

Edgar Filing: TRINITY LEARNING CORP - Form 10QSB/A

TRINITY LEARNING CORP  
Form 10QSB/A  
December 23, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-QSB/A  
(Amendment Number 1)

Quarterly Report under Section 13 or 15 (d) of  
the Securities Exchange Act of 1934

For the Quarterly Period Ended September 30, 2004

Commission File No. 0-8924

Trinity Learning Corporation  
(Exact name of small business issuer as specified in its charter)

Utah  
(State or other jurisdiction of  
incorporation or organization)

73-0981865  
(IRS Employer Identification No.)

1831 Second Street, Berkeley, California 94710  
(Address of principal executive offices)

(510) 540-9300  
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by sections 13 or 15(d) of the Exchange Act during the past 12 months (or such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

As of November 15, 2004 31,402,643 shares of the issuer's Common Stock, no par value per share, were outstanding.

-1-

TRINITY LEARNING CORPORATION AND SUBSIDIARIES

Throughout this report, we refer to Trinity Learning Corporation, together with its subsidiaries, as "we," "us," "our company," "Trinity" or "the Company."

THIS FORM 10-QSB FOR THE QUARTER ENDED SEPTEMBER 30, 2004, CONTAINS FORWARD-LOOKING STATEMENTS, INCLUDING STATEMENTS ABOUT THE CONTINUED STRENGTH OF OUR BUSINESS AND OPPORTUNITIES FOR FUTURE GROWTH. IN SOME CASES, YOU CAN IDENTIFY FORWARD-LOOKING STATEMENTS BY TERMINOLOGY SUCH AS "MAY", "WILL", "SHOULD", "EXPECT", "PLAN", "INTEND", "ANTICIPATE", "BELIEVE", "ESTIMATE", "PREDICT", "POTENTIAL" OR "CONTINUE", THE NEGATIVE OF SUCH TERMS OR OTHER COMPARABLE TERMINOLOGY. WE BELIEVE THAT OUR EXPECTATIONS ARE REASONABLE AND ARE BASED ON REASONABLE ASSUMPTIONS. HOWEVER, SUCH FORWARD-LOOKING STATEMENTS BY THEIR NATURE INVOLVE RISKS AND UNCERTAINTIES.

WE CAUTION THAT A VARIETY OF FACTORS, INCLUDING BUT NOT LIMITED TO THE FOLLOWING, COULD CAUSE OUR BUSINESS AND FINANCIAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED IN FORWARD-LOOKING STATEMENTS: OUR ABILITY TO

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SUCCESSFULLY INTEGRATE TOUCHVISION, INC. ("TOUCHVISION"), RIVER MURRAY TRAINING PTY LTD ("RMT"), TRINITY LEARNING AS (F/K/A VIRTUAL LEARNING PARTNERS AS) SA ("VILPAS"), AND OUR MAJORITY INTERESTS IN AYRSHIRE TRADING LIMITED ("AYRSHIRE") AND DANLAS LIMITED ("DANLAS"); DETERIORATION IN CURRENT ECONOMIC CONDITIONS; OUR ABILITY TO PURSUE BUSINESS STRATEGIES; PRICING PRESSURES; CHANGES IN THE REGULATORY ENVIRONMENT; OUTCOMES OF FUTURE LITIGATION; OUR ABILITY TO ATTRACT AND RETAIN QUALIFIED PROFESSIONALS; INDUSTRY COMPETITION; CHANGES IN INTERNATIONAL TRADE; MONETARY AND FISCAL POLICIES; OUR ABILITY TO INTEGRATE FUTURE ACQUISITIONS SUCCESSFULLY; AND OTHER FACTORS DISCUSSED MORE FULLY IN MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND RISK FACTORS BELOW, AS WELL AS IN OTHER REPORTS SUBSEQUENTLY FILED FROM TIME TO TIME WITH THE SECURITIES AND EXCHANGE COMMISSION. WE ASSUME NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENTS.

-2-

The Company is filing this Form 10-QSB/A as a result of its determination that warrants it previously classified as equity should be reclassified as a liability and to attribute a beneficial conversion discount to the note. As a result of the reclassification, the value originally attributed to the warrants of \$1,883,363 increases to \$2,863,363. The value attributable to the beneficial conversion is \$2,070,784. As a result of these changes, net loss as previously reported for the quarter ended September 30, 2004 of \$(1,776,832) increases to \$(1,861,586).

### PART I. FINANCIAL INFORMATION

- Item 1. Consolidated Financial Statements
  - Consolidated Balance Sheets September 30, 2004 (Unaudited) and June 30, 2004 (Audited).
  - Consolidated Statements of Operations and Comprehensive Loss Three Months Ended September 30, 2004 and 2003. (Unaudited)
  - Consolidated Statements of Cash Flows Three Months Ended September 30, 2004 and 2003 (Unaudited)
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Controls and Procedures

### PART II. OTHER INFORMATION

- Item 1. Legal Proceedings
- Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
- Item 3. Defaults upon Senior Securities
- Item 4. Submission of Matters to a Vote of Security Holders
- Item 5. Other Information
- Item 6. Exhibits and Reports on Form 8-K

-3-

PART I  
FINANCIAL INFORMATION  
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS  
Trinity Learning Corporation and Subsidiaries  
Consolidated Balance Sheets

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	September 30, 2004 (Unaudited & Restated)	June 30, 2004 (Audited)
	-----	-----
<b>Assets</b>		
-----		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 846,860	\$ 892,739
Accounts Receivable	391,269	243,164
Prepaid Expense and Other Current Assets	231,356	229,802
	-----	-----
Total Current Assets	1,469,485	1,365,705
Equity Investment in and Advances to Associated Companies	1,617,680	1,922,935
Property & Equipment, net	33,502	37,160
Goodwill	1,855,405	1,849,526
Intangible Assets, net	390,333	434,958
Restricted Cash	4,992,522	500,000
Other Assets, net	397,731	142,856
	-----	-----
Total Assets	\$ 10,756,658	\$ 6,253,140
	=====	=====
<b>Liabilities, Minority Interest, Contingently Redeemable Equity and Stockholders' Equity</b>		
-----		
<b>Liabilities</b>		
-----		
Accounts Payable	\$ 880,359	\$ 814,651
Accounts Payable-Related Parties	86,321	77,988
Accrued Expenses	614,937	721,192
Interest Payable	5,865	21,124
Deferred Revenue	325,551	85,685
Notes Payable - Current	677,797	418,954
Notes Payable - Related Parties	584,289	740,476
	-----	-----
Current Liabilities	3,175,119	2,880,070
	-----	-----
Notes Payable - Long Term	530,906	71,829
Notes Payable - Long Term, Related Parties	221,408	40,000
	-----	-----
Long Term Liabilities	752,314	111,829
Equity Investment in and Advances to Associated Company	343,246	-
Warrants to Purchase Common Stock	2,863,363	-
	-----	-----
Total Liabilities	7,134,042	2,991,899
	-----	-----
Minority Interest	263,483	306,721
	-----	-----
Contingently Redeemable Equity	2,510,000	2,510,000
	-----	-----
<b>Stockholders' Equity</b>		
-----		
Preferred Stock, 10,000,000 Shares Authorized at No Par Value, No Shares Issued and Outstanding in 2004 or 2003	-	-

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Common Stock, 100,000,000 Shares Authorized at No Par Value, 31,040,143 shares Issued and Outstanding at September 30 and June 30, 2004

	25,331,567	23,092,957
Accumulated Deficit	(24,512,562)	(22,650,976)
Other Comprehensive Income	30,128	2,539
	-----	-----
Total Stockholders' Equity	849,133	444,520
	-----	-----
Total Liabilities, Minority Interest, Contingently Redeemable Equity and Stockholders' Equity	\$ 10,756,658	\$ 6,253,140
	=====	=====

The accompanying notes are an integral part of these financial statements

-4-

### Trinity Learning Corporation and Subsidiaries Consolidated Statement of Operations and Comprehensive Loss

	Three Months Ended September 30,	
	2004	2003
	(Unaudited)	
	(Restated)	
	-----	
<b>Revenue</b>		
-----		
Sales Revenue	\$ 902,854	\$ 253,993
Cost of Sales	(180,905)	(32,497)
	-----	-----
Gross Profit	721,949	221,496
	-----	-----
<b>Expenses</b>		
-----		
Salaries & Benefits	889,302	567,719
Professional Fees	296,587	216,565
Selling, General & Administrative	489,162	269,594
Depreciation & Amortization	47,962	88,838
	-----	-----
Total Expense	1,723,013	1,142,716
	-----	-----
Loss from Operations	(1,001,064)	(921,220)
	-----	-----
<b>Other Expense</b>		
-----		
Interest, net	229,703	23,288
Debt Issuance	7,194	-
Equity Losses in Associated Companies	648,501	995
Foreign Currency Gain (Loss)	-	407
	-----	-----
Total Other Expense	885,398	24,690
	-----	-----
Minority Interest	24,876	-
	-----	-----

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Loss before Income Taxes	(1,861,586)	(945,910)
Income Taxes	-	-
Net Loss	<u>\$ (1,861,586)</u>	<u>\$ (945,910)</u>
Net Loss Per Common Share Basic and Diluted	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>
Weighted Average Shares Outstanding	<u>30,377,643</u>	<u>15,652,516</u>

A summary of the components of other comprehensive loss for the three months ended September 30, 2004 and 2003 is as follows:

	Three Months Ended September 30,	
	2004	2003
	(Unaudited)	
	(Restated)	
	-----	-----
Net Loss	\$ (1,861,586)	\$ (945,910)
Foreign Currency Translation Gain (Loss)	27,589	(2,961)
Comprehensive Loss	<u>\$ (1,833,997)</u>	<u>\$ (948,871)</u>

The accompanying notes are an integral part of these financial statements

-5-

Trinity Learning Corporation and Subsidiaries  
Consolidated Statements of Cash Flows

	Three Mon 2004
	-----
	(Unaudi & Restat
Cash flows from operating activities:	
Net loss	\$ (1,861,586)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	47
Debt issuance	7
Non cash interest	205
Equity losses of associated companies	648
Employee stock based compensation	104
Minority interest	(24)
Changes in current assets and liabilities:	

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Accounts receivable	(148)
Prepaid expenses and other current assets	(4)
Accounts payable and accrued expenses	(47)
Accounts payable - related parties	8
Deferred revenue	239
Interest payable	(9)
	-----
Net cash used by operating activities	(833)
	-----
Cash flows from investing activities:	
Payment for business acquisitions	(4)
Payment for business acquisitions - related party	(4,491)
Restricted cash	(4,491)
Advances to associated companies	
Capital expenditures	
	-----
Net cash used by investing activities	(4,495)
	-----
Cash flows from financing activities:	
Repayments under short-term notes	(500)
Repayments under short-term notes - related party	(50)
Borrowings under short-term notes	6,120
Fees paid to issue debt	(259)
Payments for financing fees	
Payments for financing fees - related party	
Proceeds from sale of common stock	
	-----
Net cash provided by financing activities	5,311
Effect of foreign exchange on cash	(27)
	-----
Net (decrease)increase in cash	(45)
Cash at beginning of period	892
	-----
Cash at end of period	\$ 846
	=====
Supplemental information:	
Interest paid	\$ 19
	=====
Warrants Issued with Convertible Notes	\$ 2,863
	=====
Beneficial Conversion Value of Note Payable	\$ 2,070
	=====
Issuance of Common Stock for Business Acquisitions	\$
	=====
Issuance of Conditionally Redeemable Equity	\$
	=====

The accompanying notes are an integral part of these financial statements

-6-

Trinity Learning Corporation and Subsidiaries  
Notes to Consolidated Financial Statements  
(Unaudited)  
September 30, 2004

NOTE 1. ACCOUNTING POLICIES

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### Overview

Trinity Learning is creating a global learning company by acquiring operating subsidiaries that specialize in educational and training content, delivery, and services for particular industries or that target a particular segment of the workforce. Trinity Learning believes that there are product and service synergies between and among our various subsidiaries that position us to create a global learning company that can provide integrated learning services to corporations, organizations, educational institutions, and individual learners, using a variety of delivery technologies, platforms and methods to meet the growing need for global learning solutions. Trinity Learning believes that it will be one of the first companies to be able to serve major multinational employers at multiple levels of their organizations and assist these customers to meet the challenges of a major turnover in the world's workforce over the coming decade. Factors such as demographics, technology, and globalization will require enterprises, organizations and governments around the world to invest in human capital to remain competitive.

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Item 310 of Regulation S-B. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements include the accounts of Trinity and its consolidated subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

These unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements and related notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended June 30, 2004. The results of operations for the three months ended September 30, 2004, are not necessarily indicative of the operating results for the full year and future operating results may not be comparable to historical operating results due to our September 1, 2003 acquisitions of TouchVision, Inc. ("TouchVision"); River Murray Training Pty Ltd ("RMT"); and 51% of the issued and outstanding shares of Ayrshire Trading Limited ("Ayrshire"), as well as our December 1, 2003 acquisition of Danlas Limited ("Danlas") and March 1, 2004 acquisition of Trinity Learning AS ("VILPAS"). Ayrshire owns 95% of the issued and outstanding shares of Riverbend Group Holdings (Pty.) Ltd. ("Riverbend"). These companies are collectively referred to as Riverbend. Danlas owns 51% of IRCA (Proprietary) Limited ("IRCA"). These companies are collectively referred to as IRCA.

In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all normal recurring adjustments that are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented.

### Use of Estimates

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America necessarily requires it to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and costs during the reporting periods. Actual results could differ from those estimates. On an ongoing basis, the Company reviews its estimates based on information that is currently available. Changes in facts and circumstances may cause the Company to revise its estimates. Significant estimates include revenue recognition policy, valuation and allocation of the purchase consideration of

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the assets and liabilities and assets acquired in business combinations and equity investments in associated companies, our determination of fair value of common stock issued in business combinations and equity investments in associated companies, and the annual valuation and review for impairment of assets acquired and of long-lived assets.

-7-

### Principles of Consolidation and Basis of Presentation

On August 6, 2003, our board of directors approved a change in our fiscal year-end from September 30 to June 30 to align with those of the companies we had already acquired or were at that time in the process of acquiring. Our consolidated financial statements include the accounts of the Company and our controlled subsidiaries. All significant intercompany transactions are eliminated in consolidation.

Our 51% ownership in IRCA and our 51% ownership in Ayrshire, which owns 95% of Riverbend, have been accounted for in the financial statements included with this report using the equity method of accounting. Emerging Issues Task Force Issue 96-16, "Investor's Accounting for an Investee When the Investor Has a Majority Voting Interest but the Minority Shareholders Have Certain Approval or Voting or Veto Rights" (EITF 96-16) provides guidance as to the distinction between protective rights of the minority shareholder which do not overcome the presumption of consolidation and substantive participating rights of the minority shareholder. Substantive participating rights that allow the minority shareholder to participate in establishing operating and capital decisions in the ordinary course of business, overcome the presumption that the investor should consolidate the investee.

- o In the Riverbend transaction, Section 20.2.11.3 of the Definitive Agreement ("the Agreement") between Trinity, the majority owner in Ayrshire, and Great Owl Limited ("Great Owl"), the minority owner in Ayrshire, prevents Ayrshire and its subsidiaries from approving, canceling or effecting "material changes to the annual budget or any modification thereof" or "incur(ring) unbudgeted capital expenditure of US\$150,000 per item or US\$500,000 per annum." Also, pursuant to Section 18.3 of the Agreement, Trinity and Great Owl are "each entitled to appoint an equal number of directors to the board of directors" of Ayrshire. These substantive participating rights of the minority shareholder preclude consolidation of this investment and will remain in effect until Trinity owns 100% of Ayrshire.
- o In the IRCA transaction, Section 20.1.19.3 of the Sale of Shares Agreement ("SOS Agreement") between Danlas Limited, a wholly owned subsidiary of Trinity, and IRCA Investments (Pty.) Ltd. ("IRCA Investments"), the minority shareholder in IRCA, prevents IRCA and its subsidiaries from approving, canceling or effecting "material changes to the annual budget or any modification thereof, or to its strategic plans or marketing strategy or incur(ring) unbudgeted capital expenditure in excess of R200,000 (two hundred thousand Rand) per item or R800,000 (eight hundred thousand Rand) in total per annum." Also, pursuant to Section 19 of the SOS Agreement, Danlas and IRCA Investments are "each entitled to appoint equal number of directors to the board of directors" of IRCA. These substantive participating rights of the minority shareholder will remain in effect until Danlas owns 60% of IRCA.

### Purchase Accounting



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The Company accounts for its investments in its subsidiaries using the purchase method of accounting. Intangible assets are recognized apart from goodwill if they are contractual in nature or separately identifiable. Acquisitions are measured on the fair value of consideration exchanged and, if the consideration given is not cash, measurement is based on the fair value of the consideration given or the fair value of the assets acquired, whichever is more reliably measurable. The excess of cost of an acquired entity over the net amounts assigned to identifiable acquired assets and liabilities assumed is recognized as goodwill. The valuation and allocation process relies on significant assumptions made by management, in particular, the value of the shares issued to effect the purchase prior to the Company having established a trading market for its stock.

### Revenue Recognition

We earn our revenues primarily from service-related contracts, including operations and maintenance services and a variety of technical assistance services. Revenue is generally recognized on a straight-line basis, unless evidence suggests that the revenue is earned or obligations are fulfilled in a different pattern over the contractual term of the arrangement or the expected period, during which those specified services will be performed, whichever is longer. Four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectibility is reasonably assured. The Company determines whether criteria (3) and (4) are met based on judgments regarding

-8-

the nature of the fee charged for services rendered and products delivered and the collectibility of those fees. The Company also earns revenue from the sale of hardware containing software, and accounts for this revenue in accordance with SOP 97-2, Software Revenue Recognition in accordance with EITF 03-5. To date, such revenues have not been significant.

### Concentrations of Credit Risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of trade receivables. Concentrations of credit risk with respect to trade receivables are limited due to the large number of clients that comprise our customer base and their dispersion across different business and geographic areas. We estimate and maintain an allowance for potentially uncollectible accounts and such estimates have historically been within management's expectations. Our cash balances, restricted cash and short-term investments are maintained in accounts held by major banks and financial institutions located primarily in the United States, Norway, South Africa and Australia. No single customer accounts for revenues or receivables greater than 10% of Company totals.

### Cash and Cash Equivalents

We consider all highly liquid instruments with original maturities of three months or less to be cash equivalents.

### Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates fair value due to the short-term maturity of these instruments. The carrying value of notes payable approximates fair value because negotiated terms and conditions are consistent with current market rates.

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Determination of the fair value of notes payable to related parties cannot be estimated because of the favorable conditions given to the Company by these parties not otherwise available from third parties. It is not practicable to estimate the fair value of notes payable issued for acquisitions and equity investments because they were issued at a substantial conversion premium and contain no stated payment terms. The carrying value of equity investments and advances to associated companies approximates fair value. We evaluate such assets on a regular basis by looking at cash flows, market conditions and current and anticipated future performance. In September 2004, we incurred an impairment charge of \$80,000. At September 30, 2004, we had a negative value in our investment in IRCA as losses and impairment charges have exceeded our original investment. Losses will continue to be recorded in the statement of operations up to the value of our \$500,000 deposit as collateral for the IRCA operating line of credit.

### Accounts Receivable

Accounts receivable are uncollateralized customer obligations due under normal trade terms. Management regularly evaluates the need for an allowance for uncollectible accounts by taking into consideration factors such as the type of client; governmental agencies or private sector; trends in actual and forecasted credit quality of the client, including delinquency and late payment history; and current economic conditions that may affect a client's ability to pay. Management has determined that there is no need for an allowance as of September 30 and June 30, 2004.

### Property and Equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line method using estimated lives ranging from three to five years for property and equipment. Leasehold improvements are amortized over the length of the lease or estimated useful life, whichever is less. Property and equipment is periodically reviewed for impairment. When such loss is identified, it is recorded as a loss in that period.

### Deferred Charges

The Company capitalizes costs associated with the issuance of debt instruments. These costs are amortized on a method that approximates the interest method over the term of the debt agreements. Amortization expenses for deferred charges were \$5,630 and \$0 for the three months ended September 30, 2004 and 2003, respectively.

-9-

### Restricted Cash

Restricted cash within noncurrent assets consists primarily of \$4,492,522 on deposit in a restricted account as security for the \$5.5 million convertible term note with Laurus Master Fund, Ltd. In addition, \$500,000 is on deposit with Standard Bank and restricted for use as collateral for an operating line of credit at IRCA. This provision is part of the Company's contractual arrangement with IRCA. Should IRCA default on its line of credit with Standard Bank, these funds may be seized by Standard Bank.

### Fair Value of Common Stock

Contingently redeemable equity represents the value of shares of our common stock issuable upon the conversion of notes payable in excess of the face value of these notes issued in the acquisition of VILPAS and the acquisition of equity

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interest in each of the Riverbend and IRCA transactions. The stock arrangements are dependent on the satisfaction of certain conditions by us, most notably the listing of our common stock a major stock exchange in the United States of America, for which there are financial requirements for listing. The valuation and allocation process relies on significant assumptions made by management, in particular, the value of the shares to be issued as described above to effect the purchase prior to the Company having established a trading market for its stock. When it becomes probable that redemption will occur, the Company will record changes in fair value in the Statement of Operations.

### Allocation of Purchase Consideration in Business Combinations

The Company accounts for its investments in its subsidiaries using the purchase method of accounting. The excess of the consideration paid for subsidiaries over the fair value of acquired tangible assets less the fair value of acquired liabilities is assigned to intangible assets and goodwill. The Company obtains an independent third party valuation to ascertain the amount to allocate to identifiable intangible assets, and the useful lives of those assets. The Company amortizes identifiable intangible assets over their useful life unless that life is determined to be indefinite. The useful life of an intangible asset that is being amortized is evaluated each reporting period as to whether events and circumstances warrant a revision to the remaining period of amortization. Goodwill is not amortized and is tested for impairment on an annual basis. The implied fair value of goodwill is determined by allocating fair value to all assets and liabilities acquired; the excess of the price paid over the amounts assigned to assets and liabilities acquired is the implied fair value of goodwill.

### Allocation of Purchase Consideration for Equity Investments in Associated Companies

The excess of the consideration paid for equity investments in associated companies over our pro rata share of the investee's net assets is allocated to intangibles and goodwill similar to a purchase business combination. The Company obtains an independent third party valuation to ascertain the amount to allocate to identifiable intangible assets and the useful lives of those assets. The Company amortizes identifiable intangible assets over their useful life unless that life is determined to be indefinite. In each of the Riverbend and the IRCA transactions, the Company received an option, exercisable under certain conditions, to acquire the additional 49% of each of those companies. Using the Black Scholes option valuation model, a value was assigned to each of the intangible assets associated with those options. The useful life of an intangible asset that is being amortized is evaluated each reporting period as to whether events and circumstances warrant a revision to the remaining period of amortization. The value of the Equity Investments in Associated Companies is tested for impairment on an annual basis. At June 30, 2004, based on actual performance and forecasts for future performance, the value of the IRCA investment after application of current year losses and amortization of intangible assets, was written down to \$0 and impairment expense of \$884,963 was recorded in the statement of operations. An allowance for doubtful loan receivable in the amount of \$80,000 was established at September 30, 2004 for our loan to IRCA Australia.

### Software Development Costs

Software development costs related to software that the company licenses to customers are charged to expense as incurred until technological feasibility is attained. Technological feasibility is attained when the Company's software has completed system testing and has been determined viable for its intended use. The time between the attainment of technological feasibility and completion of software development has been short with immaterial amounts of development costs incurred during this period. Accordingly, software costs have not been

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capitalized

-10-

other than product development costs acquired through technology business combinations and technology purchases.

### Earnings (Loss) per Share

Basic earnings (loss) per common share is computed by dividing net income (loss) available for common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per common share ("DEPS") is computed giving effect to all dilutive potential shares including shares held in escrow, common stock issuable upon the conversion of notes payable or the exercise of stock options and warrants. DEPS is computed by dividing net income (loss) available for common stockholders by the weighted-average common shares and dilutive potential common shares that were outstanding during the period. Shares from release of escrow shares, the conversion of notes payable or the exercise of options and warrants for common shares were not included in the computation of DEPS, because their inclusion would have been antidilutive for the three months ended September 30, 2004 and 2003, respectively.

If the company were to include all potential shares in the calculation, the following items would be included:

- o Stock options to purchase 5,670,000 shares of common stock at prices ranging from \$0.05 to \$0.60 per share were outstanding at September 30, 2004; 3,182,000 options were outstanding at September 30, 2003 at purchase prices varying from \$0.05 to \$0.50 per share.
- o Warrants to purchase 21,884,950 shares of common stock at prices ranging from \$0.50 to \$2.00 per share were outstanding September 30, 2004; warrants to purchase 5,677,000 shares of common stock at prices ranging from \$0.05 to \$2.00 per share were outstanding at June 30, 2004.
- o At September 30, 2004 and 2003, we held 662,500 and 1,662,500 shares in escrow, respectively.
- o At September 30, 2004, we had the following convertible notes outstanding: (i) a convertible non-interest-bearing promissory note in the amount of \$20,000 was convertible into 2,000,000 shares of our common stock for our investment in Ayrshire, (ii) a convertible non-interest-bearing promissory note in the amount of \$20,000 was convertible into 2,500,000 shares of our common stock for our investment in Danlas / IRCA, (iii) a convertible promissory note in the amount of \$500,000 convertible into 1,000,000 shares of our common stock for our investment in VILPAS, (iv) a convertible promissory note totaling \$70,000 convertible into an indeterminable amount of shares of our common stock and (v) a convertible promissory note totaling \$5,500,000 convertible into an indeterminable amount of shares of our common stock.
- o At September 30, 2003, the following convertible notes were outstanding: (i) \$425,000 convertible note payable convertible into an indeterminable number of shares of our common stock and (ii) \$1,000,000 convertible note payable convertible into 500,000 shares of our common stock.

For the Three  
Months Ended

For the Three  
Months Ended

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	September 30, 2004 -----	September 30, 2003 -----
Numerator-Basic / Diluted		
Net (loss) available for common stockholders	\$ (1,861,586)	\$ (945,910)
	=====	=====
Denominator-Basic / Diluted		
Weighted-average common stock outstanding	30,377,643	15,652,516
	=====	=====
Basic / Diluted (loss) per share	\$ (0.06)	\$ (0.06)
	=====	=====

Stock-Based Compensation

In January 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 148 ("SFAS 148"), "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS 148 amends FASB Statement 123 ("SFAS 123"), "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require more prominent disclosure in both annual and interim financial statements of the method of accounting for employee stock option grants and the effect of the method used on reported results.

-11-

The Company has adopted the fair value based method of accounting for stock-based employee compensation in accordance with Statement of Financial Accounting Standards Number 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). In accordance with SFAS 123, option expense of \$104,997 and \$98,514 was recognized for the three months ended September 30, 2004 and 2003, respectively. The expense was calculated using the Black Scholes valuation model with the following assumptions:

	September 30, 2004 -----	September 30, 2003 -----
Five-Year Risk Free Interest Rate	3.33%	3.63%
Dividend Yield	Nil	Nil
Volatility	70%	70%
Average Expected Term (Years to Exercise)	5	5

Goodwill and Other Intangibles Resulting from Business Acquisitions

The Company adopted Statement of Financial Accounting Standard No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets," at the beginning of fiscal 2003. As required, the Company identified its reporting units and the amounts of other intangible assets, and other assets and liabilities allocated to those reporting units. This Statement addresses the accounting and reporting of goodwill and other intangible assets subsequent to their acquisition. SFAS No.142 provides that (i) goodwill and indefinite-lived intangible assets will no longer be amortized, (ii) impairment will be measured using various valuation techniques based on discounted cash flows, (iii) goodwill will be tested for impairment at least annually at the reporting unit level, (iv) intangible assets deemed to have an indefinite life will be tested for impairment at least annually, and (v) intangible assets with finite lives will be amortized over their useful lives. The Company does not have any intangible assets with indefinite lives.

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### Recently Issued Accounting Standards

In January 2003, the FASB issued FASB Interpretation No. 46, ("FIN 46"), Consolidation of Variable Interest Entities ("VIE"). Fin No. 46 requires that if a company holds a controlling interest in a VIE, the assets, liabilities and results of the VIE's activities should be consolidated in the entity's financial statements. In December 2003, the FASB revised FIN No. 46 which, among other revisions, resulted in the deferral of the effective date of applying the provisions of FIN No. 46 to the first interim or annual period ending after December 15, 2004 for qualifying VIE's. The Company believes it has no VIE's and adoption of FIN 46, as revised, did not have a material impact on our consolidated financial condition or results of operations for the quarters ended September 30, 2004 and 2003.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 ("SFAS 150"), "Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity." SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). 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. As permitted, the Company adopted SFAS 150 on September 1, 2003. Adoption of SFAS 150 did not have a significant impact on the Company's financial statements for the quarters ended September 30, 2004 and 2003.

On December 17, 2003, the Staff of the Securities and Exchange Commission (SEC or the Staff) issued Staff Accounting Bulletin No. 104 ("SAB 104"), "Revenue Recognition," which supersedes SAB 101, "Revenue Recognition in Financial Statements." SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superseded as a result of the issuance of EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." Additionally, SAB 104 rescinds the SEC's Revenue Recognition in Financial Statements Frequently Asked Questions and Answers (the "FAQ") issued with SAB 101 that had been codified in SEC Topic 13, Revenue Recognition. Selected portions of the FAQ have been incorporated into SAB 104. While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104. SAB 104 applies to our service related contracts. We do not have material multiple element arrangements and thus SAB 104 does not impact our financial statements nor is adoption of SAB 104 considered a change in accounting principle.

-12-

On April 9, 2004, FASB issued FASB Staff Position No. FAS 129-1, "Disclosure of Information about Capital Structure, Relating to Contingently Convertible Securities" ("FSP 129-1"). FSP 129-1 clarifies that the disclosure requirements of Statement of Financial Accounting Standards No. 129, "Disclosure of Information about Capital Structure" applies to all contingently convertible securities and to their potentially dilutive effects on earnings per share ("EPS"), including those for which the criteria for conversion have not been satisfied, and thus are not included in the computation of diluted EPS. The guidance in FSP 129-1 is effective immediately and applies to all existing and newly created securities. Our required FSP 129-1 disclosures are included above under "Earnings (Loss) Per Share." Our contingently redeemable equity is convertible to shares of our common stock; however, the conversion would be anti-dilutive.

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### Reclassifications

Certain reclassifications have been made to the 2003 consolidated financial statements and notes to conform to the 2004 presentation with no effect on consolidated net loss, or accumulated deficit.

### NOTE 2 - ACQUISITIONS AND DIVESTITURES

We commenced a strategy in 2002 to acquire operating companies in strategic markets that have developed proprietary technology-enabled learning, training and certification services targeted at major customers in worldwide industries. Our mission is to become a leading global learning solution corporation through acquisition, business development and strategic relationships.

On September 1, 2003, we completed the acquisition of all of the issued and outstanding shares of TouchVision, a California corporation that is in the business of providing technology-enabled information and learning systems to healthcare providers, financial services companies and other industry segments. In consideration for the TouchVision shares, we issued an aggregate of 1,250,000 restricted shares of our common stock, of which 312,500 shares are subject to the terms of an escrow agreement as collateral for the indemnification obligations of the former TouchVision shareholders. The determination of purchase price was based on, among other things, annual revenue for the two preceding years relative to comparable market based values for publicly traded companies. We also agreed to loan to TouchVision the sum of \$20,000 per month for the twelve-month period following closing, to be used for working capital. As of September 30, 2004, we had loaned TouchVision a total of \$260,000 pursuant to this agreement. This loan has been eliminated in consolidation at September 30, 2004. We had previously loaned TouchVision the sum of \$50,000 in June and July, 2003 by way of bridge financing pending completion of the acquisition. This loan has also been eliminated in consolidation at September 30, 2004.

The following table summarizes the TouchVision assets acquired and liabilities assumed as of the closing date in connection with \$625,000 common stock issued and acquisition related costs of \$85,417 (\$4,815 of which was incurred in the quarter ended September 30, 2004):

Cash acquired	\$	102,357
Tangible assets acquired		269,213
Intangible assets acquired		350,281
Goodwill		914,815
		-----
	Total assets acquired	1,636,666
Liabilities assumed		926,249
		-----
	Net assets acquired	\$ 710,417
		=====

The acquisition was accounted for using the purchase method of accounting. Intangible assets are being amortized over varying periods, as indicated by independent valuations, using the straight-line method. Allocation of the excess of merger consideration over the net book value of assets acquired between goodwill and intangible assets was determined by an independent, third-party professional valuation firm. As the merger consideration was paid entirely in shares of the Company's common stock, the goodwill acquired may not be amortized for federal income tax purposes. The goodwill arising from the acquisition is allocated to the United States geographic segment.

On September 1, 2003, we completed the acquisition of all of the issued and outstanding shares of RMT, an Australian company that is in the business of providing workplace training programs for various segments of the

food production industry, including viticulture and horticulture. In consideration for the shares of RMT we issued 700,000 restricted shares of our common stock, of which 350,000 shares are subject to the terms of an escrow agreement as collateral for the indemnification obligations of the former RMT shareholders. The determination of purchase price was based on, among other things, annual revenue for the two preceding years relative to comparable market based values for publicly traded companies.

The following table summarizes the RMT assets acquired and liabilities assumed as of the closing date in connection with \$350,000 common stock issued and acquisition related costs of \$15,425:

Cash acquired	\$	37,979
Tangible assets acquired		78,673
Intangible assets acquired		18,000
Goodwill		376,517
		-----
	Total assets acquired	511,169
Liabilities assumed		145,744
		-----
	Net assets acquired	\$ 365,425
		=====

The acquisition was accounted for using the purchase method of accounting. Intangible assets are being amortized over varying periods, as indicated by independent valuations, using the straight-line method. Allocation of the excess of merger consideration over the net book value of assets acquired between goodwill and intangible assets was determined by an independent, third-party professional valuation firm. As the merger consideration was paid entirely in shares of the Company's common stock, the goodwill acquired may not be amortized for federal income tax purposes. The goodwill arising from the acquisition is allocated to the Australian geographic segment.

On March 1, 2004, we completed the acquisition of all the issued and outstanding shares of VILPAS (f/k/a Virtual Learning Partners AS). In consideration for the VILPAS shares we issued a convertible non-interest-bearing promissory note in the principal amount of \$500,000, which note is convertible from time to time but no later than August 5, 2005 into a maximum of 1,000,000 shares of our common stock. The value of shares issuable upon conversion (based upon a \$0.80 per share value) in excess of the note amount has been classified as contingently redeemable equity. Of these shares, up to 20% may be withheld in satisfaction for any breach of warranties by the former shareholders of VILPAS. The determination of purchase price was based on, among other things, annual revenue for the two preceding years relative to comparable market based values for publicly traded companies. The VILPAS shares are subject to escrow and pledge agreements and will be reconveyed to the former shareholders in the event of a default by us of certain terms and conditions of the acquisition agreements, including, among other things, a voluntary or involuntary bankruptcy proceeding involving us or the failure by us to list our shares of common stock on a major stock exchange by February 5, 2005, subject to a six-month extension in the event a listing application is in process on such date.

The following table summarizes the VILPAS assets acquired and liabilities assumed as of the closing date in connection with the \$500,000 convertible note payable issued, the \$300,000 recorded as conditionally redeemable equity in our balance sheet and acquisition related costs of \$53,933 (\$1,064 of which was incurred during the quarter ended September 30, 2004):



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Cash acquired		\$ 1,052,270
Tangible assets acquired		339,986
Intangible assets acquired		210,177
Goodwill		564,073
		-----
	Total assets acquired	2,166,506
Liabilities assumed		1,017,937
Minority interest		294,636
		-----
	Net assets acquired	\$ 853,933
		=====

The acquisition was accounted for using the purchase method of accounting. Intangible assets are being amortized over varying periods, as indicated by an independent valuation, using the straight-line method. Allocation of the excess of merger consideration over the net book value of assets acquired between goodwill and intangible assets

-14-

was determined by an independent, third-party professional valuation firm. As the merger consideration was paid entirely with a promissory note with no payment terms and convertible into shares of the Company's common stock, the goodwill acquired may not be amortized for federal income tax purposes. The goodwill arising from the acquisition is allocated to the European geographic segment.

On September 1, 2003, we completed the acquisition of 51% of the issued and outstanding shares of Ayrshire that owns 95% of Riverbend, a South African company that provides learning services to corporations and individuals in South Africa. We also acquired the option to purchase the remaining 49% of Ayrshire. In consideration for the Ayrshire shares, we issued a convertible non-interest-bearing promissory note in the amount of \$20,000, which amount is convertible from time to time but no later than December 30, 2006 into a maximum of 2,000,000 shares of our common stock. The value of shares issuable upon conversion (based upon a \$0.50 per share value) in excess of the note amount has been classified as contingently redeemable equity. Of these shares, up to 400,000 may be withheld in satisfaction for any breach of warranties by the former shareholders of Ayrshire. The determination of purchase price was based on, among other things, annual revenue for the two preceding years relative to comparable market based values for publicly traded companies. The Ayrshire shares are subject to escrow and pledge agreements and will be reconveyed to the former shareholders in the event of a default by us of certain terms and conditions of the acquisition agreements, including, among other things, a voluntary or involuntary bankruptcy proceeding involving us or the failure by us to list our shares of common stock on a major stock exchange by December 30, 2006. The results of operations for Ayrshire, using the equity method, have been included in the Company's financial statements since the date of acquisition. As of September 30, 2004, no shares had been issued in exchange for the convertible promissory note.

In connection with this acquisition, we agreed to make a non-interest-bearing loan of \$1,000,000 to Ayrshire. We advanced \$300,000 at closing of the acquisition and \$700,000 on November 3, 2003. The loan to Ayrshire has been accounted for as a note receivable. We may exercise an option to acquire the remaining 49% of Ayrshire in consideration for the issuance of 1,500,000 shares of our common stock, subject to certain adjustments. The Company has allocated \$325,000 of the consideration paid to this intangible asset.

On December 1, 2003, we completed the acquisition of all the issued and

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outstanding shares of Danlas, a British Virgin Islands Company that owns 51% of IRCA (Proprietary) Limited ("IRCA"), a South African company specializing in corporate learning, certification and risk mitigation in the area of safety, health environment and quality assurance ("SHEQ"). IRCA operates in South Africa, England and the United States through various operating subsidiaries. Danlas also holds options to acquire the remaining 49% of IRCA. In consideration for the Danlas shares, the Company (i) issued a convertible promissory note in the aggregate principal amount of \$20,000 convertible under certain conditions into a maximum of 2,500,000 shares of the Company's common stock, (ii) agreed to advance \$500,000 in cash to Danlas to establish an international sales force, (iii) provided \$500,000 as collateral for an operating line of credit and, (iv) provided certain future profit thresholds are met, agreed to issue up to an additional 1,000,000 shares of the Company's common stock. The value of shares issuable upon conversion (based upon a \$0.50 per share value) in excess of the note amount has been classified as contingently redeemable equity. The determination of purchase price was based on, among other things, annual revenue for the two preceding years relative to comparable market based values for publicly traded companies. The results of operations for IRCA, using the equity method, have been included in the Company's financial statements since the date of acquisition. The \$500,000 deposited as collateral in support of a bank line of credit is classified as restricted cash in the Company's balance sheet. In consideration of the operating results for the year ended June 30, 2004 and management's estimate of future cash flows, the Company wrote down its remaining investment in IRCA of approximately \$884,962 to \$0 in the fiscal year ended June 30, 2004.

As part of the Danlas transaction, we issued two convertible notes of \$10,000 each with which to purchase the remaining 49% of IRCA. However, the notes are only effective should Danlas be able to exercise two options for the remaining 49% of IRCA. The options are exercisable for the period December 1, 2003 to December 31, 2005 commencing the day upon which the average closing price per share of the Company's common stock for a period of ten days equals or exceeds \$2.00. The purchase consideration for the remaining 49% is 2,000,000 shares of our common stock. The Company has allocated \$75,000 of the consideration paid to this option.

-15-

### Purchased Intangible Assets

Changes in the net carrying amount of goodwill for the three months ended September 30, 2004 is as follows:

Balance as of June 30, 2004	\$ 1,849,526
Goodwill acquired during the period	5,879
	-----
Balance as of September 30, 2004	\$ 1,855,405
	=====

SFAS 142 requires goodwill and other intangible assets to be tested for impairment at least annually. We regularly evaluate whether events and circumstances have occurred which indicate a possible impairment of goodwill and other intangible assets. In evaluating whether there is an impairment of goodwill and other intangible assets, we evaluate the performance of each subsidiary relative to its performance in prior periods, its budget and its upcoming three year forecast. We also evaluate the revenue achieved per share of our common stock issued as part of the purchase consideration in relation to market capitalization of publicly traded training companies for current and prior periods. Based on our review of the goodwill and other intangible assets, we concluded that we did not have any impairment of goodwill at September 30,

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2004.

The values assigned to other intangible assets are considered appropriate based on independent valuations. The following table sets forth the Company's acquired other intangible assets at September 30 and June 30, 2004, respectively, which will continue to be amortized:

	September 30, 2004					
	Gross Carrying Amount	Weighted Average Life in Months	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Weighted Average Life in Months
Trade names and trademarks	\$ 156,841	58	\$ 33,942	\$ 122,899	\$ 156,841	
Backlog	40,600	36	15,944	24,656	40,600	
Current and core technology	152,317	9	51,992	100,325	152,317	
Customer relationships	175,100	55	32,647	142,453	175,100	
Other intangibles	53,600	13	53,600	-	53,600	
<b>Total</b>	<b>\$ 578,458</b>	<b>38</b>	<b>\$ 188,125</b>	<b>\$ 390,333</b>	<b>\$ 578,458</b>	

Five Year Amortization schedule:

Fiscal Year	Amount
2005	\$ 91,446
2006	126,475
2007	83,547
2008	60,302
2009	28,563
Thereafter	-
<b>Total</b>	<b>\$ 390,333</b>

Divestitures

In December 2003, we sold our interest in CBL Global Corporation and its Australian subsidiaries (collectively "CBL") to Messrs. Scammell and Kennedy, the former owners of CBL. In conjunction with the management buyout, we entered into a Settlement Agreement with respect to our litigation with CBL. Pursuant to the terms of the agreement, we conveyed all of our interest in CBL back to the former owners in exchange for surrender and cancellation of 3,000,000 shares of Company stock issued to them in connection with acquisition of CBL and the cancellation of \$1,000,000 in convertible notes payable to them. Also as a result of the divestiture, \$222,151 owed by CBL to Messrs. Kennedy and Scammell is no longer an obligation of the Company. Through CBL's strategic alliance with IRCA, Trinity will continue to market CBL-related workplace learning content and products in Africa.

As a result of the divestiture, the accumulated deficit of \$1,314,277 resulting from the accumulated operating loss for CBL between October 2002 and December 2003 as well as other comprehensive income of \$30,128 for the same period are

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included in our consolidated accumulated deficit and accumulated other comprehensive income at

-16-

September 30, 2004. The net fair value of the assets and liabilities divested, net of \$1,000,000 convertible note payable, which was cancelled, the intercompany receivable from CBL and the cancellation of 3,000,000 shares of our common stock which were cancelled were recorded as a \$461,063 net credit to our common stock.

### Pro Forma Results

The operating results of CBL, TouchVision, RMT and VILPAS have been included in the accompanying consolidated financial statements from the date of acquisition forward and, for CBL, up to the date of divestiture. In December 2003, we completed the sale of our interest in CBL to the former owners of CBL. Accordingly, CBL business' results of operations were included from July 1, 2003 to September 30, 2003. The business results of operations of RMT and TouchVision are included for the period September 1, 2003 through September 30, 2004. The business results for VILPAS are included for the period July 1, 2004 through September 30, 2004.

The following unaudited pro forma financial information for the three months ended September 30, 2003 presents the combined results of operations of the Company and TouchVision, RMT, and VILPAS assuming the acquisitions occurred July 1, 2003. In December 2003, we completed the sale of our interest in CBL to the former owners of CBL. Accordingly, CBL's business operating results are not included in the Company's combined unaudited pro forma financial information for the three months ended September 30, 2003. The unaudited pro forma financial information is not intended to represent or be indicative of the consolidated results of the operations of the Company that would have been reported had these acquisitions been completed as of the dates presented, nor should it be taken as a representation of the future consolidated results of operations of the Company.

	(Pro forma)
	-----
	Three Months
	Ended
	September 30,
	2003
	-----
Revenue	\$ 1,193,198
	=====
Gross Profit	\$ 919,957
	=====
Operating Loss	\$ (706,227)
	=====
Net Loss	\$ (726,300)
	=====
Net Loss per Common Share - Basic / Diluted	\$ (0.03)
	=====

### NOTE 3 - PROPERTY AND EQUIPMENT

Scheduled below are the assets, cost, and accumulated depreciation at September 30, 2004 and June 30, 2004, respectively and depreciation expense for the three months ended September 30, 2004 and 2003, respectively.

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	Asset Cost		Depreciation Expense		Accumulated De
	9/30/2004	6/30/2004	9/30/2004	9/30/2003	9/30/2004
Furniture & Equipment	\$ 41,949	\$ 53,733	\$ 3,337	\$ 4,862	\$ 8,447

NOTE 4 - EQUITY INVESTMENTS IN AND ADVANCES TO ASSOCIATED COMPANIES

At September 30, 2004, the principal components of Equity Investments in and Advances to Associated Companies were the following:

-17-

	Ayrshire	IRCA
Equity investment as of July 1, 2004	\$ 842,935	\$ -
Advances	1,000,000	80,000
Provision for advances	-	(80,000)
Equity in losses of unconsolidated subsidiary	(225,255)	(343,246)
Balance September 30, 2004	\$ 1,617,680	\$ (343,246)

The financial positions of Ayrshire / Riverbend and IRCA at September 30, 2004 were:

	Ayrshire	IRCA
Income statement information:		
Revenue	\$ 411,772	\$ 1,382,499
Operating loss	\$ (76,452)	\$ (296,339)
Net Loss	\$ (225,255)	\$ (343,246)
Financial position information:		
Current assets	\$ 899,473	\$ 566,957
Noncurrent assets	\$ 83,595	\$ 1,147,321
Current Liabilities	\$ 349,656	\$ 896,042
Long-term liabilities	\$ 1,543,736	\$ 1,908,876

The consideration paid for our investment in Ayrshire was \$1,379,871. This amount comprises legal and financial advisory fees of \$379,871 plus 2,000,000 shares of our common stock valued at \$0.50 per share. The net asset value of Ayrshire at acquisition date was \$1,806,886 and our pro rata share of their net assets was \$875,463. Equity Investments in Associated Companies are periodically reviewed for impairment. The difference between our investment and our pro rata share of Ayrshire's net assets as been allocated to goodwill and to intangible assets. Equity Investments in Associated Companies are periodically reviewed for impairment. When such impairment is identified, it is recorded as a loss in that

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period. As of September 30, 2004, no such impairment was incurred.

The consideration paid for our investment in IRCA was \$2,178,049. This amount comprises legal, financial advisory and consultancy fees of \$928,049 including the payment to Mr. Steynberg of \$607,165 plus 2,500,000 shares of our common stock valued at \$0.50 per share. The net asset value of IRCA at acquisition date was \$2,704,870 and our pro rata share of their net assets was \$1,379,484. The difference between our investment and our pro rata share of IRCA's net assets has been allocated to goodwill and to intangible assets. Equity Investments in Associated Companies are periodically reviewed for impairment. When such impairment is identified, it is recorded as a loss in that period. As of June 30, 2004, we recognized an impairment loss for IRCA of \$884,963.

In connection with our September 1, 2003 purchase of 51% of Ayrshire, we agreed to make a non-interest-bearing loan of \$1,000,000 to Ayrshire, \$300,000 of which was advanced at closing of the acquisition and \$700,000 was advanced on November 3, 2003. The note is due December 30, 2006 provided that if by December 2005, an option to purchase the additional 49% of Ayrshire has not been exercised, the loan shall be repayable in five equal annual installments, the first installment being payable on December 31, 2007 and the remaining installments payable in yearly intervals thereafter. As partial consideration for our December 1, 2003 purchase of 51% of IRCA, we agreed to make a non-interest-bearing loan of \$80,000 to IRCA Australia, which was advanced during fiscal 2004. Based on management's evaluation of the collectibility of this loan receivable, we provided an allowance for doubtful loan receivable for \$80,000 during the three months ended September 30, 2004.

The other amortizable intangible assets are being amortized over varying periods, as indicated by independent valuations, using the straight-line method. The values assigned to the intangible assets are considered appropriate based on independent valuations. The identifiable intangible assets are being amortized over varying periods ranging from three to five years, as indicated by independent valuations, and using the straight-line method.

The following table sets forth the Company's acquired intangible assets in equity investments at September 30, 2004 which will continue to be amortized:

-18-

	2004			
	Gross Carrying Amount	Weighted Average Life in Months	Accumulated Amortization	Net Carrying Amount
Backlog	\$ 123,142	55	\$ 28,012	\$ 95,130
Current and core technology	28,101	36	10,094	18,007
Distributor relationships	122,579	60	26,478	96,101
Maintenance Contracts	67,345	60	16,283	51,062
In-Process R&D	20,833	0	20,833	-
Option value	325,000	indefinite	-	325,000
Total	\$ 687,000		\$ 101,700	\$ 585,300

Five Year Amortization schedule:

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Fiscal Year	Amount
-----	-----
2005	\$ 56,395
2006	75,095
2007	63,828
2008	55,346
2009	9,636
Thereafter	-
Total	\$ 260,300
	=====

NOTE 5 - COMMITMENTS

Total rental expense included in operations for operating leases for the three months ended September 30, 2004 and 2003, respectively, amounted to \$42,919 and \$27,332. The operating leases pertain to office space used by the Company for its operations. Certain lease rentals contain renewal options and provide for payment of property taxes and operating expenses. These operating lease agreements expire at varying dates through 2008.

Total minimum lease commitments as of September 30, 2004:

Calendar Year	Amount
-----	-----
2004	\$ 111,260
2005	371,943
2006	333,591
2007	322,169
2008	134,237
Thereafter	-
Total	\$ 1,273,200
	=====

As part of the Company's contractual arrangement with IRCA, we agreed to place \$500,000 on deposit with Standard Bank and restrict the funds for use as collateral for an operating line of credit at IRCA. This deposit is classified as restricted cash. Should IRCA default on its line of credit with Standard Bank, these funds may be seized by Standard Bank.

NOTE 6 - OTHER ASSETS

Supplemental Balance Sheet Information as of September 30, 2004 (unaudited) and June 30, 2004 (audited):

-19-

	September 30 2004	June 30, 2004
	-----	-----
	(Unaudited)	(Audited)
	-----	-----
Other assets:		
Deferred debt issuance costs, net of accumulated amortization of \$7,194 and \$0, respectively	\$ 251,806	\$ -

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Other assets	145,925	142,856
	-----	-----
Other assets, net	\$ 397,731	\$ 142,856
	=====	=====

### NOTE 7 - RELATED PARTY TRANSACTIONS

Our corporate reorganization during the fiscal year ended September 30, 2002 was effected primarily by two of our officers and directors, Messrs. Douglas Cole and Edward Mooney. During that fiscal year and the transition period subsequent thereto, we entered into several transactions with these individuals and with entities controlled by them, as well as entities controlled by Mr. Theodore Swindells, a significant stockholder of our company.

As of July 15, 2002, we entered in a two-year Advisory Agreement with Granite Creek Partners, LLC ("GCP"), formerly King's Peak Advisors, LLC, automatically renewable for an additional 12-month period. Under the terms of the Advisory Agreement, GCP agreed to provide us with general corporate, financial, business development and investment advisory services on a non-exclusive basis. These services include assisting with the identification of placement agents, underwriters, lenders and other sources of financing, as well as additional qualified independent directors and members of management. GCP is a private company whose principals are Messrs. Cole, Mooney and Swindells. At our August 19, 2003 meeting, our board of directors voted to suspend the Advisory Agreement from August 15, 2003 until January 2004, and this agreement remains suspended. Through December 31, 2003, GCP had earned a total of \$315,000 under the Advisory Agreement, \$110,000 of which was converted into 4,400,000 shares of our common stock in March 2003. The remaining balance of \$205,000 was paid in full to GCP as of June 30, 2004.

As of July 31, 2002, we entered into an Advisory Agreement with European American Securities, Inc. ("EAS"), a private entity of which Mr. Swindells is a principal, pursuant to which EAS agreed to provide financial advisory and investment banking services to us in connection with various equity and/or debt transactions. In exchange for such services, we agreed to pay EAS a retainer fee of \$5,000 per month and a commission ranging from 5% to 7% based on the type of transaction consummated, such fees being payable, at EAS' option, in cash or our common stock. On October 2, 2003, we renewed the agreement with EAS on terms similar to those contained in the first agreement. On January 1, 2004, we amended the October 2003 agreement for services rendered in connection with our senior convertible bridge note offering, which closed on May 28, 2004, for which we paid EAS a fee of 10%. Through June 30, 2004, EAS had earned a total of \$1,065,104 pursuant to our arrangement with them, of which \$345,450 was earned in connection with private equity and/or debt transactions and \$719,654 was earned for advisory services in connection with certain acquisitions. In January 2004, 250,000 shares with a fair market value of \$375,000 were paid to EAS in the Company's common stock. As of September 30, 2004, the balance owed to EAS was \$81,653. On May 27, 2004, European American Perinvest Group, a subsidiary of EAS, invested \$100,000 in our 2004 senior convertible bridge note offering. On May 28, 2004, this investment was converted to 166,699 restricted shares of our common stock.

During the period August 2001 to June 30, 2002, Mr. Swindells advanced a total of \$925,000 to us by way of short-term non-interest bearing convertible working capital loans, as follows: \$145,000 during the fiscal year ended September 30, 2001 and \$780,000 during the transition period from October 1, 2002 to June 30, 2003. We repaid \$500,000 of the total amount owing in September 2003 and issued an aggregate of 850,000 shares of our common stock to Mr. Swindells in November 2003 in payment of the balance of \$425,000. During the period June 2004 to October 2004, Mr. Swindells advanced us \$155,000 for use as working capital. On August 10, 2004 we repaid \$50,000 of this amount and on November 2, 2004 we paid



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the remaining balance of \$105,000. On October 14, 2004, Mr. Swindells exercised warrants to purchase 300,000 shares of our common stock at \$0.05 per share.

In October 2002, we (i) issued convertible promissory notes in the aggregate principal amount of \$500,000 (the "Bridge Financing Notes") to certain individuals and entities, and (ii) in connection with the issuance of the Bridge Financing Notes, issued warrants to the holders of the notes to purchase additional shares of common stock. Of the total principal amount of the Bridge Financing Notes, \$55,000 was advanced by GCP and \$120,000 by Mr. Swindells. On

-20-

May 19, 2003, the aggregate principal amount of the Bridge Financing Notes and accrued interest thereon of \$34,745 was converted into 1,336,867 shares of common stock at a price of \$0.40 per share. The warrants issued in connection with the Bridge Financing Notes are exercisable for a period of one year at a price of \$0.05 per share, and contain a net issuance provision whereby the holders may elect a cashless exercise of such warrants based on the fair market value of the common stock at the time of conversion. On March 26, 2004, GSP exercised its warrants in a cashless exercise for which it received a total of 126,042 shares of common stock.

In connection with our acquisition of our interest in IRCA, we entered into an agreement with Titan Aviation Ltd. ("Titan"), a private company held in a trust of which Mr. Martin Steynberg and other business partners are the beneficiaries. Pursuant to this agreement, we paid Titan on May 14, 2004 the sterling equivalent of 4,000,000 South African Rand (\$607,165) in consideration for various services rendered to IRCA. Mr. Steynberg, who is a stockholder in IRCA Investments (Proprietary) Limited, which owns 25.1% of IRCA became a director of our company on January 1, 2004 pursuant to the terms of the IRCA acquisition.

William Jobe, one of our directors, was paid a total of \$59,500 during the period December 2003 to May 2004 and in September 2004 he was paid \$4,815 as compensation for merger and acquisition services associated with our acquisition of TouchVision.

From time to time, Jan-Olaf Willums, an officer of VILPAS, as well as companies of which he is a director, have advanced funds to VILPAS. The current balance of \$181,408 owing to Mr. Willums, of which \$109,341 bears interest at 8% per annum and \$72,067 is non-interest bearing, has no fixed terms of repayment.

### NOTE 8 - NOTES PAYABLE

On July 29, 2004, we issued a secured promissory note in the principal amount of \$500,000 to Oceanus Value Fund, L.P. ("Oceanus"). The note would have matured on October 27, 2004, and bore interest at the rate of twelve percent (12%). In connection with the issuance of the note, we also issued to Oceanus a five-year warrant to purchase up to 125,000 shares of our common stock at a price of \$1.00 per share. As such, a value attributable to the warrants using the Black Scholes option valuation model of \$188,842 was determined and recorded as a discount on notes payable.

On August 31, 2004, we entered into a series of agreements with Laurus Master Fund, Ltd. ("Laurus") whereby we issued to Laurus (i) a secured convertible term note in the principal amount of \$5.5 million and (ii) a five-year warrant to purchase up to 1,600,000 shares of our common stock at a price of \$0.81 per share. Of the note proceeds, \$4,491,000 was deposited in a restricted account as security for the total loan amount and for use by us to make acquisitions as approved by Laurus; the outstanding principal balance of \$500,000 was repaid to Oceanus and the remainder of the loan proceeds was used for operating needs. The

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principal amount of the note carries an interest rate of prime plus two percent, subject to adjustment, and we must make monthly principal payments of at least \$22,059, commencing November 1, 2004, toward the outstanding non-restricted principal amount. Any remaining outstanding principal and interest are due in full on August 31, 2007. The principal amount of the note and accrued interest thereon are convertible into shares of our common stock at a price of \$0.72 per share, subject to anti-dilution adjustments. A value attributable to the warrants using the Black Scholes option valuation model of \$2,863,363 was determined and recorded as a liability and a discount on notes payable. A value attributable to the beneficial conversion feature of the note using the Black Scholes option valuation model of \$2,070,784 was determined and recorded as credit to common stock and a discount on notes payable.

During the period from June 2004 through September 2004, Mr. Swindells advanced us \$120,000 for use as working capital. On August 10, 2004 we repaid \$50,000 of this amount.

As of September 30, 2004 and June 30, 2004, notes payable consisted of the following:

		September 30, 2004 -----
Notes payable to third parties:		
Convertible note payable, net of unamortized discount of \$2,783,825 attributed to warrant and unamortized discount of \$2,013,262 attributable to beneficial conversion; interest at prime plus 2% payable monthly, principal payments of \$22,059 on the outstanding non-restricted principal amount due the first of each month beginning November 1, 2004 until August 31, 2007 when any remaining principal and interest are due.	\$	702,913

-21-

Note payable to two credit unions; interest payable monthly, principal due in full February 5, 2005, unsecured, interest at 12% per annum.		250,000
Third party creditors; unsecured, non-interest bearing and no fixed terms of repayment.		10,810
Third party individuals; due September 1, 2006, unsecured, interest at 10% per annum, interest payable monthly, principal due in full at maturity.		92,699
Bank note payable; due October 29, 2004, secured by Company vehicle, interest at 9.5% per annum, monthly payments of interest and principal.		10,736
Revolving bank lines of credit; unsecured, interest ranging from prime plus 2.625% to prime plus 6.75%, monthly payment of principal and interest.		131,590
Revolving third party line of credit; unsecured, interest at prime		

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plus 1.99%, monthly payments of interest and principal.	9,958
Notes payable to related parties:	
Note payable to related party; principal and accumulated interest due December 31, 2004, unsecured, interest at 6% per annum.	14,286
Convertible note payable to a related party, unsecured, interest, non-interest bearing, no fixed terms of repayment.	70,000
Note payable to a related party; unsecured, interest at 8% per annum on \$109,341; non-interest bearing on \$72,067. No fixed terms of repayment.	181,408
Notes payable for acquisitions and equity investments:	
Convertible note payable to a related party for VILPAS purchase; due August 5, 2005, unsecured, non-interest bearing.	500,000
Convertible note payable to a related party for IRCA purchase; due December 31, 2005, unsecured, non-interest bearing.	20,000
Convertible note payable to a related party for Riverbend purchase; due December 31, 2006, unsecured, non-interest bearing.	20,000
	-----
Total notes payable	2,014,400
Less: current maturities	(1,262,086)
	-----
Long-term notes payable	\$ 752,314
	=====

Maturity schedule for notes payable:

Fiscal Year	Amount
-----	-----
2005	\$ 605,259
2006	1,054,706
2007	357,405
2008	4,794,117
2009	-
	-----
Sub-total	6,811,487
Less: unamortized note discount	(4,797,087)
	-----
Total	\$ 2,014,400
	=====

-22-

NOTE 9 - STOCK OPTION PLAN

On December 2, 2002, at a special meeting of our shareholders, the 2002 Stock Plan was approved. The Plan allowed for a maximum aggregate number of shares that may be optioned and sold under the plan of (a) 3,000,000 shares, plus (b) an annual 500,000 increase to be added on the last day of each fiscal year beginning in 2003 unless a lesser amount is determined by the board of directors. The plan became effective with its adoption and remains in effect for ten years unless terminated earlier. On December 30, 2003, the board of directors amended the 2002 Stock Plan to allow for a maximum aggregate number of

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shares that may be optioned and sold under the plan of (a) 6,000,000 shares, plus (b) an annual 1,000,000 increase to be added on the last day of each fiscal year beginning in 2004 unless a lesser amount is determined by the board of directors. Options granted under the plan vest 25% on the day of the grant and the remaining 75% vests monthly over the next 36 months.

The following schedule summarizes the activity during the three months ended September 30, 2004 and 2003, respectively:

	September 30, 2004		September 30, 2003	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	5,570,000	\$ 0.42	2,447,000	\$ 0.23
Granted	100,000	0.60	735,000	0.50
Exercised	-	-	-	-
Canceled	-	-	-	-
	5,670,000	\$ 0.43	3,182,000	\$ 0.29
Outstanding at September 30	5,670,000	\$ 0.43	3,182,000	\$ 0.29
Exercisable at September 30	2,965,729	\$ 0.40	1,303,125	\$ 0.26

Stock options outstanding and exercisable under 2002 Stock Plan as of September 30, 2004 are as follows:

Range of Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)	Number of Options Vested (Exercisable)
\$0.05	500,000	\$ 0.05	3.02	372,260
\$0.25	800,000	0.25	3.20	560,685
\$0.50	4,270,000	0.50	4.13	1,989,565
\$0.60	100,000	0.60	4.27	43,219
	5,670,000	\$ 0.43		2,965,729

There are 1,784,590 options available for grant at September 30, 2004. The weighted average grant date fair value of options granted as of September 30, 2004 is \$0.43.

### NOTE 10 - WARRANTS

Through September 30, 2004, the Company had issued warrants for purchase of its common stock to investors and service providers in connection with its financing transactions. The principal terms of the warrants are summarized below:

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Description	Number of Shares	Exercise Price per Share
October 2002 Equity Private Placement	500,000	\$ 1.00
October 2002 Equity Private Placement Bonus Warrants (1)	250,000	\$ 2.00
May 2003 Equity Private Placement	2,438,000	\$ 1.00
May 2003 Equity Private Placement	7,708,600	\$ 1.00
May 2003 Bonus Warrants (1)	5,073,300	\$ 2.00
Warrants Issued to Financial Advisors	200,050	\$ 0.60
Warrants Issued to Investment Bank	20,000	\$ 0.50
Warrants Issued to Mr. Swindells on note conversion	850,000	\$ 1.00
Bonus Warrants to Mr. Swindells (1)	425,000	\$ 2.00
2004 Bridge Loan Warrant	2,695,000	\$ 1.00
Warrant Issued to Oceanus Value Fund	125,000	\$ 1.00
Warrant Issued to Laurus Funds	1,600,000	\$ 0.81
Total	21,884,950	\$ 1.24

(1) Bonus warrants are issuable upon exercise of the original warrant.

NOTE 11 - SEGMENT AND RELATED INFORMATION

We operate as a single business segment; however, our consolidated subsidiaries are organized geographically into reporting segments consisting of the United States Division, the European Division, the Australia Division and the South Africa Division. Our United States division comprises our corporate operations and subsidiaries domiciled in the United States of America. The European division comprises subsidiaries domiciled in Europe; the Australia Division comprises subsidiaries domiciled in Australia. The South Africa division comprises non-consolidated subsidiaries domiciled in South Africa accounted for using the equity method of accounting including a two person office owned by them in Australia.

As of and for the first quarter ended September 30, 2004:

	Revenue	Operating Loss	Depreciation & Amortization	Investment Losses in Associated Companies	Accounts Receivable	Goodwill
United States	\$ 384,579	\$ (937,139)	\$ 34,334	\$ -	\$ 125,814	\$ 914,815
Europe	362,464	(59,883)	11,625	-	205,287	564,073
Australia	155,811	(4,042)	2,003	-	60,168	376,517
South Africa	-	-	-	(648,501)	-	-
Total	\$ 902,854	\$ (1,001,064)	\$ 47,962	\$ (648,501)	\$ 391,269	\$ 1,855,405

As of and for the first quarter ended September 30, 2003:

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	Revenue	Operating Loss	Depreciation & Amortization	Investment Losses in Associated Companies	Accounts Receivable	Goodwill	Pr Eq
	-----	-----	-----	-----	-----	-----	-----
United States	\$ 109,993	\$ (696,107)	\$ 5,852	\$ -	\$ 132,484	\$ -	\$ -
Europe	-	-	-	-	-	-	-
Australia	144,000	(225,113)	82,986	-	166,491	-	-
South Africa	-	-	-	(995)	-	-	-
	-----	-----	-----	-----	-----	-----	-----
Total	\$ 253,993	\$ (921,220)	\$ 88,838	\$ (995)	\$ 298,975	\$ -	\$ -
	=====	=====	=====	=====	=====	=====	=====

NOTE 12 - STOCKHOLDERS' EQUITY

On July 29, 2004, we issued a secured promissory note in the principal amount of \$500,000 to Oceanus Value Fund, L.P. ("Oceanus"). In connection with the issuance of the note, we also issued to Oceanus a five-year warrant to purchase up to 125,000 shares of our common stock at a price of \$1.00 per share. A value attributable to the warrants using the Black Scholes option valuation model of \$188,842 was determined and recorded as a discount on notes payable.

-24-

On August 31, 2004, we entered into a series of agreements with Laurus Master Fund, Ltd. ("Laurus") whereby we issued to Laurus (i) a secured convertible term note in the principal amount of \$5.5 million and (ii) a five-year warrant to purchase up to 1,600,000 shares of our common stock at a price of \$0.81 per share. Of the note proceeds, \$4,491,000 was deposited in a restricted account as security for the total loan amount and for use by us to make acquisitions as approved by Laurus; the outstanding principal balance of \$500,000 was repaid to Oceanus and the remainder of the loan proceeds was used for operating needs. The principal amount of the note carries an interest rate of prime plus two percent, subject to adjustment, and we must make monthly principal payments of at least \$22,059, commencing November 1, 2004, toward the outstanding non-restricted principal amount. The principal amount of the note and accrued interest thereon are convertible into shares of our common stock at a price of \$0.72 per share, subject to anti-dilution adjustments. A value attributable to the warrants using the Black Scholes option valuation model of \$2,863,363 was determined and recorded as a discount on notes payable. A value attributable to the beneficial conversion feature of the note using the Black Scholes option valuation model of \$2,070,784 was determined and recorded as credit to common stock and a discount on notes payable.

NOTE 13 - GOING CONCERN

Our financial statements are prepared using accounting principles generally accepted in the United States of America generally applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Currently, we do not have significant cash or other material assets, nor do we have an established source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. We do not currently possess a financial institution source of financing and we cannot be certain that our existing sources of cash will be adequate to meet our liquidity requirements. These conditions raise substantial doubt about our ability to continue as a going concern.

To meet our present and future liquidity requirements, we will continue to seek

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additional funding through private placements and ongoing operations. To this end we anticipate the closing of a \$1.5 million private offering of convertible debt in late December 2004 or early January 2005, the proceeds of which will be added to our working capital. There can be no assurance that we will be successful in obtaining more debt and/or equity financing in the future or that our results of operations will materially improve in either the short- or the long-term. If we fail to obtain such financing and improve our results of operations, we will be unable to meet our obligations as they become due.

Trinity's future capital requirements will depend on our ability to successfully implement these initiatives and other factors, including our ability to maintain our existing customer base and to expand our customer base into new geographic markets, and overall financial market conditions in the United States and other countries where we will seek prospective investors.

Our financial statements are prepared using accounting principles generally accepted in the United States of America generally applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Currently, we do not have significant cash or other material assets, nor do we have an established source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. We do not currently possess a financial institution source of financing and we cannot be certain that our existing sources of cash will be adequate to meet our liquidity requirements. Based upon our cash balance at December 1, 2004 we will not be able to sustain operations for more than two months without additional sources of financing.

-25-

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our fiscal year ends on June 30. This management's discussion and analysis of financial condition and results of operations and other portions of this Quarterly Report on Form 10-QSB/A contain forward looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by this forward looking information. Factors that could cause or contribute to such differences include, but are not limited to, those discussed or referred to in the Annual Report on Form 10-KSB for the fiscal year ended June 30, 2004, filed on December 3, 2004, under the heading Information Regarding Forward-Looking Statements and elsewhere. Investors should review this quarterly report on Form 10-QSB/A in combination with our Annual Report on Form 10-KSB in order to have a more complete understanding of the principal risks associated with an investment in our common stock. This management's discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included elsewhere in this document.

#### Overview

Our financial statements are prepared using accounting principles generally accepted in the United States of America generally applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Currently, we do not have significant cash or other material assets, nor do we have an established source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. We do not currently possess a financial institution source of financing and we cannot be certain that our existing sources of cash will be adequate to meet our liquidity requirements. Based upon our cash balance at

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December 1, 2004, we will not be able to sustain operations for more than two months without additional sources of financing.

To meet our present and future liquidity requirements, we will continue to seek additional funding through private placements, conversion of outstanding loans and payables into common stock, development of the business of our newly-acquired subsidiaries, collections on accounts receivable, and through additional acquisitions that have sufficient cash flow to fund subsidiary operations. There can be no assurance that we will be successful in obtaining more debt and/or equity financing in the future or that our results of operations will materially improve in either the short- or the long-term. If we fail to obtain such financing and improve our results of operations, we will be unable to meet our obligations as they become due. That would raise substantial doubt about our ability to continue as a going concern.

### Accounting for Riverbend and IRCA

In September and December 2003, we completed the acquisition, respectively, of our interest in Riverbend and IRCA. Our interim financial statements as originally filed for the periods ending September 30, 2003 and December 31, 2003 and March 31, 2004 reflected the consolidation of those entities with our company. Our investments in Riverbend and IRCA have been re-classified in our year-end audited financial statements as equity investments and, accordingly, the financial results of these companies have not been consolidated with our financial statements. We have filed amended quarterly reports for the periods ended September 30 and December 31, 2003 and March 31, 2004 that reflect this change in accounting treatment.

### Results of Operations

Three Months Ended September 30, 2004 as Compared to the Three Months Ended September 30, 2003

Our sales revenues for first quarter 2005 were \$902,854, as compared to \$253,993 for the first quarter 2004. This increase in revenues is due to the acquisitions in September 2003 of TouchVision and RMT and our acquisition of VILPAS in March 2004. The three month period in 2003 comprises three months revenue of CBL and one month each of RMT and TouchVision.

Costs of sales, which consist of labor and hardware costs, and other incidental expenses, was \$180,905 for the first quarter 2005 as compared to \$32,497 for the first quarter 2004, resulting in gross profit of \$721,949 for the first quarter 2005, as compared to \$221,496 for the first quarter 2004. These increases in both costs and gross profit

-26-

were due to and associated with increased revenues resulting from the acquisitions completed by us in September 2003 and March 2004.

Operating expenses for first quarter 2005 were \$1,723,013 as compared to \$1,142,716 for the first quarter 2004. This increase was due primarily to a significant increase in selling, general and administrative expenses which increased \$219,568 from \$269,594 for the first quarter 2004. This increase is largely due to the addition of the three new subsidiaries. Salaries and benefits expense also increased \$321,583 due to the addition of the new subsidiaries and additional finance and management staff hired in Trinity corporate operations.

Other Expense of \$885,398 was \$860,708 greater than that for the first quarter 2004. This increase is primarily due to losses in associated companies



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accounted for on an equity basis of \$648,501 and an increase in interest expense of \$206,415. Losses in associated companies comprise Riverbend (\$225,255) and IRCA (\$423,246). Included in interest expense of \$229,703 is \$199,888 attributable to amortization of discounts on the Laurus and Oceanus notes of \$137,060 and \$62,828, respectfully.

We reported net loss available for common stockholders of \$1,861,586, or \$0.06 per share for the first quarter 2005, compared with a net loss of \$945,910 or \$0.06 per share for first quarter 2004.

The operating results of CBL, TouchVision, and RMT have been included in the accompanying consolidated financial statements from the date of acquisition forward and, for CBL, up to the date of divestiture. Accordingly, CBL business' results of operations were included from October 1, 2002 to December 22, 2003. The business results of operations of RMT and TouchVision are included for the period September 1, 2003 through September 30, 2004. The business results for VILPAS are included for the period March 1, 2004 through September 30, 2004.

The following unaudited pro forma financial information presents the combined results of operations of the Company and TouchVision, RMT, and VILPAS assuming the acquisitions occurred July 1, 2003. The unaudited pro forma financial information is not intended to represent or be indicative of the consolidated results of the operations of the Company that would have been reported had these acquisitions been completed as of the dates presented, nor should it be taken as a representation of the future consolidated results of operations of the Company.

	(Pro forma)
	-----
	Three Months Ended September 30, 2004
	-----
Revenue	\$ 1,193,198
	=====
Gross Profit	\$ 919,957
	=====
Operating Loss	\$ (706,227)
	=====
Net Loss	\$ (726,300)
	=====

On a pro forma basis, sales revenue of \$902,854 for the three months ended September 30, 2004 was \$290,344 less than that for the three months ended September 30, 2003. On a pro forma basis the decline in revenue is primarily attributable to TouchVision where revenue declined \$220,572 when compared to the prior year. On a pro forma basis, gross profit had similar trends.

On a pro forma basis, operating loss of \$1,001,064 for the first three months ended September 30, 2004 was \$294,837 greater than that for the three months ended September 30, 2003. The increase is primarily a result of losses sustained in TouchVision and increased operating costs in Trinity corporate operations because of staff additions and increased legal fees.

On a pro forma basis, Other Expense of \$885,398 for the three months ended September 30, 2004 is \$866,325 greater than that in the prior year primarily because of the \$647,506 increase in Equity Losses in Associated Companies and amortization of the note discounts of \$199,888 described above.

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We operate as a single business segment; however, our consolidated subsidiaries are organized geographically into reporting segments consisting of the United States Division, the European Division, the Australia Division and the South Africa Division. Our United States division comprises our corporate operations and subsidiaries domiciled in the United States of America. The European division comprises subsidiaries domiciled in Europe; the Australia Division comprises subsidiaries domiciled in Australia. The South Africa division comprises non-consolidated subsidiaries domiciled in South Africa accounted for using the equity method of accounting including a two person office owned by them in Australia.

As of and for the first quarter ended September 30, 2004:

	Revenue	Operating Loss	Depreciation & Amortization	Investment Losses in Associated Companies	Accounts Receivable	Goodwill	Pr
	-----	-----	-----	-----	-----	-----	Eq
United States	\$ 384,579	\$ (937,139)	\$ 34,334	\$ -	\$ 125,814	\$ 914,815	\$
Europe	362,464	(59,883)	11,625	-	205,287	564,073	
Australia	155,811	(4,042)	2,003	-	60,168	376,517	
South Africa	-	-	-	(648,501)	-	-	
Total	\$ 902,854	\$ (1,001,064)	\$ 47,962	\$ (648,501)	\$ 391,269	\$ 1,855,405	\$
	=====	=====	=====	=====	=====	=====	=====

As of and for the first quarter ended September 30, 2003:

	Revenue	Operating Loss	Depreciation & Amortization	Investment Losses in Associated Companies	Accounts Receivable	Goodwill	Pr
	-----	-----	-----	-----	-----	-----	Eq
United States	\$ 109,993	\$ (696,107)	\$ 5,852	\$ -	\$ 132,484	\$ -	\$
Europe	-	-	-	-	-	-	
Australia	144,000	(225,113)	82,986	-	166,491	-	
South Africa	-	-	-	(995)	-	-	
Total	\$ 253,993	\$ (921,220)	\$ 88,838	\$ (995)	\$ 298,975	\$ -	\$
	=====	=====	=====	=====	=====	=====	=====

The following describes underlying trends in the businesses of each of our three operating subsidiaries.

VILPAS. The Norwegian government is currently refining its mandates with regard to functionally disabled workers, with funding now targeted at not only training of the handicapped but also at subsidizing direct employment of handicapped and challenged individuals. FunkWeb, a majority owned subsidiary of VILPAS, is in the process of revising some of its programs and market strategies to be able to participate in government programs aimed directly at increasing employment among functionally disabled workers. There is little or no seasonality to the business of VILPAS. The majority of operating costs are fixed costs, with some variable

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costs incurred related to cost of instructors, which costs may vary depending upon enrollment.

RMT. Over the past year there has been a general reduction in Australian government subsidies for corporate training. As a result, RMT and other Registered Training Organizations must rely on competitive advantages to retain clients and to attract new customers. Accordingly, RMT is in the process of developing new products and services to expand its reach beyond the Australian viticulture industry. There is little or no seasonality to RMT's business. New investment for courseware may increase in the coming fiscal year as RMT develops new courses to market in Australia and in markets outside Australia. Variable costs for RMT primarily include one-time and ongoing expenses for outsourced course development and, at times, instructors. Presently, RMT sells its products and services in Australia in local currency (Australian Dollars) and there is little or no effect from currency exchange. In the future, if RMT is successful in selling in markets outside of Australia, foreign exchange factors may impact the ability of RMT to market and compete in a profitable manner.

TouchVision. TouchVision has begun to expand its business into developing new software and consulting services for the hospital and healthcare market, while continuing to supply industry sectors it has focused on in the past. We believe investments in technology infrastructure by hospitals and healthcare providers will be stable in the coming fiscal years. There is little or no seasonality to the business of TouchVision. In addition to sales through its

-28-

existing sales force, TouchVision is in the process of establishing distribution arrangements with outside companies selling to the healthcare industry. Depending on sales channel mix, some sales through outside agents may result in lower retained revenues but, due to corresponding lower fixed costs, these sales may nonetheless have a positive impact on the bottom line.

### Liquidity and Capital Resources

Our expenses are currently greater than our revenues. We have a history of losses, and our accumulated deficit as of September 30, 2004 was \$24,512,562 as compared to \$22,650,976 as of June 30, 2004.

At September 30, 2004, we had a cash balance of \$846,860 compared to \$892,739 at June 30, 2004. Net cash used by operating activities during the first quarter 2005 was \$833,475 attributable primarily to our loss from operations of \$1,776,832. Net cash generated by financing activities was \$5,311,000 for the first quarter 2005 representing the net of borrowings and repayments under short and long-term notes of \$5,570,000 less fees associated with debt issuance of \$259,000. Of these funds, an aggregate of \$70,000 was advanced to our consolidated subsidiaries and \$4,491,000 was deposited in a bank in support of future acquisitions.

Accounts receivable increased from \$243,164 at June 30, 2004 to \$391,269 at September 30, 2004. This increase is due to the timing of billings to and collections from our customers.

Accounts payable increased from \$814,651 at June 30, 2004 to \$880,359 at September 30, 2004. Accrued expenses decreased from \$721,192 at June 30, 2004 to \$614,937 at September 30, 2004. These changes are attributable to expenses incurred by the three subsidiaries we acquired during fiscal year 2004 and our continuing corporate expansion during the year.

As a professional services organization we are not capital intensive.

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Capital expenditures historically have been for computer-aided instruction, accounting and project management information systems and general-purpose computer equipment to accommodate our growth. Capital expenditures, excluding purchases financed through capital lease, during the first quarter 2005 and 2004, were \$0 and \$10,635, respectively.

We continued to seek equity and debt financing in first quarter 2005 to support our growth and to finance recent and proposed acquisitions. In this regard, on July 29, 2004, we issued a secured convertible promissory note in the principal amount of \$500,000 to Oceanus Value Fund, L.P. ("Oceanus"). On September 1, 2004, we repaid the principal owing on the promissory note plus accrued proceeds from the Laurus transaction described below.

On August 31, 2004, we entered into a series of agreements with Laurus Master Fund, Ltd. ("Laurus") whereby we issued to Laurus (i) a secured convertible term note in the principal amount of \$5.5 million and (ii) a five-year warrant to purchase up to 1,600,000 shares of our common stock at a price of \$0.81 per share. Of the note proceeds, \$233,000 was used for operations, \$4,491,000 was deposited in a restricted account as security for the total loan amount and for use by us to make acquisitions as approved by Laurus; however, funds may be released for operations at a rate of 25% of the dollar volume of our stock for a twenty day period, and the outstanding principal balance of \$500,000 was repaid to Oceanus. The principal amount of the note carries an interest rate of prime plus two percent, subject to adjustment, and we must make monthly principal payments of at least \$22,059, commencing November 1, 2004, toward the outstanding non-restricted principal amount. The principal amount of the note and accrued interest thereon is convertible into shares of our common stock at a price of \$0.72 per share, subject to anti-dilution adjustments.

To meet our present and future liquidity requirements, we are continuing to seek additional funding through private placements and ongoing operations. To this end we anticipate the closing of a \$1.5 million private offering of convertible debt in late December 2004 or early January 2005, the proceeds of which will be added to our working capital. There can be no assurance that we will be successful in obtaining more debt and/or equity financing in the future or that our results of operations will materially improve in either the short- or the long-term. If we fail to obtain such financing and improve our results of operations, we will be unable to meet our obligations as they become due. That would raise substantial doubt about our ability to continue as a going concern.

-29-

Our financial statements are prepared using accounting principles generally accepted in the United States of America generally applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Currently, we do not have significant cash or other material assets, nor do we have an established source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. We do not currently possess a financial institution source of financing and we cannot be certain that our existing sources of cash will be adequate to meet our liquidity requirements. Based upon our cash balance at December 1, 2004 we will not be able to sustain operations for more than two months without additional sources of financing.

### ITEM 3. CONTROLS AND PROCEDURES

Trinity Learning maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports

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pursuant to the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

In connection with the completion of its audit of, and the issuance of its report on, Trinity Learning's consolidated financial statements for the year ended June 30, 2004, BDO Spencer Steward ("BDO") advised the Audit Committee of Trinity Learning's Board of Directors of certain material weaknesses in our financial reporting. In light of this, Trinity Learning is undertaking a review of its disclosure, financial information, internal controls and procedures and organization and staffing of its corporate accounting department. It is anticipated that this review will result in, among other things, the hiring of additional finance and accounting resources, including independent consultants who will document, test and develop current and expanded internal controls and procedures and provide support to our existing finance and accounting staff. Trinity Learning's management, audit committee, and directors will continue to work with our auditors and other outside advisors to ensure that our controls and procedures are adequate and effective.

Except as stated above, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in our reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and there have been no other changes in our internal controls over financial reporting during our most recent fiscal period that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

-30-

### PART II

#### OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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ITEM 5. OTHER INFORMATION

None.

ITEM 6. - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are filed herewith

- 31.1 Certification of the Company's Chief Executive Officer.
- 31.2 Certification of the Company's Chief Financial Officer.
  
- 32.1 Certification of the Company's Chief Executive Officer.
- 32.2 Certification of the Company's Chief Financial Officer.

(b) Reports on Form 8-K

1. On July 16, 2004, we filed a Current Report on Form 8-K reporting under Item 4 the appointment of new auditors.

2. On July 26, 2004, we filed an amended Current Report on Form 8-K with respect to our 8-K filed on July 16, 2004, providing the required exhibit to such 8-K.

3. On July 27, 2004, we filed a Current Report on Form 8-K, reporting under Item 5 that we had reached an agreement with ProsoftTraining to terminate our previously announced Agreement and Plan of Merger with ProsoftTraining.

4. On September 7, 2004, we filed a Current Report on Form 8-K, reporting under Items 1.01, 3.02, 7.01, and 9.01 our private equity agreements with Laurus Master Fund, Ltd.

-31-

SIGNATURES

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

TRINITY LEARNING CORPORATION

December 22, 2004

By: /S/ DOUGLAS D. COLE  
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Douglas D. Cole  
Chief Executive Officer

December 22, 2004

By: /S/ CHRISTINE R. LARSON  
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Christine R. Larson  
Chief Financial Officer

