TRIBEWORKS INC
Form 10KSB/A
December 21, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB/A
(Amendment No. 1)

(Mark One)

x ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

OR

o TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM N/A TO N/A

COMMISSION FILE NUMBER: 000-28675

TRIBEWORKS, INC.
(Name of Small Business Issuer in Its Charter)

DELAWARE	**94-3370795**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2001 152nd AVENUE NE
REDMOND, WASHINGTON 98052
(Address of Principal Executive Offices)

(425) 458-2360
(Issuer's Telephone Number, Including Area Code)

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(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

111 VIA QUITO
NEWPORT BEACH, CA 92663
(Address of principal executive offices) (zip code)

Issuer's Telephone Number, Including Area Code: (949) 274-3633

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered under Section 12(g) of the Exchange Act: COMMON STOCK, par value $0.0004 per share

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

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

State issuer's revenues for its most recent fiscal year. $593,595

The aggregate market value of the voting stock held by non-affiliates of the registrant as of April 13, 2006 was approximately $16,582,997 based upon the closing price per share of the Common stock of $1.60 on that date.

There were 21,607,555 shares of the registrant's Common Stock issued and outstanding as of March 31, 2006.

Transitional Small Business Disclosure Format (check one) YES o NO x

EXPLANATORY NOTE

1. On January 20, 2006, Tribeworks completed the acquisition of 100% of the outstanding shares of TakeCareofIT Holdings Limited and its subsidiaries (d/b/a the Atlas Technology Group) ("AtlasTG"). Tribeworks paid $37,235 in cash in consideration to the selling shareholders of AtlasTG and assumed various liabilities. The effect of this acquisition has been filed in a Form 8-K/A on November 17, 2006, which included a pro forma consolidation of AtlasTG into Tribeworks at December 31, 2005. These changes are now reflected in the restated financial statements for the year ending December 31, 2005 and set out in new Notes N, O and P of this amended filing. As a result of these amendments:

    a. The investment in AtlasTG of $1,073,744 has been brought into the December 31, 2005 figures in the Balance Sheet as a change in accounting policies to be consistent with the accounting policies adopted following the acquisition of AtlasTG on January 20, 2006;

    b. The accumulated deficit at December 31, 2005 has been reduced by $1,073,744 and as a result the Total Stockholders' Equity is now $415,583;

    c. The amount of product development expense has been reduced from $1,141,031 to $67,287 and this in turn has reduced the loss from operations to $191,283 from the previous $1,265,027, the loss before income taxes to $171,021 (previously $1,244,765) and the net loss to $175,791 from $1,249,535;

    d. The loss per share has been reduced to $0.02 from the previous $0.06.

    e. The reduced loss from operating activities has been reflected in the Consolidated Statement of Cash Flows with a compensating investment in Atlas of $1,073,744.

2. Further note explanations have been added or amended to explain these changes and appropriate accounting standards associated with the amended results.

To comply with certain technical requirements of the SEC's rules in connection with the filing of this amendment on Form 10-KSB/A and for convenience, we are setting forth in this amendment a restatement of the Form 10-KSB as amended hereby, and adding, as exhibits, certain current dated certifications of our principal executive and principal financial officers. Except for the matters described in this Explanatory Note, this amendment does not modify or update disclosures in, or exhibits to the Form 10-KSB originally filed on April 17, 2006. Furthermore, except for the matters described above, this amendment does not materially change any previously reported financial results, nor does it reflect events occurring after the date of the original Form 10-KSB.

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

Overview

Our main business during 2005 was the sale of software and we generate revenues through two main distribution channels: the graphics software tools business and the enterprise application development business.

Tools customers, usually graphics industry professionals, license our iShell® branded multimedia application authoring tools, iShell® or iShell Mobile, by purchasing the software via our online store or via telephone with one of our sales representatives. Tools customers either buy our software with a permanent license or pay an annual subscription fee that includes a license to use our software and free software upgrades. Kinoma Media Album (KMA), our first consumer multimedia tool, is sold through three online stores: Kinoma.com, Handango.com and PalmGear.com.

We first introduced our multimedia authoring tool iShell® in January 1999, as a cross-platform software product to allow developers to create multimedia applications in a variety of categories, such as sales and business presentations, informational/catalog titles, training courses and modules for corporations and/or educational institutions, games, learning aids, enhanced CDs (audio CDs that also contain videos and other visual digital content), video yearbooks, and recruitment presentations.

Beginning in 2003, we partnered with Kinoma, Inc. ("Kinoma") to create new products for the mobile software market, specifically targeting Palm OS devices. Kinoma makes Kinoma Player, which is a high-resolution, interactive movie player for handhelds running the Palm OS. To date we have developed two products in partnership with Kinoma that create Kinoma Player content, iShell Mobile, an iShell-based application development tool, launched in October 2003, and Kinoma Media Album, a consumer multimedia management tool, launched in May of 2004. Kinoma receives a per unit royalty on sales of iShell Mobile and Kinoma Media Album. In addition to building these two products together, we have utilized Kinoma as a subcontractor on Enterprise projects.

In our Enterprise business, most of our customers are large corporations that require development of custom multimedia tools or complex multimedia applications. Enterprise customers usually pay for consulting services performed by Tribeworks' employees and subcontractors. Certain Enterprise customers also license our software, usually for a fixed fee or on a per unit basis. As evidenced by results for the second half of the year, we generally anticipate Enterprise business growth, particularly Enterprise consulting revenues, to be less predictable and "bumpier" than our Tools business revenues in the foreseeable future, and this could impact whether or not we will be profitable on a quarter-to-quarter and annual basis. The primary reason is that our Enterprise business has a smaller number of customers.

We incorporated in California in August 1998 as California Tribeworks. On November 2, 1999, we entered into a transaction with Pan World Corporation, a publicly traded Nevada corporation (Pan World), whereby Pan World agreed to provide financing in connection with the merger of a newly formed subsidiary of Pan World into California Tribeworks (the Recapitalization). Prior to the Recapitalization, Pan World never had any material operations. As a result of the Recapitalization, shareholders of California Tribeworks exchanged all their shares in California Tribeworks for Pan World common stock. Subsequent to the Recapitalization, we reincorporated in Delaware as Tribeworks, Inc. We opened a wholly owned subsidiary in Japan (Tribeworks Japan) in August 2000, which engaged in sales and professional services activities primarily in our Enterprise application development business, until it was closed during the third quarter of 2004.

We experienced a net loss of $175,791 for the year ended December 31, 2005 and we closed the quarter and year with a working capital deficit of $660,073. As announced on March 30, 2005 the previous business stream has proven to be of insufficient in scope and profitability to sustain a viable public company, and we have decided to instead pursue a plan of reorganization that has the potential to be larger in scope and more profitable than our prior business.

The plan of reorganization that our board previously approved included the transfer of most assets and liabilities (including the accrued salary obligations described in NOTE L to our financial statements included herewith) to our operating subsidiary, Tribeworks Development Corporation ("TDC"), and to sell the subsidiary to current and former members of our management or others.

On January 20, 2006 the Company acquired TakeCareofIT Holdings Ltd., doing business as Atlas Technology Group (Atlas), a Malta Corporation that was established in September 2004 to provide external Information Technology (IT) application support services for organizations with large IT functions.

Atlas has its head office in Malta with a subsidiary office in Wellington, New Zealand and a data center in Seattle. Atlas has 11 employees and 3 working directors.

Atlas Technology Group plans to become a leading Information Technology (IT) outsourcing support company for custom software applications worldwide.

Atlas is in the business of providing custom, outsourced, application software support services to its customers. These will range from supporting specialized networks and single applications to providing the entire IT infrastructure management for customers who want to outsource everything and focus on their core business. In partnership with other IT development consultancies, a fully outsourced IT capability can be provided, with hard performance metrics and predictable costs.

The company is leveraging the recent advances in software, monitoring systems, and communications, to build a new, leading edge, global support infrastructure, providing 24x7 software support to large and medium sized companies. The new application on-boarding and monitoring processes should allow for dramatic cost savings over existing legacy IT service providers.

The services offerings will be worldwide, with the majority of the targeted customers having multi- national operations. It is intended to be a highly distributable venture, able to place people in the best possible locations, yet offering a seamless service offering across geographies.

The initial support centers are based in Malta, with the second support center in New Zealand, creating a "follow-the-sun", 24 hour coverage. As business grows, third and fourth locations are projected to increase capacity, as needed. State of the art VoIP, Call Tracking and Monitoring technology provide each employee with the leverage needed to maximize support delivery to the fullest possible extent.

Two central data center locations will also be established to run the required infrastructure. All of these servers will be in a secure, fully redundant configuration, and have on-demand high bandwidth available, as well as onsite backup and hands-on support services.

This is discussed further in Note O (Subsequent Events) to the Consolidated Financial Statements and below.

We are currently a fully reporting company under Section 12(g) of the Securities Exchange Act of 1934, as amended, and our common stock is quoted on the OTC Bulletin Board under the symbol TWKS.OB

Products and Services

Tools Business

Our Tools business in 2005 was focused on direct sales of licenses and bundled support services to our proprietary graphical software application, iShell®, and complementary products such as software plug-ins and product documentation. For the year ended December 31, 2005, the Tools business accounted for 27% of total revenues.

iShell® is a graphical software application that allows creation of interactive rich-media applications. Applications can be deployed via the Internet, a CD-ROM, a kiosk (interactive retail display), or a combination thereof. iShell offers the ability to reuse common interactive elements in an expandable, drag-and-drop, object-oriented environment that can save significant production time for developers. iShell has been released for Windows and Macintosh operating systems.

iShell Mobile is an object oriented programming tool used to develop applications for the Palm OS. iShell Mobile allows developers to rapidly design interactive multimedia rich applications including business presentations, informational/catalog titles, training courses and modules for corporations and/or educational institutions. iShell Mobile extends the benefits of iShell to software application developers working in the Palm OS handheld market.

Kinoma Media Album (KMA), our first consumer multimedia tool, allows customers to build interactive media albums for viewing on Palm OS devices. KMA is sold through three online stores: Kinoma.com, Handango.com and PalmGear.com.

We attract new iShell and iShell Mobile customers primarily through our websites, www.tribeworks.com and www.iShell.com, where iShell and iShell Mobile can be downloaded for trial use. Potential Tools customers register on our website and provide contact information which we use to attempt to convert them to paying customers.

iShell® customers either buy our software with a permanent license or pay an annual subscription fee that includes a license to use our software and customer support services. iShell Mobile and Kinoma Media Album customers buy our software with a permanent license. No subscriptions are currently available for iShell Mobile or Kinoma Media Album.

Enterprise Business

Enterprise customers are large companies and other entities that require development of customized multimedia authoring tools or multimedia applications or presentations. For the year ended December 31, 2005, the Enterprise business accounted for 73% of our total revenues.

Enterprise customers pay for professional services, which we provide for a fixed fee or on a daily rate basis via our employees and outside consultants. Enterprise customers also license customized versions of our software for a fixed fee or on a per unit basis. We try to structure our contracts so that we own some of the work that we create during Enterprise engagements, which helps to underwrite our research and development costs.

During 2005, one customer accounted for 42% of our Enterprise revenue. Our relationship with this customer is described below:

Pioneer Corporation, a consumer electronics company with more than 30,000 employees and more than $5 billion (USD) in sales, has been a customer since 2000. Under the contracts that were active during 2004 and 2005, we performed software engineering services for Pioneer for the development of software products that allow users to create and manage multimedia content for next generation digital signs. The main part of this work was completed during the second quarter of 2005 and since then there has only revenue from some residual and maintenance activities.

We do not have a dedicated sales force for our Enterprise business, as our TDC officers serve the role of salesmen and account managers for prospective and current Enterprise customers. During 2004 and 2005, the primary thrust of our Enterprise sales efforts was to secure new relationships and contracts with mobile device manufacturers and carriers, which we view as our primary targets for future Enterprise revenue growth if we decide to continue this business.

IT Support Services

Atlas is in the business of providing custom, outsourced, application software support services to its customers. These will range from supporting specialized networks and single applications to providing the entire IT infrastructure management for customers who want to outsource everything and focus on their core business. In partnership with other IT development consultancies, a fully outsourced IT capability can be provided, with hard performance metrics and predictable costs.

Atlas is leveraging the recent advances in software, monitoring systems, and communications, to build a new, leading edge, global support infrastructure, providing 24x7 software support to large and medium sized companies. The new application on-boarding and monitoring processes should allow for dramatic cost savings over existing legacy IT service providers. The services offerings will be worldwide, with the majority of the targeted customers having multi-national operations. It is intended to be a highly distributable venture, able to place people in the best possible locations, yet offering a seamless service offering across geographies.

The initial support centers are based in Malta, with the second support center in New Zealand, creating a “follow-the-sun”, 24 hour coverage. As business grows, third and fourth locations are projected to increase capacity, as needed. State of the art VoIP, Call Tracking and Monitoring technology provide each employee with the leverage needed to maximize support delivery to the fullest possible extent.

Product Development

Our iShell products and services enable our customers to save time and cost building and deploying rich-media applications. We believe that our future success depends on our ability to enhance existing products and develop and introduce new products on a timely basis. We maintain an internal staff to develop the software that we market and sell to customers. A significant portion of our software is created as a result of work that we perform for our Enterprise customers. To date, we have structured our contracts with Enterprise customers so that we retain most intellectual property rights in the software that we develop for them. Due to the changing technological environment for computer systems and other electronic devices, we continue to adapt our products to new hardware and software platforms and to embrace emerging technology standards. For the years ended December 31, 2005 and 2004, iShell product development expenditures were $39,900 and $94,387

In addition the Company advanced $1,073,744 to Atlas to enable Atlas to development its new IT Support system. Atlas is now testing a suite of software including its unique on-boarding and monitoring processes which allow for dramatic cost savings over existing legacy IT service providers. Atlas is leveraging the recent advances in software, monitoring systems, and communications, to build a new, leading edge, global support infrastructure, providing 24x7 software support to medium sized companies for their custom software applications worldwide.

Technical Support and Education

We provide technical support to purchasers of iShell subscriptions, which include rapid response to support questions via discussion lists. We are able to limit expenditures for customer support because subscribers are able to answer most questions for one another through discussion lists.

We also hold periodic training sessions in San Francisco and in other locations, where we teach new and existing iShell users about our products and latest product developments.

Competition

Our present iShell based business competes in markets that are intensely competitive, highly fragmented, and rapidly changing. We have experienced increased competition from current and potential competitors, many of which are larger and more profitable and as a result have greater technical, marketing, and other resources. We expect the competition will continue, and we will compete with the major graphics and multimedia software tools companies, as well as service companies building custom multimedia applications for corporate clients. We believe that the primary competitive factors in providing multimedia software applications to businesses and educational institutions are ease of use, price, quality of service, availability of customer support, reliability, technical expertise, and experience. Our success will depend on our ability to provide quality development tools and value-added services, including:

- Augmenting the ability of the software application to function on different hardware platforms and operating systems, such as Windows and Macintosh environments

- Delivery of our software to new devices such as mobile phones and personal digital assistants (PDA's)

- Providing flexibility in the degree and level of customization of software applications

- Increasing product functionality and system performance

- Improving quality of product

- Reducing total cost of product development

- Improving sales and distribution efficiency

- Improving brand name recognition; and

- Providing high quality professional support services.

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We experience competition in each area of our business. Companies in the graphics software tools area include Macromedia, Adobe Systems, and Autodesk. These companies market a variety of products addressing our target markets, including software tools for authoring and delivering interactive information targeted to computer-based training specialists and educators, as well as multimedia professionals. They also offer graphics and publishing products for online publishing as well as print-based publishing. In addition, competitors also provide extensive product training to support their products.

Most of our current and potential competitors in the Internet services and graphics and multimedia industries have longer operating histories, greater name recognition, and larger existing customer bases than we have. These competitors may be able to respond faster to new or emerging technologies and changes in customer requirements. Accordingly, there can be no assurance that we will be able to compete successfully.

In the case of Atlas, there are a large number of traditional consultancies endeavoring to compete in this space, including IBM Global Services, HP, EDS, and Accenture as well as a number of smaller independents. The industry is broken down into three segments; first are the hardware manufacturers that provide additional IT services; second, are the large pure-play IT service providers targeting Fortune 500 companies, and third are smaller independent companies that generally specialize in specific local markets.

The largest firms in terms of 2005 revenue are IBM with total sales of $91.1 billion, of which approximately one half, or $44 billion, represents services, and of this amount approximately $17.1 billion is outsourcing services. Outsourcing is IBM’s fastest growing business segment and is growing at 17% annually, or almost double the rate of the overall company.

HP is the second largest in terms of revenue, with $87.9 billion in total 2005 revenues, of which approximately $14 billion is services including IT outsourcing, and which is growing at an annual rate of 22%. HP is currently very interested in a new service offering, based on ITIL standards, for custom application support. It is expected that they will release this new service offering to market during 2006. This offering is expected to be a reasonably close fit to the custom support Atlas intends to offer.

The pure-play IT service providers, with 90% or more of their revenues coming from IT support services, include EDS, with $19.8 billion in revenue, Computer Sciences Corporation with $14.6 billion, Accenture with $17.8 billion, and Bearingpoint with $3.4 billion in 2005 revenues.

The improvement of infrastructure has meant the introduction of the third group to the competitive picture, notably in India, where Wipro and Infosys are beginning to provide support services and call centers. Many hosting providers are also trying to offer ASP services as an add-on. There are other more regional players, such as Wavex and Motive that are also targeting the SME market.

In addition, we believe that the single biggest competitive factor is entrenched in-house support groups. In fact, we believe that we will be competing with in-house support groups rather than external competitors in over 90% of competitive cases.

Government Regulation

Laws relating to the Internet are constantly changing. Federal, state, local and foreign governments are considering a number of new legislative and regulatory proposals relating to Internet commerce. As a result, a number of laws or regulations may be adopted regarding Internet user privacy, security, taxation, pricing, quality of products and services, and intellectual property ownership, which may also be applicable to us. How existing laws will be applied to the Internet, in areas such as property ownership, copyrights, trademarks, trade secrets, and obscene or indecent communications, is uncertain.

Proprietary Rights

We rely on a combination of copyright laws, trademark laws, contract laws, and other intellectual property protection methods to protect our technology, including our logo and the names "Tribeworks" and "iShell" in the United States and other countries and equally we will be relying on the Atlas name for the new business stream. We believe that our trademarks and the use of material in our website are protected under current provisions of copyright law, although legal rights to Internet content and commerce are not clearly settled by law. We were granted trademarks to "Tribeworks", the Tribeworks faces logo, and "iShell" in 2000.

In November 1999, we entered into a software agreement (Keepsake Software Agreement) with Keepsake SPRL (Keepsake) and Gilbert Amar (one of our co-founders) pursuant to which we acquired the right, title, and interest to iShell, our lead product.

In April 2001, we jointly filed a United States patent application with Pioneer Electric Corporation in the area of interactive display technology.

On January 20, 2006 the Company acquired Atlas and this brings with new proprietary rights such as its unique OnBoarding processes well as a range of trade secrets to its IT support technologies.

Employees

As of December 31, 2005, TDC had a total of 5 employees and 2 consultants working on a full-time and part-time basis.

With the acquisition of Atlas 11 new employees and 3 working directors were added. Atlas also uses outside consultants to carry out some of its development and testing work.

ITEM 2. DESCRIPTION OF PROPERTY

TDC leases approximately 900 square feet in San Francisco, California for our sales, engineering, and administrative offices. The current annual rent for the San Francisco facility is approximately $23,400 and the lease expires in December 2006.

Atlas has a six (6) year office lease covering approximately 471 square meters located at Level 4, No. 9, Empire Street, Gzira GZR04, Malta expiring on August 14, 2010 at a base annual rent of Lm16,000 (approx US$45,000).

Atlas also has a four year office lease of the second floor of 139-141 Featherston Street in Wellington, New Zealand expiring on July 31, 2009. The office comprises approximately 300 sq meters with a base annual rental of NZ$55,500 per annum (approx US$35,000) plus 12.5% Goods and Services Tax ("GST") which is claimable against GST revenue tax payable or is refundable.

All of the aforementioned leased facilities are adequate for our current needs.

ITEM 3. LEGAL PROCEEDINGS

We are not aware of any legal proceedings (either presently engaged in or contemplated) by any government authority or other party involving our Company, our properties or our products except as set out below:

Robert Davidorf, a former officer of our subsidiary, TDC, resigned on April 12, 2006. In connection with his resignation, Mr. Davidorf has made demand for approximately $130,000 in accrued salaries and expenses owed to him allegedly. The Company disputes the amounts asserted by Mr. Davidorf as being owed to him. We have not yet been served with a lawsuit and we are attempting to negotiate this claim with Mr. Davidorf. If such a suit is filed, we anticipate that we will raise a number of affirmative defenses and file counter claims against Mr. Davidorf. We are unable at this time to make an assessment of the outcome of this dispute.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2005.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Tribeworks, Inc. common stock is quoted on the OTC bulletin board under the symbol TWKS.OB. The following table sets forth the range of closing high and low bid quotes for each period indicated as reported by stockwatch.com and reflects all stock splits effected by the Company:

	2005		2004	
	High	**Low**	**High**	**Low**
First quarter	$1.395	$0.900	$0.900	$0.360
Second quarter	$1.350	$0.720	$0.900	$0.360
Third quarter	$1.750	$1.260	$0.600	$0.300
Fourth quarter	$1.800	$1.250	$3.450	$0.300

The above quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

We have approximately 300 stockholders as of April 17, 2006 comprising both registered shareholders and those held in Street names.

We have not declared or paid any cash dividends on our common stock and presently intend to retain our future earnings, if any, to fund the development and growth of our business and, therefore, do not anticipate paying any cash dividends in the foreseeable future.

We established our 1999 Stock Option Plan (the "1999 Plan") on November 2, 1999 with 133,333 shares (on an adjusted basis) approved for issuance. We established our 2001 Stock Plan ("2001 Plan") on August 16, 2001 with 250,000 shares (on an adjusted basis) approved for issuance. We established our 2004 Employee Stock Incentive Plan ("2004 Plan") on March 24, 2004 which allows us to issue options to staff and consultants up to 25% of our outstanding common stock, as determined from time to time, which equalled 5,401,888 shares at December 31, 2005. The purpose of the 1999 Plan is to grant stock and options to purchase our common stock to our employees and key consultants, the purpose of the 2001 Plan is to grant stock and warrants to purchase our common stock to employees and key consultants for outstanding cash payments due, and the purpose of the 2004 Plan is to grant stock options to purchase our common stock, restricted stock, and stock bonuses to employees, officers and key consultants. The total amount of shares subject to the three Plans as of December 31, 2004 was 775,721 shares (on an adjusted basis). Included in the Equity Compensation Plan line items, but outside of the scope of the 1999 Plan, 2001 Plan, and 2004 Plan, was a warrant to purchase 15,000 shares of our common stock issued to a former officer and director which expired on January 1, 2006.

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans**
Equity Compensation Plans approved by security holders.	50,333	$ 6.53	5,702,221
Total	50,333	$ 6.53	5,702,221

No new options or warrants were issued to staff during the 2005 year.

We made no sales of our unregistered common stock during the quarter ended December 31, 2005.

On December 28, 2005, the 818,000 Series A Preferred Stock were converted into 818,000 shares of common stock by the company bringing the total number of outstanding shares of common stock to 21,607,555.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Forward Looking Statements

The following discussion contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are subject to risks and uncertainties. These forward-looking statements are based on our management's beliefs as well as assumptions and information currently available to us. When used in this report, the words "believe," "expect," "anticipate," "estimate" and similar expressions are intended to identify forward-looking statements. There are several important factors that could cause actual results to differ materially from historical results and percentages and results anticipated by the forward-looking statements, such as, but not limited to:

- whether or not our products are accepted by the marketplace and the pace of any such acceptance,
- our ability to continue to grow our Tools and Enterprise businesses,
- Improvements in the technologies of our competitors,
- changing economic conditions, and
- other factors, some of which will be outside of our control.

We have sought to identify most risks to our business but cannot predict whether or to what extent any of such risks may be realized. There can be no assurance that we have identified all possible risks that might arise. Investors should carefully consider all such risks before making an investment decision with respect to our common stock. We caution you not to place undue reliance on any forward-looking statements, all of which speak only as of the date of this report. You should refer to and carefully review the information in future documents we file with the Securities and Exchange Commission.

Results of Operations

We witnessed an unprofitable year in 2005, with a net loss of $175,791. This was our second unprofitable year since recording two consecutive profitable years in 2003 and 2002. Our financial success to date has relied on steady or growing revenues in our Tools business, and the attainment of sustainable key contracts in our Enterprise business, but in 2005 we decided to reorganize the Company and change its direction. Both the previous Tools and Enterprise businesses witnessed significant declines during 2004 and 2005, which had a negative impact on our profitability. In addition, having significantly reduced our cost structure during 2002 and 2003, during 2004 we began to accrue salaries for our key officers and employees, who were being paid under-market wages. These salary accruals also had a negative impact on our profitability. As previously discussed, the future success of our business is not assured, and our financial condition has weakened so taking account of these uncertainties in our business, and in light of our financial condition, on March 30, 2005, we announced a plan of reorganization. As explained earlier it has now been decided to sell the previous business and to concentrate on the new Atlas IT support business which was acquired on January 20, 2006. The results set out below are for the Tribeworks business including where noted the new equity funds raised and invested into the new business stream via Atlas.

Revenues

Total revenues were $593,595 for the year ended December 31, 2005, a decrease of 28% compared to total revenues of $821,572 for the year ended December 31, 2004. The Tools Business, which primarily includes sales of commercial or educational use of our iShell software, sales of books and third party plug-ins, and a small amount of sales of iShell Mobile and Kinoma Media Album, decreased by 47% to $159,759 for 2005, compared to $300,799 for 2004. The decrease in Tools revenues was due primarily to a decrease in iShell revenues, which we believe is the result of a shrinking marketplace for interactive CD-ROM authoring tools. The Enterprise business decreased in 2005 by 17% to $433,836, compared with $520,773 for 2004. Enterprise revenues for 2005 consisted of $426,477 in professional services revenues and $7,359 in licensing revenues, compared with $514,687 in professional services revenues and $6,086 in licensing revenues for 2004. The decrease in Enterprise revenues is due primarily to a decrease in revenues associated with our ongoing relationship with Pioneer Corporation, our only ongoing Japanese client. This decrease was partially offset by an increase in revenues associated with our professional services related to building software applications and presentations for mobile devices. International revenues, which consist of sales to foreign customers, represented 42% of revenues for 2005, compared to 53% of revenues for 2004.

Cost of Sales

Cost of sales includes royalties paid to third parties for licensed technology, costs associated with order fulfillment, credit card fees, web hosting fees, and costs associated with consulting services, including salaries, subcontractor fees, and out-of-pocket expenses. Cost of sales was $214,606 for the year ended December 31, 2005, down from $328,862 for the year ended December 31, 2004. The decrease in cost of sales was due to a decrease in sales volume. Gross margins on a percentage basis were 64% for 2005 compared to 60% for 2004.

Operating Expenses

Product support expenses consist mainly of compensation, benefits and consulting fees paid to product support personnel. Product support expenses were $11,673 and $40,377 for the years ended December 31, 2005 and 2004, respectively. As a percentage of Tools sales, product support expenses were 7% and 13% for 2005 and 2004, respectively.

Product support and product development expenses for the old business streams were reduced substantially during 2005 as the real new development expenditure took place in Atlas via the $1,073,744 of money advanced to Atlas to develop the new IT Support business stream. The iShell® product development expenses for the year ended December 31, 2005 were $39,900 compared to the $94,387 spent in the year ended December 31, 2004. This decrease reflects reduced development work on iShell® during 2005.

Sales and marketing expenses consist primarily of compensation and benefits and other public relations and marketing costs with regard to the pre-existing Tribeworks business. Sales and marketing expenses were $132,262 and $200,488 for the years ended December 31, 2005 and 2004, respectively.

General and administrative expenses consist primarily of compensation and benefits, fees for professional services, and overhead. General and administrative expenses were $359,050 and $350,671 for the years ended December 31, 2005 and 2004, respectively.

Other Income (Expense)

Interest expense was $4,463 for the year ended December 31, 2005 (2004 - $792 of expense) and there was also $23,667 of interest earned on the advances made to the Atlas Technology Group in the 2nd half of 2005. There was also $1,058 of Other income for the year ended December 31, 2005 (2004 - Nil).

Provision for Income Taxes

$4,770 of income tax provision was recorded for the year ended December 31, 2005 which related to the taxes due for the 2003 and 2004 years. Note the 2003 tax return had not been prepared when the 2004 financial statements were completed and therefore there was no tax provided in 2004.

Net Income

Net loss for 2005 was $175,791 for the year ended December 31, 2005 that relates to the pre-existing Tribeworks business (offset by $19,204 of net interest income) and which compares to a net loss of $194,005 for the year ended December 31, 2004.

Liquidity and Capital Resources

At December 31, 2005, we had cash of $84,527 compared to $43,729 at December 31, 2004. Since inception, we have financed our operations through issuance of stock and revenues derived from our Tools and Enterprise businesses. Through December 31, 2004, we had raised $2,672,656 from the sale of stock. At December 31, 2004, our principal source of liquidity was $43,729 of cash. We were unprofitable in 2004. Given our financial condition, on March 30, 2005, we announced a plan of reorganization that was described in *Note L - Subsequent Events* to our 2004 consolidated financial statements.

Following the announcement of the plan of reorganization and the new Board's decision to move into a new revenue stream and acquire the Atlas Technology Group, $1,061,831 of new equity has been raised in 2005 in the form of convertible preferred stock and common stock, with $1,073,744 (before interest) being advanced to Atlas to develop the new IT Support systems. The new equity raised comprised $451,000 in new Preferred Stock ($409,000 of which was converted into Common Stock on December 28, 2005), $300,000 on new Common Stock ($190,000 of which was approved for issue at the 2005 AGM) and we received $400,000 of new subscription monies for new Common Stock during the 4th quarter of 2005.

The net loss for 2005 was funded out of a mixture of the proceeds from a loan note payable ($91,474 drawn down during 2005), collections of accounts receivables and increases in accounts payable and accrued expenses.

Critical Accounting Policies

Our critical accounting policies are described in Note B - Basis of Presentation and Summary of Significant Accounting Policies of the Notes to our financial statements. Our discussion and analysis of financial conditions and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate the estimates that we have made. These estimates have been based upon historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Allowance for Doubtful Accounts. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, which is included in bad debt expense. Management determines the adequacy of this allowance by regularly reviewing our accounts receivable aging and evaluating individual customer receivables, considering customers' financial condition, credit history and current economic conditions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Percentage-of-Completion Accounting/Revenue Recognition. Revenue is generally recognized when all contractual or transfer obligations have been satisfied and collection of the resulting receivable is probable. Revenues from membership subscriptions are recognized proportionally over the membership period, usually one year. Revenues and estimated profits on custom development services are generally recognized under the percentage-of-completion method of accounting using a cost-to-cost methodology; profit estimates are revised periodically based on changes in facts; any losses on contracts are recognized immediately. Revenue from the sale of licenses are recognized when all the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable. If all aspects but the last have been met or if post contract customer support could be material, revenue is recognized as payments from customers are received.

Income Taxes. We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Significant judgment is required in determining our provision for income taxes. We assess the likelihood that our deferred tax asset will be recovered from future taxable income, and to the extent we believe that recovery is not likely, we establish a valuation allowance. We consider future taxable income projections, historical results and ongoing tax planning strategies in assessing the recoverability of deferred tax assets. However, adjustments could be required in the future if we determine that the amount to be realized is less or greater than the amount that we recorded. Such adjustments, if any, could have a material impact on our results of our operations.

Risk Factors

These risk factors equally apply to both the existing Tribeworks business as well as the new Atlas business unless otherwise stated.

We have a limited operating history and there is a great degree of uncertainty as to our future results. We have experienced losses recently and may never achieve sustained profitability.

We have a limited operating history upon which an evaluation of our business and prospects can be based. Our prospects must be evaluated with a view to the risks encountered by a company in an early stage of development, particularly in light of the uncertainties relating to the new and evolving markets in which we intend to operate and in light of the uncertainty as to market acceptance of our business model. We will be incurring costs in marketing our products and services to customers and in building and developing an administrative organization. To the extent that revenues do not match these expenses, our business, results of operations, and financial conditions will be materially adversely affected. There can be no assurance that we will be able to generate sufficient revenues from the Tools business or Enterprise business to or our new IT support business to maintain profitability on a quarterly or annual basis in the future. We may not be able to sustain or increase profitability on a quarterly basis or achieve profitability on an annual basis.

We expect high variability and uncertainty as to our future operations and financial results.

Failure to continue to operate profitably on an annual basis may adversely affect the market price of our common stock and our ability to raise capital and continue operations. We expect high variability and uncertainty as to our future operations and financial results. As we continue to develop and market our business, our quarterly operating results may fluctuate as a result of a variety of factors. Many of these factors are outside our control, including demand for the development of rich-media applications, the introduction of new products and services by our competitors, price competition or pricing changes in the industry, technical difficulties or system downtime, general economic conditions, and economic conditions specific to the Internet and related media. Due to these factors, among others, our operating results may fall below our expectations and the expectations of investors.

Our products and services may not be accepted by the industries that use rich-media applications.

Our future success in our present business depends on our ability to create and deliver sophisticated rich-media tools and applications. If our products and related services are not widely accepted, our ability to make sales in our new business will be hampered just as has been the case in the present Tools business and Enterprise business. There can be no assurance that our new IT support business will be attractive to a sufficient number of users to generate significant revenues. Just as we have been unable to evolve our present products and to develop new products that allow us to attract, retain, and expand a loyal membership base, if we are unable to establish a sound customer base for our new business, then results of operations, and financial condition will be materially adversely affected.

The rich-media market is intensely competitive. We cannot assure you that we will be able to achieve market acceptance.

The rich-media market is intensely competitive. We expect the competition to increase as new competitors enter the market. Many of our competitors may have greater technical, marketing, and other resources. We believe the primary competitive factors in providing rich-media application services and tools to development organizations and large corporations are value-added services, ease of use, price, quality of service, availability of customer support, reliability, technical expertise, and experience. To the extent that we are not able to attract sources of revenues from the Tools business and the Enterprise business, our business, results of operations, and financial condition will be materially adversely affected as hence the Board has made the decision to sell this business.

A number of companies currently offer services or products that compete directly or indirectly with our current products and service offerings. These companies include Macromedia and Adobe Systems. These companies market a variety of products addressing our target markets, including software tools for authoring multimedia content. If we are unable to introduce competitive products with competitive training and consulting services, our business, results of operations, and financial condition will be materially adversely affected.

Most of our current and potential significant competitors in the Internet services, graphics, and multimedia industries have longer operating histories, greater name recognition, and larger existing customer bases than us. These competitors may be able to respond faster to new or emerging technologies and changes in customer requirements. Because of their greater resources, they will be able to make more responsive changes to market conditions. Accordingly, there can be no assurance that we will be able to compete successfully in these industries.

In the case of Atlas, there are a large number of traditional consultancies endeavoring to compete in this space, including IBM Global Services, HP, EDS, and Accenture as well as a number of smaller independents. The industry is broken down into three segments; first are the hardware manufacturers that provide additional IT services; second, are the large pure-play IT service providers targeting fortune 500 companies, and third are smaller independent companies that generally specialize in specific local markets.

The largest firms in terms of 2005 revenue are IBM with total sales of $91.1 billion, of which approximately one half, or $44 billion, represents services, and of this amount approximately $17.1 billion is outsourcing services. Outsourcing is IBM's fastest growing business segment and is growing at 17% annually, or almost double the rate of the overall company. HP is the second largest in terms of revenue, with $87.9 billion in total 2005 revenues, of which approximately $14 billion is services including IT outsourcing, and which is growing at an annual rate of 22%. HP is currently very interested in a new service offering, based on ITIL standards, for custom application support. It is expected that they will release this new service offering to market during 2006. This offering is expected to be a reasonably close fit to the custom support Atlas intends to offer.

The pure-play IT service providers, with 90% or more of their revenues coming from IT support services, include EDS, with $19.8 billion in revenue, Computer Sciences Corporation with $14.6 billion, Accenture with $17.8 billion, and Bearingpoint with $3.4 billion in 2005 revenues.

The improvement of infrastructure has meant the introduction of the third group to the competitive picture, notably in India, where Wipro and Infosys are beginning to provide support services and call centers. Many hosting providers are also trying to offer ASP services as an add-on. There are other more regional players, such as Wavex and Motive that are also targeting the SME market.

In addition, we believe that the single biggest competitive factor is entrenched in-house support groups. In fact, we believe that we will be competing with in-house support groups rather than external competitors In over 90% of competitive cases.

Having stated all of the above we believe that there is a market for Atlas' IT support services and Atlas is at present doing testing with potential customers, albeit on a small scale to start with.

Our iShell software depends on Apple's QuickTime technology to function properly. We cannot assure you that Apple will continue to develop the QuickTime technology or distribute it free of charge, or will not develop software applications which compete directly with Tribeworks iShell product.

Our iShell product line currently requires installation of Apple Computer's QuickTime software in order to function properly on both Windows and Macintosh systems. We have no control over whether, and cannot assure that, Apple's QuickTime will maintain or enlarge its current market share against competitive technologies. In addition, although Apple's QuickTime technology has been under development for more than nine years, we cannot assure that Apple will continue to develop the technology or distribute it free of charge to consumers. Apple may also substantially alter its business or licensing strategy with QuickTime in a way that could adversely impact our business, resulting in increases in our development costs. In addition, Apple has increased its graphic software development efforts and may decide to compete directly in the multimedia authoring tool market.

We cannot be certain that we will be able to establish and maintain the Tribeworks brand, which is critical to our efforts to attract and expand our market.

We believe that establishing and maintaining the Tribeworks brand is a critical aspect of our efforts to attract and expand our Internet audience. The importance of brand recognition will increase due to the growing number of Internet sites and the relative lack of significant barriers to entry in providing Internet services, tools, products, and content. If we fail to promote and maintain our brand, or if we incur excessive expenses in an attempt to promote and maintain our brand, our business, financial condition and operating results will be materially adversely affected.

Equally so, Atlas as a new ‘start-up’ in the market will also have to establish it’s brand and marketing of the brand has already commenced at various trade shows in Europe.

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Our success depends on our ability to address potential market opportunities while managing our expenses. If we are unable to manage our expenses, our business and financial conditions will be materially adversely affected.

Our success depends upon our ability to address market opportunities while managing our expenses to match our ability to finance our operations. Our need to manage expenses will place a strain on our management and operational resources. If we are unable to manage our expenses effectively, our business, financial condition, and operating results will be materially adversely affected. We have experienced an unprofitable year during 2005, and we expect increased expenses in future quarters as we begin to comply with the requirements of the Sarbanes-Oxley Act of 2002.

Our success depends on our key personnel and the consulting services provided by Keepsake. We may be unable to attract and retain qualified employees and may not be able to retain the services of Keepsake after the expiration of the Keepsake Software Agreement.

Our performance and success of the existing business depended substantially on the services of the existing small group of experienced senior staff as well as on our ability to recruit, retain and motivate our key employees. This will be the same with Atlas to start with but as the new business unit will require a much larger number of staff this will in itself mitigate some of the risk once critical mass in staff numbers has been achieved. Now leading the management team are executives such as Robert Altinger who has over 20 years experience of developing, building, and leading application support teams worldwide, including with JP Morgan, Microsoft and Avanade (a joint venture between Microsoft and Accenture). Supporting him is a management team that has the experience, operating skills, in both the IT sector and with the proven ability to build a world-class organization. Prior to joining Atlas, Peter Jacobson has had experience as the founder and President of Monitor Technologies, Inc., an IT network and support company to Fortune 1000 companies, a partner and marketing Director of OceanPC, Inc., a leader in computer-based marine GPS navigation systems, and, as President of First Call Wireless, LLC., a worldwide cellular distribution company. Paddy Marra, the CFO, has spent over 30 years working in the areas of project development and management, corporate finance, troubleshooting and restructuring. His experience has included being CFO of Brierley Investments Ltd, a New Zealand based internationally publicly listed company, from its formative years to its peak as an international investment conglomerate with some US$6 million in gross assets.

We do not have employment contracts with key officers or employees in either Tribeworks or Atlas, and their relationships with us are terminable at-will. It is intended that we will address the issue of employment contracts in 2006. Our success also depends on our ability to attract and retain additional qualified employees. Competition for qualified personnel in all our locations is intense and there are a limited number of persons with the knowledge of and experience in our field of business. There can be no assurance that we will be able to attract and retain key personnel. The loss of one or more key employees or of our key service providers could have a material adverse effect on the Company. In the case of Atlas, the key initial recruitment areas will be Malta and Wellington, New Zealand, and already 10 staff have been recruited. The advantage of the new business model is that it is easily set up in new locations, so to that extent new locations can be established if staff recruitment becomes an issue in any location.

Our success depends on our ability to develop services that meet our customers' requirements. We may not be able to meet those requirements if we are unable to keep pace with technology trends and the evolving rich-media industry standards.

Our success depends on our ability to develop and provide new services that meet our customers' changing requirements. The Internet is characterized by rapidly changing technology, evolving industry standards, changes in customer needs and frequent new service and product innovations. Our success will depend, in part, on our ability to assess and effectively use unproven technologies and unproven standards. We must evaluate and utilize technical standards developed by industry committees and continue to develop our technological expertise, enhance our current services, develop new services that meet changing customer needs, and influence and respond to emerging industry standards and other technological changes on a timely and cost-effective basis. If we fail to adequately assess or utilize these standards or proprietary technologies at the appropriate time in the marketplace, the competitive advantages of our products and services and our business, financial condition, and operating results could be materially adversely affected.

Increasing governmental regulation on electronic commerce and legal uncertainties could limit our growth.

The adoption of new laws or the adaptation of existing laws to the Internet may decrease the growth in the use of the Internet, which could in turn decrease the demand for our services, increase our cost of doing business or otherwise harm our business. Federal, state, local and foreign governments are considering a number of legislative and regulatory proposals relating to Internet commerce. As a result, a number of laws or regulations may be adopted regarding Internet user privacy, security, taxation, pricing, quality of products and services, and intellectual property ownership, which may also be applicable to us. How existing laws will be applied to the Internet, in areas such as property ownership, copyrights, trademarks, trade secrets, and obscene or indecent communications, is uncertain.

Capacity constraints and system disruptions could substantially reduce the products we sell and undermine our reputation for reliability among our customers and potential customers.

The satisfactory performance, reliability and availability of our Internet sites and our network infrastructure are critical to attracting Internet users and maintaining relationships with subscribing customers. System interruptions that result in the unavailability of our Internet sites and slower response times for users could reduce the number of products and multi-media services we deliver and reduce the attractiveness of our services to Members and subscribers. Any disruption of our services would materially adversely affect our business, financial condition and results of operations.

Our present Tribeworks internet operations are located in a single facility, which is located in the San Francisco Bay Area in California. A natural disaster is possible and could result in prolonged interruption of our business.

Our present Internet operations for the Tribeworks business are located in the San Francisco Bay Area. This area is seismically active. With our operations centralized in a single facility, a natural disaster, such as an earthquake, fire, or flood, could substantially disrupt our manufacturing operations or destroy our facilities. This could cause delays and cause us to incur additional expenses and adversely affect our reputation with our customers. In addition, since the real estate market in the San Francisco Bay Area is extremely competitive and is likely to remain competitive, an alternative facility may not be available on commercially reasonable terms if we suffer a catastrophic loss from a natural disaster.

The new Atlas business at present has one main base data center in Seattle, but as resources allow and growth develops it is intended that a second data center will be installed so that we have redundancy against any natural or other disaster. Until this second data center is developed some duplicate files are being kept on the local systems in Malta and New Zealand.

We are susceptible to parties who may compromise our security measures, which could cause us to expend capital and materially adversely affect our financial condition and results of operations.

Hackers may be able to circumvent our security measures and could misappropriate proprietary information or cause interruptions in our Internet operations. In the past, computer viruses or software programs that disable or impair computers have been distributed and have rapidly spread over the Internet. Computer viruses could be introduced into our systems or those of our users, which could disrupt our network or make our systems inaccessible to users. Any of these events could damage our reputation among our customers and potential customers and substantially harm our business. We may be required to expend capital and resources to protect against the threat of security breaches or to alleviate problems caused by these breaches. Consumer concern over Internet security has been, and could continue to be, a barrier to commercial activities requiring consumers to send their credit card information over the Internet. Computer viruses, break-ins, or other security problems could lead to misappropriation of proprietary information and interruptions, delays or cessation in service to our customers. Moreover, until more comprehensive security technologies are developed, the security and privacy concerns of existing and potential customers may inhibit the growth of the Internet as a merchandising medium. Further, our business is subject to the effects of war and acts of terrorism.

We may be unable to protect our intellectual property rights, or we may infringe the intellectual property rights of others, which may result in lawsuits and prevent us from selling our products.

We rely on copyright, patent, and trade secret laws to protect our trademarks, content, and proprietary technologies and information. However, there can be no assurance that such laws will provide sufficient protection to us, other parties will not develop technologies that are similar or superior to ours, or, given the availability of our products' source-code, other parties will not copy or otherwise obtain and use our content or technologies without authorization.

There are no pending lawsuits against us regarding infringement of any existing patents or other intellectual property rights or any material notices that we are infringing the intellectual property rights of others. However, there can be no assurance that third parties will not assert infringement claims in the future. If any claims are asserted and determined to be valid, there can be no assurance that we will be able to obtain licenses of the intellectual property rights in question or obtain licenses on commercially reasonable terms. Our involvement in any patent dispute or other intellectual property dispute or action to protect proprietary rights may have a material adverse effect on our business, operating results, and financial condition. Adverse determinations in any litigation may subject us to liabilities, require us to seek licenses from third parties, and prevent us from marketing and selling our products. Any of these situations can have a material adverse effect on our business, operating results, and financial condition.

Effective trademark, copyright, and other intellectual property protection may not be available in every country in which our technology is distributed or made available through the Internet. There can be no assurance that our means of protecting our proprietary rights in the United States or abroad will be adequate or that competitors will not independently develop similar technology.

Our future success depends on our ability to attract customers from outside the United States. Jurisdictions outside the United States may impose tax and regulatory burdens on our business, which could have a material adverse affect on our business, financial condition, and results of operations.

Our future success will be affected by our ability to attract customers from countries outside the United States. We believe that the growth of the Internet in foreign countries will outpace growth of the Internet in the United States in the next decade. Foreign countries could impose withholding taxes or otherwise tax our foreign income, impose tariffs, embargoes or exchange controls, or adopt other restrictions on foreign trade or restrictions relating to use or access of or distribution of software through electronic means. The laws of certain countries also do not protect our intellectual property rights to the same extent as the laws of the United States. In addition, we are subject to the United States export control regulations that may restrict our ability to market and sell our products to certain countries outside of the United States. Failure in successfully marketing our products in international markets could have a material adverse effect on our business, operating results and financial conditions. Atlas intends marketing its products initially in both North America and Europe and already we have pilot customers in both the United States and Italy.

We expect quarterly revenue and operating results to vary in future periods, which could cause our stock price to fluctuate.

Our limited operating results have varied widely in the past, and we expect they will continue to vary from quarter to quarter as we attempt to commercialize our product and develop the new IT support business under Atlas. Our quarterly results may fluctuate for many reasons, including:

- Limited operating history
- Dependence on a limited number of customers for a significant portion of our revenue; and
- Dependence on membership fees to provide future revenue.

As a result of these fluctuations and uncertainties in our operating results, we believe quarter-to -quarter or annual comparisons of our operating results are not a good indication of our future performance. In addition, at some point in the future, these fluctuations may likely cause us to perform below the expectations of public market analysts or investors. If our results fall below market expectations, the price of our common stock will be adversely affected.

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Our stock price is volatile and, as a result, you could lose some or all of your money.

We believe that various factors may cause the market price of our common stock to fluctuate, including announcements of:

- New products by us or our competitors;
- Developments or disputes concerning intellectual property proprietary rights;
- Our failing to achieve our operational milestones; and
- Changes in our financial conditions or securities = analysts' recommendations.

The stock markets, in general, and the shares of Internet companies, in particular, have experienced extreme price fluctuations. These broad market and industry fluctuations may cause the market price of our common stock to decline. In addition, the low trading volume of our stock will accentuate price swings of our stock.

ITEM 7. FINANCIAL STATEMENTS

TRIBEWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

TRIBEWORKS, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2005

Williams & Webster, P. S
Certified Public Accountants & Business Consultants

Tribeworks, Inc.
Redmond, Washington

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying balance sheet of Tribeworks, Inc. as of December 31, 2005 and the related statement of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tribeworks, Inc. as of December 31, 2005 and the results of its operations, stockholders equity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has limited cash. In addition, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note C. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Williams & Webster, P.S.
Certified Public Accountants
Spokane, Washington
December 15, 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2004

To the Board of Directors and Stockholders Tribeworks, Inc.

We have audited the accompanying consolidated balance sheet of Tribeworks, Inc. and subsidiaries as of December 31, 2004, and the related consolidated statements of operations, cash flows, and stockholders' deficit for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tribeworks, Inc. and subsidiaries as of December 31, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company's financial position and limited capital resources raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Notes C and L. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ TAUBER & Balser, P.C.

Tauber & Balser, P.C.

Atlanta, Georgia
March 30, 2005

TRIBEWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004

		2005 (Restated)		2004
Current Assets				
Cash	$	84,527	$	43,729
Accounts receivable, net of allowance for doubtful accounts of $1,500		12,698		32,641
Prepaid expenses		27,145		31,292
Total Current Assets		124,370		107,662
Other Assets				
Loans to Atlas		1,073,744		-
Equipment, net of accumulated depreciation of $51,834 and $50,602, respectively		1,912		1,691
Total Other Assets		1,075,656		1,691
Total Assets	$	1,200,026	$	109,353
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current Liabilities				
Accounts payable	$	381,495	$	247,703
Accrued expenses		182,108		134,887
Due to shareholders		6,232		6,232
Billings in excess of costs and estimated earnings on uncompleted contract		—		53,240
Income taxes payable		3,882		—
Note payable		175,175		83,701
Deferred revenue		35,551		61,971
Total Current Liabilities		784,443		587,734
Stockholders' Equity (Deficit)				
Application Monies for new Stock		417,289		—
Redeemable convertible preferred stock: $.0004 par value, 10,000,000 shares authorized, 84,000 and 0 Series B preferred shares issued and outstanding		34		—
Common stock: $.0004 par value, 200,000,000 shares authorized, 21,607,555 and 1,569,555 shares issued and outstanding at December 31, 2005 and 2004		8,635		628
Additional paid-in capital		3,681,613		3,036,980
Accumulated deficit		(3,691,988)		(3,515,989)
Total Stockholders' Equity (Deficit)		415,583		(478,381)
Total Liabilities and Stockholders' Equity (Deficit)	$	1,200,026	$	109,353

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

TRIBEWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2005 AND 2004

		2005 (Restated)		2004
Revenues	$	593,595	$	821,572
Cost of Sales		214,606		328,862
Gross Profit		378,989		492,710
Operating Expenses				
Product support		11,673		40,377
Product development		67,287		94,387
Sales and marketing		132,262		200,488
General and administrative		359,050		350,671
		570,272		685,923
Loss from Operations		(191,283)		(193,213)
Other Income (Expense)				
Interest expense		(4,463)		—
Interest income		23,667		(792)
Other income		1,058		—
		20,262		(792)
Loss Before Income Taxes		(171,021)		(194,005)
Income Taxes		4,770		—
Net Loss	$	(175,791)	$	(194,005)
Net Loss per Common Share, Basic and Diluted	$	(0.02)	$	(0.12)
Weighted Average Number of Common Shares Outstanding, Basic and Diluted		10,325,995		1,569,555

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

TRIBEWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005 (Restated)	2004