

McGladrey & Pullen
Certified Public Accountants

Akers Biosciences, Inc. and Subsidiaries

Consolidated Financial Report
December 31, 2006

Akers Biosciences, Inc. and Subsidiaries

Contents

Independent Auditor's Report	1
Financial Statements	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Stockholders' Equity (Deficiency)	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	8

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors and
Stockholders of Akers Biosciences, Inc.
Thorofare, New Jersey

We have audited the accompanying consolidated balance sheets of Akers Biosciences, Inc. and Subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, changes in stockholders' equity (deficiency) and cash flows 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Akers Biosciences, Inc. and Subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 11 to the financial statements, the Company has had no significant positive operating results to date, has suffered recurring losses and is experiencing difficulty in generating sufficient cash to meet its obligations and sustain its operations, all of which 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 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

McGladrey & Pullen, LLP

Blue Bell, Pennsylvania
June 22, 2007

Akers Biosciences, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2006 and 2005

	2006	2005
Assets		
Current Assets		
Cash	\$ 41,142	\$ 3,173,017
Trade receivables, net of allowance for doubtful accounts of \$2,804,149 and \$452,916 in 2006 and 2005, respectively	617,036	3,203,777
Inventories	1,106,941	1,219,275
Prepaid and other current assets	228,458	147,333
Total current assets	1,993,577	7,743,402
Property and Equipment, net	224,464	246,580
Other Assets		
Patent costs, net of accumulated amortization	82,803	97,119
Other Intangibles (Note 4)	657,641	-
Deferred financing costs, net of accumulated amortization	31,847	135,456
Deposits and other assets	12,632	12,632
	784,923	245,207
	\$ 3,002,964	\$ 8,235,189

(Continued)

Akers Biosciences, Inc. and Subsidiaries

Consolidated Balance Sheets (Continued)
December 31, 2006 and 2005

	2006	2005
Liabilities and Stockholders' Equity (Deficiency)		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,817,062	\$ 1,611,122
Accrued interest payable	174,006	117,547
Notes and loans payable	3,251,098	2,903,478
Current portion of long-term debt	29,964	38,731
Current portion of obligations under capital leases	12,829	12,829
Total current liabilities	5,284,959	4,683,707
Long-Term Debt		
Long-term debt, net of current portion	384,699	414,663
Obligations under capital leases, net of current portion	1,845	13,080
	386,544	427,743
Commitments (Note 7)		
Stockholders' Equity (Deficiency)		
Preferred stock, no par value		
Authorized 15,000,000 shares, no shares issued and outstanding at December 31, 2006 and 2005	-	-
Common stock, no par value		
Authorized 80,000,000 shares issued and outstanding 60,347,578 and 55,762,885 shares at December 31, 2006 and 2005, respectively	62,593,546	58,790,850
Accumulated deficiency	(65,262,085)	(55,667,111)
	(2,668,539)	3,123,739
	\$ 3,002,964	\$ 8,235,189

See Notes to Consolidated Financial Statements.

Akers Biosciences, Inc. and Subsidiaries

Consolidated Statements of Operations
Years Ended December 31, 2006 and 2005

	2006	2005
Revenues	\$ 1,019,629	\$ 4,610,567
Cost of production	2,463,999	2,939,836
Gross profit (loss)	<u>(1,444,370)</u>	<u>1,670,731</u>
Sales and general and administrative expenses	6,485,299	3,087,316
Research and development expenses	<u>786,676</u>	<u>789,750</u>
	<u>7,271,975</u>	<u>3,877,066</u>
Loss from operations	<u>(8,716,345)</u>	<u>(2,206,335)</u>
Other income (expense)		
Litigation recovery	-	713,046
Interest income	19,062	10,529
Forgiveness of trade payables	-	9,472
Sale of New Jersey NOL's	483,086	304,533
Foreign currency transactions (loss)	(13,078)	1,240
Interest expense	(1,256,227)	(650,009)
Loss on disposal of property and equipment	-	(328)
	<u>(767,157)</u>	<u>388,483</u>
Net loss before US GAAP adjustment	<u>(9,483,502)</u>	<u>(1,817,852)</u>
US GAAP adjustment		
Equity compensation for options and interest expense related to warrants issued	<u>(111,472)</u>	<u>(2,688,759)</u>
Net loss	<u>\$ (9,594,974)</u>	<u>\$ (4,506,611)</u>

See Notes to Consolidated Financial Statements.

Akers Biosciences, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity (Deficiency)
Years Ended December 31, 2006 and 2005

	Preferred Stock		Common Stock		Accumulated Deficiency	Total
	Shares	Amount	Shares	Amount		
Balance, December 31, 2004	-	\$ -	46,955,614	\$ 48,366,016	\$ (51,160,500)	\$ (2,794,484)
Issuance of stock for cash	-	-	2,627,306	2,291,750	-	2,291,750
Issuance of warrants for products and services	-	-	-	2,688,759	-	2,688,759
Issuance of common stock in exchange of debt	-	-	5,931,746	5,207,000	-	5,207,000
Issuance of common stock in exchange of trade payables	-	-	248,219	237,325	-	237,325
Net loss for the year ended December 31, 2005	-	-	-	-	(4,506,611)	(4,506,611)
Balance, December 31, 2005	-	-	55,762,885	58,790,850	(55,667,111)	3,123,739
Issuance of stock for acquisition	-	-	125,000	148,365	-	148,365
Issuance of warrants for products and services	-	-	147,459	256,484	-	256,484
Issuance of common stock in exchange of debt	-	-	4,312,234	3,397,847	-	3,397,847
Net loss for the year ended December 31, 2006	-	-	-	-	(9,594,974)	(9,594,974)
Balance, December 31, 2006	-	\$ -	60,347,578	\$ 62,593,546	\$ (65,262,085)	\$ (2,668,539)

See Notes to Consolidated Financial Statements.

Akers Biosciences, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2006 and 2005

	2006	2005
Cash Flows from Operating Activities		
Net loss	\$ (9,594,974)	\$ (4,506,611)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	199,095	101,139
Amortization of deferred finance costs	140,456	209,369
Stock, stock options and warrants issued to employees and non-employees	111,472	2,688,759
Bifurcation charges related to convertible debt	230,000	-
Litigation recovery	-	(713,046)
Provisions for bad debts	2,804,149	182,267
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Trade receivables	(217,408)	(3,280,062)
Inventories	112,334	(599,629)
Prepays and other current assets	(81,125)	69,776
Increase in:		
Accounts payable and accrued expenses	990,508	234,416
Net cash used in operating activities	(5,305,493)	(5,613,622)
Cash Flows from Investing Activities		
Purchase of property and equipment	(64,629)	(87,968)
Purchase of intangible assets	(607,310)	-
Net cash used in investing activities	(671,939)	(87,968)
Cash Flows from Financing Activities		
Proceeds from issuance of stock, net	-	10,000
Proceeds from warrants exercised	-	2,543,750
Proceeds from borrowings	4,532,145	10,039,043
Repayments on officers' and stockholders' borrowings	-	(30,000)
Repayments of capital lease obligations	(11,235)	(7,788)
Repayments on borrowings	(1,638,506)	(3,522,852)
Deferred financing costs	(36,847)	(340,000)
Net cash provided by financing activities	2,845,557	8,692,153
Increase (decrease) in cash	(3,131,875)	2,990,563
Cash, beginning of year	3,173,017	182,454
Cash, end of year	\$ 41,142	\$ 3,173,017

(Continued)

Akers Biosciences, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2006 and 2005

	2006	2005
Supplemental Disclosures of Cash Flow Information:		
Non-cash investing and financing activities are as follows:		
Conversion of debt and accrued interest payable to common stock	<u>\$ 3,397,847</u>	<u>\$ 5,108,989</u>
Conversion of trade payable to common stock	<u>\$ 145,012</u>	<u>\$ 73,336</u>
Issuance of stock for acquisition	<u>\$ 148,365</u>	<u>\$ -</u>
Equipment purchased under capital lease	<u>\$ -</u>	<u>\$ 17,569</u>
Cash paid during the period for interest	<u>\$ 175,280</u>	<u>\$ 66,933</u>

See Notes to Consolidated Financial Statements.

Note 1. Summary of Significant Accounting Policies

The summary of significant accounting policies below and the other notes to the consolidated financial statements on the following pages are integral parts of the accompanying consolidated financial statements.

Description of Business: Akers Biosciences, Inc. and its subsidiaries (the "Company" or "Akers") is a New Jersey Corporation, which was incorporated on March 8, 1989. The Company commenced research and development operations in September 1989, and until 2003 had devoted substantially all its efforts to establishing the new business.

Patents and Trade Secrets: The Company has developed several diagnostic tests that can detect the presence of various substances in a person's 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.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions are eliminated. The subsidiaries are currently asset holding companies and have no direct operations at this time.

Revenue Recognition: The Company recognizes sales at the time goods are shipped.

Trade Receivables: Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Trade receivables are written off when deemed uncollectable. Recoveries of trade receivables previously written off are recorded when received. A trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Management may elect to charge interest on past due trade receivables.

Inventories: Inventories are stated at the lower of cost (first-in, first-out) or market, and primarily consist of finished goods.

Property and Equipment: Property and equipment are stated at cost. Depreciation and amortization are computed over the estimated useful lives of the respective assets using straight-line and accelerated methods. Upon sale or retirement of assets, the related costs and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in operations. Expenditures for repairs and maintenance that do not increase the useful lives of the assets are charged to operations as incurred.

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. Accumulated amortization related to patents was \$148,682 and \$134,366 as of December 31, 2006 and 2005, respectively. Amortization expense amounted to \$14,316 and \$20,811 for the years ended December 31, 2006 and 2005, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred Financing Costs: Costs incurred in connection with financing have been capitalized and are being amortized on the straight-line basis over the term of the related debt. As of December 31, 2006 and 2005, accumulated amortization was \$28,949 and \$27,018, respectively. Amortization expense for each of the years ended December 31, 2006 and 2005 was \$140,456 and \$2,895, respectively.

Research and Development Costs: Research and development costs are charged to operations when incurred.

Advertising and Promotion: Advertising and promotion costs are charged to current operations when incurred. Advertising and promotion costs for the years ended December 31, 2006 and 2005 were \$85,979 and \$11,422, respectively.

Income Taxes: Deferred income taxes are provided on a liability method, whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Stock Compensation Arrangements: SFAS No. 123, as amended, "Accounting for Stock-Based Compensation ("SFAS No. 123") requires expanded disclosures of stock-based compensation cost to be measured based on the fair value of the equity instrument awarded. This standard allows the Company, and the Company has elected, to measure compensation cost for these plans through December 31, 2005, using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees ("APB 25"). As of December 31, 2005, all stock options were vested. Beginning in January 1, 2006, the Company has adopted as required the provisions of SFAS No. 123(R) for all outstanding options under the prospective method. Under the prospective method, noting the Company previously applied APB 25 using the minimum value method, the Company is not required to recognize compensation expense going-forward for non-vested options as of December 31, 2005. Beginning January 1, 2006, the Company is required to recognize compensation costs for all share-based payments granted equal to the fair value over the vesting period of each award.

Stock Options and Warrants: The Company's intention is to issue stock options and warrants at no less than fair market value on the date of grant. On infrequent occasions, stock options and warrants have been issued at less than fair market value for services and in connection with financings, and the effect of these issuances has been recorded as an expense, prior to 2006 under APB 25, in the period of issuance of the option or warrant. Previously, the fair market value of common stock had been determined based on the price that the Company has received for the issuance of stock to investors during a comparable time period. Since May 22, 2002, fair market value is deemed to be the price of the Company's shares as quoted on the Alternative Investment Market of the London Stock Exchange.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Akers Biosciences, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable.

The Company's policy is to limit the amount of credit exposure to any one financial institution and place investments with financial institutions evaluated as being creditworthy, which are exposed to minimal interest rate and credit risk. From time to time the Company had bank deposits that exceeded federally insured limits. Concentration of credit risk, with respect to accounts receivable, is limited due to the Company's credit evaluation process. The Company does not require collateral from its customers.

The Company derived over 54% of its sales from 1 customer during 2006 and 77% of its sales from two customers during 2005. As of December 31, 2006 and 2005, 81% of the net outstanding accounts receivables represented balances due from these customers for each of these years.

Note 3. Property and Equipment

Property and equipment consists of the following:

	Estimated Useful Lives in Years	2006	2005
Machinery and equipment	5 - 15	\$ 1,169,274	\$ 1,118,917
Office furniture and equipment	5 - 7	74,172	69,364
Leasehold improvements	6	105,442	95,978
Assets held under capital lease	5	77,369	77,369
		<u>1,426,257</u>	<u>1,361,628</u>
Less: accumulated depreciation and amortization		1,201,793	1,115,048
		<u>\$ 224,464</u>	<u>\$ 246,580</u>

Depreciation and amortization expense for the years ended December 31, 2006 and 2005 amounted to \$86,745 and \$79,999, respectively.

Note 4. Acquisition of Certain 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. The transaction has been allocated to the following assets in the following amounts:

Trademarks (14 year life)	\$ 333,100
Distributor and Customer Relationships (5 year life)	423,138
	<u>\$ 756,238</u>

During 2006, the Company expensed \$98,034 as amortization of certain of these asset values. A third party valuation was performed and it determined the value to be allocated to each of the above assets.

Akers Biosciences, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Notes Payable

	2006	2005
Note payable, bank, interest at prime plus 2% (10.25% at December 31, 2006). Up to \$1,000,000 commercial line of credit. Secured by a first lien on accounts receivable and inventory and patents and other general intangibles. Guaranteed by the company's CEO. Term matured June 1, 2007.	\$ 950,000	\$ -
Secured 9% convertible debenture issued August 2, 2006, due December 31, 2006. Term was extended to July 31, 2007. Secured by a blanket security agreement on all the company's assets. *	500,000	-
Secured 9% convertible debentures issued August 22, 2006, due December 31, 2006. Terms were extended to July 31, 2007. Secured by a blanket security agreement on all the company's assets. *	500,000	-
Secured 9% convertible debentures issued November 17, 2006, due February 28, 2007. Term was extended to July 31, 2007. Secured by a blanket security agreement on all the company's assets. *	500,000	-
Secured 9% convertible debentures issued October 10, 2006, due January 31, 2007. Terms were extended to July 31, 2007. Secured by a blanket security agreement on all the company's assets. *	250,000	-
Secured 9% convertible debentures issued October 25, 2006, due January 31, 2007. Terms were extended to July 31, 2007. Secured by a blanket security agreement on all the company's assets. *	250,000	-
US GAAP adjustment for Bifurcation charge related to above convertible debt instruments. This amount was expensed as interest expense in the current year.	230,000	-
Notes payable, insurance premiums financed.	71,098	33,478
Secured 9% convertible debenture issued September 15, 2005, due June 30, 2006, secured by a blanket security agreement on all of the Company assets converted for Company stock during 2006. *	-	270,000
Secured 9% convertible debenture issued December 22, 2005, due June 30, 2006. Amount borrowed was \$2,500,000, with \$2,910,000 due at maturity. The related original issue discount was amortized over the term of the loan. Secured by a blanket security agreement on all of the company's assets. converted for Company stock during 2006. *	-	2,500,000
Note payable, stockholder, unsecured, payable upon demand with interest at 4%.	-	100,000
	<u>\$ 3,251,098</u>	<u>\$ 2,903,478</u>

* Debenture holder is entitled to convert the principal amount plus accrued interest into shares of Akers' common stock at a conversion price per share equal to 88% of the average of the closing bid prices for the stock on the AIM exchange for the five trading days ending the day the holder communicates their election to convert. Under US GAAP the convertible debt instruments are required to be recorded at fair value. See Note 13 for subsequent events related to 2006 borrowings.

Akers Biosciences, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt

	2006	2005
Note payable, Small Business Administration, due in monthly installments of \$5,364, including fixed interest of 7.77%. The loan is collateralized by a lien on certain of the Company's equipment, and is guaranteed by the Company's CEO. The loan is due September 2016.	\$ 414,663	\$ 442,394
Note payable, vendor, as payment for trade debt, payable in monthly installments of \$6,000 including interest at 7%, the balance of the loan was converted to 11,000 shares of common stock in February, 2006	-	11,000
Total long term debt	414,663	453,394
Less: current maturities	29,964	38,731
Long-term debt	<u>\$ 384,699</u>	<u>\$ 414,663</u>

Annual maturities on long-term debt are as follows:

Years Ending December 31,	
2007	\$ 29,964
2008	32,377
2009	34,984
2010	37,802
2011	40,842
Thereafter	238,694
	<u>\$ 414,663</u>

Note 7. Commitments

Operating Leases: The Company leases office space in Thorofare, New Jersey under a noncancellable-operating lease with annual rentals of \$141,000 plus common area maintenance (CAM) charges. The Company's lease term expires December 31, 2007.

Rent expense including related CAM charges for the years ended December 31, 2006 and 2005 was \$247,892 and \$250,855, respectively.

Note 8. Income Taxes

The Company has deferred tax assets of approximately \$22,840,000 and \$19,300,000 as of December 31, 2006 and 2005, respectively, primarily related to net operating loss carryforwards, which have yet to be utilized. At December 31, 2006 and 2005, the Company established a 100% valuation allowance against the deferred tax assets as the likelihood of recognizing this benefit is not certain. The utilization of these losses to reduce future income taxes will depend upon the generation of sufficient taxable income prior to the expiration of the net operating loss carryforwards. In addition, based on ownership changes resulting from the private placements of stock, as well as historical issuances of common stock, the annual utilization of the otherwise available net operating loss carryforward may be limited by the provisions of Section 382 of the Internal Revenue Code, as amended.

Note 8. Income Taxes (Continued)

At December 31, 2006, the Company has federal and state loss carryforwards available totaling \$53,900,000 and \$20,900,000, respectively. Loss carryforwards are available to offset future taxable income liabilities at December 31, 2006 and expire at various dates through the year 2020.

In each of the years ended December 31, 2006 and 2005, the Company sold New Jersey State operating loss carryforwards, which resulted in proceeds of \$483,086 and \$304,533, respectively.

Note 9. Capital

As noted in the statement of stockholders' deficiency, the Company issued certain warrants and shares of stock in lieu of cash payment for certain products and services received. These transactions were accounted in accordance with SFAS No. 123 "*Accounting for Stock-Based Compensation*". The basis of assigning value of the stock issued was the fair market value of the related products or services received.

On December 1, 2004, the Company received \$750,000 resulting from the execution of a Convertible Promissory Note, due May 1, 2005, payable to Brittany Capital Management LTD ("Brittany"). Under the terms of the note, Brittany could have converted any or all of the note into common shares of the Company any time after February 1, 2005. In fact, in February 2005, Brittany did elect to convert \$300,000 of the note in return for 280,729 shares of the Company's common stock. The Company, on the other hand, had the right to redeem the note at anytime by providing written notice to the holder and by making a cash payment to the holder in the amount of 115% of the then outstanding principal amount of the note. On March 11, 2005, with the outstanding principal balance at \$450,000, the Company fully paid that outstanding balance by remitting \$517,500 (115% x \$450,000).

On March 11, 2005, the Company received \$2,500,000, net of related costs and placement fees, resulting from the execution of Convertible Notes, due September 11, 2006, payable to two investors led by Platinum Partners Value Arbitrage Fund LP. By June 27, 2005, the investors had completely converted all of the principal and accrued interest related to those notes for a total of 3,264,689 shares of the Company's common stock.

On September 15, 2005, the Company received \$2,500,000, net of related costs and fees, resulting from the execution of a convertible Note, due June 30, 2006 payable to Brittany. By December 31, 2005, \$2,230,000 of the principal of the note and the related accrued interest had been converted into 2,252,855 shares of the Company's common stock. On June 30, 2006, the Company issued a new Convertible Note in the amount of \$336,520 due December 30, 2006 in exchange for the remaining balance plus premium and interest on its Convertible Note issued on September 15, 2005 and due on June 30, 2006. On August 23, 2006, the Company issued 341,913 shares of the Company's common stock upon Brittany's conversion of the remaining balance of this new Convertible Note plus all unpaid interest thereon.

On October 6, 2005, two investors led by Platinum Partners Value Arbitrage Fund LP, elected to exercise warrants they had received in conjunction with the Convertible Note Financing of March 11, 2005. The total number of shares represented by the warrants was 2,604,167. The exercise price was \$1.056 per share, which provided the Company \$2,750,000 in permanent capital, net of investment banking fees of \$206,250.

On June 30, 2006, the Company issued a new Convertible Note in the amount of \$3,027,191 due December 31, 2006 in exchange for its Convertible Note issued on December 22, 2005 which was due on June 30, 2006 for the face amount of the Convertible Note plus accrued interest. This new Convertible Note was retired as a result of a series of conversions commencing on August 4, 2006 and ending on November 10, 2006. The Company issued 3,937,255 shares of the Company's common stock upon Brittany's conversion of the principal balance of the new Convertible Note plus all unpaid interest thereon.

Akers Biosciences, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Capital (Continued)

Net loss per common share, calculated on the basic method (net loss divided by the weighted number of outstanding common shares), was \$0.17 and \$0.09 for the years ended December 31, 2006 and 2005, respectively.

At the annual general meeting of shareholders, held on May 4, 2005, the shareholders approved an increase in the number of authorized common shares from 60,000,000 to 80,000,000.

The Company's common stock amount, as shown on the balance sheet, and totaling \$62,593,546, includes approximately \$800,000 of warrant liability as of December 31, 2006. The warrant liability represents the "fair value" obligation related to issued and outstanding warrants as of December 31, 2006.

Note 10. Stock Warrants and Options and Related Party Transactions

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.

	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2004	3,350,050	\$ 1.42
Warrants granted	9,775,001	1.16
Warrants exercised	(2,604,167)	1.11
Warrants expired/terminated	(2,110,800)	1.10
Balance, December 31, 2005	8,410,084	1.20
Warrants granted	605,000	0.99
Warrants exercised	-	-
Warrants expired/terminated	(2,638,667)	1.18
Balance, December 31, 2006	6,376,417	\$ 1.17

Stock Options: 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 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.

Akers Biosciences, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Stock Warrants and Options and Related Party Transactions (Continued)

Stock Warrants (Continued): 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.

Employee Plan - Qualified Options	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2004	2,402,915	\$ 1.09
Options granted	340,000	1.00
Options exercised	-	-
Options expired/terminated	(256,750)	1.50
Balance, December 31, 2005	2,486,165	0.99
Options granted	90,000	1.16
Options exercised	-	-
Options expired/terminated	(111,265)	1.75
Balance, December 31, 2006	2,464,900	\$ 1.04

Directors' Plan	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2004	971,500	\$ 1.73
Options granted	-	-
Options exercised	-	-
Options expired/terminated	(6,000)	1.00
Balance, December 31, 2005	965,500	1.61
Options granted	-	-
Options exercised	-	-
Options expired/terminated	-	-
Balance, December 31, 2006	965,500	\$ 1.50

Non-qualified option holders may exercise their options at their discretion through various dates ending May, 2007. The Company has granted non-qualified options as follows:

Non-Qualified Options	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2004	150,000	\$ 1.00
Options granted	-	-
Options exercised	-	-
Options expired/terminated	-	-
Balance, December 31, 2005	150,000	1.00
Options granted	-	-
Options exercised	-	-
Options expired/terminated	-	-
Balance, December 31, 2006	150,000	\$ 1.00

Akers Biosciences, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Stock Warrants and Options and Related Party Transactions (Continued)

Stock Warrants (Continued): A summary of the activity under the plans as of December 31, 2006, and changes during the year then ended is presented below:

Options	Shares	Weighted- Average Exercise Price and Grant-Date Fair Value	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2006	12,011,749	\$ 1.17		
Granted	695,000	1.01		
Exercised	-	-		
Forfeited	(2,749,932)	1.00		
Outstanding at December 31, 2006	9,956,817	\$ 1.17	3.4 years	\$ -
Exercisable at December 31, 2006	9,956,817	\$ 1.17	3.4 years	\$ -

The weighted-average grant-date fair value of options granted during 2006 and 2005 was \$1.17 and \$1.17, respectively. As of December 31, 2006, there were no unrecognized compensation cost related to non-vested share-based compensation arrangement granted under the plans.

The Company is not required to record compensation expense for options granted prior to 2006, since the Company has recorded these options in accordance with APB 25 using the minimum value method and no modifications have occurred since original issuance. The fair value of each option award is estimated on the date of grant using a Black-Scholes valuation model using the following inputs: expected volatility of 35%; expected dividend of 0%; expected term of 5 through 10 years; and risk-free rate of 4.8%. Expected volatilities are based on historical volatilities from traded entities with similar characteristics. The Company uses historical data and expectations to estimate option exercise and employee termination within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding.

Related Party Transactions: During 2006 and 2005, Dr. Seckinger, a member of the Board of Directors, has served as Medical Director, pursuant to a consulting agreement. During January 2006, Dr. Seckinger was issued 16,973 shares of the Company's common stock in lieu of a cash payment of \$ 22,065. Cash payments of \$18,765 were made in 2006 and Dr. Seckinger has not been paid fees owing to him in the amount of \$ 35,086 for 2006.

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.

Note 11. Business Operations

The Company has incurred substantial losses since its inception. While the Company has received several FDA approvals, the Company has only recently begun meaningful distribution of these products. Accordingly, the Company has a limited operating history upon which an evaluation of its future performance and prospects can be made. The Company's plan of operation and prospects must be considered in light of the risks, expenses, difficulties and problems frequently encountered in the establishment of a new business. Additionally, the Company intends to market its products through corporate partnerships and a network of carefully selected international distributors. No assurance can be given that the Company will be able to develop a distribution network or successfully manage such distributors or that existing or future distributors will be able to sell the Company's products in a satisfactory manner or in sufficient quantities, or that its sales and marketing efforts will be successful.

The Company believes that it has developed its technologies into commercially viable products and services. However, to the extent that funds generated from operations are insufficient, the Company will have to raise additional funds. The Company has been able to borrow sufficient funds during the first half of 2007 to meet its essential obligations and has arranged an additional borrowing facility to cashflow the Company through year end (See Note 13). Additionally the company has sold certain of its New Jersey NOLs in both 2006 and 2005 for \$483,086 and \$304,533 respectively, and expects to realize comparable or greater amounts in 2007 from the further sale of such NOLs. While there can be no assurance that future equity fundings or other sources of financing will be successful, the Company believes that the proceeds from future offerings plus expected sales will be sufficient to fund its operations and anticipated growth for at least the next 12 months following the report date. If adequate funds are not available, the Company may be required to curtail its operations.

Note 12. Litigation

In the matter of Akers Biosciences, Inc. (the "Company"), Tundra Management LTD ("Tundra") and Alliance Investment Management LTD ("Alliance"), the case has been decided, with the following results. On February 18, 2005, the United States District Judge presiding over this matter signed a Default Final Judgment against Tundra in the amount of \$980,635. That judgment provided for set-off of the damage amount against the loan from Tundra, thereby satisfying, in full, the debt under the loan agreements. Accordingly the Company has recognized as income \$713,000, which represents the entire unpaid amount of the loan principal and interest. On September 1, 2005, following a six-day trial in the United States District Court for the Southern District of Florida, the jury ruled that Alliance shall receive no damages from Akers, and a Final Judgment reflecting that verdict was entered by the Court. Alliance appealed the verdict and the Appellate Court upheld the decision and the matter is now closed.

On April 11, 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 is expected later this summer. The Company has not provided for any contingent liability within these financial statements.

Note 13. Subsequent Event — Acquisition and Financing

Acquisition: During January 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. 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. The Company delivered \$530,000 of product under these contracts in 2006 and has shipped an additional \$1,400,000 to date in 2007. There remains \$4,570,000 to be shipped under the remaining 2007 appropriation, but contracts for these units have yet to be let and there is no certainty that all or any of such units will be ordered.

The Company has agreed to pay 66.67% of amounts shipped pursuant to the 2006 appropriation (\$1,500,000) and the first \$500,000 of the for the 2007 appropriation (\$5,000,000) as partial consideration for these assets. In addition, 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. Additionally, the owner will receive a 7% royalty on sales in excess of \$6,500,000. Discussions have commenced to complete the acquisition of the seller's common stock for modest additional compensation.

Financing: During January, February, March and April 2007, the Company sold additional Convertible Notes totaling \$800,000 to Brittany. On May 31, 2007, the Company entered into a new facility with Brittany for up to \$4,500,000 of financing. The remaining balance on the Convertible Notes owing Brittany at December 31, 2006, as well as the \$800,000 borrowed during the first 4 months of 2007, were rolled into this facility and Brittany loaned the Company \$505,000 at the end of May 2007 and will make additional loans of up to \$1,000,000 through the end of 2007. Interest and fees were brought current through a borrowing which brought the outstanding balance to \$3,500,000 at May 31, 2007.

As compensation for the total facility, the Company agreed to pay extension fees of approximately \$240,000 and issued 250,000 shares of the Company's common stock as a closing fee. 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 this finance, all of Brittany's existing warrants to purchase up to 1,365,000 were amended to lower the exercise price to 30 pence.

The Company entered into two additional short term notes totaling \$320,000. The first Note is for \$100,000 and is due during 2007 and accrues interest at 9%. The second Note in the amount of \$220,000 bears interest at 10%, is due on November 22, 2007 and is convertible at \$0.197 per share. The latter Note is also guaranteed by the CEO.