

ARBIOS SYSTEMS INC
Form 10QSB
May 16, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-QSB

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
AND EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 000-32603

ARBIOS SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation organization)

91-1955323
(IRS Employer Identification No.)

8797 Beverly Blvd., #206, Los Angeles, California
(Address of principal executive offices)

90048
(Zip Code)

(310) 657-4898
(Registrant's telephone number, including area code)

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 the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. On April 29, 2005, there were 16,232,909 shares of common stock, \$.001 par value, issued and outstanding.

**ARBIOS SYSTEMS, INC.
FORM 10-QSB**

		PAGE NO.
PART I. FINANCIAL INFORMATION		
Item 1.	Condensed Consolidated Financial Statements:	
	Condensed Consolidated Balance Sheets as of March 31, 2005 (unaudited) and December 31, 2004 (audited)	3
	Condensed Consolidated Statements of Operations for the three months ended March 31, 2005 and 2004 and from inception to March 31, 2005 (unaudited)	4
	Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2005 and 2004 and from inception to March 31, 2005 (unaudited)	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3.	Controls And Procedures	18
PART II. OTHER INFORMATION		
Item 6.	Exhibits and Reports on Form 8-K	19
SIGNATURES		20
CERTIFICATIONS		21

PART I**ITEM 1. Condensed Consolidated Financial Statements**

ARBIOS SYSTEMS, INC. AND SUBSIDIARY
(A development stage company)
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 2005 (Unaudited)	December 31, 2004 (Audited)
Current assets		
Cash and cash equivalents	\$ 6,818,807	\$ 1,501,905
Prepaid expenses	177,191	97,653
Total current assets	\$ 6,995,998	\$ 1,599,558
Net property and equipment		
Net property and equipment	103,262	107,789
Patent rights, net of accumulated amortization of \$112,857 for 2005 and \$105,457 for 2004	287,143	294,543
Other assets	12,421	33,164
Total assets	\$ 7,398,824	\$ 2,035,054
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 98,358	\$ 92,304
Accrued expenses	58,752	121,460
Contract commitment		250,000
Current portion of capitalized lease obligation	3,080	5,341
Total current liabilities	160,190	469,105
Stockholders' equity		
Preferred stock, \$.001 par value; 5,000,000 shares authorized: none issued and outstanding		
Common stock, \$.001 par value; 25,000,000 shares authorized; 16,232,909 and 13,216,097 shares issued and outstanding in 2005 and 2004, respectively		
		16,233
		13,216
Additional paid-in capital		13,300,215
		6,508,061

Deficit accumulated during the development stage	
)	(6,077,814
)	(4,955,328
Total stockholders' equity	
	7,238,634
	1,565,949
Total liabilities and stockholders' equity	
\$	7,398,824
\$	2,035,054

The accompanying notes are an integral part of these condensed consolidated financial statements.

ARBIOS SYSTEMS, INC. AND SUBSIDIARY
(A development stage company)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	For the three months ended March 31,		Inception to
	2005	2004	March 31, 2005
Revenues	\$ -	\$ -	\$ 320,966
Operating expenses:			
General and administrative	874,464	200,285	3,486,833
Research and development	258,495	152,172	2,694,548
Total operating expenses	1,132,959	352,457	6,181,381
Loss before other income (expense)	(1,132,959)	(352,457)	(5,860,415)
Other income (expense):			
Interest income	10,559	5,060	26,691
Interest expense	(86)	-	(244,090)
Total other income (expense)	10,473	5,060	(217,399)
Net loss	\$ (1,122,486)	\$ (347,397)	\$ (6,077,814)
Net loss per share:			
Basic and diluted	\$ (0.07)	\$ (0.03)	
Weighted-average shares:			
Basic and diluted	15,846,688	13,191,422	

The accompanying notes are an integral part of these condensed consolidated financial statements.

ARBIOS SYSTEMS, INC. AND SUBSIDIARY
(A development stage company)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended March 31,		Inception to
	2005	2004	March 31, 2005
Cash flows from operating activities:			
Net loss	\$ (1,122,486)	\$ (347,397)	\$ (6,077,814)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of debt discount			244,795
Depreciation and amortization			14,427
			10,493
			154,955
Issuance of common stock for compensation			464,198
			1,520,250
Settlement of accrued expense			54,401
Deferred compensation costs			319,553
Changes in operating assets and liabilities:			
Prepaid expenses			(79,538)
)			10,163
			(177,193)

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)		
Other assets		20,743
)		(4,987)
)		(12,421)
Accounts payable and accrued expenses		(15,775)
)		(25,502)
)		169,182
Contract obligation		(250,000)
)		-
Net cash used in operating activities		(968,431)
)		(357,230)
)		