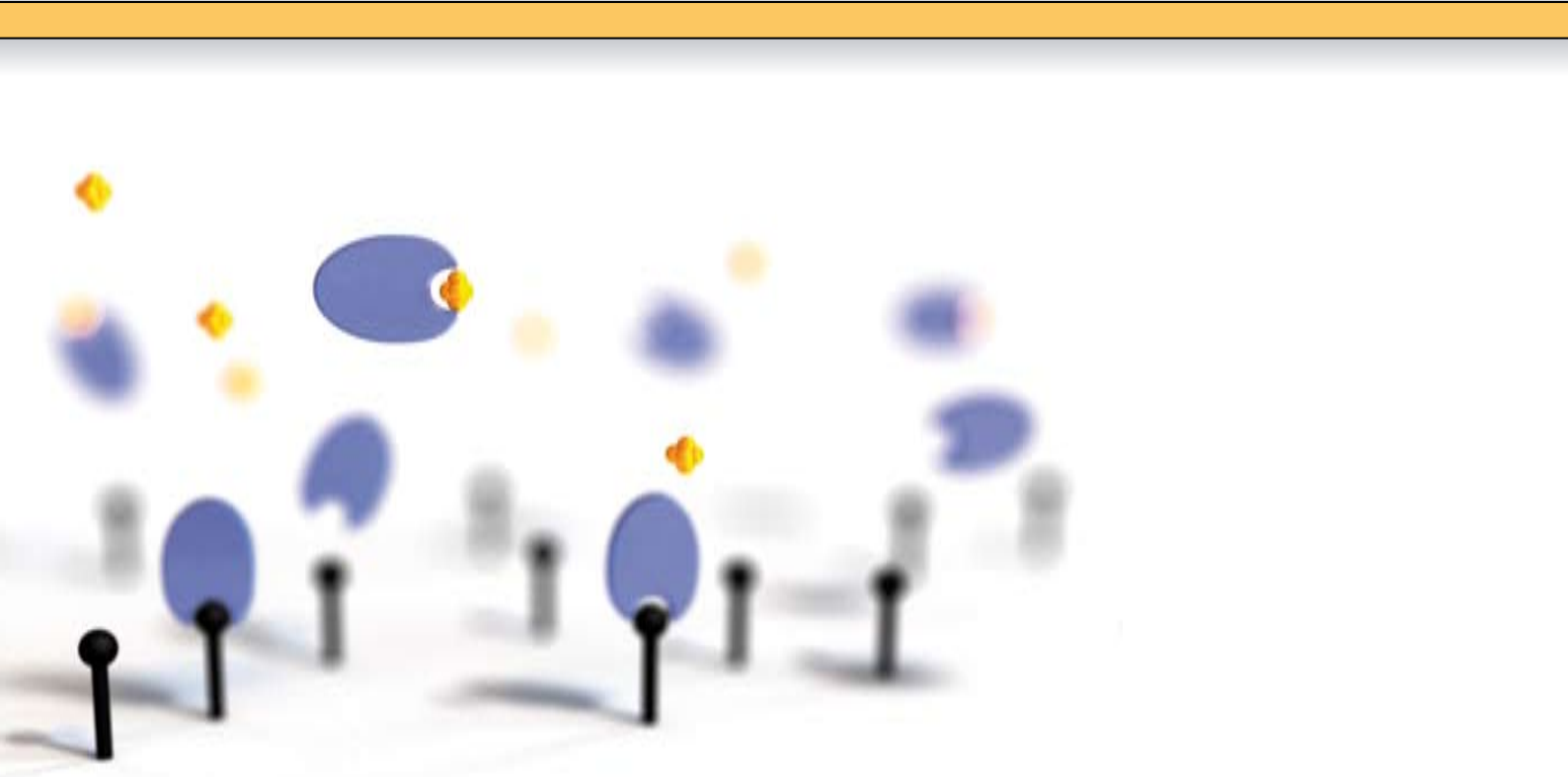




Annual Report 2007

Biosensor Applications Sweden AB

EQUIPMENT FOR DRUG AND EXPLOSIVES DETECTION



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PRESIDENT'S STATEMENT

2007, THE YEAR WHEN BIOSENSOR TURNED GLOBAL!

Year 2007 signifies the first phase of Biosensor's real market expansion. By year-end we were able to ascertain that we have Biosensor's equipment established in 15 countries. To be sure there are only a few instruments in most countries, but still enough to provide local references that in turn will generate additional tests in other of Biosensor's key segments in each respective country. The year was especially marked by the fact that tests were initiated using our technology in several segments at the same time, in order to verify results and applicability in the field. For example, the tests with NAVSEA (USA) have shown very good results in the area of explosives detection, which is also true in the case of our clinical study in Nottingham, where excellent results were recorded in detecting narcotic substances in the perspiration of addicts through skin swipes. Both of these tests in and by themselves again confirm the breadth of and opportunities associated with our technology.

When it comes to the sales result, we cannot be anything but dissatisfied as several tests have been delayed, such as for instance the criminal justice system's tests for drug abuse. This also delays the potential procurement procedures. At the same time we are happy to note that the tests are going well and that the Swedish criminal justice system also has been able to accomplish the necessary amendment of the relevant legislation that will make it possible to use our method starting 1 April 2008. We look forward with confidence at taking the next step in this process during 2008.

During 2007 the Company also took the important step of incorporating additional technology from Germany that will complement the equipment's capacity and areas of application going forward. Biosensor GmbH was founded in this connection as a technology company in Bonn. Above all this will mean that the Company has secured the opportunities of creating conditions for detection of additional substances simultaneously and also the possibility of detecting in liquids going forward. Properties that can open new business areas in the future (such as the Point-of-Care market) if the Company were to elect to do this on its own, or licence out these possibilities.

In summary, I have to say that we have been able to prove the technology's many advantages through so many, extensive tests and we have also built an international network with a large number of distributors who will be able to provide their respective markets and segments with our equipment and service in the years to come.

The feedback we have received from our users, together with so many new established sales channels, allows me to have a very positive outlook for 2008.

Bengt Hagander
President & CEO



2007 OPERATIONS

Sales and marketing

Year 2007 can be described by three catchwords:

- » new distributors (a total of 28, including partners),
- » many new tests, and a
- » new method for addiction identification.

The sales result was very modest (MSEK 3.6), but opportunities were opened by very extensive market activities.

A large number of tests were conducted in different market segments and in several countries. Several tests were started within the **criminal justice system**. In this segment Biosensor can contribute significant opportunities for its customers. Tests were conducted at three different facilities in the United States, at one facility in Poland and at one facility in Holland. Tests are also underway for the Swedish criminal justice system at two different locations. This has led to inquiries from several other facilities in other countries regarding test opportunities using the Company's system. The **traffic police** in Germany continued its tests using BIOSENS® and has successfully used the equipment at the large outdoor event 'Nature One' with some 35,000 participants. After a positive follow-up, the projects were placed with the European Police (TISPOL), who integrated it with its ESTHER project, which will generate recommendations for equipment for the European traffic police force. The police in London is also testing the equipment in several applications and is recommending that the equipment be purchased.

In the **customs and border control** segment tests have been conducted in France, primarily there at the tunnel to England. The results from these tests have been very positive and recommendations have then been passed on to the authorities that make the decisions. Positive test results have also come in from the customs authorities in Sweden and evaluation of these tests and results are currently in progress. The Indonesian customs authority took a first partial delivery of two sets of equipment after completing tests and options for additional units have been signed. The American Coast Guard initiated its Phase 3 tests (equipment installed in vessels) towards the end of the year.

In the security segment, Biosensor sold the first equipment to Germany for explosives detection. Also the American testing institute NAVEOD conducted tests using BIOSENS® for explosives detection with very positive results.

The **addiction identification** segment (rehabilitation, correctional treatment, workplace control) has proved to be significantly larger than Biosensor had previously perceived. This was due primarily to the positive response we received from potential customers who perceive the methods they are using today as out-of-date, slow and expensive. Here, Biosensor sees a considerably larger potential future volume after conducting tests in Sweden, England and Holland.

Development

The independent clinical study in Nottingham delivered its results somewhat delayed during Q2. The results were summarised in a simplified text that could then be distributed to Biosensor's distributors and customers. The study demonstrated that it is possible to detect with good certainty narcotics in perspiration. Analyses have also been conducted during the year with tongue swipes, which also proves to be a detection possibility for narcotics, especially THC (Cannabis). These two discoveries have opened the way for opportunities for Biosensor on a very large world market for drug testing of addicts and suspected addicts. Some of the areas of application require additional substances for verification and in line herewith Biosensor has developed a BioCell® for Benzodiazepine during the year.

During the second half of the year a technology purchase was made and in that connection we took over the majority of a German development company with five employees. In time, the technology will generate opportunities for Biosensor to analyze a large number of substances simultaneously, once the technology has been integrated. This will enable Biosensor to broaden its market opportunities significantly. It will also be possible to detect in other bodily fluids, such as blood plasma. The work of integrating the two organisations has proceeded beyond expectation and several joint projects are under way.

Production

The production was quality assured during the year in accordance with ISO 9001. We have driven the process of lowering production costs hard during the year and this is reflected in higher margins, especially in consumables. During Q2 a successful move of the entire Company, including production facilities, was made to premises in Solna very well adapted to their purpose.

AREAS OF USE

BIOSENS® combines the latest in antibody technology with QCM (Quartz Crystal Microbalance) for analysis of narcotics and explosives. This combination provides a very high capacity for detection and at the same time a very low frequency of false alarms. This makes BIOSENS® highly versatile and therefore suitable for different applications.

The BIOSENS® system consists of set of different collection systems and an analysis system. Hardware and software are configured into the analysis system depending on the area of use and different collection systems are used. The analysis system is also armed with different consumables depending on what is to be detected. For BIOSENS® there is also complementary software that makes it easy and secure to handle and manage sampling results. BIOSENS® is very robust and reliable which makes it well suited for use in mobile applications.

The primary areas of use of BIOSENS® is screening, that is the ability quickly and simply to test and perform analysis on location in order to find suspects. When suspects have been identified, the next step in the user's evaluation begins. In the case of screening for trace substances, this means that the customs officer or policeman conduct a more thorough examination of cargo or vehicle. In the case of screening for influence of controlled substances this means that prisons or rehab clinics take additional samples on the person for verification by an accredited laboratory.

In various security applications BIOSENS® is used in order to quickly and simply find traces of narcotics or explosives. Depending on what the user is looking for, BIOSENS® can be configured for detection of either narcotics or explosives, or for detecting traces of both narcotics and explosives simultaneously.

Handling BIOSENS® is very simple and requires no expertise for interpretation of results. The technology on which BIOSENS® is based allows for a very low risk of false alarms as well as very high availability. Were the system to be contaminated, cleaning of the system is automatic in situ and the system can then be prepared very quickly for renewed use. This is a major advantage compared to systems based on other technology.

When ingestion of narcotics has been detected on persons, the BIOSENS® system constitutes a great leap forward. By switching from traditional urine and saliva samples to BIOSENS®, the time for sampling and analysis can be reduced significantly, which means an entirely new opportunity for screening for substance abuse on a large scale compared to the situation today for traffic police and for workplace tests.

BIOSENS® also means that it will be possible to switch to a non-intrusive sampling procedure, which will be appreciated by testers and those sampled. In all types of tests on humans the burden of proof with respect to the technology and the product is very great. BIOSENS® has at several clinics proven its sensitivity, reliability and accessibility.



OUR CUSTOMERS

Border control

Screening of vessels, vehicles, people, mail and containers is often performed in open environments exposed to dust, contamination and a host of different trace substances. Crucial here for the users of BIOSENS® is robust equipment with high selectivity, together with a capability of detecting both explosives and narcotics.

Prisons and police authorities

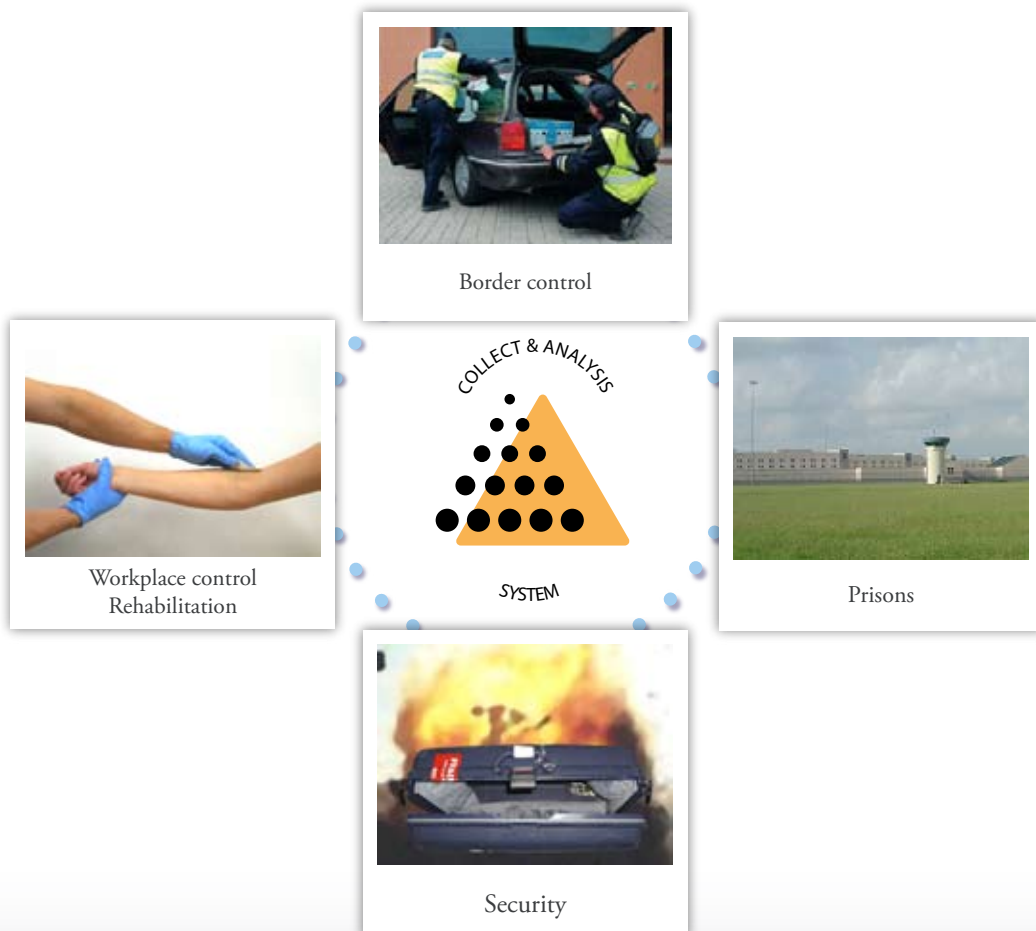
The ability of BIOSENS® to detect ingestion of narcotics with a skin swipe or a swipe of the tongue solves important areas of responsibility for the correctional authorities and the police. The mobility of the equipment also creates major advantages in traffic check-point situations and when investigating inmates and when checking prison cells.

Security and defence

For detection and identification of explosives, robustness, mobility and quick detection time are crucial. Here BIOSENS® provides an analysis result in less than 40 seconds.

Rehabilitation and workplace control

This is a market where by tradition one-time tests of urine and saliva dominate. In this market BIOSENS® delivers a quick, simple and user-friendly testing method with a skin or mouth swipe procedure. BIOSENS® is the perfect tool for checking large number of persons in a limited time. And all this with a non-integrity-violating, hygienic and gender-neutral method.



BOARD OF DIRECTORS

	Pär M Ericson	Ulf Ericsson	Leif Engström	Olle Lundberg	Bengt Hagander
Year of birth	1952	1943	1955	1971	1956
Position	Chairman	Director	Director	Director	Alternate
Director since	2005	2000	2003	2005	2006
Share holding	Indirect holding via Gylling Invest AB 88,089,023 class A shares and 5,069,000 class C shares	Direct holding 32,500 class A shares and indirectly via Gylling AB 49,500 class A Gallicus Konsult AB:s Pensionsstiftelse 1,062,680 class A shares and 266,250 class C shares.	Direct holding 2,009,900 class A and 532,500 class C shares.		Indirect holding via Gylling Invest AB 88,089,023 class A shares and 5,069,400 class C shares.
Option holdings	None	None	None	None	None
Other assignments	<p>President, Gylling & Co. Former President of Optima Batteries Inc., CEO Gylling Optima Batteries AB and CEO AB Gylling & Co.</p> <p>Chairman: Gylling Teknikk AS, Oslo, Sunwind AS, Oslo, Ullman Technology AB, Scanbridge Consulting AB and director of several companies.</p>	<p>Former President of a number of companies such as Uppsala-Ekeby, Victor Technologies and Proventus Invest</p> <p>Chairman: AktieTorget Service AB, AktieTorget Uppland AB, Comtax Holding AB, Reijmyre Glasbruk AB and director of several companies.</p>	<p>Sole proprietor, former VP Logistics and Production i TAC.</p> <p>Former Chairman of Controlli and director of Craftere until 30 April 2008.</p> <p>Director: Comsys AB</p>	<p>President, GLD invest AB.</p> <p>Chairman: Redgrave & Lundberg AB, Sonnepfad i Sollentuna Fastighetsbolag AB and director of several companies.</p>	<p>President, Gylling Invest AB. Former President of TetraPak Distribution AB, USA and President of Gylling Optima Batteries AB. Director of several companies.</p>



Pär M Ericson



Ulf Ericsson



Leif Engström



Olle Lundberg



Bengt Hagander

MEMBERS OF SENIOR MANAGEMENT

	Bengt Hagander	Magnus Björkqvist	Kristina Elfström	Per Månsson	Jonas Åkesson
Year of Birth	1956	1964	1964	1950	1967
Position	President & CEO	Director of Marketing	CFO	Director of R&D	Manager of Production and Logistics
Share ownership	See above	None	429,180 class A shares	462,800 class A shares	282,800 class A shares
Option ownership	See above	None	None	None	None
Other assignments	See above	Former President and Business Area Director in the Teleca Group (business area Medical Devices).	Former CFO of 3Com Nordic and BeNeLux and former Authorised Public Accountant at Arthur Andersen.	Former manager for chemistry, manager of Discovery and New Projects at Pharmacia and former manager of new projects at SBL/ Active Biotech.	Former manager at Ericsson produktion.



From left to right: Johan Åkesson, Kristina Elfström, Bengt Hagander, Magnus Björkqvist and Per Månsson

ADMINISTRATION REPORT

The Board of Directors and the President of Biosensor Applications Sweden AB hereby submit their Annual Report for the operations during the 2007 financial year.

Until January 1998, the Company was a wholly owned subsidiary of Bofors AB, when the company was sold. Following additional sales of shares and stock offerings, the Company has approximately 3,500 shareholders as of 31 December 2007. The job of developing the Biosensor system was initiated by Bofors in 1995. In connection with a reorganisation of Celsius (the owner of Bofors at the time), the entire project was acquired in the beginning of 1998 by a group of private investors. Ownership has subsequently been changed and expanded. Aside from a group of private individuals, the large shareholders include MN Developments Inc. and Gylling Invest AB. Biosensor Applications Sweden AB is a Swedish company that has developed and patented a detection system, BIOSENS®, which with great precision and sensitivity can trace and discover narcotics and explosives in very small amounts. BIOSENS® can collect, trace and analyze substances in air, on soft and hard surfaces, on skin and via oral sampling. The technology is distinguished by its secure detection capability, in combination with a low rate of false alarms outside laboratory environments. Biosensor's customers are found among police forces, security companies, in border control, the armed forces, the criminal justice system and rehabilitation clinics on a world-wide basis. Research and development and a certain part of the production take place at the Company's premises in Solna. The Company holds a permit from the Swedish Medical Products Agency to manufacture and deal in preparations containing narcotics.

Significant events during the financial year and after its end

Acquisition of subsidiary

Biosensor has acquired a complementary new technology via a newly started company in Germany, Biosensor GmbH. This means that Biosensor takes over know-how and patents as well as gradually taking over development work that will lead to the next generation of detection systems. The takeover is financed in part by the recently completed new issues. (See below.)

Consolidated accounting

The Group consists of the Parent Company, Biosensor Applications Sweden AB, and the subsidiary, Biosensor GmbH, which was 51-percent owned as of 31 December 2007. This is the first year of preparation of consolidated financial statements.

Financing

The personnel option programme was exercised during the year and the employees converted their options subscribing for 2,465,850 new shares and approximately SEK 860,000 was infused in the Company. The share capital was thereby increased by SEK 246,000.

Two new issues were floated during the period. A rights issue was oversubscribed by over 18 percent and a new issue was aimed at those who were not allotted shares in the rights issue. The total number of newly issued shares amounted to 57.7 million class A shares for a total increase of the share capital by MSEK 5.8 million. The private placement of 6.9 million class A shares, and share capital of MSEK 0.7, was not registered until after year-end, however. The total issue amount was MSEK 40.4 before issuing costs.

Issue decision

At the General Meeting held 3 October a rights issue of up to MSEK 50.8 was resolved as described above under Financing. The Board of Directors had previously obtained the permission of the Annual General Meeting held 29 May to issue up to 40 million shares. The issue under this authorisation was aimed at those persons who were not allotted shares in the rights issue.

Patent status

The work with patent applications, protection of designs and trade mark protection is proceeding according to plan. One additional patent has been applied for that will protect the Company's oral collection technology (saliva sampling). The Company's patent portfolio today contains 14 patents, patent families and patent applications. A patent relating to the transmission technology for collected samples was approved in China and Japan during the year.

Organisational development

Biosensor continued to strengthen its organisation in sales and marketing and a marketing director was appointed during the year. Cost containment measures instituted in 2005/2006 continued also during 2007 and the total number of employees has been reduced from 24 during 2005/2006 to 20 persons during 2007.

Board of Directors

The Board of Directors of Biosensor was re-elected by the Annual General Meeting held 29 May 2007. Ulf Ericsson, Leif Engström, Olle Lundberg and Pär M. Ericson remained as directors. Bengt Hagander remained as alternate.

Compensation

The Annual General Meeting sets the fee for the Board of Directors and the auditors. The Annual General Meeting also decides on compensation to the President and other members of senior management. Compensation to the President and other members of senior management shall consist of a well balanced combination of fixed salary, annual bonus, pension benefits and other benefits, as well as terms and conditions in case of termination/severance payment. The fixed salary shall be individual and based on each individual's responsibility, role, competence and position. Pension benefits shall be of the defined contribution variety and (for Swedish citizens) give the right to obtain pension from the age of 65 years. Compensation may also be paid in the form of incentive programs or share-based incentive programmes.

Ownership structure

Biosensor is listed on AktieTorget since 2006. The number of shares outstanding in Biosensor as of 31 December 2007 was 406,568,132, 9,808,650 of which are preferred class C shares. The shares have a quotient value of SEK 0.10 and the share capital thus amounts to SEK 40,656,813.

The largest shareholders of Biosensor as of 31 December 2007 are shown below:

Owners	Number of class A shares	Number of class C shares	Total number of shares	Proportion of capital and votes
MN Developments Inc.	90 264 308	3 514 500	93 778 808	23,1%
Gylling Invest AB	88 089 023	5 069 400	93 158 423	22,9%
Other shareholders	218 406 151	1 224 750	219 630 901	54,0%
Total number of shares outstanding	396 759 482	9 808 650	406 568 132	100%

Risks

Biosensor is exposed to numerous factors that affect the Company's results and financial position. Many of these risks are typical for companies that work with high-technology systems in the biotechnology area. Described below are some of the risks that the Company feels are the most significant.

Customers

Many of the Company's customers are government agencies, authorities, customs, police and rehabilitation clinics that depend on budget appropriations in order to invest in new technology. The procurement process may therefore take more time than management believes, which in turn can affect sales volumes and cash flow. A delay of one or more such sales will affect the Company's earnings.

Development

Going forward, the Company will continue to develop new and existing products in its operating area. Time and cost aspects for development of products in new and uncharted areas may be difficult to predict in detail with any degree of accuracy. This means that there is a risk that the product development planned becomes more costly than planned, and that products may reach the market later than planned.

Clinical studies

Development results must be verified via clinical studies in order to achieve acceptance in certain markets and within different customer segments that will use the equipment for, for instance, detection of narcotics ingestion. These clinical studies may take more time to initiate and finalise than anticipated. There are also no guarantees that such clinical studies have an outcome that favours the Company.

Financing need and capital

Biosensor's costs have so far consisted mostly of costs for research and development, and to a lesser degree, of costs for marketing and administration in connection with product development. In order to achieve acceptance for Biosensor's products, major initiatives will be taken during 2008 in the form of clinical studies, marketing and sales. The Board of Directors is optimistic that this can be accomplished with internally generated funds. However, unplanned delays, or a lack of sales could affect the Company's earnings and financial position negatively, which would mean a need for additional external financing. The Board of Directors sees the opportunities for obtaining financing as positive, however, so the Annual Report have been compiled under the assumption of continued operations.

Proposed allocation of result (SEK)

Available for allocation by the Annual General Meeting:	
Loss brought forward	-128 967 709
Loss for the year	-25 030 440
Total	-153 998 149

The Board of Directors proposes that the loss be dealt with as follows:	
To be carried forward	-153 998 149

FINANCIAL STATEMENTS

Income Statement	Note	Group* 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
(Amounts in SEK thousand)					
Net revenue	3	3 557	-	3 557	10 364
Cost of goods sold		-1 830	-	-1 830	-5 093
Gross result		1 727	-	1 727	5 271
Selling expenses		-4 964	-	-4 962	-6 020
Administration and logistics expenses	4,5,6	-8 838	-	-8 564	-11 729
Research and development expenditure	4,6	-14 503	-	-14 114	-14 979
Other operating income	7	272	-	271	1 130
Other operating expenses	7	-141	-	-141	-303
Operating result		-26 447	-	-25 783	-26 630
Interest income and similar items	8	1 211	-	1 234	1 398
Interest expense and similar items	9	-481	-	-481	-1 245
Result before financial items		-25 717	-	-25 030	-26 477
Taxes		82	-	-	-
NET RESULT FOR THE YEAR		-25 635	-	-25 030	-26 477
Attributable to:					
-The Parent Company's equity holders		-25 635	-	-	-
-Minority interest		-	-	-	-
				Parent Company 2007	Parent Company 2006
Earnings per share before dilution (class A and class C shares)**				-0,06	-0,07
Earnings per share, fully diluted basis (class A and class C shares)				-0,06	-0,07
Thousands of shares outstanding before dilution **				413 427	353 281
Thousands of shares outstanding, fully diluted basis				423 007	355 747

* Subsidiary Biosensor GmbH was acquired 1 November 2007 and is consolidated as of 31 December 2007.

** Also includes private placement registered after the turn of the year.

Balance Sheet (Amounts in SEK thousand)	Note	Group* 2007-12-31	Group 2006-12-31	Parent Company 2007-12-31	Parent Company 2006-12-31
ASSETS					
Non-current assets					
<i>Intangible non-current assets</i>					
	10				
Capitalised expenditure for development work		49 401	-	33 467	31 943
Patents, licences, trade marks		183	-	54	1 045
Total intangible non-current assets		49 584	-	33 521	32 988
<i>Tangible non-current assets</i>					
	11				
Plant and machinery		1 864	-	1 243	1 367
Equipment, tools, fixtures and fittings		145	-	118	97
Leasehold improvements		-	-	-	2
Total tangible non-current assets		2 009	-	1 361	1 466
<i>Financial non-current assets</i>					
Shares in subsidiaries	2	-	-	5 572	-
Other long-term receivables	12	-	-	3 368	0
Deposits rendered		49	-	49	41
Total financial non-current assets		49	-	8 989	41
Total non-current assets		51 642	-	43 871	34 495

Balance Sheet, cont'd (Amounts in SEK thousand)	Note	Group* 2007-12-31	Group 2006-12-31	Parent Company 2007-12-31	Parent Company 2006-12-31
Current assets					
<i>Inventories</i>					
	13				
Raw materials and components		1 330	-	1 330	1 889
Semi-finished goods		436	-	436	966
Finished goods and goods for resale		1 656	-	1 656	1 605
Total inventories		3 422	-	3 422	4 460
<i>Short-term receivables</i>					
Accounts receivable	14	710	-	710	480
Due from subsidiaries		-	-	25	-
Tax claims	15	560	-	560	560
Other receivables	16	1 393	-	1 213	1 233
Prepaid expenses and accrued income	17	690	-	686	742
Total short-term receivables		3 353	-	3 194	3 015
Cash and cash equivalents		31 389	-	29 415	23 045
Total current assets		38 165	-	36 031	30 520
TOTAL ASSETS		89 806	-	79 902	65 015

* Subsidiary Biosensor GmbH was acquired 1 November 2007 and is consolidated as of 31 December 2007. Comparative data from the preceding year are therefore lacking.

Balance Sheet, cont'd (Amounts in SEK thousand)	Note	Group* 2007-12-31	Group 2006-12-31	Parent Company 2007-12-31	Parent Company 2006-12-31
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	18			<i>Restricted equity</i>	
Share capital		40 657	-	40 657	35 328
New issue in progress		4 802	-	4 802	-
Legal reserve		-	-	176 017	176 017
Other contributed capital		246 540	-	-	-
		291 999	-	221 476	211 345
				<i>Unrestricted</i>	
Loss brought forward		-199 491	-	-199 491	-173 014
Translation difference		2	-	-	-
Premium reserve		-	-	70 523	41 312
Net result for the year		-25 635	-	-25 030	-26 477
		-225 124	-	-153 998	-158 179
Shareholders' equity attributable to the Parent Company's equity holders		66 875	-	67 478	53 166
Minority interest		5 376	-	-	-
TOTAL SHAREHOLDERS' EQUITY		72 251	-	67 478	53 166
Provisions	19	162	-	162	508
Liabilities					
<i>Long-term liabilities</i>					
Deferred taxes	2	4 864	-	-	-
Total long-term liabilities		4 864	-	-	-
<i>Current liabilities</i>					
Accounts payable	14	3 013	-	2 747	2 877
Loan liability relating to acquisition of subsidiary	2, 14	5 203	-	5 203	-
Other loan liabilities		-	-	-	3 454
Other current liabilities		265	-	265	475
Accrued expenses and prepaid income	20	4 048	-	4 047	4 535
Total current liabilities		12 529	-	12 262	11 341
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		89 806	-	79 902	65 015
MEMORANDUM ITEMS					
Total pledged assets	21	-	-	-	247
TOTAL PLEDGED ASSETS		-	-	-	247

* Subsidiary Biosensor GmbH was acquired 1 November 2007 and is consolidated as of 31 December 2007.

Change in shareholders' equity - Group

(Also refer to Note 18)

(Amounts in SEK thousand)

	Share capital	Share capital not registered	Other contributed capital	Loss brought forward	Translation reserve	Total	Minority interest	Total
Opening equity 01-01-2006 *	6 217	27 210	176 017	-173 014	-	36 430	-	36 430
New issue	-	410	-	-	-	410	-	410
New issue	3 106	-6 212	3 106	-	-	-	-	-
Converted subordinated loan	13 380	-21 408	8 028	-	-	-	-	-
Converted subordinated loan	9 375	-	5 625	-	-	15 000	-	15 000
New issue	3 250	-	24 553	-	-	27 803	-	27 803
Net result for the year	-	-	-	-26 477	-	-26 477	-	-26 477
Closing balance 12-31-2006	35 328	-	217 329	-199 491	-	53 166	-	53 166
Opening equity 01-01-2007*	35 328	-	41 312	-199 491	-	53 166	-	53 166
Converted option programme	247	-	616	-	-	863	-	863
New issue	5 082	-	28 595	-	-	33 677	-	33 677
New issue paid in but not registered	-	4 802	-	-	-	4 802	-	4 802
Translation difference	-	-	-	-	2	2	-	2
Net result for the year	-	-	-	-25 635	-	-25 635	-	-25 635
Minority interest relating to:								
Acquired share capital	-	-	-	-	-	-	102	102
Intangible non-current assets	-	-	-	-	-	-	5 164	5 164
Net result for the year	-	-	-	-	-	-	-	-
Closing balance 12-31-2007	40 657	4 802	246 540	225 126	2	66 875	5 376	72 251

* Opening equity refers only to the Parent Company's equity. Subsidiary Biosensor GmbH was acquired 1 November 2007 and is consolidated as of 31 December 2007. Comparative data from the preceding year are therefore lacking.

Change in shareholders' equity – Parent Company (Also refer to Note 18) (Amounts in SEK thousand)	Restricted equity			Unrestricted equity		Total
	Share capital	Capital increase not registered	Legal reserve	Premium reserve	Unrestricted equity	
Adjusted opening equity 01-01-2006	6 217	27 210	176 017	-	-173 014	-36 430
New issue	-	410	-	-	-	410
New issue	3 106	-6 212	-	3 106	-	-
Converted subordinated loan	13 380	-21 408	-	8 028	-	-
Converted subordinated loan	9 375	-	-	5 625	-	15 000
New issue	3 250	-	-	24 553	-	27 803
Net result for the year	-	-	-	-	-26 477	-26 477
Closing balance 12-31-2006	35 328	-	176 017	41 312	-199 491	53 166
Opening equity 01-01-2007	35 328	-	176 017	41 312	-199 491	53 166
Opening equity	35 328	-	176 017	41 312	-199 491	53 166
Converted subordinated loan	247	-	-	616	-	863
New issue	5 082	-	-	28 595	-	33 677
New issue paid in but not registered	-	4 802	-	-	-	4 802
Net result for the year	-	-	-	-	-25 030	-25 030
Closing balance 12-31-2007	40 657	4 802	176 017	70 523	-224 521	67 478

Cash Flow Statement (Amounts in SEK thousand)	Note	Group * 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
Cash flows from operating activities					
Result after finance items		-25 717	-	-25 030	-26 477
Adjustments for items not included in cash flow	21	4 803	-	4 524	6 010
Cash flows from operating activities before changes in working capital		-20 914	-	-20 506	-20 467
Cash flows from changes in working capital					
Increase (-)/decrease (+) in inventories		1 038	-	1 038	-1 792
Increase (-)/decrease (+) in short-term receivables		-338	-	-154	1 434
Increase (+)/decrease (-) in current liabilities		-561	-	-880	-2 404
Cash flows from operating activities		-20 775	-	-20 502	-23 229
Cash flows from investing activities					
Acquisition of subsidiary	2	-165	-	-5 572	-
Acquisition of tangible non-current assets	11	-1 097	-	-435	-1 270
Acquisition of financial non-current assets	12	-8	-	-3 376	-23
Capitalisation of development expenditure	10	-5 499	-	-4 836	-2 777
Cash flows from investing activities		-6 769	-	-14 219	-4 070
Cash flows from financing activities					
Proceeds from convertible debenture loan		-	-	-	15 000
Proceeds from borrowings	2	-	-	5 203	-
Proceeds from new issuance of shares	18	39 342	-	39 342	27 803
Repayments of liabilities		-3 454	-	-3 454	-
Cash flows from financing activities		35 888	-	41 091	42 803
Cash flows for the year		8 344	-	6 370	15 504
Cash and cash equivalents at beginning of year		23 045	-	23 045	7 541
Cash and cash equivalents at end of year		31 389	-	29 415	23 045

* Subsidiary Biosensor GmbH was acquired 1 November 2007 and is consolidated as of 31 December 2007. Comparative data from the preceding year are therefore lacking.

NOTES

(All amounts in SEK thousand unless otherwise specifically noted)

Note 1. Accounting policies

The Company

Unless otherwise expressly stated, "Biosensor" or "the Company" in these notes shall mean Biosensor Applications Sweden AB. Biosensor develops, manufactures and markets detection equipment, BIOSENS®, which is used to trace and detect narcotics and explosives in minute quantities. BIOSENS® detection system comprises a complete solution that includes collection, tracing and analysis of several substances simultaneously.

Accounting policies, Group

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretation statements issued by the International Financial Reporting Interpretations Committee (IFRIC) and as approved by the EU Commission for application in EU.

Accounting policies, Parent Company

The Parent Company has prepared its Annual Report in accordance with recommendation RR32:06 Accounting for Legal Entities of the Swedish Financial Accounting Standards Council. RR32:06 means that the Parent Company in the Annual Report for the legal entity should apply all IFRS and statements adopted by EU to the extent possible within the framework of the Swedish Annual Accounts Act. and taking into account the relationship between accounting and taxation. The recommendation sets forth which exceptions and addenda should be made from IFRS. The Parent Company's accounting policies are unchanged from the Annual Report for 2006.

Prerequisites for preparing the Parent Company's and the Group's financial reports

The Parent Company's functional currency is Swedish kronor, which also is the reporting currency for the Parent Company and the Group. Financial reports are thus presented in Swedish kronor (SEK). All amounts are rounded to the nearest thousand kronor, unless otherwise specifically noted.

In order to prepare the financial reports in accordance with generally accepted accounting practice, the Board of Directors makes estimates and assumptions that affect the Company's results and financial position, as well as other information provided. These estimates and assumptions are based on historical experience and are reviewed on a regular basis. The actual outcome may differ from these estimates. The Board of Directors and management regarded the following areas as especially important for assessment of the Company's results and financial position: Intangible non-current assets, i.e. expenditure for research and development, patents and trademarks and revenue recognition. For a further discussion, see below.

New IFRS and interpretations not yet applied

The International Accounting Standards Board ("IASB") has published the following new and amended standards, which at the time of publication of these Annual Report have not yet gained legal force: IFRS 8 Operating Segments with application from the 2009 financial year, or later. IASB has published the following standards which are not yet approved for application in EU: amendment of IFRS 2 Share-Based Payment, IAS 1 Presentation of Financial Statements, IAS 23 Borrowing Costs, IAS 32 Financial Instruments: Disclosure and Presentation with application from financial years beginning 1 January 2009, or later and amendment of IFRS 3 Business Combinations with application from financial years beginning 1 July 2009, or later.

IFRIC has issued the following interpretations, which have been adopted by EU: IFRIC 11 IFRS 2: Group and Treasury Share Transactions with application from financial years beginning 1 March 2007, or later.

Management has not yet analysed any impact that the above mentioned standards may have on Biosensor's financial reporting.

Consolidated accounting

Aside from the Parent Company, the consolidated accounting includes companies in which the Parent Company, directly or indirectly, has a controlling interest. Controlling interest means the power, directly or indirectly, to govern the financial and operating policies for the purpose of obtaining economic benefits. The purchase method of accounting is used in preparing the consolidated financial statements. Under the purchase method of accounting equity in the acquired subsidiary is determined based on the fair value of identifiable assets and debt assumed at the time of acquisition. The subsidiaries' financial reports are included in the consolidated financial statements from the time of acquisition until the date when the controlling interest ceases. Intra-Group assets and liabilities, revenue and costs, as well as unrealised gains and losses between companies in the Group are eliminated.

Minority interest

Losses attributable to minority owners of the subsidiary can exceed the minority's share of the subsidiary's equity. The excess portion and additional losses attributable to the minority owners are distributed to the majority owners, except in the case when the minority owners have a binding obligation and have the capacity to make further investments to cover the losses.

Segment reporting

A segment is a from an accounting point of view identifiable part of a group that provides goods and services (line of business) or goods and services in a certain economic environment (geographic area) that are subject to risks and returns that are different from those of other business segments. Since Biosensor's operations are organised as an integrated business with similar risks and returns for the goods and services produced, the Group accounts for the Group's entire business as a line of business and the geographic distribution as secondary segments. Most of the Group's business is based in Sweden, except for a small portion of research and development, which is conducted in Germany, in the newly acquired subsidiary.

Bases of valuation

The Company's assets and liabilities are carried at acquisition cost and nominal value, respectively, unless otherwise is stated in the notes below, except in the case of financial assets and liabilities, which are valued at fair value.

Revenue recognition

Revenue is accounted for at fair value of what has been received or will be received. Revenue is recognised when the income can be calculated in a reliable manner and when essentially all risks and rights associated with ownership have been transferred from the seller to the buyer and acceptance has been given by the customer, which normally occurs at delivery. Sales of products are accounted for net after value added tax, excise taxes, and discounts and rebates. Net revenues include sales and rental of products, including articles of consumption and invoiced services in the form of fees for services performed and revenue attributable to maintenance contracts. Interest income is assigned to the right period taking the outstanding claim and the applicable rate of interest into account.

Provisions

Provisions for guarantee costs are accounted for at the time of sale of the products in question, based on the Company's best estimate of the expenditure to settle the Company's obligation.

Grants for research and development

Grants for research and development are recognised as revenue when there is reasonable assurance that the Company will be able to fulfil the conditions associated with the grants and that the grants will be received. Expenditure for research and development, for which grants are received, is accounted for as cost as it arises.

Leases

Lease contracts are classified as finance leases or operating leases. In the case of financial leases, the asset is accounted for as a non-current asset in the consolidated balance sheet. The corresponding obligation to pay future leasing fees is account for as a current or long-term liability, respectively. The leased asset is depreciated according to plan, while the leasing fees are accounted for as interest and repayment of the liabilities. In the case of operating leases, the leasing fee is expensed over the term of the lease based on use.

Expenditure for research and development

The Company applies IAS 38 with respect to capitalisation of intangible assets and a period of amortisation which begins in conjunction with the product becoming available for use. Expenditure for research is reported as a cost during the period when it arises. Expenditure for development is carried as an intangible asset where Biosensor can demonstrate that it is technically feasible to complete and profitable to commercialise the results, and then only where the expenditure for the project in question can be measured in a reliable manner. Development refers mainly to design, engineering and testing of prototypes and comprises external as well as internal expenditure to develop the asset. In order to capitalise expenditure for development, it must be possible to identify, measure and verify such expenditure. Development expenditure financed by government or other grants reduces the reported value of the asset. Capitalisation of development expenditure involves assumptions about the future and other factors of uncertainty entailing risk for adjustment of the reported amounts for assets during the next following financial year. Sales assumptions are one such factor of uncertainty that may impact the reported value of the asset capitalised development expenditure. Also refer to note on Intangible costs. With respect to capitalisation of expenditure for research and development, the assessment of point in time for capitalisation of assets and the point in time when assets begin to be amortised are important.

Patents and trademark

Patents of significant value to the business are accounted for as intangible assets. Patents are value at acquisition cost and are amortised on a straight-line basis over the amortisation period (See "Amortisation" below).

Tangible non-current assets

Tangible non-current assets, primarily consisting of machinery, equipment, tools, fixtures and fittings, and leasehold improvements, are carried at acquisition cost less accumulated depreciation.

Depreciation and amortisation according to plan

Depreciation and amortisation according to plan are based on the acquisition cost of the assets and their estimated economic lives. Leasehold improvements are capitalised and amortised taking the terms of the relative lease into account. Capitalised development expenditure is amortised from the period when commercial sales of the intended product can begin.

Capitalised expenditure for research and development work

- » 5-10 years
- » Patents 5 years
- » Plant and machinery 3-5 years
- » Equipment, tools, fixtures and fittings 5 years
- » Leasehold improvements 5 years

Depreciation and amortisation for tax purposes are calculated in accordance with current laws and regulations. Depreciation and amortisation for tax purposes in excess of depreciation and amortisation according to plan are regarded as supplementary depreciation and amortisation, which constitutes an untaxed reserve.

Impairment test

At each year-end the Company reviews the carrying values of tangible and intangible assets in order to determine if there are indications that an asset has declined in value. If such is the case, the recovery value of the asset is calculated to determine the magnitude of impairment. Any impairment is immediately accounted for as a cost.

Inventory

Inventories are valued at the lower of acquisition value and net realisable value. Acquisition value includes direct costs for materials, any direct wage costs and a mark-up for overhead to bring the goods to their current location and state. The acquisition value is calculated by applying the first-in-first out method (FIFO). The net realisable value consists of the estimated selling price after deduction of estimated costs for completion and other costs for marketing, sales and distribution.

Financial instruments

Biosensor's financial instruments consist mostly of trade receivables, trade payables and liquid funds. Biosensor holds no financial derivative instruments.

A financial asset or financial liability is entered in the balance sheet when the Company becomes party to the contractual terms and conditions of the instrument in question. A financial asset is removed from the balance sheet when the contractual rights are realised, expire or when the Company loses control over them. A financial liability is removed from the balance sheet when the contractual obligation is fulfilled or is otherwise extinguished. Acquisition and sale of financial assets are reported on the day of the respective transaction.

On each reporting occasion the Company evaluates if there are objective indications that a financial asset has suffered impairment.

Trade receivables

Trade receivables are reported net after provision for probable bad debt losses. The expected term of trade receivables is short and trade receivables are therefore reported at nominal amounts without discounting in accordance with the method for accrued acquisition value. A provision for probable bad debt losses on trade receivables is set aside when there are objective grounds for assuming that the Group will not be able to collect all amounts due for payment pursuant to the original terms and conditions for the receivables. The size of the provision consists of the difference between the reported value of the asset and the value of estimated future cash flows. The amount set aside as a provision is reported in the income statement.

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank balances and other short-term with a term of less than three months. Balances under cash and cash equivalents are carried at their nominal amount and short-term investments at their fair value with changes in value carried to the income statement.

Trade payables

The expected term of trade payables is short and the liability is therefore reported at nominal amounts without discounting in accordance with the method for accrued acquisition value. Long-term liabilities have an expected term of more than one year and are valued using discounting. Current liabilities have an expected term of less than one year.

Financial risks

Biosensor is exposed to interest, credit, liquidity and currency risks through its business. The Group's financial instruments consist of cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. There are also trade receivables and trade payables that arise in day-to-day operations. The nature of the operations makes the financial risks low. Financial transactions in Biosensor constitute only support for day-to-day operations and no transactions are done for the purpose of speculation.

Interest risk

The Group's exposure to changes in interest rate levels arise primarily in investment of liquid funds.

Credit risk

Trade receivables are monitored on a day-to-day basis and the Group's exposure to doubtful credits is insignificant. If a receivable is deemed to be doubtful a provision is set aside in the balance sheet. Credit risk with respect to other financial assets, primarily cash and cash equivalents, refers to the risk that the counterparty will be unable to meet its commitments. The maximum credit risk corresponds to the book value of the financial assets.

Liquidity risk

Liquidity risk is the risk of not having sufficient funds to meet temporary liquidity strains, and to handle capital expenditure needs that may arise.

Currency risk

The currency risk is deemed to be limited and there are no holdings of derivative financial instruments as of 31 December 2007.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at the year-end rate of exchange. Exchange rate gains and losses on receivables and liabilities of an operating nature are accounted for in the operating result and exchange rate gains and losses on financial assets and liabilities are accounted for as financial items. Advance payments from customers are carried at the rates of exchange applicable when the advance payment was received, since no obligation of repayment is anticipated to occur.

Pension costs

Commitments for retirement pension and family pension for salaried employees are secured by insurance in Alecta, which is a defined benefit pension plan that includes several employers. The pension plan according to ITP, secured by insurance in Alecta, is therefore reported as a defined contribution pension plan. The year's expenses for pension insurance written by Alecta amounts to SEK 723,000 (798,000). Alecta's surplus can be distributed to the policy-holder and/or the insured. At year-end 2007 Alecta's surplus in the form of the collective solvency margin stood at 152 percent (143.1 percent). The collective solvency margin is computed as the market value of Alecta's assets in percent of all pension commitments calculated in accordance with Alecta's actuarial computation assumptions, which correspond to IAS 19.

Share-based payment

Costs for personnel option programmes and any social benefit fees thereon are carried to the income statement as personnel expenses during the period earned in those situations where the option programme entails a benefit for the employees.

Taxes

Tax expenses consist of the current tax liability and deferred taxes. The current tax liability is based on the year's taxable result. The year's taxable result differs from the year's reported result since it has been adjusted for non-taxable and non-deductible items. The Company's current tax liability is calculated using tax rates prescribed or advised on the balance sheet date. Deferred taxes are the taxes that the Company expects to pay or receive relating to temporary differences that arise between the reported value of assets and the value for tax purposes used for calculating the taxable result. Deferred taxes are reported in accordance with the so-called balance sheet method. Deferred tax liabilities are reported for, in principle, all taxable temporary differences, and deferred tax claims are reported when it is probable that the amounts can be utilised to offset future taxable surpluses. The reported value of deferred tax claims is tested on the occasion of each closing of the books and is reduced to the extent it is no longer probable that sufficient taxable surpluses will be available to offset, wholly or partially, the deferred tax liability.

Note 2. Acquisition of subsidiary

During the period Biosensor acquired a complementary new technology by establishing a subsidiary in Germany. On 1 November 2007, 51 percent of the shares outstanding in Biosensor GmbH were acquired. Biosensor Applications Sweden AB will gradually take over ownership, know-how and patents in the subsidiary. The cost of the acquisition amounted to MSEK 5.6 and will be paid in the form of 6.1 million class A shares in the Parent Company not later than 28 February 2009. The remaining 49 percent will be acquired gradually over the next three years by issuance of class A shares in Biosensor Applications Sweden AB and will be based on any positive change in the market value of the share. Issuance of additional class A shares requires the approval of a general meeting of shareholders or a decision by the Board of Directors (following authorisation by a general meeting of shareholders. The Parent Company finances the development of the complementary new technology in part by way of the recently completed new issues.

Acquisition of subsidiary

Company	Description	Date of acquisition	Proportion of shares acquired	Acquisition cost (Sek)
Biosensor GmbH	Development	1 Nov 2007	51%	5 203 071
Acquisition costs				369 250
Total acquisition cost				5 572 321

Statement of acquired assets and liabilities

(Amounts in SEK thousand)	Book value*	Adjustment of fair value	Fair value in the Group
Current assets			
Short-term receivables	3	-	3
Cash and cash equivalents	205	-	205
Other receivables	2	-	2
Intangible non-current assets			
Capitalised expenses for development work	-	15 665	15 665
Patents, licences and trademarks	92	-	92
Current liabilities			
Trade payables	-94	-	-94
Long-term liabilities			
Deferred taxes	-	-4 947	-4 947
Minority interest	-	-5 354	-5 354
Total	208	5 364	5 572

* Reported value in Biosensor GmbH

Impact of the acquisition on the consolidated result

The consolidated result includes Biosensor GmbH's loss for the year of EUR 45,000, equivalent to SEK 425,000. Had the acquisition been made as of 1 January 2007 consolidated revenue would have been unchanged at SEK 3,557,000. The consolidated result would have amounted to SEK -26,091,000 (a deterioration by SEK 456,000).

Assessment of "pro forma" data is based on:

- estimate of amortisation of intangible assets, which are valued at fair value after the acquisition;
- change of deferred taxes and minority interest referring to amortisation of intangible assets.

The Board of Directors of Biosensor Applications Sweden AB is of the opinion that these "pro forma" data are a reasonable estimate of what the effect on the Group would have been and may constitute a relevant reference point for future comparisons. Subsidiary Biosensor GmbH was acquired 1 November 2007 and is consolidated as of 31 December 2007. Comparative data from prior years are therefore lacking.

Note 3. Net revenue

Biosensor makes the assessment that that the Group's operations constitute one business segment. Biosensor's area of activity and revenue is an integrated business with similar risks and returns, which means that different lines of business cannot be identified. Most of the Group's operations are located in Sweden, except for a small part of the research and development that is conducted in Germany, in the newly acquired subsidiary. Biosensor still feels that it is essential to provide information about the distribution of net revenue by product group and geographic area.

Sales are divided into product groups and geographic areas as follows.

Sales	Group 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
<i>Product groups</i>				
Systems	2 112	-	2 112	8 580
Consumables and spare parts	1 322	-	1 322	1 658
Service	123	-	123	126
Total sales	3 557	-	3 557	10 364
<i>Geographic markets</i>				
Asia-Pacific Rim Region	1 702	-	1 702	8 687
America	393	-	393	1 486
Europe	1 462	-	1 462	191
Total sales	3 557	-	3 557	10 364

Note 4. Personnel, option plan and absence due to illness

GROUP *

<i>Average number of employees</i>	2007 Number of Employees	2007 Of whom men	2006 Number of employees	2006 Of whom men
Total	20	12	-	-

<i>Salaries and other compensation</i>	2007 Directors and senior management ¹⁾	2007 Of which bonuses and similar compensation	2007 Other employees	2006 Directors and senior management	2006 Of which bonuses and similar compensation ²⁾	2006 Other employees
Total	5 349	-	6 963	-	-	-

<i>Salaries and other compensation (cont'd)</i>	2007 Salaries and other compensation	2007 Social benefits	2007 Of which pension costs	2006 Salaries and other compensation	2006 Social benefits	2006 Of which pension costs
Total	12 312	5 435	2 254	-	-	-

* Subsidiary Biosensor GmbH was acquired 1 November 2007 and is consolidated as of 31 December 2007. Comparative data from the preceding year are therefore lacking.

Note 4. Personnel, option plan and absence due to illness, cont'd

PARENT COMPANY

<i>Average number of employees</i>	2007	2007	2006	2006
	Number of Employees	Of whom men	Number of employees	Of whom men
Total	19	11	20	11

<i>Salaries and other compensation</i>	2007	2007	2007	2006	2006	2006
	Directors and senior management ¹⁾	Of which bonuses and similar compensation	Other employees	Directors and senior management	Of which bonuses and similar compensation ²⁾	Other employees
Total	5 349	-	6 745	4 863	-	6 709

<i>Salaries and other compensation (cont'd)</i>	2007	2007	2007	2006	2006	2006
	Salaries and other compensation	Social benefits	Of which pension costs	Salaries and other compensation	Social benefits	Of which pension costs
Total	12 094	5 407	2 254	11 572	5 271	2 089

The Company has only defined-contribution pension plans in addition to those secured by insurance in Alecta. SEK 0 (0) of the Company's pension costs refer to the President and Board of Directors. The President works on a consultancy basis from 1 October 2005 under a contract between Gylling Invest AB and the Company. The terms of the contract are adjusted to the conditions on the market. Compensation total SEK 2,267,000. All pension commitments have been taken over by insurance companies, or have been secured in other ways by setting aside funds with a third party. Fees to the Directors have been paid in amounts of three price base amounts to Chairman and two price base amounts to the other directors, regular and alternates.

1) Includes present and past directors and their alternates, and members a total of five) officers.

2) Refers only to the Group as defined under 1) above.

Option programme

At the end of the financial year there was an outstanding option programme. On 29 May 2007 the Annual General Meeting resolved to issue an option programme to the employees. The option programme is for 9,580,000 options with a right to purchase one share per option. The subscription price was set at SEK 1.24 per option before recalculation as a result of new issues.

During 2007 the option programme distributed to the employees in 2005 was distributed. All outstanding options were redeemed at SEK 0.35 per share and the share capital increased by SEK 246,585. Upon redemption the Company received a total of SEK 863,000.

<i>Absence due to illness</i>	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Total absence due to illness	0,76%	-	0,76%	2,96%
Long-term absence due to illness	*	-	*	*
Absence due to illness for men	0,68%	-	0,68%	3,13%
Absence due to illness for women	0,93%	-	0,93%	2,66%
Employees up to 29 years	0,36%	-	0,36%	*
Employees 30–49 years	0,77%	-	0,77%	4,56%
Employees 50 years -	1,07%	-	1,07%	*

* Not reported due to exemption rule since the number of employees is less than 10.

Note 5. Disclosure regarding auditor's fee

	Group 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
Audit assignments Deloitte AB	175	-	175	196
Other assignments Deloitte AB	75	-	63	95
Total	249	-	237	291

By audit assignment is meant examination of the annual accounts and the administration by the Board of Directors and the President, other tasks the Company's auditors are obligated to perform, and advice or other assistance prompted by such examination or the performance of such tasks. Everything else is other assignments.

The Company elected Deloitte AB with Kerstin Sundberg as chief auditor at the Annual General Meeting held 29 May 2006 until the 2011 Annual General Meeting, i.e. 4 years.

Note 6. Amortisation

Amortisation is distributed as follows:	Group 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
Administrative and logistics expenditure	130	-	130	153
Research and development expenditure	4 487	-	4 469	5 448

Note 7. Other operating income/expense

	Group 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
Exchange rate gain of an operating nature	120	-	119	268
EU grants	102	-	102	195
NIC/Vinnova grant	50	-	50	404
Expenses invoiced to others, net	-	-	-	263
Total revenue	272	-	271	1 130
Exchange rate loss of an operating nature	-141	-	-141	-303
Total expenses	-141	-	-141	827

Note 8. Interest income and similar items

	Group 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
Interest income	418	-	441	190
Exchange rate differences	793	-	793	1 208
Total	1 211	-	1 234	1 398

Note 9. Interest expense and similar items

	Group 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
Interest expense	53	-	53	697
Exchange rate differences	428	-	428	548
Total	481	-	481	1 245

The interest expense for year 2007 refers to interest on short-term liability for acquisition of Biosensor GmbH. For 2006 the interest expense refers to interest on subordinated convertible debenture loan.

Note 10. Intangible non-current assets

	Group Patents	Group Capitalised development costs	Parent Company Patents	Parent Company Capitalised development costs
Opening acquisition cost *	16 145	37 924	16 145	37 924
Acquired development expenditure	-	15 665	-	-
Purchases/capitalised expenditure	186	5 313	54	4 782
Impairment	-	-222	-	-222
Closing accumulated acquisition cost	16 331	58 679	16 199	42 484
Opening amortisation*	-15 100	-5 981	-15 100	-5 981
Amortisation of acquired development expenditure	-	-261	-	-
Amortisation for the year	-1 049	-3 036	-1 045	-3 036
Closing accumulated amortisation	-16 149	-9 278	-16 145	-9 017
CLOSING BOOK VALUE, THE YEAR	183	49 401	54	33 467
CLOSING BOOK VALUE, PRECEDING YEAR *	-	-	1 045	31 943

During the preceding year the following amounts were reported relating to:

Amortisation	-	-	-2 509	-2 480
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During 2007 internal expenditure relating to salary costs amounting to SEK 4,256,000 (2,778,000) and external consulting fees in the amount of SEK 526,000 (0) were capitalised.

*Values in the Group for the preceding year refer in their entirety to the Parent Company's opening values, which have been used to specify the note for intangible non-current assets.

Note 11. Tangible non-current assets

	Group Plant and machinery	Group Equipment, tools, fixtures and fittings	Group Leasehold improvements	Parent Company Plant and machinery	Parent Company Equipment, tools, fixtures and fittings	Parent Company Leasehold improvements
Opening acquisition values*	3 401	1 858	1 423	3 401	1 858	1 424
Purchases	997	101	-	364	72	-
Disposals	-694	-1 001	-1 423	-694	-1 001	-1423
Closing accumulated acquisition values	3 704	958	-	3 071	929	-
Opening depreciation *	-2 034	-1 761	-1 422	-2 034	-1761	-1 422
Year's depreciation	-482	-50	-1	-469	-48	-1
Disposals	674	999	1 423	674	999	1 423
Closing accumulated depreciation	-1 842	-812	-	-1 829	-810	-
CLOSING BOOK VALUE, THE YEAR	1 864	145	-	1 243	118	-
CLOSING BOOK VALUE, PRECEDING YEAR*	-	-	-	1 367	97	2

During the preceding year the following amounts were reported relating to:

Depreciation	-	-	-	-525	-76	-13
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During 2007 internal expenditure relating to salary costs amounting to SEK 4,256,000 (2,778,000) and external consulting fees in the amount of SEK 526,000 (0) were capitalised.

*Values in the Group for the preceding year refer in their entirety to the Parent Company's opening values, which have been used to specify the note for tangible non-current assets.

Note 12. Other long-term receivables

Other long-term receivables refer to financing of subsidiary Biosensor GmbH's operations in Germany. The receivable is interest-bearing at a rate of 6 percent p.a. and is to be repaid 30 August 2009.

Note 13. Obsolescence reserve

	Group Patents	Group Capitalised development Costs	Parent Company Patents	Parent Company Capitalised development Costs
Opening balance *	80	-	80	-
Provisions	-	-	-	80
Utilisation	-	-	-	-
Unutilised amount, reversed during the period	-80	-	-80	-
Closing balance	-	-	-	80

*Values in the Group from the preceding period refer in their entirety to the Parent Company's opening values, which have been used to specify the note for obsolescence reserve.

During 2007 inventories were written down for obsolescence continually during the year.

Note 14. Financial assets and liabilities

The reserve for doubtful trade receivables amounts to SEK 0 (0). No receivables were written off during the year or identified as doubtful.

Book value for each respective category of financial instruments

	Group 31 Dec. 2007	Group 31 Dec. 2006	Parent Company 31 Dec. 2007	Parent Company 31 Dec. 2006
Assets				
Loan receivables and trade receivables	710	-	710	480
Liabilities				
Trade payables	3 013	-	2 747	2 877
Financial liabilities valued at accrued acquisition value	5 203	-	5 203	-
Total	8 926	-	8 660	3 357

Receivables due not regarded as doubtful

	Group 31 Dec. 2007	Group 31 Dec. 2006	Parent Company 31 Dec. 2007	Parent Company 31 Dec. 2006
0 – 30 days	287	-	287	215
31 – 90 days	423	-	423	226
91 – 180 days	-	-	-	39
>180 days	-	-	-	-
Total	710	-	710	480

Aging of contractual payments for financial liabilities, Group

Group	2007					2006				
	<1 month	1-3 month	3-12 month	1-5 years	>5 years	<1 months	1-3 months	3-12 months	1-5 years	>5 years
Trade payables	3 003	10	-	-	-	-	-	-	-	-
Loan liabilities for acquisition of subsidiary	-	-	5 203	-	-	-	-	-	-	-
Summa	3 003	10	5 203	-	-	-	-	-	-	-

Aging of contractual payments for financial liabilities, Parent Company

Group	2007					2006				
	<1 month	1-3 month	3-12 month	1-5 years	>5 years	<1 months	1-3 months	3-12 months	1-5 years	>5 years
Trade payables	2 737	10	-	-	-	2 877	-	-	-	-
Loan liabilities for acquisition of subsidiary	-	-	5 203	-	-	-	-	-	-	-
Summa	2 737	10	5 203	-	-	2 877	-	-	-	-

Note 15. Tax assets

	2007	2006
Tax assets		
Included among the assets are tax assets relating to special payroll tax in an amount of	560	560
Total	560	560

The Company reports in accordance with the Swedish Financial Accounting Standards Council's recommendation No. 9. The Company has accumulated tax loss carryforwards amounting to SEK 279,049,000 (254,025), equivalent to a deferred tax asset of SEK 78,134,000 (71,127).

Note 16. Other receivables

	Group 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
V.A.T. receivable	1 197	-	1 018	1 047
EU receivable	111	-	111	186
Other	84	-	84	1
Total	1 393	-	1 213	1 233

Note 17. Prepaid expenses and accrued income

	Group 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
Prepaid rent	384	-	380	249
Other prepaid expenses and accrued income	307	-	307	493
Total	690	-	686	742

Note 18. Changes in equity

During the year the employees exercised the option programme and converted their options so that 2,465,850 new shares were subscribed for and approximately SEK 860,000 was infused in the Company. This increased the share capital by MSEK 246,000.

Two issues were floated during the period. One rights issue was oversubscribed by over 18 percent and a private placement was made to those who were not allotted shares in the rights issue. The number of newly issued shares amounted to a total of 57.7 million class A shares, for a total increase of the share capital by MSEK 5.8 million. The private placement of 6.9 million class A shares, share capital of MSEK 0.7, was not registered until after year-end, however. The total issued amount amounted to MSEK 40.4 before issuing costs.

The number of shares outstanding as of 31 December is 406,568,132 (whereof 50,821,016 class A shares were registered after the turn of the year), whereof 9,808,650 are preferred class C shares. Both class and class C shares entitle their holders to 10 votes per share. Holders of class C shares have the right to receive dividends, before holders of class A shares, in conjunction with a possible liquidation of the Company. Class C shares also entitle their holders to any dividend equivalent to 6 percent of the acquisition cost of the class C shares.

Note 19. Provisions

	Group 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
Opening balance *	508	-	508	265
Provisions	162	-	162	508
Utilisation	-	-	-	-
Unutilised amount, reversed during the period	-508	-	-508	-265
Closing balance	162	-	162	508

*The value in the Group from the preceding period refers in its entirety to the Parent Company's opening values, which have been used to specify the note for provisions.

Warranty provisions are equivalent to the Company's assessment of product warranty commitments during the warranty 12-month warranty period.

Note 20. Accrued expenses and prepaid income

	Group 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
Holiday pay salary liability	1 329	-	1 329	1 327
Social benefits	660	-	660	844
Accrued interest	-	-	-	796
Accrued royalties	130	-	130	138
Prepaid income	169	-	169	153
Other accrued expenses	1 759	-	1 758	1 277
Total	4 048	-	4 047	4 535

Note 21. Supplementary disclosures regarding cash flow statement

	Group 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
Adjustments not included in cash flow				
Depreciation, amortisation and impairment of assets	5 100	-	4 821	5 602
Accrued provisions and interest liabilities	-297	-	-297	408
Total	4 803	-	4 524	6 010

Note 22. Pledged assets

	Group 2007-01-01 -2007-12-31	Group 2006-01-01 -2006-12-31	Parent Company 2007-01-01 -2007-12-31	Parent Company 2006-01-01 -2006-12-31
Pledged assets				
Bid bond	-	-	-	247
Total pledged assets	-	-	-	247

Note 23. Related party transactions

There has been no related party transactions, neither during the current year nor during last year.

Note 24. Persons with insight and their share holdings

Persons with insight	Number of shares as of 31 Dec. 2007	
	Class A shares	Class C shares
Pär M. Ericson (related)	88 089 023	5 069 400
Ulf Ericsson (related)	1 926 241	266 250
Ulf Ericsson	37 142	-
Olof Lundberg	-	-
Leif Engström	2 009 900	532 500
Bengt Hagander (related)	88 089 023	5 069 400
Bengt Hagander	5 000	-
Magnus Björkqvist	-	-
Kristina Elfström (related)	5 000	-
Kristina Elfström	429 180	-
Jonas Åkesson	282 800	-
Per Månsson	462 800	-
Kerstin Sundberg	-	-
Lars Burström	-	-
Sabine Bois	-	-
Markus Perpeet	-	-

Note 25. Events after the balance sheet date

After the end of the period the Swedish parliament (Riksdag) resolved to amend legislation, to gain legal force 1 April 2008, where, among other, the criminal justice system now will be permitted to test for narcotics ingestion by taking perspiration samples with a simple skin swipe. Biosensor's test method is thus approved for Swedish correctional facilities.

Biosensor has received positive results from American tests of systems for explosives detection at NAVSEA. Biosensor's products are thus entered for purchase in the procurement structure of American armed forces.

Note 26. Presumption of continuing operations

Against the background of the far advanced development of the Company's products and three years of sales with positive response from customers, the Board of Directors is of the opinion that the prospect of obtaining additional financing are good. There are no guarantees, however, that new financing will be available as planned.

The Annual Report has been compiled on the presumption of continuing operations.

Stockholm, 20 April 2008

Pär M Ericson
Chairman

Bengt Hagander
President & CEO

Leif Engström
Director

Ulf Ericsson
Director

Olle Lundberg
Director

Our audit report differs from standard issue and was submitted on 29 April 2008.

Deloitte AB
Kerstin Sundberg
Authorised Public Accountant

AUDIT REPORT

Deloitte.**To the annual meeting of the shareholders of Biosensor Applications Sweden AB (publ)
Corporate identity number 556376-6814**

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Biosensor Applications Sweden AB (publ) for the financial year 2007-01-01--2007-12-31. The company's annual accounts are included in the printed version of this document on pages 7-39. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

As stated in the administration report additional need for external financing may occur. The Board of Directors has come to the conclusion that the prospects for attracting new financing are good, therefore the annual accounts has been prepared based on the going concern assumption. Without this affecting our opinion below, we would like to draw attention to the fact that if necessary financing is not received, if required, there exist an uncertainty regarding the company's ability to carry on its business activities.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the loss of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm 29 April 2008

Deloitte AB

(signature on original document)

Kerstin Sundberg
Authorized Public Accountant



Biosensor Applications Sweden AB
Solna Strandv. 3 | SE-171 54 Solna | Sweden
Tel. +46 8 706 7500 | www.biosensor.se
info@biosensor.se