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TRINITY LEARNING CORP

Form 8-K/A

November 28, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15 (D) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported)
November 25, 2003 (September 1, 2003)

Trinity Learning Corporation
(Exact Name of Registrant as Specified in Its Charter)

Utah
(State of Other Jurisdiction of Incorporation)

0-8924
(Commission File Number)

73-0981865
(IRS Employer Identification No)

1831 Second Street
Berkeley, California
(Address of Principal Executive Officer)

94710
(Zip Code)

(510) 540-9300
(Registrant's Telephone Number, Including Area Code)

Item 7. Financial Statements and Exhibits

Included with this amendment to the Report on Form 8-K for Trinity Learning Corporation, originally filed with the Securities and Exchange Commission on September 16, 2003 are the financial statements of Riverbend Group Holdings (Pty.) Ltd., as of June 30, 2003 and June 30, 2002 along with pro forma financial information giving effect to the acquisition of this entity.

RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED

AND SUBSIDIARY COMPANIES

Registration No: 1998 / 016713 / 03

CONSOLIDATED FINANCIAL STATEMENTS

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for the year ended 30 June 2003

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2003

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| The following were approved by the directors: | |
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The financial statements set out on pages 3 to 15 were approved by the directors and are signed on its behalf by:

N.C. Tattersall

Date

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REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF

RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES

We have audited the group financial statements of Riverbend Group Holdings (Proprietary) Limited as set out on page 3 to 15 for the year ended 30 June 2003. The financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion these financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2003 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act.

J F van Zyl.
Chartered Accountants (SA)
Registered Accountants and Auditors
JOHANNESBURG

27-Oct-03

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report to the shareholders on the financial information of the company and the group as at 30 June 2003.

GENERAL REVIEW

The principal activity is that of a technology holding company.

The operations and the results thereof for your company and its subsidiaries are clearly reflected in the attached financial statements. No material fact or circumstance has occurred between the accounting date and the date of this report.

STATEMENTS OF RESPONSIBILITY

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The auditor is responsible to report on the fair presentation of the annual financial statements. The annual financial statements have been prepared in accordance with generally

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accepted accounting practice.

The directors are also responsible for the company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The consolidated annual financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

SHARE CAPITAL

Changes in the share capital are reflected in note 6 to the financial statements.

FINANCIAL RESULTS

The consolidated profit for the period was R 1,798,799 (2002: 1,188,481).

DIVIDENDS

No dividends were declared during the period under review, nor are any recommended.

DIRECTORS

Your directors are:

NC Tattersall (Chairman)
 CA Elfick
 JR Raubenheimer
 JD van Wyk

SECRETARY

The company secretary is L de Jager.

SUBSIDIARIES

The subsidiary companies are reflected in note 4 to the financial statements.

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES BALANCE SHEETS AS AT 30 JUNE 2003

| | | Notes | R | Company R | R | Group R |
|-----------------------------|---|-------|-----------|--------------|------------|------------|
| ASSETS | | | | | | |
| Non - current assets | | | | | | |
| Fixed assets | 2 | | 152,244 | 115,247 | 1,193,175 | 1,604,836 |
| Deferred tax assets | 3 | | - | - | 1,214,009 | - |
| Intangible assets | 4 | | 1,118,571 | 756,021 | 20,434,376 | 16,606,243 |
| Investments in subsidiaries | 5 | | 1,103,685 | 885,695 | - | - |
| Cost of control | | | - | - | 441,005 | 882,010 |
| | | | ----- | ----- | ----- | ----- |
| | | | 2,374,500 | 1,756,963 | 23,282,565 | 19,093,089 |

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| | | | | | |
|------------------------------------|----|-----------|-----------|------------|-------------|
| Current assets | | | | | |
| Accounts receivable | | 100,377 | 883,832 | 6,746,261 | 3,709,589 |
| Balance balances and cash | | 5,917 | - | 259,268 | 1,933,577 |
| | | 106,294 | 883,832 | 7,005,529 | 5,643,166 |
| Total assets | | 2,480,794 | 2,640,795 | 30,288,094 | 24,736,255 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves | | | | | |
| Share capital | 6 | 25,000 | 10,000 | 25,000 | 10,000 |
| Share premium | 7 | 100,000 | 100,000 | 13,075,000 | 13,075,000 |
| Non distributable reserve | | - | - | (602,055) | (2,652,959) |
| Retained income/(accumulated loss) | | 250,354 | (91,322) | 821,386 | (521,457) |
| | | 375,354 | 18,678 | 13,319,331 | 9,910,584 |
| Minority interest | 8 | - | - | 9,997,139 | 10,858,655 |
| Non - current liabilities | | | | | |
| Shareholders' loans | 9 | 1,863,244 | 2,199,950 | 2,427,266 | 2,199,950 |
| Current liabilities | | | | | |
| Creditors and provisions | 10 | 181,530 | 316,155 | 4,483,692 | 1,661,054 |
| Bank overdrafts | | 60,666 | 106,012 | 60,666 | 106,012 |
| | | 242,196 | 422,167 | 4,544,358 | 1,767,066 |
| | | 2,480,794 | 2,640,795 | 30,288,094 | 24,736,255 |

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES
INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

| | Notes | R | Company R | R | Group R |
|---------------|-------|-------------|--------------|--------------|-------------|
| Revenue | | 2,322,127 | 1,594,666 | 22,011,639 | 12,321,027 |
| Cost of sales | | (1,258,674) | (757,406) | (11,223,531) | (5,690,156) |
| Gross profit | | 1,063,453 | 837,260 | 10,788,108 | 6,630,871 |
| Other income | | 452,805 | - | - | - |

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| | | | | | |
|--|----|-------------|-----------|--------------|-------------|
| Operating expenditures | | (1,018,659) | (861,162) | (10,250,670) | (5,807,183) |
| Operating profit/(loss) | 11 | 497,599 | (23,902) | 537,438 | 823,688 |
| Finance income/(costs) | 12 | 82 | - | 936,789 | 364,793 |
| Profit/(loss) before taxation | | 497,681 | (23,902) | 1,474,227 | 1,188,481 |
| Taxation | 3 | - | - | (1,214,009) | - |
| Profit/(loss) from normal operations | | 497,681 | (23,902) | 2,688,236 | 1,188,481 |
| Minority interest | | | | (889,437) | |
| Profit on sale of shares in subsidiary | 4 | 285,000 | - | 285,000 | - |
| Net profit/(loss) for the year | | 782,681 | (23,902) | 2,083,799 | 1,188,481 |

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES
STATEMENTS IN CHANGES OF EQUITY FOR THE YEAR ENDED 30 JUNE 2003

| | Company | | Group | |
|---|---------|---------|-------------|-------------|
| | 2003 | 2002 | 2003 | 2002 |
| | R | R | R | R |
| Share capital | | | | |
| Ordinary shares | | | | |
| At beginning of year | 10,000 | 10,000 | 10,000 | 10,000 |
| Ordinary shares issued | 15,000 | - | 15,000 | - |
| At end of year | 25,000 | 10,000 | 25,000 | 10,000 |
| Share premium | | | | |
| At beginning of year | 100,000 | 100,000 | 13,075,000 | 13,075,000 |
| Movement during the year | - | - | - | - |
| At end of year | 100,000 | 100,000 | 13,075,000 | 13,075,000 |
| Total share capital at end of year | 125,000 | 110,000 | 13,100,000 | 13,085,000 |
| Non distributive reserves | | | | |
| At beginning of year | - | - | (2,652,959) | (695,038) |
| Intangible asset valuation reserve | | | | |
| Present value adjustment of intangible assets | - | - | - | (2,278,277) |

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| | | | | |
|--|-----------|----------|-----------|-------------|
| Transfer to minority interest | - | - | 1,750,953 | - |
| Transfer from valuation reserve on unwinding of present value adjustment | - | - | 299,951 | 320,356 |
| At end of year | - | - | (602,055) | (2,652,959) |
| Retained income/(accumulated loss) | | | | |
| At beginning of year | (91,322) | (67,420) | (521,457) | (1,389,582) |
| Net Profit/(loss) for the year | 782,681 | (23,902) | 2,083,799 | 1,188,481 |
| Cost of control written off | (441,005) | - | (441,005) | - |
| Transfer from valuation reserve on unwinding of present value adjustment | - | - | (299,951) | (320,356) |
| At end of year | 250,354 | (91,322) | 831,386 | (521,457) |

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES
CASH FLOWS STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

| | Notes | Company R | R | Group R | R |
|--|-------|--------------|-------------|--------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash receipts from customers and third parties | | 3,558,387 | 773,652 | 18,974,968 | 10,339,180 |
| Cash paid to suppliers and third parties | | (2,348,456) | (1,319,562) | (15,245,381) | (8,323,828) |
| Cash generated from operations | | 1,209,931 | (545,910) | 3,729,587 | 2,015,352 |
| Interest received | | 5,383 | - | 90,470 | 84,799 |
| Interest paid | | (5,301) | - | (35,891) | (40,362) |
| Net cash inflow from operating activities | 14 | 1,210,013 | (545,910) | 3,784,166 | 2,059,789 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Fixed assets acquired | | (100,499) | (114,183) | (311,894) | (1,421,547) |
| Development costs | | (362,550) | (495,709) | (5,628,551) | (5,988,494) |
| Investment in subsidiaries | | (658,995) | 402,766 | - | - |
| Cost of control arising from acquisition of shares in subsidiary company | | - | - | - | (882,010) |
| Loans (to)/from associated | | | | | |

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| | | | | |
|---|-------------|-----------|-------------|-------------|
| companies | - | - | - | - |
| Net cash outflow from investing activities | (1,122,044) | (207,126) | (5,940,445) | (8,292,051) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from issue of ordinary shares | 15,000 | - | 15,000 | - |
| Proceeds from premium on issue of ordinary shares | - | - | - | - |
| Proceeds from sale of shares in subsidiary | 285,000 | - | 285,000 | - |
| Proceeds from minority loans received | - | - | - | 5,858,152 |
| Change in shareholders loans | (336,706) | 652,827 | 227,316 | 477,027 |
| Net cash inflow from financing activities | (36,706) | 652,827 | 527,316 | 6,335,179 |
| Cash and cash equivalents at beginning of year | (106,012) | (5,803) | 1,827,565 | 1,724,648 |
| Cash and cash equivalents at end of year | 15 (54,749) | (106,012) | 198,602 | 1,827,565 |

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The financial statements are prepared on the historical cost basis and incorporate the following principle accounting policies used by the company which are consistent with those of the previous year.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The assets, liabilities and results of Elearning Systems (Pty) ltd are consolidated as the board of directors of the subsidiary is controlled by the Company.

Fixed assets

Fixed assets are stated at cost less depreciation. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Depreciation is calculated on the

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straight line basis so as to write off the cost or amount of the valuation of the assets over their expected useful lives.

The depreciation rates applicable to each category of fixed assets is as follows:

| | |
|------------------------|---------------------|
| Computer equipment | 33.30% p.a. |
| Computer software | 50.00% p.a. |
| Furniture and fittings | 16.67 - 33.33% p.a. |
| Leasehold improvements | 33.30% p.a. |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in the income statement when the asset is sold or retired.

Publishing rights and licenses

The net present value of expected future utilisation of publishing rights, calculated using an incremental borrowing rate, is capitalised as a intangible asset and amortised on the straight-line basis over the expected useful life of the asset, but generally over five years. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where necessary.

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES NOTES TO THE FINANCIAL STATEMENTS

Development costs

Development costs which result in an asset which is considered to have an enduring benefit are capitalised and amortised on the straight-line basis over a period of five years so as to match expenditures with future related economic benefits. This only occurs where the directors are satisfied that certain requirements for the capitalisation of development costs have been met. Internal software development cost are generally expensed. The requirements for capitalisation include:

- the technical feasibility of completion and the intention to complete the development of the asset;
- it is probable that future economic benefits will be received;
- adequate resources are available to complete development of the asset; and
- the expenditure attributable to the asset is measurable.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances, deposits and cash, net of bank overdrafts for the purpose of the cash flow statement.

Cost of control

Cost of control, being the excess purchase price of shares in subsidiaries over the net assets acquired, is written off over two years.

Revenue

Sales are recorded in the financial statements at the date the goods are delivered to customers or services are performed.

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Impairment

A periodic impairment review of assets is carried out by comparing the net book value of the assets with their fair values. Where the fair value is less than the net book value, the impairment is charged against income to reduce the carrying amount of the affected assets to recoverable amounts.

Provisions

A provision is recognized when there is a legal or constructive obligation, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances, deposits and cash, net of bank overdrafts for the purpose of cash flow statement.

Financial instruments

Financial assets

The Group's principal financial assets are bank balances, deposits and cash, trade and other receivables.

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include finance lease obligations, interest-bearing bank loans and overdrafts, convertible loan notes and trade and other payables.

Interest-bearing bank loans and overdrafts, and convertible loans notes are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

Trade and other payables are stated at their nominal value.

| | Company | | Group | |
|-------------------------------------|---------|--------|---------|---------|
| | 2003 | 2002 | 2003 | 2002 |
| | R | R | R | R |
| 2. Fixed assets | | | | |
| Computer equipment | | | | |
| Carrying value at beginning of year | 74,549 | 19,348 | 501,958 | 245,857 |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|-------------------------------------|-----------|----------|-----------|-----------|
| At cost | 139,174 | 56,418 | 1,053,374 | 540,773 |
| Accumulated depreciation | (64,625) | (37,070) | (551,416) | (294,916) |
| <hr/> | | | | |
| Additions | 82,111 | 82,756 | 351,664 | 512,601 |
| Depreciation | (42,758) | (27,555) | (307,183) | (256,500) |
| Scapped | - | - | (12,499) | - |
| Carrying value at end of the year | 113,902 | 74,549 | 533,940 | 501,958 |
| <hr/> | | | | |
| At cost | 221,285 | 139,174 | 1,318,055 | 1,053,374 |
| Accumulated depreciation | (107,383) | (64,625) | (784,115) | (551,416) |
| <hr/> | | | | |
| Computer Software | | | | |
| Carrying value at beginning of year | 27,760 | 8,338 | 764,402 | 42,296 |
| <hr/> | | | | |
| At cost | 54,774 | 23,347 | 1,077,739 | 168,793 |
| Accumulated depreciation | (27,014) | (15,009) | (313,337) | (126,497) |
| <hr/> | | | | |
| Additions | 15,250 | 31,427 | 15,250 | 908,946 |
| Depreciation | (13,694) | (12,005) | (328,864) | (186,840) |
| Scapped | - | - | (2,496) | - |
| Carrying value at end of the year | 29,316 | 27,760 | 448,290 | 764,402 |
| <hr/> | | | | |
| At cost | 70,024 | 54,774 | 1,032,115 | 1,077,398 |
| Accumulated depreciation | (40,708) | (27,014) | (583,825) | (313,337) |
| <hr/> | | | | |

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

| | Company | | Group | |
|---|----------|----------|-----------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | R | R | R | R |
| Furniture and equipment | | | | |
| Carrying value at beginning of year | 12,938 | 21,475 | 293,476 | 404,472 |
| <hr/> | | | | |
| At cost | 31,760 | 31,760 | 556,613 | 556,613 |
| Accumulated depreciation | (18,822) | (10,285) | (263,137) | (152,141) |
| <hr/> | | | | |
| Additions | 3,138 | - | 8,781 | - |
| Depreciation | (7,050) | (8,537) | (69,507) | (110,996) |
| Scapped | - | - | (48,806) | - |
| Carrying value at end of the year | 9,026 | 12,938 | 183,945 | 293,476 |
| <hr/> | | | | |
| At cost | 34,898 | 31,760 | 413,502 | 556,613 |
| Accumulated depreciation | (25,872) | (18,822) | (229,557) | (263,137) |
| <hr/> | | | | |
| Leasehold Improvements | | | | |
| Carrying value at beginning of the year | - | - | 45,000 | 72,282 |
| <hr/> | | | | |
| At cost | - | - | 173,538 | 173,538 |
| Accumulated depreciation | - | - | (128,538) | (101,256) |
| <hr/> | | | | |
| Additions | - | - | - | - |
| Depreciation | - | - | (18,000) | (27,282) |
| <hr/> | | | | |
| Carrying value at end of the year | - | - | 27,000 | 45,000 |
| <hr/> | | | | |

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| | | | | |
|---|-----------|-----------|-------------|-------------|
| At cost | - | - | 173,538 | 173,538 |
| Accumulated depreciation | - | - | (146,538) | (128,538) |
| ----- | | | | |
| Total Fixed Assets | | | | |
| Carrying value at beginning of the year | 115,247 | 49,161 | 1,604,836 | 764,907 |
| ----- | | | | |
| At cost | 225,708 | 111,525 | 2,861,264 | 1,439,717 |
| Accumulated depreciation | (110,461) | (62,364) | (1,256,428) | (674,810) |
| ----- | | | | |
| Additions | 100,499 | 114,183 | 375,695 | 1,421,547 |
| Depreciation | (63,502) | (48,097) | (723,554) | (581,618) |
| Scapped | - | - | (63,801) | - |
| Carrying value at end of the year | 152,244 | 115,247 | 1,193,175 | 1,604,836 |
| ----- | | | | |
| At cost | 326,207 | 225,708 | 2,937,210 | 2,861,264 |
| Accumulated depreciation | (173,963) | (110,461) | (1,744,035) | (1,256,428) |
| ----- | | | | |

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

3. Deferred tax assets

| | Company | | Group | |
|---|-----------|-----------|-------------|-----------|
| | 2003 R | 2002 R | 2003 R | 2002 R |
| Deferred taxation | - | - | (1,214,009) | - |
| ===== | | | | |
| The balance at the end of the year comprises: | | | | |
| Excess of tax allowance amortisation of development costs | - | - | 4,195,418 | - |
| Assessable loss | - | - | (5,345,413) | - |
| Other | - | - | (64,014) | - |
| ----- | | | | |
| Total | - | - | (1,214,009) | - |
| ===== | | | | |

4. Intangible assets

| | Company | | Group | |
|--|-----------|-----------|-------------|------------|
| | 2003 R | 2002 R | 2003 R | 2002 R |
| Development costs | 756,021 | 260,312 | 11,557,696 | 6,297,652 |
| Balance at beginning of year | 362,550 | 495,709 | 5,628,551 | 5,988,494 |
| Development costs recognised as an asset | - | - | (1,196,000) | (728,450) |
| Amortisation charge | - | - | - | - |
| ----- | | | | |
| Balance at end of year | 1,118,571 | 756,021 | 15,990,247 | 11,557,696 |
| ----- | | | | |
| Advertising Voucher | | | | |

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| | | | | |
|------------------------------|-----------|---------|-------------|-------------|
| Balance at beginning of year | - | - | 5,048,547 | 3,098,544 |
| Amount exchanged for shares | - | - | - | 5,000,000 |
| Initial impairment | - | - | - | (2,278,277) |
| Unwinding of impairment | - | - | 882,210 | 320,356 |
| Expensed in the year | - | - | (1,486,628) | (1,092,076) |
| | ----- | ----- | ----- | ----- |
| Balance at end of year | - | - | 4,444,129 | 5,048,547 |
| | ----- | ----- | ----- | ----- |
| | 1,118,571 | 756,021 | 20,434,376 | 16,606,243 |
| | ===== | ===== | ===== | ===== |

A R10 000 000 advertising credit was received from Johnnic Publishing Limited as part settlement of shares issued by subsidiary Elearning Systems (Pty) Ltd.

This value represents the future value of the benefit.

The present value of this benefit was determined by projecting the estimated use of the benefit over five years and discounting using a rate of 15%.

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

5. Investments in subsidiaries

| | Company | Group | | | |
|---|---------|-----------|-----------|-------|-------|
| | | 2003 | 2002 | 2003 | 2002 |
| | | R | R | R | R |
| Elearning Systems (Pty) Ltd - 34% formerly Riverbend Learning Systems (Pty) Ltd | | | | | |
| - Shares at cost | | 882,267 | 882,267 | - | - |
| - Less amounts amortised | | (441,005) | - | - | - |
| - Amounts due by/(to) | | 386,415 | (144,704) | - | - |
| | | ----- | ----- | ----- | ----- |
| | | 827,677 | 737,563 | - | - |
| Learning Advantage (Pty) Ltd - 100% | | | | | |
| - Shares at cost | | 120 | - | - | - |
| - Amounts due by/(to) | | (120) | - | - | - |
| | | ----- | ----- | ----- | ----- |
| | | - | - | - | - |
| Learning Strategies (Pty) Ltd - 90% formerly Open Learning Systems (Pty) Ltd | | | | | |
| - Shares at cost | | 9,000 | 9,000 | - | - |
| - Amounts due by/(to) | | (117,774) | 39,772 | - | - |
| | | ----- | ----- | ----- | ----- |
| | | (108,774) | 48,772 | - | - |
| Reusable Objects (Pty) Ltd - 80% (2002 - 100%) formerly Riverbend Technologies (Pty) Ltd | | | | | |
| - Shares at cost | | 80 | 100 | - | - |
| - Amounts due by/(to) | | 384,702 | 99,260 | - | - |
| | | ----- | ----- | ----- | ----- |
| | | 384,782 | 99,360 | - | - |

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| | | | |
|-----------|---------|---|---|
| 1,103,685 | 885,695 | - | - |
|-----------|---------|---|---|

The subsidiary companies are all incorporated in the Republic of South Africa.

Learning Advantage (Pty) Ltd was acquired during the year at nominal value, and did not trade during the period under review.

20 share in Reusable objects (Pty) Ltd was sold for R285 000.

6. Share capital

| | | | | |
|--|---------|--------|---------|--------|
| Authorised 500,000 ordinary shares of R1.00 each | 500,000 | 10,000 | 500,000 | 10,000 |
| Issued | | | | |
| 25 000 ordinary share of R 1.00 each | 25,000 | 10,000 | 25,000 | 10,000 |

The authorised share capital was increased to 500 000 shares of R1 each. The directors issued 15 000 ordinary shares of R1 each during the year under authority from the previous annual general meeting of shareholders.

RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

| | Company 2003 R | 2002 R | Group 2003 R | 2002 R |
|---|----------------------|-----------|--------------------|------------|
| 7. Share premium | | | | |
| Ordinary shares | 100,000 | 100,000 | 13,075,000 | 13,075,000 |
| | 100,000 | 100,000 | 13,075,000 | 13,075,000 |
| 8. Minority interest | | | | |
| Minority share of capital in subsidiaries | | | | |
| Balance at beginning of year | - | - | 503 | 503 |
| Shares issued | - | - | - | - |
| Shareholders loans | - | - | 858,152 | 858,152 |
| Equity loan | - | - | 10,000,000 | 10,000,000 |
| Profit for the year | - | - | 889,437 | - |
| Non distributable reserves | - | - | (1,750,953) | - |
| Balance at end of year | - | - | 9,997,139 | 10,858,655 |

This equity loan is convertible to equity in Elearning Systems (Pty) Ltd in 2005.

The loans are unsecured, interest free, no fixed repayment terms.

The negative non distributable

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reserve represents the balance of the future value of intangible assets (Refer note 4)

9. Shareholders loans

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Unsecured, interest free, nom fixed repayment terms | 1,863,244 | 2,199,950 | 2,427,266 | 2,199,950 |
| | ===== | ===== | ===== | ===== |

10. Provisions

Major provisions and movements during the year are summarised below

Course Costs

| | | | | |
|---------------------------------|-------|-------|-----------|---------|
| Balance at beginning of year | - | - | 483,585 | 98,909 |
| Charges to the income statement | - | - | 859,504 | 384,676 |
| | ----- | ----- | ----- | ----- |
| Balance at end of year | - | - | 1,343,089 | 483,585 |
| | ----- | ----- | ----- | ----- |

Leave Pay

| | | | | |
|---------------------------------|-------|-------|--------|--------|
| Balance at beginning of year | - | - | 21,698 | - |
| Charges to the income statement | - | - | 42,315 | 21,698 |
| | ----- | ----- | ----- | ----- |
| Balance at end of year | - | - | 64,013 | 21,698 |
| | ----- | ----- | ----- | ----- |

| | | | | |
|--|-------|-------|-----------|---------|
| | - | - | 1,407,102 | 505,283 |
| | ===== | ===== | ===== | ===== |

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS

| | Company | | Group | |
|---|---------|--------|-----------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| | R | R | R | R |
| 11. Profit/(loss) from ordinary activities | | | | |
| The following items have been charged in arriving at the loss from operating activities | | | | |
| Auditors remuneration | | | | |
| - Audit fees | 16,500 | 16,300 | 134,000 | 51,300 |
| Amortisation of intangible assets | | | | |
| - Expense | - | - | 1,196,000 | 728,450 |
| Depreciation | | | | |
| - Expense | 63,502 | 48,097 | 723,554 | 581,618 |
| 12. Finance income | | | | |
| Interest received on bank balances | 5,383 | - | 90,470 | 84,799 |
| Interest paid on bank balances | (5,301) | - | (35,891) | (40,362) |
| | ----- | ----- | ----- | ----- |
| Cash finance income | 82 | - | 54,579 | 44,437 |
| | ----- | ----- | ----- | ----- |
| Interest received on notional items | - | - | 882,210 | 320,356 |
| | ----- | ----- | ----- | ----- |
| | 82 | - | 936,789 | 364,793 |

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| | | | | |
|--|-----------|-----------|-------------|-------------|
| 13. Taxation | | | | |
| No provision for taxation is made as the company has a calculated loss to be set off against future taxable income | - | - | - | - |
| 14. Reconciliation of loss before taxation to cash generated | | | | |
| Net profit/(loss) before taxation | 497,681 | (23,902) | 1,474,227 | 1,188,481 |
| Adjust for: | | | | |
| Amortisation of development costs | - | - | 1,196,000 | 728,450 |
| Depreciation | 63,502 | 48,097 | 723,554 | 581,618 |
| Notional interest | - | - | (882,210) | (320,356) |
| Voucher expense | - | - | 1,486,628 | 1,092,076 |
| Operating profit before changes in working capital | 561,183 | 24,195 | 3,998,199 | 3,270,269 |
| Working capital changes | 684,830 | (570,105) | (214,034) | (1,210,480) |
| (Increase)/Decrease in accounts receivable | 783,455 | (821,014) | (3,036,672) | (1,981,847) |
| Increase/(Decrease) in accounts payable | (134,625) | 250,909 | 2,822,638 | 771,367 |
| Cash flow from operation | 1,210,013 | (545,910) | 3,784,165 | 2,059,789 |

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RIVERBEND GROUP HOLDINGS (PROPRIETARY) LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

| | Company 2003 R | 2002 R | Group 2003 R | 2002 R |
|--|----------------------|-----------|--------------------|-----------|
| 15. Cash and cash equivalents | | | | |
| Bank balance and cash | 5,917 | - | 259,268 | 1,933,577 |
| Bank overdrafts | (60,666) | (106,012) | (60,666) | (106,012) |
| | (54,749) | (106,012) | 198,602 | 1,827,565 |
| 16. Capital commitments | | | | |
| Capital commitments in respect of development with external parties: | | | | |
| Contracted for but not provided for | - | - | 500,000 | 1,000,000 |
| Authorised but not contracted for | - | - | 1,000,000 | 250,000 |

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| | | | | |
|---------------------------|-------|-------|-----------|-----------|
| Total capital commitments | - | - | 1,500,000 | 1,250,000 |
| | ===== | ===== | ===== | ===== |

RIVERBEND GROUP HOLDINGS (PTY) LTD.

Consolidated Financial Statements
(In U.S. Dollars)
June 30, 2003
and
June 30, 2002

Riverbend Group Holdings (Pty.) Ltd
Consolidated Balance Sheet

| | June 30, 2003 | June 30, 2002 |
|---|------------------|------------------|
| | ----- | ----- |
| Assets | | |
| ----- | | |
| Current Assets | | |
| Cash | \$ 34,708 | \$ 186,455 |
| Accounts Receivable | 903,122 | 357,716 |
| Prepaid Expense | 606,425 | 512,688 |
| | ----- | ----- |
| Total Current Assets | 1,544,255 | 1,056,859 |
| | ----- | ----- |
| Property & Equipment (Note 3) | | |
| Furniture & Equipment | 393,201 | 281,262 |
| Accumulated Depreciation | (233,471) | (126,508) |
| | ----- | ----- |
| Net Property & Equipment | 159,730 | 154,754 |
| | ----- | ----- |
| Intangible Asset (Note 4) | | |
| Technology-Based Asset | 2,458,432 | 1,252,817 |
| Accumulated Amortization | (270,270) | (79,113) |
| | ----- | ----- |
| Net Intangible Asset | 2,188,162 | 1,173,704 |
| Deferred Tax Asset (Note 7) | 162,519 | - |
| | ----- | ----- |
| Total Assets | \$ 4,054,666 | \$ 2,385,317 |
| | ===== | ===== |
| Liabilities and Stockholders' Equity | | |
| ----- | | |
| Current Liabilities | | |
| Accounts Payable | 411,692 | 111,424 |
| Accrued Expenses | 188,539 | 48,751 |
| Deferred Compensation | 40,576 | 7,714 |
| | ----- | ----- |
| Total Current Liabilities | 640,807 | 167,889 |
| Long Term Liabilities | | |
| Notes Payable Related Party (Note6) | 284,362 | 204,427 |
| | ----- | ----- |
| Total Long Term Liabilities | 284,362 | 204,427 |
| | ----- | ----- |
| Total Liabilities | 925,169 | 372,316 |

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| | | |
|---|--------------|--------------|
| Minority Interest | 1,338,317 | 1,348,319 |
| Stockholders' Equity | | |
| Common Stock, 500,000 Shares Authorized at Rand 1.00 Par Value, 25,000 shares and 10,000 shares outstanding, respectively | 3,250 | 1,242 |
| Capital contributed in excess of par value | 1,623,523 | 1,623,523 |
| Non-distributable reserve | (80,597) | (255,825) |
| Retained Earnings | 77,837 | (76,790) |
| Other Comprehensive Income | 167,167 | (627,468) |
| | ----- | ----- |
| Total Stockholders' Equity | 1,791,180 | 664,682 |
| | ----- | ----- |
| Total Liabilities and Stockholders' Equity | \$ 4,054,666 | \$ 2,385,317 |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

Riverbend Group Holdings (Pty) Ltd.
Consolidated Statement of Operations

| | June 30, 2003 | June 30, 2002 |
|---|------------------|------------------|
| | ----- | ----- |
| Revenue | | |
| Sales Revenue | \$ 2,534,640 | \$ 1,359,009 |
| Cost of Sales | 1,292,390 | 627,624 |
| | ----- | ----- |
| Gross Profit | 1,242,250 | 731,385 |
| Operating Expense | 1,180,365 | 640,532 |
| | ----- | ----- |
| Income from Operations | 61,885 | 90,853 |
| | ----- | ----- |
| Other Income (Expense) | | |
| Interest Income | 10,418 | 9,353 |
| Interest Expense | (4,133) | (4,452) |
| Amortization of Non-Distributable Reserve | 101,586 | 35,336 |
| | ----- | ----- |
| Total Other Income (Expense) | 107,871 | 40,237 |
| | ----- | ----- |
| Net Income before Minority Interest and Taxes | 169,756 | 131,090 |
| Minority Interest | (102,419) | - |
| Profit from Sale of Shares in Subsidiary | 32,818 | - |
| | ----- | ----- |
| Net Income Before Taxes | 100,155 | 131,090 |
| Income Tax Credit | 139,793 | - |
| | ----- | ----- |
| Net Income (Loss) | 239,948 | 131,090 |
| | ===== | ===== |
| Net Loss Per Common Share | \$ 13.71 | \$ 13.11 |
| Weighted Average Shares Outstanding | 17,500 | 10,000 |

The accompanying notes are an integral part of these financial statements.

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RIVERBEND GROUP HOLDINGS (PTY.) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF BUSINESS

Riverbend Group Holdings ("RGH" or "the Company") is a provider of online university degrees and other learning services to corporations and individuals in South Africa. Incorporated in 1998 in South Africa, RGH operates through four operating subsidiaries. Together, these operating subsidiaries have developed holistic approaches to technology-enabled learning, education and training. RGH, Price Waterhouse Coopers and a South African media group are co-owners of Riverbed's primary subsidiary, eDegree, and a provider of corporate learning solutions including online degrees from some of South Africa's most respected universities. Other RGH subsidiaries include Learning Advantage, a customized learning solutions provider to corporations, Reusable Objects, a leading-edge learning software developer, and Learning Strategies, an e-learning consulting services provider. These RGH subsidiaries serve major corporate customers in South Africa and are leaders in South Africa's initiative to increase employment and competitiveness by expanding and improving adult basic education and training.

On September 1, 2003, Trinity Learning Corporation ("Trinity") completed the acquisition of 51% of the issued and outstanding shares of Ayrshire Trading Limited, a British Virgin Islands company ("Ayrshire") that owns 95% of RGH, a South African company that provides learning services to corporations and individuals in South Africa. Ayrshire was incorporated in 2003. Trinity also acquired the option to purchase the remaining 49% of Ayrshire. In consideration for the Ayrshire shares, Trinity 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 Trinity's common stock. The Ayrshire shares are subject to escrow and pledge agreements 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 Trinity or the failure by Trinity to list its shares of common stock on a major stock exchange in the United States by December 30, 2006.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The Company uses the accrual method of accounting.

Foreign Currency Translation. The Company does business using the South African rand. The current rate method was used to translate the consolidated financial statements into US dollars. All assets and liabilities of the Company are translated at the then current rates. Equity accounts are translated at the appropriate historical rate. Revenue and expenses are translated at the weighted-average rate for the year. Translation gains and losses are recorded as Other Comprehensive Income in the Equity section of the Balance Sheet.

Consolidation Policies. The consolidated financial statements include the financial statements of the Company and the subsidiaries controlled by the Company at June 30, 2003. Control is achieved where the Company has the power to govern the financial and operating policies of the subsidiary enterprise so as to obtain benefits from its activities. The results of

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subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Intercompany transactions and balances have been eliminated in consolidation.

Fixed Assets. Fixed assets are stated at cost less accumulated depreciation. Costs include all those directly attributable to bringing the assets to working condition for intended use. Depreciation is calculated using straight line methods over 3 to 6 years for furniture, equipment and leasehold improvements and 2 years for software.

Publishing Rights and Licenses. The net present value of expected future utilization of publishing rights, calculated using an incremental borrowing rate, is capitalized as an intangible asset and amortized using straight-line methods over the useful life of the asset, but generally over five years. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where necessary.

Development Costs. Development costs considered to have an enduring benefit are capitalized and amortized using straight-line methods over five years. Internal software development costs are generally expensed. Requirements adopted by the directors for capitalization of development costs include;

- technical feasibility of completion and the intention to complete development,
- probability of resulting economic benefit,
- adequacy of available resources to complete development, and
- whether particular cost is measurable.

Revenue. Revenue is recorded in the financial statements at the date the goods are delivered to customers or services are performed.

Goodwill. Goodwill, being the excess purchase price of shares in subsidiaries over the net assets acquired, is written off over two years. The unamortized balance of goodwill is included in technology based intangible

Impairment. A periodic impairment review of assets is carried out by comparing the net book value with their fair values. Where the fair value is less than the net book value, the impairment is charged against income to reduce the carrying amount of the affected assets to recoverable amounts.

Accruals. An accrual is recognized when there is a legal or constructive obligation, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Cash and Cash Equivalents. Cash and Cash equivalents consist of bank balances, deposits and cash, net of bank overdrafts.

Trade Receivables. Trade receivables are stated at their nominal value as reduced by allowances for estimated uncollectible amounts of \$152,073 and \$52,073 for the year ended June 30, 2003 and 2002 respectively.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results could differ from those estimates.

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Income Taxes. The Company uses an asset and liability approach for financial accounting and reporting for income tax purposes. The Company has cumulative losses providing a probable future economic benefit. The resulting deferred tax asset was \$162,519 and \$-0- at June 30, 2003 and 2002 respectively.

NOTE 3 FIXED ASSETS

The Company capitalizes furniture and equipment purchases in excess of South African Rand 1,000. Depreciation is calculated using straight line methods over 3 to 6 years for furniture, equipment and leasehold improvements and 2 years for software. Scheduled below are the assets, cost, depreciation expense, and accumulated depreciation at June 30, 2003 and September 30, 2002.

| | Asset Cost | | Depreciation Expense | | Accumulated Depreciation | |
|-------------|------------|------------|----------------------|------------|--------------------------|------------|
| | 06/30/2003 | 06/30/2002 | 06/30/2003 | 06/30/2002 | 06/30/2003 | 06/30/2002 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Furniture | | | | | | |
| & Equipment | \$ 393,201 | \$ 281,262 | \$ 83,317 | \$ 64,152 | \$ 233,471 | \$ 126,508 |

NOTE 4 Technology-Based Intangible Assets

The Company capitalized technology-based intangible assets in its acquisition of CBL and Riverbend. The amount capitalized is equal to the difference between the consideration paid for the subsidiaries including any liabilities assumed and the value of the other assets acquired. Other assets were valued at the current value at the date of the acquisition including the net value of fixed assets, historical price less accumulated depreciation. The technology-based intangible assets are being amortized over a five-year period using the straight-line method. The value assigned to the technology-based intangible assets are considered appropriate based on average annual revenues earned from licensing of these asset over the two year period prior to the acquisitions and the expectation that future revenues for the five year period subsequent to the acquisition will equal or exceed these amounts. Scheduled below is the total asset cost, amortization expense and accumulated amortization at June 30, 2003.

| | Asset Cost | | Amortization Expense | | Accumulated Amortization | |
|------------------|-------------|-------------|----------------------|------------|--------------------------|------------|
| | 06/30/2003 | 06/30/2002 | 06/30/2003 | 06/30/2002 | 06/30/2003 | 06/30/2002 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Intangible Asset | \$2,458,432 | \$1,252,817 | \$ 137,719 | \$ 80,348 | \$ 279,270 | \$ 79,113 |

NOTE 5 OPERATING LEASES

The Company leases office and warehouse facilities South Africa and equipment under non-cancelable long term leases.

Total Minimum Future Lease Commitments as of June 30, 2003:

| Calendar Year | Amount |
|---------------|--------|
|---------------|--------|

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| | |
|------------|------------|
| 2003 | \$ 47,195 |
| 2004 | 205,848 |
| 2005 | 69,010 |
| 2006 | 18,221 |
| Thereafter | 9,129 |
| Total | \$ 349,403 |

NOTE 6 RELATED PARTY TRANSACTIONS

From time to time, certain employees and shareholders have advanced funds to RGH. The loans are non-interest bearing, unsecured, interest free and have no fixed repayment terms.

NOTE 7 INCOME TAXES

The Company uses an asset and liability approach for financial accounting and reporting for income tax purposes. The Company has cumulative losses providing a probable future economic benefit. Deferred tax assets and the valuation account at June 30, 2003 and at June 30, 2002 are as follows:

| Deferred Tax Asset | June 30, 2003 | June 30, 2002 |
|---|------------------|------------------|
| | ----- | ----- |
| Excess of tax allowance on amortization of development costs | \$ (561,641) | \$ - |
| Assessable Loss | 715,590 | - |
| Other | 8,570 | - |
| | ----- | ----- |
| Total | \$ 162,519 | \$ - |
| | ===== | ===== |

NOTE 8 SUBSEQUENT EVENTS

On September 1, 2003, Trinity completed the acquisition of 51% of the issued and outstanding shares of Ayrshire, a British Virgin Islands company that owns 95% of RGH, a South African company that provides learning services to corporations and individuals in South Africa. Ayrshire was incorporated in 2003. Trinity also acquired the option to purchase the remaining 49% of Ayrshire. In consideration for the Ayrshire shares, Trinity 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 Trinity's common stock. The Ayrshire shares are subject to escrow and pledge agreements 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 Trinity or the failure by Trinity to list its shares of common stock on a major stock exchange in the United States by December 30, 2006.

As further consideration for the Ayrshire shares, Trinity agreed to make a non-interest-bearing loan of \$1,000,000 to Ayrshire, \$300,000 of which was advanced at closing and \$700,000 was advanced on November 3, 2003.

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Trinity Learning Corporation
 Unaudited Pro Forma Consolidated Financial Statements

June 30, 2003

Trinity Learning Corporation
 Unaudited Pro Forma Consolidated Balance Sheet

| | June 30, 2003 |
|-------------------------------|---------------|
| | ----- |
| Assets | |
| ----- | |
| Current Assets | |
| Cash | \$ 21,219 |
| Accounts Receivable | 945,841 |
| Interest Receivable | 41 |
| Prepaid Expense | 97,944 |
| | ----- |
| Total Current Assets | 1,065,045 |
| | ----- |
| Property & Equipment (Note 3) | |
| Furniture & Equipment | 213,115 |
| Accumulated Depreciation | (7,824) |
| | ----- |
| Net Property & Equipment | 205,291 |
| | ----- |
| Intangible Asset (Note 4) | |
| Technology-Based Asset | 2,195,483 |
| Accumulated Amortization | (167,747) |
| | ----- |
| Net Intangible Asset | 2,027,736 |
| | ----- |
| Other Assets | |
| Notes Receivable (Note 5) | 25,000 |
| Other Assets | 94,003 |
| | ----- |
| Other Assets | 119,003 |
| | ----- |
| Total Assets | \$ 3,417,075 |
| | ===== |

Continued

Trinity Learning Corporation
Unaudited Pro Forma Consolidated Balance Sheet

June 30, 2003

| | | |
|---|-----------------------------|--------------|
| Liabilities and Stockholders' Equity | | |
| ----- | | |
| Current Liabilities | | |
| Accounts Payable | | \$ 803,564 |
| Accrued Expenses | | 458,809 |
| Deferred Compensation | | 40,576 |
| Interest Payable | | 63,987 |
| Notes Payable | Related Party (Notes 7 & 8) | 2,147,151 |
| | | ----- |
| Total Current Liabilities | | 3,514,087 |
| Long Term Liabilities | | |
| Notes Payable | Related Party (Note 7 & 8) | 284,362 |
| | | ----- |
| Total Long Term Liabilities | | 284,362 |
| | | ----- |
| Total Liabilities | | 3,798,449 |
| | | ----- |
| Minority Interest | | 149,562 |
| Stockholders' Equity | | |
| Preferred Stock, 10,000,000 Shares at No Par Value; No Shares Issued and Outstanding | | - |
| Common Stock, 100,000,000 Shares Authorized at No Par Value, 16,956,641 shares and 49,774 shares Issued and Outstanding, Respectively | | 10,693,447 |
| Accumulated Deficit | | (11,188,913) |
| Subscription Receivable | | (35,000) |
| Other Comprehensive Income | | (470) |
| Total Stockholders' Equity | | (530,936) |
| | | ----- |
| Total Liabilities and Stockholders' Equity | | \$ 3,417,075 |
| | | ===== |

The accompanying notes are an integral part of these financial statements.

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Trinity Learning Corporation
Unaudited Pro Forma Consolidated Statement of Operations

| | June 30, 2003 |
|--|----------------|
| | ----- |
| Revenue | |
| Sales Revenue | \$ 2,702,430 |
| Cost of Sales | (1,292,390) |
| | ----- |
| Gross Profit | 1,410,040 |
| Expenses | |
| Salaries & Benefits | 1,470,685 |
| Professional Fees | 471,630 |
| General & Administrative | 484,734 |
| Travel & Entertainment | 275,366 |
| Depreciation & Amortization | 403,731 |
| Rent | 94,340 |
| | ----- |
| Total Expense | 3,200,486 |
| | ----- |
| Income (Loss) from Operations | (1,790,446) |
| Other Income (Expense) | |
| Interest Income | 9,931 |
| Interest Expense | (80,998) |
| Foreign Currency Gain / (Loss) | (4,582) |
| | ----- |
| Total Other Income (Expense) | (75,649) |
| | ----- |
| Income (Loss) Before Taxes & Minority Interest | (1,866,095) |
| Minority Interest | |
| Minority Interest | (180,597) |
| Profit from Sale of Shares in Subsidiaries | 32,818 |
| | ----- |
| Net Income (Loss) Before Tax | (2,013,824) |
| Taxes | - |
| | ----- |
| Net Income (Loss) | \$ (2,013,824) |
| Net Loss Per Common Share | \$ (0.19) |
| | ===== |
| Weighted Average Shares Outstanding | 10,364,218 |
| | ===== |

A summary of the components of other comprehensive income for the transition period from October 1, 2002 to June 30, 2003 is as follows:

| | Before | June 30, 2003 |
|------------------------------|----------------|----------------|
| | Tax Amount | After |
| | ----- | ----- |
| Net Income (Loss) | \$ (2,013,824) | \$ (2,013,824) |
| Foreign currency translation | (470) | (470) |

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| | | |
|----------------------------------|----------------|----------------|
| Total Other Comprehensive Income | \$ (2,014,294) | \$ (2,014,294) |
|----------------------------------|----------------|----------------|

\$ (2,014,294) \$ (2,014,294)
=====

The accompanying notes are an integral part of these financial statements

Trinity Learning Corporation
Notes to the Financial Statements
June 30, 2003

NOTE 1 - Corporate History

Trinity Learning Corporation ("Trinity," "the Company" or "we") was incorporated on April 14, 1975 in Oklahoma under the name U.S. Mineral & Royalty Corp. as an oil and gas exploration, development and operating company. In 1989, the Company changed its name to Habersham Energy Company. Historically, the Company was engaged in the business of acquiring and producing oil and gas properties, but did not have any business activity from 1995 to 2002. Pursuant to its reorganization in 2002, the Company changed its domicile to Utah, amended its capital structure and changed its name to Trinity Companies Inc., then, in March 2003, to Trinity Learning Corporation. Until adoption of its recent operating strategy in 2002, the Company had not had any business activity since 1995.

Pursuant to a series of related transactions that closed on October 1, 2002, ("the Acquisition Date") the Company issued 3,000,000 restricted shares of its common stock, issued \$1,000,000 in convertible promissory notes and assumed \$222,151 in indebtedness to acquire Competency Based Learning, Inc. (CBL-California), a California corporation and two related Australian companies, Competency Based Learning, Pty. Ltd. ACN 084 763 780 ("CBL-Australia") and ACN 082 126 501 Pty. Ltd. (collectively referred to as "CBL"). The transactions were effected through CBL Global Corp. ("CBL Global"), a wholly-owned subsidiary.

On June 16, 2003, we completed a recapitalization of our common stock by (i) effecting a reverse split of our outstanding common stock on the basis of one share for each 250 shares owned, with each resulting fractional share being rounded up to the nearest whole share, and (ii) subsequently effecting a forward split by dividend to all shareholders of record, pro rata, on the basis of 250 shares for each one share owned. The record date for the reverse and forward splits was June 4, 2003. Immediately prior to the recapitalization, we had 13,419,774 shares of common stock outstanding. Following the recapitalization and the cancellation of 108,226 shares of common stock beneficially owned by members of management, we had 13,419,774 shares of common stock outstanding.

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. The information presented in this transition report on Form 10-KSB relates to the period October 1, 2002 through June 30, 2003.

On September 1, 2003, we completed the acquisition of 51% of the issued and outstanding shares of Ayrshire Trading Limited, a British Virgin Islands company ("Ayrshire") that owns 95% of Riverbend Group Holdings (Pty.) Ltd. ("RGH"), a South African company that provides learning services to corporations and individuals in South Africa. These companies are collectively referred to as "Riverbend." We also acquired the option to purchase the remaining 49% of Ayrshire. In consideration for the Ayrshire

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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. Of these shares, up to 400,000 may be withheld in satisfaction for any breach of warranties by the former shareholders of Ayrshire. The Ayrshire shares are subject to escrow and pledge agreements 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.

As further consideration for the Ayrshire shares, we agreed to make a non-interest-bearing loan of \$1,000,000 to Ayrshire, \$300,000 of which was advanced at closing and \$700,000 was advanced On November 3, 2003. 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.

NOTE 2 - Significant Accounting Policies

Method of Accounting. The Company uses the accrual method of accounting.

- A. Revenue Recognition - The Company recognizes revenue once it is realizable and earned. Revenue from sales of products and related cost of products sold are recognized when persuasive evidence of an arrangements exists, delivery has occurred, the seller's price is fixed or determinable and collectibility is reasonably assured.
- B. Cash and Cash Equivalents. The Company considers all short-term, highly liquid investments that are readily convertible within three months to known amounts, as cash equivalents.
- C. Depreciation and Amortization. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. The cost of leasehold improvements is amortized over the lesser of the length of the lease of the related assets or the estimated lives of the assets. Depreciation and amortization is computed on the straight-line method.
- D. Use of Estimates. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
- E. Consolidation Policies. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and the . Intercompany transactions and balances have been eliminated in consolidation and the subsidiaries controlled by the Company at June 30, 2003. Control is achieved where the Company has the power to govern the financial and operating policies of the subsidiary enterprise so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up the effective date of disposal, as appropriate. Intercompany transactions and balances have been eliminated in consolidation.
- G. Foreign Currency Translation/Remeasurement Policy. Assets and liabilities that occur in foreign currencies are recorded at historical cost and translated at exchange rates in effect at the end of the reporting period. Statement of Operations accounts are translated at the average exchange rates for the year. Translation gains and losses are recorded as Other Comprehensive Income in the Equity section of the Balance Sheet.

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- H. Purchase Accounting. The purchase value of fixed assets purchased in the acquisition of CBL and Riverbend were determined based on their historical value less accumulated depreciation. All other assets were valued at their current value and a technology-based intangible asset was recorded.
- I. Primary Earnings Per Share Amounts are based on the weighted number of shares outstanding at the dates of the financial statements. Fully Diluted Earnings Per Share shall be shown on stock option and other convertible issues that may be exercised within the next ten years.

NOTE 3 - Fixed Assets

The Company capitalizes furniture and equipment purchases in excess of \$5,000 or at lower amounts based on local jurisdiction. Capitalized amounts are depreciated over the useful life of the assets using the straight-line method of depreciation. Scheduled below are the assets, cost, depreciation expense, and accumulated depreciation at June 30, 2003 and September 30, 2002.

| | Asset Cost | | Depreciation Expense | | Accumulated Depreciation | |
|-----------------------|------------|------------|----------------------|------------|--------------------------|------------|
| | 06/30/2003 | 06/30/2002 | 06/30/2003 | 06/30/2002 | 06/30/2003 | 06/30/2002 |
| Furniture & Equipment | \$ 213,115 | \$ 6,151 | \$ 7,750 | \$ 80 | \$ 7,824 | \$ 80 |

NOTE 4 Technology-Based Intangible Assets

The Company capitalized technology-based intangible assets in its acquisition of CBL and Riverbend. The amount capitalized is equal to the difference between the consideration paid for the subsidiaries including any liabilities assumed and the value of the other assets acquired. Other assets were valued at the current value at the date of the acquisition including the net value of fixed assets, historical price less accumulated depreciation. The technology-based intangible assets are being amortized over a five-year period using the straight-line method. The value assigned to the technology-based intangible assets are considered appropriate based on average annual revenues earned from licensing of these asset over the two year period prior to the acquisitions and the expectation that future revenues for the five year period subsequent to the acquisition will equal or exceed these amounts. Scheduled below is the total asset cost, amortization expense and accumulated amortization at June 30, 2003.

| | Asset Cost | | Depreciation Expense | | Accumulated Depreciation | |
|------------------|-------------|------------|----------------------|------------|--------------------------|------------|
| | 06/30/2003 | 06/30/2002 | 06/30/2003 | 06/30/2002 | 06/30/2003 | 06/30/2002 |
| Intangible Asset | \$2,195,483 | \$ - | \$ 167,747 | \$ - | \$ 167,747 | \$ - |

NOTE 6 - Operating Leases

In July 2003, the Company signed a lease agreement for new office space at 1831 Second Street in Berkeley, California. The lease term commenced September 1, 2003 and will expire on May 31, 2004. The Company will pay a

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minimum of \$5,025 per month. The Company paid \$10,050 upon the execution of the lease that includes \$5,025 security deposit that may be refunded at the end of the lease.

CBL-Australia leases contiguous office space pursuant to two separate lease agreements for its operations located in Queensland, Australia. The term of the first lease expires in January 2004 with a three year option to renew. The monthly rental amount of that lease is \$2,471. The term of the second lease expires in January 2007 with a three year option to renew. The monthly rental amount of that lease is \$2,140. CBL-Australia also leases a car for use by Brian Kennedy, its chief executive officer. The lease expires in October 2005; the monthly rental amount is \$338.

Riverbend leases office and warehouse facilities South Africa and equipment under non-cancelable long term leases.

Total Minimum Lease Commitments as of June 30, 2003:

| Calendar Year | Amount |
|---------------|------------|
| 2003 | \$ 96,986 |
| 2004 | 261,888 |
| 2005 | 100,246 |
| 2006 | 47,828 |
| Thereafter | 11,606 |
| | ----- |
| Total | \$ 518,544 |
| | ===== |

NOTE 7 Related Party Transactions

From time to time, certain employees and shareholders of Riverbend have advanced funds to Riverbend. The loans are non-interest bearing, unsecured, interest free and have no fixed repayment terms.

As of July 15, 2002, Trinity entered in a two-year Advisory Agreement with Kings Peak Advisors, LLC ("KPA") with automatic renewal for a 12-month period. Under the terms of the Advisory Agreement, KPA will provide the Company 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. KPA is a private company whose principals are Douglas Cole and Edward Mooney, who are officers and directors of Trinity, and Mr. Theodore Swindells.

The Advisory Agreement provides that KPA will be compensated for its various advisory services as follows: (i) for general corporate advisory services, an initial retainer of \$25,000 and a fee of \$20,000 per month throughout the term of the agreement, which monthly fee amount is payable, at KPA's option, in shares of common stock at a price per share equal to \$0.025; (ii) for financial advisory services, a fee based on 10% of the gross proceeds of any equity financings and/or 1.5% of any gross proceeds of debt financings that are completed by underwriters or placement agents introduced by KPA, as well as any fees which may be due to KPA for its assistance in identifying prospective investors pursuant to terms and conditions of offering memoranda issued by the Company; (iii) for merger and acquisition services involving a transaction resulting from a contact provided by KPA, a sliding fee based on a percentage of the value of the

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transaction, subject to an additional \$100,000 bonus in the event the transaction is valued at \$3,000,000 or more; (iv) in respect of general business development advisory services, a fee to be negotiated with KPA based upon certain agreed-upon fee parameters between the parties; and (v) in respect of debt, credit or leasing facilities, a fee to be negotiated on a case-by-case basis.

Trinity acknowledged that it was indebted to KPA for prior services rendered since April 1, 2002 in the amount of \$30,000, up to 50% of which amount is payable, at KPA's option, in shares of common stock at a price per share of \$0.025. The total number of shares of common stock issuable to KPA under the Advisory Agreement may not exceed 4,400,000 shares. Through June 30, 2003, KPA had earned a total of \$285,000 under the Advisory Agreement, \$110,000 of which was converted into 4,400,000 shares of common stock in March 2003. Of the balance of \$175,000, \$134,132 has been paid to KPA, leaving a balance owing at June 30, 2003 of \$40,868.

As of August 8, 2002, Trinity formalized a Debt Conversion Agreement with Global Marketing Associates, Inc. ("GMA"), holder of a convertible promissory note (the "GMA Note") in the principal amount of \$166,963, pursuant to which the principal amount of the note, along with accrued interest thereon, was made convertible, under certain conditions, into 3,200,000 shares of common stock. The GMA Note was originally issued in November 2000 to the Company's former attorneys and was subsequently acquired by Pacific Management Services, Inc., who assigned the note to GMA; both entities are unrelated to Trinity. GMA subsequently assigned the right to acquire 2,600,000 of the 3,200,000 shares of common stock into which the note is convertible, to several persons, including Messrs. Cole, Mooney and Swindells. Pursuant to the assignment, Messrs. Cole and Mooney each acquired the right to acquire 600,000 shares of the common stock into which the GMA Note is convertible and Mr. Swindells acquired the right to acquire 1,000,000 shares. Fifty percent of the shares issuable upon the conversion of the GMA Note are subject to a two-year lock-up provision that restricts transfer of such shares without prior written consent of Trinity's board of directors. As of January 2003, 3,200,000 shares of our common stock had been issued pursuant to the terms of the GMA Note.

Pursuant to the acquisition of CBL on October 1, 2002 described in Note 1 above, we issued to shareholders of CBL two convertible promissory notes in the amounts of \$485,000 and \$515,000. The notes accrue interest at 7% per annum and are considered due and payable upon the earlier of September 1, 2004 or the date, upon which we close an equity financing, the net proceeds of which, together with the net proceeds of all equity financing conducted by the Company after the Acquisition Date, equal or exceeds \$10,000,000. The conversion price on the notes is \$2.00 per share of common stock. At June 30, 2003, accrued interest totaled \$52,356.

At the Acquisition Date, we issued two unsecured promissory notes in the amount of \$222,151 to cancel three unsecured promissory notes previously issued by CBL-Australia and CBL-California to its shareholders, Messrs. Scammell and Kennedy. The notes accrue interest at 7% per annum and are considered due and payable upon the earlier of the September 1, 2003 or the date, upon which the company closes an equity financing, the net proceeds of which, together with the net proceeds of all equity financing conducted by us after the Acquisition Date, equal or exceeds \$3,000,000. At June 30, 2003, accrued interest totaled \$11,631. The notes were due and payable on September 1, 2003 for which the payment has not been made pending the outcome of a lawsuit filed against Messrs. Scammell and Kennedy, see Note 14, Subsequent Events.

Concurrent with its acquisition of CBL, Trinity (i) issued promissory notes

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to certain individuals and entities for a total principal amount of \$500,000 ("Bridge Financing Amount"), such notes ("Bridge Financing Notes") are convertible under certain conditions into shares of common stock, and (ii) in connection with the issuance of the Bridge Financing Notes, issued warrants ("Bridge Financing Warrants") to the holders of the Notes to purchase additional shares of Common Stock. Of the Bridge Financing Amount, \$55,000 was advanced by KPA and \$120,000 by Mr. Swindells.

The Bridge Financing Notes bear interest at a rate of 9% per annum and are due one year from the date of the respective notes, unless automatically converted upon the closing by the Company of an equity financing consisting of at least 500,000 shares of common stock. On May 19, 2003, the principal amount of \$500,000 and accrued interest of \$34,745 on the respective notes were converted into 1,336,867 shares of common stock at \$0.40 per share. The Bridge Financing Warrants 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.

From time to time, since inception of our current operating strategy, Mr. Swindells has provided short-term working capital loans on a non-interest bearing basis. During our previous fiscal year, we were advanced \$145,000 by Mr. Theodore Swindells, and during the transition period from October 1, 2002 to June 30, 2003, we were advanced an additional \$780,000 by Mr. Swindells. The principal may be converted into such other debt or equity securities financings that we may issue in private offerings while the loan is outstanding. In September 2003, we repaid \$500,000 on the \$925,000 note balance then outstanding.

NOTE 8 - Notes Payable

At June 30, 2003, notes payable to accredited investors and related parties totaled \$2,431,513. The notes bear interest between the rates of 0% and 7% per annum, some of which are secured by our common stock. Certain notes are convertible into the Company's common stock.

The Company has the following notes payable obligations:

| | June 30, 2003 |
|---|---------------|
| | ----- |
| Unsecured convertible notes payable due on December 1, 2003, see Note 7. | \$ 925,000 |
| Unsecured Notes Payable to employees and shareholders of Riverbend, no fixed maturity, see Note 7. | 284,362 |
| Unsecured notes payable to related parties, see Note 7 for due date, plus accrued interest at a rate of 7% per annum. | 222,151 |
| Convertible notes payable to related parties, see Note 7 for due date, plus accrued interest at a rate of 7% per annum. | 1,000,000 |
| | ----- |
| Total Notes Payable | 2,431,513 |
| Less: Current Maturities | (2,147,151) |
| | ----- |
| Long Term Notes Payable | 284,362 |
| | ===== |

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NOTE 9 - Stockholders' Equity

On February 5, 2002, the Company effected a one hundred for one (100 for 1) reverse split. No shareholder was reversed below 100 shares. Shareholders with 100 shares or less, prior to the reverse, were not affected.

On May 5, 2002, the Company amended its Articles of Incorporation to reflect a change in par value from \$0.10 per share to no par value per share. Accordingly, this change effecting the common stock and additional paid in capital values has been retroactively applied to all prior years.

On October 1, 2002, the Company issued a total of 3,000,000 shares of common stock in conjunction with its acquisition of CBL-Australia and CBL-California at \$0.025 per share. Accordingly, \$75,000 has been charged to common stock to reflect the total cost of the shares.

On October 1, 2002, the Company authorized a Stock Purchase Agreement in order to retain qualified directors and officers. The Stock Purchase Agreement allows various directors to purchase an aggregate of 1,200,000 shares of the Company's common stock at a price of \$0.025 per share. The purchase price shall be payable by each Purchaser in the form of the cancellation of the Company's obligation to pay the various Purchasers a total of \$30,000 as compensation for services already performed by Purchaser for the Company.

On October 2, 2002, the Company issued 1,070,000 shares of common stock in settlement of outstanding amounts due for services rendered to the Company. These shares were issued at \$0.025 per share totaling \$26,750.

On October 21, 2002, the Company adopted and approved the "2002 Stock Plan" which was approved by the Company's shareholders at its special shareholder meeting on December 2, 2002. The Plan authorizes issuance of 3,000,000 shares to be increased by 500,000 shares annually. The plan expires in ten years. As of June 30, 2003, 2,447,000 options have been granted at prices ranging from \$0.05 per share to \$0.50 per share of which 963,625 were vested as of June 30, 2003.

During the period November 15, 2002 to January 21, 2003, we issued 3,200,000 shares in exchange for \$166,953, respectively of unsecured notes payable. The original amount of the note was \$166,963 (See Notes 7 and 8).

Between January and April 2003, we received subscriptions to our December 2002 Private Placement Memorandum totaling \$250,000 from outside investors to purchase 250,000 units at a price of \$1.00 per unit. Each unit entitles the holder to two shares of our common stock and two three year warrants, each to purchase an additional share of common stock for \$1.00 per share. If all warrants are fully exercised by the holder of such warrants, a bonus warrant will be issued entitling the holder to purchase one additional share of common stock for \$2.00.

On March 20, 2003, we issued 4,400,000 shares of common stock in settlement of \$110,000 of amounts due to Kings Peak Advisory, LLC (see Note 7).

On May 19, 2003, we issued 1,250,000 and 86,867 shares of the common stock in exchange for the total principal Bridge Financing Notes of \$500,000 and the accrued interest payable on such notes of \$34,745, respectively (see Note 7).

On June 16, 2003, we completed a recapitalization of its common stock by effecting a reverse split of its outstanding common stock on the basis of one share for each 250 shares owned, with each resulting fractional share

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being rounded up to the nearest whole share, and subsequently effecting a forward split by dividend to all shareholders of record, pro rata, on the basis of 250 shares for each one share owned. Immediately prior to the recapitalization, we had 13,419,774 shares of common stock outstanding. Following the recapitalization and the cancellation of 108,226 shares of common stock beneficially owned by members of management, the Company had 13,419,774 shares of common stock outstanding.

Between June and October 2003, we received subscriptions to our May 2003 Private Placement Memorandum ("May 2003 PPM") totaling \$5,143,300 from outside investors to purchase 5,143,300 units at a price of \$1.00 per unit. Each unit entitles the holder to two shares of our common stock and two three year warrants, each to purchase an additional share of common stock for \$1.00 per share. If all warrants are fully exercised by the holder of such warrants, a bonus warrant will be issued entitling the holder to purchase one additional share of common stock for \$2.00. In connection with the May 2003 Private Placement, we issued to various financial advisors, 567,160 additional shares of our common stock and five-year warrants to purchase 207,050 shares of our common stock.

On September 1, 2003, we completed the acquisition of all of the issued and outstanding shares of River Murray Training Pty Ltd ("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.

NOTE 10 Stock Option Plan

On December 2, 2002, at a special meeting of our shareholders, the 2002 Stock Plan was approved. The maximum aggregate number of shares that may be optioned and sold under the plan is the total of (a) 3,000,000 shares, (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. 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 nine-month transition period ended June 30, 2003.

| | 2002 STOCK PLAN | |
|--------------------------------------|---------------------|--|
| | Number of Shares | Weighted Average Exercise Price |
| Outstanding at October 1, 2002 | - | \$ - |
| Options Granted | 2,447,000 | \$ 0.23 |
| Options Exercised | - | - |
| Options Canceled | - | - |
| Options Outstanding at June 30, 2003 | 2,447,000 | \$ 0.23 |
| Options Exercisable at June 30, 2003 | 963,625 | \$ 0.22 |

In accordance with Statement of Financial Accounting Standards Number 123, "Accounting for Stock-Based Compensation", option expense of \$76,774 was

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recognized for the nine-month transition period ended June 30, 2003.

June 30, 2003

| | |
|---|-------|
| Five-Year Risk Free Interest Rate | 3.01% |
| Dividend Yield | nil |
| Volatility | nil |
| Average Expected Term (Years to Exercise) | 4.4 |

Stock options outstanding and exercisable under 2002 Stock Plan as of June 30, 2003 are as follows:

| Range of Exercise Price | Number of Options Granted | Weighted Average Exercise Price | Average Remaining Contractual Life (Years) | Number of Options Vested | Weighted Average Exercise Price |
|-------------------------------|---------------------------------|--|--|-----------------------------------|--|
| ----- | ----- | ----- | ----- | ----- | ----- |
| \$0.05 | 600,000 | \$0.05 | 4.3 | 262,500 | \$0.05 |
| \$0.25 | 1,589,000 | \$0.25 | 4.3 | 624,813 | \$0.25 |
| \$0.50 | 258,000 | \$0.50 | 4.6 | 76,313 | \$0.50 |

NOTE 11 - Income Taxes

Income tax expense includes federal and state taxes currently payable and deferred taxes arising from timing differences between income for financial reporting and income tax purposes.

The Company has adopted Statement of Financial Accounting Standards Number 109 ("SFAS No. 109") "Accounting for Income Taxes." SFAS No. 109 requires an asset and liability approach for financial accounting and reporting for income tax purposes. This statement recognizes (a) the amount of taxes payable or refundable for the current year and (b) deferred tax liabilities and assets for future tax consequences of events that have been recognized in the financial statements or tax returns.

Deferred income taxes result from temporary differences in the recognition of accounting transactions for tax and financial reporting purposes. There were no temporary differences at June 30, 2003 and earlier years; accordingly, no deferred tax liabilities have been recognized for all years.

The Company has cumulative net operating loss carryforwards of over \$11,100,000 at June 30, 2003 and \$9,100,000 at September 30, 2002. No effect has been shown in the financial statements for the net operating loss carryforwards as the likelihood of future tax benefit from such net operating loss carryforwards is not probable. Accordingly, the potential tax benefits of the net operating loss carryforwards at June 30, 2003 and September 30, 2002 have been offset by valuation reserves of the same amount.

Deferred tax assets and the valuation account at June 30, 2003 and at

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September 30, 2002 are as follows:

| Deferred Tax Asset | June 30, 2003 | September 30, 2002 |
|-------------------------------------|---------------|--------------------|
| | ----- | ----- |
| Net Operating Loss Carryforwards \$ | 4,600,000 | \$ 3,800,000 |
| Valuation Allowance | (4,600,000) | (3,800,000) |
| | ----- | ----- |
| Total | \$ - | \$ - |

NOTE 11 - Net Earnings (Loss) Per Share

Basic earnings (loss) per common share ("BEPS") are based on the weighted-average number of common shares outstanding during each period. Diluted earnings (loss) per common share ("DEPS") are based on shares outstanding (computed under BEPS) plus dilutive potential common shares. Shares from the exercise of the outstanding options were not included in the computation of DEPS, because their inclusion would have been antidilutive for the nine months ended June 30, 2003.

The following data shows the shares used in the computing loss per common share including dilutive potential common stock at June 30, 2003:

| | Amount |
|---|------------|
| | ----- |
| Common shares outstanding including 2,000,000 convertible note shares issued to Riverbend shareholders at June 30, 2003. | 16,956,641 |
| | ===== |
| Weighted-average number of common shares including 2,000,000 convertible note shares issued to Riverbend shareholders used in basic EPS dilutive effect of options. | 10,364,218 |
| | ===== |
| Weighted-average number of common shares and dilutive potential common shares including 2,000,000 convertible note shares issued to Riverbend shareholders used in diluted EPS. | 10,364,218 |
| | ===== |

NOTE 12 - Going Concern

Our financial statements are prepared using generally accepted accounting principles 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. However, we have undertaken the following to meet our liquidity requirements:

- (a) Seek additional equity funding through private placements to raise sufficient funds to continue operations and fund its

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ongoing development, merger and acquisition activities. In May 2003, we commenced a \$5,000,000 private placement, the proceeds of which will be used for (i) corporate administration, (ii) the expansion of subsidiary operations, and (iii) expenses and funds advanced for acquisitions in 2003. In conjunction with the private placement, we have engaged various financial advisory firms and other finders to identify prospective investors. We completed the private offering on October 31, 2003.

- (b) Continue conversion of certain outstanding loans and payables into common stock in order to reduce future cash obligations;
- (c) Generate sufficient cash flow to sustain and grow subsidiary operations and, if possible, create excess cash flow for corporate administrative expenses through our operating subsidiaries; and
- (d) Identify prospective acquisition targets with sufficient cash flow to fund subsidiary operations, as well as potentially generating operating cash flow that may sustain corporate administrative expenses.

Trinity's future capital requirements will depend on its 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.

NOTE 13 - New Technical Pronouncements

In October 2002, Statement of Financial Accounting Standards Number 147 ("SFAS 147"), "Acquisitions of Certain Financial Institutions an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9" was issued to be used in acquisitions of financial institutions after October 1, 2002. It is anticipated that SFAS 147 will have no effect upon the Company's financial statements.

In December 2002, Statement of Financial Accounting Standards Number 148 ("SFAS 148"), "Accounting for Stock-Based Compensation Transition and Disclosure an amendment of FASB Statement No. 123" was issued for fiscal years beginning after December 15, 2003. It is anticipated that SFAS 148 will have no effect upon the Company's financial statements.

In April 2003, Statement of Financial Accounting Standards Number 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" was issued for fiscal quarters that began prior to June 15, 2003. Adoption of SFAS 149 will have no effect upon the Company's financial statements.

In May 2003, Statement of Financial Accounting Standards Number 150 ("SFAS 150"), "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" was issued for the first interim period beginning after June 15, 2003. The Company anticipates that SFAS 150 may impact the accounting for certain future acquisitions and the anticipated distribution of stock for services.

NOTE 14 - Subsequent Events

On July 8, 2003, we issued a five-year warrant to Merriman, Curran, Ford & Co. a financial service company, to purchase up to 20,000 shares of our common stock for a period of five years at \$0.50 per share in consideration for financial advisory services provided to us by the firm.

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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. 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. We had previously loaned TouchVision the sum of \$50,000 in June, 2003 by way of bridge financing pending completion of the acquisition. In connection with the acquisition, TouchVision entered into substantially similar employment agreements with each of Messrs. Gregory L. Roche and Larry J. Mahar, the former principals of TouchVision, which have a term of two years and provide for annual salaries of \$120,000. In conjunction with the acquisition of TouchVision, we issued 735,000 stock options pursuant to the 2002 Stock Plan at \$0.50 per share.

On September 1, 2003, we completed the acquisition of all of the issued and outstanding shares of River Murray Training Pty Ltd ("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. We also loaned US\$49,000 to RMT for the purpose of repaying outstanding loans advanced to RMT by its former shareholders.

On September 1, 2003, we completed the acquisition of 51% of the issued and outstanding shares of Ayrshire Trading Limited, a British Virgin Islands company ("Ayrshire") that owns 95% of Riverbend Group Holdings (Proprietary) Limited ("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. Of these shares, up to 400,000 may be withheld in satisfaction for any breach of warranties by the former shareholders of Ayrshire. The Ayrshire shares are subject to escrow and pledge agreements 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.

As further consideration for the Ayrshire shares, we agreed to make a non-interest-bearing loan of \$1,000,000 to Ayrshire, \$300,000 of which was advanced at closing and \$700,000 was advanced On November 3, 2003. 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.

During the period June 1, 2003 to October 31, 2003, we sold by way of private placement an aggregate of 5,143,300 units at a price of \$1.00 per unit, for aggregate consideration of \$5,143,300. Each unit comprised two shares of our common stock and two warrants, each exercisable for one additional share of our common stock. In addition, each unit carried the right to acquire an additional warrant to purchase, under certain conditions, up to one additional share of common stock. In connection with

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the private placement, we paid \$448,105 in commissions and issued to various financial advisors, 567,160 additional shares of our common stock and five-year warrants to purchase 207,050 shares of our common stock. In our opinion, the offer and sale of these securities was exempt by virtue of Section 4(2) of the Securities Act and the rules promulgated thereunder.

On September 12, 2003, we filed a Complaint in the United States District Court for the District of Utah, Central Division, against CBL Global Corporation (f/k/a CBL Acquisition Corporation), and Robert Stephen Scammell, the sole shareholder of CBL-California, (Case No. 2:03CV00798DAK) alleging, among other things, that Scammell and CBL-California provided us with misstated financial statements prior to our merger in October 2002 with CBL-California and CBL Global. On September 18, 2003, we filed a First Amended Complaint and Jury Demand, which added as defendants CBL-Global and Brian Kennedy, the sole shareholder of CBL-Australia. The First Amended Complaint alleges causes of action for violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, for violations of Section 20(a) of the Securities Exchange Act of 1934, for declaratory relief and breach of contract, for common law fraud, and for negligent misrepresentation.

The First Amended Complaint alleges, among other things, that the defendants were advised by CBL-California's accountant on September 18, 2002 that CBL-California's financial statements were misstated, and alleges that new restated financial statements were issued on September 19, 2002. The First Amended Complaint alleges, however, that the restated financial statements were not provided to us prior to the October 1, 2002 closing of the merger. The First Amended Complaint seeks damages in an amount to be proven at trial, but which amount presently is estimated to exceed, at a minimum, the full amount of the consideration paid by us and CBL Global in the merger, as well as treble damages, and attorneys' fees. The First Amended Complaint also seeks a declaration that we (i) are entitled to retain certain of our shares of common stock that were issued in connection with the acquisition of CBL and placed in escrow, (ii) are entitled to set-off amounts owed to Messrs. Scammell and Kennedy pursuant to the CBL acquisition; and (iii) are entitled to seek the return of the shares of our common stock that have already have been distributed to defendants Messrs. Kennedy and Scammell in the merger. We intend to vigorously pursue our claims against the defendants.

On September 18, 2003 we announced that we had entered into a definitive agreement to acquire majority control of IRCA (Pty.) Ltd. ("IRCA"), an international firm specializing in corporate learning, certification, and risk mitigation in the areas of safety, health environment, and quality assurance ("SHEQ"). We anticipate closing this transaction within the next 30 days. IRCA is headquartered in South Africa and also operates international sales offices and operations in the United Kingdom and the United States. We will acquire majority interest in IRCA through a combination of stock and cash payments. The definitive agreement contains certain closing conditions and certain future provisions that will enable Trinity to acquire full ownership of IRCA and its various operating subsidiaries.

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Trinity Learning Corporation

Unaudited Pro Forma Consolidating Financial Statements

June 30, 2003

Trinity Learning Corporation

Unaudited Pro Forma Consolidating Balance Sheet

June 30, 2003

| | Trinity | Riverbend | Adjustments | | Total |
|-------------------------------------|---------------------|---------------------|--------------|--------------|---------------------|
| | | | Debits | Credits | |
| Assets | | | | | |
| Current Assets | | | | | |
| Cash | \$ 86,511 | \$ 34,708 | | c) 100,000 | \$ 21,219 |
| Accounts Receivable | 42,719 | 903,122 | | | 945,851 |
| Interest Receivable | 41 | - | | | 41 |
| Prepaid Expense | 97,944 | 606,425 | | a) 606,425 | 97,944 |
| Total Current Assets | 227,215 | 1,544,255 | | | 1,065,045 |
| Property & Equipment | | | | | |
| Furniture & Equipment | 53,385 | 393,201 | | b) 233,471 | 213,115 |
| Accumulated Depreciation | (7,824) | (233,471) | b) 233,471 | | (7,824) |
| Net Property & Equipment | 45,561 | 159,730 | | | 205,291 |
| Intangible Asset | | | | | |
| Technology-Based Asset | 1,118,312 | 2,458,432 | a) 1,077,171 | a) 2,458,432 | 2,195,483 |
| Accumulated Amortization | (167,747) | (270,270) | b) 270,270 | | (167,747) |
| Net Intangible Asset | 950,565 | 2,188,162 | | | 2,027,736 |
| Other Asset | | | | | |
| Notes Receivable | 25,000 | - | | | 25,000 |
| Other Asset | 94,003 | 162,519 | | a) 162,519 | 94,003 |
| Other Asset | 119,003 | 162,519 | | | 119,003 |
| Total Assets | \$ 1,342,344 | \$ 4,054,666 | | | \$ 3,417,075 |

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Continued
 Trinity Learning Corporation
 Unaudited Pro Forma Consolidating Balance Sheet
 June 30, 2003

| | Trinity | Riverbend | Adjustments | | Total |
|------------------------------------|--------------|-----------|--------------|--------------|--------------|
| | | | Debits | Credits | |
| Liabilities & Stockholders' Equity | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | 391,872 | 411,692 | | | 803,564 |
| Accrued Expenses | 270,270 | 188,539 | | | 458,509 |
| Deferred Compensation | - | 40,576 | | | 40,576 |
| Interest Payable | 63,987 | 19,807 | | | 63,987 |
| Notes Payable - Related Party | 2,147,151 | - | | | 2,147,151 |
| Total Current Liabilities | 2,873,280 | 640,807 | | | 3,514,087 |
| Long Term Liabilities | | | | | |
| Notes Payable - Related party | - | 284,362 | | | 284,362 |
| Total Long Term Liabilities | | 284,362 | | | 284,362 |
| Total Liabilities | 2,873,280 | 925,169 | | | 3,798,449 |
| Minority Interest | - | 1,388,317 | a) 1,215,554 | c) 26,799 | 149,562 |
| Stockholders' Equity | | | | | |
| Preferred Stock | - | - | | | - |
| Common Stock | 9,693,447 | 3,250 | c) 3,250 | c) 1,000,000 | 10,693,447 |
| Additional Paid In Capital | - | 1,623,523 | c) 1,623,523 | | - |
| Accumulated Earnings (Deficit) | (11,188,913) | 77,837 | a) 972,608 | c) 894,771 | (11,188,913) |
| Subscription Receivable | (35,000) | (80,597) | | a) 80,597 | (35,000) |
| Other Comprehensive Income | (470) | 167,167 | * 167,167 | | (470) |
| Total Stockholders' Equity | (1,530,936) | 1,791,180 | | | (460,936) |

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| | | | |
|--|--------------|-------------|--------------|
| Total Liabilities & Stockholders' Equity | \$ 1,342,344 | \$4,054,666 | \$ 3,417,075 |
| | ===== | ===== | ===== |

* Consists of a)\$162,519 and c)4,648.

Continued

Trinity Learning Corporation
Unaudited Pro Forma Consolidating Financial Statements
June 30, 2003

- a) To adjust Riverbend financial statements to U.S. GAAP financial statements including the write-off of development costs, the reclassification of Prepaid Advertising Expense obtained for issuance of common stock as a Stockholders' Equity - Subscription Receivable and the adjustment to associated accounts - Minority Interest, Other Comprehensive Income and Non-Distributable Reserve.

| | Debits | Credits |
|---|------------|------------|
| | ----- | ----- |
| Income Statement | | |
| ----- | | |
| Depreciation & Amortization - Intangible Assets | \$ 137,719 | |
| Amortization of Non-Distributable Reserve | 101,586 | |
| Tax Credit | 139,793 | |
| Minority Interest in Net Profit, Current Period | 11,955 | |
| Accumulated Earnings | | \$ 391,053 |
| Balance Sheet | | |
| ----- | | |
| Accumulated Amortization - Technology Based Asset | \$ 270,270 | |
| Minority Interest | 1,215,554 | |
| Accumulated Earnings | 391,053 | |
| Accumulated Earnings - Prior Period | 581,555 | |
| Subscription Receivable | 687,022 | |
| Other Comprehensive Income | 162,519 | |
| Prepaid Expense | | \$ 606,425 |
| Technology Based Asset | | 2,458,432 |
| Other Assets | | 162,519 |
| Non-Distributable Reserve | | 80,597 |

- b) To record Riverbend fixed assets at their fair market value based on historical book value less accrued depreciation.

| | Debits | Credits |
|--------------------------|------------|------------|
| | ----- | ----- |
| Furniture and Equipment | \$ 233,471 | |
| Accumulated Depreciation | | \$ 233,471 |

- C) To record the issuance of 2,000,000 shares of Trinity Learning Common Stock, No Par Value, at \$.50 per share for a total of \$1,000,000 the

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cancellation of Ayshire's Equity with a 95% ownership in RGH obtained for \$100,000 and the net investment as a Technology Based - Intangible Asset.

Continued

Trinity Learning Corporation
Unaudited Pro Forma Consolidating Financial Statements
June 30, 2003

| | Debits | Credits |
|---|-------------|------------|
| Income Statement | | |
| ----- | | |
| Minority Interest in Net Profit, Current Period | \$ 66,173 | |
| Accumulated Earnings | | \$ 66,173 |
| Balance Sheet | | |
| ----- | | |
| Technology-Based Asset | \$1,077,171 | |
| Common Stock - Riverbend | 3,250 | |
| Additional Paid in Capital - Riverbend | 1,623,523 | |
| Other Comprehensive Income - Riverbend | 4,648 | |
| Accumulated Earnings | 66,173 | |
| Cash | | \$ 100,000 |
| Minority Interest | | 26,799 |
| Common Stock | | 1,000,000 |
| Accumulated Earnings - Prior Period | | 960,944 |
| Subscription Receivable | | 687,022 |

Continued

Trinity Learning Corporation
Unaudited Pro Forma Consolidating Statement of Operations

| | Trinity | Riverbend | | |
|---------------|------------|--------------|---------|--------------|
| | October | Fiscal | | |
| | 1, 2002 | Year Ended | | |
| | to June | June | Acq'n | |
| | 30, 2003 | 30, 2003 | Entries | Total |
| | | | | |
| Revenue | | | | |
| Sales Revenue | \$ 167,790 | \$ 2,534,640 | | \$ 2,702,430 |

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| | | | | |
|-------------------------------------|---------------|-------------|------------|--------------|
| Cost of Sales | - | (1,292,390) | | (1,292,390) |
| | ----- | ----- | | ----- |
| Gross Profit | 167,790 | 1,242,250 | | 1,410,040 |
| | ----- | ----- | | ----- |
| Expenses | | | | |
| Salaries & Benefits | 1,043,123 | 427,562 | | 1,470,685 |
| Professional Fees | 437,836 | 33,794 | | 471,630 |
| General & Administrative | 274,267 | 210,467 | | 484,734 |
| Travel & Entertainment | 182,593 | 92,773 | | 275,366 |
| Depreciation & Amortization | 175,497 | 365,953 | a) 137,719 | 403,731 |
| Rent | 44,524 | 49,816 | | 94,340 |
| | ----- | ----- | | ----- |
| Total Expense | 2,157,840 | 1,180,365 | | 3,200,486 |
| | ----- | ----- | | ----- |
| Income (Loss) from Operations | (1,990,050) | 61,885 | | (1,790,446) |
| | ----- | ----- | | ----- |
| Other Income (Expenses) | | | | |
| Interest Income | (487) | 10,418 | | 9,931 |
| Interest Expense | (76,865) | (4,133) | | (80,998) |
| Amortization of | | | | |
| Non-Distributable Reserve | - | 101,586 | a) 101,586 | - |
| Foreign Currency Gain/(Loss) | (4,582) | - | | (4,582) |
| | ----- | ----- | | ----- |
| Total Other Income (Expense) | (81,934) | 107,871 | | (75,649) |
| | ----- | ----- | | ----- |
| Income (Loss) Before Taxes | (2,071,984) | 169,756 | | (1,866,095) |
| Tax Credit | - | 139,793 | a) 139,793 | - |
| | ----- | ----- | | ----- |
| Net Income Before Minority Interest | (2,071,984) | 309,549 | | (1,866,095) |
| | ----- | ----- | | ----- |
| Minority Interest | | | a) 11,955 | |
| Minority Interest | - | (102,419) | c) 66,173 | (180,547) |
| Profit from Sale of Shares in | | | | |
| Subsidiaries | - | 32,818 | | 32,818 |
| | ----- | ----- | | ----- |
| Total | - | (69,601) | | (69,601) |
| | ----- | ----- | | ----- |
| Net Income (Loss) | \$(2,071,984) | \$ 239,948 | | \$ 2,013,824 |
| | ===== | ===== | | ===== |

Continued

Trinity Learning Corporation
Unaudited Pro Forma Consolidating Statement of Operations

A summary of the components of other comprehensive income for the transition period from October 1, 2002 to June 30, 2003 is as follows:

| Transition Period October 1, 2002 to June 30, 2003 | |
|--|---------------------|
| ----- | ----- |
| Before Tax Amount | After Tax Amount |
| ----- | ----- |

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| | | |
|----------------------------------|----------------|----------------|
| Net Income (Loss) | \$ (2,013,824) | \$ (2,013,824) |
| Foreign Currency Translation | (470) | (470) |
| | ----- | ----- |
| Total Other Comprehensive Income | \$ (2,014,294) | \$ (2,014,294) |
| | ===== | ===== |

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 hereunto duly authorized.

Date: November 26, 2003

By: /S/ DOUGLAS D. COLE

Douglas D. Cole
Chief Executive Officer