

NORTHFIELD LABORATORIES INC /DE/

Form 10-Q

October 10, 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 August 31, 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 August 31, 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, 2007 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 August 31, 2007, the related statements of operations and cash flows for the three-month periods ended August 31, 2007 and August 31, 2006, and for the period from June 19, 1985 (inception) through August 31, 2007. We have also reviewed the statements of shareholders' equity (deficit) for the three-month period ended August 31, 2007 and for the period from June 19, 1985 (inception) through August 31, 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, 2007, 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, 2007 (not presented herein); and in our report dated August 14, 2007, 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, 2007 and in the accompanying statements of operations, cash flows and shareholders' equity (deficit) for the period from June 19, 1985 (inception) through May 31, 2007 is fairly stated, in all material respects, in relation to the statements from which it has been derived.

(signed) KPMG LLP

Chicago, IL
October 10, 2007

NORTHFIELD LABORATORIES INC.

(a company in the development stage)

Balance Sheets

August 31, 2007 and May 31, 2007

	August 31, 2007	May 31, 2007
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,237,015	23,224,026
Restricted cash		529,752
Marketable securities	11,961,447	16,934,204
Prepaid expenses	685,051	673,192
Other current assets	646,625	212,854
Total current assets	35,530,138	41,574,028
Property, plant, and equipment	19,759,536	19,588,246
Accumulated depreciation	(11,228,022)	(11,063,080)
Net property, plant, and equipment	8,531,514	8,525,166
Other assets	19,550	19,550
	\$ 44,081,202	50,118,744
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	\$ 1,992,518	3,573,025
Accrued expenses	176,281	101,118
Accrued compensation and benefits	849,048	565,709
Government grant liability		529,752
Total current liabilities	3,017,847	4,769,604
Other liabilities	9,664	7,431
Total liabilities	3,027,511	4,777,035
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 August 31, 2007 and 26,916,541 at May 31, 2007	269,165	269,165
Additional paid-in capital	245,422,982	244,905,543
Deficit accumulated during the development stage	(204,613,063)	(199,807,606)

	41,079,084	45,367,102
Less cost of common shares in treasury; 1,717 shares and 1,717 shares, respectively	(25,393)	(25,393)
Total shareholders' equity	41,053,691	45,341,709
	\$ 44,081,202	50,118,744

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

NORTHFIELD LABORATORIES INC.

(a company in the development stage)

Statements of Operations

Three months ended August 31, 2007 and August 31, 2006 and for the period from June 19, 1985 (inception) through August 31, 2007

	Three months ended August 31,		Cumulative from June 19, 1985 through August 31, 2007
	2007	2006	(unaudited)
	(unaudited)	(unaudited)	(unaudited)
Revenues license income	\$		3,000,000
Costs and expenses:			
Research and development	3,777,501	5,826,112	172,618,317
General and administrative	1,510,284	2,563,649	66,160,579
	5,287,785	8,389,761	238,778,896
Other income and expense:			
Interest income	482,328	827,187	31,323,988
Interest expense			83,234
	\$ 482,328	827,187	31,240,754
Net loss before cumulative effect of change in accounting principle	(4,805,457)	(7,562,574)	(204,538,142)
Cumulative effect of change in accounting principle			74,921
Net loss	\$ (4,805,457)	(7,562,574)	(204,613,063)
Net loss per share basic and diluted	\$ (0.18)	(0.28)	(15.87)
Shares used in calculation of per share data basic and diluted	26,914,814	26,775,762	12,896,844

See accompanying notes to financial statements and accountants review report.

NORTHFIELD LABORATORIES INC.

(a company in the development stage)

Statements of Shareholders' Equity (Deficit)

Three months ended August 31, 2007 and the cumulative period
from June 19, 1985 (inception) through August 31, 2007

	Preferred stock	Common stock	Series A convertible	Series B convertible	Additional	Deficit	Deferred	Treasury
	Number of shares	Aggregate amount	Number of shares	Aggregate amount	paid-in capital	accumulated during the development stage	compensation	shares (amount)
27,	\$ 3,500,000	\$ 35,000		\$	\$ (28,000)	\$	\$	\$
00			250,000	250,000	670,850	(607,688)		
86	\$ 3,500,000	\$ 35,000	250,000	\$ 250,000	\$ 642,850	\$ (607,688)	\$ (2,429,953)	\$
on					2,340,000		(2,340,000)	
on							720,000	
87	\$ 3,500,000	\$ 35,000	250,000	\$ 250,000	\$ 2,982,850	\$ (3,037,641)	\$ (1,620,000)	\$
				200,633	200,633	6,882,502		

									(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			

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on								254,025	
93	\$	6,955,955	\$ 69,560	\$	\$	\$ 42,701,314	\$ (31,029,471)	\$ (145,714)	\$ 1
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