ABERDEEN AUSTRALIA EQUITY FUND INC
Form N-CSR
January 07, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number:	811-04438
Exact name of registrant as specified in charter:	Aberdeen Australia Equity Fund, Inc.
Address of principal executive offices:	Aberdeen Asset Management Inc. 1735 Market Street 32nd Floor Philadelphia, PA 19103
Name and address of agent for service:	Ms. Andrea Melia Aberdeen Asset Management Inc. 1735 Market Street 32nd Floor Philadelphia, PA 19103
Registrant s telephone number, including area code:	866-839-5205
Date of fiscal year end:	October 31
Date of reporting period:	October 31, 2010

Item 1 Reports to Stockholders

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Aberdeen Australia Equity Fund, Inc.

Annual Report

October 31, 2010

Invests primarily in equity securities of Australian companies listed on the

Australian Stock Exchange Limited.

Managed Distribution Policy

The Board of Directors of the Fund has authorized a managed distribution policy (MDP) of paying quarterly distributions at an annual rate, set once a year, that is a percentage of the rolling average of the Fund s prior four quarter-end net asset values. With each distribution, the Fund will issue a notice to shareholders and an accompanying press release which will provide detailed information regarding the amount and composition of the distribution and other information required by the Fund s MDP exemptive order. The Fund s Board of Directors may amend or terminate the MDP at any time without prior notice to shareholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination of the MDP. You should not draw any conclusions about the Fund s investment performance from the amount of distributions or from the terms of the Fund s MDP.

Letter to Shareholders (unaudited)

December 10, 2010

Dear Shareholder,

We present this Annual Report which covers the activities of Aberdeen Australia Equity Fund, Inc. (the Fund) for the year ended October 31, 2010. The Fund s principal investment objective is long-term capital appreciation through investment primarily in equity securities of Australian companies listed on the Australian Stock Exchange Limited. The Fund s secondary investment objective is current income.

Net Asset Value Performance

The Fund s total return based on net asset value (NAV) was 15.4% for the year ended October 31, 2010, assuming reinvestment of distributions, compared with 13.4% in U.S. dollar terms, for the S&P/ASX 200 Accumulation Index.

Share Price Performance

The Fund s share price increased 11.4% over the year, from $11.40 on October 31, 2009 to $12.70 on October 31, 2010. The Fund s share price on October 31, 2010 represented a premium of 9.7% to the NAV per share of $11.58 on that date, compared with a premium of 4.0% to the NAV per share of $10.96 on October 31, 2009. At the date of this letter, the share price was $12.33, representing a premium of 4.1% to the NAV per share of $11.84.

Managed Distribution Policy

The Fund has a managed distribution policy of paying quarterly distributions at an annual rate, set once a year, that is a percentage of the rolling average of the Fund s prior four quarter-end net asset values. In March 2010, the Board of Directors determined the rolling distribution rate to be 10% for the 12 month period commencing with the distribution payable in April 2010. This policy will be subject to regular review by the Fund s Board of Directors. The distributions will be made from current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital.

On December 8, 2010, the Board of Directors authorized a quarterly distribution of 28 cents per share, payable on January 14, 2011 to all shareholders of record as of December 30, 2010.

Secondary Offering

On December 9, 2010, the Fund announced the pricing of a public offering of its shares of common stock. The Fund agreed to sell a total of 2,500,000 shares of common stock (exclusive of 375,000 shares of common stock that the underwriters may purchase pursuant to a 45-day option to cover over-allotments) at a price of $12.50 per share. Net proceeds of the offering were approximately

$30 million and were used to make additional portfolio investments that are consistent with the Fund s investment objectives and policies. The offering closed on December 14, 2010.

Portfolio Holdings Disclosure

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund s Forms N-Q are available on the SEC s website at http://www.sec.gov and may be reviewed and copied at the SEC s Public Reference Room in Washington D.C. Information about the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund makes the information on Form N-Q available to shareholders on the Fund s website or upon request and without charge by calling Investor Relations toll-free at 1-866-839-5205.

Proxy Voting

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the Fund voted proxies relating to portfolio securities during the twelve months ended June 30, 2010, is available: (i) upon request and without charge by calling Investor Relations toll-free at 1-866-839-5205; and (ii) on the SEC s website at http://www.sec.gov.

Dividend Reinvestment and Direct Stock Purchase Plan

As part of a broad effort to enhance available services to Shareholders, we are pleased to announce the availability of a Dividend Reinvestment and Direct Stock Purchase Plan (the Plan) that is sponsored and administered by Computershare Trust Company, N.A., the Fund s transfer agent. For both purchases and reinvestment purposes, shares will be purchased in the open market at the current share price and cannot be issued directly by the Fund.

The new Plan has similar features to the previous Dividend Reinvestment Plan that was administered by The Bank of New York Mellon, the Fund s former transfer agent, but it also offers some enhancements that enable investors to purchase initial shares through the Plan as a new investor, authorize recurring monthly purchases through the automatic investment feature and purchase shares over the Internet at www.computershare.com/aberdeen or by check.

For more information about the Plan and a brochure that includes the terms and conditions of the Plan, please contact Computershare at 1-800-647-0584 or visit www.computershare.com/buyaberdeen.

Letter to Shareholders (unaudited) (concluded)

Investor Relations Information

For information about the Fund, daily updates of share price, NAV and details of recent distributions, please contact Aberdeen Asset Management Inc. by:

- Calling toll free at 1-866-839-5205 in the United States,
- E-mailing InvestorRelations@aberdeen-asset.com, or
- Visiting the website at www.aberdeeniaf.com.

For information about the Aberdeen Closed-End Fund s, please visit our Closed-End Investor Center at www.aberdeen-asset.us/cef.

From the site you will also be able to review performance, download literature and sign up for email services. The site houses most topical information about the funds, including fact sheets from Morningstar that are updated daily and monthly manager reports. If you sign up for our email service online, we can ensure that you are among the first to know about Aberdeen s latest closed-end fund news.

Included within this report is a reply card with postage paid envelope. Please complete and mail the card if you would like to be added to our enhanced email service and receive future communications from Aberdeen.

Yours sincerely,

Christian Pittard

President

All amounts are U.S. dollars unless otherwise stated.

Distribution Disclosure Classification (unaudited)

The Fund s policy is to provide investors with a stable distribution rate. Each quarterly distribution will be paid out of current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital.

The Fund is subject to U.S. corporate, tax and securities laws. Under U.S. tax accounting rules, the amount of distributable income for each fiscal period depends on the actual exchange rates during the entire year between the U.S. dollar and the currencies in which Fund assets are denominated and on the aggregate gains and losses realized by the Fund during the entire year.

Therefore, the exact amount of distributable income for each fiscal year can only be determined as of the end of the Fund s fiscal year,

October 31. Under the U.S. Investment Company Act of 1940, the Fund is required to indicate the sources of certain distributions to shareholders. This estimated distribution composition may vary from quarter to quarter because it may be materially impacted by future realized gains and losses on securities and fluctuations in the value of the currencies in which Fund assets are denominated.

The distributions for the fiscal year ended October 31, 2010, consisted of 49% of net investment income, 6% of net realized long-term capital gains and 45% return of paid-in capital.

In January 2011, a Form 1099-DIV will be sent to shareholders, which will state the amount and composition of distributions and provide information with respect to their appropriate tax treatment for the 2010 calendar year.

Report of the Investment Manager (unaudited)

Economic Review

The Fund s total return based on net asset value (NAV) was 15.4% for the year ended October 31, 2010, assuming re-investment of distributions, compared with 13.4%, in U.S. dollar terms, for the S&P/ASX 200 Accumulation Index (the benchmark).

In the first quarter of the Fund s financial year, the market got off to a weak start with the benchmark declining by 2.6%, influenced partly by two 25 basis point interest rate hikes by the Reserve Bank of Australia (RBA), leaving rates at 3.75%. Australia was one of the first developed countries to commence rate increases subsequent to the Global Financial Crisis (GFC) as employment data showed positive trends, as compared to other developed nations where the opposite held true. Between August 2009 and November 2009 employment grew by nearly 100,000. As a comparison, over the same period U.S. non-farm payrolls fell by 260,000. Towards the end of 2009 calendar year, M&A activity re-commenced; first with AMP Ltd. bidding for AXA Asia Pacific, followed by a higher subsequent bid from National Australia Bank. This latter bid was finally rejected by the Australian Competition and Consumer Commission (the competition regulator in Australia) towards the end of the Fund s financial year and still awaits the potential development of a fresh bid by AMP.

During the second quarter of the financial year the Fund s benchmark returned 11.6%, a very strong performance. Both February and March 2010 exhibited positive stock market performance, but April showed a small decline. February in Australia is predominantly the month in which a large proportion of the companies report on the first six months of trading up to end of December. This particular reporting period was characterized by earnings slightly ahead of expectations but any guidance by management on outlook was muted or cautious. In the U.S., the Federal Reserve continued to indicate that interest rates were likely to stay low for a considerable period. In contrast the RBA twice increased rates in the quarter, ending April at 4.25% and May at 4.5%. Australian banks indicated that loan loss risks were alleviating and this provided some enthusiasm for the sector. The Australian Dollar appreciated against the U.S. Dollar by around 3%, but appreciated by almost 9% against the Euro, as worries about the

state of Greece, and some of the other Southern European countries, impacted the Euro zone.

In the quarter ending July 2010, the commencement of the second half of the Fund s financial year, the market reversed a significant proportion of the gains of the second quarter, with the benchmark declining 8.5%. Early in the quarter, the market was blind-sided by the announcement of a proposed Resource Super Profits Tax (RSPT) in Australia. The impact of this proposal was a sell-off of resource stocks and the Australian Dollar, with the latter falling by almost 9% against the U.S. Dollar. Towards the end of June, Australia experienced a bout of political upheaval, with the Prime Minister Kevin Rudd stepping down to be replaced by Julia Gillard, the first female Prime Minister of Australia. A federal election was also announced for August.

Ahead of the next reporting season, the market saw a number of downgrades to expectations for some companies. A revised version of the RSPT was announced- a Mineral Resource Rent Tax-which was generally received by relief within the resource sector, although the details of its implementation have yet to be finalized.

In the final quarter of the Fund s financial year, the market recouped the losses of the previous quarter, giving a double figure return over the three months. The quarter was also characterized by a further strengthening of the Australian Dollar against the U.S. Dollar, rising by over 10%, just shy of parity. The federal election in August left neither of the major parties with an overall majority in the lower house, but subsequently Prime Minister Julia Gillard was able to form a government with the support of Green and Independent MPs, albeit with only a slender majority. Resources had a strong quarter on the back of strong base metal prices and the watering down of the initial RSPT proposals. August reporting season was slightly better than expectations, with decent dividend increases from some companies, but any guidance or outlook statements were guarded or cautious. The RBA left interest rates unchanged during the quarter, although employment data remained strong. Towards the end of October, the Australian Stock Exchange (held in the portfolio) announced an agreed bid for it from the Singapore Stock Exchange at a significant premium, although this must clear a number of regulatory hurdles before it can proceed.

Portfolio Composition (unaudited)

The following chart summarizes the composition of the Fund s portfolio, in industry classification standard sectors, expressed as a percentage of net assets. An industry classification standard sector can include more than one industry group. The Fund may invest between 25% and 35% of its total assets in the securities of any one industry group if, at the time of investment, that industry group represents 20% or more of the S&P/ASX 200 Accumulation Index. As of October 31, 2010, the Fund did not have more than 25% of its assets invested in any industry group. The financial industry sector is comprised of several groups.

As of October 31, 2010, the Fund held 96.3% of its net assets in equities, 0.4% in a short-term investment and 3.3% in other assets in excess of liabilities.

Asset Allocation as of October 31, 2010

by Standard & Poor s Global Industry Classification Standard Sectors

Top Ten Equity Holdings (unaudited)

The following were the Fund s top ten holdings as of October 31, 2010:

Name of Security	Percentage of Net Assets
BHP Billiton Ltd.	12.8%
QBE Insurance Group Ltd.	7.3%
Rio Tinto Ltd.	6.9%
Commonwealth Bank of Australia	6.3%
Woolworths Ltd.	5.6%
Westpac Banking Corp. Ltd.	5.4%
Australia & New Zealand Banking Group Ltd.	5.2%
Westfield Group Ltd.	4.5%
AGL Energy Ltd.	4.3%
Woodside Petroleum Ltd.	4.1%

Portfolio of Investments

As of October 31, 2010

Shares	Description	Value (US$)
LONG-TERM INVESTMENTS 96.3%		
COMMON STOCKS 96.3%		
CONSUMER DISCRETIONARY 6.9%		
329,000	Billabong International Ltd.*	$ 2,621,774
1,447,685	David Jones Ltd.*	6,743,132
2,502,800	Tattersall s Ltd.*	6,129,497
		15,494,403
CONSUMER STAPLES 10.1%		
2,404,200	Goodman Fielder Ltd.*	3,495,417
1,539,440	Metcash Ltd.*	6,590,338
448,600	Woolworths Ltd.*	12,453,556
		22,539,311
ENERGY 4.1%		
213,401	Woodside Petroleum Ltd.*	**9,125,687**
FINANCIALS 29.9%		
477,950	Australia & New Zealand Banking Group Ltd.*	11,660,419
213,015	Australian Stock Exchange Ltd.*	7,760,998
911,470	AXA Asia Pacific Holdings Ltd.*	4,853,796
292,655	Commonwealth Bank of Australia*	14,068,876
968,310	QBE Insurance Group Ltd.*	16,287,561
546,000	Westpac Banking Corp. Ltd.*	12,157,759
		66,789,409
HEALTH CARE EQUIPMENT & SERVICES 3.4%		
286,690	Ramsay Health Care Ltd.*	4,399,015
309,420	Sonic Healthcare Ltd.*	3,301,223
		7,700,238
INDUSTRIALS 2.0%		
121,000	Leighton Holdings Ltd.*	**4,354,207**
INFORMATION TECHNOLOGY 1.5%		
343,565	Computershare Ltd.*	**3,411,361**
MATERIALS 23.6%		
693,780	BHP Billiton Ltd.*	28,667,867
1,116,890	Incitec Pivot Ltd.*	4,089,701
179,260	Orica Ltd.*	4,429,458
190,420	Rio Tinto Ltd.*	15,496,827
		52,683,853
PROPERTY 4.5%		
822,650	Westfield Group Ltd.*	**10,005,385**
TELECOMMUNICATION SERVICES 3.5%		
3,289,200	Singapore Telecommunications Ltd.*	**7,793,534**
UTILITIES 6.8%		
609,935	AGL Energy Ltd.*	9,630,329
6,075,860	SP AusNet*	5,525,675
		15,156,004

Total Long-Term Investments 96.3% (cost $138,394,797)	**215,053,392**

See Notes to Financial Statements.

Portfolio of Investments (concluded)

As of October 31, 2010

Par Amount	Description	Value (US$)
SHORT-TERM INVESTMENT 0.4%		
$851,000	Time Deposit, State Street Bank & Trust Co., 0.01%, due 11/01/10	$ 851,000
	Total Short-Term Investment 0.4% (cost $851,000)	**851,000**
	Total Investments 96.7% (cost $139,245,797)	**215,904,392**
	Other Assets in Excess of Liabilities 3.3%	7,268,405
	Net Assets 100.0%	**$ 223,172,797**

* Fair Valued Security; countries with a Fair Value designation indicate all its securities are Fair Valued. Fair Values are determined pursuant to procedures approved by the Board of Directors.

See Notes to Financial Statements.

Statement of Assets and Liabilities

As of October 31, 2010

Assets	
Investments, at value (cost $139,245,797)	$ 215,904,392
Foreign currency, at value (cost $7,278,567)	7,257,020
Cash	844
Interest and dividends receivable	349,323
Prepaid expenses and other assets	39,345
Total assets	**223,550,924**
Liabilities	
Investment management fees payable	187,173
Administration fees	17,916
Other	173,038
Total liabilities	**378,127**
Net Assets	**$ 223,172,797**
Composition of Net Assets:	
Common stock (par value $.01 per share)	$ 192,776
Paid-in capital in excess of par	130,353,631
Distributions in excess of net investment income	(1,995,667)
Accumulated net realized gain on investment transactions	2,514,129
Net unrealized appreciation on investments	44,440,760
Accumulated net realized foreign exchange gains	15,457,613
Net unrealized foreign exchange gains	32,209,555
Net Assets	**$ 223,172,797**
Net asset value per common share based on 19,277,602 shares issued and outstanding	$ 11.58

See Notes to Financial Statements.

Statement of Operations

For the Year Ended October 31, 2010

Net Investment Income

Income	
Dividend income (net of foreign withholding taxes of $105,718)	$ 8,885,946
Interest	215,745
	9,101,691
Expenses	
Investment management fee	1,779,272
Directors fees and expenses	231,942
Legal fees and expenses	190,685
Administration fee	171,844
Investor relations fees and expenses	133,945
Reports to shareholders and proxy solicitation	119,746
Insurance expense	107,977
Custodian s fees and expenses	61,912
Independent auditors fees and expenses	58,062
Transfer agent s fees and expenses	39,249
Miscellaneous	48,285
Total expenses	2,942,919
Net investment income	6,158,772

Realized and Unrealized Gains/(Losses) on Investments and Foreign Currencies

Net realized gain/(loss) on:	
Investment transactions	8,794,249
Foreign currency transactions	1,626,246
	10,420,495
Net change in unrealized appreciation/(depreciation) on:	
Investments	6,231,484
Foreign currency translation	8,486,348
	14,717,832
Net gain on investments and foreign currencies	25,138,327
Net Increase in Net Assets Resulting From Operations	$ 31,297,099

See Notes to Financial Statements.

Statements of Changes in Net Assets

	For the Year Ended October 31, 2010	For the Year Ended October 31, 2009		
Increase/(Decrease) in Net Assets				
Operations:				
Net investment income	$ 6,158,772	$ 5,578,553		
Net realized gain (loss) from investment transactions	8,794,249	(1,159,539)		
Net realized gain/(loss) foreign currency transactions	1,626,246	(599,383)		
Net change in unrealized appreciation/(depreciation) from investments	6,231,484	20,754,670		
Net change in unrealized appreciation/(depreciation) on foreign currency translation	2002			
NET REVENUES:	$ 25,950,863	23,863,545	$ 49,709,890	$ 46,158,188
COST OF SERVICES:				
Depreciation	$ 230,172	$ 137,024	$ 447,530	$ 265,108
Employee Related Expenses	6,528,414	5,768,780	12,927,389	11,510,838
Reagents and Lab Supplies	4,165,745	3,816,240	7,925,452	7,629,580
Other Cost of Services	2,785,904	2,926,132	5,596,705	6,168,784
TOTAL COST OF SERVICES	$ 13,710,235	$ 12,648,176	$ 26,897,076	$ 25,574,310
GROSS PROFIT ON REVENUES	$ 12,240,628	$ 11,215,369	$ 22,812,814	$ 20,583,878
General and Administrative Expenses:				
Depreciation and Amortization	$ 170,449	$ 164,005	$ 329,521	$ 327,182
Other General and Admin. Expenses	7,089,624	6,293,235	14,099,319	12,118,204
Bad Debt Expense	3,105,261	3,171,119	5,760,470	5,575,946
TOTAL GENERAL AND ADMIN. EXPENSES	$ 10,365,334	$ 9,628,359	$ 20,189,310	$ 18,021,332
OPERATING INCOME	$ 1,875,294	$ 1,587,010	$ 2,623,504	$ 2,562,546
OTHER (INCOME) EXPENSES:				
Interest Expense	$ 186,130	$ 249,992	$ 397,942	$ 518,577

Interest Income	(5,650)	(8,923)	(13,317)	(18,654)
TOTAL OTHER EXPENSES - NET	$ 180,480	$ 241,069	$ 384,625	$ 499,923
INCOME BEFORE TAX	$ 1,694,814	$ 1,345,941	$ 2,238,879	$ 2,062,623
Provision for Income Taxes	172,000	85,773	245,999	92,708
NET INCOME	$ 1,522,814	$ 1,260,168	$ 1,992,880	$ 1,969,915
NET INCOME PER SHARE:	$ .13	$ .11	$ .17	$ .18
NUMBER OF SHARES:	11,487,316	11,234,918	11,541,283	11,169,290
NET INCOME PER SHARE: ASSUMING DILUTION	$ .12	.10	.16	.15
NUMBER OF SHARES - ASSUMING DILUTION:	12,665,047	12,889,043	12,774,153	12,820,840

The Accompanying Notes are an Integral Part of These Financial Statements.

BIO-REFERENCE LABORATORIES, INC.

STATEMENTS OF CASH FLOWS

[UNAUDITED]

	Six months ended April 30, 2003		Six months ended April 30, 2002	
OPERATING ACTIVITIES:				
Net Income	$	1,992,880	$	1,969,915
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:				
Deferred Compensation		75,550		157,160
Depreciation and Amortization		777,051		592,290
Deferred Income Taxes		100,000		14,000
Provision for Bad Debts		5,760,470		5,575,946
Change in Assets and Liabilities:				
(Increase) Decrease in: Accounts Receivable		(7,725,052)		(6,378,409)
Inventory		45,896		94,290
Other Current Assets		259,594		(7,038)
Deferred Charges				(97,839)
Other Assets and Deposits		22,981		(314,206)
Increase (Decrease) in:				
Accounts Payable and Accrued Liabilities		(532,039)		667,983
NET CASH - OPERATING ACTIVITIES		777,331		2,274,092
INVESTING ACTIVITIES:				
Acquisition of Equipment and Leasehold Improvements	$	(515,030)	$	(295,373)
NET CASH - INVESTING ACTIVITIES	$	(515,030)	$	(295,373)
FINANCING ACTIVITIES:				
Proceeds from Exercise of Options	$	55,219	$	207,247
Stock Repurchase		(943,836)		
Payments of Long-Term Debt		(400,000)		(550,509)
Payments of Capital Lease Obligations		(331,542)		(160,208)
Increase (Decrease) in Revolving Line of Credit		1,638,854		(824,957)
NET CASH - FINANCING ACTIVITIES	$	18,695		(1,328,427)
NET INCREASE (DECREASE) IN CASH	$	280,996	$	650,292

CASH AT BEGINNING OF PERIODS		3,403,365		2,355,356
CASH AT END OF PERIODS	$	3,684,361		3,005,648
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid during the period for:				
Interest	$	269,115	$	463,440
Income Taxes	$	7,284	$	47,212

The Accompanying Notes are an Integral Part of These Financial Statements.

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:
(UNAUDITED)

During the six month period ended April 30, 2003, the Company entered into four capital leases totaling approximately $460,800.

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

BIO-REFERENCE LABORATORIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

[1] In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments [consisting only of normal adjustments and recurring accruals] which are necessary to present a fair statement of the results for the interim periods presented and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

[2] The results of operations for the six months ended April 30, 2003 are not necessarily indicative of the results to be expected for the entire year.

[3] The consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes for the year ended October 31, 2002 as filed with the Securities and Exchange Commission in the Company s Annual Report on Form 10-K.

[4] The significant accounting policies followed by the Company are set forth in Note 2 to the Company s consolidated financial statements in the October 31, 2002 Form 10-K.

[5] Revenues are recognized at the time the services are performed. Revenues on the statement of operations are net of the following amounts for allowances and discounts.

	Three Months Ended April 30 [Unaudited]		Six Months ended April 30 [Unaudited]	
	2003	**2002**	**2003**	**2002**
Medicare/Medicaid	$ 18,720,675	$ 15,924,920	$ 35,655,617	$ 30,551,236
Other	19,411,260	$ 17,959,685	37,609,064	33,986,674
	$ 38,131,935	$ 33,884,605	$ 73,264,681	$ 64,537,910

A number of proposals for legislation or regulation continue to be under discussion which could have the effect of substantially reducing Medicare reimbursements for clinical laboratories. Depending upon the nature of regulatory action, if any, which is taken and the content of legislation, if any, which is adopted, the Company could experience a significant decrease in revenues from Medicare and Medicaid, which could have a material adverse effect on the Company. The Company is unable to predict, however, the extent to which such actions will be taken.

[6] An allowance for contractual credits and uncollectible accounts is determined based upon a review of the reimbursement policies and subsequent collections for the different types of payors. The aggregate allowance, which is net against accounts receivable was $27,411,582 at April 30, 2003 and $30,045,528 at October 31, 2002 and is comprised of the following items:

	[Unaudited] April 30, 2003	October 31, 2002
Contractual Credits/Discounts	$ 21,633,682	$ 23,010,020
Doubtful Accounts	5,777,900	7,035,508
	$ 27,411,582	$ 30,045,528

[7] In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards [SFAS] No. 143 Accounting for asset retirement obligations which requires that the fair value of a liability for an asset retirement legal obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This statement is effective for fiscal years beginning after June 15, 2002. The Company adopted SFAS No. 143 effective November 1, 2002.

In August 2001, FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This statement retains the requirements of SFAS No. 121 but removes goodwill from its scope and describes a probability-weighted cash flow estimation approach in evaluating possible future cash flows to be used in impairment testing. Provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The Company adopted SFAS No. 143 effective November 1, 2002.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. l4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections (SFAS 145). SFAS 145 among other things rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt (SFAS 4), and SFAS No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements (SFAS 64) and amends SFAS No. 13, Accounting for Leases (SFAS 13). This statement updates, clarifies and simplifies existing accounting pronouncements. As a result of rescinding SFAS 4 and SFAS 64, the criteria in APB No. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Event and Transactions, will be used to classify gains and losses from extinguishment of debt. SFAS 13 was amended to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions and makes technical corrections to existing pronouncements. The provisions of SFAS 145 are effective for fiscal years beginning after May 15, 2002, with earlier application encouraged. The Company adopted SFAS 145 effective November 1, 2002.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS 146), which addresses the recognition, measurement, and reporting of costs associated with exit or disposal activities, and supercedes Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring) (EITF 94-3). The principal difference between SFAS 146 and EITF 94-3 relates to the requirements for recognition of a liability for a cost associated with an exit or disposal activity. SFAS 146 requires that a liability for a cost associated with an exit or disposal activity, including those related to employee termination benefits and obligations under operating leases and other contracts, be recognized when the liability is incurred, and not necessarily the date of an entity s commitment to an exit plan, as under EITF 94-3. SFAS 146 also establishes that the initial measurement of a liability recognized under SFAS 146 be based on fair value. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company adopted SFAS 146 effective November 1, 2002.

In December 2002, FASB Statement No. 148 Accounting for Stock-Based Compensation-Transition and Disclosure was issued as an amendment of FASB Statement No. 123. Provisions of Statement No. 148 provide for alternate methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, Statement No. 148 amends the disclosure requirements of Statement No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reporting results. Statement No. 148 is effective for entities with a fiscal year ending after December 15, 2002. Certain disclosure requirement under Statement No. 148 are effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. The Company adopted Statement No. 148 effective February 1, 2003.

At April 30, 2003, the Company had two stock-based employee compensation plans. The Company accounts for those plans under the measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provision of FASB Statement No. 123 to stock-based employee compensation.

	Three Months Ended April 30,		Six Months Ended April 30,	
	2003	2002	2003	2002
Net Income (Loss):				
As Reported	$ 1,522,814	$ 1,260,168	$ 1,992,880	$ 1,969,915
Deduct: Stock Based Employee compensation expense determined under the fair value based method-Net of Tax	$ (116,774)	$ (151,413)	$ (540,995)	$ (1,099,822)
Pro-Forma Net income	1,406,040	1,108,755	1,451,885	870,093
Basic Earnings (Loss) Per Share:				
As Reported	$ 0.13	$ 0.11	$ 0.17	$ 0.18
Pro-Forma	$ 0.12	$ 0.10	$ 0.13	$ 0.08
Diluted Earnings (Loss) Per Share:				
As Reported	$ 0.12	$ 0.10	$ 0.16	$ 0.15
Pro-Forma	$ 0.11	$ 0.09	$ 0.11	$ 0.07

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities (SFAS 149), which clarified financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003.

In November 2002, the FASB issued Interpretation no. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45). FIN 45 requires a guarantor to recognize a liability, at the inception of the guarantee, for the fair value of obligations it has undertaken in issuing the guarantee and also include more detailed disclosures with respect to guarantees. FIN 45 is effective on a prospective basis for guarantees issued or modified starting January 1, 2003 and requires the additional disclosures in interim and annual financial statements effective for the period ended December 31, 2002. The Company s adoption of the initial recognition and measurement provisions of FIN 45 effective January 1, 2003, did not have a material impact on the Company s results of operations or financial position.

In January 2003, the FASB issued Interpretation no. 46 (FIN 46), Consolidation of Variable Interest Entities, which clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is applicable immediately for variable interest entities created after January 31, 2003. For variable interest entities created prior to January 31, 2003, the provisions of FIN 46 are applicable no later than July 1, 2003. The adoption of FIN 46 has no impact on the Company at this time.

[8] At April 30, 2003, the Company had a gross deferred tax asset of approximately $600,000 and a valuation allowance of approximately $400,000 related to the asset, a decrease of $500,000 from October 31, 2002. The net deferred tax asset balance of approximately $200,000 primarily relates to net operating loss carry forwards and is reported under the Other Current Assets caption.

[9]In January 2002, we amended our revolving loan agreement with PNC Bank. The maximum amount of the credit line available to the Company is now the lesser of (i) $25,000,000 or (ii) 50% of our qualified accounts receivable (as defined in the agreement). Interest on advances will be subject to the prime rate or Eurodollar rate of interest plus an additional interest percentage. The additional interest percentage charges on borrowings range from 1% to 3% and are determined based upon certain financial ratios achieved by the Company. During the current fiscal period, the Company had elected to have $10,000,000 of the total advances outstanding converted into a Eurodollar rate loan with a variable interest rate of 2.760% at April 30, 2003. The remaining outstanding advances during that period were subject to the prime rate of interest. At April 30, 2003, advances of $2,184,864 were subject to interest at the prime rate. The credit line is collateralized by substantially all of our assets and the assignment of a $4,000,000 insurance policy on the life of the president of our Company. The line of credit is currently available through September 2004. The terms of this agreement contain, among other provisions, requirements for maintaining defined levels of capital expenditures and fixed charge coverage, various financial ratios and insurance coverage. As of April 30, 2003, we were utilizing approximately $12,185,000 of this credit facility and had $7,800,629 of available unused credit under this revolving loan agreement.

[10] In March 2003, the Board of Directors approved the repurchase of up to 500,000 shares of the Company s common stock in the over-the-counter market on or before October 31, 2004 provided: (1) all such repurchases and bids to repurchase effected on any given day shall be made only through a single broker or dealer on that day; (2) any such repurchases on a given day shall not be the opening transaction reported to the consolidated transaction reporting system and no repurchases shall be made during the last half-hour before the scheduled close of trading; (3) the highest purchase price paid to repurchase any shares shall not exceed the higher of the highest independent bid or the last independent reported sale price; and (4) the maximum number of shares that can be repurchased on a given day (excluding block repurchases) shall not exceed 25% of the average daily trading volume reported for the four calendar weeks preceding the week in which the repurchase is made.

It was further decided, that periodically after the repurchase, the repurchased shares would be retired and canceled.

During March and April 2003, the Company repurchased a total of 210,800 shares of its common stock at a cost of $943,836. The cost of the repurchased shares of common stock has been recorded as a reduction of common stock in the amount of $2,108 and a reduction of additional paid-in capital in the amount of $941,728.

[11] In the normal course of its business, the Company is exposed to a number of asserted and unasserted potential claims. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company s financial position or results of operations.

At November 1, 1998, the Company was being represented by counsel in connection with various reviews being conducted by the Company s Medicare carrier. One review involved overpayments that occur in the normal course of business. The Company remitted approximately $75,000 to Medicare in connection with this matter. At October 31, 2002, the Company had established a reserve of $154,000 on its financial statements for the remaining liability. In January 2003, Medicare determined that the remaining overpayment was $78,684 and interest on this amount was $2,392. The total amount of $81,076 was remitted by the Company to Medicare in January 2003, bringing the matter to a close.

In April 2003, a Determination was rendered in a lawsuit filed by a former employee, David Bennett, who alleged that his employment contract had been improperly terminated by the Company. The arbitrator who presided at the hearing concluded that Mr. Bennett s employment was duly terminated by the Company for cause and rendered his Determination in favor of the Company and against David Bennett with respect to all of Mr. Bennett s claims.

Item 2.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains historical information as well as forward-looking statements. Statements looking forward in time are included in this Quarterly Report pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks and uncertainties that may cause our actual results in future periods to be materially different from any future performance suggested herein. For a further discussion concerning risks to our business, the results of our operations and our financial condition, reference is made to our Annual Report on Form 10-K for the year ended October 31, 2002.

OVERVIEW:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. While many aspects of our business are subject to complex federal, state and local regulations, the accounting for our business is generally straightforward. Our revenues are primarily comprised of a high volume of relatively low dollar transactions, and about half of all our costs consist of employee compensation and benefits. Revenues are recognized at the time the services are performed and are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered including prospectively determined adjustments under reimbursement agreements with third-party payors. These adjustments are accrued on an estimated basis in the period the services are rendered and adjusted in future periods as final settlements are determined. These estimates are reviewed and adjusted, if warranted, by senior management on a monthly basis. We believe that our estimates and assumptions are correct; however, several factors could cause actual results to differ materially from those currently anticipated due to a number of factors:

our failure to integrate newly acquired businesses (if any) and the cost related to such integration.

our failure to obtain and retain new customers and alliance partners, or a reduction in tests ordered or specimens submitted by existing customers.

adverse results from investigations of clinical laboratories by the government, which may include significant monetary damages and/or exclusion from the Medicare and Medicaid programs.

loss or suspension of a license or imposition of a fine or penalties under, or future changes in, the law or regulations of CLIA-88, or those of Medicare, Medicaid or other federal, state or local agencies.

future changes in federal, state, local and third party payor regulations or policies (or in the interpretation of current regulations) affecting governmental and third-party reimbursement for clinical laboratory testing.

failure to comply with the Federal Occupational Safety and Health Administration requirements and the recently passed Needlestick Safety and Prevention Act.

failure to comply with HIPAA, which could result in significant fines as well as substantial criminal penalties.

changes in payor mix.

failure to maintain our days sales outstanding levels.

increased competition, including price competition.

our ability to attract and retain experienced and qualified personnel.

adverse litigation results.

We utilize diluted earnings per share (EPS) on pre-tax income as a performance indicator rather than the traditional EPS calculation on an after tax basis. This pre-tax EPS takes out the nuance of tax differences caused by large net operating loss carryforwards which create benefits (which we used in the past) and tax expense (which we expect in the future). Our pre-tax EPS on a diluted basis is shown below:

	Three Months Ended		Six Months Ended
	January 31	April 30	April 30
FY 2002	.06	.10	.16
FY 2003	.04	.13	.18

COMPARISON OF SECOND QUARTER 2003 VS SECOND QUARTER 2002

NET REVENUES:

Net revenues for the three month period ended April 30, 2003 were $25,950,863 as compared to $23,863,545 for the three month period ended April 30, 2002; which represents a 9% increase in net revenues. This increase is due to a 6% increase in patient counts and a 4% increase in net revenues per patient.

The number of patients serviced during the three month period ended April 30, 2003 was 505,318 which was 6% greater when compared to the prior fiscal year s three month period. Net revenue per patient for the three month period ended April 30, 2003 was $51.17 compared to net revenue per patient of $49.42 for the three month period ended April 30, 2002, an increase of $1.75 or 4%. This increase in net revenues per patient is related to an increase in esoteric testing. However, we lost three days of revenues (and patients) due to the President s Day storm in February, 2003.

COST OF SALES:

Cost of Services increased from $12,648,176 for the three month period ended April 30, 2002 to $13,710,235 for the three month period ended April 30, 2003, an increase of $1,025,259 or 8%. This increase is in line with the increase in net revenues of 9%.

GROSS PROFITS:

Gross profits, increased from $11,215,369 for the three month period ended April 30, 2002 to $12,240,628 for the three month period ended April 30, 2003; an increase of $925,259 or 8%. This is primarily attributable to the increase in net revenues.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the three month period ending April 30, 2002 was $9,628,359 as compared to $10,365,334 for the quarter ended April 30, 2003, an increase of $736,975 or 8%. This increase is in line with the increase in net revenues. However, insurance expense increased approximately $274,000 or 132% over the prior comparable period.

INTEREST EXPENSE:

Interest expense decreased to $186,130 during the three month period ending April 30, 2003 from $249,992 during the three month period ended April 30, 2002. This decrease is due to a decline in the variable interest rates associated with the PNC Bank line of credit.

INCOME:

We realized net income of $1,522,814 for the three month period ended April 30, 2003, as compared to $1,260,168 for the three month period ended April 30, 2002 an increase of 21%. Pre-tax income for the period ended April 30, 2003 was $1,694,814, compared to $1,345,941 for the period ended April 30, 2002, an increase of $348,873 (26%). The provision for income taxes increased from $85,773 for the period ended April 30, 2002 to $172,000 for the period ended April 30, 2003. This increase was anticipated due to the full utilization of certain state tax loss carry-forwards in fiscal 2002.

SIX MONTHS 2003 COMPARED TO SIX MONTHS 2002

NET REVENUES:

Net Revenues for the six month period ended April 30, 2003 were $49,709,890 as compared to $46,159,188 for the six month period ended April 30, 2002; this represents a 8% increase in net revenues. This increase is due to a 6% increase in patient counts and a 2% increase in revenue per patient.

The number of patients serviced during the six month period ended April 30, 2003 was 983,159 which was 6% greater when compared to the prior fiscal year s six month period. Net revenue per patient for the six month period ended April 30, 2002 was $50.56, compared to net revenue per patient for the six month period ended April 30, 2001 of $49.50 an increase of $1.06 or 2%.This increase is directly related to our increase in esoteric testing.

COST OF SALES:

Cost of Sales increased to $26,897,076 for the six month period ended April 30, 2003 from $25,574,310 for the six month period ended April 30, 2002. This represents a 5% increase in direct operating costs. This increase is less than the increase in net revenues of 8%.

GROSS PROFITS:

Gross profits on net revenues, increased to $22,812,814 for the six month period ended April 30, 2003 from $20,583,878 for the six month period ended April 30, 2002; an increase of $2,228,936 (11%), primarily attributable to the increase in net revenues. Gross profit margins increased to 46% from 45%, primarily attributable to the operating efficiencies realized with regard to the increase in net revenues.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the six month period ended April 30, 2003 were $20,189,310 as compared to $18,021,332 for the six month period ended April 30, 2002. This represents an increase of $2,167,978 or 12%, which was caused primarily by an increase of $622,803 (151%) in insurance expense, and increases in data processing and marketing administration salaries to support our infrastructure. These additional expenses did not have the same impact that insurance expense had on our cost structure.

INTEREST EXPENSE:

Interest expense decreased to $397,942 during the six month period ending April 30, 2003 as compared to $518,577 during the six month period ending April 30, 2002 a decrease of $120,635 and is due to a decline in variable interest rates associated with the PNC Bank line of credit.

INCOME:

We realized net income of $1,992,880 for the six months ended April 30, 2003 as compared to $1,969,915 for the six month period ended April 30, 2002. Pre-tax income for the period ended April 30, 2002 was $2,238,879, as compared to $2,062,623 for the period ended April 30, 2002, an increase of $176,257 (9%) and was caused primarily by a decrease in expenses in relation to an increase in net revenues. The provision for income taxes increased from $92,708 for the period ended April 30, 2002 to $245,999. This increase was anticipated due to the full utilization of certain state tax loss carry-forwards.

LIQUIDITY AND CAPITAL RESOURCES:

Our working capital at April 30, 2003 was approximately $13,754,000 as compared to approximately $12,651,000 at October 31, 2002, an increase of $1,103,000. Our cash position increased by approximately $281,000 during the current period. We borrowed approximately $1,639,000 in short term debt and repaid approximately $732,000 in existing debt. We utilized approximately $944,000 in the repurchase of the Company s Common Stock pursuant to the buy-back program approved by the Board of Directors. We had current liabilities of approximately $22,552,000 at April 30, 2003. We generated approximately $777,000 in cash from operations, compared to cash generated from operations for the quarter ended April 30, 2002 of approximately $2,274,000.

Accounts receivable, net of allowance for doubtful accounts, totaled approximately $30,664,000 at April 30, 2003, an increase of approximately $1,965,000 from October 31, 2002, or 7%. This increase was primarily attributable to increased revenue. Cash collected during the six month period ended April 30, 2003 increased 5% over the comparable six month period.

Credit risk with respect to accounts receivable is generally diversified due to the large number of patients comprising the client base. We have significant receivable balances with government payors and various insurance carriers. Generally, we do not require collateral or other security to support customer receivables, however, we continually monitor and evaluate our client acceptance and collection procedures to minimize potential credit risks associated with our accounts receivable. While we maintain what we believe to be an adequate allowance for doubtful accounts, there can be no assurance that our ongoing review of accounts receivable will not result in the need for additional reserves. Such additional reserves could have a material impact on our financial position and results of operations.

In January 2002, we amended our revolving loan agreement with PNC Bank. The maximum amount of the credit line available to the Company is now the lesser of (i) $25,000,000 or (ii) 50% of our qualified accounts receivable (as defined in the agreement). Interest on advances will be subject to the prime rate or Eurodollar rate of interest plus an additional interest percentage. The additional interest percentage charges on borrowings range from 1% to 3% and are determined based upon certain financial ratios achieved by the Company. During the current fiscal period, the Company had elected to have $10,000,000 of the total advances outstanding converted into a Eurodollar rate loan with a variable interest rate of 2.760% at April 30, 2003. The remaining outstanding advances during that period were subject to the prime rate of interest. At April 30, 2003, advances of $2,184,864 were subject to interest at the prime rate. The credit line is collateralized by substantially all of our assets and the assignment of a $4,000,000 insurance policy on the life of the president of our Company. The line of credit is currently available through September 2004. The terms of this agreement contain, among other provisions, requirements for maintaining defined levels of capital expenditures and fixed charge coverage, various financial ratios and insurance coverage. As of April 30, 2003, we were utilizing approximately $12,185,000 of this credit facility and had $7,800,629 of available unused credit under this revolving loan agreement.

At November 1, 1998, the Company was being represented by counsel in connection with various reviews being conducted by the Company s Medicare carrier. One review involved overpayments that occur in the normal course of business. The Company remitted approximately $75,000 to Medicare in connection with this matter.

At October 31, 2002, the Company had established a reserve of $154,000 on its financial statements for the remaining liability. In January 2003, Medicare determined that the remaining overpayment was $78,684 and interest on this amount was $2,392. The total amount of $81,076 was remitted by the Company to Medicare in January 2003, bringing the matter to a close.

We intend to expand our laboratory operations through aggressive marketing while also diversifying into related medical fields through acquisitions. These acquisitions may involve cash, notes, common stock, and/or combinations thereof.

We have various employment and consulting agreements with commitments totaling approximately $6,282,000 over the next five years of which approximately $2,968,000 is due during fiscal 2003.We have capitalized leases with commitments totaling approximately $2,006,000 of which approximately $748,000 is due during fiscal 2003. We have operating leases with commitments totaling approximately $9,380,000 of which approximately $3,444,000 is due during fiscal 2003.

Our cash balance at April 30, 2003 totaled approximately $3,684,000 as compared to approximately $3,403,000 at

October 31, 2002. We believe that our cash position, the anticipated cash generated from future operations, and the availability of our credit line with PNC Bank, will meet our anticipated cash needs in fiscal 2003.

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains historical information as well as forward-looking statements. Statements looking forward in time are included in this Quarterly Report pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks and uncertainties that may cause our actual results in future periods to be materially different from any future performance suggested herein. For a further discussion concerning risks to our business, the results of our operations and our financial condition, reference is made to our Annual Report on Form 10-K for the year ended October 31, 2002.

Impact of Inflation - To date, inflation has not had a material effect on our operations.

New Authoritative Pronouncements

The Financial Accounting Standards Board (FASB) has issued Statement No. 143 Accounting for Asset Retirement Obligations in June 2001, which requires that the fair value of a liability for an asset retirement legal obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This statement is effective for fiscal years beginning after June 15, 2002. The Company has adopted SFAS No. 143 effective November 1, 2002.

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In December 2002, FASB Statement No. 148 Accounting for Stock-Based Compensation-Transition and Disclosure was issued as an amendment of FASB Statement No. 123. Provisions of Statement No. 148 provide for alternate methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, Statement No. 148 amends the disclosure requirements of Statement No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reporting results. Statement No. 148 is effective for entities with a fiscal year ending after December 15, 2002. Certain disclosure requirement under Statement No. 148 are effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. The Company adopted Statement No. 148 effective February 1, 2003.

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In January 2003, the FASB issued Interpretation no. 46 (FIN 46), Consolidation of Variable Interest Entities, which clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is applicable immediately for variable interest entities created after January 31, 2003. For variable interest entities created prior to January 31, 2003, the provisions of FIN 46 are applicable no later than July 1, 2003. The adoption of FIN 46 has no impact on the Company at this time.

Item 4.

CONTROLS AND PROCEDURES

(a) Explanation of disclosure controls and procedures. The Company s chief executive officer and its chief financial officer after evaluating the effectiveness of the Company s disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15-d-14(c) as of a date within 90 days of the filing date of this quarterly report (the Evaluation Date) have concluded that as of the Evaluation Date, the Company s disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this quarterly report was being prepared.

(b) Changes in internal controls. There were no significant changes in the Company s internal controls or in other factors that could significantly affect the Company s disclosure controls and procedures subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions. As a result, no corrective actions were taken.

PART II - OTHER INFORMATION

Item 6

EXHIBITS AND REPORTS ON FORM 8-K

(a) None.

(b) The Company filed no reports on Form 8-K during the quarter ended April 30, 2003

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.

BIO-REFERENCE LABORATORIES, INC.
(Registrant)

/S/ Marc D. Grodman
Marc D. Grodman, M.D.
President and Chief Executive Officer

/S/ Sam Singer
Sam Singer
Chief Financial and Accounting Officer

Date: June 11, 2003

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Marc D. Grodman, Chief Executive Officer of Bio-Reference Laboratories, Inc. (the Company) do hereby certify that:

(1) I have reviewed this quarterly report on Form 10-Q of the Company for the quarterly period ended April 30, 2003;

(2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

(3) Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects, the financial condition, results of operations and cash flows of the Company as of, and for, the period presented in this quarterly report;

(4) The Company s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report was being prepared;

(b) evaluated the effectiveness of the Company s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

(5) The Company s other certifying officer and I have disclosed, based on our most recent evaluation, to the Company s auditors and the audit committee of the Company s board of directors:

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company s ability to record, process, summarize and report financial data and have identified for the Company s auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company s internal controls; and

(6) The Company s other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: June 11, 2003

/S/ Marc D. Grodman
Marc D. Grodman
Chief Executive Officer
Bio-Reference Laboratories, Inc.

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Sam Singer, Chief Financial Officer of Bio-Reference Laboratories, Inc. (the Company) do hereby certify that:

(1) I have reviewed this quarterly report on Form 10-Q of the Company for the quarterly period ended April 30, 2003;

(2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

(3) Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects, the financial condition, results of operations and cash flows of the Company as of, and for, the period presented in this quarterly report;

(4) The Company s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report was being prepared;

(b) evaluated the effectiveness of the Company s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

(5) The Company s other certifying officer and I have disclosed, based on our most recent evaluation, to the Company s auditors and the audit committee of the Company s board of directors:

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company s ability to record, process, summarize and report financial data and have identified for the Company s auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company s internal controls; and

(6) The Company s other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: June 11, 2003

/S/ Sam Singer
Sam Singer
Chief Financial Officer
Bio-Reference Laboratories, Inc.

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

I, Marc D. Grodman, Chief Executive Officer of Bio-Reference Laboratories, Inc. (the Company), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 30, 2003, which this certification accompanies (the Periodic Report), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(b) based on my knowledge, the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 11, 2003

/S/ Marc D. Grodman
Marc D. Grodman
Chief Executive Officer
Bio-Reference Laboratories, Inc.

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

I, Sam Singer, Chief Financial Officer of Bio-Reference Laboratories, Inc. (the Company), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 30, 2003, which this certification accompanies (the Periodic Report), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(b) based on my knowledge, the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 11, 2003

/S/ Sam Singer
Sam Singer
Chief Financial Officer
Bio-Reference Laboratories, Inc.