

NORTHFIELD LABORATORIES INC /DE/

Form 10-Q

April 09, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED February 28, 2007
OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____
COMMISSION FILE NUMBER 0-24050
NORTHFIELD LABORATORIES INC.
(Exact name of registrant as specified in its charter)**

DELAWARE
(State or other jurisdiction
of incorporation or organization)

36-3378733
(I.R.S. Employer
Identification Number)

1560 SHERMAN AVENUE, SUITE 1000,
EVANSTON,
ILLINOIS
(Address of principal executive offices)

60201-4800
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (847) 864-3500

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 under the Exchange Act) Yes No

As of February 28, 2007, Registrant had 26,914,824 shares of common stock outstanding

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report contains forward-looking statements concerning, among other things, our prospects, clinical and regulatory developments affecting our potential product and our business strategies. These forward-looking statements are identified by the use of such terms as intends, expects, plans, estimates, anticipates, forecasts, believes and similar terms.

These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those predicted by the forward-looking statements because of various factors and possible events, including those discussed under Risk Factors in our Annual Report on Form 10-K for our fiscal year ended May 31, 2006, and our Quarterly Report on Form 10-Q for our fiscal quarter ended November 30, 2006, each of which is filed with the Securities and Exchange Commission, and those matters discussed under Legal Proceedings in this Quarterly Report. Because these forward-looking statements involve risks and uncertainties, actual results may differ significantly from those predicted in these forward-looking statements. You should not place undue weight on these statements. These statements speak only as of the date of this document or, in the case of any document incorporated by reference, the date of that document.

All subsequent written and oral forward-looking statements attributable to Northfield or any person acting on our behalf are qualified by the cautionary statements in this section and in our Annual Report. We will have no obligation to revise these forward-looking statements.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Northfield Laboratories Inc.:

We have reviewed the balance sheet of Northfield Laboratories Inc. (a company in the development stage) as of February 28, 2007, the related statements of operations for the three-month periods ended February 28, 2007 and February 28, 2006, and the statements of operations and cash flows for the nine-month periods ended February 28, 2007 and February 28, 2006 and for the period from June 19, 1985 (inception) through February 28, 2007. We have also reviewed the statements of shareholders' equity (deficit) for the nine-month period ended February 28, 2007 and for the period from June 19, 1985 (inception) through February 28, 2007. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole.

Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheet of Northfield Laboratories Inc. as of May 31, 2006, and the related statements of operations, shareholders' equity (deficit), and cash flows for the year then ended and for the period from June 19, 1985 (inception) through May 31, 2006 (not presented herein); and in our report dated August 11, 2006, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheet as of May 31, 2006 and in the accompanying statements of operations, cash flows and shareholders' equity (deficit) for the period from June 19, 1985 (inception) through May 31, 2006 is fairly stated, in all material respects, in relation to the statements from which it has been derived.

(signed) KPMG LLP

Chicago, IL

April 9, 2007

Part I
FINANCIAL INFORMATION

Item 1. Financial Statements.**NORTHFIELD LABORATORIES INC.**

(a company in the development stage)

Balance Sheets

February 28, 2007 and May 31, 2006

	February 28, 2007	May 31, 2006
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,116,066	39,304,602
Restricted cash	223,454	926,492
Marketable securities	20,779,220	33,679,022
Prepaid expenses	226,926	813,104
Total current assets	47,345,666	74,723,220
Property, plant, and equipment	21,682,216	15,654,049
Accumulated depreciation	(13,240,063)	(14,575,118)
Net property, plant, and equipment	8,442,153	1,078,931
Other assets	19,550	68,941
	\$ 55,807,369	75,871,092
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	\$ 3,330,236	4,481,804
Accrued expenses	162,105	134,006
Accrued compensation and benefits	741,475	742,038
Government grant liability	223,454	926,492
Other	5,198	249,580
Total liabilities	4,462,468	6,533,920
Shareholders equity:		
Preferred stock, \$.01 par value. Authorized 5,000,000 shares; none issued and outstanding		
Common stock, \$.01 par value. Authorized 60,000,000 shares; issued 26,916,541 at February 28, 2007 and 26,777,655 at May 31, 2006	269,165	267,777
Additional paid-in capital	244,514,954	241,240,276
Deficit accumulated during the development stage	(193,413,825)	(172,136,429)
Deferred compensation		(9,059)

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	51,370,294	69,362,565
Less cost of common shares in treasury; 1,717 shares and 1,717 shares, respectively	(25,393)	(25,393)
Total shareholders' equity	51,344,901	69,337,172
	\$ 55,807,369	75,871,092

See accompanying notes to financial statements and accountants' review report.

NORTHFIELD LABORATORIES INC.

(a company in the development stage)

Statements of Operations

Three and nine months ended February 28, 2007 and February 28, 2006 and for the period from June 19, 1985 (inception) through February 28, 2007

	Three months ended		Nine months ended		Cumulative	
	February 28		February 28,		from	
	2007	2006	2007	2006	June 19, 1985	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	through	
					February 28,	
					2007	
					(unaudited)	
Revenues license income	\$				3,000,000	
Costs and expenses:						
Research and development		4,476,365	5,786,424	15,927,707	16,453,600	163,708,905
General and administrative		2,269,980	1,453,876	7,534,628	4,302,696	62,810,528
		6,746,345	7,240,300	23,462,335	20,756,296	226,519,433
Other income and expense:						
Interest income		634,577	845,342	2,184,939	2,311,500	30,263,763
Interest expense						83,234
	\$	634,577	845,342	2,184,939	2,311,500	30,180,529
Net loss before cumulative effect of change in accounting principle		(6,111,768)	(6,394,958)	(21,277,396)	(18,444,796)	(193,338,904)
Cumulative effect of change in accounting principle						74,921
Net loss	\$	(6,111,768)	(6,394,958)	(21,277,396)	(18,444,796)	(193,413,825)
Net loss per share basic and diluted	\$	(0.23)	(0.24)	(0.79)	(0.69)	(17.14)
Shares used in calculation of per share data basic and diluted		26,911,357	26,769,380	26,877,075	26,764,146	11,281,878

See accompanying notes to financial statements and accountants' review report.

NORTHFIELD LABORATORIES INC.

(a company in the development stage)

Statements of Shareholders' Equity (Deficit)

Nine months ended February 28, 2007 and the cumulative period
from June 19, 1985 (inception) through February 28, 2007

Preferred stock Aggregate Number of shares	Common stock		Series A convertible preferred stock		Series B convertible preferred stock		Additional paid-in capital	Deficit accumulated during the development stage	Deferred compensation	Treasury shares
	Number	Aggregate amount	Number	Aggregate amount	Number	Aggregate amount				
\$	3,500,000	\$ 35,000		\$		\$	\$ (28,000)	\$	\$	
			250,000	250,000			670,850	(607,688)		
	3,500,000	35,000	250,000	250,000			642,850	(607,688) (2,429,953)		
							2,340,000			(2,340,000)
										720,000
	3,500,000	35,000	250,000	250,000	200,633	200,633	2,982,850 6,882,502	(3,037,641)	(1,620,000)	

								(3,057,254)	
									566,136
3,500,000	35,000	250,000	250,000	200,633	200,633	9,865,352		(6,094,895)	(1,053,864)
413,020	4,130					9,749,870			
1,250,000	12,500	(250,000)	(250,000)			237,500			
1,003,165	10,032			(200,633)	(200,633)	190,601			
47,115	471					93,759			
175,525	1,755					4,976,855			

87,760	878	2,488,356		
		7,443,118	(791,206)	
		683,040		(683,040)
				800,729
6,476,585	64,766	35,728,451	(6,886,101) (3,490,394)	(936,175)
		699,163		(699,163)
				546,278
6,476,585	64,766	36,427,614	(10,376,495) (5,579,872)	(1,089,060)
				435,296

