MERIDIAN HOLDINGS INC
Form 10QSB/A
March 02, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-QSB/A

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2004

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From ___________ to ____________

COMMISSION FILE NUMBER: 0-30018

MERIDIAN HOLDINGS,INC.

(Exact Name of Registrant as Specified in its Charter)

COLORADO	52-2133742
(State of Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

900 WILSHIRE BOULEVARD, SUITE 500, LOS ANGELES, CALIFORNIA 90017

(Address of Principal Executive Offices)

(213) 627-8878

(Registrant's telephone number, including area code)

N/A

(Former name, former address and formal fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months and, (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ( )

As of June 30, 2004, Meridian Holdings, Inc., Registrant had 14,370,200 shares of its $0.001 par value common stock outstanding, with a total market value of $1,437,020

MERIDIAN HOLDINGS, INC.

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MERIDIAN HOLDINGS, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

ASSETS

	As of June 30, 2004	December 2003
Current assets		
Cash and cash equivalents	$ 2,778	$ 1,218
Restricted cash	182,233	281,010
Judgment receivable (7)	31,152,883	-
Accounts receivable, net of allowance for doubtful accounts of $179,812 and $179,812	1,631,243	1,499,482
Other current assets	8,302	8,302
Total current assets	32,977,439	1,790,012
Fixed assets, net of accumulated depreciation	43,268	43,258
Investments	3,448,564	3,448,564
Total assets	$ 36,469,271	$ 5,281,834
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 403,652	$ 233,301
Reserve for incurred but not reported claims	201,311	227,820
Accrued interest		
Line of credit	50,212	48,912
Total current liabilities	655,175	510,033
Long Term liabilities		
Loan from majority stockholder/officer	31,098	-
Long-term debt	227,504	189,479

Total liabilities	913,777	699,512
Commitments and contingencies		
Stockholders' equity		
Preferred stock (20,000,000 shares authorized, par value $0.001; no shares issued and outstanding)	-	-
Common stock (100,000,000 shares authorized, par value $0.001; 14,370,200 shares issued and outstanding at June 30, 2004 and 9,370,648 as at June 30, 2003)	14,370	9,370
Additional paid-in capital	5,526,760	5,031,760
Accumulated deficit	30,014,364	(458,808)
Total stockholders' equity	35,555,494	4,582,322
Total liabilities and stockholders' equity	$ 36,469,271	$ 5,281,834

See accompanying notes to Condensed consolidated financial statements

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MERIDIAN HOLDINGS, INC.
Condensed Consolidated Statements of Operations
(UNAUDITED)

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Revenues				
Capitation	$ 321,638	$ 458,342	700,821	955,033
Risk Pool	148,792	(1,433)	316,833	387,359
Fee For Service	1,365	624	1,806	1,102
		-		-
	471,795	457,533	1,019,460	1,343,494
Cost of revenues				
Capitation	(187,078)	(202,533)	(392,374)	(497,140)
Gross margin	284,717	255,000	627,086	846,354
Operating expenses				
General and administrative	(429,506)	(159,118)	(801,733)	(734,116)
	-	-		-
(Loss)Income from Operations	(144,789)	95,882	(174,647)	112,238
Other income and expense				

Judgment Award	30,687,926	-	30,687,926	-
Interest on Judgment	465,318	-	465,318	-
Stock option issued	(500,000)	-	(500,000)	-
Other expenses	(3,161)	(26,297)	(5,425)	(64,926)
Total other income /expense	30,650,083	(26,297)	30,647,819	(64,926)
Net Income	30,505,294	69,585	30,473,172	47,312
Net income per share	$ 2.12	$ 0.01	$ 2.57	$ 0.01
Weighted average shares outstanding	14,370,200	9,383,149	11,870,200	9,383,149

See accompanying notes to Condensed consolidated financial statements

MERIDIAN HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(UNAUDITED)

	Six Months Ended June 30, 2004	2003
Cash flows from operating activities		
Net income	$ 30,473,172	47,311
Adjustments to reconcile net Loss/income to net cash used in operating activities:		
Stock Option issued	500,000	-
Depreciation and amortization	8,908	7,292
Equity interest in earnings of investments		-
(Increase) decrease in:		
Restricted cash	98,777	70,860
Judgment receivable	(31,152,883)	-
Accounts receivable	(131,761)	(160,506)
Other current assets	-	163,715
Accounts payable	170,351	98,328

Accrued payroll and other	-	(836,467)
Incurred but not reported reserve	(26,509)	-
Net cash used in operating activities	(59,945)	(609,468)
Cash flow from investing activities		
Acquisition of fixed assets	(8,918)	(2,524)
Investment in InterCare	-	278,841
Disposition Of fixed assets	-	315,002
Net cash used in investing activities	(8,918)	591,319
Cash flow from financing activities		
Borrowings from majority stockholder/officer	(158,381)	-
Borrowings on long-term debt	227,504	-
Borrowings on line of credit	1,300	-
Net cash (used in) provided by financing activities	70,423	-
Increase/(Decrease) in cash and cash equivalents	1,560	(18,149)
Cash and cash equivalents, beginning of period	1,218	23,040
Cash and cash equivalents, end of period	$ 2,778	4,891

Supplemental Disclosure of non-cash investing and financing activities

See accompanying notes to Condensed consolidated financial statements

MERIDIAN HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements

1. General

Basis of Reporting

The interim accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal, recurring accruals) considered necessary for a fair presentation have been included.

For further information, management suggests that the reader refer to the audited financial statements for the year ended December 31, 2003 included in its Annual Report on Form 10-KSB. Operating results for the six-month period ended June 30, 2004 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2004.

Nature of Operations

Meridian Holdings, Inc. (the "Company") was incorporated under the laws of the State of Colorado on October 13, 1998. The Company is located in the City of Los Angeles, California, U.S.A. and contracts with physicians to provide health care services primarily within the area of Los Angeles County.

The Company is an acquisition-oriented holding company focused on building, operating, and managing a portfolio of business-to-business companies. It seeks to acquire majority or controlling interests in companies engaged in e-commerce, e-communication, and e-business services, which will allow the holding company to actively participate in management, operations, and finances. The Company's network of affiliated companies is designed to encourage maximum leverage of information technology, operational excellence, industry expertise, and synergistic business opportunities.

The Company also provides medical services management to its' Capnet IPA health care provider network. We provide the following services:

- disease management -- a method to manage the costs and care of high risk patients and produce better patient care

- quality management -- a review of overall patient care measured against best medical practice patterns

- utilization management -- a daily review of statistical data created by encounters, referrals, hospital, admissions and nursing home information

- claims adjudication and payment

Cash And Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents (e.g. restricted cash). From time to time, the Company maintains cash balances with financial institutions in excess of federally insured limits.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year

The Company operates on a December 31st year end.

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Revenue Recognition

The Company prepares its financial statements and federal income taxes on the accrual basis of accounting. The Company recognizes capitation revenue on a monthly basis from managed care plans that contract with the Company for the delivery of health care services. This capitation revenue is at the contractually agreed-upon per-member, per-month rates.

Costs of Revenues

The Company recognizes costs of revenues paid to physicians on a monthly basis who contract with the Company for the delivery of health care services. These costs are at the contractually agreed-upon per-member, per-month rates or at the California Medi-cal fee for service rates.

Fair Value of Financial Instruments and Concentration of Credit Risk

The carrying amounts of cash, receivables, accounts payables and accrued liabilities approximate fair value because of the immediate or short-term maturity of these financial statements.

Equity Method

Investments in certain companies whereby the Company owns 20 percent or more interest are carried at cost, adjusted for the Company's proportionate share of their undistributed earnings or losses, because the Company exercises significant influence over their operating and financial activities. Such investee entities include InterCare-dx, Inc. ("InterCare") and CGI Communications Services, Inc. ("CGI").

2. Investments

InterCare

On September 18, 1999, the Company acquired 51% of all the outstanding Common Stock of InterCare in exchange for services and assumption of certain debts of InterCare. During fiscal year 2000, additional stock issued by InterCare combined with a dividend distribution by the Company of InterCare stock resulted in a net decrease in the Company's ownership percentage to 32% as at December 31, 2000. A dividend of approximately $160,800 was recorded reflecting the relative net book value of the Company's investment in InterCare that was distributed to Meridian Holdings, Inc., shareholders as at that time.

CGI

On December 10, 1999, the Company agreed to acquire a 20% equity interest in CGI for common stock. On December 20, 1999, the board of directors authorized the issuance of 4,000,000 pre-split (adjusted to 12,000,000 post-split) shares of common stock in consideration for the 20% of the interest in CGI. At the date of the transaction, the Company's shares opened at a price of $3 per share. Between September 1, 1999 and the acquisition date, the Company's stock sold within a range of $.25 to $3.25 per share (an average of $.97 per share). Because of the limited trading history of the Company, the six-month average was deemed to be a fair valuation of the transaction, resulting in a total investment balance of $3,880,000 as of December 31, 2000 and 1999. The shareholders of CGI were also issued warrants to purchase an additional 1,000,000 pre-split (adjusted to 3,000,000 post-split) shares of common stock at $2 pre-split share (or approximately $0.67 on a post-split basis) over a five-year period as a hedge against any fluctuation of the share price of the common stock in the immediate future. These warrants will expire on December 30, 2004, and none have been exercised as of June 30, 2004.

3. Fixed Assets

Fixed assets consist of the following:

	As of June 30, 2004	December 31,2003
Computer equipment	$ 111,155	$ 102,237
Leasehold improvements	6,500	6,500
Office furniture, fixtures and equipment	61,915	61,916
Software	25,803	25,803
Medical equipment	6,654	6,654
	212,027	203,110
Less accumulated depreciation	(168,759)	(159,852)
	$ 43,268	$ 43,258

4. Line of Credit

The Company has a $50,000 line of credit with a financial institution. Related advances bear interest at 11%, and interest is payable monthly. The line of credit expires March 21, 2005.

5. Long-term Debt

The Company has various loans with financial institutions with interest rates ranging from 4% to 15% and maturity dates ranging from 2015 to 2024.

6. Risk Pool Agreement

The Company is a party to a Risk Pool Agreement (the "Agreement") with Tenet HealthSystem Hospitals, Inc. ("Tenet"). Pursuant to the Agreement, 50% of the monthly capitation revenue is received directly by the Company, and the remaining 50% is deposited into an escrow account from which Cap-Management Systems, Inc., a subsidiary of Tenet pays all claims expenses, reinsurance expenses, make allowance for Incurred But Not Reported ("IBNR") reserve, and retains a management fee. The Company is responsible for 50% of Profit (loss) after all institutional claims reinsurance and management fees are paid, and ("IBNR") reserve have been accounted for.

These revenues and expenses have been reflected in the accompanying Consolidated statements of operations for the quarters ended June 30, 2004 and 2003 respectively.

The Company has also reflected the monies in the escrow account as of June 30, 2004 and 2003, respectively as restricted cash in the accompanying consolidated balance sheets.

Related party Transaction

On April 26, 2004 the registrant issued 5,000,000 shares of common stock with a fair market value of 0.10 cents per share as of June 30, 2004, to consultant and employees of the registrant, under the 2003 qualified and non-qualified stock option plan, following an S8 registration statement filing with the SEC.

7. Judgment Receivable

On January 8, 2004, a default judgment was entered in favor of the registrant, by the Los Angeles County Superior Court in a case titled Meridian Holdings, Inc. versus Sirius Technologies of America, a Delaware Corporation Case Number BC256860. The amount of the judgment including damages, court cost and punitive damages are $30,687,926, with a pre-judgment interest at the annual rate of 10%. This amount has been reflected in the balance sheet and the income statement as a judgment receivable. Management is pursuing all collections options regarding this judgment.

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MERIDIAN HOLDINGS, INC.

THE COMPANY

Meridian Holdings, Inc. (the "Company") was incorporated under the laws of the State of Colorado on October 13, 1998. The Company is located in the City of Los Angeles, California, U.S.A. and contracts with physicians to provide health care services primarily within greater of Los Angeles County.

The Company became fully reporting under Securities & Exchange Commission guidelines on March 31, 1999. The Company's common stock started trading on the OTCBB on August 26, 1999. The Company is an acquisition-oriented holding company focused on building, operating and managing a portfolio of business -to-business companies. It seeks to acquire majority or controlling interests in companies engaged in e-commerce, e-communication, and e-business services, which will allow the holding company to actively participate in management, operations, and finances. The Company's network of affiliated companies is designed to encourage maximum leverage of information technology, operational excellence, industry expertise, and synergistic business opportunity.

The Company also provides medical services management to its Capnet IPA health care provider network. We provide the following services:

- disease management -- a method to manage the costs and care of high risk patients and produce better patient care

- quality management -- a review of overall patient care measured against best medical practice patterns

- utilization management -- a daily review of statistical data created by encounters, referrals, hospital, admissions and nursing home information

- claims adjudication and payment

Under our model, the primary care physicians maintain their independence but are aligned with a professional staff to assist in providing cost effective medicine. Each primary care physician provides direct patient services as a primary care doctor including referrals to specialists, hospital admissions and referrals to diagnostic services. These physicians are compensated on a per member per month capitation basis.

We believe our expertise allows us to provide a service and manage the risk that health insurance companies cannot provide on an efficient and economic level. Health insurance companies are typically structured as marketing entities to sell their products on a broad scale. Due to mounting pressures from the industry, managed care organizations have altered their strategy, returning to the traditional model of selling insurance and transferring the risk to a provider service network such as us. Under such arrangements, managed care organizations receive premiums from the Center for Medicare and Medicaid Services, State Medicaid programs and other commercial groups and pass a significant percentage of the premium on to a third party such as us, to provide covered benefits to patients, including sometimes pharmacy and other enhanced services. After all medical expenses are paid, any surplus or deficit remains with the provider service network. When managed properly, accepting this risk can create significant surpluses.

SELECTED FINANCIAL DATA

The Company had net working capital of $32,322,264 as at June 30, 2004 compared to $ 1,279,978 at December 31, 2003. This represents an increase in working capital of 2,425%. This increase in working capital is attributed primarily to a judgment award (judgment receivable) against Sirius Technologies of America, a Delaware Corporation

The selected financial data set forth above should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

The following section contains forward-looking statements that involve risks and uncertainties, including those referring to the period of time the Company's existing capital resources will meet the Company's future capital needs, the Company's future operating results, the market acceptance of the services of the Company, the Company's efforts to develop new products and services, and the Company's planned investment in the marketing of its current services and research and development with regard to future endeavors. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including domestic and global economic patterns and trends.

LIQUIDITY AND CAPITAL RESOURCES OF THE COMPANY.

We believe that we will be able to fund our capital commitments, operating cash requirements and satisfy our obligations as they become due from a combination of cash on hand, expected operating cash flow improvements through HMO premium increases and improvements in the benefit structure of HMO contracts.

However, there can be no assurances that these sources of funds will be sufficient to fund our operations and satisfy our obligations as they become due.

Long-term cash requirements, other than normal operating expenses, are anticipated for the continued development of the Company's business plans. The Company will need to raise additional funds from investors in order to complete these business plans.

If we need additional capital to fund our operations, there can be no assurance that such additional capital can be obtained or, if obtained, that it will be on terms acceptable to us. The incurring or assumption of additional indebtedness could result in the issuance of additional equity and/or debt which could have a dilutive effect on current shareholders and a significant effect on our operations.

RESULTS OF OPERATIONS

THE FINANCIAL RESULTS DISCUSSED BELOW RELATE TO THE OPERATION OF MERIDIAN

HOLDINGS FOR THE THREE MONTHS ENDED AND SIX MONTHS ENDED JUNE 30, 2004 AS COMPARED TO THE THREE MONTHS ENDED AND SIX MONTHS ENDED JUNE 30, 2003.

REVENUE

Medical services revenues decreased by 30% from $ 458,342 for the three months ended June 30, 2003 to $ 321,638 for the three months ended June 30, 2004, and by 27% from $ 955,033 for the six months ended June 30, 2003 to $ 700,821 for the six months ended June 30, 2004.

We provided managed care services for approximately 28,000 and 30,000 member months (members per month multiplied by the months for which services were available) during the six months ended June 30, 2004 and 2003, respectively. The decrease in member months was due to disenrollment of Medi-Cal members following the ongoing State of California Department of Health Services Medi-Cal membership redetermination efforts.

Revenue generated by our managed care entities under our contracts with HMOs as a percentage of medical services revenue was approximately 99% and 96%, respectively, during the six months ended June 30, 2004 and 2003. Revenue generated by the Los Angeles County Community Health Plan ("CHP") contracts was 99% of medical services revenue for the six months ended June 30, 2004 and 2003, respectively.

Management is the process of launching the International Preferred Provider Network program, through the Meridian Health Systems division, which will be official launched during the fourth quarter of 2004, which we believe will significantly enhance our revenue generation.

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EXPENSES

Medical claims paid, which includes capitation payments to our contracted primary care IPA physicians and medical claims paid revenue after giving account to IBNR reserves, for the three month period ended June 30,2004 were $ 187,633 or 40% of medical services revenue, compared to $ 94,417 or 21% of medical services revenue for the three month period ended June 30, 2003. Medical services expenses, for the six month period ended June 30,2004 were $ 283,154 or 28% of medical services revenue, compared to $351,249 or 26% of medical services revenue for the six month period ended June 30, 2003. The increase in medical services expense for the three and six months ended June 30, 2004 was due to increased volumes of claims paid to contracted providers for services rendered.

Medical claims represent the costs of medical services provided by providers other than our contracted primary care providers, but which are to be paid by us for individuals covered by our capitated risk contracts with HMOs. Our claim loss ratio varies from quarter to quarter due to fluctuations in utilization, the timing of claims paid by the HMOs on our behalf, as well as increases in medical costs without counterbalancing increases in capitation revenues.

For the three months ended June 30, 2004 and 2003, payroll and employee benefits for administrative personnel was $128,113, or 27% of total revenues, compared to $121,227 or 26% of revenue, respectively. Payroll and employee benefits for administrative personnel was $271,610 for the six months ended June 30, 2004, or 27% of total revenues, compared to $238,617 or 18% of revenue for the six months ended June 30, 2003. The increase in employee payroll expenses for the six months ended June 30, 2004 was due to hiring of additional support staff.

Management anticipates that general operating expenses will increase, as it pursues, vigorously, its acquisition of new business opportunities and the integration of the existing ones.

INCOME/LOSS FROM OPERATIONS

The registrant recorded a loss from operations for the three months ended June 30, 2004 of $144,789, or 31% of total revenues, compared to income of $95,882, or 21% of total revenues, for the three months ended June 30, 2003. During the six months ended June 30, 2004, the registrant recorded a loss from operations of $174,647, or 17% of total revenues compared to an income from operations of $112,238 or 8.3% of total revenues for the six months ended June 30, 2003. The decrease in net income from operations is due to decrease in member months as a result of disenrollment of Medi-Cal members following the ongoing State of California Department of Health Services Medi-Cal membership redetermination efforts described above.

NET INCOME (LOSS)

The net income for the three months ended June 30, 2004 was $30,505,294 compared to net income for the three months June 30, 2003 of $69,585. The Net income for six months ended June 30, 2004 and June 30, 2003 was $30,473,172 and $47,312 respectively. The increase in net income was as a result of the award of a judgment in favor of Meridian Holdings, Inc. against Sirius Technologies, a Delaware Corporation by Los Angeles County Superior Court. Management is pursuing vigorously, all the available collections efforts.

CERTAIN FACTORS AFFECTING FUTURE OPERATING RESULTS

This Form 10-QSB contains certain 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. When used in this Form 10-Q, the words "believe," "anticipate," "think," "intend," "plan," "will be," and similar expressions, identify such forward-looking statements. Such statements regarding future events and/or the future financial performance of our Company are subject to certain risks and uncertainties, which could cause actual events or our actual future results to differ materially from any forward-looking statement. Certain factors that might cause such a difference are set forth in our Form 10-K for the period ended December 31, 2003, including the following: our success or failure in implementing our current business and operational

strategies; the availability, terms and access to capital and customary trade credit; general economic and business conditions; competition; changes in our business strategy; availability, location and terms of new business development; availability and terms of necessary or desirable financing or refinancing; labor relations; the outcome of pending or yet-to-be instituted legal proceedings; and labor and employee benefit costs.

Medical claims payable include estimates of medical claims expenses incurred by our members but not yet reported to us. These estimates are based on a number of factors, including our prior claims experience and pre-authorizations of treatment. Adjustments, if necessary, are made to medical claims expenses in the period the actual claims costs are ultimately determined. We cannot assure that actual medical claims costs in future periods will not exceed our estimates. If these costs exceed our estimates, our profitability in future periods will be adversely affected.

Pursuant to the Medicaid program, the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for such medical and health services is made to providers in an amount determined in accordance with procedures and standards established by state law under federal guidelines. Significant changes have been and may continue to be made in the Medicaid program which could have an adverse effect on our financial condition, results of operations and cash flows.

During certain fiscal years, the amounts appropriated by state legislatures for payment of Medicaid claims have not been sufficient to reimburse providers for services rendered to Medicaid patients. Failure of a state to pay Medicaid claims on a timely basis may have an adverse effect on our cash flow, results of operations and financial condition.

PLAN OF OPERATIONS

The Company intends to embark on more aggressive marketing campaign to increase its enrollment of membership into its Capnet IPA Healthy Family Program contract with the County of Los Angeles Community Health Plan.

Negotiations are in the preliminary stages to expand our provider network into the rural communities of California, under our telemedicine consultation program.

The Company through it's CGI Communications, Services, Inc., has embarked on a global telemedicine initiative, which we believe will expand our operational network to key strategic countries all over the world, and will increase our operational capacity and revenues.

On June 1st, 2004, we issued a press release announcing that its' CGI Communications Services, Inc.(CGI) subsidiary, has entered into a teaming and joint marketing agreement with Telemedicine Reference Center, Ltd,(TRCL) located in Dhaka, Bangladesh.

Management is the process of launching the International Preferred Provider Network program, through the Meridian Health Systems division, which will be official launched during the fourth quarter of 2004, which we believe will significantly enhance our revenue generation.

Item 3. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation under the Supervision and with the participation of the Company's management, including the Chief Executive Officer and President and the Principal Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of September 30, 2004. In designing and evaluating the Company's disclosure controls and procedures, the Company and its management recognize that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective

disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, the Company's management was required to apply its reasonable judgment. Based upon the required evaluation, the Management concluded that as of June 30, 2004, the Company's disclosure controls and procedures were effective (at the "reasonable assurance" level mentioned above) to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

From time to time, the Company and its management have conducted and will continue to conduct further reviews and, from time to time put in place additional documentation, of the Company's disclosure controls and procedures, as well as its internal control over financial reporting. The Company may from time to time make changes aimed at enhancing their effectiveness, as well as changes aimed at ensuring that the Company's systems evolve with, and meet the needs of, the Company's business. These changes may include changes necessary or desirable to address recommendations of the Company's management, its counsel and/or its independent auditors, including any recommendations of its independent auditors arising out of their audits and reviews of the Company's financial statements. These changes may include changes to the Company's own systems, as well as to the systems of businesses that the Company has acquired or that the Company may acquire in the future and will, if made, be intended to enhance the effectiveness of the Company's controls and procedures. The Company is also continually striving to improve its management and operational efficiency and the Company expects that its efforts in that regard will from time to time directly or indirectly affect the Company's disclosure controls and procedures, as well as the Company's internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of the evaluation.

PART II - OTHER INFORMATION

Item 1: LEGAL PROCEEDINGS

On January 8, 2004, a default judgment was entered in favor of the registrant, by the Los Angeles County Superior Court in a case titled Meridian Holdings, Inc. Versus Sirius Technologies of America a Delaware Corporation Case number BC256860. The amount of the judgment including damages, court cost and punitive damages is $30,687,926, with a pre-judgment interest at the annual rate of 10%. This amount has been reflected in both the balance sheet and income statement of the registrant as a judgment receivable. Management is pursuing all collections options regarding this judgment.

On June 28, 2004, the registrant had a court hearing in the District Court of Jerusalem, Case No A3359/01(BSA 1646/03) titled "Dr. Danny Basel vs Corsys Group LTD; Meridian Holdings, Inc., and Anthony C. Dike." The plaintiff Is seeking amongst other things: enforcement of contract , compensation, Negligent misrepresentation, cause in breach of contract and equitable relief. The registrant has been advised that Dr. Basel's employment was terminated for cause by Corsys Group LTD, due to intentional interference with contract and other economic relationship; and negligent interference with economic relationship; breach of fiduciary duty and other complicity in the Sirius/MedMaster matter, as well as an act of sabotage against the registrant, which resulted in significant loss of income and future business opportunities. The registrant has filed a responsive pleading, believes that the allegations against it are without merit, and intends to defend itself vigorously. The registrant is still awaiting the Israeli courts' decision regarding this matter.

From time to time, we may be engaged in litigation in the ordinary course of our business or in respect of which we are insured or the cumulative effect of which litigation our management does not believe may reasonably be expected to

be materially adverse. With respect to existing claims or litigation, our management does not believe that they will have a material adverse effect on our consolidated financial condition, results of operations, or future cash flows.

Item 6. Exhibits and Reports on Form 8-K

31.1 Certification pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 of Anthony C. Dike

32.1 Certification pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 of Anthony C. Dike

SIGNATURE

Pursuant to the requirements of Section 12 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.

Date: February 25, 2005 By: /s/ Anthony C. Dike

____________________________________Signature

Anthony C. Dike

Chief Executive officer