\$0.89	1,772,500	\$0.89

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Note 15- Related Parties

During 2008 and 2007, Dr. Seckinger, a member of the Board of Directors, has served as Medical Director, pursuant to a consulting agreement. Dr. Seckinger was issued 339,427 shares of the Company's common stock in lieu of a cash payment of \$87,375 for 2007. No common stock was issued to Dr. Seckinger in 2008. In addition cash payments of \$38,000 and \$0 were also made in 2008 and 2007.

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 additions, 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 2008, the Company issued him 1,737,619 (2007: 573,499) warrants to purchase common stock. The warrants were valued using a Black Scholes option pricing model and were ascribed a value of \$330,148 (2007: \$447,000). Amounts paid under this arrangement have been recorded in general and administrative expense. In addition, during 2007 Mr. Nicolette received warrants to purchase 3,000,000 shares of stock. The warrants were valued using a Black Scholes option pricing model and were ascribed a value of \$757,836. Amounts paid under this arrangement have been recorded in general and administrative expense.

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 2008 and 2007 were \$152,004 and \$284,017 respectively.

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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 5, 2009 the Company issued warrants to the members of the Board of Directors. Thomas Nicolette, Edward Mulhare, Raymond Akers and Daniel Seckinger were each granted 500,000 warrants. Charles Bunker was granted 110,000 warrants. All the warrants were immediately exercisable at an exercise price of £0.12 and have a 10 year term.