TRINITY LEARNING CORP
Form 10QSB
May 16, 2005

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

FORM 10-QSB

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

For the Quarterly Period Ended March 31, 2005

Commission File No. 0-8924

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

Utah	73-0981865
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No)

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

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

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

As of May 12, 2005, 33,719,889 shares of the issuer's Common Stock, no par value per share, were outstanding.

TRINITY LEARNING CORPORATION AND SUBSIDIARIES

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

THIS FORM 10-QSB FOR THE NINE MONTHS ENDED MARCH 31, 2005, CONTAINS FORWARD-LOOKING STATEMENTS, INCLUDING STATEMENTS ABOUT THE CONTINUED STRENGTH OF OUR BUSINESS AND OPPORTUNITIES FOR FUTURE GROWTH. IN SOME CASES, YOU CAN IDENTIFY FORWARD-LOOKING STATEMENTS BY TERMINOLOGY SUCH AS "MAY", "WILL", "SHOULD", "EXPECT", "PLAN", "INTEND", "ANTICIPATE", "BELIEVE", "ESTIMATE", "PREDICT", "POTENTIAL" OR "CONTINUE", THE NEGATIVE OF SUCH TERMS OR OTHER COMPARABLE TERMINOLOGY. WE BELIEVE THAT OUR EXPECTATIONS ARE REASONABLE AND ARE BASED ON REASONABLE ASSUMPTIONS. HOWEVER, SUCH FORWARD-LOOKING STATEMENTS BY THEIR NATURE INVOLVE RISKS AND UNCERTAINTIES.

WE CAUTION THAT A VARIETY OF FACTORS, INCLUDING BUT NOT LIMITED TO THE FOLLOWING, COULD CAUSE OUR BUSINESS AND FINANCIAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED IN FORWARD-LOOKING STATEMENTS: DETERIORATION IN CURRENT ECONOMIC CONDITIONS; OUR ABILITY TO PURSUE BUSINESS STRATEGIES; PRICING PRESSURES; CHANGES IN THE REGULATORY

ENVIRONMENT; OUR ABILITY TO ATTRACT AND RETAIN QUALIFIED PROFESSIONALS; INDUSTRY COMPETITION; CHANGES IN INTERNATIONAL TRADE; MONETARY AND FISCAL POLICIES; OUR ABILITY TO INTEGRATE FUTURE ACQUISITIONS SUCCESSFULLY; AND OTHER FACTORS DISCUSSED MORE FULLY IN MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND RISK FACTORS BELOW, AS WELL AS IN OTHER REPORTS SUBSEQUENTLY FILED FROM TIME TO TIME WITH THE SECURITIES AND EXCHANGE COMMISSION. WE ASSUME NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENTS.

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PART I

FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

Trinity Learning Corporation and Subsidiaries

Consolidated Balance Sheets

	March 31, 2005 (Unaudited)	June 30, 2004 (Audited)
Assets		
Current Assets		
Cash and Cash Equivalents, unrestricted	$ 676,161	$ 892,739
Accounts Receivable	262,994	243,164
Prepaid Expense and Other Current Assets	171,279	229,802
Total Current Assets	1,110,434	1,365,705
Equity Investment in and Advances to Associated Companies	-	1,922,935
Property & Equipment, net	48,269	37,160
Goodwill	1,865,000	1,849,526
Intangible Assets, net	341,892	434,958
Restricted Cash	4,996,185	500,000
Other Assets, net	377,624	142,856
Total Assets	$ 8,739,404	$ 6,253,140
Liabilities, Minority Interest, Contingently Redeemable Equity and Stockholders' Equity		
Liabilities		
Accounts Payable	$ 881,546	$ 814,651
Accounts Payable-Related Parties	-	77,988
Accrued Expenses	658,472	721,192
Interest Payable	23,379	21,124
Deferred Revenue	162,677	85,685
Contingent Liability	478,963	-
Notes Payable Current	655,693	418,954
Notes Payable - Related Parties	727,520	740,476
Current Liabilities	3,588,250	2,880,070
Notes Payable Long Term	1,262,508	71,829

Notes Payable Long Term, Related Parties	20,000	40,000
Long Term Liabilities	1,282,508	111,829
Warrant to Purchase Common Stock	2,863,363	-
Equity Investment in and Advances to Associated Company	500,000	-
Total Liabilities	8,234,121	2,991,899
Minority Interest	239,542	306,721
Contingently Redeemable Equity	2,510,000	2,510,000
Stockholders' (Deficit) Equity		
Preferred Stock, 10,000,000 Shares Authorized at No Par Value, No Shares Issued and Outstanding in 2005 or 2004	-	-
Common Stock, 100,000,000 Shares Authorized at No Par Value, 33,663,716 and 31,040,143 shares Issued and Outstanding at March 31, 2005 and June 30, 2004	27,285,088	23,092,957
Accumulated Deficit	(29,555,158)	(22,650,976)
Other Comprehensive Income	25,811	2,539
Total Stockholders' (Deficit) Equity	(2,244,259)	444,520
Total Liabilities, Minority Interest, Contingently Redeemable Equity and Stockholders' (Deficit) Equity	$ 8,739,404	$ 6,253,140

See accompanying notes to the consolidated financial statements.

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Trinity Learning Corporation and Subsidiaries

Consolidated Statements of Operations and Comprehensive Income

	For Three Months Ended on March 31,		For Nine Months Ended on March 31,	
	2005	2004	2005	2004
	(Unaudited)		(Unaudited)	
Revenue				
Sales Revenue	$ 518,095	$ 705,460	$ 2,328,592	$ 1,686,258
Cost of Sales	(62,228)	(152,910)	(280,563)	(357,363)
Gross Profit	455,867	552,550	2,048,029	1,328,895
Expenses				
Salaries & Benefits	754,393	1,119,641	2,611,262	2,643,188
Professional Fees	380,368	303,986	779,311	844,367
Selling, General & Administrative	1,404,012	230,753	2,532,581	855,943
Depreciation & Amortization	24,520	(42,341)	105,871	196,460
Total Expense	2,563,293	1,612,039	6,029,025	4,539,958
Loss from Operations	(2,107,426)	(1,059,489)	(3,980,996)	(3,211,063)
Other Expense				

Interest, net	(480,335)	(73,326)	(992,023)	(121,675)
Debt Issuance	(22,834)	(1,312,378)	(183,206)	(1,312,378)
Equity in Losses of Associated Companies	(538,291)	(223,196)	(1,837,719)	(622,176)
Foreign Currency Loss	(65)	(205)	(2,281)	(4,463)
Total Other Expense	(1,041,525)	(1,609,105)	(3,015,229)	(2,060,692)
Minority Interest	44,935	-	92,043	-
Loss Before Taxes	(3,104,016)	(2,668,594)	(6,904,182)	(5,271,575)
Taxes	-	-	-	-
Net Loss	$(3,104,016)	$(2,668,594)	$(6,904,182)	$(5,271,575)
Net Loss Per Common Share Basic and Diluted	$(0.10)	$(0.10)	$(0.22)	$(0.25)
Weighted Average Shares Outstanding	32,372,341	25,516,167	31,386,772	20,886,478

A summary of the components of other comprehensive gain (loss) for the three and nine months ended March 31, 2005 and 2004 is as follows:

	For Three Months Ended on March 31,		For Nine Months Ended on March 31,	
	2005	2004	2005	2004
	(Unaudited)		(Unaudited)	
Net Loss	$(3,104,016)	$(2,668,594)	$(6,904,182)	$(5,271,575)
Foreign Currency Translation Gain (Loss)	5,591	39,105	23,272	23,525
Comprehensive Loss	$(3,098,425)	$(2,629,489)	$(6,880,910)	$(5,248,050)

See accompanying notes to the consolidated financial statements.

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Trinity Learning Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Nine Months Ended March 31,	
	2005	2004
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net loss	$ (6,904,182)	$ (5,271,575)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	105,871	196,460
Bad debt expense	1,000,000	-
Non-cash effect for business acquisition and divestiture		
Foreign currency translation loss	-	-

Non-cash debt issuance	53,277	-
Non cash interest	1,097,771	63,069
Equity losses of associated companies	1,837,719	622,176
Employee stock based compensation	241,983	219,584
Debt conversion expenses	-	1,312,378
Non cash financial advisory fees	75,000	125,000
Changes in current assets and liabilities:		
Accounts receivable	(19,830)	(2,956)
Interest receivable	-	-
Prepaid expenses and other current assets	58,523	(112,743)
Accounts payable, deferred revenue and accrued expenses	66,895	357,095
Accounts payable-related parties	(77,988)	142,657
Accrued expenses	(62,720)	245,519
Deferred revenue	76,992	112,760
Interest payable	2,255	22,588
Minority interest	(67,179)	-
Net cash used by operating activities	(2,515,613)	(1,967,988)
Cash flows from investing activities:		
Payment for business acquisitions	(7,314)	(506,150)
Payment for business acquisitions related party	(4,815)	(929,045)
Restricted cash	(4,491,000)	(500,000)
Advances to associated companies	-	-
Notes receivable	-	(975,000)
Capital expenditures	(16,611)	(19,998)
Net cash used by investing activities	(4,519,740)	(2,930,193)
Cash flows from financing activities:		
Repayments under short-term notes	(544,118)	-
Repayments under short-term notes related party	(155,000)	(500,000)
Borrowings under short-term notes and contingent liability	7,672,500	1,395,550
Payments for financing fees	(259,000)	(4,418)
Payments for financing fees related party	-	(458,397)
Other financing activities	106,415	-
Conversion of bridge loan to common stock	-	-
Exercise of warrants and options	-	28,848
Proceeds from sale of common stock	21,250	4,973,300
Net cash provided by financing activities	6,842,047	5,434,883
Effect of foreign exchange on cash	(23,272)	(23,525)
Net (decrease)increase in cash	(216,578)	513,177
Cash at beginning of period	892,739	86,511
Cash at end of period	$ 676,161	$ 599,688
Supplemental information:		
Interest paid	$ 71,119	$ -
Conversion of bridge notes to common stock	$ -	$ 2,148,378
Warrants issued with convertible notes	$ 2,863,363	$ 599,923
Beneficial conversion value of note payable	$ 2,070,784	$ -

Cancellation of common stock and convertible notes payable pursuant to the sale of CBL, net	$ -	$ 461,063
Issuance of common stock for business acquisitions	$ -	$ 975,000
Issuance of convertible redeemable equity	$ -	$ 2,250,000

See accompanying notes to the consolidated financial statements.

Trinity Learning Corporation and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2005

GENERAL

Trinity Learning has elected to omit substantially all footnotes to the consolidated financial statements for the three and nine months ended March 31, 2005 since there have been no material changes (other than indicated in other footnotes) to the information previously reported by the Company in their Annual Report filed on Form 10-KSB for the fiscal year ended June 30, 2004.

UNAUDITED INFORMATION

The information furnished herein was taken from the books and records of the Company without audit. However, in the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all adjustments that are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented.

NOTE 1. ACCOUNTING POLICIES

Overview

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

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

These unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements and related notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended June 30, 2004. The results of operations for the three and nine months ended March 31, 2005, are not necessarily indicative of the operating results for the full year and future operating results may not be comparable to historical operating results due to our September 1, 2003 acquisitions of TouchVision, Inc. ("TouchVision"); River Murray Training Pty Ltd ("RMT"); and 51% of the issued and outstanding shares of Ayrshire Trading Limited ("Ayrshire"), as well as our December 1, 2003 acquisition of Danlas Limited ("Danlas") and March 1, 2004 acquisition of Trinity Learning AS ("VILPAS"). Ayrshire owns 95% of the issued and outstanding shares of Riverbend Group Holdings (Pty.) Ltd. ("Riverbend"). These companies are collectively referred to as Riverbend. Danlas owns 51% of IRCA (Proprietary) Limited ("IRCA"). These companies are collectively referred to as IRCA. In addition, the financial statements do not include information with respect to the Primedia acquisition.

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

Use of Estimates

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America necessarily requires it to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and costs during the reporting periods. Actual results could differ from those estimates. On an ongoing basis, the Company reviews its estimates based on information that is currently available. Changes in facts and circumstances may cause the Company to revise its estimates. Significant estimates include revenue recognition policy, valuation and allocation of the purchase consideration of the assets and liabilities and assets acquired in business combinations and equity investments in associated companies, our determination of fair value of common stock issued in business combinations and equity investments in associated companies, and the annual valuation and review for impairment of assets acquired and of long-lived assets.

NOTE 2 GOING CONCERN

To meet our present and future liquidity requirements, we are continuing to seek additional funding through private placements, conversion of outstanding loans and payables into common stock, development of the business of our newly-acquired businesses, collections on accounts receivable, and through additional acquisitions that have sufficient cash flow to fund subsidiary operations. There can be no assurance that we will be successful in obtaining more debt and/or equity financing in the future or that our results of operations will materially improve in either the short- or the long-term. Based upon our cash balance at May 1, 2005 we will not be able to sustain operations for more than two months without additional sources of financing. If we fail to obtain such financing and improve our results of operations, we will be unable to meet our obligations as they become due. That would raise substantial doubt about our ability to continue as a going concern.

NOTE 3 SUBSEQUENT EVENTS

On April 1, 2005, we entered into and closed an asset purchase agreement with Primedia, Inc. and two Primedia affiliates. The assets comprised those relating to PWPL's Healthcare Group, Government Services Group, Industrial Services Group, and all other assets of PWPL, including all of the assets of Primedia Digital Video Holdings LLC, excluding only those assets primarily related to the operations of PWPL's Financial Services Group and/or PWPL's Interactive Medical Network business. These assets are comprised of content libraries, trademarks, brands, intellectual property, databases and physical assets.

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

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

Overview

Our financial statements are prepared using accounting principles generally accepted in the United States of America generally applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Currently, we do not have significant cash, material assets or an established source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. We do not currently possess a financial institution source of financing and we cannot be certain that our existing sources of cash will be adequate to meet our liquidity requirements. Based upon our cash balance at May 1, 2005, we will not be able to sustain operations for more than two months without additional sources of funding. To meet our present and future liquidity requirements, we will continue to seek additional funding through private placements, conversion of outstanding loans and payables into common stock, development of the business of our newly-acquired subsidiaries, collections on accounts receivable, and through additional acquisitions that have sufficient cash flow to fund subsidiary operations. There can be no assurance that we will be successful in obtaining more debt and/or equity financing in the future or that our results of operations will materially improve in either the short- or the long-term. If we fail to obtain such financing and improve our results of operations, we will be unable to meet our obligations as they become due. That would raise substantial doubt about our ability to continue as a going concern.

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

On January 7, 2005, we closed an offering of Notes in the aggregate principal amount of $1,552,500. The Notes mature in twelve months and accrue interest at a rate of 9% per annum. The principal amount of the Notes and accrued interest thereon are convertible into shares of our common stock at any time prior to the due date of the Notes, at a conversion price of $0.73 per share. In connection with the issuance of the Notes, we also issued three-year warrants to purchase an aggregate of 2,126,712 shares of our common stock at an exercise price of $1.50 per share.

On January 14, 2005, our registration statement related to the offer and sale of up to 36,572,999 shares of common stock went effective. These shares include 8,800,000 shares that are issuable pursuant to the terms of a convertible promissory note and 1,600,000 shares issuable upon the exercise of warrants, both issued to Laurus. Our prospectus was supplemented on February 2, 2005 to (i) provide information regarding the offering of "Notes" in the aggregate principal amount of $1,552,500 which closed on January 7, 2005; (ii) the resignation of our Chief Financial Officer, Christine R. Larson, on January 21, 2005; and (iii) the execution of an amended agreement ("amending Agreement") with Laurus. The Amending Agreement provides that the conversion price under the Term Note will be changed to $0.45 from $0.72 for the first $250,000 aggregate principal amount of the Term Note converted into shares of our common stock on or after January 31, 2005, and we agreed to register the additional shares of its common stock that will be issuable as a result of this change in conversion price.

Results of Operations

Third Quarter Ended March 31, 2005 as Compared to the Third Quarter Ended March 31, 2004

Our sales revenues for third quarter 2005 were $518,095, as compared to $705,460 for the third quarter 2004. This decrease in revenues is due primarily to unfavorable sales for Touchvision, Danlas, RMT and Trinity offset by increased revenues due to the acquisition of VILPAS. The three month period in 2004 comprises three months' revenue of CBL and three months each of RMT and TouchVision while the three month period in 2005 comprises three months' revenue of RMT, TouchVision and VILPAS.

Costs of sales, which consist of labor and hardware costs, and other incidental expenses, was $62,228 for the third quarter 2005 as compared to $152,910 for the third quarter 2004, resulting in gross profit of $455,867 for the third quarter 2005, as compared to $552,550 for the third quarter 2004. This decrease in costs and decrease in gross profit was due to a decrease in product sales with an offsetting decrease in cost of goods sold for hardware.

Operating expenses for third quarter 2005 were $2,562,587 as compared to $1,612,039 for the third quarter 2004. This increase was due primarily to increases in selling, general and administrative costs as well as amortization expense.

Other Expense of $1,041,624 was $567,481 less than that for the third quarter 2004. This decrease is primarily due to the reduction in costs associated with debt issuance of $1,289,544 offset by increased costs associated with companies accounted for on an equity basis of $315,095 and net interest expense of $406,869. Included in interest expense of $503,268 is $411,180 attributable to amortization of discounts on the Laurus note.

We reported net loss available for common stockholders of $3,104,016, or $0.10 per share for the third quarter 2005, compared with a net loss of $2,668,594 or $0.10 per share for third quarter 2004.

Nine Months Ended March 31, 2005 as Compared to the Nine Months Ended March 31, 2004

Our sales revenues for the nine months ended March 31, 2005 were $2,328,592, as compared to $1,686,258 for the nine months ended March 31, 2004. This increase in revenues was primarily due to the TouchVision, RMT and VILPAS acquisitions ("acquisitions") in September 2003 and March 2004, respectively, offset by the divestiture of CBL in December 2003. The nine month period in 2004 comprises nine months' revenue of CBL and six months each of RMT and TouchVision while the nine month period in 2005 comprises nine months' revenue of RMT, TouchVision and VILPAS.

Costs of sales, which consist of labor and hardware costs, and other incidental expenses, was $280,563 for the nine months ended March 31, 2005 as compared to $357,363 for the nine months ended March 31, 2004, resulting in gross profit of $2,048,029 for the nine months ended March 31, 2005, as compared to $1,328,895 for the nine months ended March 31, 2004. The increase in gross profit was due to and associated with increased revenues resulting from the acquisitions completed by us in September 2003 and March 2004 offset by the divestiture of CBL in December 2003.

Operating expenses for the nine months ended March 31, 2005 were $6,028,319 as compared to $4,539,958 for the nine months ended March 31, 2004. This increase was due primarily to a significant increase in selling, general and administrative expenses which increased $1,676,638 from $855,943 for the nine months ended March 31, 2004. This increase is largely due to the addition of the three new subsidiaries. However, professional fees decreased $65,056 as did depreciation and amortization expense by $90,589; again, due to the divestiture of CBL in December 2003. Salaries and benefits slightly decreased by $31,926 to $2,611,262.

Other Expense of $3,015,229 for the nine months ended March 31, 2005 was $954,537 greater than that for the nine months ended March 31, 2004. This increase in expense is primarily due to an increase in losses of $1,215,543 in associated companies accounted for on an equity basis, offset by a decrease in interest expense of $258,824. Included in interest expense of $1,175,229 is $1,022,248 attributable to amortization of discounts on the Laurus and Oceanus notes of $959,420 and $62,828, respectfully.

We reported net loss available for common stockholders of $6,904,182, or $0.22 per share for the nine months ended March 31, 2005, compared with a net loss of $5,271,575 or $0.25 per share for the nine months ended March 31, 2004.

The following describes underlying trends our business including three of our operating subsidiaries.

TRINITY. Our growth remains ambitious, and remains based on acquisitions, internal growth, and alliances. We believe the recent asset purchase transaction from Primedia provides us with the capacity to layer new business units onto our production, delivery and administrative platforms at Trinity

Workplace Learning, without the need for significant new capital expenditure in the near future. We believe we now offer target acquisition candidates a valuable marketing and production platform, and an opportunity to extend the depth and reach of products and services to new markets.

We are presently exploring opportunities for synergy, cross-marketing and other collaborations between Trinity Workplace Learning and our other operating subsidiaries and strategic alliance partners. While we are focused on building our market share and capabilities in North America, we continue to believe in the global learning market and will seek to leverage our assets and investments in North America by marketing products and services internationally through partnerships, alliances and licensing agreements.

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

RMT. Over the past year there has been a general reduction in Australian government subsidies for corporate training. As a result, RMT and other Registered Training Organizations must rely on competitive advantages to retain clients and to attract new customers. Accordingly, RMT is in the process of developing new products and services to expand its reach beyond the Australian viticulture industry. There is little or no seasonality to RMT's business. New investment for courseware may increase in the coming fiscal year as RMT develops new courses to market in Australia and in markets outside Australia. Variable costs for RMT primarily include one-time and ongoing expenses for outsourced course development and, at times, instructors. Presently, RMT sells its products and services in Australia in local currency (Australian Dollars) and there is little or no effect from currency exchange. In the future, if RMT is successful in selling in markets outside of Australia, foreign exchange factors may impact the ability of RMT to market and compete in a profitable manner.
TouchVision. TouchVision has begun to expand its business into developing new software and consulting services for the hospital and healthcare market, while continuing to supply industry sectors it has focused on in the past. We believe investments in technology infrastructure by hospitals and healthcare providers will be stable in the coming fiscal years. There is little or no seasonality to the business of TouchVision. In addition to sales through its existing sales force, TouchVision is in the process of establishing distribution arrangements with outside companies selling to the healthcare industry. Depending on sales channel mix, some sales through outside agents may result in lower retained revenues but, due to corresponding lower fixed costs, these sales may nonetheless have a positive impact on the bottom line.

Liquidity and Capital Resources

Our expenses are currently greater than our revenues. We have a history of losses, and our accumulated deficit as of March 31, 2005 was $29,555,158 as compared to $22,650,976 as of June 30, 2004.

At March 31, 2005, we had an unrestricted cash balance of $676,161 compared to $892,739 at June 30, 2004. Net cash used by operating activities during the nine months ended March 31, 2005 was $2,515,613, attributable primarily to our loss from operations of $6,904,182. Net cash generated by financing activities was $6,842,047 for the nine months ended March 31, 2005 representing the net of subscriptions received as well as borrowings and repayments under short and long-term notes of $6,973,382 less fees associated with debt issuance of $259,000. Of these funds, an aggregate of $185,000 was advanced to our consolidated subsidiaries and $4,491,000 was deposited in a bank in support of future acquisitions.

Accounts receivable increased from $243,164 at June 30, 2004 to $262,994 at March 31, 2005. This increase is due primarily to the timing of billings to and collections from our customers.

Accounts payable decreased from $892,639 at June 30, 2004 to $881,546 at March 31, 2005. Accrued expenses decreased from $721,192 at June 30, 2004 to $658,472 at March 31, 2005. These changes are attributable to expenses incurred by the three subsidiaries we acquired during fiscal year 2004 and our continuing corporate expansion during the year as well as timing of billings from and payments to our creditors.

As a professional services organization we are not capital intensive. Capital expenditures historically have been for computer-aided instruction, accounting and project management information systems and general-purpose computer equipment to accommodate our growth. Capital expenditures, excluding purchases financed through capital lease, during the nine months ended March 31, 2005 and 2004, were $16,611 and $19,998, respectively.

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

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

On January 7, 2005, we closed an offering of convertible notes ("Notes") in the aggregate principal amount of $1,552,500. The Notes mature in twelve months and accrue interest at a rate of 9% per annum. The principal amount of the Notes and accrued interest thereon are convertible into shares of our common stock at any time prior to the due date of the Notes, at a conversion price of $0.73 per share. In connection with the issuance of the Notes, we also issued three-year warrants to purchase an aggregate of 2,126,712 shares of our common stock at an exercise price of $1.50 per share.

To meet our present and future liquidity requirements, we are continuing to seek additional funding through private placements, conversion of outstanding loans and payables into common stock, development of the business of our newly-acquired subsidiaries, collections on accounts receivable, and through additional acquisitions that have sufficient cash flow to fund subsidiary operations. There can be no assurance that we will be successful in obtaining more debt and/or equity financing in the future or that our results of operations will materially improve in either the short- or the long-term. Based upon our cash balance at May 1, 2005 we will not be able to sustain operations for more than two months without additional sources of financing. If we fail to obtain such financing and improve our results of operations, we will be unable to meet our obligations as they become due. That would raise substantial doubt about our ability to continue as a going concern.

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ITEM 3. CONTROLS AND PROCEDURES

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

Our Chief Executive Officer and Chief Financial Officer, after conducting an evaluation, together with other members of management, of the effectiveness of the design and operation of our disclosure controls and procedures at the end of the period covered by this report, have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to that evaluation, and there were no significant deficiencies or material weaknesses in such controls requiring corrective actions.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are filed herewith:

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

SIGNATURES

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

TRINITY LEARNING CORPORATION

May 13, 2005 By: /S/ DOUGLAS D. COLE

Douglas D. Cole
Chief Executive Officer

May 13, 2005 By: /S/ EDWARD P. MOONEY

Edward P. Mooney
President and Chief Financial Officer