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TRINITY LEARNING CORP  
Form 8-K  
March 01, 2004

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): February 27, 2004  
(December 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 Offices)

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 December 16, 2003, are the financial statements of IRCA (Proprietary) Limited, as of June 30, 2003 and June 30, 2002 along with pro forma financial information giving effect to the acquisition of this entity.

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IRCA (PROPRIETARY) LIMITED  
(Registration number 1986/004379/07)  
ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2003

IRCA (PROPRIETARY) LIMITED

FINANCIAL STATEMENTS  
for the year ended 30 June 2003

The reports and statements set out below comprise the annual financial statements presented to shareholders:

Index	Page
Report of the independent auditors	2
Report of the directors	3 - 4
Balance sheet	5
Income statement	6
Statement of changes in equity	7
Cash flow statement	8
Notes to the financial statements	9 - 28

Approval

The financial statements, which appear on pages 3 to 28, were approved by the board of directors on 10 September 2003 and signed on their behalf.

-----  
Director

-----  
Director

Johannesburg  
10 September 2003

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
IRCA (PROPRIETARY) LIMITED

We have audited the annual financial statements and group financial statements of IRCA (Proprietary) Limited set out on pages 3 to 28 for the year ended 30 June 2003. These 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.

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, the financial statements fairly present, in all material respects, the financial position of the company 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 in South Africa.

Emphasis of matter

Without qualifying our opinion above, we draw your attention to the directors' report relating to the basis of accounting used in the preparation of the financial statements. In the opinion of the directors, the assumption of profitable operations and the continued support of related parties is require in order for the company to continue as a going concern.

BDO Spencer Steward  
Chartered Accountants (South Africa)      Pretoria  
Registered Accountants and Auditors      10 September 2003

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2

The directors present their report for the year ended 30 June 2003. This report forms part of the audited financial statements.

### 1. General review

The company's business and operations and the results thereof 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.

The group is in the business of providing risk management services.

### 2. Statements of responsibility

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with generally accepted accounting practice and in the manner required by the Companies Act, 1973.

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.

### 3. Basis of accounting

The company's ability to continue as a going concern is dependant on a number of factors. The most significant of these is the resumption of profitable operations and the continuation of existing levels of finance from the shareholder until the company is able to meet its obligations in the ordinary course of business.

Based on the above, the directors have developed and are implementing plans that they believe will enable the company to continue as a going concern for the foreseeable future. The financial statements have thus continued to adopt the going concern principle.

### 4. Dividends

The dividends already declared and paid to members during the period are as reflected in the attached statement of changes in equity.

### 5. Share capital

There were no changes in the authorised and issued share capital of the company during the accounting period under review.

### 6. Subsequent events

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

IRCA (PROPRIETARY) LIMITED  
REPORT OF THE DIRECTORS  
for the year ended 30 June 2003

7. Directors

The directors of the company during the accounting period and up to the date of this report were as follows:

8. Subsidiaries

Details relating to subsidiaries have been disclosed in note 5 of these annual financial statements.

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4

IRCA (PROPRIETARY) LIMITED

BALANCE SHEET  
as at 30 June 2003

	Note	Group		Company	
		2003	2002	2003	2002
		R	R	R	R
<b>Assets</b>					
Non-current assets		25 612 285	22 958 379	21 375 564	19 477 266
Property, plant and equipment	3	6 680 687	5 717 472	3 506 901	2 685 966
Intangible assets	4	13 633 703	14 042 161	1 692 295	2 256 393
Deferred tax	13	3 746 026	2 546 954	3 765 044	2 492 107
Investment in subsidiaries	5	-	-	12 401 324	12 032 800
Investment in associates	6	500 571	301 392	10 000	10 000
Investments	7	540 480	350 400	-	-
Loans receivable	8	510 818	-	-	-
		-----	-----	-----	-----
Current assets		21 996 120	22 014 742	16 160 983	16 018 941
Inventories		207 174	238 179	207 174	238 179
Trade and other receivables	20	101 630	211 352	676 924	345 821
Loans receivable		3 593	-	-	-
Bank balances		1 683 723	1 565 211	276 885	434 941
		-----	-----	-----	-----
Total assets		47 608 405	44 973 121	37 536 547	35 496 207
		=====	=====	=====	=====
<b>Equity and liabilities</b>					
Capital and reserves	6	653 410	8 817 135	4 907 257	8 475 390
Issued capital	9	17 716 144	17 716 144	17 716 144	17 716 144
Non-distributable reserve	10	881 693	361 026	-	-
Accumulated loss		(13 186 169)	(10 525 036)	(12 808 887)	(9 240 754)
Minority interest in subsidiaries		1 241 742	1 265 001	-	-
Non-current liabilities		29 552 341	11 247 093	26 099 371	6 682 808
Shareholder's loan	11	26 288 155	-	25 636 840	-
Borrowings	12	3 264 186	11 247 093	462 531	6 682 808
Current liabilities		11 402 655	24 908 893	6 529 919	20 338 009
Taxation		1 516 373	589 547	27 888	45 945
Trade and other payables		8 381 457	19 682 439	6 278 926	16 605 271
Current portion of borrowings	12	1 106 069	3 350 114	-	2 400 000
Bank overdraft	15	175 651	919 235	-	919 235
Dividend	16	223 105	367 558	223 105	367 558
		-----	-----	-----	-----
Total equity and liabilities		47 608 406	44 973 121	37 536 547	35 496 207
		=====	=====	=====	=====

5

IRCA (PROPRIETARY) LIMITED

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INCOME STATEMENT  
for the year ended 30 June 2003

	Note	Group		Company	
		2003 R	2002 R	2003 R	2002 R
Gross revenue		70 681 058	54 555 665	49 895 970	40 960 296
Cost of sales		1 318 209	1 658 818	-	-
Gross profit		69 362 849	52 896 847	49 895 970	40 960 296
Other income		1 548 032	1 184 577	191 960	89 764
Operating costs		69 957 924	53 280 767	52 069 364	41 254 414
Net (profit)/Loss on disposal of subsidiaries		78 547	239 281	(191 960)	400 450
Operating profit	17	874 410	561 376	(1 789 474)	(604 804)
Interest received		282 928	535 137	8 083	102 417
Finance costs	20	(3 183 515)	(1 714 379)	(2 557 396)	(1 375 932)
Loss before taxation		(2 026 177)	(617 866)	(4 338 787)	(1 878 319)
Taxation	21	(221 271)	418 163	(1 217 084)	(376 745)
Loss after taxation		(1 804 906)	(1 036 029)	(3 121 703)	(1 501 574)
Attributable to minority shareholders		409 797	486 290	-	-
Loss attributable to ordinary shareholders		(2 214 703)	(1 522 319)	(3 121 703)	(1 501 574)

6

IRCA (PROPRIETARY) LIMITED

STATEMENT OF CHANGES IN EQUITY  
for the year ended 30 June 2003

Group		Share	Share	Non	Accumulated	Total
		capital	premium	Distributable	loss	
		R	R	reserve	R	R
	Balance at 01 July 2001	3 998 457	13 745 414	311 526	(8 698 263)	9 357 134
	Change in accounting					

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policy as per note 2.2				63 104	63 104
-----					
Restated balance	3 998 457	13 745 414	311 526	(8 635 159)	9 420 238
Net loss for the year				(1 522 319)	(1 522 319)
Dividends				(367 558)	(367 558)
Reversal of revaluation of intellectual property			(307 125)		(307 125)
Currency translation differences			356 625		356 625
Stamp duties written-off		(27 727)			(27 727)
-----					
Balance at 01 July 2002	3 998 457	13 717 687	361 026	(10 205 428)	7 871 742
Change in accounting policy as per note 2.2				(319 608)	(319 608)
Restated balance	3 998 457	13 717 687	361 026	(10 525 036)	7 552 134
Net loss for the year				(2 214 703)	(2 214 703)
Dividends				(446 430)	(446 430)
Surplus on revaluation of laboratory equipment			41 541		41 541
Currency translation differences			479 126		479 126
-----					
Balance at 30 June 2003	3 998 457	13 717 687	881 693	(13 186 169)	5 411 668

Company

	Share capital R	Share premium R	Accumulated loss R	Total R
Balance at 01 July 2001	3 998 457	13 745 414	(7 884 220)	9 859 651
Change in accounting policy as per note 2.2			512 598	512 598
-----				
Restated balances	3 998 457	13 745 414	(7 371 622)	10 372 249
Net loss for the year			(1 501 574)	(1 501 574)
Dividends			(367 558)	(367 558)
Stamp duties written-off		(27 727)		(27 727)
-----				
Balance at 01 July 2002	3 998 457	13 717 687	(9 240 473)	7 898 671
Change in accounting policy as per note 2.2			576 719	576 719
-----				
Restated balance	3 998 457	13 717 687	(9 240 754)	8 475 390
Net loss for the year			(3 121 703)	(3 121 703)
Dividends			(446 430)	(446 430)
-----				
Balance at 30 June 2003	3 998 457	13 717 687	(12 808 887)	4 907 257
-----				

7

IRCA (PROPRIETARY) LIMITED

CASH FLOW STATEMENT  
for the year ended 30 June 2003

Note	Group		Company	
	2003 R	2002 R	2003 R	2002 R



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Cash flows from operating activities	(11 086 947)	(1 695 700)	(13 823 978)	(1 095 104)
Cash utilised in operating activities	24.1 (7 345 363)	(106 733)	(10 609 872)	178 411
Interest received	83 789	243 745	8 083	102 417
Interest paid	(3 183 515)	(1 714 379)	(2 557 396)	(1 375 932)
Dividends paid	24.2 (590 883)	-	(590 883)	-
Taxation refunded/(paid)	24.3 22 935	(118 333)	-	-
Secondary tax on companies paid	24.4 (73 910)	-	(73 910)	-
Cash flows from investing activities	(4 178 941)	(4 218 658)	(2 431 406)	(2 245 224)
EXPENDITURE TO MAINTAIN OPERATING CAPACITY				
Proceeds of disposals of property, plant and equipment	774 909	-	273 279	86 837
Proceeds of disposals of subsidiaries	-	50	-	50
EXPENDITURE FOR EXPANSION				
Property, plant and equipment acquired	(3 864 413)	(2 621 240)	(2 704 685)	(1 711 400)
Intangible assets acquired	(899 357)	-	-	-
Subsidiaries acquired	-	(1 442 376)	-	(610 711)
Investment in associate	-	(10 000)	-	(10 000)
Investments	(190 080)	(145 092)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	16 127 985	4 537 825	17 016 563	1 872 166
Decrease in share premium	-	27 727	-	(27 727)
Loans raised	26 288 155	4 510 098	25 636 840	1 899 893
Loans repaid	(10 160 170)	-	(8 620 277)	-
Increase/(decrease) in cash and cash equivalents	862 097	(1 376 533)	761 179	(1 468 162)
Cash and cash equivalents at beginning of the year	24.6 645 976	2 022 509	(484 294)	983 868
Cash and cash equivalents at end of the year	24.6 1 508 073	645 976	276 885	(484 294)

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The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties.

Unless otherwise specifically stated, the accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year.

### 1.1 Revenue recognition

Revenue is recognised upon delivery of products and acceptance by customer, or performance of services, net of Value Added Tax and discounts.

### 1.2 Basis of consolidation

The consolidated financial statements include those of the holding company and of its subsidiaries. The results of all other subsidiaries are included from the dates effective control was acquired and up to the dates effective control ceased. Intra-group sales and profits are eliminated fully on consolidation.

### 1.3 Associates

An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.

Interests in associates are carried at cost, except where there is a permanent decline in value in which case they are written down.

The share of associated retained earnings and reserves is generally determined from the associate's latest audited financial statements but, in some instances, unaudited interim results are used. Dividends received from associates are included in income from investments.

Where the group's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at nil. Additional losses are only recognized to the extent that the group has incurred obligations or made payments on behalf of the associate.

### 1.4 Investments

Non-current investments excluding marketable securities are shown at cost and adjustments are made only where, in the opinion of the directors, the investment is impaired. Where an investment has been impaired, it is recognised as an expense in the period in which the impairment is identified.

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

### 1.5 Property, plant and equipment

All property, plant and equipment are initially recorded at cost.

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Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Motor vehicles	20 %
Furniture and fittings	10 %
Software development cost	33 %
Office equipment	20 %
Software and electronic equipment	33 %
Leasehold improvements	20 %

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

### 1.6 Intangible assets

Expenditure on acquired patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives. Intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary.

The difference between the fair value of the consideration paid and the fair value of net tangible assets of subsidiaries at the date of acquisition is charged or credited to goodwill arising on consolidation. Goodwill is amortized over a period of 20 years. In the event of a permanent impairment in the value of a subsidiary, the relevant unamortised balance is written off.

The amortisation rates applicable to each category of intangible assets is as follows:

Goodwill on business units acquired	20 %
Goodwill on consolidation	5 %
Patents and trademarks purchased	10 %

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

### 1.7 Leased assets

Leases of property, plant and equipment where the company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are

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depreciated over the useful life of the assets.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

### 1.8 Inventories

Long-term contracts in progress are valued at cost, comprising direct expenditure and attributable overheads, together with a proportion of the estimated total profit earned on the work completed to date, less progress payments received and receivable. Provision is made for all losses expected to arise on completion of the contracts.

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective inventories.

### 1.9 Taxation

Deferred taxation is provided at legislated future rates using the balance sheet liability method. Full provision is made for all temporary differences between the tax base of an asset or liability and its balance sheet carrying amount.

No deferred tax liability is recognised in those circumstances where the initial recognition of an asset or liability has no impact on accounting profit or taxable income.

Assets are not raised in respect of the deferred taxation on assessed losses unless it is probable that future taxable profits will be available against which the deferred tax asset can be realised in the foreseeable future.

Secondary Taxation on Companies is provided in respect of expected dividend payments net of dividends received or receivable and is recognised as a taxation charge for the year.

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

### 1.10 Research and development expenditure

Research and development expenditure, including the design and production of prototypes of new models, is written off as incurred. Development expenditure is charged to operating profit in the period in which it is incurred until all recognised asset recognition criteria are met. Thereafter all direct costs and an appropriate portion of overhead costs incurred in bringing the product to a marketable state are capitalised. Capitalised development costs are amortized based on the estimated unit sales over the life cycle of the product, commencing when the product is available for general release to customers; the amortisation period does not exceed 3 years.

### 1.11 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable

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that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The company recognizes the estimated liability on all products still under warranty at the balance sheet date. This provision is calculated based on service histories. Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

### 1.12 Employee benefits

#### Defined contribution plans

Contributions to a defined contribution plan in respect of service in a particular period are recognised as an expense in that period.

### 1.13 Translation of foreign currencies

#### Transactions

Foreign currency transactions are recorded, on initial recognition in Rand, by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the transaction.

At each balance sheet date:

(a) foreign currency monetary items are reported using the closing rate,

(b) non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction, and

(c) non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

#### Net investment in a foreign entity

Exchange differences arising on a monetary item that, in substance, forms part of the net investment in a foreign entity are classified as equity in the financial statements until the disposal of the net investment, at which time they are recognised as income or expenses.

#### Foreign entities

In translating the financial statements of a foreign entity for incorporation in the financial statements, the following procedures

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are used:

(a) The assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at the closing rate.

(b) Income and expense items of the foreign entity are translated at exchange rates at the dates of the transactions.

(c) All resulting exchange differences are classified as equity until the disposal of the net investment.

### 1.14 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 1.15 Comparative figures

Comparative figures are regrouped or restated where necessary in accordance with current year classifications.

## 2. Changes in accounting policy

### 2.1 Investments

The goodwill paid on investments in subsidiaries are no longer being amortised by the holding company. Investment in subsidiaries are now stated at cost less any impairment on the investments.

### 2.2 Retained profits at beginning of year

The effect of the change in accounting policy referred to in 2.1 on retained profits at the beginning of the year has been as follows:

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

	Group		Company	
	2002	2001	2002	2001
	R	R	R	R
- Accumulated loss as previously reported	(10 205 428)	(8 698 263)	(9 817 473)	(7 884 220)
- Prior year adjustment relating to years before 2002	63 104	63 104	512 599	512 599
- Restatement of 2002 results	181 386	-	628 217	-
- Amortisation of intangible assets	(564 098)	-	(564 098)	-
Restated retained earnings	(10 525 036)	(8 635 159)	(9 240 755)	(7 371 621)
	=====	=====	=====	=====

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The effect on the group's balance sheet is as follows:

		Net	Tax	Total
- Decrease in value of consolidation goodwill	- 2002	(2 565 975)	-	(2 565 975)
		=====	=====	=====
- Increase in value of intangible assets	- 2002	2 256 393	-	2 256 393
		=====	=====	=====

The effect on the company's balance sheet is as follows:

		Net	Tax	Total
- Decrease in value of investments	- 2002	(2 820 491)	-	(2 820 491)
- Increase in value of intangible assets	- 2002	2 256 393	-	2 256 393

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

3. Property, plant and equipment

Group

	2003			2002		
	Cost/ valuation	Accumulated Depre- ciation	Carrying value	Cost/ valuation	Accumulated deprec- iation	Carrying value
Owned assets -						
Land and buildings	-	-	-	416 388	-	416 388
Laboratory equipment	3 898 562	1 791 750	2 106 812	3 476 072	1 601 214	1 874 858
Motor vehicles	363 146	290 840	72 306	519 266	463 690	55 576
Furniture and fittings	660 081	331 273	328 808	604 608	280 854	323 754
Software development cost	3 204 169	1 947 233	1 256 936	2 375 267	1 193 451	1 181 816
Office equipment	887 820	631 447	256 373	749 110	555 782	193 328
Computer equipment	54 962	5 130	49 832	1 053	211	842
Computer software and electronic equipment	2 431 280	1 165 523	1 265 757	1 912 388	702 536	1 209 852
Leasehold improvements	322 278	198 039	124 239	264 423	171 069	93 354
	-----	-----	-----	-----	-----	-----
	11 822 298	6 361 235	5 461 063	10 318 575	4 968 807	5 349 768
	-----	-----	-----	-----	-----	-----

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	2003			2002		
	Cost/ valuation	Accumulated Depre- ciation	Carrying value	Cost/ valuation	Accumulated deprec- iation	Carrying value
Owned assets - Instalment sale agreement						
Laboratory equipment	-	-	-	250 000	112 500	137 500
Motor vehicles	236 235	53 077	183 158	236 234	6 030	230 204
Office equipment	336 322	33 632	302 690	-	-	-
Computer software and electronic equipment	906 813	173 037	733 776	-	-	-
	1 479 370	259 746	1 219 624	486 234	118 530	367 704
	13 301 668	6 620 981	6 680 687	10 804 809	5 087 337	5 717 472

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying Value at beginning of Year	Reclassified Additions	on Disposals	Depre- ciation	Carrying value at end of year
	R	R	R	R	R
Owned assets					
Land and buildings	416 388	-	(416 388)	-	-
Laboratory equipment	1 874 858	597 491	-	(316 228)	2 106 812
Motor vehicles	55 576	45 000	-	(7 181)	72 306
Furniture and fittings	323 754	63 822	-	(58 768)	328 808
Software development cost	1 181 816	828 904	-	(753 784)	1 256 936
Office equipment	193 328	108 426	-	41 032	256 373
Computer equipment	842	-	53 910	(4 920)	49 832
Computer software and electronic equipment	1 209 852	971 191	(78 689)	(278 899)	1 265 757
Leasehold improvements	93 354	57 855	-	(26 970)	124 239
	5 349 768	2 672 689	(24 779)	(710 745)	5 461 063



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	Carrying Value at beginning of Year R	Additions R	Reclassified on R	Disposals R	Depre- ciation R	Carrying value at end of year R
Owned assets - Instalment sale agreement						
Laboratory equipment	137 500	-	-	(137 500)	-	-
Motor vehicles	230 204	-	-	-	(47 046)	183 158
Office equipment	-	336 322	-	-	(33 632)	302 690
Computer software and electronic equipment	-	855 402	78 689	(25 759)	(174 556)	733 776
	367 704	1 191 724	78 689	(163 259)	(255 234)	1 219 624
	5 717 472	3 864 413	53 910	(874 004)	(2 081 104)	6 680 687

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

Company

	Cost/ valuation R	2003 Accumulated Depre- ciation R	Carrying value R	Cost/ valuation R	2002 Accumulated Depre- ciation R	Carrying value R
Owned assets						
Motor vehicles	4 000	1 800	2 200	4 000	1 000	3 000
Furniture and fittings	561 066	284 152	276 914	547 290	241 861	305 429
Software development cost	3 203 421	1 947 150	1 256 271	2 375 267	1 193 451	1 181 816
Computer software and electronic equipment	2 200 560	962 820	1 237 740	1 686 291	490 570	1 195 721
	5 969 047	3 195 922	2 773 125	4 612 848	1 926 882	2 685 966

	Cost/ valuation R	2003 Accumulated Depre- ciation R	Carrying value R	Cost/ valuation R	2002 Accumulated Depre- ciation R	Carrying value R
Owned assets - Instalment sale agreement						
Computer software and electronic						

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equipment	906 813	173 037	733 776	-	-	-
	6 875 860	3 368 959	3 506 901	4 612 848	1 926 882	2 685 966

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying Value at beginning of Year R	Additions R	Reclassified on Disposals R	Depre- ciation R	Carrying value at end of year R
Owned Assets - Installment sale agreement Computer software and electronic equipment	-	855 402	78 689	(25 759)	733 776
	2 685 966	2 704 685	-	(346 355)	3 506 901

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

4. Intangible assets

Group

	Cost/ valuation R	2003 Accumulated Depre- ciation R	Carrying value R	Cost/ valuation R	2002 Accumulated Depre- ciation R	Carrying value R
Goodwill on business units acquired	3 653 190	1 183 710	2 469 480	2 820 491	564 098	2 256 393
Consolidation goodwill	10 824 327	1 498 293	9 326 034	10 732 183	963 108	9 769 075
Patents and trademarks purchased	2 666 742	828 553	1 838 189	2 666 742	650 049	2 016 693
	17 144 259	3 510 556	13 633 703	16 219 416	2 177 255	14 042 161

The carrying amounts of intangible assets can be reconciled as follows:

Carrying value at beginning of	Carrying value at end
--------------------------------------	--------------------------

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	year	Additions	Amortisation	of year
Goodwill on business units acquired	2 256 393	832 698	(619 611)	2 469 480
Consolidation goodwill	9 769 075	66 659	(509 700)	9 326 034
Patents and trademarks purchased	2 016 693	-	(178 504)	1 838 189
	14 042 161	899 357	(1 307 815)	13 633 703

Company

	2003		2002			
	Cost/ valuation R	Accumulated Depre- ciation R	Carrying value R	Cost/ valuation R	Accumulated Depre- ciation R	Carrying value R
Goodwill on business units acquired	2 820 491	1 128 196	1 692 295	2 820 491	564 098	2 256 393

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

The carrying amounts of intangible assets can be reconciled as follows:

	Carrying value at beginning of year R	Amortisation R	Carrying value at end of year R
Goodwill on business units acquired	2 256 393	(564 098)	1 692 295

	2003 R	Group 2002 R	2003 R	Company 2002 R
5. Investment in subsidiaries				
Shares at cost	-	-	13 137 019	13 644 582
Loans to subsidiaries	-	-	474 176	435 120
International Risk Control Australia (Pty) Ltd	-	-	329 761	388 299
Chemtaur (Pty) Ltd	-	-	144 415	46 821
	-----	-----	-----	-----
	-----	-----	-----	-----

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	-	-	13 611 195	14 079 702
Less:				
Loans from subsidiaries	-	-	1 209 871	2 046 902
Business System & Metrics (Pty) Ltd	-	-	914 482	914 482
Poltech (Pty) Ltd	-	-	4 771	841 802
Netrisk (Pty) Ltd	-	-	290 618	290 618
	-	-	12 401 324	12 032 800
	=====	=====	=====	=====

Loans from and to subsidiaries are unsecured and not subject to any fixed terms of repayment. No interest is charged by subsidiaries at present but these arrangements are subject to revision from time to time.

The aggregate amounts owing by and to subsidiaries, including the loans above and current accounts, are as follows:

Owing by subsidiaries	7 069 666	5 566 312	475 726	436 669
	=====	=====	=====	=====
Owing to subsidiaries	6 418 361	9 474 865	1 822 049	2 337 383
	=====	=====	=====	=====

Interest in subsidiaries

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

	Issued Share Capital R	holding		Percentage		Shares at cost	
		2003 %	2002 %	2003 R	2002 R		
International Loss Control Africa (Pty) Ltd	2 000	100	100	-	-		
Occupational Health Africa (Pty) Ltd	10	100	100	-	-		
Business Systems & Metrics (Pty) Ltd	100	100	100	914 483	914 483		
International Risk Control Australia (Pty) Ltd	1	60	60	625 399	625 399		
International Risk Control America Inc.	8 000	100	70	4 127 972	4 127 972		
Poltech (Pty) Ltd	120	-	100	-	7 378 566		
Netrisk (Pty) Ltd	120	100	100	290 518	290 518		
International Loss Control Africa (Pty) Ltd	2 000	100	100	10	10		
International Occupational Health Africa (Pty) Ltd	10	100	100	210 000	210 000		
Chemtaur Technologies (Pty) Ltd	200	-	75	6 968 636	6 968 637		
				13 137 019	13 644 582		
				=====	=====		

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	2003 R	Group 2002 R	2003 R	Company 2002 R
6. Investment in associates				
Associates	500 571	301 392	10 000	10 000
Equity accounted BSI Quality Services (Pty) Ltd				
40% interest in unlisted shares of BSI Quality Services (Pty) Ltd, a company involved in quality testing laboratories.				
Carrying value of investment:				
Shares at cost	10 000	10 000	10 000	10 000
Retained earnings since acquisition	490 531	291 392	-	-
	-----	-----	-----	-----
	500 531	301 392	10 000	10 000
	=====	=====	=====	=====

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

Summary financial information of BSI Quality Services (Pty) Ltd

	2003 R	Group 2002 R	2003 R	Company 2002 R
Assets				
Non current	340 951	422 049	-	-
Current	4 635 763	4 015 543	-	-
	-----	-----	-----	-----
	4 976 714	4 437 592	-	-
	=====	=====	=====	=====
Equity and liabilities				
Equity and reserves	2 736 327	2 238 478	-	-
Non current liabilities	114 129	113 859	-	-
Current liabilities	2 126 258	2 085 255	-	-
	-----	-----	-----	-----
	4 976 714	4 437 592	-	-
	=====	=====	=====	=====
Turnover	10 246 657	5 637 184	-	-
	=====	=====	=====	=====
Net profit	497 849	728 480	-	-

Babu's Laboratory Services (Pty) Ltd

40% interest in unlisted shares of Babu's Laboratory Services (Pty) Ltd, a company  
involved in laboratory services.

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Carrying value of investment:

Shares at cost	40	-	-	-
	=====	=====	=====	=====

Summary financial information of Babu's Laboratory Services (Pty) Ltd

Assets

Non current	224 250	-	-	-
Current	-	-	-	-
	-----	-----	-----	-----
	224 250	-	-	-
	=====	=====	=====	=====

Equity and liabilities

Equity and reserves	(286 568)	-	-	-
Non current liabilities	510 818	-	-	-
Current liabilities	-	-	-	-
	-----	-----	-----	-----
	224 250	-	-	-
	=====	=====	=====	=====

Turnover

	-	-	-	-
	=====	=====	=====	=====

Net loss

	(239 213)	-	-	-
	=====	=====	=====	=====

7. Investments

Momentum Endowment Policy	540 480	350 400	-	-
	=====	=====	=====	=====

The guaranteed amount of the policy is R 640 720 payable on 1 January 2005.

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

	2003	Group	2003	Company
	R	2002	R	2002
		R		R
8. Loans receivable				
Babu's Laboratory Services (Pty) Ltd	510 818	-	-	-
	=====	=====	=====	=====

The loan is unsecured, bears no interest and has no fixed term of repayment.

9. Issued capital

Authorised				
- 200 000 Ordinary shares of 10 cent each	20 000	20 000	20 000	20 000
- 20 000 Redeemable Preference shares of 1 cent each with a preference dividend rate of 67% of the prime interest rate.	200	200	200	200
	=====	=====	=====	=====

Issued

-134 569 Ordinary shares of 10 cent each	13 457	13 457	13 457	13 457
--	--------	--------	--------	--------

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-3 985 Redeemable Preference shares of 1 cent each	40	40	40	40
--	----	----	----	----

Share premium

- Redeemable preference shares	3 984 960	3 984 960	3 984 960	3 984 960
- Ordinary shares	13 717 687	13 717 687	13 717 687	13 717 687
	-----	-----	-----	-----
	17 716 144	17 716 144	17 716 144	17 716 144
	=====	=====	=====	=====

The 3 985 redeemable preference shares may be redeemed at the company's option, at a premium of R 999.99 per share.

10. Non-distributable reserve				
Balance at beginning of year	361 026	311 526	-	-
Movement during year:				
-Surplus arising from revaluation of laboratory equipment.	41 541	(307 125)	-	-
-Currency translation differences	479 126	356 625	-	-
	-----	-----	-----	-----
Balance at end of year	881 693	361 026	-	-
	=====	=====	=====	=====
Comprising:				
Surplus arising from revaluation of laboratory equipment.	41 541	-	-	-
Currency translation differences	840 152	361 026	-	-
	-----	-----	-----	-----
	881 693	361 026	-	-
	=====	=====	=====	=====

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

	2003	Group	2003	Company
	R	2002	R	2002
		R		R
11. Shareholder's loan				
IRCA Investments (Pty) Ltd	26 288 155	-	25 636 840	-
	=====	=====	=====	=====

The loan is unsecured, has no fixed terms of repayment and a portion of the loan bears interest at a rate of prime + 2%.

12. Borrowings				
Nedcor loan	1 026 053	1 621 216	-	-
Mortgage Bond	2 637 600	2 867 425	-	-
Instalment sale agreements	1 021 966	232 788	777 896	-
Glenrand MIB Limited	-	9 875 777	-	9 082 808
	-----	-----	-----	-----
	4 685 619	14 597 206	777 896	9 082 808

Less: Current portion included in:

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- Trade and other payables	(315 365)	-	(315 365)	-
- Current portion of borrowings	(1 106 068)	(3 350 113)	-	(2 400 000)
	-----	-----	-----	-----
	3 264 186	11 247 093	462 531	6 682 808
	=====	=====	=====	=====

The Nedcor loan bears interest at 10% per annum and is repayable in monthly instalments of R 42 794 commencing 1 April 2002. Secured by laboratory equipment with a book value of R 1 857 544 (2002 - R 1 800 905)

The mortgage bond is a secured loan bearing interest at 13.45% per annum repayable in monthly instalments of R 55 771 commencing 1 March 2002.

Secured as follows:

A first mortgage bond over portion 316 of the Farm The Willows No. 340 for an amount of R 1 000 000; a first mortgage bond by SJD Nel over Erf 3602 Randpark Ridge Ext. 54 for an amount of R 650 000; a first mortgage bond by SJ Van Rensburg over Erf 3417 Eldoraigine Ext. 32 for an amount of R 800 000; a first mortgage bond by PD Van Dyk over Erf 1018 Ext 2 for an amount of R 100 000; a first mortgage bond by D Bakker over portion 3 of Erf 1746 Highveld Ext 7 for an amount of R 1 200 000; cession of a life insurance policy in the name of SJD Nel for an amount of R 200 000; cession of homeowners insurance and SASRIA policy for replacement value of improvements on any property mortgaged; cession of a cash investment of R 100 000 by SJD Nel; suretyship by SJD Nel, DM Van Dyk, D Bakker, M Bakker, J van Rensburg, PD van Dyk, SF Van Rensburg and WA Lombard

Liabilities under instalment sale agreements are payable over periods from 1 to 3 years at effective interest rates ranging from 16% to 17% per annum. Secured by property plant and equipment as per note 2.

IRCA (PROPRIETARY) LIMITED  
 NOTES TO FINANCIAL STATEMENTS  
 at 30 June 2003

	2003	Group	2003	Company
	R	2002	R	2002
		R		R
13. Deferred tax				
Balance at beginning of year	2 546 954	2 069 417	2 492 107	2 069 417
Movements during year attributable to:				
- Temporary differences	318 001	(10 593)	391 956	246 840
- Tax losses	881 071	175 850	880 981	175 850
- Acquired	-	312 280	-	-
	-----	-----	-----	-----
Balance at end of year	3 746 026	2 546 954	3 765 044	2 492 107
	=====	=====	=====	=====
The balance comprises:				
- Capital allowances	(264 295)	-	-	-
- Provisions	269 898	324 725	24 621	269 898
	-----	-----	-----	-----



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- Tax losses	3 675 679	2 222 209	3 675 679	2 222 209
	=====	=====	=====	=====
	3 681 282	2 546 934	3 700 300	2 492 107
	=====	=====	=====	=====

14. Employee benefits

Pensions

Defined contribution retirement plan

It is the policy of the company to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. All the schemes are funded both by member and by company contributions, which are charged to the income statement as they are incurred. The total company contribution to such schemes in 2003 was R1 670 125 (2002: R1 792 739). The total group contribution to such schemes in 2003 was R 3 167 412 (2002: R1 792 739).

15. Bank overdraft

The banking facilities of one of the company's subsidiaries, Inspectorate M&L (Pty) Ltd is secured by a cession of book debts and the Momentum endowment policy.

16. Dividends

Cumulative preference dividend of

R 22.32 per share	446 430	367 558	446 430	367 558
	=====	=====	=====	=====
Comprising:				
Dividends paid	223 325	-	223 325	-
Dividends provided as payable in cash	223 105	367 558	223 105	367 558
	-----	-----	-----	-----
	446 430	367 558	446 430	367 558
	=====	=====	=====	=====

IRCA (PROPRIETARY) LIMITED  
 NOTES TO FINANCIAL STATEMENTS  
 at 30 June 2003

	2003	Group	2003	Company
	R	2002	R	2002
		R		R
17. Operating profit				
Operating profit is stated after:				
Income				
Income from subsidiaries	1 071 003	118 761	1 071 003	-
-Interest	-	118 761	-	-
-Administration fees	1 071 003	-	1 071 003	-
Profit on foreign exchange	-	104 236	-	89 764

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Expenditure				
Auditors' remuneration	390 540	382 006	210 749	149 529
-Audit fee	290 060	382 006	98 586	149 529
-Prior year under-provision	100 480	-	112 163	-
Depreciation				
-Property, plant and equipment	3 388 918	2 548 299	2 101 370	1 609 910
-Amortisation of intangible assets	2 081 103	1 286 648	1 537 272	1 045 812
Lease rentals	1 307 815	1 261 651	564 098	564 098
-Premises	3 314 891	2 058 020	1 569 200	1 144 296
-Motor vehicles	1 944 045	1 148 539	680 942	531 898
-Equipment	80 979	138 352	-	-
	1 289 867	771 129	888 258	612 398
Loss on disposals of property, plant and equipment				
	99 095	52 776	73 076	37 603
Loss on foreign exchange	32 791	-	74 095	-
		=====	=====	=====

18. Director's emoluments Emoluments received

Directors - executive				
-In connection with the affairs of the company or its subsidiaries				
	3 564 527	6 124 802	3 232 564	5 840 776
	=====	=====	=====	=====

Details of directors' service contracts

No directors have service contracts with notice periods in excess of one year and with provisions for predetermined compensation on termination of the contracts exceeding one year's salary and benefits in kind.

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

19. Discontinued operation

On 1 March 2003 a division of IRCA (Pty) Ltd was transferred to a subsidiary Poltech (Pty) Ltd.

The results relating to this division in the records of IRCA (Pty) Ltd are as follows:

		Gross	Taxation	Net
Operating profit	-2003	(1 169 835)	-	(1 169 835)
	-2002	(2 319 588)	-	(2 319 588)
		=====	=====	=====
Loss on closure of division	-2003	(191 960)	(11 518)	(180 442)
		=====	=====	=====

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	2003	Group	2003	Company
	R	2002	R	2002
		R		R
20. Finance costs				
Long-term loans	2 966 449	1 690 131	2 465 823	1 375 135
Bank overdrafts and acceptances	19 952	22 073	-	-
Finance leases	144 721	1 227	91 573	797
Other	52 393	948	-	-
	-----	-----	-----	-----
	3 183 515	1 714 379	2 557 396	1 375 932
21. Taxation				
South African normal tax				
- Current tax	922 800	537 475	-	-
- Deferred tax				
Current year	(1 199 072)	(165 257)	(1 272 937)	(422 690)
- Prior year adjustments	(852)	-	-	-
	(277 124)	372 218	(1 272 937)	(422 690)
	-----	-----	-----	-----
Secondary tax on companies	55 853	45 945	55 853	45 945
	-----	-----	-----	-----
Tax for the year	(221 271)	418 163	(1 217 084)	(376 745)
	=====	=====	=====	=====
Reconciliation of rate of taxation				
South African normal tax rate	30.0	30.0	30.0	30.0
	-----	-----	-----	-----
Adjusted for:				
- Disallowable expenditure (exempt income)	(25.0)	(90.0)	(3.0)	(13.0)
- Secondary tax on companies	3.0	(7.0)	1.0	3.0
	-----	-----	-----	-----
Net reduction	(22.0)	(97.0)	(2.0)	(10.0)
	-----	-----	-----	-----
Effective rate	8.0	(67.0)	28.0	20.0
	=====	=====	=====	=====

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

No provision has been made for 2003 taxation as the company has an estimated tax loss of R12 252 262 (2002 : R9 531 172) which will be available for set off against future taxable income.

	2003	Group	2003	Company
	R	2002	R	2002
		R		R
22. Related parties				

Identity of related parties

The company's principal shareholders are IRCA Investments (Pty) Ltd and Catwalk 404 (Pty) Ltd. Both companies are incorporated in South Africa.

The subsidiaries of the group are identified in note 5 and the associates and joint venture in note 6.

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The directors are listed in the directors' report.

Loans to/from related parties

For details on loans to/from the holding company , refer to note 11.

For details on loans to/from subsidiaries, refer to note 5.

For details on loans to/from associates and joint ventures, refer to note 6.

Directors

For details on directors' remuneration, refer to note 18.

For information about directors' service contracts, refer to note 18.

### 23. Commitments

Operating lease commitments

The future minimum lease payments under non-cancelable operating leases are as follows:

Not later than 1 year	968 115	-	968 115	-
Later than 1 year and not later than 5 years	1 059 060	-	1 059 060	-
	-----		-----	-----
	2 027 175	-	2 027 175	-
	=====		=====	=====

IRCA (PROPRIETARY) LIMITED  
NOTES TO FINANCIAL STATEMENTS  
at 30 June 2003

	2003	Group	2003	Company
	R	2002	R	2002
		R		R

### 24. Notes to the cash flow statement

#### 24.1 Cash utilised in operating activities

Net loss before taxation	(2 026 177)	(617 866)	(4 338 787)	(1 878 319)
Adjustments for:				
Depreciation and amortisation	3 388 918	2 548 299	2 101 370	1 609 910
Interest received	(282 928)	(535 137)	(8 083)	(102 417)
finance costs	3 183 515	1 714 379	2 557 396	1 375 932
Movement due to prior year adjustment in investments	(426 939)	-	(426 939)	-
Loss on disposals of property, plant and equipment	99 095	52 776	73 076	37 603
Loss on disposals of subsidiaries and associates	78 547	239 281	(191 960)	400 450
Retained income from associates	(199 139)	(291 392)	-	-
Other non cash items	-	-	250 498	-

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	3 814 892	3 110 340	16 571	1 443 159
Movements in working capital				
Decrease/(increase) in inventories	31 005	(60 578)	31 005	(189 545)
Decrease/(increase) in accounts receivable	109 722	(3 397 432)	(331 103)	(4 695 382)
(Decrease)/increase in accounts payable	(11 300 982)	240 937	(10 326 345)	3 620 179
	(7 345 363)	(106 733)	(10 609 872)	178 411
24.2 Reconciliation of dividends paid during year				
Appropriation in income statement	(446 430)	(367 558)	(446 430)	(367 558)
Movement in dividend payable	(144 453)	367 558	(144 453)	367 558
Payments made	(590 883)	-	(590 883)	-
24.3 Reconciliation of taxation paid during year				
Charge in income statement	221 271	(418 163)	1 217 084	376 745
Adjustment for deferred tax and STC	(1 143 219)	(119 312)	(1 217 084)	(376 745)
Movement in taxation balance	944 883	419 142	-	-
Amounts refunded/(payments made)	22 935	(118 333)	-	-
IRCA (PROPRIETARY) LIMITED NOTES TO FINANCIAL STATEMENTS at 30 June 2003				
	2003	Group 2002	2003	Company 2002
	R	R	R	R
24.4 Reconciliation of STC paid during year				
Charge in income statement	(55 853)	(45 945)	(55 853)	(45 945)
Movement in STC balance	(18 057)	45 945	(18 057)	45 945
Payments made	(73 910)	-	(73 910)	-
24.5 Cash utilised in discontinued operations				
Trading losses	(1 169 835)	(2 319 588)	(1 169 835)	(2 319 588)
Profit on disposal of division	191 960	-	191 960	-
	(977 875)	(2 319 588)	(977 875)	(2 319 588)
24.6 Cash and cash equivalents				
Cash and cash equivalents				

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consist of cash on hand and  
balances with banks. Cash and  
cash equivalents included in  
the cash flow statement  
comprise the following  
balance sheet amounts:

Bank balances	1 683 723	1 565 211	276 885	434 941
Bank overdraft	(175 651)	(919 235)	-	(919 235)
	-----	-----	-----	-----
	1 508 072	645 976	276 885	(484 294)
	=====	=====	=====	=====

IRCA (PROPRIETARY) LIMITED.

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

IRCA (Pty.) Ltd.  
Consolidated Balance Sheet

	June 30, 2003	June 30, 2002
	-----	-----
Assets		
-----		
Current Assets		
Cash	\$ 221,885	\$ 62,291
Accounts Receivable	2,691,005	1,948,981
Other Current Assets	28,216	22,968
	-----	-----
Total Current Assets	2,941,106	2,034,240
	-----	-----
Property & Equipment (Note 3)		
Furniture & Equipment	1,780,694	1,041,908
Accumulated Depreciation	(886,351)	(490,572)
	-----	-----
Net Property & Equipment	894,343	551,336
	-----	-----
Intangible Asset (Note 4)		
Technology-Based Asset	2,295,102	1,564,038
Accumulated Amortization	(469,958)	(209,953)
	-----	-----
Net Intangible Asset	1,825,144	1,354,085
Deferred Tax Asset (Note 7)	501,481	245,603
Other Non-current Assets	207,748	62,852
	-----	-----
Total Assets	\$ 6,369,822	\$ 4,248,117
	=====	=====
Liabilities and Stockholders' Equity		
-----		

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Current Liabilities		
Accounts Payable	1,122,026	1,897,978
Accrued Expenses	232,864	92,294
Note Payable-Current	148,069	323,051
	-----	-----
Total Current Liabilities	1,502,959	2,313,323
	-----	-----
Long Term Liabilities		
Notes Payable Related Party (Note 6)	3,519,195	-
Notes Payable Long Term	456,977	1,084,557
Total Long Term Liabilities	3,956,172	1,084,557
	-----	-----
Total Liabilities	5,479,131	3,397,880
	-----	-----
Minority Interest	166,231	121,984
	-----	-----
Stockholders' Equity		
Common Stock, 200,000 Shares Authorized at Rand 0.10 Par Value, 134,569 shares outstanding, respectively	1,671	1,671
Redeemable Preference Stock, 20,000 Shares Authorized at Rand 0.01 Par Value, 3,985 shares outstanding, respectively	5	5
Capital contributed in excess of par value	2,198,138	2,198,138
Non-distributable reserve	5,158	-
Accumulated Deficit	(1,545,308)	(1,290,284)
Other Comprehensive Income (Loss)	64,796	(181,277)
	-----	-----
Total Stockholders' Equity	724,460	728,253
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 6,369,822	\$ 4,248,117
	=====	=====

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

IRCA (Pty.) Ltd.

Consolidated Statement of Operations

	June 30, 2003	June 30, 2002
	-----	-----
Revenue		
Sales Revenue	\$ 8,138,924	\$ 6,017,490
Cost of Sales	151,792	182,968
	-----	-----
Gross Profit	7,987,132	5,834,522
	-----	-----
Operating Expense	7,886,444	5,876,869
	-----	-----
Income (Loss) from Operations	100,688	(42,347)
	-----	-----
Other Income (Expense)		
Interest Expense, net	(334,003)	(130,070)
	-----	-----
Total Other (Expense)	(334,003)	(130,070)
	-----	-----
Net Loss before Minority Interest and Taxes	(233,315)	(172,417)
Minority Interest	(47,188)	-
	-----	-----
Net Loss Before Taxes	(280,503)	(172,417)
Income Tax Credit	25,479	-
	-----	-----
Net Loss	(255,024)	(172,417)

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Net Loss Per Common Share	=====	=====
	\$ (1.90)	\$ (1.28)
Weighted Average Shares Outstanding	134,569	134,569

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
	-----	-----
Net Income (Loss)	\$ (280,503)	\$ (255,024)
Foreign currency translation	64,796	64,796
	-----	-----
Total Other Comprehensive Income	\$ (215,707)	\$ (190,228)
	=====	=====

The accompanying notes are an integral part of these financial statements

IRCA (PTY.) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF BUSINESS

IRCA (Pty) Ltd. ("IRCA" or "the Company"), an international firm specializing in corporate learning, certification, and risk mitigation in the areas of Safety, Health Environment, and Quality Assurance ("SHEQ"). IRCA is headquartered in South Africa and operates international sales offices and operations in the United Kingdom and the United States. IRCA, founded in 1993, operates in South Africa, England and the United States through various operating subsidiaries. IRCA's professionals assess workplace issues related to safety, health, environment and quality, advise clients on learning programs and other interventions that can reduce corporate financial risks, and assist in the implementation and certification of programs. IRCA develops proprietary content and also markets best practice SHEQ content and programs developed by other leading certification and standards organizations. Clients include many Fortune 1000 companies operating in Africa, Europe, Australia, and the United States.

On December 1, 2003, Trinity Learning Corporation ("Trinity") completed the acquisition of all the issued and outstanding shares of Danlas, a British Virgin Islands Company that owns 51% of IRCA (Proprietary) Limited ("IRCA"), a South African company specializing in corporate learning, certification and risk mitigation in the area of safety, health environment and quality assurance ("SHEQ"). Danlas was incorporated in 2003. Danlas also holds options to acquire the remaining 49% of IRCA. In consideration for the Danlas shares, Trinity (i) issued three convertible promissory notes in the aggregate principal amount of \$40,000 and convertible under certain conditions into a maximum of 4,500,000 shares of Trinity's common stock, (ii) agreed to advance \$500,000 in cash to establish an



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international sales force, (iii) provided \$500,000 for certain bank guarantees and, (iv) provided certain future profit thresholds are met, agreed to issue up to an additional 1,000,000 shares of Trinity's common stock.

### 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 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.

**Patents, Trademarks and Licenses.** The expenditures for patents, trademarks and licenses are capitalized as intangible assets and amortized using straight-line methods over the useful life of the asset, but generally over ten years. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where necessary.

**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 no longer being amortized by the holding company. Investment in subsidiaries are now stated at cost less any impairment on the investments. The unamortized balance of goodwill is included in technology based intangible assets.

**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.

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

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.

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 \$501,481 and \$245,603 at June 30, 2003 and 2002 respectively.

### NOTE 3 FIXED ASSETS

The Company capitalizes all furniture and equipment purchases at cost. Depreciation is calculated using straight line methods over 5 to 10 years for furniture, equipment, vehicles and leasehold improvements and 3 years for software. Scheduled below are the assets, cost, depreciation expense, and accumulated depreciation at June 30, 2003 and 2002, respectively.

	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	\$1,780,694	\$1,041,908	\$ 239,639	\$ 141,917	\$ 886,351	\$ 490,572

### NOTE 4 TECHNOLOGY BASED ASSETS

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.

	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	\$2,295,102	\$1,564,038	\$ 150,595	\$ 139,160	\$ 469,958	\$ 209,953

### NOTE 5 OPERATING LEASES

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

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

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Calendar Year	Amount
-----	-----
2003	\$ 55,739
2004	55,739
2005 and thereafter	121,951
	-----
Total	\$ 233,429
	=====

NOTE 6 RELATED PARTY TRANSACTIONS

From time to time, certain employees and shareholders have advanced funds to IRCA. The loans are unsecured, has no fixed repayment terms and bears interest at rate of prime plus 2%.

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 Assets	June 30, 2003	June 30, 2002
	-----	-----
Capital Allowances	\$ (35,381)	\$ -
Provisions	36,131	31,315
Tax Losses	500,731	214,288
	-----	-----
Total	\$ 501,481	\$ 245,603
	=====	=====

NOTE 8 SUBSEQUENT EVENTS

On December 1, 2003, Trinity completed the acquisition of all the issued and outstanding shares of Danlas, a British Virgin Islands Company that owns 51% of IRCA, a South African company specializing in corporate learning, certification and risk mitigation in the area of safety, health environment and quality assurance ("SHEQ"). Danlas was incorporated in 2003. Danlas also holds options to acquire the remaining 49% of IRCA. In consideration for the Danlas shares, Trinity (i) issued three convertible promissory notes in the aggregate principal amount of \$40,000 and convertible under certain conditions into a maximum of 4,500,000 shares of Trinity's common stock, (ii) agreed to advance \$500,000 in cash to establish an international sales force, (iii) provided \$500,000 for certain bank guarantees and, (iv) provided certain future profit thresholds are met, agreed to issue up to an additional 1,000,000 shares of Trinity's common stock.

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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
	-----
<b>Assets</b>	
Current Assets	
Cash	\$ 288,396
Accounts Receivable	2,733,724
Prepaid Expense	97,985
Other Current Assets	28,216
	-----
Total Current Assets	3,148,321
	-----
Property & Equipment (Note 3)	
Furniture & Equipment	947,728
Accumulated Depreciation	(7,824)
	-----
Net Property & Equipment	939,904
	-----
Intangible Asset (Note 4)	
Technology-Based Asset	3,354,140
Accumulated Amortization	(167,747)
	-----
Net Intangible Asset	3,186,393
	-----
Other Assets	
Notes Receivable (Note 5)	25,000
Other Assets	301,751
	-----
Other Assets	326,751
	-----
Total Assets	\$ 7,601,369
	=====

Continued  
 Trinity Learning Corporation  
 Unaudited Pro Forma Consolidated Balance Sheet

June 30, 2003  
 -----

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Liabilities and Stockholders' Equity	
-----	
Current Liabilities	
Accounts Payable	\$ 1,513,898
Accrued Expenses	503,133
Interest Payable	63,987
Note Payable Current (Note 8)	148,069
Notes Payable Related Party (Notes 7 & 8)	5,666,346
	-----
Total Current Liabilities	7,895,433
Long Term Liabilities	
Notes Payable Long Term (Note 8)	436,977
	-----
Total Long Term Liabilities	436,977
	-----
Total Liabilities	8,352,411
	-----
Minority Interest	(470,105)
	-----
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, 17,456,641 shares and 49,774 shares Issued and Outstanding, Respectively	10,943,447
Accumulated Deficit	(11,188,913)
Subscription Receivable	(35,000)
Other Comprehensive Income	(470)
	-----
Total Stockholders' Equity	(280,936)
	-----
Total Liabilities and Stockholders' Equity	\$ 7,601,369
	=====

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

Trinity Learning Corporation  
Unaudited Pro Forma Consolidated Statement of Operations

	June 30, 2003
	-----
Revenue	
Sales Revenue	\$ 8,306,714
Cost of Sales	(151,792)
	-----
Gross Profit	8,154,922
	-----
Expenses	
Operating Expense	9,893,689
	-----
Total Expense	9,893,689
	-----
Loss from Operations	(1,738,767)

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Other Income (Expense)	-----
Interest Expense, net	(411,355)
Foreign Currency Gain / (Loss)	(4,582)
	-----
Total Other Income (Expense)	(415,937)
	-----
Loss Before Taxes & Minority Interest	(2,154,704)
Minority Interest	
Minority Interest	54,576
	-----
Loss Before Taxes	(2,100,128)
Taxes	-
	-----
Net Loss	\$ (2,100,128)
Net Loss Per Common Share	\$ (0.19)
	=====
Weighted Average Shares Outstanding	10,864,218
	=====

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

	Transition Period October 1, 2002 to June 30, 2003	
	Before Tax Amount	After Tax Amount
	-----	-----
Net Loss	\$ (2,100,128)	\$ (2,100,128)
Foreign currency translation	(470)	(470)
	-----	-----
Total Other Comprehensive Income	\$ (2,100,598)	\$ (2,100,598)
	=====	=====

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.

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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 December 1, 2003, we completed the acquisition of all the issued and outstanding shares of Danlas, a British Virgin Islands Company that owns 51% of IRCA (Proprietary) Limited ("IRCA"), a South African company specializing in corporate learning, certification and risk mitigation in the area of safety, health environment and quality assurance ("SHEQ"). Danlas was incorporated in 2003. Danlas also holds options to acquire the remaining 49% of IRCA. In consideration for the Danlas shares, the Company (i) issued three convertible promissory notes in the aggregate principal amount of \$40,000 and convertible under certain conditions into a maximum of 4,500,000 shares of Trinity's common stock, (ii) agreed to advance \$500,000 in cash to establish an international sales force, (iii) provided \$500,000 for certain bank guarantees and, (iv) provided certain future profit thresholds are met, agreed to issue up to an additional 1,000,000 shares of Trinity's common stock.

### NOTE 2 - Significant Accounting Policies

- A. Method of Accounting. The Company uses the accrual method of accounting.
- B. 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.
- C. 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.
- D. 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.

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- E. 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.
- F. Consolidation Policies. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. 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.
- H. Purchase Accounting. The purchase value of fixed assets purchased in the acquisition of CBL and IRCA 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	09/30/2002	06/30/2003	09/30/2002	06/30/2003	09/30/2002
Furniture & Equipment	\$ 947,728	\$ 6,151	\$ 7,744	\$ 80	\$ 7,824	\$ 80

### NOTE 4 Technology-Based Intangible Assets

The Company capitalized technology-based intangible assets in its acquisition of CBL and IRCA. 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



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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	09/30/2002	06/30/2003	09/30/2002	06/30/2003	09/30/2002
Intangible Asset	\$3,354,140	\$ -	\$ 167,747	\$ -	\$ 167,747	\$ -

### NOTE 5 Notes Receivable

On June 5, 2003, we agreed to lend TouchVision, Inc. ("TouchVision") \$50,000 in two equal installments of \$25,000 each. Interest accrues on the unpaid principal amount of the note at a rate equal to six percent per year. Interest accrued under the note is paid annually, with the first payment due June 5, 2004. All unpaid principal and interest are due June 29, 2005. At June 30, 2003, \$25,000 had been advanced to TouchVision and accrued interest totaled \$41.

### 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 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.

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

Total Minimum Lease Commitments as of June 30, 2003:

Calendar Year	Amount
-----	-----
2003	\$ 152,725
2004	317,627

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2005	100,246
2006	47,828
Thereafter	133,557
	-----
Total	\$ 751,983
	=====

NOTE 7 Related Party Transactions

From time to time, certain employees and shareholders have advanced funds to IRCA. The loans are unsecured, has no fixed repayment terms and bears interest at rate of prime (South Africa) plus 2%.

As of July 15, 2002, Trinity entered in a two-year Advisory Agreement with Granite Creek Partners, LLC ("GCP"), formerly Kings Peak Advisors, LLC, with automatic renewal for a 12-month period. Under the terms of the Advisory Agreement, GCP 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. GCP 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 GCP 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 GCP'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 GCP, as well as any fees which may be due to GCP 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 GCP, a sliding fee based on a percentage of the value of the 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 GCP 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 GCP for prior services rendered since April 1, 2002 in the amount of \$30,000, up to 50% of which amount is payable, at GCP'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 GCP under the Advisory Agreement may not exceed 4,400,000 shares. Through June 30, 2003, GCP 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 GCP, 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

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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 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

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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 \$6,123,323. The notes bear interest between the rates of 0% and 17% 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 shareholders of IRCA, no fixed maturity, plus accrued interest at a rate of prime (South Africa) plus 2%, see Note 7.	3,519,195
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
	-----
Unsecured convertible note payable, non interest bearing, due December 30, 2005	20,000
	-----
Secured mortgage payable due March 1, 2006, plus accrued interest at a rate of 13.45% per annum	353,096
	-----
Installment notes payable, secured by property and equipment, payable over periods from one to three years plus accrued interest at rates ranging from 10 to 17% per annum.	83,881
	-----
Total Notes Payable	6,123,323
Less: Current Maturities	(5,666,346)
	-----
Long Term Notes Payable	456,977
	=====

### 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.

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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 GCP (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 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.

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Between June and October 2003, we received subscriptions to our May 2003 Private Placement Memorandum ("May 2003 PPM") totaling \$5,073,300 from outside investors to purchase 5,073,300 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 200,050 shares of our common stock.

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.

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
	=====	=====

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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 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:

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

### NOTE 12 - 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 2,500,000 convertible note shares issued to IRCA shareholders at June 30, 2003.	17,456,641
Weighted-average number of common shares including 2,500,000 convertible note shares issued to IRCA shareholders used in basic EPS dilutive effect of options.	10,864,218
Weighted-average number of common shares and dilutive potential common shares including 2,500,000 convertible note shares issued to IRCA shareholders used in diluted EPS.	10,864,218

### NOTE 13 - 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 ongoing development, merger and acquisition activities. In May



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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 14 - 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.

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

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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 the private placement, we paid \$448,105 in commissions and issued to various financial advisors, 567,160 additional shares of our common stock

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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.

Trinity Learning Corporation

Unaudited Pro Forma Consolidated Financial Statements

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June 30, 2003

Trinity Learning Corporation  
Unaudited Pro Forma Consolidated Balance Sheet

	June 30, 2003
	-----
Assets	
-----	
Current Assets	
Cash	\$ 288,396
Accounts Receivable	2,733,724
Prepaid Expense	97,944
Other Current Assets	28,257
	-----
Total Current Assets	3,148,321
	-----
Property & Equipment (Note 3)	
Furniture & Equipment	947,728
Accumulated Depreciation	(7,824)
	-----
Net Property & Equipment	939,904
	-----
Intangible Asset (Note 4)	
Technology-Based Asset	4,317,761
Accumulated Amortization	(167,747)
	-----
Net Intangible Asset	4,150,014
	-----
Other Assets	
Notes Receivable (Note 5)	25,000
Other Assets	301,751
	-----
Other Assets	326,751
	-----
Total Assets	\$ 8,564,990
	=====

Continued

Trinity Learning Corporation  
Unaudited Pro Forma Consolidated Balance Sheet

June 30, 2003

Liabilities and Stockholders' Equity

-----

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Current Liabilities	
Accounts Payable	\$ 1,513,898
Accrued Expenses	503,133
Interest Payable	63,987
Note Payable Current (Note 8)	148,069
Notes Payable Related Party (Notes 7 & 8)	5,666,346
	-----
Total Current Liabilities	7,895,433
	-----
Long Term Liabilities	
Notes Payable Long Term (Note 8)	456,977
	-----
Total Long Term Liabilities	456,977
	-----
Total Liabilities	8,352,411
	-----
Minority Interest	493,516
	-----
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, 17,456,641 shares and 49,774 shares Issued and Outstanding, Respectively	9,693,447
Conditionally Redeemable Common Stock, 2,500,000 shares, at No Par Value	1,250,000
Accumulated Deficit	(11,188,913)
Subscription Receivable	(35,000)
Other Comprehensive Income	(470)
	-----
Total Stockholders' Equity	(280,936)
	-----
Total Liabilities and Stockholders' Equity	\$ 8,564,990
	=====

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

Trinity Learning Corporation  
Unaudited Pro Forma Consolidated Statement of Operations

	June 30, 2003
	-----
Revenue	
Sales Revenue	\$ 8,306,714
Cost of Sales	(151,792)
	-----
Gross Profit	8,154,922
	-----
Expenses	
Operating Expense	9,893,689
	-----
Total Expense	9,893,689
	-----
Loss from Operations	(1,738,767)

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Other Income (Expense)	-----
Interest Expense, net	(411,355)
Foreign Currency Gain / (Loss)	(4,582)
	-----
Total Other Income (Expense)	(415,937)
	-----
Loss Before Taxes & Minority Interest	(2,154,704)
Minority Interest	
Minority Interest	27,537
	-----
Loss Before Taxes	(2,127,167)
Taxes	-
	-----
Net Loss	\$ (2,127,167)
	-----
Net Loss Per Common Share	\$ (0.25)
	=====
Weighted Average Shares Outstanding	8,364,218
	=====

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

	June 30, 2003	
	Before Tax Amount	After Tax Amount
	-----	-----
Net Loss	\$ (2,127,167)	\$ (2,127,167)
Foreign currency translation	(470)	(470)
	-----	-----
Total Other Comprehensive Income	\$ (2,127,637)	\$ (2,127,637)
	=====	=====

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

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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 December 1, 2003, we completed the acquisition of all the issued and outstanding shares of Danlas, a British Virgin Islands Company that owns 51% of IRCA (Proprietary) Limited ("IRCA"), a South African company specializing in corporate learning, certification and risk mitigation in the area of safety, health environment and quality assurance ("SHEQ"). Danlas was incorporated in 2003. Danlas also holds options to acquire the remaining 49% of IRCA. In consideration for the Danlas shares, the Company (i) issued three convertible promissory notes in the aggregate principal amount of \$40,000 and convertible under certain conditions into a maximum of 4,500,000 shares of Trinity's common stock, (ii) agreed to advance \$500,000 in cash to establish an international sales force, (iii) provided \$500,000 for certain bank guarantees and, (iv) provided certain future profit thresholds are met, agreed to issue up to an additional 1,000,000 shares of Trinity's common stock.

### NOTE 2 - Significant Accounting Policies

- A. Method of Accounting. The Company uses the accrual method of accounting.
- B. 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.
- C. 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.
- D. 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

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- 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.
- E. 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.
  - F. Consolidation Policies. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. 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.
  - H. Purchase Accounting. The purchase value of fixed assets purchased in the acquisition of CBL and IRCA 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	09/30/2002	06/30/2003	09/30/2002	06/30/2003	09/30/2002
	-----	-----	-----	-----	-----	-----
Furniture & Equipment	\$ 947,728	\$ 6,151	\$ 7,744	\$ 80	\$ 7,824	\$ 80

### NOTE 4 Technology-Based Intangible Assets

The Company capitalized technology-based intangible assets in its



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acquisition of CBL and IRCA. 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	09/30/2002	06/30/2003	09/30/2002	06/30/2003	09/30/2002
Intangible Asset	\$4,317,761	\$ -	\$ 167,747	\$ -	\$ 167,747	\$ -

NOTE 5 Notes Receivable

On June 5, 2003, we agreed to lend TouchVision, Inc. ("TouchVision") \$50,000 in two equal installments of \$25,000 each. Interest accrues on the unpaid principal amount of the note at a rate equal to six percent per year. Interest accrued under the note is paid annually, with the first payment due June 5, 2004. All unpaid principal and interest are due June 29, 2005. At June 30, 2003, \$25,000 had been advanced to TouchVision and accrued interest totaled \$41.

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 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.

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

Total Minimum Lease Commitments as of June 30, 2003:

Calendar Year Amount

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	2003	\$ 152,725
	2004	317,627
	2005	100,246
	2006	47,828
	Thereafter	133,557
	Total	\$ 751,983

NOTE 7 Related Party Transactions

From time to time, certain employees and shareholders have advanced funds to IRCA. The loans are unsecured, has no fixed repayment terms and bears interest at rate of prime (South Africa) plus 2%.

As of July 15, 2002, Trinity entered in a two-year Advisory Agreement with Granite Creek Partners, LLC ("GCP"), formerly Kings Peak Advisors, LLC, with automatic renewal for a 12-month period. Under the terms of the Advisory Agreement, GCP 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. GCP 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 GCP 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 GCP'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 GCP, as well as any fees which may be due to GCP 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 GCP, a sliding fee based on a percentage of the value of the 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 GCP 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 GCP for prior services rendered since April 1, 2002 in the amount of \$30,000, up to 50% of which amount is payable, at GCP'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 GCP under the Advisory Agreement may not exceed 4,400,000 shares. Through June 30, 2003, GCP 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 GCP, 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

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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 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.

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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 \$6,123,323. The notes bear interest between the rates of 0% and 17% 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 shareholders of IRCA, no fixed maturity, plus accrued interest at a rate of prime (South Africa) plus 2%, see Note 7.	3,519,195
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
Unsecured convertible note payable, non interest bearing, due December 30, 2005	20,000
Secured mortgage payable due March 1, 2006, plus accrued interest at a rate of 13.45% per annum	353,096
Installment notes payable, secured by property and equipment, payable over periods from one to three years plus accrued interest at rates ranging from 10 to 17% per annum.	83,881
	-----
Total Notes Payable	6,123,323
Less: Current Maturities	(5,666,346)
	-----
Long Term Notes Payable	456,977
	=====

### 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

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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 GCP (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 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

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Private Placement Memorandum ("May 2003 PPM") totaling \$5,073,300 from outside investors to purchase 5,073,300 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 200,050 shares of our common stock.

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.

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
Number of Shares		
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

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

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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 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 12 - 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 2,500,000 convertible note shares issued to IRCA shareholders at June 30, 2003.	17,456,641
	=====
Weighted-average number of common shares including 2,500,000 convertible note shares issued to IRCA shareholders used in basic EPS dilutive effect of options.	10,864,218
	=====
Weighted-average number of common shares and dilutive potential common shares including 2,500,000 convertible note shares issued to IRCA shareholders used in diluted EPS.	10,864,218
	=====

### NOTE 13 - 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



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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 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 14 - 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.

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### 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.

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.

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On December 1, 2003, Trinity completed the acquisition of all the issued and outstanding shares of Danlas, a British Virgin Islands Company that owns 51% of IRCA, a South African company specializing in corporate learning, certification and risk mitigation in the area of safety, health environment and quality assurance ("SHEQ"). Danlas was incorporated in 2003. Danlas also holds options to acquire the remaining 49% of IRCA. In consideration for the Danlas shares, Trinity (i) issued three convertible promissory notes in the aggregate principal amount of \$40,000 and convertible under certain conditions into a maximum of 4,500,000 shares of Trinity's common stock, (ii) agreed to advance \$500,000 in cash to establish an international sales force, (iii) provided \$500,000 for certain bank guarantees and, (iv) provided certain future profit thresholds are met, agreed to issue up to an additional 1,000,000 shares of Trinity's common stock.

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 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.

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Kennedy and Scammell in the merger. We intend to vigorously pursue our claims against the defendants.

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

	Trinity	IRCA	Adjustments		Total
			Debits	Credits	
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 86,511	\$ 221,885		c) 20,000	\$ 288,396
Accounts Receivable	42,719	2,691,005			2,733,724
Prepaid Expense					
University	97,944	-			97,944
Other Current Assets	41	28,216			28,257
<b>Total Current Assets</b>	<b>227,215</b>	<b>2,941,106</b>			<b>3,148,321</b>
<b>Property &amp; Equipment</b>					
Furniture & Equipment	53,385	1,780,694		b) 886,351	947,728
Accumulated Depreciation	(7,824)	(886,351)		b) 886,351	(7,824)
<b>Net Property &amp; Equipment</b>	<b>45,561</b>	<b>894,343</b>			<b>939,904</b>
<b>Intangible Asset</b>					
Technology-Based Asset					
Science University	1,118,312	2,295,102	c) 3,199,449	a) 2,295,102	4,317,761
Accumulated Amortization	(167,747)	(469,958)	a) 469,958		(167,747)
<b>Net Intangible Asset</b>	<b>950,565</b>	<b>1,825,144</b>			<b>4,150,014</b>
<b>Other Assets</b>					
Notes Receivable	25,000	-			25,000
Other Assets	94,003	709,229		a) 501,481	301,751
<b>Other Assets</b>	<b>119,003</b>	<b>709,229</b>			<b>326,751</b>
<b>Total Assets</b>	<b>\$ 1,342,344</b>	<b>\$ 6,369,822</b>			<b>\$ 8,564,990</b>

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Continued

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

	Trinity	IRCA	Adjustments		Total
			Debits	Credits	
<u>Liabilities and Equity</u>					
Current Liabilities					
Accounts Payable	391,872	1,122,026			1,513,898
Accrued Expense					
University	270,270	232,864			503,133
Interest Payable	63,987	-			63,987
Notes Payable - Current	-	148,069			148,069
Notes Payable					
Related Party	2,147,151	3,519,195			5,666,346
	<u>2,873,280</u>	<u>5,022,154</u>			<u>7,895,433</u>
Long Term Liabilities					
Notes Payable					
Related Party	-	456,977			456,977
	<u>-</u>	<u>456,977</u>			<u>456,977</u>
Total Liabilities	<u>2,873,280</u>	<u>5,479,131</u>			<u>8,352,410</u>
Minority Interest	-	166,232		a) 286,751 c) 40,533	493,516
Stockholders' Equity					
Common Stock	9,693,447	2,199,814	c) 2,199,814		9,693,447
Conditionally					
Redeemable Stock				c) 1,250,000	1,250,000
Accumulated Deficit	(11,188,913)	(1,545,308)	a) 2,747,205	c) 4,292,513	(11,188,913)
Subscription					
Receivable	(35,000)	-	-	-	(35,000)
Other Comprehensive					
Income	(470)	69,954	* 69,954		(470)
	<u>(1,530,936)</u>	<u>724,460</u>			<u>(280,936)</u>
Total Liabilities & Stockholders' Equity	<u>\$ 1,342,344</u>	<u>\$ 6,369,823</u>			<u>\$ 8,564,990</u>

\*Consists of a) \$25,479 and c) \$44,475

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--Continued--

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

To adjust IRCA financial statements to U.S. GAAP financial statements including the write-off of goodwill, other intangible assets and deferred tax assets, and the adjustment to associated accounts Minority Interest, and Other Comprehensive Income.

	Debits	Credits
	-----	-----
Income Statement		
-----		
Tax Credit	\$ 25,479	
Accumulated Deficit	159,308	
Depreciation & Amortization Intangible Assets		\$ 150,595
Minority Interest in Net Loss, Current Period		34,192
Balance Sheet		
-----		
Accumulated Amortization Technology Based Asset	\$ 469,958	
Accumulated Deficit Prior Period	2,747,205	
Other Comprehensive Income	25,479	
Technology Based Asset		\$ 2,295,102
Other Assets (Deferred Tax Asset)		501,481
Minority Interest		286,751
Accumulated Deficit Current Period		159,308

To record IRCA fixed assets at their fair value based on historical book value less accrued depreciation.

	Debits	Credits
	-----	-----
Accumulated Depreciation	\$ 886,351	
Furniture and Equipment		\$ 886,351

To record the issuance of 2,500,000 shares of Trinity Learning Common Stock, No Par Value, at \$0.50 per share for a total of \$1,250,000, the cancellation of Danlas' Equity with 51% ownership in IRCA obtained for \$20,000 and the net investment as a Technology Based - Intangible Asset.

	Debits	Credits
	-----	-----
Income Statement		
-----		
Accumulated Deficit	\$ 40,533	
Minority Interest in Net Loss, Current Period		\$ 40,533
Balance Sheet		
-----		
Technology-Based Asset	\$ 3,199,449	
Common Stock IRCA	2,199,814	
Accumulated Deficit Current Period	159,308	
Other Comprehensive Income IRCA	44,475	
Cash		\$ 20,000
Minority Interest		40,533

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Conditionally Redeemable Stock	1,250,000
Accumulated Deficit Prior Period	4,292,513

--Continued

Trinity Learning Corporation  
Unaudited Pro Forma Consolidating Statement of Operations

	Trinity	IRCA		
	October	Fiscal Year	Dr (Cr)	Total
	1, 2002	Ended June	Acq'n	
	to June	30, 2003	Entries	
	30, 2003			
Revenue				
Sales Revenue	\$ 167,790	\$ 8,138,924		\$ 8,306,714
Cost of Sales	-	(151,792)		(151,792)
Gross Profit	167,790	7,987,132		8,154,922
Expenses				
Operating Expenses	2,157,840	7,886,444	a) (150,595)	9,893,689
Total Expense	2,157,840	7,886,444		9,893,689
Income (Loss) from Operations	(1,990,050)	10,688		(1,738,767)
Other Income (Expense)				
Interest Expense, net	(77,352)	(334,003)		(411,355)
Foreign Currency Gain/(Loss)	(4,582)	-		(4,582)
Total Other Income (Expense)	(81,934)	(334,003)		(415,937)
Loss Before Taxes	(2,071,984)	(233,315)		(2,154,704)
Tax Credit	-	25,479	a) 25,479	-
Net Loss Before Minority Interest	(2,071,984)	(207,836)		(2,154,704)
Minority Interest			a) (34,192)	
Minority Interest	-	(47,188)	c) (40,533)	27,537
Net Loss	\$ (2,071,984)	\$ (255,024)		\$ (2,127,167)

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	After
Tax Amount	Tax Amount

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Net Income (Loss)	\$ (2,100,128)	\$ (2,100,128)
Foreign currency translation	(470)	(470)
	-----	-----
Total Other Comprehensive Income	\$ (2,100,598)	\$ (2,100,598)
	=====	=====

See accompanying notes to financial statements

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.

TRINITY LEARNING CORPORATION

Date: February 27, 2004

By: /s/ DOUGLAS D. COLE

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Douglas D. Cole  
Chief Executive Officer