

ENCORIUM GROUP INC  
Form 10-Q  
November 16, 2009  
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**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 September 30, 2009.

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 number: 0-21145

**ENCORIUM GROUP, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**400 Berwyn Park**  
**899 Cassatt Road, Suite 115,**  
**Berwyn, Pennsylvania**  
(Address of principal executive offices)

**56-1668867**  
(I.R.S. Employer  
Identification No.)

**19312**  
(Zip Code)

**610-989-4208**

(Registrant's telephone number, including area code)

**One Glenhardie Corporate Center, 1275 Drummers Lane,**  
**Suite 300, Wayne, Pennsylvania**

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of November 16, 2009, there were 26,325,383 shares of Encorium Group, Inc. common stock issued, par value \$.001 per share, which excludes 310,121 shares in treasury.

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**ENCORIUM GROUP, INC.**

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ENCORIUM GROUP, INC.****CONSOLIDATED CONDENSED BALANCE SHEETS****(UNAUDITED)**

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 318,243	\$ 5,705,818
Investigator advances	29,289	1,088,768
Accounts receivable, less allowance of \$220,000 and \$97,000 for September 30, 2009 and December 31, 2008, respectively	3,137,422	4,624,161
Prepaid expenses and other	1,133,838	1,206,088
Prepaid taxes	40,670	28,290
Costs and estimated earnings in excess of related billings on uncompleted contracts	1,311,739	1,443,427
<b>Total Current Assets</b>	<b>5,971,201</b>	<b>14,096,552</b>
<b>Property and Equipment, Net</b>	<b>303,940</b>	<b>1,211,929</b>
<b>Intangible Assets</b>		
Goodwill	1,414,244	1,366,269
Other intangibles, Net	3,613,698	3,733,517
Other assets	314,992	684,666
<b>Total Assets</b>	<b>\$ 11,618,075</b>	<b>\$ 21,092,933</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,684,547	\$ 3,624,071
Lines of credit	701,335	
Accrued expenses	2,671,716	3,004,627
Deferred taxes	612,987	206,173
Obligations under capital leases	48,154	72,542
Billings in excess of related costs and estimated earnings on uncompleted contracts	1,418,607	3,307,347
Customer advances	1,409,074	5,297,000
<b>Total Current Liabilities</b>	<b>9,546,420</b>	<b>15,511,760</b>
<b>Long Term Liabilities</b>		
Obligations under capital leases	79,268	189,680
Deferred taxes	842,250	897,204
Other liabilities	224,714	316,516
<b>Total Long Term Liabilities</b>	<b>1,146,232</b>	<b>1,403,400</b>

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<b>Total Liabilities</b>	10,692,652	16,915,160
<b>Stockholders Equity</b>		
Common stock, \$.001 par value 35,000,000 shares authorized, 20,834,004 shares issued and 20,523,883 shares outstanding	20,834	20,834
Additional paid-in capital	32,716,837	32,417,250
Additional paid-in capital warrants	905,699	905,699
Accumulated deficit	(32,877,972)	(29,737,430)
Accumulated other comprehensive income	886,714	1,298,109
<b>Less:</b>	1,652,112	4,904,462
Treasury stock, at cost, 310,121 shares	(726,689)	(726,689)
<b>Total Stockholders Equity</b>	925,423	4,177,773
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 11,618,075</b>	<b>\$ 21,092,933</b>

See accompanying notes to the consolidated condensed financial statements.

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## ENCORIUM GROUP, INC.

## CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net revenue	\$ 4,446,606	\$ 5,396,894	\$ 13,468,042	\$ 16,716,964
Reimbursement revenue	661,176	1,116,818	2,576,542	3,085,554
<b>Total Revenue</b>	<b>5,107,782</b>	<b>6,513,712</b>	<b>16,044,584</b>	<b>19,802,518</b>
<b>Operating Expenses</b>				
Direct	2,905,878	3,519,946	9,270,853	11,026,826
Reimbursement out-of-pocket expenses	661,176	1,116,818	2,576,542	3,085,554
Selling, general and administrative	2,058,878	2,035,638	6,379,746	6,836,465
Depreciation and amortization	98,563	403,406	281,938	1,183,681
Impairment loss		1,856,183		1,856,183
<b>Total Operating Expenses</b>	<b>5,724,495</b>	<b>8,931,991</b>	<b>18,509,079</b>	<b>23,988,709</b>
<b>Loss from Operations</b>	<b>(616,713)</b>	<b>(2,418,279)</b>	<b>(2,464,495)</b>	<b>(4,186,191)</b>
Interest Income		1,071		13,756
Interest Expense	(26,676)	(17,129)	(31,132)	(24,044)
<b>Net Interest Expense</b>	<b>(26,676)</b>	<b>(16,058)</b>	<b>(31,132)</b>	<b>(10,288)</b>
<b>Other expense</b>				
<b>Net Loss from continuing operations before Income Taxes</b>	<b>(643,389)</b>	<b>(2,434,337)</b>	<b>(2,495,627)</b>	<b>(4,196,479)</b>
<b>Income Tax Expense (Benefit)</b>	<b>98,826</b>	<b>(8,627)</b>	<b>90,899</b>	<b>60,269</b>
<b>Net Loss from continuing operations</b>	<b>\$ (742,215)</b>	<b>\$ (2,425,710)</b>	<b>\$ (2,586,526)</b>	<b>\$ (4,256,748)</b>
<b>Net Loss from discontinued operations</b>	<b>(258,436)</b>	<b>(1,455,642)</b>	<b>(554,016)</b>	<b>(3,077,435)</b>
<b>Income Tax Expense (Benefit)</b>				
<b>Net Loss</b>	<b>\$ (1,000,651)</b>	<b>\$ (3,881,352)</b>	<b>\$ (3,140,542)</b>	<b>\$ (7,334,183)</b>
<b>Weighted Average Common and Common Equivalent Shares Outstanding</b>				
<b>Basic</b>	<b>20,523,883</b>	<b>20,603,140</b>	<b>20,523,883</b>	<b>20,603,140</b>
<b>Diluted</b>	<b>20,523,883</b>	<b>20,603,140</b>	<b>20,523,883</b>	<b>20,603,140</b>

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<b>Net Loss per Common Share</b>					
<b>Continuing Operations</b>	\$	(0.04)	\$	(0.12)	\$ (0.13) \$ (0.21)
<b>Discontinued Operations</b>	\$	(0.01)	\$	(0.07)	\$ (0.02) \$ (0.15)
<b>Net Loss per Common Share</b>	\$	(0.05)	\$	(0.19)	\$ (0.15) \$ (0.36)

See accompanying notes to the consolidated condensed financial statements.

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	<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Net Cash Used By Operating Activities</b>	<b>\$ (5,439,361)</b>	<b>\$ (3,487,433)</b>
<b>Investing Activities:</b>		
Purchases of property and equipment	(41,817)	(248,525)
<b>Net Cash Used By Investing Activities</b>	<b>(41,817)</b>	<b>(248,525)</b>
<b>Financing Activities:</b>		
Net payments under capital leases	(79,830)	(22,883)
Net cash from short-term borrowings	701,335	52,040