

Yes No

Class	Outstanding at July 27, 2001
Common \$.24 Par Value	11,944,963 Shares

Table of Contents

BARRISTER GLOBAL SERVICES NETWORK, INC.

INDEX

	<u>Page Number</u>
PART I. Financial Information	
Item 1. Financial Statements	
Balance Sheets at June 30, 2001 and March 31, 2001	3
Statements of Operations - Three Months Ended June 30, 2001 and June 30, 2000	4
Statement of Shareholders' Equity - Three Months Ended June 30, 2001	5
Statements of Cash Flows - Three Months Ended June 30, 2001 and June 30, 2000	6
Notes to Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9
PART II. Other Information	
Item 6. Exhibits and Reports on Form 8-K	11

respectively) Accounts payable 462,609
 Accrued compensation and benefits 361,484
 Customer advances and unearned revenue 537,732
 Other accrued expenses 60,148

Total current liabilities 1,858,397

Long-term debt, excluding current installments (\$169 and \$274 to a related party, respectively) 238,355
Stockholders equity: Preferred stock - Common stock, \$.24 par value 2,867,867
 Additional paid-in capital 23,028
 Accumulated deficit (20,475) (20,432)

Total stockholders equity 5,420,463

\$7,516 \$8,215

See accompanying notes to financial statements

Table of Contents

**BARRISTER GLOBAL SERVICES NETWORK, INC.
 STATEMENTS OF OPERATIONS**
 (unaudited)
 (In thousands, except per share amounts)

	Three months ended	
	June 30 2001	June 30 2000
Revenues	\$3,043	\$2,400

Costs and expenses:Cost of services2,2721,788Selling, general and administrative expenses889750

Operating loss(118)(138)

Interest expense (income):Related party1221Other(62)(37)

Total interest(50)(16)

Net loss from continuing operations before income taxes(68)(122)Income tax benefit(25)(45)

Net loss from continuing operations(43)(77)**Discontinued operations:**Gain on sale of discontinued operations, net of income taxes of \$1,697 1,778

Net (loss) earnings\$(43)\$1,701

Basic and diluted earnings (loss) per common share:Continuing operations\$.00\$(.01)Discontinued operations.00.15

Total\$.00\$.14

Weighted average number of common shares outstanding:Basic and diluted11,94511,875

See accompanying notes to financial statements.

Table of Contents**BARRISTER GLOBAL SERVICES NETWORK, INC.
STATEMENT OF STOCKHOLDERS' EQUITY**

(unaudited)

(In thousands, except share data)

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance at March 31, 2001	\$ 2,867	\$ 23,028	\$(20,432)	\$ 5,463
Net loss (43)(43)				

Balance at June 30, 2001	\$ 2,867	\$ 23,028	\$(20,475)	\$ 5,420

Common stock 11,944,963 shares issued and outstanding at June 30, 2001 and March 31, 2001.

*See accompanying notes to financial statements.***Table of Contents****BARRISTER GLOBAL SERVICES NETWORK, INC.
STATEMENTS OF CASH FLOWS**

(unaudited)

(In thousands)

<u>Three months ended</u>	
<u>June 30 2001</u>	<u>June 30 2000</u>

Cash flows from operating activities:

Net
 (loss) earnings\$(43)\$1,701Adjustments
 to reconcile net
 earnings (loss) to net
 cash used by
 operating
 activities:Gain on sale
 of discontinued
 operations (3,475)Deferred
 income
 taxes 812Depreciation4131Changes
 in current assets and
 liabilities:Accounts
 receivable446(309)Service
 parts
 inventories7460Prepaid
 expenses(17)(27)Accounts
 payable(147)(625)Accrued
 compensation and
 benefits(123)(336)Customer
 advances and
 unearned
 revenues(195)(33)Other
 accrued
 expenses(88)825

Net cash used by
 operating
 activities(52)(1,376)

**Cash flows from
 investing**

activities:Additions to
 equipment and
 leasehold
 Improvements(36)(26)Proceeds
 from sale of
 discontinued
 operations 6,623Maturity
 of
 investments2,784 Purchases
 of investments and
 marketable
 securities(1,263)(3,013)Other
 assets(3)1

Net cash provided by
 investing
 activities1,4823,585

**Cash flows from
 financing**

activities:Repayment
 of
 debt(103)(633)Proceeds
 from sale of common

stock 14

Net cash used by
financing
activities(103)(619)

Net increase in cash
and equivalents from
continuing
operations1,3271,590Net
increase in cash from
discontinued
operations 40

**Net increase in cash
and
equivalents1,3271,630Cash
and equivalents at
beginning of
period1,104161**

**Cash and
equivalents at end of
period\$2,431\$1,791**

**Supplemental
disclosure of cash
flow
information:Interest
paid\$16\$43**

See accompanying notes to financial statements.

Table of Contents

**BARRISTER GLOBAL SERVICES NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS**

1. In the opinion of Management, the accompanying financial statements present fairly the financial position, results of operations and cash flows for the periods shown. The first quarter results for each year represent operations for the quarters ended June 30, 2001 and June 30, 2000. The financial data included herein was compiled in accordance with the same accounting policies applied to the Company's audited annual financial statements. Any adjustments made were of a normal recurring nature.

The results of operations for the three month period ended June 30, 2001 are not necessarily indicative of the results to be expected for the full year.

2. Cash and equivalents consist of cash and liquid debt instruments with maturity of three months or less from the date of purchase. Cash and equivalents are stated at cost plus accrued interest, which approximates market value. Short-term investments and marketable securities are classified as held-to-maturity securities based on the Company's ability and intent to hold the securities until maturity. The securities are recorded at amortized cost adjusted for the accretion of discounts or cost plus accrued interest. Short-term investments consist of certificates of deposits and corporate debt instruments. Marketable securities consist of mortgage-backed securities and are expected to mature in less than two years.

3. On May 5, 2000, the Company sold substantially all of the assets of the Company's software business to Keystone Solutions US, Inc. (Keystone), a wholly owned subsidiary of Keystone Software PLC. The Company has agreed to indemnify Keystone with respect to any breach of its representations and warranties (subject to a \$50,000 basket and a cap of the purchase price paid) or any breach of any covenant of the Company contained in the Asset Purchase Agreement. The Company has also agreed to indemnify Keystone with respect to claims or actions pending at or arising after the closing date (May 5, 2000) that relate to the operation of the software business prior to that date.

The pre-tax net gain on the sale of the software business recorded in the first quarter of the prior year was \$3,475,000. The net gain less applicable income taxes (see note 4) is shown in the statements of operations under the caption discontinued operations.

4. The income tax benefit recorded in each of the comparable quarters on the net loss from continuing operations approximated the statutory tax rate. No additional tax benefits were established in the statements of operations for the comparable first quarters, since the Company has fully reserved for the tax effect of net deductible temporary differences and loss carryforwards. These benefits will be recorded in future periods as they are realized or as their realization becomes predictable.

The income tax provision associated with the gain from the sale of the software business (see note 3) is higher than the statutory tax rate since goodwill valued at \$986,000 on the books had a zero basis for tax purposes. The provision includes current taxes of \$897,000 and deferred taxes of \$800,000. The deferred taxes resulted from the use of tax loss

Table of Contents

carryforwards from prior years, the reversal of temporary differences between book and tax on the assets sold, and the temporary difference created by the treatment of a portion of the proceeds which were held in escrow.

5. The Company has adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities beginning April 1, 2001. SFAS No. 133 requires all derivatives to be recorded on the balance sheet at fair value and establishes new accounting rules for hedging instruments. The Company does not enter into hedging transactions or acquire derivative instruments, accordingly, SFAS No. 133 had no impact on the financial statements.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

Cash and equivalents, short-term investments and marketable securities totaled \$4,163,000 at June 30 2001 and \$4,357,000 at March 31, 2001. The net decrease of \$194,000 was primarily a result of debt repayments of \$103,000, net cash used by operating activities of \$52,000 and additions to equipment and leasehold improvements of \$36,000.

The principal cash requirements expected for fiscal 2002 are additions to equipment and leasehold improvements which are expected to increase over amounts spent in prior years if an anticipated move of the Company's headquarters takes place. The Company has entered into a lease agreement to move in the second half of fiscal 2002. The agreement is subject to a number of contingencies which could result in a delay of the move or the Company seeking alternative sites. Debt repayments for fiscal 2002 should approximate \$424,000. The Company's cash and short term investments will be sufficient to cover working capital, capital expenditure requirements and debt repayments in fiscal 2002.

Results of Operations

For the quarter ended June 30, 2001, revenues increased approximately 26.8% from the same quarter in 2000. This increase resulted from growth in revenues from hardware maintenance contracts and from services provided on a time and materials basis. Revenues from hardware maintenance contracts grew to \$2,283,000, an increase of 25.4% from the first quarter of the prior year, based on the capture of new business during the prior year, primarily through the Company's reseller channel. However, non-renewals of contracts in the first quarter of the current year, particularly one large contract, exceeded new contracts sold in that quarter. Management expects that new business will exceed non-renewals in future quarters. For the comparative first quarters, time and material services increased by 36.2% to a total of \$745,000. The principal reason for the increase was business generated from a new customer obtained from a reseller that started in April, 2001 and the continuation of services outsourced by a direct customer which commenced in the second half of the previous year.

The cost of services as a percentage of revenues remained approximately the same for the comparable first quarters, amounting to 74.7% for the first quarter of the current year compared to 74.5% for the first quarter of the prior year.

Selling, general and administrative expenses were 29.2% of revenues for the first quarter of this year compared to 31.3% for the comparative quarter last year. This decrease resulted from the growth in revenues for the comparable first quarters without a commensurate growth in general and administrative expenses. Certain of these expenses that were incurred in the first quarter of the prior year, prior to the sale of the software business of the Company to Keystone Solutions US, Inc. in May 2000, were reduced after the sale.

Interest income was earned in the first quarter of the prior year based on income received on the investment of the net proceeds from the sale of the software business in May, 2000. These proceeds were also used to pay certain outstanding interest bearing debt of the Company. The increase in interest income for the first quarter of the current year resulted from the investment earnings on the proceeds from the sale of the software business for the full

Table of Contents

quarter. The Company expects lower amounts of interest income in future quarters since interest rates have dropped and the majority of the Company's investments are short term.

The income tax benefit recorded in each of the comparable quarters on the net loss from continuing operations approximated the statutory tax rate. No additional tax benefits were established in the statements of operations for the comparable first quarters, since the Company has fully reserved for the tax effect of net deductible temporary differences and loss carryforwards. These benefits will be recorded in future periods as they are realized or as their realization becomes predictable.

The pre-tax net gain on discontinued operations recognized in the first quarter of the prior year is based on the sale of the Company's software business to Keystone on May 5, 2000. The income tax provision associated with the gain from the sale of the software business is higher than the statutory tax rate since goodwill valued at \$986,000 on the books had a zero basis for tax purposes. The provision includes current taxes of \$897,000 and deferred taxes of \$800,000. The deferred taxes resulted from the use of tax loss carryforwards from prior years, the reversal of temporary differences between book and tax on the assets sold and the temporary difference created by the treatment of a portion of the proceeds which were held in escrow.

Forward-Looking Statement

When used in this report, the words "expects", "believes" and "intends" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. The company undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrences of unanticipated events. Readers are also urged to carefully review and consider the various disclosures made by the Company which attempt to advise interested parties of the factors which affect the Company's business in the Company's periodic reports on Form 10K and 10Q filed with the Securities and Exchange Commission.

Table of Contents

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits: None
- (b) Reports on Form 8-K: None

Table of Contents

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

BARRISTER GLOBAL SERVICES NETWORK, INC.

Date: August 7, 2001

By: /s/ Henry P. Semmelhack

Henry P. Semmelhack
President
and
Chief Executive Officer

Date: August 7, 2001

By: /s/ Richard P. Beyer

Richard P. Beyer
Vice President, Finance
(Principal Financial Officer)