

Pharma-Bio Serv, Inc.
Form 10-Q
March 18, 2019

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, 2019

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 No. 000-50956

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

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

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

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 every Interactive Data File required to be submitted 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 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, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
 Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 14, 2019 was 23,003,281.

PHARMA-BIO SERV, INC.
FORM 10-Q
FOR THE QUARTER ENDED JANUARY 31, 2019

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PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

PHARMA-BIO SERV, INC.

Condensed Consolidated Balance Sheets
(Unaudited)

ASSETS	January 31, 2019*	October 31, 2018**
Current assets		
Cash and cash equivalents	\$15,798,526	\$16,029,920
Accounts receivable	5,456,283	5,193,385
Current portion - promissory note receivable due from sale of assets from discontinued operations	1,750,000	1,750,000
Prepays and other assets	335,982	438,492
Total current assets	23,340,791	23,411,797
Promissory note receivable due from sale of assets from discontinued operations	1,250,000	1,250,000
Property and equipment	274,265	298,020
Other assets	417,762	418,495
Total assets	\$25,282,818	\$25,378,312
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion-obligations under capital leases	\$13,880	\$13,768
Accounts payable and accrued expenses	1,583,784	2,140,001
Current portion of US Tax Reform Transition Tax and income taxes payable	453,915	411,903
Total current liabilities	2,051,579	2,565,672
US Tax Reform Transition Tax payable	2,485,000	2,485,000
Obligations under capital leases	42,518	46,027
Other liabilities	17,950	17,950
Total liabilities	4,597,047	5,114,649
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; 23,377,259 and 23,373,817 shares issued, and 22,996,083 and 23,058,413 shares outstanding at January 31, 2019 and October 31, 2018, respectively	2,338	2,337
Additional paid-in capital	1,355,956	1,346,956
Retained earnings	19,582,131	19,111,111
Accumulated other comprehensive income	115,789	107,947
Accumulated other comprehensive income	21,056,214	20,568,351
Treasury stock, at cost; 381,176 and 315,404 common shares held at January 31, 2019 and October 31, 2018, respectively	(370,443)	(304,688)
Total stockholders' equity	20,685,771	20,263,663
Total liabilities and stockholders' equity	\$25,282,818	\$25,378,312

* Unaudited.

** Condensed from audited financial statements.

See notes to the condensed consolidated financial statements.

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

	Three months ended January 31,	
	2019	2018
REVENUES	\$4,566,197	\$3,726,596
COST OF SERVICES	3,087,137	2,545,070
GROSS PROFIT	1,479,060	1,181,526
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,046,559	970,588
INCOME FROM CONTINUING OPERATIONS	432,501	210,938
OTHER INCOME, NET	81,474	17,771
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX AND US TAX REFORM TRANSITION TAX EXPENSE	513,975	228,709
INCOME TAX AND US TAX REFORM TRANSITION TAX EXPENSE	42,955	2,701,023
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	471,020	(2,472,314)
DISCONTINUED OPERATIONS NET LOSS FROM OPERATIONS, NET OF TAX	-	(191,698)
NET INCOME (LOSS)	\$471,020	\$(2,664,012)
BASIC AND DILUTED EARNINGS (LOSSES) PER COMMON SHARE (Continuing operations)	\$0.020	\$(0.107)
BASIC AND DILUTED LOSSES PER COMMON SHARE (Discontinued operations)	\$-	\$(0.008)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC	23,038,999	23,063,997
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	23,119,027	23,065,290

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,	
	2019	2018
NET INCOME (LOSS)	\$471,020	\$(2,664,012)
OTHER COMPREHENSIVE INCOME, NET OF RECLASSIFICATION ADJUSTMENTS AND TAXES:		
Foreign currency translation gain	12,317	82,819
Available-for-sale securities:		
Net unrealized loss	-	(1,544)
Other-than-temporary impairment included in net income	(4,475)	-
TOTAL OTHER COMPREHENSIVE INCOME	7,842	81,275
COMPREHENSIVE INCOME (LOSS)	\$478,862	\$(2,582,737)

See notes to the condensed consolidated financial statements.

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

	Three months ended January 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$471,020	\$(2,664,012)
Add: net loss from discontinued operations	-	191,698
Net income (loss) from continuing operations	471,020	(2,472,314)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used in) continuing operating activities:		
Stock-based compensation	9,000	17,550
Depreciation and amortization	26,838	23,043
Other-than-temporary impairment on available-for-sale securities	(4,475)	-
Decrease in accounts receivable	(261,287)	1,150,563
Decrease (increase) in other assets	56,736	106,154
Increase (decrease) in liabilities	(515,544)	2,591,934
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES OF CONTINUING OPERATIONS	(217,712)	1,416,930
CASH FLOWS FROM INVESTING ACTIVITIES OF CONTINUING OPERATIONS:		
Disposal of marketable securities	44,475	-
Acquisition of property and equipment	(3,083)	(51,115)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES OF CONTINUING OPERATIONS	41,392	(51,115)
CASH FLOWS FROM FINANCING ACTIVITIES OF CONTINUING OPERATIONS:		
Repurchase of common stock	(65,755)	(13,659)
Payments on obligations under capital lease	(3,397)	(3,286)
NET CASH USED IN FINANCING ACTIVITIES OF CONTINUING OPERATIONS	(69,152)	(16,945)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	14,078	10,738
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	(231,394)	1,359,608
DISCONTINUED OPERATIONS:		
Net cash provided by operating activities	-	122,343
Net cash provided by (used in) investing activities	-	-
Net cash provided by (used in) financing activities	-	-
CASH PROVIDED BY DISCONTINUED OPERATIONS	-	122,343
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(231,394)	1,481,951
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	16,029,920	11,591,548
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$15,798,526	\$13,073,499

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:

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Cash paid during the period for:

Income taxes	\$-	\$-
Interest	\$479	\$542

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	\$6,589	\$1,767
Conversion of cashless exercise of options to common stock	\$1	\$-

See notes to the condensed consolidated financial statements.

PHARMA-BIO SERV, INC.

Notes To Condensed Consolidated Financial Statements

January 31, 2019

(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 currently inactive, 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, Scienza Labs, 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 until September 17, 2018 microbiological and chemical laboratory testing (the “Lab”).

On September 17, 2018 (the “Sales Closing Date”), the Company sold substantially all of its Lab business assets (the “Laboratory Assets”).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated balance sheet of the Company as of October 31, 2018 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, 2019 are not necessarily indicative of expected results for the full 2019 fiscal year.

The accompanying financial data as of January 31, 2019, and for the three-month period ended January 31, 2019 and 2018 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, 2018.

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.

Segments

On the Sales Closing Date, the Company sold substantially all of its Laboratory Assets. As a result of the sale, the Company currently operates in three reportable business segments: (i) Puerto Rico technical compliance consulting,

(ii) United States technical compliance consulting, and (iii) Europe technical compliance consulting. Accordingly, the accompanying consolidated financial statements are presented to show these three reportable segments as continuing operations, while the Lab is presented as a discontinued operation.

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:

Level 1: 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).

The carrying value of the Company's financial instruments (excluding 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

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting standard that amends the guidance for the recognition of revenue from contracts with customers to transfer goods and services. The FASB subsequently issued additional, clarifying standards to address issues arising from implementation of the new revenue recognition standard. The new revenue recognition standard and clarifying standards require an entity to recognize revenue when control of promised goods or services is transferred to the customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We adopted this new standard as of November 1, 2018, by applying the modified-retrospective method to those contracts that were not completed as of that date. The results for reporting periods beginning after November 1, 2018, are presented in accordance with the new standard, although comparative information has not been restated and continues to be reported under the accounting standards and policies in effect for those periods. The adoption of this new standard had an immaterial impact on our reported total revenues and operating income as compared to what reported amounts would have been under the prior standard, and we expect the impact of adoption in future periods to also be immaterial.

Revenue is primarily derived from: (1) time and materials contracts (representing approximately 99% of total revenues), which is recognized by applying the proportional performance model, whereby revenue is recognized as performance occurs, and (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. 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.

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, 2019, 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 the lease term, including renewals that have been determined to be reasonable assured. 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, 2019 and October 31, 2018, the accumulated depreciation and amortization amounted to \$523,791 and \$496,953, 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 as of January 31, 2019 and October 31, 2018.

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.

Earnings (Loss) Per Share of Common Stock

Basic earnings (loss) per share of common stock is calculated by dividing net earnings (loss) by the weighted average number of shares of common stock outstanding. Diluted loss 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.

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, 2018 condensed consolidated financial statements to conform them to the January 31, 2019 condensed consolidated financial statements presentation. Such reclassifications do not affect net loss as previously reported.

Recent accounting pronouncements not implemented

In February 2016, the FASB issued a new accounting standard that amends the guidance for the accounting and disclosure of leases. This new standard requires that lessees recognize the assets and liabilities that arise from leases on the balance sheet and disclose qualitative and quantitative information about their leasing arrangements. The new standard is effective for interim and annual periods beginning on January 1, 2019 and may be adopted earlier. The Company continues to evaluate the impact that this new standard will have on its consolidated financial statements. The Company does not expect that this standard will have a material impact to its Consolidated Statements of Operations but expects that this standard will have a material impact on the assets and liabilities on its Consolidated Balance Sheets upon adoption.

NOTE B – PROMISSORY NOTE

On September 17, 2018, the Company completed the sale of its Laboratory Assets for \$5 million and received, as partial payment, a \$3 million Promissory Note from the purchaser. The Promissory Note is composed of two tranches; (i) Tranche A for \$2 million and secured with lab equipment and (ii) Tranche B for \$1 million which is unsecured. The interest rate accrual is 3% for Tranche A and 5% for Tranche B. Interest is due semi-annually in arrears commencing on the six-month after the Sales Closing Date. Tranche A is due in two installments of \$750,000 and \$1,250,000, on September 17, 2019 and 2020, respectively. Tranche B is due in two equal installments of \$500,000 each, on March 17, 2019 and September 17, 2019.

NOTE C - INCOME TAXES

On December 22, 2017, Public Law 115-97, commonly known as the Tax Cuts and Jobs Act of 2017 (the “Tax Reform”), was enacted. The Tax Reform is applicable to the Company commencing with its fiscal year 2018. The Tax Reform imposed a mandatory one-time transition tax (the “Transition Tax”) over foreign subsidiaries undistributed earnings and profits (“E&Ps”) earned prior to a date set by the statute. Based on the Company’s E&Ps, the Transition Tax is estimated to be approximately \$2.7 million. The Transition Tax liability may be paid over a period of eight years starting with the Company’s fiscal year 2019. In the past, most of these E&Ps’ were not repatriated since such E&Ps’ were considered to be reinvested indefinitely in the foreign location, therefore no US tax liability was incurred unless the E&Ps were repatriated as a dividend. After December 31, 2017, the Tax Reform has established a 100% tax exemption on the foreign-source portion of dividends received attributable to E&Ps, with certain limitations.

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's subsidiary was taxed in the United States at a maximum regular federal income tax rate of 35%. Among the Tax Reform provisions, effective with the Company's fiscal year ending on October 31, 2018, is a provision whereby the regular federal income tax rate is reduced to a 23.5% blended rate and 21% thereafter.

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.

Pharma-Spain, Pharma-IR, Pharma-Bio/Pharma-US, Pharma-PR and Pharma-Serv 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 through 2033 for Pharma-Spain; indefinitely for Pharma-IR; until 2038 for Pharma-Bio/Pharma-US; until 2027 for Pharma-PR and Pharma-Serv.

The Company files income tax returns in the United States (federal and various states jurisdictions), Puerto Rico, Ireland, Spain and Brazil. The 2014 (2013 for Puerto Rico) through 2017 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 – EQUITY 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 “Repurchase Program”). The timing, manner, price and amount of any repurchases under the Repurchase Program 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 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 under the Repurchase Program directly from directors or officers of the Company. As of January 31, 2019 and October 31, 2018, a total of 318,204 and 315,404 shares of the Company’s common stock were purchased under the Repurchase Program for an aggregate amount of \$307,471 and \$304,688, respectively. Also, on November 26, 2018, the Company repurchased 62,972 shares of common stock, outside of the Repurchase Program, from the Company’s Chief Executive Officer at \$1.00 per share. These shares were repurchased at a discount to market to provide for an orderly disposition of the shares.

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,	
	2019	2018
Net income (loss) available to common equity holders - used to compute basic and diluted earnings (losses) per share (continuing operations)	\$471,020	\$(2,472,314)
Net income (loss) available to common equity holders - used to compute basic and diluted earnings (losses) per share (discontinued operations)	\$-	\$(191,698)
Weighted average number of common shares - used to compute basic earnings (losses) per share	23,038,999	23,063,997
Effect of warrants to purchase common stock	-	-
Effect of restricted stock units to common stock	-	-
Effect of options to purchase common stock	80,028	1,293
Weighted average number of shares - used to compute diluted earnings (losses) per share	23,119,027	23,065,290

Warrants for the purchase of 1,000,000 shares of common stock for the three-month periods ended in January 31, 2019 and 2018 were not included in computing diluted earnings per share because their effects were antidilutive. In addition, options for the purchase of 80,000 and 620,000 shares of common stock for the three-month periods ended in January 31, 2019 and 2018, 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 five customers, which accounted for 10% or more of its revenues in either of the three-month periods ended January 31, 2019 and 2018. During the three months ended January 31, 2019, revenues from these customers were 18.0%, 14.2%, 11.1%, 11.0%, and 0.0%, or a total of 54.3%, as compared to the percentages for the same period last year of 3.1%, 3.6%, 9.0%, 16.1% and 11.3%, or a total of 43.1%, respectively. At January 31, 2019, amounts due from these customers represented 57.9% of the Company's total accounts receivable balance.

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 chief operating decision maker 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 three reportable segments: (i) Puerto Rico technical compliance consulting, (ii) United States technical compliance consulting, and (iii) Europe technical compliance consulting. 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 continuing operations of the Company for the three-month periods ended in January 31, 2019 and 2018. 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,

2019 2018

REVENUES:

Puerto Rico consulting	\$3,888,554	\$2,698,365
United States consulting	526,645	286,635
Europe consulting	91,730	721,132
Other segments ¹	59,268	20,464
Total consolidated revenues	\$4,566,197	\$3,726,596

INCOME (LOSS) BEFORE TAXES:

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Puerto Rico consulting	\$375,270	\$(2,015)
United States consulting	(11,910)	(87,165)
Europe consulting	(49,911)	221,602
Other segments ¹	200,526	96,287
Total consolidated income before taxes	\$513,975	\$228,709

¹ Other segments represent activities that fall below the reportable threshold and are carried out in Puerto Rico and Brazil. These activities include a Brazilian compliance consulting division and corporate headquarters, as applicable.

Long lived assets (property and equipment) as of January 31, 2019 and October 31, 2018, and related depreciation and amortization expense for the three months ended January 31, 2019 and 2018, were concentrated in the corporate headquarters in Puerto Rico. Accordingly, depreciation expense and acquisition of property and equipment, as presented in the statements of cash flows are mainly related to the corporate headquarters.

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, 2018. 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, 2018.

Overview

We are a compliance and technology transfer services consulting firm 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 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, 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.

We consider our core business to be Food and Drug Administration ("FDA") and international agencies regulatory compliance consulting related services. Accordingly, based on a corporate strategy to refocus the Company on consulting services, on September 17, 2018, we sold substantially all of our laboratory business assets (the "Laboratory Assets") and discontinued our efforts on pursuing businesses that were not considered significant to the Company, including calibrations and a small laboratory in Spain. The sale of the Laboratory Assets for \$5 million generated a net tax gain of approximately \$2.7 million for the year ended October 31, 2018.

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.

As more fully disclosed in Note C of the Company's condensed consolidated financial statements included herewith, the Company is subject to the recent Tax Reform provisions, including an estimated one-time non-recurring Transition Tax of \$2.7 million, payable within eight years starting on February 2019. The payment is being funded from our working capital.

The following table sets forth information as to our revenue for the three-month periods ended January 31, 2019 and 2018, by geographic regions (dollars in thousands).

Three months ended January 31,

Revenues by Region:	2019		2018	
Puerto Rico	\$3,888	85.2%	\$2,698	72.4%
United States	527	11.5%	287	7.7%
Europe	92	2.0%	721	19.4%
Other	59	1.3%	21	0.5%
	\$4,566	100%	\$3,727	100%

For the three-month period ended January 31, 2019, the Company's revenues from continuing operations were \$4.6 million, an increase of \$0.8 million when compared to the same period last year. The revenue increase is mainly attributable to increases in projects in the Puerto Rico and US consulting markets of \$1.2 and \$0.2 million, respectively, partially offset by a decrease of \$0.6 million in the European market. When compared to the same period last year, gross margin increased 0.7 percentage points. The net increase in gross margin is mainly attributable to favorable consulting projects in the Puerto Rico consulting market. Selling, general and administrative expenses were approximately \$1.0 million, a net increase in expenses of approximately \$75,000 as compared to the same period last year. The increase is mainly attributable to expenses geared to increase sales volume, either by promotions or operational support. These factors resulted in a net income of approximately \$0.5 million and after considering the 2018 Transition Tax and net losses from discontinued operations for the same period last year, this represented a net earnings improvement of \$3.1 million. (See "Results of Operations" below.)

The Puerto Rico government financial crisis, the Tax Reform, other tax reforms on the markets where we do business, and Puerto Rico Act 154-2010, all pose current and future challenges which may 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 life science manufacturing industry consolidations will have on our operations, and our ability to seek service opportunities and adapt to industry trends.

Results of Operations

On September 17, 2018, the Company sold substantially all of its Laboratory Assets. Accordingly, the operations of the Lab are treated as a discontinued operation in the following table that sets forth our statements of operations for the three-month ended January 31, 2019 and 2018 (dollars in thousands, and as a percentage of revenues for continuing operations only):

	Three months ended January 31,			
	2019		2018	
Revenues	\$4,566	100.0%	\$3,727	100.0%
Cost of services	3,087	67.6%	2,545	68.3%

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Gross profit	1,479	32.4%	1,182	31.7%
Selling, general and administrative costs	1,046	22.9%	971	26.1%
Other income, net	81	1.8%	18	0.5%
Income from continuing operations before income taxes	514	11.3%	229	6.1%
Income tax and US Tax Reform transition tax expense	43	0.9%	2,701	72.5%
Net income (loss) from continuing operations	471	10.3%	(2,472)	-66.3%
Discontinued operations net loss from operations, net of tax	-		(192)	
Net income (loss)	471		(2,664)	

Revenues. For the three-month period ended January 31, 2019, the Company's revenues from continuing operations were \$4.6 million, an increase of \$0.8 million when compared to the same period last year. The revenue increase is mainly attributable to increases in projects in the Puerto Rico and US consulting markets of \$1.2 and \$0.2 million, respectively, partially offset by a decrease of \$0.6 million in the European market.

Cost of Services; gross margin. Gross margin for the three months ended January 31, 2019 increased 0.7 percentage points when compared to the same period last year. The net increase in gross margin is mainly attributable to favorable consulting projects in the Puerto Rico consulting market.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended in January 31, 2019 were approximately \$1.0 million, a net increase of \$75,000 when compared to the same period last year. The increase is mainly attributable to expenses geared to increase sales volume, either by promotions or operational support.

Income Tax and US Tax Reform Transition Tax Expense. The income tax expense for the three-month periods ended January 31, 2019 and 2018 is mainly attributable to (i) the effect to the effective tax rate attained considering the effect of the Puerto Rico Act 73 Tax Grant, and (ii) the US Transition Tax of \$2.7 million, respectively. See Note C of the Company's condensed consolidated financial statements included herewith for additional information on the US Tax Reform.

Net Income (Loss) from Continuing Operations. Net income from continuing operations for the quarter ended January 31, 2019 was approximately \$471,000 compared to a net loss from continuing operations of \$2.5 million for the same period last year. After considering last year's non-recurring 2018 US Tax Reform \$2.7 million Transition Tax charge, the increase in net income from continuing operations is mainly attributable to the improvement in revenue and related gross margin. Net income from continuing operations for the quarter ended January 31, 2019 was also offset by an increase in expenses of approximately \$75,000 to increase sales volume, either by promotions or operational support.

For the three-month period ended January 31, 2019, net income from continuing operations per common share for both basic and diluted was \$0.020, an improvement of \$0.127 per share when compared to the same period last year.

Net Loss from Discontinued Operations. The Company completed the sale of its Laboratory Assets on September 17, 2018. The net loss from this discontinued operation for the three months ended January 31, 2018 was approximately \$192,000. Discontinued operations net losses per share, for both basic and diluted was \$0.008.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including planned capital expenditures. As of January 31, 2019, the Company had approximately \$21 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, 2019, the Company repurchased an aggregate of 65,772 shares of its common stock, of which 2,800 were purchased within the repurchase program.

Our primary cash needs consist of the payment of compensation to our consulting team, overhead expenses, and statutory taxes (including the Transition Tax). 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, 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, 2019.

Critical Accounting Policies and Estimates

There were no material changes during the three months ended January 31, 2019 to the critical accounting policies reported in our Annual Report on Form 10-K for the fiscal year ended October 31, 2018.

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, 2018, 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 and the impacts of Hurricanes Irma and Maria, 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.

US Federal Tax Reform may affect the willingness of companies to continue or expand their operations in Puerto Rico.

Further changes in tax laws in Puerto Rico or in other jurisdictions may adversely impact the willingness of our customers to continue or expand their Puerto Rico operations.

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.

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.

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.

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.

Our growth strategy 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, 2019:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
November 1, 2018 through November 30, 2018	-	\$-	-	1,684,596
December 1, 2018 through December 31, 2018	62,972(2)	\$1.00	-	1,684,596
January 1, 2019 through January 31, 2019	2,800	\$0.99	2,800	1,681,796
Total	65,772	\$1.00	2,800	

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 “Repurchase Program”). The timing, manner, price and amount of any repurchases under the Repurchase Program (1) 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 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 under the Repurchase Program directly from directors or officers of the Company.

On November 26, 2018, the Company repurchased 62,972 shares of common stock, outside of the Repurchase (2) Program, from the Company’s Chief Executive Officer at \$1.00 per share. These shares were repurchased at a discount to market to provide for an orderly disposition of the shares.

ITEM 6. EXHIBITS

(a)
Exhibits:

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- 10.1 Consulting Agreement Amendment, dated December 31 2018, by and among Pharma-Bio Serv, Inc., Strategic Consultants International, LLC and Elizabeth Plaza, effective January 1, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 4, 2019 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

+ Management contracts or compensatory plans, contracts or arrangements.

* Furnished herewith.

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 18, 2019