

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES

Consolidated Financial Statements
For the Year Ended 31 December 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 sheet as at 31 December 2007, and the consolidated statement of operations, the consolidated statement of changes in equity (deficit) and the consolidated cash flow statement for the year 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 audit. The consolidated financial statements of Akers Biosciences, Inc. as of 31 December 2006 and for the year then ended were prepared in accordance with accounting principles generally accepted in the United States. Those financial statements were audited by other auditors whose report dated 22 June 2007 expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Akers Biosciences, Inc. as of 31 December 2007, and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

During the year ended 31 December 2007, the Company adopted International Financial Reporting Standards, as discussed in Note 3 to the financial statements.

We have also audited the adjustments to the 2006 financial statements to retrospectively apply the adoption of International Financial Reporting Standards, as described in Note 3. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2006 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any form of assurance on the 2006 financial statements taken as a whole.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has experienced recurring losses from operations and substantially all of its debt matures within one year. These facts, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Anper, Palitziner & Mattia, P.C.

2 April 2008
Edison, New Jersey

AKERS BIOSCIENCES, INC AND SUBSIDIARIES

Consolidated Balance Sheets

As of 31 December,

	Note	<u>2007</u>	<u>2006</u>
		\$	\$
ASSETS			
Non-current assets			
Property, plant and equipment	8	193,692	224,464
Intangible assets, net	9	2,779,143	740,444
Deferred financing costs		49,978	31,847
Other assets		12,633	12,633
Total non-current assets		<u>3,035,446</u>	<u>1,009,388</u>
Current assets			
Inventories	10	697,498	1,106,941
Trade and other receivables	11	1,922,067	617,036
Cash and cash equivalents		1,306,706	41,142
Other assets		93,920	228,458
Total current assets		<u>4,020,191</u>	<u>1,993,577</u>
Total assets		<u>7,055,637</u>	<u>3,002,965</u>
	Note	<u>2007</u>	<u>2006</u>
		\$	\$
EQUITY (DEFICIT)			
Share capital	12	66,543,545	62,593,546
Accumulated deficit		(66,986,923)	(65,262,085)
Total equity (deficit)		<u>(443,378)</u>	<u>(2,668,539)</u>
LIABILITIES			
Non-current liabilities			
Borrowings	14	346,097	384,699
Obligations under finance leases		-	1,845
Total non-current liabilities		<u>346,097</u>	<u>386,544</u>
Current liabilities			
Trade and other payables		1,692,160	1,817,063
Borrowings	14	5,335,347	3,281,062
Obligations under finance leases		-	12,829
Accrued interest payable		125,411	174,006
Total current liabilities		<u>7,152,918</u>	<u>5,284,960</u>
Total liabilities		<u>7,499,015</u>	<u>5,671,504</u>
Total equity and liabilities		<u>7,055,637</u>	<u>3,002,965</u>

See accompanying notes to consolidated financial statements.

AKERS BIOSCIENCES, INC. AND SUBSIDIARIES
Consolidated Statement of Operations
For the Years Ended 31 December 2007 and 2006

	Note	Year ended 31/12/07 \$	Year ended 31/12/06 \$
Revenue		5,519,961	1,019,629
Cost of sales		<u>(2,014,389)</u>	<u>(2,464,000)</u>
Gross profit (loss)		3,505,572	(1,444,371)
Other income		17,279	-
Administrative expenses		5,100,403	6,596,770
Research and Development expenses		<u>163,393</u>	<u>786,676</u>
Loss from operations		(1,740,945)	(8,827,817)
Interest Expense		<u>624,822</u>	<u>1,256,227</u>
Loss before income taxes		(2,365,767)	(10,084,044)
Income tax benefit	7	<u>640,929</u>	<u>489,070</u>
Loss for the year		<u><u>(1,724,838)</u></u>	<u><u>(9,594,974)</u></u>
Basic and diluted loss per share	13	\$ (0.03)	\$ (0.17)
Weighted average basic & diluted common shares outstanding		<u><u>62,264,974</u></u>	<u><u>56,787,413</u></u>

See accompanying notes to consolidated financial statements.

AKERS BIOSCIENCES, INC AND SUBSIDIARIES
Consolidated Statements of Changes in Equity (Deficit)
For the Years Ended 31 December 2007 and 2006

	\$	\$	\$	\$
	<u>Share capital</u>	<u>Capital reserves</u>	<u>Accumulated Deficit</u>	<u>Total equity</u>
Balance at 31 December 2005	58,790,850		(55,667,111)	3,123,739
<u>Changes in equity (deficit) for 2006</u>				
Loss for the year			(9,594,974)	(9,594,974)
Total recognised income and expense for the period	58,790,850	-	(65,262,085)	(6,471,235)
Issue of ordinary shares for products and services	256,484			256,484
Issue of ordinary shares in exchange of debt	3,397,847			3,397,847
Issue of ordinary shares for acquisition	148,365			148,365
Balance at 31 December 2006	62,593,546	-	(65,262,085)	(2,668,539)
<u>Changes in equity (deficit) for 2007</u>				
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 deirector 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)

See accompanying notes to consolidated financial statements.

AKERS BIOSCIENCES, INC AND SUBSIDIARIES
Consolidated Cash Flow Statements
For the Years Ended 31 December 2007 and 2006

	NOTES	Year ended 31/12/07 \$	Year ended 31/12/06 \$
Cash flows from operating activities			
Loss for the year		(1,724,838)	(9,594,974)
Adjustments for:			
Provisions for bad debts		86,129	2,804,149
Interest expense recognised in statement of operations		624,822	1,256,227
Noncash share based compensation		1,854,480	111,472
Provision for (reversal of) bifurcation charges related to convertible debt		(230,000)	230,000
Depreciation and amortization of non-current assets		460,083	199,095
		<u>1,070,676</u>	<u>(4,994,031)</u>
Movements in working capital			
(Increase)/decrease in trade and other receivables		(1,391,160)	(217,408)
(Increase)/decrease in inventories		409,443	112,334
(Increase)/decrease in other assets		195,539	(81,125)
Increase in trade and other payables		106,753	50,017
		<u>(679,425)</u>	<u>(136,182)</u>
Income taxes paid		-	-
Interest paid		<u>(209,058)</u>	<u>(175,280)</u>
Net cash provided by (used in) operating activities		<u>182,193</u>	<u>(5,305,493)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(20,992)	(64,629)
Capitalised development costs		(375,000)	
Purchase of intangible assets		<u>(1,500,000)</u>	<u>(607,310)</u>
Net cash used in investing activities		<u>(1,895,992)</u>	<u>(671,939)</u>
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		274,611	-
Proceeds from new borrowings		2,758,028	4,532,145
Repayments of borrowings		(38,602)	(1,638,506)
Repayments of obligations under finance leases		(14,674)	(11,235)
Deferred financing costs		-	(36,847)
Net cash from financing activities		<u>2,979,363</u>	<u>2,845,557</u>
Net increase/(decrease) in cash and cash equivalents		1,265,564	(3,131,875)
Cash and cash equivalents at beginning of year		41,142	3,173,017
Cash and cash equivalents at end of year		<u>1,306,706</u>	<u>41,142</u>
Supplemental Disclosure of Cash Flow Information:			
Non-cash investing and financing activities:			
Conversion of debt and accrued interest payable into common stock		<u>\$ 905,595</u>	<u>\$ 3,397,847</u>
Issuance of stock for acquisition		<u>\$ -</u>	<u>\$ 148,365</u>
Issuance of warrants for purchase of intangible assets		<u>\$ 572,018</u>	<u>\$ -</u>
Issuance of shares in connection with debt refinancing		<u>\$ 79,132</u>	<u>\$ -</u>
Conversion of accounts payable to notes payable		<u>\$ 90,000</u>	<u>\$ -</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 product is a disposable breathalyzer test that measures the blood alcohol content of the user.

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 2007, the Company generated a net loss of \$(1,724,838). As of 31 December 2007, the Company has an accumulated deficit of \$ (66,986,923) and had cash and cash equivalents totaling \$ 1,306,706. In addition, a substantial amount of the Company’s outstanding debt is due on or before 31 December 2008. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’ plan with regard to this uncertainty is to raise capital through additional equity offerings and continue to increase sales of existing and future products through existing customers and distribution networks. There can be no assurance that the Company will be successful in obtaining financing at the level needed or on terms acceptable to the Company. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 2 - Basis of Presentation

(a) Statement of compliance

The consolidated financial statements of Akers Biosciences, Inc. (“Akers” or the “Company”) are prepared in US dollars and in accordance with International Financial Reporting Standards (“IFRS”). The consolidated financial statements of Akers were prepared under the historical cost convention, except as disclosed in the accounting policies below. On April 2, 2008, 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.

(c) 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.

Note 3 - Transition to International Financial Reporting Standards

These consolidated financial statements are the first consolidated financial statements for the company prepared using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. For the purposes of these consolidated financial statements, the date of transition to IFRS is 1 January 2006. Previously, the Company prepared its consolidated financial statements in conformity with generally accepted accounting principles in the United States (US GAAP). The Company's most recent consolidated financial statements issued under US GAAP were for the year ended 31 December 2006.

Certain amounts have been reclassified as of 31 December 2006 and for the year then ended to conform with presentation under IFRS. The impact of the adoption of IFRS as of 1 January 2006 was not material to shareholders' equity as of that date. In addition, there were no significant differences between the statement of operations for the year ended 31 December 2006 under US GAAP and IFRS.

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

Note 4 - 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. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

(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.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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).

Other

Other non-derivative financial instruments 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 4 - Significant Accounting Policies (continued)

(ii) **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. The cost of property, plant and equipment at 1 January 2006, the date of transition to IFRSs, was determined by reference to its carrying value at that date.

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 4 - 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 4 - Significant Accounting Policies (continued)

(ii) 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.

(iii) 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 finite 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 4 - 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

(i) **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.

(k) **Impairment**

(ii) **Non-financial assets**

The carrying amounts of the Company's non-financial assets, other than inventories and 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 4 - 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.

(l) 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.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

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

Note 4 - Significant Accounting Policies (continued)

(m) 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.

(n) 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.

(o) 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.

(p) Finance income and expenses

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

(q) Income tax

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

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

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

Note 4 - Significant Accounting Policies (continued)

(q) **Income tax** (continued)

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(r) **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.

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

Note 4 - Significant Accounting Policies (continued)

(s) **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 2007, 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 11 *IFRS 2 – Company and Treasury Share Transactions* requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Company’s 2008 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.

IFRIC 12 *Service Concession Arrangements* provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Company’s 2008 financial statements, is not expected to have any effect on the consolidated financial statements.

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 - Significant Accounting Policies (continued)
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Company's 2008 financial statements, with retrospective application required. The Company has not yet determined the potential effect of the interpretation.

Note 5 - Determination of Fair Values
A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Intangible assets acquired

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

(ii) Trade and 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) Non-derivative financial liabilities

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 6 - 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 Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. 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 and investment securities.

Trade and other receivables

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. Approximately 79 percent and 63 percent of the Company's revenue is attributable to sales transactions with two customers, which are components of the United States government, for the years ended 31 December 2007 and 31 December 2006, respectively. Those two customers also accounted for 85 percent and 86 percent of accounts receivable as of 31 December 2007 and 31 December 2006, respectively. Substantially all of the Company's sales are to customers domiciled in the United States.

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. Purchase limits are established for each customer, which represents the maximum open amount; these limits are reviewed periodically.

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

Note 6 - Financial Risk Management (continued)

Trade and other receivables (continued)

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. 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. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. See Note 1 for further discussion on liquidity.

Note 7 - Income Tax Expense

The Company's income tax benefit is as follows:

	<u>Years Ended 31 December,</u>	
	<u>2007</u>	<u>2006</u>
Net state income tax benefit	\$ 640,929	\$ 489,070
Total	<u>\$ 640,929</u>	<u>\$ 489,070</u>

During 2007 and 2006, 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 \$650,083 and \$483,086 in 2007 and 2006, 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. Also, included in the net state tax benefit for 2007 and 2006 are other minimum state taxes and benefits.

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

Note 7 - 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 2007 and 31 December 2006.

The principle components of unrecognized deferred tax assets consisted of the following as of 31 December 2007 and 31 December 2006:

	31 December,	
	<u>2007</u>	<u>2006</u>
Unrecognized deferred tax assets:		
Reserves and other	\$ 1,729,592	\$ 1,164,890
Net operating loss carry-forwards	<u>20,011,000</u>	<u>18,326,000</u>
Total unrecognized deferred tax assets	<u>\$ 21,740,592</u>	<u>\$ 19,490,890</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 2007 and 2006 are as follows:

	Year Ended	Year Ended
	31 December,	31 December,
	<u>2007</u>	<u>2006</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	15.89%	38.14%
Net benefit from sale of state income tax benefits	<u>(27.1)%</u>	<u>(4.85)%</u>

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

Note 8 - Property Plant and Equipment
Property, plant and equipment as of 31 December 2007 and 31 December 2006 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 2007	\$ 961,065	\$242,957	\$ 12,716	\$ 75,437	\$ 14,690	\$ 13,950	\$ 105,442	\$1,426,257
Additions	12,752	-	-	-	8,240	-	-	20,992
Disposals								
At 31 December 2007	<u>\$ 973,817</u>	<u>\$242,957</u>	<u>\$ 12,716</u>	<u>\$ 75,437</u>	<u>\$ 22,930</u>	<u>\$ 13,950</u>	<u>\$ 105,442</u>	<u>\$ 1,447,249</u>
<u>Accumulated Depreciation</u>								
At 1 January 2007	\$ 866,600	\$196,882	\$ 5,054	\$ 78,376	\$ 14,690	\$ 12,101	\$ 28,089	\$ 1,201,792
Depreciation charge for the year	29,719	16,618	-	2,229	1,648	652	899	51,765
Disposals								
At 31 December 2007	<u>\$ 896,319</u>	<u>\$213,500</u>	<u>\$ 5,054</u>	<u>\$ 80,605</u>	<u>\$ 16,338</u>	<u>\$ 12,753</u>	<u>\$ 28,988</u>	<u>\$ 1,253,557</u>
<u>Net book value</u>								
At 1 January 2007	<u>\$ 94,465</u>	<u>\$ 46,075</u>	<u>\$ 7,662</u>	<u>\$ (2,939)</u>	<u>\$ -</u>	<u>\$ 1,849</u>	<u>\$ 77,353</u>	<u>\$ 224,464</u>
At 31 December 2007	<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>

Substantially all of the Company's assets are pledged as collateral under the debt obligations of the Company. At 31 December 2006 there were \$77,369 in property, plant and equipment purchased under finance leases. There were no property, plant and equipment under finance leases at 31 December 2007.

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

Note 9 - Intangible Assets

On February 27, 2006, the Company completed the acquisition of certain intangible assets of its then largest distributor of its disposable alcohol breathalyzers. The total consideration for the transaction, including a subsequent payment later in 2006, was \$756,238, consisting of \$607,873 in cash and the issuance of 125,000 shares of the Company's stock.

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 2006 and 2007 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 9 - Intangible Assets (continued)

Intangible assets as of 31 December 2007 and 31 December 2006 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 2006	231,485			231,485
Other intangibles acquired during 2006	<u>333,100</u>	<u>423,138</u>		<u>756,238</u>
At 31 December 2006	564,585	423,138	-	987,723
Capitalised development costs			375,000	375,000
Other intangibles acquired during 2007	1,224,499	847,501		2,072,000
At 31 December 2007	<u>1,789,084</u>	<u>1,270,639</u>	<u>375,000</u>	<u>3,434,723</u>
<u>Amortisation</u>				
At 1 January 2006	134,361			134,361
Amortisation for 2006	<u>35,333</u>	<u>77,585</u>		<u>112,918</u>
At 31 December 2006	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	<u>300,502</u>	<u>317,578</u>	<u>37,500</u>	<u>655,580</u>
<u>Carrying Amount</u>				
At 31 December 2006	<u>394,891</u>	<u>345,553</u>	<u>-</u>	<u>740,444</u>
At 31 December 2007	<u>1,488,582</u>	<u>953,061</u>	<u>337,500</u>	<u>2,779,143</u>

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

Note 10 - Inventories
Inventories as at 31 December 2007 of \$697,498 (2006: \$1,106,941) consist primarily of finished goods.

In 2007 changes in finished goods recognised as cost of sales amounted to \$765,830 (2006: \$380,975).

In 2007 the write-down of inventories to net realisable value amounted to \$5,000 (2006: \$472,000). The write-down is included in cost of sales. There were no write-ups to inventory during the years ended 31 December 2007 and 2006.

Note 11 - Trade and other Receivables

	<u>2007</u>	<u>2006</u>
Loans to employees	\$ 2,819	\$ -
Trade account receivables	<u>1,919,248</u>	<u>617,036</u>
Total	\$ 1,922,067	\$ 617,036

Trade account receivables include allowances for bad debts at 31 December 2007 and 31 December 2006 of \$2,890,000 and \$2,804,000, respectively.

Note 12 - Capital

At 31 December 2007 the authorised share capital comprised 200,000,000 ordinary shares (2006: 80,000,000) and 15,000,000 preference shares (2006: 15,000,000). At 31 December 2007 there were 66,928,063 ordinary shares issued and outstanding 2006: 60,347,578 and no preference shares issued and outstanding (2006: 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 2007, the Company issued 960,320 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 191,850 and were included in general and administrative expense.

In 2007, the Company also issued 2,276,504 shares of capital for the conversion of \$730,000 and \$175,595 of convertible notes and accrued interest, respectively.

The Company also issued 250,000 shares to extend the convertible notes payable. The value of the shares issued amounted to \$79,132 and was recorded as deferred financing fees.

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

Note 13 - Loss Per Share

Basic and Diluted Net Loss Per Share

The calculation of basic and diluted loss per share at 31 December 2007 was based on the loss attributable to ordinary shareholders of \$1,724,838 (2006: 9,594,974). The weighted average number of ordinary shares outstanding for 2007 and 2006 was 62,264,974 and 56,787,413, 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 2007 and 2006 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 – 3,170,800; warrants – 13,626,351; shares issued for the conversion of convertible notes payable – 20,825,000.

Note 14 - Loans and Borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	<u>2007</u>	<u>2006</u>
<u>Non-current liabilities</u>		
Secured bank loans	<u>346,097</u>	<u>384,699</u>
 <u>Current liabilities</u>		
Convertible notes	3,997,493	2,230,000
Unsecured loans	320,480	-
Current portion of secured bank loans	32,374	101,062
Secured bank facility	<u>985,000</u>	<u>950,000</u>
	<u>5,335,347</u>	<u>3,281,062</u>
 Total loans and borrowings	 <u>\$ 5,681,444</u>	 <u>\$ 3,665,761</u>

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

Note 14 - Loans and Borrowings (continued)
Terms and debt repayment schedule. Terms and conditions of outstanding loans were as follows:

			<u>31 Dec 2007</u>		<u>31 Dec 2006</u>	
	<u>Nominal</u>	<u>Year of</u>	<u>Face</u>	<u>Carrying</u>	<u>Face</u>	<u>Carrying</u>
	<u>Interest rate</u>	<u>maturity</u>	<u>value</u>	<u>amount</u>	<u>value</u>	<u>amount</u>
Secured bank loan	7.77%	2016	378,471	378,471	414,663	414,663
Secured bank facility	Prime + 2%	2008	985,000	985,000	950,000	950,000
Unsecured loan	10.00%	2007	175,000	175,000	-	-
Unsecured loan	10.00%	2008	90,000	90,000	-	-
Unsecured loan	7.50%	2008	55,480	55,480	71,098	71,098
Convertible notes	10.00%	2008	<u>4,120,000</u>	<u>3,997,493</u>	<u>2,230,000</u>	<u>2,230,000</u>
Total interest-bearing liabilities			<u>5,803,951</u>	<u>5,681,444</u>	<u>3,665,761</u>	<u>3,665,761</u>

Convertible Notes

Between January and May 2007, the Company sold additional Convertible Notes totaling \$925,000 to Brittany Capital. 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 into shares of capital. During 2006, the Company recorded a bifurcation charge of \$230,000 related to the variable conversion feature on the convertible notes, which was added to the carrying amount of the convertible notes. In the May refinancing, the conversion feature was fixed and as a result, the bifurcation was reversed.

As compensation for the total facility, 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 are included in other assets.

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

Note 14 - Loans and Borrowings (continued)
Convertible Notes (continued)

The Notes are convertible into the Company's common stock at any time, at 10 pence per share and may be redeemed by the Company at 105% during the first 6 months and 110% thereafter. Brittany may convert within 3 days of receipt of any redemption notice from the Company. The Notes, if not converted, will mature on December 31, 2008 and bear interest at 10% per annum.

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 will be recognized through interest expense over the remaining 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.

During 2007, the Company also converted accounts payable of \$90,000 to an unsecured loan.

Note 15 - 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.

<u>Warrants</u>	<u>Warrants</u>	<u>2007</u> Weighted average exercise price	<u>Warrants</u>	<u>2006</u> Weighted average exercise price
Outstanding at 1 January	6,376,417	1.17	8,410,084	1.20
Granted during the year	8,098,433	0.41	605,000	0.99
Forfeited during the year	-	-	-	-
Exercised during the year	(723,499)	0.01	-	-
Expired during the year	<u>(125,000)</u>	<u>1.60</u>	<u>(2,638,667)</u>	<u>1.18</u>
Outstanding at 31 December	<u>13,626,351</u>	<u>0.82</u>	<u>6,376,417</u>	<u>1.17</u>

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

Note 15 - Share-Based Payments (continued)
Stock Warrants (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 November 2014. Each option granted may be exchanged for a prescribed number of shares of common stock.

<u>Employee Plan - Qualified Options</u>	<u>2007</u>		<u>2006</u>	
	<u>Options</u>	<u>Weighted average exercise price</u>	<u>Options</u>	<u>Weighted average exercise price</u>
Outstanding at 1 January	2,464,900	\$ 1.04	2,486,165	\$ 0.99
Granted during the year	1,372,300	0.34	90,000	1.16
Forfeited during the year	(960,000)	1.03	-	-
Exercised during the year	(10,000)	0.01	-	-
Expired during the year	(1,494,900)	1.03	(111,265)	1.75
Outstanding at 31 December	1,372,300	\$ 0.34	2,464,900	\$ 1.04

<u>Directors Plan</u>	<u>2007</u>		<u>2006</u>	
	<u>Options</u>	<u>Weighted average exercise price</u>	<u>Options</u>	<u>Weighted average exercise price</u>
Outstanding at 1 January	965,500	\$ 1.50	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	(89,500)	1.00	-	-
Outstanding at 31 December	1,798,500	\$ 0.89	965,500	\$ 1.50

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

Note 15 - Share-Based Payments (continued)
Stock Options (continued)

The Company has granted non-qualified options as follows:

<u>Non-qualified options</u>	<u>2007</u>		<u>2006</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	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	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>1.00</u>
Exercisable at 31 December	<u>-</u>	<u>-</u>		

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 2007 and 2006 was \$0.64 and \$1.17, respectively.

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

	<u>2007</u>	<u>2006</u>
Expected option term	5 years	5 years
Expected volatility	90.6%	35%
Expected dividend yield	0%	0%
Risk free interest rate	4.3%	4.8%

A summary of warrants and stock options outstanding and exercisable as of 31 December 2007 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 Employee Plan –	\$0.01-\$2.00	13,626,351	5.82	\$0.82	11,689,532	\$0.90
Qualified Options	\$0.20-\$0.79	1,372,300	2.87	\$0.34	457,433	\$0.34
Directors plan	\$0.32-\$2.00	1,798,500	4.17	\$0.82	1,589,225	\$0.92

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Note 16 - Related Parties

During 2007 and 2006, 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 and 16,973 shares of the Company's common stock in lieu of a cash payment of \$87,375 and \$22,065 for 2007 and 2006, respectively. Cash payments of \$0 and \$18,765 were also made in 2007 and 2006 and Dr. Seckinger has not been paid-fees owing to him in the amount of \$14,380 and \$35,086 for 2007 and 2006, respectively.

During 2006, Thomas A. Nicolette was named a director of the Company. In June 2006, Mr. Nicolette loaned the Company \$334,000 and was granted warrants in connection therewith. The loan was extended twice and paid off in December 2006. In addition to the principal, Mr. Nicolette was paid interest and penalties totaling \$ 23,060. The total warrants issued in connection with this loan were for 200,000 shares with an average exercise price of \$1.04 and expire in 2011.

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 2007, the Company issued him warrants to purchase 573,499 shares of common stock that vested immediately and had an exercise price of \$0.01. The warrants were valued on the grant date using a Black-Scholes option pricing model and were ascribed a value of \$447,000. Mr. Nicolette subsequently exercised this warrant within 2007. In addition, Mr. Nicolette received warrants to purchase 3,000,000 shares of stock that vest over three years and have an exercise price of 15.5 pence. The warrants were valued on the grant date using a Black-Scholes option pricing model and were ascribed a value of \$757,836. Cash amounts paid and stock warrants issued under this arrangement have been recorded in general and administrative expense.

Note 17- Commitments

Operating Leases

The Company leases office space in Thorofare, New Jersey under a noncancellable-operating lease with annual rentals of \$152,004 plus common area maintenance (CAM) charges. 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 2007 and 2006 were \$284,017 and \$247,892 respectively.

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Note 18 - 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.

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 19 - Subsequent Events
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