BIO REFERENCE LABORATORIES INC
Form 10-K
January 29, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 2003

Commission file number 0-15266

BIO-REFERENCE LABORATORIES, INC.

481 Edward H. Ross Drive, Elmwood Park, New Jersey 07407
201-791-2600

New Jersey	22-2405059
(State of incorporation)	(I.R.S. Employer Identification No.)

Securities registered pursuant to Section 12(b) of the Act:	None
Securities registered pursuant to Section 12(g) of the Act:	Common Stock, $.01 par value

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 ý No o.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or in any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes o No ý

On January 16, 2004, the aggregate market value of the voting stock of Bio-Reference Laboratories, Inc. (consisting of Common Stock, $.01 par value and Series A Senior Preferred Stock, $.10 par value) held by non-affiliates of the registrant was approximately $148,300,000 based upon the last sales price for such Common Stock on said date as reported on the NASDAQ National Market System. On such date, there were 11,451,023 shares of Common Stock of the registrant outstanding.

PART I

Item. 1.Business

Overview

We believe that we are the largest independent regional clinical laboratory servicing the greater New York metropolitan area. We offer a comprehensive list of laboratory testing services utilized by healthcare providers in the detection, diagnosis, evaluation, monitoring and treatment of diseases.

We currently process over 2 million requisitions each year. A requisition form accompanies a patient s specimen. It indicates the tests to be performed and the party to be invoiced for the tests. Our clients include doctors, employers, clinics and governmental units. We have a network of over 50 patient service centers for collection of patient specimens.

In addition to our clinical testing operations, we operate a clinical knowledge management service through our PSIMedica business unit. This system uses customer data from laboratory results, pharmaceutical data, claims data and other data sources to provide administrative and clinical decision support systems which enable our customers to provide quality and efficient healthcare to their populations.

We also operate a web-based connectivity portal solution for laboratories and physicians through our CareEvolve subsidiary. This wholly owned subsidiary is operated in conjunction with Roche Diagnostics (Roche). We use this portal ourselves to provide laboratory ordering and results to our physician customers. Together with Roche, we are marketing this connectivity solution to other laboratories throughout the country.

We are a New Jersey corporation. We may at times refer to ourselves and our subsidiaries as the Company. We are the successor to Med-Mobile, Inc., a New Jersey corporation that was organized in 1981. Our executive offices are located at 481 Edward H. Ross Drive, Elmwood Park, NJ 07407, telephone number: 201-791-2600.

The Clinical Laboratory Testing Market in the United States

We believe that the U.S. market for clinical laboratory testing generates approximately $35-40 billion in annual revenue. Nearly all laboratory tests are performed by one of three types of laboratories: hospital laboratories, physician office laboratories or independent clinical laboratories. We believe approximately 55% of the clinical laboratory tests done in the United States were performed in a hospital laboratory, approximately 29% performed by an independent clinical laboratory and the balance in a physician office or other laboratory.

During the last few years, the fundamentals of the industry have been improving. In the cost containment era of the 1990s, the industry was negatively impacted by the rapid growth of managed care, stringent government regulation and investigations into fraud and abuse. These factors led to revenue and profit declines and industry consolidations, especially among commercial clinical laboratories. As a result, fewer but larger clinical laboratories have emerged with greater economies of scale, more effective compliance with government billing regulation and other laws and a better approach to pricing their services. These changes resulted in improved profitability. In addition, new and emerging technologies continue to provide greater testing opportunities for clinical laboratories.

We believe the industry will continue to experience growth in testing volume due to the following:

Aging of the population of the United States;

Awareness by patients of the value of laboratory tests;

Decrease in the cost of tests;

Decrease in the influence of managed care organizations on the ordering patterns of their physicians.

Development of sophisticated and specialized tests for early detection of disease and disease management;

Diagnosis and monitoring of infectious diseases such as AIDS and Hepatitis C;

Early detection and prevention as a means of reducing healthcare costs;

Employer sponsored wellness programs;

Research and development in genomics.

Business Strategy

We are a regional clinical laboratory with subspecialty testing capabilities. As a regional laboratory, we service the New York metropolitan area, and currently conduct business in most New York State counties, as well as in most of New Jersey and some parts of Pennsylvania and Connecticut. We primarily offer laboratory services to physician offices in these areas with an infrastructure that includes a comprehensive logistical department, extensive phlebotomy services and phlebotomy draw stations scattered around our geographic area. We have also developed expertise in certain testing areas with specific emphasis in cancer pathology and diagnostics as well as molecular diagnostics. These services are marketed as a business unit, called GenPath, which services customers outside of routine physician office testing. We have developed certain specialized markets, such as in the areas of correctional health, substance abuse testing, fertility testing and molecular diagnostics. Testing in these areas also may be supported outside of physician offices.

We have one of the largest regional marketing staffs of any laboratory in the country, some of whom are trained specifically in Oncology and call on Oncology practices and hospitals.

We believe that our large marketing staff and strong infrastructure within our designated area can be leveraged to bring new technologies to physicians and healthcare providers. Over the past year, our volume of testing in the area of molecular diagnostics has increased. We believe that laboratory data has great value in managing the healthcare of a population, but can only be properly utilized when combined with medical claims and pharmacy data. Our medical information unit, PSIMedica, seeks to combine laboratory data with these other data elements in order to provide information analytics that will help to improve the quality and efficiency of healthcare. We seek to continue our strong growth not only through our marketing organization, new technologies and superior service, but by providing value added analytics in conjunction with laboratory results.

Our mission is to be recognized by our clients as the best provider of clinical laboratory testing, information and related services. The principal components of our strategy to achieve our mission are as follows:

Capitalize on our position within the clinical market:

Lead in the providing of medical information:

Provide the highest quality service:

Pursue strategic growth opportunities.

Services

The clinical laboratory testing business consists of routine testing and esoteric testing. Routine testing generates approximately 72% and esoteric testing generates approximately 28% of our net revenues. The net revenue generated by our PSIMedica business unit and our subsidiaries has been minimal to date.

Routine Testing

Routine tests measure various health parameters such as the functions of the heart, kidney, liver, thyroid and other organs. Below is an abbreviated list of some commonly ordered tests:

Blood Cell Counts;

Cholesterol levels;

HIV-related tests;

Pap Smears;

Pregnancy;

Substance Abuse

Urinalysis;

We perform these tests at our two processing facilities (Elmwood Park, New Jersey and Valley Cottage, New York).

We operate 24 hours a day, 365 days a year. We perform and report most routine tests within 24 hours. Tests results are delivered via driver or electronically.

Esoteric Tests

We also perform esoteric tests that require sophisticated equipment and materials, highly skilled personnel, professional attention and are ordered less frequently than routine tests. These tests are generally priced higher than routine tests. Esoteric tests are usually in these medical fields:

Endocrinology (the study of glands and their hormone secretions)

Genetics (the study of chromosomes, genes and their protein products)

Immunology (the study of the immune system)

Microbiology (the study of microscopic forms of life)

Oncology (the study of abnormal cell growth)

Serology (the study of body fluids)

Toxicology (the study of chemicals and drugs and their effects on the body)

Medical Information

Our PSIMedica business unit is based on a Clinical Knowledge Management (CKM) System that uses data derived from various disparate sources to provide both administrative and clinical analysis of a population. The source data consists of enrollment (demographic) data, claims data, pharmacy data, laboratory results data, and any other data that may be available. The system uses sophisticated algorithms to cleanse and configure the data so that analysis can be comprehensive and meaningful. The data is maintained on multiple levels of analysis enabling review of data from the global level to the granular transactional detail. The system includes a base set of queries that provide basic functionality and allows on-line real-time ad hoc query capability enabling the user to customize analysis to the best needs of the organization using the system. In addition to the basic queries provided by the system, PSIMedica Quality Indicators (PQI) provide comprehensive, disease state oriented queries that disclose the quality and efficiency of the care and service. These indicators have been designed to provide the customer with standards and outcome predictors based on a medical standards basis. We are using PSIMedica to market value-added clinical laboratory services to bulk purchasers of clinical laboratory solutions, as well as marketing our PSIMedica programs to businesses such as Health Plans, Integrated Delivery Networks, Disease Management Companies, Insurers, Clinical Trial Companies and other healthcare providers that most benefit from the ability of the system to combine both clinical and administrative analysis.

Other Products

CareEvolve, our wholly owned subsidiary, is a physician-based connectivity portal. This system provides a complex, sophisticated system for ordering laboratory services and delivering laboratory results. The system is designed to be physician-centric and to provide a highly flexible, scalable, comprehensive desktop solution for physicians to manage their day-to-day practice and personal needs, as well as to handle their clinical laboratory ordering and reporting. This product has been designed to work as a platform with plug and play capability that can easily be used by other laboratories that also need a web-based solution for their physician customers. We have entered into a Strategic Marketing Agreement with Roche Diagnostics to operate a Joint Venture for the sale and distribution of CareEvolve services to other laboratories throughout the country. Under the terms of the Strategic Marketing Agreement, Roche supports the marketing of CareEvolve to clinical laboratories through its extensive diagnostic marketing force. The joint venture is managed by a Steering Committee that consists of executives from both companies. Roche holds an option exercisable to purchase up to a 50% equity interest in this wholly owned subsidiary.

Payors and Clients

We provide laboratory services to a range of healthcare providers. A payor is the party who pays for the tests while the client is the party that refers the tests to us. We may consider an organization that

has a contract with us, such as a clinic or governmental agency, both a payor and a client. Some states, such as New York and New Jersey, prohibit us from billing physician clients. During fiscal year 2003, no single client accounted for more than 10% of our net revenues.

The following table reflects the current estimates of the breakdown of net revenue by payor for the twelve months ended October 31, 2001, 2002, and 2003.

	Years Ended October 31,		
	2001	**2002**	**2003**
Direct Patient Billing	12%	9%	7%
Commercial Insurance	37%	37%	43%
Professional Billing	23%	26%	20%
Medicare	24%	25%	27%
Medicaid	4%	3%	3%
	100%	100%	100%

Clients

Physicians who order clinical tests for their patients represent one of the primary sources of our testing volume. Fees invoiced to patients and third parties are based on our fee schedule, which may be subject to limitations on fees imposed by third-party payors. Medicare and Medicaid reimbursements are based on fee schedules set by governmental authorities.

Employers, Governmental Agencies

We provide laboratory services to governmental agencies and large employer groups. We believe we are the largest regional laboratory providing service to correctional facilities in the Northeastern United States. All of these clients are charged on a contractual basis.

Sales and Marketing

We employ full and part-time sales and marketing representatives. All of our sales and marketing personnel operate in a dual capacity, as both marketing and client support representatives. This ensures that all of our salespersons are intimately involved with the client. We believe that this is unique in the industry and is extremely helpful in client retention, since it provides a strong connection between the physician and our staff.

Client Service Coordinators

We utilize the services of full and part-time client service coordinators at our Elmwood Park facility, all of whom are trained in medical and laboratory terminology. This staff is used as an interface with physicians and nurses and augments the client support provided by our sales force. They also report highly abnormal and life threatening results to the ordering physician immediately via telephone in order to provide speedy medical resolution to any patient problem.

Logistical Support

We employ full and part-time couriers. They pick up patient specimens from and deliver printed reports to physician offices, nursing homes, clinics and correctional facilities.

Strategic Growth Opportunities

In addition to increasing our core business through internal growth and pursuing our strategy of seeking opportunities with bulk purchasers of laboratory services through our PSIMedica business unit, we intend to target growth opportunities both inside and outside of our core laboratory business.

Selective Acquisitions: The clinical laboratory industry is still highly fragmented. Historically, acquisition has been one method that has fueled our growth. We intend to continue to look for acquisitions that can be integrated into our existing processing facility

without maintaining duplicate facilities or which will provide us with entry into new product or geographic areas. This strategy, if successfully implemented, will enable us to reduce costs and gain economies of scale from the elimination of redundant facilities and equipment and the reduction of personnel.

Specialty Testing: We also intend to continue to increase our penetration into the specialty testing market, especially genomics. The current annual value of gene-based testing in the United States is approximately one billion dollars. We believe that we have positioned ourselves to take advantage of this market.

Medical Information: Our medical information unit, PSIMedica, seeks to combine laboratory data with these other data elements so as to improve the quality and efficiency of healthcare.

Billing

Billing for laboratory services is extremely complicated. We must bill various payors, such as patients, Medicare, Medicaid, insurance companies and employer groups, all of which have different billing requirements. Compliance with applicable laws and regulations as well as internal compliance procedures adds complexity to this process.

Our bad debt expense is the result of issues that are not credit-related as is the case in most industries. It is due in most part to missing or incorrect billing information on our requisitions; this occurs because we depend on the healthcare provider to supply us with the information. We perform the tests and report the test results as requested on the requisition regardless of whether the demographic information is correct or even missing altogether. We then attempt to obtain any missing information and correct the billing information received from the healthcare provider. This adds to the complexity, slows the invoicing process, and generally increases the aging of our accounts receivable. When all issues are not resolved in a timely manner, the item is written-off to bad debt expense. Other items such as pricing differences and payor disputes also complicate billing. Adjustments to receivables as a result of these types of matters are accounted for as revenue adjustments and are not written-off to Bad Debt Expense.

Competition

We compete with three types of providers in a highly fragmented and competitive industry: hospital laboratories, physician-office laboratories and other independent clinical laboratories. Our major competitors in the New York metropolitan area are Quest Diagnostics and Laboratory Corporation of America. Although we are much smaller than these national laboratories, we believe that we compete successfully with them in our region because of the following factors:

Fewer layers of staff

A more responsive business atmosphere

Customized service

We believe our responses to medical consultation are faster and more personalized than those of the national laboratories. Our client service staff only deals with basic technical questions and those that have medical or scientific significance are referred directly to other senior scientists and medical staff.

Quality Assurance

Medical testing is essentially a process of communication and data transfer. In order to provide accurate and precise information to the physician, it is essential that we maintain a well structured and vigorous quality assurance program. Our goal is to continually improve this process. We hold the required Federal and State licenses necessary to permit our operation of a clinical laboratory at both of our facilities in New Jersey and New York. We submit to vigorous proficiency tests (or surveys) in all tests that we perform. We are also subject to unannounced inspections from the various state licensing agencies.

Our laboratories are accredited by the College of American Pathologists (CAP). This accreditation includes on-site inspections and participation in the CAP proficiency testing program or an equivalent. CAP is an independent organization of board certified pathologists approved by the Center for Medicare and Medicaid Services (CMS) to inspect clinical laboratories in order to determine

compliance with the standards required by the Clinical Laboratory Improvement Amendments of 1988 (CLIA-88)

Our Quality Assurance Committee, headed by a Quality Assurance Coordinator and composed of supervisors from all departments, meets daily to assess and evaluate the laboratory s quality. Based on the information received from the committee, recommendations are made to correct conditions which have led to errors. Management, department supervisors and members of the assurance committee continually monitor the laboratory s quality. Depending on the test, two or three levels of Quality Control materials are run in each analytical assay to assure precision and accuracy. Patient population statistics are evaluated each day. Highly abnormal samples are repeated to assure their accuracy.

We believe that all of these procedures are necessary, not only in assuring a quality product, but also in maintaining Federal and state licensing. These high standards of quality are an important factor in what we regard as our excellent rate of client retention.

Regulation of Clinical Laboratory Operations

The clinical laboratory industry is highly regulated and subjected to significant Federal and state regulation. This includes inspections and audits by governmental agencies. These agencies may impose fines, criminal penalties, or other enforcement actions to enforce laws and regulations. These penalties can include revocation of a clinical laboratory s license. Changes in regulations may increase the cost of testing or processing claims.

Waste management is subject to Federal and state regulations governing the transportation and disposal of medical waste including bodily fluids. Federal regulations require licensure of interstate transporters of medical waste. In New Jersey, we are subject to the Comprehensive Medical Waste Management Act, (CMWMA), which requires us to register as a generator of special medical waste. CMWMA mandates the sterilization of certain medical waste and a tracking system to insure disposal at an approved facility. All of our medical waste is disposed of by a licensed interstate hauler. The hauler provides a manifest of the disposition of the waste products as well as a certificate of incineration which is retained by us. These records are audited by the State of New Jersey on a yearly basis.

Regulation of Reimbursement for Laboratory Services

Containment of health-care costs, including reimbursement for clinical laboratory services, has been a focus of ongoing governmental activity. Omnibus budget reconciliation legislation, designed to reconcile existing laws with reductions and reimbursements required by enactment of a Congressional budget can adversely affect clinical laboratories by reducing Medicare reimbursement for laboratory services. Although in the past, legislation has been enacted which reduced the permitted Medicare reimbursement for clinical laboratory services from previously authorized levels, none of the reductions enacted to date has had a material adverse effect on us. For most of the tests performed for Medicare beneficiaries or Medicaid recipients, laboratories are required to bill Medicare or Medicaid directly, and to accept Medicare or Medicaid reimbursement as payment in full.

The current administration, Congress and various Federal agencies have examined the rapid growth of Federal expenditures for clinical laboratory services, and the use by the major clinical laboratories of dual fee schedules (client fees charged to physicians, hospitals, institutions and companies with whom a laboratory deals on a bulk basis and which involve relatively low administrative costs, and patient fees charged to

individual patients and third party payors, including Medicare, who generally require separate bills or claims for each patient encounter and which involve relatively high administrative costs). The permitted Medicare reimbursement rate for clinical laboratory services has been reduced by the Federal government in a number of instances over the past several years to a present level equal to 74% of the national median of laboratory charges. A number of proposals for legislation or regulation are under discussion which could have the effect of substantially reducing Medicare reimbursements to clinical laboratories through reduction of the present allowable percentage or through other means. In addition, the structure and nature of Medicare reimbursement for laboratory services is also under discussion and we are unable to predict the outcome of these discussions. Depending upon the nature of congressional and/or regulatory action, if any, which is taken and the content of legislation, if any, which is adopted, we could experience a significant decrease in revenues from Medicare and

Medicaid, which could have a material adverse effect on us. We are unable to predict, however, the extent to which any such actions will be taken.

CLIA-88

CLIA-88 extended Federal licensing requirements to all clinical laboratories (regardless of the location, size or type of laboratory), including those operated by physicians in their offices, based on the complexity of the tests they perform. The legislation also substantially increased regulation of cytology screening, most notably by requiring the Secretary of Health and Human Services, (HHS,) to implement regulations placing a limit on the number of slides that a cytotechnologist may review in a twenty-four hour period. CLIA-88 also established a more stringent proficiency testing program for laboratories and increased the range and severity of sanctions for violating Federal licensing requirements. A number of these provisions, including those that imposed stricter cytology standards and increased proficiency testing, have been implemented by regulations applicable only to laboratories subject to Medicare certification. On February 28, 1992, HHS published three sets of regulations implementing CLIA-88, including quality standard regulations establishing Federal quality standards for all clinical laboratories; application and user fee regulations applicable to most laboratories in the United States which became effective on March 30 1993; and enforcement procedure regulations applicable to laboratories that are found not to meet CLIA-88 requirements. The quality standard regulations establish varying levels of regulatory scrutiny depending upon the complexity of testing performed. Under these regulations, a laboratory that performs only one or more of seventy eight routine waived tests may apply for a waiver from most requirements of CLIA-88. We believe that most tests performed by physician office laboratories will fall into either the waived or the moderately complex category. The latter category applies to simple or automated tests and generally permits existing personnel in physicians offices to continue to perform testing under the implementation of systems that insure the integrity and accurate reporting of results, establishment of quality control systems, proficiency testing by approved agencies, and biannual inspection. Our testing is often much more complex and as a result, we are subject to full compliance with CLIA-88. The quality standard and enforcement procedure regulations became effective on September 1, 1992, most personnel, quality control and proficiency testing requirements have been implemented; the remainder will be phased in over a number of years. Our laboratory completed its first CLIA inspection under CLIA-88 guidelines and received its certificate of compliance effective February 7, 1996.

Compliance Program

The Office of Inspector General has published a Model Compliance Program for the clinical laboratory industry. This is a voluntary program for laboratories to demonstrate to the Federal government that they are responsible providers. We have implemented a voluntary compliance program adhering to the standards set forth in the Model Compliance Program.

Confidentiality of Health Information

Pursuant to the Health Insurance Portability and Accountability Act of 1996 (HIPAA), on December 28, 2000, the Secretary of HHS issued final regulations that would establish comprehensive federal standards with respect to the use and disclosure of protected health information by a health plan, healthcare provider or healthcare data clearinghouse. The regulations establish a regulatory framework on various subject matter, including:

The circumstances under which disclosures and uses of protected health information require the patient s consent, authorization or no patient consent or authorization.

The content of notices of privacy practices for protected health data.

Patients rights to access, amend and receive an accounting of the disclosures and uses of protected health information.

Administrative, technical and physical safeguards required for that use or for disclosure of protected health data.

These regulations establish a minimum and would default to more stringent state laws. Therefore, we are required to comply with both sets of standards. Laboratories were required to submit a compliance plan to HHS by October 16, 2003. We have filed our application for a one year extension for compliance with the Transaction Data Set Regulations and intend to file our compliance plan during

the extension period in accordance with the model form provided by HHS. HIPAA provides for significant fines as well as substantial criminal penalties for violations of the Act.

Fraud and Abuse Regulations

Medicare and Medicaid anti-kickback laws prohibit clinical laboratories from making payments or furnishing other benefits to influence the referral of tests billed to federal programs. Federal enforcement agencies (including both the Federal Bureau of Investigation and the Office of the Inspector General) liberally interpret and aggressively enforce statutory fraud and abuse provisions of these anti-kickback statutes. According to public statements made by the Department of Justice, healthcare fraud has become one of its highest priorities. Many of the anti-fraud statutes are vague or indefinite and have not been interpreted in the courts. We believe we operate lawfully within these statutes; however, we cannot predict if some of our practices may be interpreted as violating these statutes and regulations.

Insurance

We maintain professional liability insurance of $3,000,000 per occurrence, $3,000,000 in the aggregate. In addition, we maintain excess commercial insurance of $2,000,000 per occurrence and $3,000,000 in the aggregate. We believe that our present insurance coverage is sufficient to cover currently estimated exposures, but we cannot assure that we will not incur liabilities in excess of the policy limits. In addition, although we believe that we will be able to continue to obtain adequate insurance coverage, we cannot assure that we will be able to do so at acceptable costs.

Employees

At October 31, 2003, we had 720 full-time and 302 part-time employees serving in executive positions, as technicians and technologists (including physicians, pathologists and PhDs), in marketing and as drivers and in bookkeeping, clerical and administrative positions. None of our employees are represented by a labor union. We regard relations with our employees as satisfactory.

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact included in this Report, including without limitation, statements regarding our financial position, business strategy, products, products under development, markets, budgets and plans and objectives of management for future operations, are forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations are disclosed in statements set forth under Cautionary Statements herein and elsewhere in this Report, including, without limitation, in conjunction with the forward-looking statements included in this Report. All subsequent written and oral forward-looking statements attributable to us, or persons on our behalf, are expressly qualified in their entirety by the Cautionary Statements and such other statements.

Cautionary Statements

In addition to the other information in this Annual Report on Form 10-K, the following factors should be considered carefully in evaluating us. See also Special Note Regarding Forward-Looking Statements.

Risks Associated with Growth:

Over the last several years, we have experienced substantial growth and have expanded our operational capabilities. We intend to develop further and expand both our core laboratory business and other products. This growth and expansion has placed, and will continue to place, a significant strain on our resources. We cannot assure that we will be able to successfully manage a continuation of the rate of growth similar to that which we have experienced in the past, should it occur.

Fluctuations in Operating Results:

Our quarterly and annual operating results can be affected by a wide variety of factors, many of which are outside of our control and which have in the past and could in the future materially and adversely affect our operating results. These factors include the quantities and timing of specimens received, pricing pressures, reimbursement changes, availability and cost of diagnostic supplies, cost of logistic and delivery systems, changes in product mix, retention and expansion of our marketing staff, timing of payments from governmental agencies and third-party payors and the effect of adverse weather conditions. We rely principally upon our internal logistic group for pick-up and delivery of specimens. However, as we shift our product mix we have begun to rely on Federal Express, UPS and other such providers for this service. Any disruption in this service, as occurred on September 11, 2001 when the National Airspace System (NAS) was shut down for a week, could have a material adverse effect on our operating results. As a result of these factors, our operating results may continue to fluctuate in the future.

Uncertainties Related to Government Regulation and Enforcement

We are a provider of healthcare services. As such, we are subject to extensive and rapidly changing federal, state and local laws and regulations governing licensure, billing practices, financial relationships, referrals, conduct of operations, purchase of existing businesses and other aspects of our business. We cannot predict the timing or impact of any changes in these laws and regulations or their interpretations by regulatory bodies, and we cannot assure that these changes will not have a material adverse effect on us.

Current federal laws governing federal healthcare programs, as well as some state laws, regulate certain aspects of the relationship between healthcare providers, including us, and their referral sources. The Federal Anti-Kickback Law and the Stark Law generally prohibit providers and others from soliciting, offering, receiving or paying, directly or indirectly, any monies in return for either making a referral for a service or item or purchasing, ordering or leasing a service or item, and prohibits physicians from making such referrals to entities in which they have an investment interest or with which they have a compensation arrangement. Exceptions to these laws are limited. Violations are punishable by disallowance of claims, civil monetary or criminal penalties and or exclusion from Medicare. Government authorities (both federal and state) have become more aggressive in examining laboratory billing practices, and in seeking repayments and even penalties based on how the services were billed, regardless of whether the carriers had furnished clear guidance.

At November 1, 1998, we were being represented by counsel in connection with various reviews being conducted by our Medicare carrier. One review involved overpayments that occur in the normal course of business. We remitted approximately $75,000 to Medicare in connection with this matter. At October 31, 2002, we had established a reserve of $154,000 on our 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. We remitted the total amount of $81,076 to Medicare in January 2003, bringing the matter to a close.

In addition, our laboratory operations are required to be licensed or certified under CLIA-88, CMS and various State and local laws. We are also subject to federal and state laws relating to the handling and disposal of medical waste and radioactive materials, as well as the safety and health of laboratory employees. Although we seek to structure our practices to comply with these laws and regulations, no assurances can be given regarding compliance in any given situation. The possible sanctions for failure to comply with these laws and regulations may include the denial to conduct business, significant fines and criminal penalties. Any significant fine or criminal penalty could have a material adverse effect on our financial condition. Any exclusion or suspension from participation in a CMS program, any loss of licensure or accreditation or the inability to obtain the required license would have a material adverse effect on our business.

Uncertainties Related to Third-Party Payors

We typically bill third party payors such as Medicare, Medicaid, Governmental programs and private insurers for our services. Such third party payors are constantly negotiating prices with the goal

of lowering their costs, which may result in lower profit margins for us. Reimbursement rates have been established for most, but not every service. We cannot collect from third party payors for services that these payors have not approved for reimbursement. As is common with all laboratories, there is a certain amount of variability with respect to reimbursement among third party payors. Furthermore, third party payors have, on occasion ceased reimbursements when certain tests are ordered for patients with certain diagnoses while maintaining reimbursement when those tests are ordered for other diagnoses deemed appropriate by the carrier. In addition, Medicare or Medicaid may retroactively audit its payments to us and may determine that certain payments must be returned.

Potential Healthcare Reform

The public and the federal government continue to focus attention on reforming the healthcare system in the United States. Several legislative proposals have been introduced in Congress and state legislatures in recent years that would effect major reforms of the healthcare systems. In addition, CMS has made a number of proposals regarding the payment and coverage of laboratory services including the development of national coverage policies. Because of the uncertainties in regard to the nature, timing and extent of any such reimbursement changes, audits and reform initiatives, we are unable to predict the effect of these changes on us.

Insurance

Although we believe that our present insurance coverage is sufficient to cover currently estimated exposures, we cannot assure that we will not incur liabilities in excess of the policy limits. In addition, although we believe that we will be able to continue to obtain adequate insurance coverage, we cannot assure that we will be able to do so at acceptable costs.

Uncertainties Related to Accounts Receivable

All of our services are rendered on a list fee for services. We therefore assume the financial risk related to collection of these receivables such as:

- Delays attendant to reimbursement by third party payors
- Difficulties in gathering complete and accurate billing information
- Inability to collect accounts
- Long collection cycles

There have been times when our accounts receivable have increased at a greater rate than revenue growth and, therefore, has adversely affected our cash from operations. We have taken steps to implement systems and processing changes intended to improve billing procedures and related collection results. We believe that we have made progress by reorganizing our accounts receivable and billing functions and that our allowance

for doubtful accounts is adequate. However, we cannot assure that our ongoing assessment of accounts receivable will not result in the need for additional provisions. Such additional provisions, if implemented, could have a material adverse effect on our operating results.

Competition

We operate in a business which is characterized by intense competition. Our major competitors in the New York metropolitan area, Quest Diagnostics and Laboratory Corporation of America, are large national laboratories which possess greater name recognition, larger customer bases and significantly greater financial resources and employ substantially more personnel than we do. Many of our competitors have long established relationships. We cannot give assurances that we will be able to compete successfully with such entities in the future. Our ability to attract and retain sales representatives and management may also affect our ability to compete in this marketplace.

Dependence on Bank Financing

We fund our operations through a line of credit under a revolving loan agreement (the Loan Agreement) with PNC Bank. At October 31, 2003, we were utilizing approximately $8,700,000 of the credit line. The credit facility has been increased and extended on a number of occasions and is currently due on September 30, 2004. Borrowings under the credit line are collateralized by substantially all of

our assets as well as through the assignment to PNC Bank of a $4,000,000 face amount insurance policy on the life of the president of our company. The Loan Agreement requires us to be in compliance with various affirmative and negative covenants concerning our operations and financial condition. Among other provisions, it imposes requirements for maintaining fixed charge coverage, various financial ratios and certain insurance coverage. Although we have been able to obtain waivers from PNC Bank in the past for failure to meet certain of the covenants under the Loan Agreement, the availability of any future required waivers cannot be assured. Any failure on our part to obtain a renewal or an extension of the loan, when due, or to obtain a waiver from PNC Bank, if required, would have a material adverse effect on our business and financial condition.

Dependence on our Chief Executive Officer

Our success is substantially dependent on the efforts and abilities of Marc D. Grodman, M.D., our founder, president and chief executive officer. We maintain a $4,000,000 key-man life insurance policy on Dr. Grodman s life payable to the Company in the event of his death. The policy has been assigned to PNC Bank as collateral to secure borrowings under our credit line. The unavailability of Dr. Grodman, whether as a result of his death, disability or otherwise, could have a material adverse effect upon our business.

Possible Volatility of Stock Price

There is a history of volatility in the market price for shares of companies in the healthcare marketplace. Factors such as fluctuations in our quarterly revenues and operating results, announcements of new innovations or services by us or our competitors, changes in third party payment policies and government regulations may have an effect on the market price of our Common Stock. In addition, any announcement of a material pending legal action could have a negative impact on the market price of our Common Stock regardless of the outcome of any such matter.

Factors In Place To Discourage Takeover Attempts

The substantial percentage ownership of our outstanding Common Stock by our executive officers and directors; our charter provision providing for a staggered board of directors so that only one-third of the board is elected each year to serve a three year term; our Rights Plan which was adopted to discourage hostile acquisitions of control of the Company; and the requirement that the holders of not less than 80% of our outstanding Common Stock must approve any merger, consolidation, asset sale or acquisition of the Company not approved by the board may discourage attempts by third parties to tender for or otherwise obtain control of the Company, even if such an attempt might be deemed beneficial to the Company and its shareholders.

Item 2 - Properties

Our executive offices and New Jersey processing facility occupy approximately 56,000 square feet of leased space in two one-story brick facilities at 481-487 Edward H. Ross Drive, Elmwood Park, New Jersey. We are currently paying approximately $50,000 in total in monthly rentals for these facilities. Although the leases for the majority of these facilities expire in February 2004, we have given the Landlord notice of exercise of our option to extend the leases for five additional years and are currently in negotiation concerning the terms of the extension. Our New York processing facility occupies approximately 11,000 square feet of leased space in a two-story brick facility at 140 Route 303, Valley

Cottage, New York. The lease for this facility, which expires in April 2005, provides for a monthly rental of $9,772 and increases to $10,366 in the final year. Our testing equipment maintained at each of our processing facilities is in good condition and in working order. We believe that these facilities, as presently equipped, have the capacity to generate up to approximately $200,000,000 in net revenues based on the type of testing now being performed by us. We maintain fire, theft and liability insurance coverage for our facilities in what we believe are adequate amounts. We also lease 52 additional relatively small draw stations throughout the New York metropolitan area to collect specimens from physician-referred patients for testing at our processing facilities.

Item 3 - Legal Proceedings

At October 31, 2003 and at the date of this Report, we were not involved in any material legal proceedings.

On January 22, 2004, we were informed that IMPATH, Inc., as a debtor-in-possession had commenced an adversary proceeding in Bankruptcy Court in the Southern District of New York against James Weisberger, M.D., our Vice President, Assistant Chief Medical Officer and Director of Hematopathology, alleging that Dr. Weisberger had, among other things, misappropriated certain of IMPATH s alleged trade secrets and had unlawfully solicited former IMPATH employees to commence employment with us. We were not named as a party to this lawsuit. Both Dr. Weisberger and we believe that the allegations in this proceeding are utterly baseless and totally without merit and intend to fully contest the matter.

Item 4 - Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of our security holders during the fourth quarter of fiscal 2003

PART II

Item 5. - Market for Registrant s Common Equity and Related Shareholder Matters

Our Common Stock was readmitted for trading on the National Association of Securities Dealers Automated Quotation (NASDAQ) Small Cap System under the symbol BRLI on November 24, 1993. It continued to trade on a continuous basis on the Small Cap System until March 26, 2002 when our application to list our Common Stock on The Nasdaq® National Market was approved. Since said date, our Common Stock has traded on the NASDAQ National Market System under the symbol BRLI.

The following table sets forth the range of high and low closing bid prices for the Common Stock for the periods indicated, as derived from reports furnished by Pink Sheets LLC. Such quotations represent prices between dealers, do not include mark-ups, mark-downs or commissions and may not necessarily represent actual transactions.

	Bid Prices	
Fiscal Year	**High**	**Low**
2002		
First Quarter	$ 7.875	$ 4.90
Second Quarter	9.98	5.76

Third Quarter	11.45	5.73
Fourth Quarter	8.60	5.15
2003		
First Quarter	7.28	5.54
Second Quarter	6.19	4.11
Third Quarter	7.16	4.70
Fourth Quarter	17.60	6.84

On January 16, 2004 the last sales price for the Common Stock on NASDAQ was $18.01 per share.

At October 31, 2003 the number of record holders of the Common Stock was 370. Such number of record owners was determined from our shareholder records and does not include beneficial owners whose shares are held in nominee accounts with brokers, dealers, banks and clearing agencies.

Dividends

We have not paid any dividends upon our Common Stock since our inception and, do not contemplate or anticipate paying any dividends in the foreseeable future. Furthermore, our loan agreement with PNC Bank prohibits us from paying dividends or making any distributions with respect to any shares of our stock without the prior written consent of the Bank.

Recent Sales of Unregistered Securities

During fiscal year 2003, we issued an aggregate 82,140 shares of our Common Stock to four employees upon exercise of previously granted stock options at exercise prices equal to the market price on the date of grant of each option ranging from $.71875 to $1.75 per share and issued 10,000 shares to one employee valued at $1.50 per share for services rendered.

See Item 11-Stock Options and Note 11 of Notes to the Consolidated Financial Statements as to our grant of stock options during fiscal 2003.

The transactions described above were effected in reliance upon the exemption from the registration requirements of the Securities Act of 1933 provided by Section 4(2) of the Act on the basis that such transactions did not involve a public offering. Each of the recipients of shares of our Common Stock in the above transactions represented that he or she was acquiring the shares for investment and not with a view to distribution. A restrictive legend was placed on each of the certificates representing the shares and stop transfer instructions were issued against such shares.

Item 6. Selected Financial Data

	[In thousands, except per share data] Years ended October 31,				
	2003	2002	2001	2000	1999
Operating Data:					
Net Revenues	$ 109,034	$ 96,631	$ 80,622	$ 66,460	$ 53,856
Cost of Services	$ 56,216	$ 51,706	$ 44,265	$ 37,174	$ 30,850
Gross Profit	$ 52,818	$ 44,925	$ 36,357	$ 29,286	$ 23,006
General and Administrative Expenses	$ 43,533	$ 38,853	$ 32,750	$ 27,654	$ 26,432
Income [Loss] from Operations	$ 9,285	$ 6,072	$ 3,607	$ 1,632	$ (3,426)
Other Expenses - Net	$ 681	$ 849	$ 1,660	$ 1,568	$ 1,185
Provision for Income Tax Expense [Benefit]	$ 2,064	$ 301	$ (414)	$ (42)	$ 367
Net Income [Loss]	$ 6,540	$ 4,922	$ 2,361	$ 105	$ (4,978)
Net Income [Loss] Per Common Share	$ .57	$ .43	$ .24	$ .01	$ (.68)
Net Income [Loss] Per Share - Diluted	$ .51	$ .39	$ .21	$ .01	$ (.68)
Cash Dividends Per Common Share	$	$	$	$	$
Balance Sheet Data:					
Total Assets	$ 53,219	$ 47,442	$ 44,006	$ 38,349	$ 32,318
Total Long-Term Liabilities	$ 2,202	$ 1,519	$ 1,158	$ 2,378	$ 2,931
Total Liabilities	$ 23,261	$ 23,235	$ 25,532	$ 25,287	$ 20,948
Working Capital	$ 17,671	$ 12,651	$ 7,257	$ 2,820	$ 3,702
Stockholders Equity	$ 29,958	$ 24,207	$ 18,474	$ 13,061	$ 11,369

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains historical information as well as forward-looking statements. Statements looking forward in time are included in this Annual 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.

OVERVIEW

We are a regional clinical laboratory with focused market testing capabilities. As a regional laboratory, we service the New York metropolitan area, and currently do business in most New York State counties, as well as in most of New Jersey and some parts of Pennsylvania and Connecticut. As a regional laboratory, we primarily offer laboratory services to physician offices in these areas with an infrastructure that includes a comprehensive logistical department, extensive phlebotomy services and phlebotomy draw stations scattered around our geographic area. We have also developed expertise in certain focused testing areas with specific emphasis in cancer pathology and diagnostics as well as molecular diagnostics. These services are marketed as a business unit, called GenPath, which services customers outside of routine physician office testing. We have developed certain specialized markets, such as in the areas of correctional health, substance abuse testing, fertility testing and molecular diagnostics. Testing in these areas also may be supported outside of physician offices.

During the last few years, the fundamentals of the industry have been improving. In the cost containment era of the 1990s, the industry was negatively impacted by the rapid growth of managed care, stringent government regulation and investigations into fraud and abuse. These factors led to revenue and profit declines and industry consolidations, especially among commercial clinical laboratories. As a result, fewer but larger clinical laboratories have emerged with greater economies of scale, more effective compliance with government billing regulation and other laws and a better approach to pricing their services. These changes resulted in improved profitability. In addition, new and emerging technologies continue to provide greater testing opportunities for clinical laboratories.

Our PSIMedica business unit is a Clinical Knowledge Management (CKM) System that uses data derived from various disparate sources to provide both administrative and clinical analysis of a population. The source data consists of enrollment (demographic) data, claims data, pharmacy data, laboratory results data, and any other data that may be available. The system uses sophisticated algorithms to cleanse and configure the data so that analysis can be comprehensive and meaningful. The data is maintained on multiple levels of analysis enabling review of data from the global level to the granular transactional detail. The system includes a base set of queries that provide basic functionality and allows on-line real-time ad hoc query capability enabling the user to customize analysis to the best needs of the organization using the system. In addition to the basic queries provided by the system, PSIMedica Quality Indicators (PQI) provide comprehensive, disease state oriented queries that disclose the quality and efficiency of the care and service. These indicators have been designed to provide the customer with standards and outcome predictors based on a medical standards basis. We are using PSIMedica to market value-added clinical laboratory services to bulk purchasers of clinical laboratory solutions, as well as marketing our PSIMedica programs to businesses such as Health Plans, Integrated Delivery Networks, Disease Management Companies, Insurers, Clinical Trial Companies and other healthcare providers that most benefit from the ability of the system to combine both clinical and administrative analysis.

CareEvolve, our wholly owned subsidiary, is a physician-based connectivity portal. This system provides a complex, sophisticated system for ordering laboratory services and delivering laboratory results. The system is designed to be physician-centric and to provide a highly flexible, scalable, comprehensive desktop solution for physicians to manage their day-to-day practice and personal needs, as well as to handle their clinical laboratory ordering and reporting. This product has been designed to work as a platform with plug and play capability that can easily be used by other laboratories that also need a web-based solution for their physician customers. We have entered into a Strategic Marketing Agreement with Roche Diagnostics to operate a Joint Venture for the sale and distribution of CareEvolve services to other laboratories throughout the country. Under the terms of the Strategic Marketing Agreement, Roche supports the marketing of CareEvolve to clinical laboratories through its extensive diagnostic marketing force. The joint venture is managed by a Steering Committee that consists of executives from both companies. Roche holds an option exercisable to purchase up to a 50% equity interest in this wholly owned subsidiary.

To date, neither our PSIMedica business unit nor CareEvolve has produced significant revenues.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 46% 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 in addition to those discussed under Cautionary Statements as well as elsewhere herein including:

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). The table below shows our pre-tax EPS on a diluted quarterly and annual basis for fiscal years 2002 and 2003.

	Quarter Ended				
	1/31	**4/30**	**7/31**	**10/31**	**Fiscal Year**
FY 2002	$ .06	$ .10	$ .12	$ .13	$ .41
FY 2003	.04	.13	.24	.26	.67

Results of Operations (In thousands, except per patient data)

Fiscal Year 2003 Compared to 2002

NET REVENUES:

Net Revenues for the year ended October 31, 2003 were $109,034 as compared to $96,631 for the year ended October 31, 2002; this represents a 13% increase in net revenues. This increase is due to a 9% increase in patients serviced and a 4% increase in net revenue per patient. Our laboratory operations had net revenues of $108,720 in fiscal 2003.

The number of patients serviced during the year ended October 31, 2003 was 2,115 which was 9% greater when compared to the prior fiscal year s twelve month period. This increase is attributable to a net increase of six new sales representatives and our ongoing marketing efforts during the current fiscal year. Net revenue per patient for the year ended October 31, 2003 was $51.41 compared to net revenue per patient for the year ended October 31, 2002 of $49.63, an increase of $1.78 or 4% as a result of increases in esoteric testing.

COST OF SALES:

Cost of Sales for the year ended October 31, 2003 was $56,216 as compared to $51,706 for the year ended October 31, 2002, an increase of 9%. This increase is related to the increase in net revenues of 13%.

GROSS PROFITS:

Gross profits on net revenues increased to $52,818 for the year ended October 31, 2003 from $44,925 for the year ended October 31, 2002; an increase of $7,893 (18%), primarily attributable to the increase in net revenues and the decrease in direct costs relative to the increase in net revenue. Gross profit margins in the laboratory increased to 48% from 46%, primarily due to the increase in net revenues and efficiencies in direct operating expenses.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the year ended October 31, 2003 were $43,533 as compared to $38,853 for the year ended October 31, 2002, an increase of $4,680 or 12%. This increase is in line with the increase in net revenues. However, insurance expense increased approximately $1,057 or 97% over the prior period.

INTEREST EXPENSE:

Interest expense decreased from $889 during the year ended October 31, 2002 to $704 during the year ended October 31, 2003; a decrease of $185. This decrease is due to a decline in the variable interest rates and a decline in the outstanding balance with the PNC line of credit utilized by the Company. Management believes that this trend may not continue in the future due to the continued use of our revolving line of credit to fund our expansion and growth and the expectation that interest rates may increase during fiscal year 2004.

NET INCOME:

We realized net income of $6,540 for the twelve month period ended October 31, 2003 as compared to $4,922 for the twelve month period ended October 31, 2002, an increase of 33%.

Pre-tax income for the period ended October 31, 2003 was $8,604, as compared to $5,223 for the period ended October 31, 2002, an increase of $3,381 (65%) and was caused primarily by a decrease in expenses in relation to an increase in net revenues. The provision for income taxes increased from $301 for the period ended October 31, 2002, to $2,064 for the current twelve month period. This increase was anticipated due to the full utilization of certain state net operating loss carry-forwards in fiscal 2002 and Federal and State net operating loss carry-forwards during the third quarter of fiscal 2003.

Fiscal Year 2002 Compared to Fiscal Year 2001

NET REVENUES:

Net Revenues for the year ended October 31, 2002 were $96,631 as compared to $80,622 for the year ended October 31, 2001; this represents a 20% increase in net revenues. This increase is due to a 15% increase in patients serviced and a 5% increase in net revenue per patient. Our laboratory operations had net revenues of $96,568 in fiscal 2002.

The number of patients serviced during the year ended October 31, 2002 was 1,944 which was 15% greater when compared to the prior fiscal year s twelve month period. This increase is attributable to a net increase of four new sales representatives and our ongoing marketing efforts during the current fiscal year. Net revenue per patient for the year ended October 31, 2002 was $49.63 compared to net revenue per patient for the year ended October 31, 2001 of $47.43, an increase of $2.20 or 5%, as a result of increases in esoteric testing.

COST OF SALES:

Cost of Sales for the year ended October 31, 2002 was $51,706 as compared to $44,265 for the year ended October 31, 2001, an increase of 17%. This increase is related to the increase in net revenues of 20%. CareEvolve and Right Body Foods (RBF) had combined cost of sales of $116 in fiscal year 2002.

GROSS PROFITS:

Gross profits on net revenues, excluding CareEvolve and RBF, increased to $44,979 for the year ended October 31, 2002 from $36,935 for the year ended October 31, 2001; an increase of $8,044 (22%), primarily attributable to the increase in net revenues and the decrease in direct costs relative to the increase in net revenue. Gross profit margins in the laboratory increased to 46% from 45%, primarily due to the increase in net revenues and efficiencies in direct operating expenses. Our total gross profit for

fiscal 2002 was $44,925. CareEvolve and RBF had a combined gross loss of $54 for the year ended October 31, 2002.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the year ended October 31, 2002 were $38,853 as compared to $32,750 for the year ended October 31, 2001, an increase of $6,103 or 19%. This increase was caused primarily by three factors, 1) an increase in marketing related expense of $1,544; 2) an increase in bad debt of $1,610; and 3) an increase in computer related expense of $604 all of which are attributable to the Company s growth. In addition, business insurance increased $398 and we expected a substantial increase in this expense category in fiscal year 2003. During the fourth quarter of fiscal 2002, we terminated the RBF health food business operations and sold the remaining assets for a nominal sum. During such quarter, we recorded a write-off of approximately $212 representing the remaining net book value of the intangible and other deferred assets attributable to the health food business.

INTEREST EXPENSE:

Interest expense decreased from $1,686 during the year ended October 31, 2001 to $889 during the year ended October 31, 2002; a decrease of $797. This decrease is due to a decline in the variable interest rates associated with the PNC line of credit utilized by the Company. Management believes that this trend will not continue in the future due to the continued use of our revolving line of credit to fund our expansion and growth and the expectation that interest rates will not substantially decrease.

NET INCOME:

We realized net income of $4,922 for the twelve month period ended October 31, 2002 as compared to $2,361 for the twelve month period ended October 31, 2001, an increase of 108%. Our laboratory operations realized net income of $4,417 for the twelve month period ended October 31, 2002 as compared to $1,155 for the twelve month period ended October 31, 2001, an increase of $3,262 or 282%.

Liquidity and Capital Resources (In thousands)

For the Fiscal Year Ended October 31, 2003

Our working capital at October 31, 2003 was approximately $17,671 as compared to approximately $12,651 at October 31, 2002, an increase of $5,020. Our cash position increased by approximately $563 during the current period. We decreased our short term borrowing by approximately $1,828 and repaid approximately $1,153 in existing debt and capital lease obligations. We had current liabilities of approximately $21,059 at October 31, 2003. We generated approximately $5,593 in cash from operations, an increase of approximately $911 as compared to the year ended October 31, 2002.

Accounts receivable, net of allowance for doubtful accounts, totaled approximately $32,913 at October 31, 2003, an increase of approximately $4,214 from October 31, 2002, or 15%. This increase was primarily attributable to increased revenue. Cash collected over the twelve month period ended October 31, 2003 increased 10% over the prior twelve 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 or (ii) 50% of our qualified accounts receivable (as defined in the agreement). Interest on advances are currently at prime or the

Eurodollar Rate on a portion (fixed) of the line (See Note [5]) to the Consolidated Financial Statements. The credit line is collateralized by substantially all of our assets, a $615 CareEvolve promissory note payable out of our share of CareEvolve s net after-tax income (if any) assigned by us to the bank and a $4,000 insurance policy on the life of the president of our Company also assigned by us to the bank. 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 October 31, 2003, we were utilizing approximately $8,718 of this credit facility and had approximately $11,282 of additional availability. See Cautionary Statements-Dependence on Bank Financing.

We intend to expand our laboratory operations through aggressive marketing while also attempting to diversify 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 $9,957 over the next five years of which approximately $7,973 is due during fiscal 2004. (See Note 12 to the Consolidated Financial Statements herein). We have operating and capital leases with commitments totaling approximately $6,011 of which approximately $2,474 is due during fiscal 2004. (See Notes 13 and 14 to the Consolidated Financial Statement).

Our cash balance at October 31, 2003 totaled approximately $3,966 as compared to approximately $3,403 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 2004

Impact of Inflation

To date, inflation has not had a material effect on our operations.

New Authoritative Pronouncements

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, Consolidation of Variable Interest Entities (FIN 46). FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity s activities or entitled to receive a majority of the entity s residual returns or both. Historically, entities generally were not consolidated unless the entity was controlled through voting interests. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate

but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date.

On October 8, 2003, the FASB deferred the implementation date for FIN 46 as it relates to variable interest entities that existed prior to February 1, 2003 and in December 2003 the FASB issued a revised FIN 46. The revised effective date for the Company is the end of the first reporting period ending after March 15, 2004 [April 30, 2004 for the Company]. However, the Company must apply either the revised or the original FIN 46 to so called special-purpose entities as of the end of the first reporting period ending after December 15, 2003 [January 31, 2004 for the Company]. Certain disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The adoption of

this standard is not expected to have a material impact on the Company s consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities (SFAS 149), which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS 149, effective July 1, 2003, did not have a material impact on the Company s results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Instruments with Characteristics of both Liabilities and Equity (SFAS 150), which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company s adoption of the initial recognition and initial measurement provisions of SFAS 150, effective June 1, 2003, did not have a material impact on the Company s results of operations or financial position.

The Company expects that the adoption of the new statements will not have a significant impact on its financial statements.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Not applicable.

Item 8. - Financial Statements and Supplementary Data

Financial Statements are annexed hereto

Item 9. - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

PART III

Item 10.- Directors and Executive Officers of the Registrant

The following table sets forth certain information with respect to each of the directors and executive officers of the Company.

Name	Age	Position
Marc D. Grodman, M.D.	52	Chairman of the Board, President, Chief Executive Officer and Director
Morton L. Topfer (b) (c)	67	Vice Chairman of the Board and Director
Howard Dubinett	52	Executive Vice President, Chief Operating Officer and Director
Sam Singer	60	Vice President, Chief Financial Officer, Chief Accounting Officer and Director
John Roglieri, M.D(b) (d)	64	Director
Gary Lederman, Esq.(a) (d)	69	Director

(a) Chairman of the Audit Committee

(b) Member of the Audit Committee

(c) Chairman of the Compensation Committee

(d) Member of the Compensation Committee

The Audit Committee is comprised of three non-employee members of the Board of Directors, Gary Lederman (Chairman), John Roglieri and Morton L. Topfer. The Board of Directors deems each such individual as independent as defined in National Association of Securities Dealers Marketplace Rule 4200(a)(14). The Board of Directors has determined that based upon his prior experience, Mr. Lederman may be deemed to be an audit committee financial expert as described in Item 401 of Regulation S-K promulgated under the Securities Exchange Act of 1934. The Audit Committee met four times during fiscal year 2003. The Audit Committee confers with the Company s auditors and reviews, evaluates and advises the Board of Directors concerning the adequacy of our accounting systems, our financial reporting practices, the maintenance of our books and records and our internal controls. In addition, the Audit Committee reviews the scope of the audit of our financial statements and the results thereof.

The Compensation Committee is comprised of three non-employee members of the Board of Directors, Morton L. Topfer (Chairman), Gary Lederman and John Roglieri. The Compensation Committee met once during fiscal year 2003. The Compensation Committee reviews salaries, cash bonuses and compensation plans for our executive officers and eligible employees and makes recommendations concerning same to the

Board of Directors.

We do not have an Executive Committee. Officers are elected by and hold office at the discretion of the Board of Directors.

The following is a brief account of the business experience of each of our directors and executive officers.

Marc D. Grodman, M.D. founded Bio-Reference Laboratories in December 1981 and has been our Chairman of the Board, President, Chief Executive Officer and a Director since our formation. Dr. Grodman is an Assistant Professor of Clinical Medicine at Columbia University College of Physicians and Surgeons and Assistant Attending Physician at Presbyterian Hospital, New York City. From 1980 to 1983, Dr. Grodman attended the Kennedy School of Government at Harvard University and was a Primary Care Clinical Fellow at Massachusetts General Hospital. From 1982 to 1984, he was a medical consultant to the Metal Trades Department of the AFL-CIO. Dr. Grodman received a B.A. degree from the University of Pennsylvania in 1973 and an M.D. degree from Columbia University College of Physicians and Surgeons in 1977. Except for approximately 20 hours per month spent as Assistant Professor of Clinical Medicine and Assistant Attending Physician at Columbia University and Presbyterian Hospital and his rendering of medical services on a part time basis to the Uniformed Firefighters Association of New York City, Dr. Grodman devotes substantially all of his working time to the business of the Company.

Morton L. Topfer became a Director in May 2001 and Vice Chairman of the Board in March 2002. Mr. Topfer, who holds a bachelor s degree in physics from Brooklyn College, was awarded an honorary doctorate in engineering from Polytechnic Institute of New York in June 2000. Mr. Topfer currently serves as a member of the board of directors of Dell Corporation (Dell). From 1999 to 2002, he also served as counselor to Dell s Chief Executive Officer, a position to which he was elected in December 1999. Prior thereto, Mr. Topfer served as Dell s vice chairman for five years. In that position, Mr. Topfer shared the office of Chief Executive Officer with Michael S. Dell, Dell s chairman and CEO and Kevin B. Rollins, Dell s vice chairman. Prior to joining Dell in May 1994, Mr. Topfer served as corporate executive vice president of Motorola, Inc. and president of Motorola s Land Mobile Products Sector. Mr. Topfer was employed in various managerial and executive capacities during his 23 year career at Motorola. Before joining Motorola in 1971, Mr. Topfer spent eleven years with RCA Laboratories in various research and development management positions. In July 1996, Mr. Topfer was conferred the Darjah Johan Negeri Penang State Award by the Governor of Penang for his contributions to the development of the electronics industry in Malaysia. In addition to his serving as a director of the Company and of Dell, Mr. Topfer also currently serves as chairman of the board and as a director of one other publicly owned corporation, Measurement Specialties, Inc., a Fairfield, New Jersey manufacturer of pressure transducers and certain consumer products.

Howard Dubinett has been our Executive Vice-President and Chief Operating Officer since our formation in 1981. He became a Director in April 1986. Mr. Dubinett attended Rutgers University. Mr. Dubinett devotes all of his working time to the business of the Company.

Sam Singer has been our Vice President and Chief Financial Officer since October 1987 and a Director since November 1989. He is responsible for all of our financial activities. Mr. Singer was the Controller for Sycomm Systems Corporation, a data processing and management consulting company, from 1981 to 1987, prior to joining us. He received a B.A. degree from Strayer University and an M.B.A. from Rutgers University. Mr. Singer devotes all of his working time to the business of the Company.

John Roglieri, M.D. became a Director in September 1995. He is an Assistant Professor of Clinical Medicine at Columbia University s College of Physicians and Surgeons and an Assistant Attending Physician at Presbyterian Hospital, New York City. Dr. Roglieri received a B.S. degree in Chemical Engineering and a B.A. degree in Applied Sciences from Lehigh University in 1960,

an M.D. degree from Harvard Medical School in 1966, and a Master s degree from Columbia University School of Business in 1978. From 1969 until 1971, he was a Senior Assistant Surgeon in the U.S. Public Health Service in Washington. From 1971 until 1973 he was a Clinical and Research Fellow at Massachusetts General Hospital. From 1973 until 1975, he was Director of the Robert Wood Johnson Clinical Scholars program at Columbia University. In 1975 he was appointed Vice-President Ambulatory Services at Presbyterian Hospital, a position which he held until 1980. Since 1980, he has maintained a private practice of internal medicine at Columbia-Presbyterian Medical Center. From 1988 until 1992, he was also Director of the Employee Health Service at Presbyterian Hospital. From 1992 through 1999, Dr. Roglieri was the Corporate Medical Director of NYLCare, a managed care subsidiary of New York Life. Dr. Roglieri was Chief Medical Officer of Physician WebLink, a national physician practice management company, from 1999 to 2000. Since 2001, he has been Medical Director for New York Life Insurance Company in Manhattan. He is a member of Advisory Boards to several pharmaceutical companies, and a member of the Editorial Advisory Boards of the journals Managed Care and Seminars in Medical Practice. Dr. Roglieri is a subject of biographical record in Who s Who in America.

Gary Lederman, Esq. became a director of the Company in May 1997. He received his B.A. degree from Brooklyn College in 1954 and his J.D. degree from NYU Law School in 1957. He was manager of Locals 370, 491 and 662 of the U.F.C.W. International Union from 1961 to 1985. He is retired from the unions and has been a lecturer at Queensboro Community College in the field of insurance. He currently serves on an institutional review board for RTL, a pharmaceutical drug testing laboratory.

There are no family relationships between or among any directors or executive officers of Bio-Reference Laboratories. Our Certificate of Incorporation provides for a staggered Board of Directors (the Board) pursuant to which the Board is divided into three classes of directors and the members of only one class or one-third of the Board are elected each year to serve a three-year term. Officers are elected by and hold office at the discretion of the Board of Directors.

Key Personnel and Consultants

The following key personnel and consultants make significant contributions to the Company s operations.

James Weisberger, M.D. (Age 48) has been employed by the Company since September 2003 as Vice President, Assistant Chief Medical Officer and Director of Hematopathology. Prior to joining the Company, he was Director of Hematopathology at IMPATH, Inc. (1999-2003). He is board certified in internal medicine, anatomic and clinical pathology, and hematopathology. He has a New York State Department of Health Certificate of Qualification as a Laboratory Director. He is a Clinical Assistant Professor of Pathology at New York Medical College, Valhalla, New York. Prior to joining IMPATH, he was an Assistant Professor of Medicine and Pathology at New York Medical College (1995-1999). He has a BS degree from Stanford University (1977); an MS degree from Stanford University (1978); and an M.D. degree from the University of Pennsylvania (1983).

Bader Maria Pedemonte-Coira, M.D. (Age 44) has been employed by the Company since August 2000 as Medical Director. She is certified by the American Board of Pathology in Anatomic and Clinical Pathology with special certification in Hematopathology and

Immunopathology. She holds a New York State Department of Health Certificate of qualification for Laboratory Director. Dr. Pedemonte s professional appointments include Director of Hematopathology & Molecular Pathology at JFK Medical Center in Edison, NJ (1998-2000); Hematopathologist, IMPATH, Inc. New York, NY (1997-1998); and Medical Director & Hematopathologist GenCare-Biomedical Research Laboratory of Bio-Reference (1996-1998). She was Associate Director & Pathologist, Molecular Tissue Pathology; and Director, Cellular Immunology, Corning Clinical Laboratories (Corning/MetPath) Teterboro, NJ (1991-1996). Dr. Pedemonte is also an Adjunct Assistant Professor of Pathology, Columbia University, College of Physicians & Surgeons, NY. (1991-Present). Dr. Pedemonte currently devotes only a portion of her working time to the business of the Company.

Charles T. Todd, Jr. (Age 53) is the Senior Vice President of Sales and Marketing of Bio-Reference Laboratories. Mr. Todd was the founder and CEO of GenCare Biomedical Research Corporation, a specialty oncology laboratory that was purchased by the Company in 1995. He attended Seton Hall University and received a B.S. in Finance in 1974.

John W. Littleton (Age 43) joined Bio-Reference Laboratories in September 2002 as the Vice President of Sales. Prior to joining Bio-Reference Laboratories, Mr. Littleton was Vice President of Sales for Specialty Laboratories and the Northeast Regional Vice President of Sales for Quest Diagnostics. He received a B.A.. degree from Seton Hall University in 1983.

John Bennett, M.D., (Age 70) Scientific Advisory Board Chairman, Professor Emeritus, University of Rochester Medical Center, Rochester, New York. Dr. Bennett has long been recognized as an intellectual force in the treatment and understanding of leukemias, lymphomas and other cancer-related diseases. He established the French-American-British (FAB) Leukemia working Group and is one of the world s leading authorities on Myelodysplasia. He is founder and Chairman of the MDS Foundation, as well as Editor of the AJournal of Leukemia Research.@ Dr. Bennett is currently Professor Emeritus and former Head of the Medical Oncology Unit at the University of Rochester Medical Center and formerly was a Professor of Oncology in Medicine, Pathology and Laboratory Medicine at the University of Rochester Medical School. For nearly four decades, Dr. Bennett has been honored by the medical community as an expert in the field of oncology as evidenced by the numerous chairs he has held in prestigious societies and committees and over 400 publications in peer review journals, the majority of which are in the area of hematologic malignancies. Dr. Bennett earned his B.A. from Harvard University and his M.D. from Boston University. He served his residency in medicine at Beth-Israel Hospital, Boston, Massachusetts and completed a fellowship in hematology at Boston City Hospital. He headed the Morphology and Cytochemistry Section of the Clinical Center at NIH before joining the faculty at the University of Rochester. Dr. Bennett serves the Company in an advisory capacity as chairman of our Scientific Advisory Board.

Compliance with Section 16(a) of the Exchange Act

Based solely on a review of Forms 3 and 4 and any amendments thereto furnished to the Company pursuant to Rule 16a-3(e) under the Securities Exchange Act of 1934, or representations that no Forms 5 were required, we believe that with respect to fiscal 2003, our officers, directors and beneficial owners of more than 10% of our equity timely complied with all applicable Section 16(a) filing requirements.

Item 11. - Executive Compensation

The following table sets forth information concerning the compensation paid or accrued by us during the year ended October 31, 2003 to our Chief Executive Officer and our other executive officers who were serving as our executive officers at October 31, 2003. All of our group life, health, hospitalization or medical reimbursement plans, if any, do not discriminate in scope, terms or operation, in favor of the executive officers or directors and are generally available to all salaried employees.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation			
Name and Principal Position	Year Ended October 31,	Salary	Bonus	Other Annual Compen-sation	Restricted Stock Awards	Options (SARs)	LTIP Pay-outs	All Other Compen-sation (a)
Marc D. Grodman M.D.	2003	$ 499,750	$ 154,750	$ -0-	-0-	$ -0-	$ -0-	$ -0-
President and Chief	2002	$ 470,000	$ 125,000	$ -0-	4,000	$ -0-	$ -0-	$ -0-
Executive Officer	2001	$ 415,921	$ 125,000	$ -0-	-0-	$ -0-	$ -0-	$ -0-
Howard Dubinett	2003	$ 240,000	$ 21,800	$ -0-	-0-	$ -0-	$ -0-	$ -0-
Executive Vice	2002	$ 191,700	$ 60,000	$ -0-	4,000	$ -0-	$ -0-	$ -0-
President and Chief	2001	$ 182,004	$ 60,000	$ -0-	-0-	$ -0-	$ -0-	$ -0-
Operating Officer								
Sam Singer								
Vice President and	2003	$ 240,000	$ 9,600	$ -0-	-0-	$ -0-	$ -0-	$ -0-
Chief Financial and	2002	$ 180,300	$ 60,000	$ -0-	4,000	$ -0-	$ -0-	$ -0-
Accounting Officer	2001	$ 171,004	$ 60,000	$ -0-	-0-	$ -0-	$ -0-	$ -0-

(a) See Item 13 concerning our payment of life insurance premiums pursuant to split dollar life insurance programs for our three executive officers and the suspension of premium payments in fiscal 2003.

Employment Agreements with Executive Officers

Dr. Grodman serves as our President and Chief Executive Officer pursuant to a seven-year employment agreement which expires on October 31, 2004. Dr. Grodman s initial minimum annual compensation under the agreement ($395,000) has been subject to increases based on increases in the Consumer Price Index as well as to increases (including bonuses) at the discretion of our Compensation Committee. The agreement provides (i) typical health insurance coverage and $4,000,000 face amount of split dollar life insurance insuring Dr. Grodman s life and payable to his estate (excluding benefits required to be paid to the Company pursuant to the split dollar plan) (ii) the leasing of an automobile for his use; (iii) participation in fringe benefit, bonus, pension, profit sharing, and similar plans maintained for the Company s

employees; (iv) disability benefits; (v) certain termination benefits; and (vi) in the event of termination due to a change in control of the Company, a severance payment equal to 2.99 times Dr. Grodman s average annual compensation during the preceding five years. See Item 13 herein as to the suspension of premium payments with respect to Dr. Grodman s split dollar life insurance.

Mr. Dubinett serves as our Executive Vice President and Chief Operating Officer pursuant to a five-year employment agreement which was extended in fiscal 2002 for two additional years beyond its October 31, 2002 termination date. Mr. Dubinett s minimum annual compensation under the extended agreement is equal to his annual compensation in fiscal 2002 and is subject to increases based on increases in the Consumer Price Index as well as to increases (including bonuses) at the discretion of our Compensation Committee. The agreement provides (i) typical

health insurance coverage and $1,100,000 face amount of split dollar life insurance insuring Mr. Dubinett s life and payable to his estate (excluding benefits required to be paid to the Company pursuant to the split dollar plan); (ii) the leasing of an automobile for his use; (iii) participation in fringe benefit, bonus, pension, profit sharing, and similar plans maintained for the Company s employees; (iv) disability benefits; (v) certain termination benefits; and (vi) in the event of termination due to a change in control of the Company, a severance payment equal to 2.99 times Mr. Dubinett s average annual compensation during the preceding five years. We have the option to extend the extension period of the employment agreement on the same terms and conditions for up to an additional three years through October 31, 2007. See Item 13 herein as to the suspension of premium payments with respect to Mr. Dubinett s split dollar life insurance.

Mr. Singer serves as our Vice President and Chief Financial Officer pursuant to a five-year employment agreement which was extended in fiscal 2002 for two additional years beyond its October 31, 2002 termination date. Mr. Singer s minimum annual compensation under the extended agreement is equal to his annual compensation in fiscal 2002 and is subject to increases based on increases in the Consumer Price Index as well as to increases (including bonuses) at the discretion of our Compensation Committee. The agreement provides (i) typical health insurance coverage and $800,000 face amount of split dollar life insurance insuring Mr. Singer s life and payable to his estate (excluding benefits required to be paid to the Company pursuant to the split dollar plan); (ii) the leasing of an automobile for his use; (iii) participation in fringe benefit, bonus, pension, profit sharing, and similar plans maintained for the Company s employees; (iv) disability benefits; (v) certain termination benefits; and (vi) in the event of termination due to a change in control of the Company, a severance payment equal to 2.99 times Mr. Singer s average annual compensation during the preceding five years. We have the option to extend the extension period of the employment agreement on the same terms and conditions for up to an additional three years through October 31, 2007. See Item 13 herein as to the suspension of premium payments with respect to Mr. Singer s split dollar life insurance.

Stock Options

Employee Stock Option Plans

In July 1989, the Company s Board of Directors adopted the 1989 Employees Stock Option Plan (the 1989 Plan) which was approved by shareholders in November 1989. The 1989 Plan provided for the grant of options to purchase up to 666,667 shares of Common Stock. Under the terms of the 1989 Plan, options granted thereunder could be designated as options which qualify for incentive stock option treatment (ISOs) under Section 422 of the Code, or options which do not so qualify (NQOs).

Under the 1989 Plan, the exercise price of an option designated as an ISO could not be less than the fair market value of the Common Stock on the date the option was granted. However, in the event an option designated as an ISO was granted to a 10% shareholder (as defined in the 1989 Plan) such exercise price was required to be at least 110% of such fair market value. Exercise prices of NQOs options could be less than such fair market value. The aggregate fair market value of shares subject to options granted to a participant which are designated as ISOs which first become exercisable in any calendar year could not exceed $100,000. All options under the 1989 Plan were required to be granted before the Plan s July 1999 Termination Date so that no further options can be granted under the 1989 Plan.

At October 31, 2002, there were outstanding ISOs issued under the 1989 Plan held by six employees and exercisable to purchase an aggregate 274,335 shares at an exercise price of $.71875 per share. During fiscal 2003, one employee exercised his ISOs and purchased 5,000 shares and 11,667 shares were canceled due to termination of employment. As a result, at October 31, 2003, there were outstanding ISOs issued under the 1989 Plan exercisable to purchase 257,668 shares at an exercise price of $.71875 per share.

Description of the 2000 Plan

On August 25, 2000, the Board of Directors adopted the 2000 Employee Incentive Stock Option Plan (the 2000 Plan) reserving an aggregate 800,000 shares of Bio-Reference Common Stock for issuance upon exercise of ISOs which may be granted under the 2000 Plan. Stockholders ratified the adoption of the 2000 Plan at our December 14, 2000 Annual Meeting of Stockholders. At October 31, 2002, there were outstanding ISOs under the 2000 Plan held by 22 employees exercisable to purchase an aggregate 496,000 shares of Bio-Reference Common Stock at exercise prices ranging from $1.125 to $7.97 per share. During fiscal 2003, we granted additional ISOs under the 2000 Plan to a total of 79 employees exercisable to purchase an aggregate 281,000 shares of Bio-Reference Common Stock at exercise prices ranging from $4.21 to $11.67 per share. During fiscal 2003, ISOs issued under the 2000 Plan exercisable to purchase an aggregate 57,000 shares were cancelled due to termination of employment. In addition, one employee exercised his ISOs issued under the 2000 Plan and purchased 15,000 shares. As a result, at October 31, 2003, there were outstanding ISOs issued under the 2000 Plan exercisable to purchase an aggregate 705,000 shares at prices ranging from $1.688 to $11.67 per share.

The 2000 Plan authorizes the grant of options which qualify for ISO treatment under Section 422 of the Internal Revenue Code, as amended (the Code) to purchase up to a maximum aggregate 800,000 shares of the Company s Common Stock. Options may only be granted under the 2000 Plan to employees of the Company and its subsidiaries (including officers and directors who are also employees).

The 2000 Plan will be administered by the Board of Directors or by a Stock Option Committee designated by the Board of Directors. The Board or the Stock Option Committee, as the case may be, has the discretion to determine the eligible employees to whom, and the price (not less than the fair market value on the date of grant) at which options will be granted; the periods during which each option is exercisable; and the number of shares subject to each option. The Board or the Stock Option Committee has the authority to interpret the 2000 Plan and to establish and amend rules and regulations relating thereto.

The 2000 Plan provides that the exercise price of an option granted thereunder shall not be less than the fair market value of the Common Stock on the date the option is granted. However, in the event an option is granted under the 2000 Plan to a holder of 10% or more of the Company s outstanding Common Stock, the exercise price must be at least 110% of such fair market value. Under the 2000 Plan, options must be granted before the August 24, 2010 Termination Date. No option may have a term longer than ten years (limited to five years in the case of an option granted to a 10% or greater stockholder of the Company). The aggregate fair market value of the Company s Common Stock with respect to which options are exercisable for the first time by a grantee under the 2000 Plan during any calendar year cannot exceed $100,000. Options granted under the 2000 Plan are non-transferable and must be exercised by an optionee, if at all, while employed by the Company or a subsidiary or within three months after termination of such optionee s employment due to retirement, or within one year of such termination if due to disability or death. The Board or the Stock Option Committee, as the case may be, may, in its sole discretion, cause the Company to lend money to or guaranty any obligation of an employee for the purpose of enabling such employee to exercise an option granted under the 2000 Plan provided that such loan or obligation cannot exceed fifty percent (50%) of the exercise price of such option.

Description of the 2003 Plan

On June 3, 2003, the Board of Directors adopted the 2003 Employee Incentive Stock Option Plan (the 2003 Plan) reserving an aggregate 800,000 shares of Bio-Reference Common Stock for issuance upon exercise of ISOs which may be granted under the 2003 Plan. Stockholders ratified the adoption of the 2003 Plan at our July 31, 2003 Annual Meeting of Stockholders. No ISOs had been granted at October 31, 2003 pursuant to the 2003 Plan.

The 2003 Plan authorizes the grant of options which qualify for ISO treatment under Section 422 of the Internal Revenue Code, as amended (the Code) to purchase up to a minimum aggregate 800,000 shares of the Company s Common Stock. Options may only be granted under the 2003 Plan to employees of the Company and its subsidiaries (including those officers and directors who are also employees).

The 2003 Plan will be administered by the Board of Directors or by a Stock Option Committee designated by the Board of Directors. The Board or the Stock Option Committee, as the case may be, has the discretion to determine the eligible employees to whom, and the prices (not less than the fair market value on the date of grant) at which options will be granted; the periods during which each option is exercisable; and the number of shares subject to each option. The Board or the Stock Option Committee has the authority to interpret the 2003 Plan and to establish and amend rules and regulations relating thereto.

The 2003 Plan provides that the exercise price of an option granted thereunder shall not be less than the fair market value of the Common Stock on the date the option is granted. However, in the event an option is granted under the 2003 Plan to a holder of 10% or more of the Company s outstanding Common Stock, the exercise price must be at least 110% of such fair market value.

Under the 2003 Plan, options must be granted before the June 2, 2013 Termination Date. No option may have a term longer than ten years (limited to five years in the case of an option granted to a 10% or greater stockholder of the Company). The aggregate fair market value of the Company s Common Stock with respect to which options are exercisable for the first time by a grantee under all of the Company s Stock

Option Plans during any calendar year cannot exceed $100,000. Options granted under the 2003 Plan are non-transferable and must be exercised by an optionee, if at all, while employed by the Company or a subsidiary or within three months after termination of such optionee s employment due to retirement, or within one year of such termination if due to disability or death. The Board or the Stock Option Committee, as the case may be, may, in its sole discretion, cause the Company to lend money to or guaranty any obligation of an employee for the purpose of enabling such employee to exercise an option granted under the 2003 Plan provided that such loan or obligation cannot exceed fifty percent (50%) of the exercise price of such option.

Non-Qualified Options (NQOs) and Warrants

At October 31, 2002, there were outstanding NQOs and Warrants owned by our employees, directors, various consultants and a software provider exercisable to purchase an aggregate 557,750 shares of Bio-Reference Common Stock at exercise prices ranging from $.71875 to $6.80 per share. During fiscal 2003, we granted NQOs to four members of our newly formed Scientific Advisory Board exercisable to purchase an aggregate 70,000 shares of Bio-Reference Common Stock at exercise prices ranging from $6.98 to $7.94 per share. During fiscal 2003, two

employees exercised NQOs and purchased an aggregate 62,140 shares of Bio-Reference Common Stock. Also during fiscal 2003, NQOs exercisable to purchase an aggregate 31,860 shares were cancelled due to terminations of employment. As a result, at October 31, 2003, there were outstanding NQOs and Warrants owned by our employees, directors, consultants including members of our Scientific Advisory Board and a software provider exercisable to purchase an aggregate 533,750 shares of Bio-Reference Common Stock at exercise prices ranging from $1.00 to $7.94 per share.

See Note 11 of Notes to the Consolidated Financial Statements.

OPTION GRANTS IN LAST FISCAL YEAR

No options to purchase Bio-Reference Common Stock were granted to any of our three Named Executive Officers in fiscal 2003.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

No options were exercised by any of our three Named Executive Officers in fiscal 2003. The following table provides information regarding the value of each such officer s unexercised options at October 31, 2003.

Name	Number of Unexercised Options at Fiscal Year-End Exercisable (E) Unexercisable (U)	Value of Unexercised In-The-Money Options at Fiscal Year-End (1) Exercisable (E) Unexercisable (U)
Marc D. Grodman	4,000(E)	$ 39,160(E)
Howard	213,334 (E)	3,385,877(E)
Dubinett	4,000(E)	39,160(E)
Sam Singer	4,000(E)	39,160(E)

(1) Represents the difference between the exercise price of the options and $16.59, the closing sale price for Bio-Reference Common Stock on October 31, 2003.

Directors Compensation

Directors who are not our employees were also paid a $1,000 per quarter director s fee during fiscal year 2003.

Item 12. - Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information as of January 16, 2003 with respect to the ownership of Common Stock by (i) each person known to us to be the beneficial owner of more than 5% of our outstanding Common Stock, (ii) each of our directors, (iii) each of our executive officers, and (iv) all directors and executive officers as a group. The percentages have been calculated on the basis of treating as outstanding for a particular holder, all shares of Common Stock outstanding on said date owned by such holder and all shares of Common Stock issuable to such holder in the event of exercise or conversion of outstanding options, warrants and convertible securities owned by such holder at said date which are exercisable or convertible within 60 days of such date.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned(1)	Percentage Ownership
Directors and Executive Officers*		
Marc D. Grodman(2)	1,672,846	14%
Morton L. Topfer(3)	1,491,200	13%
Howard Dubinett(4)	481,001	4%
Sam Singer(5)	344,667	3%
Gary Lederman(6)	44,700	
John Roglieri(7)	59,500	1%
Executive Officers and Directors as a group (six persons)(2)(3)(4)(5)(6)(7)	4,093,914	33%

* The address of all of the Company s directors and executive officers is c/o the Company, 481 Edward H. Ross Drive, Elmwood Park, New Jersey 07407.

(1) Except as otherwise noted, each holder named in the table has sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned.

(2) Includes 895,101 shares owned directly, 549,678 shares issuable upon conversion of Series A Preferred Stock and 4,000 shares issuable upon exercise of options. Also includes 121,667 shares owned directly and 54,400 shares issuable upon conversion of Series A Preferred Stock owned by Dr. Grodman s wife, Pam Grodman, and 48,000 shares owned by their minor children. Dr. Grodman disclaims beneficial ownership of these 224,067 shares.

(3) Includes an aggregate 1,479,200 shares owned individually or by CastleTop Capital Management, LP of which Morton L. Topfer is the Managing Director; and 12,000 shares issuable upon exercise of options.

(4) Includes 263,667 shares owned directly, and 217,334 shares issuable upon exercise of options.

(5) Includes 331,667 shares owned directly, 4,000 shares issuable upon exercise of options and 9,000 shares owned by children who share Mr. Singer s household. Mr. Singer disclaims beneficial ownership of these 9,000 shares.

(6) Includes 25,200 shares owned directly and 19,500 shares issuable upon exercise of options.

(7) Includes 40,000 shares owned directly and 19,500 shares issuable upon exercise of options.

Item 13. - Certain Relationships and Related Transactions

On April 20, 1993, in order to facilitate the Company s 1993 proposed public offering, Dr. Grodman canceled his pro-rata option contained in his employment contract and all other outstanding options and warrants to purchase shares of Common Stock held by Dr. Grodman, his wife and an affiliated entity (the Grodman Group) exercisable to purchase an aggregate 604,078 shares of Common Stock at prices ranging from $1.4438 to $1.50 or an average price of

$1.47 per share, in consideration for the issuance to the Grodman Group of 604,078 shares of a new class of senior preferred stock, $.10 par value per share (Senior Preferred Stock). Each share of Senior Preferred Stock had the same voting rights (one vote per share), dividend rights and liquidation rights as each share of Common Stock and for a period of 10 years after issuance, was convertible into one share of Common Stock upon payment of a conversion price of $1.50 per share. The 604,078 shares of Senior Preferred Stock were issued to the Grodman Group on August 23, 1993.

On May 13, 1997 pursuant to a recapitalization, the Senior Preferred was retired in exchange for a new class of Series A Senior Preferred Stock issued to the Grodman Group. The new Series A Senior Preferred Stock is convertible into an aggregate 604,078 shares of Common Stock on or before May 1, 2007 at a conversion price of $.75 per share and has the same voting rights (one vote per share), dividend rights and liquidation rights as each share of Common Stock.

We had established a split-dollar insurance program (the Original Insurance Program) for each of our three Named Executive Officers. Pursuant to the program, if the executive died while employed by us, we would have been reimbursed out of the policy death benefit for the premiums we paid or the cash surrender value of the policy and the death benefit less such reimbursement would be paid to the executive s estate. If the executive left our employ, he would have been required to pay us back the aggregate premiums we paid or the cash surrender value of the policy but he would have been entitled to ownership of the policy. As a result of the uncertainty created by passage of the Sarbanes-Oxley Act of 2002 (signed into law on July 30, 2002) we suspended payment of the premiums on these policies. After July 30, 2002, premiums were paid by reducing the policy cash values. At October 31, 2003 (and at October 31, 2002), the premiums which we paid on these policies aggregated $1,039,000. At October 31, 2003, the aggregate premiums paid exceeded the aggregate net cash surrender value of the policies by approximately $116,000.

Effective November 30, 2003, we agreed with each of the three Named Executive Officers to terminate the Original Insurance Program. In connection with the termination of the Original Insurance Program, the Named Executive Officers transferred ownership of the insurance policies to us and agreed to reimburse us for the premiums we paid to the extent required under the Original Insurance Program.

Effective November 30, 2003, we adopted a new endorsement split-dollar insurance program (the New Insurance Program) for each of the Named Executive Officers. Under the New Insurance Program, we will be the sole owner of the life insurance policies (including the cash value of the policies) and will pay the premium on the policies. Prior to termination of employment, the Named Executive Officer will have the right to name the beneficiary of the death benefit but will have no access to any policy cash value. On retirement, we will transfer our interest in the policy to the retiring Named Executive Officer who will be required to reimburse us for the premiums we paid. See Note 12 of Notes to the Consolidated Financial Statements.

Item 14. Controls and Procedures

(a) Explanation of disclosure controls and procedures. Our chief executive officer and our chief financial officer after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15-d 149c) as of a date within 90 days of the filing date of this Annual Report (the Evaluation Date) have concluded that as of the Evaluation Date, our 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 Annual Report was being prepared.

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

Item 15 Principal Accountant Fees and Services

The firm of Moore Stephens, P.C. (Moore Stephens) certified public accountants, audited our accounts and the accounts of our subsidiaries for the fiscal years ended October 31, 2003 and 2002. Moore Stephens and its predecessor firm have been our auditors since 1988.

(1) Audit Fees

Moore Stephens billed us approximately $140,000 for professional services rendered for the audit of our annual consolidated financial statements for our 2003 fiscal year and to review the financial statements included in our quarterly reports on Form 10-Q filed with respect to quarterly periods in such fiscal year as compared to approximately $119,000 for such services with respect to our 2002 fiscal year.

(2) Audit-Related Fees

Moore Stephens did not render any services related to the performance of the audit or review of our financial statements for fiscal 2003 and 2002 other than the services reported in Item 15 (1) herein.

(3) Tax Fees

Moore Stephens billed us approximately $25,000 for tax services for fiscal 2003 and approximately $22,000 for tax services for fiscal 2002. The fees were billed for tax return preparation.

(4) All Other Fees

No fees were billed to us by Moore Stephens with respect to fiscal 2003 or fiscal 2002 other than for services described in Item 15 (1) and (3) herein.

(5) Pre-Approval Policies and Procedures

The engagement of Moore Stephens to render the above audit and tax services was approved by our audit committee prior to the engagement.

PART IV

Item 16. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)1. Financial Statements

The following financial statements of the Company are included in Part II, Item 7

Report of Independent Certified Public Accountants

Consolidated Balance Sheets - October 31, 2003 and 2002

Consolidated Statements of Operations-
Years ended October 31, 2003, 2002 and 2001

Consolidated Statements of Shareholders Equity
Years ended October 31, 2003, 2002, and 2001

Consolidated Statements of Cash Flows -
Years ended October 31, 2003, 2002 and 2001

Notes to Consolidated Financial Statements-

Schedule II -

Years ended October 31, 2003, 2002 and 2001

(b). Reports on Form 8-K

No reports on Form 8-K were filed during the Quarter ended October 31, 2003.

(c). Exhibits

Exhibit No.	Item	Incorporated by Reference to
3.1*	Amended and Restated Certificate of Incorporation dated November 15, 1989	(A)

3.1.1*	Amendment to Certificate of Incorporation dated October 4, 1991 (authorizing one-for-10 reverse stock split)	(B)
3.1.2*	Amendment to Certificate of Incorporation dated August 23, 1993 (authorizing one-for-three reverse stock split)	(C)
3.1.3*	Amendment to Certificate of Incorporation dated March 23, 1998 (creating Series A Senior Preferred Stock)	(F)
3.1.4*	Amendment to Certificate of Incorporation dated March 31, 1998 (creating Series A Junior Participating Preferred Stock)	(F)
3.1.5*	Amendment to Certificate of Incorporation dated September 22, 2003 (increasing authorized shares of Common Stock to 35,000,000 shares)	(J)
3.2*	By-laws	(D)
4.1*	Form of Common Stock Certificate, $.01 par value	(C)

10.1*	Lease Agreement for Elmwood Park, New Jersey Premises, expiring in February, 2004	(F)
10.2*	Employment Agreement between the Company and Marc Grodman expiring in October 2004	(F)
10.3*	Employment Agreement between the Company and Howard Dubinett as in effect at October 31, 2001	(F)
10.3.1*	Extension to Employment Agreement between the Company and Howard Dubinett effective November 1, 2002	(I)
10.4*	Employment Agreement between the Company and Sam Singer as in effect at October 31, 2001	(F)
10.4.1*	Extension to Employment Agreement between the Company and Sam Singer effective November 1, 2002	(I)
10.5*	The Company s 1989 Stock Option Plan	(B)
10.5.1*	The Company s 2000 Employee Incentive Stock Option Plan.	(G)
10.5.2*	The Company s 2003 Employee Incentive Stock Option Plan.	(J)
10.7*	Rights Agreement dated as of March 31, 1998 including Exhibits thereto between the Company and American Stock Transfer & Trust Company as Rights Agent	(E)
10.11*	Stock Purchase Agreement dated May 14, 2001, between the Company on the one hand and CastleTop Investments, L.P. (an affiliate of Morton L. Topfer) and Morton L. Topfer on the other	(H)
10.12*	Strategic Marketing Alliance Agreement dated as of December 31, 2001 between Bio-Reference Laboratories, Inc. and CareEvolve.com, Inc. on the one hand and Roche Diagnostics Corporation on the other.	(H)

21 Subsidiaries of the Company

The following are the Company s three wholly-owned subsidiaries:

State of Incorporation	Name under which it Conducts or Conducted Business
Medilabs, Inc. New York	Medilabs
BRLI No. 1 Acquisition Corp. New Jersey	Right Body Foods
CareEvolve.com, Inc. New Jersey	CareEvolve

31.1 Certification of Chief Executive Officer

31.2 Certification of Chief Financial Officer

32.1 Certification pursuant to 18 U.S.C. Section 1350 of Chief Executive Officer

32.2 Certification pursuant to 18 U.S.C. section 1350 of Chief Financial Officer

The exhibits designated above with an asterisk (*) have previously been filed with the Commission and, pursuant to 17 C.F.R. Secs. 201.24 and 240.12b-32, are incorporated by reference to the documents as indicated below.

(A) Incorporated by reference to exhibit filed with the Company s Registration Statement on Form S-1 (File No. 33-31360).

(B) Incorporated by reference to exhibit filed with the Company s annual report on Form 10KSB for the year ended October 31, 1992.

(C) Incorporated by reference to exhibit filed with the Company s Registration Statement on Form SB-2 (File No. 33-68678).

(D) Incorporated by reference to exhibit filed with the Company s Registration Statement on Form S-18 (File No. 33-5048-NY).

(E) Incorporated by reference to exhibit filed with the Company s report on Form 8-A dated March 31, 1998.

(F) Incorporated by reference to exhibit filed with the Company s annual report on Form 10-K for the year ended October 31, 1999.

(G) Incorporated by reference to exhibit filed with the Company s annual report on Form 10-K for the year ended October 31, 2000.

(H) Incorporated by reference to exhibit filed with the Company s annual report on Form 10-K for the year ended October 31, 2001.

(I) Incorporated by reference to exhibit filed with the Company s annual report on Form 10-K for the year ended October 31, 2002

(J) Incorporated by reference to exhibit filed with the Company s Registration Statement on Form S-8 (File No. 333-111578).

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIO-REFERENCE LABORATORIES, INC.

By: /S/ Marc D. Grodman
Marc D. Grodman
Chairman of the Board, President,
Chief Executive Officer and Director
Dated: January 28, 2004

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/S/ Marc D. Grodman
Marc D. Grodman
Chairman of the Board, President,
Chief Executive Officer and Director
January 28, 2004

/S/ Howard Dubinett
Howard Dubinett
Executive Vice President,
Chief Operating Officer and Director
January 28, 2004

/S/ Sam Singer
Sam Singer
Vice President, Chief Financial Officer,
Chief Accounting Officer and Director
January 28, 2004

/S/ Morton Topfer
Morton Topfer
Director
January 28, 2004

/S/ John Roglieri
John Roglieri
Director
January 28, 2004

/S/ Gary Lederman

Gary Lederman
Director
January 28, 2004

INDEPENDENT AUDITOR S REPORT

To the Board of Directors and Shareholders of

Bio-Reference Laboratories, Inc.

Elmwood Park, New Jersey

We have audited the accompanying consolidated balance sheets of Bio-Reference Laboratories, Inc. and its subsidiaries as of October 31, 2003 and 2002, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three fiscal years in the period ended October 31, 2003. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bio-Reference Laboratories, Inc. and its subsidiaries as of October 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended October 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

MOORE STEPHENS, P. C.
Certified Public Accountants.

Cranford, New Jersey
January 9, 2004

BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

[Dollars In Thousands, Except Per Share Data]

	October 31,	
	2003	**2002**
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 3,966	$ 3,403
Accounts Receivable - Net	32,913	28,699
Inventory	1,088	1,081
Other Current Assets	763	876
Deferred Tax Asset		308
Total Current Assets	38,730	34,367
Property and Equipment - At Cost	7,485	4,881
Less: Accumulated Depreciation	2,722	1,877
Property and Equipment - Net	4,763	3,004
Other Assets:		
Deposits	314	293
Goodwill - Net	5,843	5,843
Intangible Assets - Net	2,299	2,868
Other Assets	1,270	1,067
Total Other Assets	9,726	10,071
Total Assets	$ 53,219	$ 47,442

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

	October 31,	
	2003	**2002**
Liabilities and Shareholders Equity:		
Current Liabilities:		
Accounts Payable	$ 7,900	$ 6,871
Accrued Salaries and Commissions	1,719	2,420
Accrued Taxes and Expenses	1,158	896
Revolving Note Payable - Bank	8,718	10,546
Current Maturities of Long-Term Debt		400
Capitalized Lease Obligation - Short-Term Portion	933	583
Deferred Tax Liabilities	631	
Total Current Liabilities	21,059	21,716
Long-Term Liabilities:		
Capitalized Lease Obligations - Long-Term Portion	2,127	1,423
Other Long-Term Liabilities	75	96
Total Long-Term Liabilities	2,202	1,519
Commitments and Contingencies		
Shareholders Equity:		
Preferred Stock, Par Value $.10 Per Share, Authorized 1,059,589 Shares; None Issued		
Series A - Senior Preferred Stock, Par Value $.10 Per Share, Authorized, Issued and Outstanding 604,078 Shares	60	60
Series A - Junior Participating Preferred Stock, Par Value $.10 Per Share, Authorized 3,000 Shares; None Issued		
Common Stock, Par Value $.01 Per Share, Authorized 35,000,000 Shares; Issued and Outstanding 11,451,023 and 11,588,583 Shares at October 31, 2003 and 2002, Respectively	115	116
Additional Paid-in Capital	27,907	28,544
Retained Earnings [Deficit]	2,315	(4,225)
Totals	30,397	24,495
Deferred Compensation	(439)	(288)
Total Shareholders Equity	29,958	24,207
Total Liabilities and Shareholders Equity	$ 53,219	$ 47,442

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

BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

[Dollars In Thousands, Except Per Share Data]

	Years ended October 31,		
	2003	**2002**	**2001**
Net Revenues	$ 109,034	$ 96,631	$ 80,622
Cost of Services:			
Depreciation and Amortization	1,032	650	674
Employee Related Expenses	26,562	23,669	20,505
Reagents and Laboratory Supplies	16,843	15,418	12,975
Other Cost of Services	11,779	11,969	10,111
Total Cost of Services	56,216	51,706	44,265
Gross Profit	52,818	44,925	36,357
General and Administrative Expenses:			
Depreciation and Amortization	689	899	1,011
General and Administrative Expenses	30,038	25,613	21,008
Provision for Doubtful Accounts	12,806	12,341	10,731
Total General and Administrative Expenses	43,533	38,853	32,750
Income from Operations	9,285	6,072	3,607
Other [Income] Expense:			
Interest Expense	704	889	1,686
Interest Income	(23)	(40)	(26)
Total Other Expense - Net	681	849	1,660
Income Before Income Taxes	8,604	5,223	1,947
Provision for Income Tax Expense [Benefit]	2,064	301	(414)
Net Income	$ 6,540	$ 4,922	$ 2,361
Net Income Per Common Share - Basic	$ .57	$ .43	$ .24

Net Income Per Common Share - Diluted	$ .51	$ .39	$ .21

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

BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

[Dollars In Thousands]

	Series A Senior Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Deferred	Total Shareholders
	Shares	Amount	Shares	Amount	Capital	[Deficit]	Compensation	Equity
Balance - October 31, 2000	604,078	$ 60	8,505,444	$ 85	$ 24,873	$ (11,508)	$ (449)	$ 13,061
Shares Issued for Deferred Compensation			200,000	2	398		(400)	
Stock Options Issued for Deferred Compensation					333		(333)	
Amortization of Deferred Compensation							531	531
Shares Issued for Employee Services			11,000		33			33
Shares Issued for Consulting Services			279,000	3	309			312
Shares Issued to Investors			1,500,000	15	1,485			1,500
Exercise of Options - Consultants			515,202	5	670			675
Net Income						2,361		2,361
Balance - October 31, 2001	604,078	60	11,010,646	110	28,101	(9,147)	(651)	18,473
Amortization of Deferred Compensation							293	293
Reclassification of Warrants					(70)		70	
Exercise of Options - Employees			532,937	5	449			454
Exercise of Options - Consultants			45,000	1	64			65
Net Income						4,922		4,922
Balance - October 31, 2002	604,078	60	11,588,583	116	28,544	(4,225)	(288)	24,207
Amortization of Deferred Compensation							140	140
Shares Issued for Compensation			10,000		15			15
Exercise of Options - Employees			82,140	1	125			126
Warrants Issued to Advisory Board					291		(291)	
Common Stock Repurchased and Retired			(229,700)	(2)	(1,068)			(1,070)
Net Income						6,540		6,540

Balance - October 31, 2003	604,078	$ 60	11,451,023	$ 115	$ 27,907	$ 2,315	$ (439)	$ 29,958

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

BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Dollars In Thousands]

	Years ended October 31,		
	2003	**2002**	**2001**
Operating Activities:			
Net Income	$ 6,540	$ 4,922	$ 2,361
Adjustments to Reconcile Net Income to Net Cash Provided by [Used for] Operating Activities:			
Depreciation and Amortization	1,722	1,549	1,685
Amortization of Deferred Compensation	140	293	531
Provision for Doubtful Accounts	12,806	12,341	10,731
Deferred Income Taxes	939	262	(504)
Stock Issued for Compensation	15		344
Changes in Assets and Liabilities			
[Net of Effects from Acquisitions]:			
[Increase] Decrease in:			
Accounts Receivable	(17,020)	(13,753)	(13,969)
Inventory	(7)	(95)	(251)
Other Current Assets	113	(441)	7
Other Assets	(203)	(107)	(150)
Deposits	(21)	(33)	56
Increase [Decrease] in:			
Accounts Payable, Accrued Taxes and Expenses	569	(256)	753
Total Adjustments	(947)	(240)	(767)
Net Cash - Operating Activities - Forward	5,593	4,682	1,594
Investing Activities:			
Acquisition of Property and Equipment	(1,105)	(433)	(471)
Capitalized Software Development Costs		(210)	(711)
Repayment of Related Party Receivable		9	65
Net Cash - Investing Activities - Forward	(1,105)	(634)	(1,117)
Financing Activities:			
Proceeds from Long-Term Debt			
Payments of Long-Term Debt	(400)	(1,060)	(1,030)

Payments of Capital Lease Obligations	(753)	(384)	(328)
[Decrease] Increase in Revolving Line of Credit	(1,828)	(2,075)	621
Proceeds from the Exercise of Stock Options	126	519	675
Proceeds from the Sale of Common Stock			1,500
Common Stock Repurchased	(1,070)		
Net Cash - Financing Activities - Forward	$ (3,925)	$ (3,000)	$ 1,438

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

	Years ended October 31,		
	2003	2002	2001
Net Cash - Operating Activities - Forwarded	$ 5,593	$ 4,682	$ 1,594
Net Cash - Investing Activities - Forwarded	(1,105)	(634)	(1,117)
Net Cash - Financing Activities - Forwarded	(3,925)	(3,000)	1,438
Net Increase in Cash and Cash Equivalents	563	1,048	1,915
Cash and Cash Equivalents - Beginning of Years	3,403	2,355	440
Cash and Cash Equivalents - End of Years	$ 3,966	$ 3,403	$ 2,355
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the years for:			
Interest	$ 723	$ 926	$ 1,722
Income Taxes	$ 326	$ 274	$ 15

Supplemental Schedule of Non-Cash Investing and Financing Activities:

In fiscal 2003, the Company issued 70,000 common stock options valued at $291 to members of its Scientific Advisory Board as deferred compensation.

In fiscal 2001 and 2000, the Company issued shares of common stock and stock options with values of $400 and $333, respectively, in 2001 and $69 and $108, respectively, in 2000, as deferred compensation.

During fiscal 2003, 2002 and 2001, the Company wrote-off approximately $310, $1,540 and $1,380 of furniture and equipment which were fully depreciated.

Approximately $467 and $1,466 of capitalized costs related to covenants not-to-compete and employment agreements, which were fully amortized, were written off in fiscal 2002 and 2001, respectively.

During fiscal 2003, 2002 and 2001, the Company incurred capital lease obligations totaling approximately $1,807, $1,476 and $229 in connection with the acquisition of property and equipment.

[See Notes 9, 11 and 18 for additional non-cash transactions]

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

BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars In Thousands Except Per Share Data or Unless Otherwise Indicated]

[1] Organization and Business

Bio-Reference Laboratories, Inc. [Bio-Reference or the Company] was incorporated on December 24, 1981. Bio-Reference is principally engaged in providing clinical laboratory testing services, primarily to customers in the greater New York metropolitan area as well as to customers in a number of other states. Bio-Reference offers a comprehensive list of chemical diagnostic tests including blood and urine analysis, blood chemistry, hematology services, serology, radioimmuno analysis, toxicology (including drug screening), pap smears, tissue pathology (biopsies) and other tissue analysis. It operates two clinical laboratories, one in Elmwood Park, New Jersey and one in Valley Cottage, New York, and an andrology laboratory in New York City. Bio-Reference markets its clinical laboratory testing services directly to physicians, hospitals, clinics, correctional and other health facilities.

[2] Summary of Significant Accounting Policies

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The operations of subsidiaries are included in operations commencing from date of acquisition [See Note 18].

Cash and Cash Equivalents - Cash equivalents are comprised of certain highly liquid investments with a maturity of three months or less when purchased. The Company had $1,447 and $1,232 in cash equivalents at October 31, 2003 and 2002, respectively.

Inventory - Inventory is stated at the lower of cost [on a first-in, first-out basis] or market. Inventory consists primarily of laboratory supplies.

Property and Equipment - Property and equipment are carried at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the respective assets which range from 2 to 15 years. Leasehold improvements are amortized over the life of the lease, which is approximately five years.

The statements of operations reflect depreciation expense related to property and equipment of $1,153, $705 and $721 for the years ended October 31, 2003, 2002 and 2001, respectively.

On sale or retirement, the asset cost and related accumulated depreciation or amortization are removed from the accounts, and any related gain or loss is reflected in income. Repairs and maintenance are charged to expense when incurred.

Goodwill **-** Effective November 1, 2001, the Company evaluates the recoverability and measures the possible impairment of its goodwill under SFAS 142, Goodwill and Other Intangible Assets. The impairment test is a two-step process that begins with the estimation of the fair value of the reporting unit. The first step screens for potential impairment and the second step measures the amount of the impairment, if any. Management s estimate of fair value considers publicly available information regarding the market capitalization of the Company as well as (i) publicly available information regarding comparable publicly-traded companies in the clinical laboratory testing industry, (ii) the financial projections and future prospects of the Company s business, including its growth opportunities and likely operational improvements, and (iii) comparable sales prices, if available. As part of the first step to assess potential impairment, management compares the estimate of fair value for the Company to the book value of the Company s consolidated net assets. If the book value of the consolidated net assets is greater than the estimate of fair value, the Company would then proceed to the second step to measure the impairment, if any. The second step compares the implied fair value of goodwill with its carrying value.

The implied fair value is determined by allocating the fair value of the reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. If the carrying amount of the goodwill is greater than its implied fair value, an impairment loss will be recognized in that period. No impairment loss was recognized in the years ended October 31, 2003 and 2002.

Goodwill represents the excess of the cost of companies acquired over the fair value of their net assets at dates of acquisition. The statements of operations reflect amortization expense related to goodwill for the year ended October 31, 2001 of $419. The balance sheet reflects accumulated amortization of $2,401 and $2,401 as of October 31, 2003 and 2002, respectively [See Note 10].

Other Intangible Assets - Intangible assets are amortized using the straight-line method. The statements of operations reflect amortization expense related to intangible assets of $569, $631, and $545 for the years ended October 31, 2003, 2002 and 2001, respectively. The balance sheet reflects accumulated amortization of $2,654 and $2,085 as of October 31, 2003 and 2002, respectively.

Internal Use Software Costs - The Company accounts for internal use software costs in accordance with Statement of Position 98-1 [SOP 98-1], Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Per SOP 98-1, the Company has capitalized certain internal use software and web site development costs totaling approximately $210 and $711 during the years ended October 31, 2002 and 2001, respectively. No costs were capitalized during fiscal 2003. The estimated useful life of costs capitalized is evaluated for each specific project when completed, at which time such costs begin to be amortized.

Net Service Revenue - Service revenues are principally generated from clinical laboratory testing services including chemical diagnostic tests such as blood and urine analysis, among others. Net service revenues are recognized at the time the testing 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 related services are rendered and adjusted in future periods as final settlements are determined. The Company has a subsidiary that provides non-clinical laboratory services. Revenues generated from these services are not material for each of the years presented. Net service revenues on the statements of operations are as follows:

	Years ended October 31,		
	2003	2002	2001
Gross Revenues	$ 269,676		