Pharma-Bio Serv, Inc.
Form 10-Q
March 17, 2017

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 January 31, 2017

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	20-0653570
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

Pharma-Bio Serv Building,	
# 6 Road 696	00646
Dorado, Puerto Rico	
(Address of Principal Executive Offices)	(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

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 March 13, 2017 was 23,113,331.

PHARMA-BIO SERV, INC.
FORM 10-Q
FOR THE QUARTER ENDED JANUARY 31, 2017

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PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	January 31, 2017*	October 31, 2016**
ASSETS:		
Current assets		
Cash and cash equivalents	$13,670,616	$13,773,582
Marketable securities	21,969	20,283
Accounts receivable	6,015,011	6,853,123
Other	807,783	981,105
Total current assets	20,515,379	21,628,093
Property and equipment	2,505,291	2,334,029
Other assets	35,563	35,579
Total assets	$23,056,233	$23,997,701
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities		
Current portion-obligations under capital leases	$21,399	$22,950
Accounts payable and accrued expenses	1,510,534	2,090,818
Income taxes payable	46,084	44,770
Total current liabilities	1,578,017	2,158,538
Obligations under capital leases	24,635	29,002
Total liabilities	1,602,652	2,187,540
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; 23,333,083 and 23,226,268 shares issued, and 23,113,531 and 23,009,316 shares outstanding at January 31, 2017 and October 31, 2016, respectively	2,333	2,323
Additional paid-in capital	1,253,489	1,231,439
Retained earnings	20,592,905	20,975,050
Accumulated other comprehensive loss	(160,528)	(165,915)
	21,688,199	22,042,897
Treasury stock, at cost; 219,552 and 216,952 common shares held at January 31, 2017 and October 31, 2016, respectively	(234,618)	(232,736)

Total stockholders' equity	21,453,581	21,810,161
Total liabilities and stockholders' equity	$23,056,233	$23,997,701

* Unaudited.
** Condensed from audited financial statements.

See notes to the condensed consolidated financial statements.

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

	Three months ended January 31,	
	2017	2016
REVENUES	$4,046,291	$4,900,455
COST OF SERVICES	3,013,946	3,142,064
GROSS PROFIT	1,032,345	1,758,391
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,416,342	1,374,243
INCOME (LOSS) FROM OPERATIONS	(383,997)	384,148
OTHER INCOME (EXPENSE), NET	3,612	(2,705)
INCOME (LOSS) BEFORE INCOME TAXES	(380,385)	381,443
INCOME TAX EXPENSE	1,750	31,432
NET INCOME (LOSS)	$(382,135)	$350,011
BASIC EARNINGS (LOSSES) PER COMMON SHARE	$(0.017)	$0.015
DILUTED EARNINGS (LOSSES) PER COMMON SHARE	$(0.017)	$0.015
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC	23,051,349	23,019,517
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	23,088,560	23,258,323

See notes to the condensed consolidated financial statements.

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

	Three months ended January 31,	
	2017	2016
NET INCOME (LOSS)	$(382,135)	$350,011
OTHER COMPREHENSIVE INCOME (LOSS), NET OF RECLASSIFICATION ADJUSTMENTS AND TAXES:		
Foreign currency translation gain (loss)	3,701	(4,103)
Net unrealized gain (loss) on available-for-sale securities	1,686	(6,849)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	5,387	(10,952)
COMPREHENSIVE INCOME (LOSS)	$(376,748)	$339,059

See notes to the condensed consolidated financial statements.

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

	Three months ended January 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(382,135)	$350,011
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	22,050	22,050
Depreciation and amortization	109,460	74,148
Decrease in accounts receivable	849,170	81,508
Decrease in other assets	178,378	171,490
Decrease in liabilities	(591,532)	(626,885)
NET CASH PROVIDED BY OPERATING ACTIVITIES	185,391	72,322
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(280,722)	(414,364)
NET CASH USED IN INVESTING ACTIVITIES	(280,722)	(414,364)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of common stock	(1,882)	(28,985)
Payments on obligations under capital lease	(5,918)	(5,562)
NET CASH USED IN FINANCING ACTIVITIES	(7,800)	(34,547)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	165	(1,178)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(102,966)	(377,767)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	13,773,582	14,893,387
CASH AND CASH EQUIVALENTS – END OF PERIOD	$13,670,616	$14,515,620
SUPPLEMENTAL DISCLOURES OF CASH FLOWS INFORMATION:		
Cash paid during the period for:		
Income taxes	$40	$3,775
Interest	$635	$1,111
SUPPLEMENTARY SCHEDULES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Income tax withheld by clients to be used as a credit in the Company’s income tax return	$14,230	$2,003
Conversion of cashless exercise of options to shares of common stock and shares issued under restricted stock unit agreements	$10	$3
	$30,034	$110,743

Disposed property and equipment with accumulated depreciation of $30,034 and $110,743 for the three months ended January 31, 2017 and 2016, respectively

See notes to the condensed consolidated financial statements.

PHARMA-BIO SERV, INC.
Notes To Condensed Consolidated Financial Statements
January 31, 2017
(Unaudited)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Pharma-Bio Serv, Inc. ("Pharma-Bio") is a Delaware corporation organized on January 14, 2004. Pharma-Bio is the parent company of Pharma-Bio Serv PR, Inc. ("Pharma-PR"), Pharma Serv, Inc. ("Pharma-Serv") and Scienza Labs, Inc. ("Scienza Labs"), each a Puerto Rico corporation, Pharma-Bio Serv US, Inc. ("Pharma-US"), a Delaware corporation, Pharma-Bio Serv Validation & Compliance Limited ("Pharma-IR"), an Irish corporation, Pharma-Bio Serv SL ("Pharma-Spain"), a Spanish limited liability company, and Pharma-Bio Serv Brasil Servicos de Consultoria Ltda. ("Pharma-Brazil"), a Brazilian limited liability company. Pharma-Bio, Pharma-PR, Pharma-Serv, Pharma-US, Pharma-IR, Pharma-Spain and Pharma-Brazil are collectively referred to as the "Company." The Company operates in Puerto Rico, the United States, Ireland, Spain and Brazil under the name of Pharma-Bio Serv and is engaged in providing technical compliance consulting service, and microbiological and chemical laboratory testing.

Scienza Labs is a wholly owned subsidiary, which was organized in Puerto Rico in April 2016. As of October 31, 2016, this subsidiary was in development stage and has not incurred significant revenues or expenses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated balance sheet of the Company as of October 31, 2016 is derived from audited consolidated financial statements but does not include all disclosures required by generally accepted accounting principles. The unaudited interim condensed consolidated financial statements, include all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations and cash flows for the interim periods. The results of operations for the three months ended January 31, 2017 are not necessarily indicative of expected results for the full 2017 fiscal year.

The accompanying financial data as of January 31, 2017, and for the three-month period ended January 31, 2017 and 2016 has been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally contained in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes contained in our audited Consolidated Financial Statements and the notes thereto for the fiscal year ended October 31, 2016.

Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Actual results may differ from these estimates.

Fair Value of Financial Instruments

Accounting standards have established a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting standards have established three levels of inputs that may be used to measure fair value:

Level1:
Quoted prices in active markets for identical assets and liabilities.

Level 2:
Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3:
Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Marketable securities available-for-sale consist of U.S. Treasury securities and an obligation from the Puerto Rico Government Development Bank valued using quoted market prices in active markets. Accordingly, these securities are categorized in Level 1.

The carrying value of the Company's financial instruments (excluding marketable securities and obligations under capital leases), cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, are considered reasonable estimates of fair value due to their liquidity or short-term nature. Management believes, based on current rates, that the fair value of its obligations under capital leases approximates the carrying amount.

Revenue Recognition

Revenue is primarily derived from: (1) time and materials contracts (representing approximately 83% of total revenues), which is recognized by applying the proportional performance model, whereby revenue is recognized as performance occurs, (2) short-term fixed-fee contracts or "not to exceed" contracts (representing approximately 1% of total revenues), which revenue is recognized similarly, except that certain milestones also have to be reached before revenue is recognized, and (3) laboratory testing revenue (representing approximately 16% of total revenues) is mainly recognized as the testing is completed and certified (normally within days of sample receipt from the customer). If the Company determines that a contract will result in a loss, the Company recognizes the estimated loss in the period in which such determination is made.

Cash Equivalents

For purposes of the consolidated statements of cash flows, cash equivalents include investments in a money market obligations trust that is registered under the U.S. Investment Company Act of 1940, as amended, and liquid investments with original maturities of three months or less.

Marketable Securities

We consider our marketable security investment portfolio and marketable equity investments as available-for-sale and, accordingly, these investments are recorded at fair value with unrealized gains and losses generally recorded in other comprehensive income; whereas realized gains and losses are included in earnings and determined based on the specific identification method.

We review our available-for-sale securities for other-than-temporary declines in fair value below their cost basis on a quarterly basis and whenever events or changes in circumstances indicate that the cost basis of an asset may not be materially recoverable. This evaluation is based on a number of factors including, the length of time and extent to which the fair value has been less than our cost basis and adverse conditions specifically related to the security including any changes to the rating of the security by a rating agency.

Accounts Receivable

Accounts receivable are recorded at their estimated realizable value. Accounts are deemed past due when payment has not been received within the stated time period. The Company's policy is to review individual past due amounts periodically and write off amounts for which all collection efforts are deemed to have been exhausted. Due to the nature of the Company’s customers, bad debts are mainly accounted for using the direct write-off method whereby an expense is recognized only when a specific account is determined to be uncollectible. The effect of using this method approximates that of the allowance method.

Income Taxes

The Company follows an asset and liability approach method of accounting for income taxes. This method measures deferred income taxes by applying enacted statutory rates in effect at the balance sheet date to the differences between the tax basis of assets and liabilities and their reported amounts on the financial statements. The resulting deferred tax assets or liabilities are adjusted to reflect changes in tax laws as they occur. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized.

The Company follows guidance from the Financial Accounting Standards Board (“FASB”) related to Accounting for Uncertainty in Income Taxes, which includes a two-step approach to recognizing, de-recognizing and measuring uncertain tax positions. As of January 31, 2017, the Company had no significant uncertain tax positions that would be reduced as a result of a lapse of the applicable statute of limitations.

Property and Equipment

Owned property and equipment, and leasehold improvements are stated at cost. Vehicles under capital leases are stated at the lower of fair market value or net present value of the minimum lease payments at the inception of the leases.

Depreciation and amortization of owned assets are provided for, when placed in service, in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, using straight-line basis. Assets under capital leases and leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or initial lease term. Major renewals and betterments that extend the life of the assets are capitalized, while expenditures for repairs and maintenance are expensed when incurred. As of January 31, 2017 and October 31, 2016, the accumulated depreciation and amortization amounted to $2,016,125 and $1,936,699, respectively.

The Company evaluates for impairment its long-lived assets to be held and used, and long-lived assets to be disposed of, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Based on management estimates, no impairment of the operating properties was present.

Stock-based Compensation

Stock-based compensation expense is recognized in the consolidated financial statements based on the fair value of the awards granted. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which generally represents the vesting period, and includes an estimate of awards that will be forfeited. The Company calculates the fair value of stock options using the Black-Scholes option-pricing model at the grant date, while for restricted stock units the fair market value of the units is determined by Company’s share market value at grant date. Excess tax benefits related to stock-based compensation are reflected as cash flows from financing activities rather than cash flows from operating activities. The Company has not recognized such cash flows from financing activities since there has been no tax benefit related to the stock-based compensation.

Income Per Share of Common Stock

Basic income per share of common stock is calculated by dividing net income by the weighted average number of shares of common stock outstanding. Diluted income per share includes the dilution of common stock equivalents, which include principally shares that may be issued upon the exercise of warrants, stock option and restricted stock unit awards.

The diluted weighted average shares of common stock outstanding were calculated using the treasury stock method for the respective periods.

Foreign Operations

The functional currency of the Company’s foreign subsidiaries is its local currency. The assets and liabilities of the Company’s foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the period. The cumulative translation effect for subsidiaries using a functional currency other than the U.S. dollar is included as a cumulative translation adjustment in stockholders’ equity and as a component of comprehensive income.

The Company’s intercompany accounts are typically denominated in the functional currency of the foreign subsidiary. Gains and losses resulting from the remeasurement of intercompany receivables that the Company considers to be of a long-term investment nature are recorded as a cumulative translation adjustment in stockholders’ equity and as a

component of comprehensive income, while gains and losses resulting from the remeasurement of intercompany receivables from those international subsidiaries for which the Company anticipates settlement in the foreseeable future are recorded in the consolidated statements of operations. The net gains and losses recorded in the condensed consolidated statements of income were not significant for the periods presented.

Subsequent Events

The Company has evaluated subsequent events through the filing date of this report. The Company has determined that there are no events occurring in this period that required disclosure or adjustment.

Reclassifications

Certain reclassifications have been made to the January 31, 2016 condensed consolidated financial statements to conform them to the January 31, 2017 condensed consolidated financial statements presentation. Such reclassifications do not affect net income as previously reported.

Recent accounting pronouncements

In May 2014, a new accounting standard was issued that amends the guidance for the recognition of revenue from contracts with customers to transfer goods and services. This new standard will be effective for interim and annual periods beginning after December 15, 2017, including interim periods within the reporting period, reporting is required to be adopted prospectively and early adoption is not permitted. We are currently evaluating the provisions of this new standard and have not yet determined what impact it will have on our financial statements, if any. Other recently issued FASB guidance and Securities and Exchange Commission ("SEC") Staff Accounting Bulletins have either been implemented, are not applicable to the Company, or will have limited effects upon the Company's implementation.

NOTE B – MARKETABLE SECURITIES AVAILABLE FOR SALE

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values of available-for-sale securities by type of security were as follows as of January 31, 2017 and October 31, 2016:

Type of security as of January 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities	$4,500,000	$—	$—	$4,500,000
Other government-related debt securities:				
Puerto Rico Commonwealth Government Development Bond	40,000	—	(18,031)	21,969
Total interest-bearing and available-for-sale securities	$4,540,000	$—	$(18,031)	$4,521,969

Type of security as of October 31, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities	$4,500,000	$-	$-	$4,500,000
Other government-related debt securities:				
Puerto Rico Commonwealth Government Development Bond	40,000	-	(19,717)	20,283
Total interest-bearing and available-for-sale securities	$4,540,000	$-	$(19,717)	$4,520,283

At January 31, 2017 and October 31, 2016, the above marketable securities included a 5.4% Puerto Rico Commonwealth Government Development Bank Bond in the amount of $95,000, purchased at par and maturing in August 2019.

The fair values of available-for-sale securities by classification in the Consolidated Balance Sheets were as follows as of January 31, 2017 and October 31, 2016:

Classification in the Consolidated Balance Sheets	January 31, 2017	October 31, 2016
Cash and cash equivalents	$4,500,000	$4,500,000
Marketable securities	21,969	20,283
Total available-for-sale securities	$4,521,969	$4,520,283

Cash and cash equivalents in the table above exclude cash in banks of approximately $9.0 million and $9.3 million as of January 31, 2017 and October 31, 2016, respectively.

The primary objectives of the Company’s investment portfolio are liquidity and safety of principal. Investments are made with the objective of achieving the highest rate of return consistent with these two objectives. Our investment policy limits investments to certain types of debt and money market instruments issued by institutions primarily with investment grade credit ratings and places restrictions on maturities and concentration by type and issuer.

NOTE C - INCOME TAXES

In June 2011, Pharma-Bio, Pharma-PR and Pharma-Serv obtained a Grant of Industrial Tax Exemption pursuant to the terms and conditions set forth in Act No. 73 of May 28, 2008 (“the Grant”) issued by the Puerto Rico Industrial Development Company (“PRIDCO”). The Grant was effective as of November 1, 2009 and covers a fifteen year period. The Grant provides relief on various Puerto Rico taxes, including income tax, with certain limitations, for most of the activities carried on within Puerto Rico, including those that are for services to parties located outside of Puerto Rico. Industrial Development Income (“IDI”) covered under the Grant are subject to a fixed income tax rate of 4%. In addition, IDI earnings distributions accumulated since November 1, 2009 are totally exempt from Puerto Rico earnings distribution tax.

Puerto Rico operations not covered in the exempt activities of the Grant are subject to Puerto Rico income tax at a maximum tax rate of 39% as provided by the 1994 Puerto Rico Internal Revenue Code, as amended. The operations carried out in the United States by the Company and its subsidiary are taxed in the United States at a maximum regular federal income tax rate of 35%.

Distribution of earnings by the Puerto Rican subsidiaries to its parent are taxed at the federal level, however, the parent is able to receive a credit for the taxes paid by the subsidiary on its operations in Puerto Rico, to the extent of the federal taxes that result from those earnings. As a result, the income tax expense of the Company, under its present corporate structure, would normally be the Puerto Rico taxes on operations in Puerto Rico, federal taxes on operations in the United States, plus the earnings distribution tax in Puerto Rico from dividends paid to the Puerto Rican subsidiaries’ parent, and the parent’s federal income tax, if any, incurred upon the subsidiary’s earnings distribution.

Deferred income tax assets and liabilities are computed for differences between the consolidated financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

The Company has not recognized deferred income taxes on undistributed earnings of its Puerto Rican subsidiaries, since such earnings are considered to be reinvested indefinitely. If the earnings were distributed in the form of dividends, the Company would be subject to Puerto Rico earnings distribution tax (to the extent not covered by the Grant), and United States federal income tax, as applicable.

Pharma-Spain and Pharma-IR have unused operating losses which result in a potential deferred tax asset. However, an allowance has been provided covering the total amount of such balance since it is uncertain whether the net operating losses can be used to offset future taxable income before their expiration dates. Realization of future tax benefits related to a deferred tax asset is dependent on many factors, including the company’s ability to generate taxable income. Accordingly, the income tax benefit will be recognized when realization is determined to be more probable than not. These net operating losses are available to offset future taxable income in Pharma-Spain through 2029 and 2030, and indefinitely for Pharma-IR.

The statutory income tax rate differs from the effective rate, mainly due to the effect of the Puerto Rico Act 73 Tax Grant over income tax expense, and income tax permanent differences between financial and tax books income.

The Company files income tax returns in the United States (federal and various states jurisdictions), Puerto Rico, Ireland, Spain and Brazil. The 2012 (2011 for Puerto Rico) through 2015 tax years are open and may be subject to potential examination in one or more jurisdictions. Currently, the Company has no federal, state, Puerto Rico or foreign income tax examination.

NOTE D – WARRANTS

On December 2014, the Company entered into an agreement with a firm for providing (i) business development and (ii) mergers and acquisition services to the Company. Pursuant to the agreement terms, the Company issued warrants for the purchase of 1,000,000 common shares at an exercise price of $1.80 per share. The underlying common shares of the warrants are fully vested and expire on December 1, 2019.

NOTE E – CAPITAL TRANSACTIONS

On June 13, 2014, the Board of Directors of the Company authorized the Company to repurchase up to two million shares of its outstanding common stock. The timing, manner, price and amount of any repurchases will be at the discretion of the Company, subject to the requirements of the Securities Exchange Act of 1934, as amended, and related rules. The program does not oblige the Company to repurchase any shares and it may be modified, suspended or terminated at any time and for any reason. No shares will be repurchased directly from directors or officers of the Company. As of January 31, 2017 and October 31, 2016, pursuant to the program, a total of 219,552 and 216,952 shares of the Company's common stock were purchased for an aggregate amount of $234,618 and $232,736, respectively.

NOTE F – EARNINGS (LOSSES) PER SHARE

The following data shows the amounts used in the calculations of basic and diluted earnings (losses) per share.

	Three months ended January 31,	
	2017	2016
Net income (loss) available to common equity holders - used to compute basic and diluted earnings per share	$(382,135)	$350,011
Weighted average number of common shares - used to compute basic earnings (losses) per share	23,051,349	23,019,517
Effect of warrants to purchase common stock	-	-
Effect of restricted stock units to common stock	11,224	27,345
Effect of options to purchase common stock	25,987	211,461
Weighted average number of shares - used to compute diluted earnings (losses) per share	23,088,560	23,258,323

Warrants for the purchase of 1,000,000 shares of common stock for the three-month periods ended in January 31, 2017 and 2016 were not included in computing diluted earnings per share because their effects were antidilutive. In addition, options for the purchase of 570,000 and 160,000 shares of common stock for the three-month periods ended in January 31, 2017 and 2016, respectively, were not included in computing diluted earnings per share because their effects were also antidilutive.

NOTE G - CONCENTRATIONS OF RISK

Cash and cash equivalents

The Company's domestic cash and cash equivalents consist of cash deposits in FDIC insured banks (substantially covered by FDIC insurance by the spread of deposits in multiple FDIC insured banks), a money market obligations trust registered under the US Investment Company Act of 1940, as amended, and U.S. Treasury securities with maturities of three months or less. In the foreign markets we serve, we also maintain cash deposits in foreign banks, which tend to be not significant and have no specific insurance. No losses have been experienced or are expected on these accounts.

Accounts receivable and revenues

Management deems all of its accounts receivable to be fully collectible, and, as such, does not maintain any allowances for uncollectible receivables.

The Company's revenues, and the related receivables, are concentrated in the pharmaceutical industry in Puerto Rico, the United States, Ireland, Spain and Brazil. Although a few customers represent a significant source of revenue, the Company’s functions are not a continuous process, accordingly, the client base for which the services are typically rendered, on a project-by-project basis, changes regularly.

The Company provided a substantial portion of its services to three customers, which accounted for 10% or more of its revenues in either of the three-month periods ended January 31, 2017 and 2016. During the three months ended January 31, 2017, revenues from these customers were 13.8%, 3.9% and 4.6%, or a total of 22.3%, as compared to the percentages for the same period last year of 13.3%, 12.6% and 16.2%, or a total of 42.1%, respectively. At January 31, 2017, amounts due from these customers represented 10.2% of the Company's total accounts receivable balance.

The information related to major customers in the above paragraph is based on revenues earned from said customers at the segment level because in management's opinion contracts by segments are totally independent of each other, and therefore such information is more meaningful to the reader. These revenues pertain to three global groups of affiliated companies. During the three months ended January 31, 2017, aggregate revenues from these global groups of affiliated companies were 13.8%, 10.8% and 4.6%, or a total of 29.2%, as compared to the same period last year for 13.3%, 18.4% and 16.2%, or a total of 47.9%, respectively. At January 31, 2017 amounts due from these global groups of affiliated companies represented 14.1% of total accounts receivable balance.

As of January 31, 2017, one of the Company's customers owes the Company approximately $2.6 million, which represents approximately 50.3% of the Company's total accounts receivable trade balances. We are providing multiple services to this customer related to their construction of a manufacturing facility in Puerto Rico. From this facility the customer will do the manufacturing and distribution of an existing product and an investigational new drug to be marketed to worldwide markets, once approved by regulators. A significant portion of the customer's funding comes from different financing sourcing. Management estimates that collectability of the account is reasonably assured, accordingly, no provision for losses, if any, have been recorded in the financial statements.

NOTE H - SEGMENT DISCLOSURES

The Company's segments are based on the organizational structure for which financial results are regularly evaluated by the Company's senior executive management to determine resource allocation and assess performance. Each reportable segment is managed by its own management team and reports to executive management. The Company has four reportable segments: (i) Puerto Rico technical compliance consulting, (ii) United States technical compliance consulting, (iii) Europe technical compliance consulting, and (iv) a Puerto Rico microbiological and chemical laboratory testing division ("Lab"). These reportable segments provide services primarily to the pharmaceutical, chemical, medical device and biotechnology industries in their respective markets.

The following table presents information about the reported revenue from services and earnings from operations of the Company for the three-month periods ended in January 31, 2017 and 2016. There is no intersegment revenue for the mentioned periods. Corporate expenses that support the operating units have been allocated to the segments. Asset information by reportable segment is not presented, since the Company does not produce such information internally, nor does it use such data to manage its business.

	Three months ended January 31,	
	2017	2016
REVENUES:		
Puerto Rico consulting	$2,790,020	$3,539,659
United States consulting	347,200	345,815

Europe consulting	182,424	202,188
Lab (microbiological and chemical testing)	641,893	783,931
Other segments[1]	84,754	28,862
Total consolidated revenues	$4,046,291	$4,900,455
INCOME (LOSS) BEFORE TAXES:		
Puerto Rico consulting	$(150,840)	$251,645
United States consulting	(238,643)	(167,458)
Europe consulting	(26,750)	(68,353)
Lab (microbiological and chemical testing)	(87,617)	229,346
Other segments[1]	123,465	136,263
Total consolidated income before taxes	$(380,385)	$381,443

[1] Other segments represent activities that fall below the reportable threshold and are carried out in Puerto Rico, United States and Brazil. These activities include a Brazilian compliance consulting division, technical seminars/training division, a calibrations division, and corporate headquarters, as applicable.

Long lived assets (property and equipment and intangible assets) as of January 31, 2017 and October 31, 2016, and related depreciation and amortization expense for the three months ended January 31, 2017 and 2016, were concentrated in Puerto Rico. The aggregate amount of long lived assets for other operations is considered insignificant.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of our results of operations and financial condition should be read in conjunction with the financial statements and the related notes included under Part I, Item 1 of this Quarterly Report on Form 10-Q. In addition, reference should be made to our audited Consolidated Financial Statements and notes thereto, and related Management's Discussion and Analysis appearing in our Annual Report on Form 10-K for the year ended October 31, 2016. The following discussion includes forward-looking statements. For a discussion of important factors that could cause actual results to differ from results discussed in the forward-looking statements, see "Forward Looking Statements" below and the "Risk Factors" section in our Annual Report on Form 10-K for the year ended October 31, 2016.

Overview

We are a compliance and technology transfer services consulting firm with a laboratory testing facility with headquarters in Puerto Rico, servicing the Puerto Rico, United States, Europe and Brazil markets. The compliance consulting service sector in those markets consists of local compliance and validation consulting firms, United States dedicated validation and compliance consulting firms and large publicly traded and private domestic and foreign engineering and consulting firms. We provide a broad range of compliance related consulting services. We also provide microbiological testing services and chemical testing services through our laboratory testing facility ("Lab") in Puerto Rico. We also provide technical training/seminars, which services are not currently significant to our operating results. We market our services to pharmaceutical, chemical, biotechnology, medical devices, cosmetics and food industries, and allied products companies in Puerto Rico, the United States, Europe and Brazil. Our consulting team includes experienced engineering and life science professionals, former quality assurance managers and directors, and professionals with bachelors, masters and doctorate degrees in health sciences and engineering.

We actively operate in Puerto Rico, the United States, Ireland, Spain and Brazil and pursue to further expand these markets by strengthening our business development infrastructure and by constantly realigning our business strategies as new opportunities and challenges arise.

We market our services with an active presence in industry trade shows, professional conventions, industry publications and company provided seminars to the industry. Our senior management is also actively involved in the marketing process, especially in marketing to major accounts. Our senior management and staff also concentrate on developing new business opportunities and focus on the larger customer accounts (by number of consultants or dollar volume) and responding to prospective customers' requests for proposals.

While our core business is FDA and international agencies regulatory compliance related services, we feel that our clients are in need of other services that we can provide and allow us to present the company as a global solution provider with a portfolio of integrated services that will bring value added solutions to our customers. Accordingly, our portfolio of services includes a laboratory testing facility and a training center that provides seminars/training to the industry.

The Lab incorporates the latest technology and test methodologies meeting pharmacopoeia industry standards and regulations. It currently offers services to our core industries already serviced as well as the cosmetic and food industries.

We also provide technical seminars/training that incorporate the latest regulatory trends and standards as well as other related areas. A network of leading industry professional experts in their field, which include resources of our own, provide these seminars/training to the industry through our "Pharma Serv Academy" division. These services are

provided in the markets we currently serve, as well as others, and position our Company as a key leader in the industry.

During the year ended October 31, 2015, the Company started the development of a new Puerto Rico based Calibrations Services Division that will develop and operate a central metrology/calibration laboratory and provide lab and field calibration, verification and qualification of equipment and installations, readiness audits, heating/ventilation and air conditioning ("HVAC") and clean room qualification and related services. The Company signed a three-year strategic collaboration agreement with a Spain-based company specializing in calibrations, validation, HVAC and clean room qualification services to assist the Company in the development process. The collaboration agreement terminates October 2018.

In April 2015, we registered in Brazil our wholly owned subsidiary, Pharma-Brazil, which started providing consulting services to this market since last year.

In December 2014, the Company entered into an agreement with a firm to provide (i) mergers and acquisition and (ii) business development services to the Company. These services are aimed to improve and assist the expansion of our market reach and customer base, primarily to the United States consulting business.

In line with the strategy to further penetrate the United States and Puerto Rico markets, we submit annually for renewal the certification as a "minority-controlled company" as defined by the National Minority Supplier Development Council and Growth Initiative ("NMSDC"). This certification, which has been held by us since July 2008, allows us to participate in corporate diversity programs available from various potential customers in the United States and Puerto Rico.

The Company holds a tax grant issued by the Puerto Rico Industrial Development Company (“PRIDCO”), which provides relief on various Puerto Rico taxes, including income tax, with certain limitations, for most of the activities carried on within Puerto Rico, including those that are for services to parties located outside of Puerto Rico.

In December 2016, the Company obtained a license from the United States Department of Treasury Office of Foreign Assets Control (“OFAC”) which authorizes the Company to perform certain services and transactions with a Cuban state-run organization. The license is not transferable and expires on January 31, 2019.

The following table sets forth information as to our revenue for the three-month periods ended January 31, 2017 and 2016, by geographic regions (dollars in thousands).

	Three months ended January 31,			
Revenues by Region:	2017		2016	
Puerto Rico	$3,515	86.8%	$4,336	88.5%
United States	347	8.6%	346	7.1%
Europe	182	4.5%	202	4.1%
Other	2	0.1%	16	0.3%
	$4,046	100%	$4,900	100%

For the three-month period ended January 31, 2017, revenues for the Company were $4.0 million, a decrease of $0.9 million when compared to the same period last year. The revenue decrease is mainly attributable to a decline in projects in the Puerto Rico consulting market and Puerto Rico Lab operation of $0.9 and $0.1 million, respectively, partially offset by a gain in the Calibrations operation of approximately $0.1 million. Other Company divisions sustained minor revenue gains/losses or remained constant, when compared to the same period last year. When compared to the same period last year, the Company’s gross margin decreased by 10.4 percentage points, 5.9 and 4.5 percentages points attributable to the Lab and consulting services, respectively. Additional recurring costs associated with the Lab expansion have not been absorbed by the Lab attained testing volume. The consulting margin has been affected mostly by a longer holiday season shutdown of various Puerto Rico customer plants, and less favorable project margins when compared to the same period last year. The Company continued its investments on new business development positions during the three months ended January 31, 2017 for an aggregate amount of $117,000, these expenses were partially offset by savings on other operational support expenses in the aggregate amount of $75,000. These factors resulted in our three months ended January 31, 2017 net loss being approximately $0.4 million, a

decrease in earnings of $0.7 million, when compared to the same period last year. (See “Results of Operations” below.)

We have refocused our strategy on how to serve the US market by closing our Plymouth Meeting, PA and Los Angeles, CA leased offices effective December 31, 2016 and February 28, 2017, respectively. Business development efforts will continue in those areas. During the second quarter of the current fiscal year we will start experiencing savings related to the closing of both offices.

The Puerto Rico government financial crisis, the impact on the industry, if any, of the possible cancellation of the U.S. health care reform (Patient Protection and Affordable Care Act), and Puerto Rico Act 154-2010 which imposes temporary excise taxes to the industry we serve, remain as industry uncertainties that might adversely affect our future performance. We believe that our future profitability and liquidity will be highly dependent on the effect the local economy and global economy, changes in tax laws and healthcare reform, and worldwide lifescience manufacturing industry consolidations will have on our operations, and our ability to seek service opportunities and adapt to the industry trends.

Results of Operations

The following table sets forth our statements of operations for the three-month periods ended January 31, 2017 and 2016, (dollars in thousands) and as a percentage of revenue:

	Three months ended January 31,			
	2017		2016	
Revenues$	4,046	100.0%	$4,900	100.0%
Cost of services	3,014	74.5%	3,142	64.1%
Gross profit	1,032	25.5%	1,758	35.9%
Selling, general and administrative costs	1,416	35.0%	1,374	28.1%
Other income (expense), net	4	0.1%	(3)	-0.1%
Income (loss) before income taxes	(380)	-9.4%	381	7.7%
Income tax expense	2	0.0%	31	0.6%
Net income (loss)	(382)	-9.4%	350	7.1%

Revenues. For the three months ended January 31, 2017, revenues for the Company were $4.0 million, a decrease of $0.9 million when compared to the same period last year. The revenue decrease is mainly attributable to a decline in projects in the Puerto Rico consulting market and Puerto Rico Lab operation of $0.9 and $0.1 million, respectively, partially offset by a gain in the Calibrations operation of approximately $0.1 million. Other Company divisions sustained minor revenue gains/losses or remained constant, when compared to the same period last year.

Cost of Services; gross margin. Gross margin for the three months ended January 31, 2017 decreased 10.4 percentage points when compared to the same period last year.

The decrease in gross margin is mainly attributable to the decrease of 5.9 percentage points in the Lab gross margin, while consulting services accounted for 4.5 percentage points of the remaining decline. Lab testing volume has not increased to absorb the recent incurred costs associated with the Lab expansion (e.g. depreciation on new equipment, new improvements amortization, additional leased space, payroll, etc.). The consulting margin has been affected mostly by various Puerto Rico customers' facilities longer temporary shut downs during holiday season, and less favorable project margins when compared to last year.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended in January 31, 2017 were approximately $1,416,000, a net increase of $42,000 when compared to the same period last year. The increase is attributable to $117,000 incurred for business development positions, partially offset by savings on operational support expenses in the aggregate amount of $75,000.

Income Taxes Expense. No significant income tax expense for the three months ended January 31, 2017 has been provided due to the various segments and/or divisions net loss position.

Net Income (Loss). For the three months ended January 31, 2017, we incurred a net loss of approximately $0.4 million, a decrease in earnings of $0.7 million when compared to the same period last year. The variance is mainly attributable to the decline in revenue, and continued investment on business development, partially offset by savings in other operational support expenses.

For the three months ended January 31, 2017, loss per common share for both basic and diluted was $0.017, a common share basic and diluted decrease for each one of $0.032 when compared to last year. The variance is mainly attributable to the decrease in net earnings when compared to the same period last year.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including planned capital expenditures. As of January 31, 2017, the Company had approximately $19 million in working capital.

On June 13, 2014, the Board of Directors of the Company authorized the Company to repurchase up to two million shares of its common stock (the "Company Stock Repurchase Program"). During the three-month period ended January 31, 2017, the Company repurchased 2,600 shares of its common stock.

Our primary cash needs consist of the payment of compensation to our consulting team, overhead expenses, and statutory taxes. Additionally, we may use cash for the repurchase of our common stock under the Company Stock Repurchase Program, capital expenditures and business development expenses (as described above on “Results of Operations”). Management believes that based on the current level of working capital, operations and cash flows from operations, and the collectability of high quality customer receivables will be sufficient to fund anticipated expenses and satisfy other possible long-term contractual commitments for the next twelve months.

To the extent that we pursue possible opportunities to expand our operations, either by acquisition or by the establishment of operations in a new locale, we will incur additional overhead, and there may be a delay between the period we commence operations and our generation of net cash flow from operations.

While uncertainties relating to the current local and global economic condition, competition, the industries and geographical regions served by us and other regulatory matters exist within the consulting services industry, as described above, management is not aware of any trends or events likely to have a material adverse effect on liquidity or its financial statements.

Off-Balance Sheet Arrangements

We were not involved in any significant off-balance sheet arrangement during the three months ended January 31, 2017.

Critical Accounting Policies and Estimates

There were no material changes during the three months ended January 31, 2017 to the critical accounting policies reported in our Annual Report on Form 10-K for the fiscal year ended October 31, 2016.

New Accounting Pronouncements

There were no new accounting standards issued since our filing of the Annual Report on Form 10-K for the fiscal year ended October 31, 2016, which could have a significant effect on our condensed consolidated financial statements.

Forward-Looking Statements

Our business, financial condition, results of operations, cash flows and prospects, and the prevailing market price and performance of our common stock, may be adversely affected by a number of factors, including the matters discussed below. Certain statements and information set forth in this Quarterly Report on Form 10-Q, as well as other written or oral statements made from time to time by us or by our authorized executive officers on our behalf, constitute “forward-looking statements” within the meaning of the Federal Private Securities Litigation Reform Act of 1995. These statements include all statements other than those made solely with respect to historical fact and identified by words such as “believes”, “anticipates”, “expects”, “intends” and similar expressions, but such words are not the exclusive means of

identifying such statements. We intend for our forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we set forth this statement and these risk factors in order to comply with such safe harbor provisions. You should note that our forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q or when made and we undertake no duty or obligation to update or revise our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Although we believe that the expectations, plans, intentions and projections reflected in our forward-looking statements are reasonable, such statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The risks, uncertainties and other factors that our stockholders and prospective investors should consider include the following:

Because our business is concentrated in the lifescience and medical devices industries in Puerto Rico, the United States, Europe and Brazil, any changes in those industries or in those markets could impair our ability to generate revenue and realize a profit.

Puerto Rico's economy, including its governmental financial crisis, may affect the willingness of businesses to commence or expand operations in Puerto Rico, or may also consider closing operations located in Puerto Rico.

Puerto Rico government enacted ACT 154-2010 may adversely affect the willingness of our customers to do business in Puerto Rico and consequently adversely affect our business.

Changes in tax benefits may affect the willingness of companies to continue or expand their operations in Puerto Rico.

Our business and operating results may be adversely impacted if we are unable to maintain our certification as a minority-controlled company.

Because our business is dependent upon a small number of clients, the loss of a major client could impair our ability to operate profitably.

Customer procurement and sourcing practices intended to reduce costs could have an adverse effect on our margins and profitability.

Since our business is dependent upon the development and enhancement of patented pharmaceutical products or processes by our clients, the failure of our clients to obtain and maintain patents could impair our ability to operate profitably.

We may be unable to pass on increased labor costs to our clients.

Consolidation in the pharmaceutical industry may have a harmful effect on our business.

Changes in public policy impacting the industries we serve could adversely affect our business.

Because the pharmaceutical industry is subject to government regulations, changes in government regulations relating to this industry may affect the need for our services.

Our reputation and divisions may be impacted by regulatory standards applicable to our customer products.

If we are unable to protect our clients' intellectual property, our ability to generate business will be impaired.

We may be subject to liability if our services or solutions for our clients infringe upon the intellectual property rights of others.

We may be held liable for the actions of our employees or contractors when on assignment.

To the extent that we perform services pursuant to fixed-price or incentive-based contracts, our cost of services may exceed our revenue on the contract.

Because most of our contracts may be terminated on little or no advance notice, our failure to generate new business could impair our ability to operate profitably.

Because we are dependent upon our management and technical personnel, our ability to develop our business may be impaired if we are not able to engage skilled personnel.

Our cash could be adversely affected if the financial institutions in which we hold our cash fail.

We may be harmed if we do not penetrate markets and grow our current business operations.

Because there is a limited market in our common stock, stockholders may have difficulty in selling our common stock and our common stock may be subject to significant price swings.

Our revenues, operating results and profitability will vary from quarter to quarter, which may result in increased volatility of our stock price.

The Company Stock Repurchase Program could affect the market price of our common stock and increase its volatility.

The issuance of securities, whether in connection with an acquisition or otherwise, may result in significant dilution to our stockholders.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report.

Changes in Internal Control Over Financial Reporting

Based on an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, there has been no change in our internal control over financial reporting during our last fiscal quarter identified in connection with that evaluation that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II– OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may be a party to legal proceedings incidental to our business. We do not believe that there are any proceedings threatened or pending against us, which, if determined adversely to us, would have a material effect on our financial position or results of operations and cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

(c) The following table provides information about purchases by the Company of its shares of common stock during the three-month period ended January 31, 2017:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
November 1, 2016 through November 30, 2016	2,100	$0.69	2,100	1,780,948
December 1, 2016 through December 31, 2016	500	$0.87	500	1,780,448
January 1, 2017 through January 31, 2017	-	$-	-	1,780,448
Total	2,600	$0.72	2,600	

(1)
On June 13, 2014, the Board of Directors of the Company approved the Company Stock Repurchase Program authorizing the Company to repurchase up to two million shares of its outstanding common stock. The timing, manner, price and amount of any repurchases will be at the discretion of the Company, subject to the requirements of the Securities Exchange Act of 1934, as amended, and related rules. The Company Stock Repurchase Program does not oblige the Company to repurchase any shares and it may be modified, suspended or terminated at any time and for any reason. No shares will be repurchased directly from directors or officers of the Company.

ITEM 6. EXHIBITS

(a)
Exhibits:

Exhibit No.	Description
10.1	Consulting Agreement Amendment, dated January 17, 2017, by and among Pharma-Bio Serv, Inc., Strategic Consultants International, LLC and Elizabeth Plaza, effective January 1, 2017 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 20, 2017 and incorporated herein by reference).+

31.1	Certification of chief executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of chief financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the chief executive officer and chief financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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Management contracts or compensatory plans, contracts or arrangements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHARMA-BIO SERV, INC.

/s/ Victor Sanchez
Victor Sanchez
Chief Executive Officer and President Europe Operations
(Principal Executive Officer)

/s/ Pedro J. Lasanta
Pedro J. Lasanta
Chief Financial Officer and Vice President Finance and Administration
(Principal Financial Officer and Principal Accounting Officer)

Dated: March 17, 2017