

Pharma-Bio Serv, Inc.
Form 10-Q
June 14, 2011

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 April 30, 2011

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)

Registrant's Telephone Number, Including Area Code 787-278-2709

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

Edgar Filing: Pharma-Bio Serv, Inc. - Form 10-Q

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 June 13, 2011 was 20,751,215.

PHARMA-BIO SERV, INC.
FORM 10-Q
FOR THE QUARTER ENDED APRIL 30, 2011

TABLE OF CONTENTS

	Page
PART I FINANCIAL INFORMATION	
Item 1 – Financial Statements	
Condensed Consolidated Balance Sheets as of April 30, 2011 and October 31, 2010 (unaudited)	3
Condensed Consolidated Statements of Income for the three-month and six-month periods ended April 30, 2011 and 2010 (unaudited)	4
Condensed Consolidated Statements of Cash Flows for the three-month and six-month periods ended April 30, 2011 and 2010 (unaudited)	5
Notes to Condensed Consolidated Financial Statements (unaudited)	6
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 4 – Controls and Procedures	17
PART II OTHER INFORMATION	
Item 1 – Legal Proceedings	18
Item 6 – Exhibits	18
SIGNATURES	19

PART I – FINANCIAL INFORMATION

Item 1.

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

	April 30, 2011*	October 31, 2010**
ASSETS:		
Current assets		
Cash and cash equivalents	\$2,552,989	\$2,317,168
Marketable securities	95,000	95,000
Accounts receivable	3,989,801	2,520,407
Other	211,759	270,827
Total current assets	6,849,549	5,203,402
Property and equipment	1,316,808	1,321,258
Other assets	24,399	33,364
Total assets	\$8,190,756	\$6,558,024
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities		
Current portion-obligations under capital leases	\$30,095	\$18,227
Accounts payable and accrued expenses	1,484,167	1,205,576
Income taxes payable	629,714	210,911
Total current liabilities	2,143,976	1,434,714
Obligations under capital leases	108,631	53,839
Total liabilities	2,252,607	1,488,553
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	650,218	645,886
Retained earnings	5,276,680	4,440,728
Accumulated other comprehensive gain (loss)	9,176	(19,218)
Total stockholders' equity	5,938,149	5,069,471
Total liabilities and stockholders' equity	\$8,190,756	\$6,558,024

* 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 April 30,		Six months ended April 30,	
	2011	2010	2011	2010
REVENUES	\$ 4,586,804	\$ 2,773,604	\$ 8,179,475	\$ 5,330,343
COST OF SERVICES	3,041,804	2,016,862	5,458,467	3,822,425
GROSS PROFIT	1,545,000	756,742	2,721,008	1,507,918
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	808,245	678,428	1,466,726	1,380,289
INCOME FROM OPERATIONS	736,755	78,314	1,254,282	127,629
OTHER INCOME (EXPENSE):				
Interest expense	(1,991)	(939)	(3,341)	(2,697)
Interest income	4,354	4,300	9,119	8,964
Gain on disposition of property and equipment	-	-	-	1,920
	2,363	3,361	5,778	8,187
INCOME BEFORE TAXES	739,118	81,675	1,260,060	135,816
INCOME TAXES	259,426	34,795	424,108	68,477
NET INCOME	\$ 479,692	\$ 46,880	\$ 835,952	\$ 67,339
BASIC EARNINGS PER COMMON SHARE	\$ 0.023	\$ 0.002	\$ 0.040	\$ 0.003
DILUTED EARNINGS PER COMMON SHARE	\$ 0.021	\$ 0.002	\$ 0.037	\$ 0.003
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	22,483,430	22,307,369	22,479,368	22,371,489

See notes to condensed consolidated financial statements.

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

	Three months ended April 30,		Six months ended April 30,	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 479,692	\$ 46,880	\$ 835,952	\$ 67,339
Adjustments to reconcile net income to net cash provided by operating activities:				
Gain on disposition of property and equipment	-	-	-	(1,920)
Stock-based compensation	2,166	12,826	4,332	28,718
Depreciation and amortization	74,128	81,001	148,841	162,789
(Increase) decrease in accounts receivable	(812,507)	66,805	(1,420,966)	147,673
(Increase) decrease in other assets	(5,140)	(434)	66,618	92,599
Increase in liabilities	448,688	84,068	658,368	63,548
NET CASH PROVIDED BY OPERATING ACTIVITIES	187,027	291,146	293,145	560,746
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property and equipment	(56,150)	(8,985)	(66,215)	(20,055)
NET CASH USED IN INVESTING ACTIVITIES	(56,150)	(8,985)	(66,215)	(20,055)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments on obligations under capital lease	(5,391)	(5,460)	(9,815)	(26,627)
NET CASH USED IN FINANCING ACTIVITIES	(5,391)	(5,460)	(9,815)	(26,627)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	20,523	(10,691)	18,706	(16,656)
NET INCREASE IN CASH AND CASH EQUIVALENTS	146,009	266,010	235,821	497,408
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	2,406,980	2,283,272	2,317,168	2,051,874
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 2,552,989	\$ 2,549,282	\$ 2,552,989	\$ 2,549,282
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:				
Cash paid during the period for:				
Income taxes	\$ -	\$ 9,325	\$ 6,025	\$ 15,468
Interest	\$ 1,703	\$ 939	\$ 3,053	\$ 2,697