

Pharma-Bio Serv, Inc.  
Form 10-Q  
September 14, 2010

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2010

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-50956

PHARMA-BIO SERV, INC.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

20-0653570  
(IRS Employer  
Identification No.)

Pharma-Bio Serv Building,  
# 6 Road 696  
Dorado, Puerto Rico  
(Address of Principal Executive Offices)

00646  
(Zip Code)

787-278-2709  
(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 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The number of shares of the registrant's common stock outstanding as of September 10, 2010 was 20,751,215.

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PHARMA-BIO SERV, INC.  
FORM 10-Q  
FOR THE QUARTER ENDED JULY 31, 2010

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## PART I – FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

PHARMA-BIO SERV, INC.  
Condensed Consolidated Balance Sheets  
(Unaudited)

	July 31, 2010 *	October 31, 2009 **
<b>ASSETS:</b>		
Current assets		
Cash and cash equivalents	\$ 1,929,126	\$ 2,051,874
Accounts receivable	2,711,208	2,034,963
Other	284,950	298,830
Total current assets	4,925,284	4,385,667
Property and equipment		
Other assets	1,377,819	1,567,145
Total assets	41,724	69,469
	\$ 6,344,827	\$ 6,022,281
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Current portion-obligations under capital leases	\$ 17,873	\$ 43,737
Accounts payable and accrued expenses	1,193,525	1,112,739
Income taxes payable	226,439	140,443
Total current liabilities	1,437,837	1,296,919
Obligations under capital leases, less current portion		
Total liabilities	58,529	62,385
	1,496,366	1,359,304
Stockholders' equity:		
Preferred stock, \$0.0001 par value; authorized 10,000,000 shares; none outstanding	-	-
Common stock, \$0.0001 par value; authorized 50,000,000 shares; issued and outstanding 20,751,215 shares	2,075	2,075
Additional paid-in capital	636,056	602,508
Retained earnings	4,257,565	4,068,817
Accumulated other comprehensive loss	(47,235)	(10,423)
Total stockholders' equity	4,848,461	4,662,977
Total liabilities and stockholders' equity	\$ 6,344,827	\$ 6,022,281

\* Unaudited.

\*\* Condensed from audited financial statements.

See notes to condensed consolidated financial statements.

PHARMA-BIO SERV, INC.  
Condensed Consolidated Statements of Income  
(Unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	2010	2009	2010	2009
REVENUES	\$ 2,926,207	\$ 2,626,531	\$ 8,256,550	\$ 8,659,944
COST OF SERVICES	2,037,708	1,753,351	5,860,133	5,732,323
GROSS PROFIT	888,499	873,180	2,396,417	2,927,621
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	683,740	710,050	2,064,029	2,208,698
INCOME FROM OPERATIONS	204,759	163,130	332,388	718,923
OTHER INCOME (EXPENSE):				
Interest expense	(1,497)	(4,484)	(4,194)	(50,811)
Interest income	2,969	4,988	11,933	20,971
Gain on disposition of property and equipment	-	-	1,920	6,081
	1,472	504	9,659	(23,759)
INCOME BEFORE TAXES	206,231	163,634	342,047	695,164
INCOME TAXES	84,822	110,345	153,299	354,478
NET INCOME	\$ 121,409	\$ 53,289	\$ 188,748	\$ 340,686
BASIC EARNINGS PER COMMON SHARE	\$ 0.006	\$ 0.003	\$ 0.009	\$ 0.016
DILUTED EARNINGS PER COMMON SHARE	\$ 0.005	\$ 0.002	\$ 0.008	\$ 0.015
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC	20,751,215	20,751,215	20,751,215	20,751,215
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – DILUTED	22,442,800	22,461,517	22,371,847	22,287,638

See notes to condensed consolidated financial statements.

PHARMA-BIO SERV, INC.  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	2010	2009	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	\$ 121,409	\$ 53,289	\$ 188,748	\$ 340,686
Adjustments to reconcile net income to net cash provided by operating activities:				
Gain on disposition of property and equipment	-	-	(1,920)	(6,081)
Stock-based compensation	4,830	11,290	33,548	47,256
Depreciation and amortization	79,523	71,370	242,312	236,900
Imputed interest expense	-	-	-	43,108
Decrease (increase) in accounts receivable	(849,220)	45,065	(701,547)	1,078,501
Decrease (increase) in other assets	(65,840)	(99,726)	26,759	(63,329)
Increase in liabilities	123,108	208,442	186,656	8,578
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(586,190)</b>	<b>289,730</b>	<b>(25,444)</b>	<b>1,685,619</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Acquisition of property and equipment	(7,562)	(115,745)	(27,617)	(211,556)
Payments for business assets acquisition	-	-	-	(150,394)
Proceeds from sale of property and equipment	-	-	-	12,400
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(7,562)</b>	<b>(115,745)</b>	<b>(27,617)</b>	<b>(349,550)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Payments on obligations under capital lease	(11,751)	(5,691)	(38,378)	(25,978)
Payments to affiliate	-	-	-	(2,250,000)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(11,751)</b>	<b>(5,691)</b>	<b>(38,378)</b>	<b>(2,275,978)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(14,653)</b>			