

Edgar Filing: INVU INC - Form 10QSB

INVU INC
Form 10QSB
September 16, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

- QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JULY 31, 2002
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File No. 00-22661

INVU, INC.
(Exact name of small business issuer as specified in charter)

Colorado 84-1135638

(State or other jurisdiction of incorporation) (IRS Employer Identification No.)

The Beren, Blisworth Hill Farm
Stoke Road
Blisworth, Northamptonshire NN7 3DB

(Address of principal executive offices) (Postal Code)

Issuer's telephone number, including area code: (01604) 859893

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

Indicate by check mark whether the issuer (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 (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

As of September 13, 2002 there were 30,386,539 shares of the common stock, no par value, of the registrant issued and outstanding.

Transitional Small Business Disclosure Format (check one)

YES NO X

Edgar Filing: INVU INC - Form 10QSB

INVU, INC.

July 31, 2002

INDEX

PART I. FINANCIAL INFORMATION.....

Item 1. Financial Statements.....

Consolidated Balance Sheets as of July 31, 2002.....

Consolidated Statements of Operations.....

Consolidated Statements of Deficit in Stockholders' Equity.....

Consolidated Statements of Cash Flows.....

Notes to Financial Statements.....

Item 2. Management's Discussion and Analysis or Plan of Operation.....

PART II. OTHER INFORMATION.....

Item 1. Legal Proceedings.....

Item 2. Changes in Securities.....

Item 3. Default Upon Senior Securities.....

Item 4. Submission of Matters to a Vote of Security Holders.....

Item 5. Other Information.....

Item 6. Exhibits and Reports on Form 8-K.....

SIGNATURES.....

EXHIBIT INDEX.....

CONSOLIDATED FINANCIAL STATEMENTS

INVU, INC. AND SUBSIDIARIES

JULY 31, 2002

F-1

INVU, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS

	July 31, 2002 (unaudited) \$
<hr/>	
ASSETS	
Current assets	
Accounts receivable:	
Trade, net	1,063,515
VAT recoverable and other	22,491
Inventories	134,056
Prepaid expenses	96,205
	<hr/>
Total current assets	1,316,267
	<hr/>
Equipment, furniture and fixtures	
Computer equipment	247,716
Vehicles	318,036
Office furniture and fixtures	113,488
	<hr/>
	679,240
	<hr/>
Less accumulated depreciation	343,664
	<hr/>
	335,576
	<hr/>
Intangible assets	104,147
	<hr/>
	1,755,990
	<hr/> <hr/>
LIABILITIES AND DEFICIT IN STOCKHOLDERS' EQUITY	
Current liabilities	
Short-term credit facility	692,839
Current maturities of long-term obligations	3,775,620
Accounts payable	581,307
Accrued liabilities	877,333
Deferred revenue	171,316
	<hr/>

Edgar Filing: INVU INC - Form 10QSB

Total current liabilities	6,098,415

Long-term obligations, less current maturities	1,680,928
Deficit in stockholders' equity	
Preferred stock, no par value	
Authorized - 20,000,000 shares; nil shares issued and outstanding	-
Common stock, no par value	
Authorized - 100,000,000 shares; issued and outstanding - 30,386,539	1,746,223
Accumulated deficit	(7,771,471)
Accumulated other comprehensive income	1,895

	(6,023,353)

	1,755,990
	=====

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

F-2

INVU, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended		For the six
	July 31,	July 31,	July 31,
	2002	2001	2002
	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$
Revenues	601,255	393,139	1,013,606
Expenses:			
Production cost	49,794	75,073	106,284
Selling and distribution cost	238,836	154,993	440,745
Research and development cost	173,865	116,430	351,056
Administrative costs	327,888	277,079	576,708
	-----	-----	-----
Total operating expenses	790,383	623,575	1,474,793
	-----	-----	-----
Operating loss	(189,128)	(230,436)	(461,187)
Other income (expense)			
Interest, net	(118,101)	(46,760)	(224,202)
	-----	-----	-----
Total other expense	(118,101)	(46,760)	(224,202)
	-----	-----	-----
Loss before income taxes	(307,229)	(277,196)	(685,389)
Income taxes	-	-	-
	-----	-----	-----
Net loss	(307,229)	(277,196)	(685,389)

Edgar Filing: INVU INC - Form 10QSB

Weighted average shares outstanding:	=====	=====	=====
Basic and Diluted	30,386,539	30,386,539	30,386,539
	=====	=====	=====
Net loss per common share			
Basic and Diluted	(0.01)	(0.01)	(0.02)
	=====	=====	=====

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

F-3

INVU, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF DEFICIT IN STOCKHOLDERS' EQUITY

	Common stock Shares	Common stock Amount \$	Accumulated deficit \$	Accumulated compreh
Balance at January 31, 2002	30,386,539	1,746,223	(7,086,082)	2
Comprehensive income (unaudited):				
Foreign currency translation adjustment (unaudited)	-	-	-	(2
Net loss for the period (unaudited)	-	-	(685,389)	
Total comprehensive income (unaudited)				
Balance at July 31, 2002 (unaudited)	30,386,539	1,746,223	(7,771,471)	=====

Edgar Filing: INVU INC - Form 10QSB

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

F-4

INVU, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six m July 31, 2002 (unaudited) \$
Net cash flows used in operating activities	
Net loss during the period	(685,389)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	93,527
Loss on disposal of assets	-
Changes in:	
Accounts receivable	(27,447)
Inventories	(44,066)
Prepaid expenses	(1,284)
Accounts payable	20,469
Accrued liabilities	126,048
Net cash used in operating activities	(518,142)
Cash flows used in investing activities:	
Acquisitions of property and equipment	(80,156)
Acquisitions of intangible assets	-
Net cash used in investing activities	(80,156)
Cash flows provided by financing activities:	
Short-term credit facility	363,548
Borrowings received from notes payable	277,198
Repayment of borrowings	(24,119)
Principal payments on capital lease	(23,190)
Net cash provided by financing activities	593,437
Effect of exchange rate changes on cash	4,861
Net decrease in cash	-
Cash at beginning of period	-
Cash at end of period	-

Edgar Filing: INVU INC - Form 10QSB

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest

76,000

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

F-5

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These statements include all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation of financial position and results of operations. The financial statements included herein should be read in conjunction with the financial statements and notes thereto included in the latest annual report on Form 10-KSB. The results of operations for the six month period ended July 31, 2002 are not necessarily indicative of the results to be expected for the full year.

NOTE A - COMPANY DESCRIPTION

INVU, Inc. (the Company) is a holding company which operates one subsidiary INVU Plc, which is a holding company for two subsidiaries of its own, INVU Services (Services) and INVU International Holdings Limited (Holdings). The Company was incorporated under the laws of the State of Colorado, United States of America, in February 1997. INVU Plc, Services and Holdings are companies incorporated under English Law. The Company operates in one industry segment which includes developing and selling software for electronic management of many types of information and documents such as forms, correspondence, literature, faxes, technical drawings and electronic files. Services is the sales, marketing and trading company and Holdings holds the intellectual property rights to the INVU software.

NOTE B - GOING CONCERN

The financial statements have been prepared on a going concern basis which assumes that the Company can meet its financial obligations as they fall due in the ordinary course of business. The Company's liabilities exceeded its assets by \$6,023,353 at July 31, 2002 and the Company had negative cash flows from operations of \$518,142 for the six months to July 31, 2002. Operations to date have been funded principally by equity capital and borrowings. However, the Company needs to raise sufficient financing to meet current obligations and to fund operations until the operations become profitable. The Company is in the process of negotiating the necessary additional financing to fund its

Edgar Filing: INVU INC - Form 10QSB

operations. The Company's ability to continue to develop its operations depends on its ability to raise further financing. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE C - SHORT-TERM CREDIT FACILITY

The Company has a \$312,440 ((pound)200,000) (January 31, 2002 \$282,660 ((pound)200,000)), 6% short-term credit facility with an English bank. The credit facility is collateralized by all assets of the Company and a corporate guarantee given by Vertical Investments Limited, a company in which a non-executive director of this Company has an interest. The amount drawn against the facility at July 31, 2002 was \$302,289 ((pound)193,502), (January 31, 2002 \$276,203 ((pound)195,431)). The amount drawn is payable on demand at the bank's discretion. The credit facility is due for review on September 30, 2002.

The Company also has a \$390,550 ((pound)250,000) (January 31, 2002 \$nil ((pound)nil)), base rate plus 3% short-term credit facility with an English bank. The credit facility is collateralized by all assets of the Company and a corporate guarantee given by Vertical Investments Limited, a company in which a non-executive director of this Company has an interest. The amount drawn against the facility at July 31, 2002 was \$390,550 ((pound)250,000), (January 31, 2002 \$nil ((pound)nil)). The amount drawn is payable on demand at the bank's discretion. The facility is due for review in December 2002.

F-6

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D - LONG-TERM OBLIGATIONS

Long-term obligations at July 31, 2002 and January 31, 2002, consist of the following:

Unsecured loan from an individual, no stated maturity date; bearing interest of \$4,687 per month ((pound)3,000)

July 31,
2002
(unaudited)
\$
801,428

4% above Libor rate (Libor rate was 4.03% and 4% at July 31, 2002 and January 31, 2002 respectively) notes payable to an English bank, monthly payment aggregating to (pound)500, matured in March 2002, collateralised by all assets of the Company and a corporate guarantee given by Vertical Investments Limited

-

4% above Libor rate (Libor rate was 4.03% and 4% at July 31, 2002 and January 31, 2002 respectively) notes payable to an English bank, monthly payments aggregating to (pound)1,333, maturing in June 2004, collateralised by all assets of the Company, unlimited multilateral guarantees between subsidiary undertakings and a corporate guarantee given by Vertical Investments Limited; a quarterly loan guarantee premium of 1.5% per annum is payable on 85%

Edgar Filing: INVU INC - Form 10QSB

of the outstanding balance	52,073
2% above the bank's base rate notes payable to an English bank, monthly payments aggregating to (pound)50,000, starting in November 2002 and maturing in October 2003, collateralised by all assets of the Company, unlimited multilateral guarantees between subsidiary undertakings and a corporate guarantee given by Vertical Investments Limited	937,320
Convertible A Note 1999-2002, with interest at 6%; interest due in arrears biannually on January 1 and July 1	600,000
Convertible B Note 1999-2002, bearing interest of 8% per annum for the first six months, 9% per annum for the next six months and 10% per annum thereafter; interest due in arrears biannually on January 1 and July 1	400,000
Convertible loans 2001-2003 (i) with interest rate per annum of 1.5% above UK bank base rates	159,000
Loan notes 2001-2005 (ii) with interest rate per annum of 7%	1,000,000
Loan notes 2001-2005 (iii) with interest rate per annum of 12%	500,000
Convertible loan 2001-2003 (iv) with interest rate per annum of 1.5% above UK bank base rate	300,000
Convertible loan 2001-2005 (v) with interest rate per annum of 12%	550,000
Capital leases for vehicles, interest ranging from 10.2% - 16.9% with maturities through 2004	156,727

	5,456,548
Less current maturities	(3,775,620)

	1,680,928
	=====

F-7

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Scheduled maturities of long-term obligation are as follows:

Year ending July 31,	\$
2003	3,775,620
2004	302,413
2005	577,083
2006	-
2007	801,432

	5,456,548
	=====

1) Convertible debentures

The A and B Convertible Notes 1999-2002 are held by individuals who are minority

Edgar Filing: INVU INC - Form 10QSB

shareholders in the Company. They are convertible into common shares at the rate of one common share for every US\$0.65 of outstanding principal Note converted for the A Notes and one common share for every US\$0.50 of outstanding principal Note converted for the B Notes. Conversion will take place:

- i) immediately prior to a Public Offering
- ii) at the option of the investors for the B Notes and automatically for the A Notes, upon new equity capital resulting in proceeds to the Company of at least \$4,000,000
- iii) at the option of the investor giving 30 days notice to the Company.

Interest amounting to \$227,950 has been accrued to July 31, 2002 (January 31, 2002 \$172,383) in respect of the A and B Convertible Notes 1999-2002.

Any outstanding principal not converted or redeemed by the anniversary date, which was August 16, 2001, will be redeemed at par plus interest after August 23, 2002 upon receipt of 30 days written notice from the Company or the Investors. At July 31, 2002 the outstanding principal could have been converted into 1,723,077 common shares.

In consideration of the Investors advancing an aggregate of \$1,000,000, the Company caused Montague Limited the principal shareholder to transfer, and register in the name of the Investors, 225,000 shares of Common Stock of no par value.

The convertible debentures are secured by a second charge over the Company's assets.

F-8

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) Loan notes and convertible loan notes

All of the investors for the loan notes and convertible loan notes detailed below are a related party of a minority shareholder and non-executive director of the Company. Each description below corresponds to the same romanette listed on the first table of Note D.

- i) The convertible loan notes are repayable at any time within 2 years from the date of issue. They are convertible into common stock at the rate of one share for every US \$0.25 of outstanding principal at any time within the 2 years from the date of issue after 45 days notice has been given to the Company.
- ii) The loan notes are repayable on August 26, 2005. At any time from May 1, 2002 until August 26, 2005, the investor may demand repayment of the entire loan or any part thereof at any time after three days notice to the Company. If the Company does not timely repay such amounts after receiving notice, the investor may convert the repayment amount into shares of the Company's common stock at a conversion price of \$0.2175 per share or convert the repayment amount into shares of the Company's subsidiaries at the equivalent per share conversion price. The loan is secured by a second charge over the Company's assets.

Edgar Filing: INVU INC - Form 10QSB

- iii) The loan notes are repayable by June 17, 2005. At any time from May 1, 2002 until June 17, 2005, the investor may demand repayment of \$475,000 or any part thereof at any time after three days notice to the Company. If the Company does not timely repay such amounts after receiving notice, the investor may convert the repayment amount into shares of the Company's common stock at a conversion price of \$0.13 per share or convert the repayment amount into shares of the Company's subsidiaries at the equivalent per share conversion price. The remaining \$25,000 is repayable on June 17, 2005. The loan is secured by a second charge over the Company's assets.
- iv) \$250,000 of the convertible loan notes are repayable by May 25, 2003 and the remaining \$50,000 are repayable by July 2, 2003. At any time from May 1, 2002 until July 2, 2003, the investor may convert any amount of the principal, at any time after three days notice to the Company, into shares of the Company's common stock at a conversion price of \$0.25 per share or convert any amount of the principal into shares of the Company's subsidiaries at the equivalent per share conversion price. The loan is secured by a second charge over the Company's assets.
- v) The convertible loan notes are repayable by May 1, 2005. At any time from May 1, 2002 until May 1, 2005, the investor may convert any amount of the principal at any time, after three days notice to the Company, into shares of the Company's common stock at a conversion price of \$0.13 per share or convert any amount of the principal into shares of the Company's subsidiaries at the equivalent per share conversion price. The loan is secured by a second charge over the Company's assets.

The investor in the loan notes and convertible loan notes referred to in ii) - v) above was granted two options in the common stock of the Company. The first option is for 2,700,000 shares of the Company's common stock that may be exercised at any time from March 1, 2002 until March 1, 2006 after three days notice for any amount of shares up to 2,700,000 at an exercise price of \$0.25 per share.

F-9

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The second option is for 450,000 shares of the Company's common stock that may be exercised at any time from March 1, 2002 until March 1, 2006 after three days notice for any amount of shares up to 450,000 at an exercise price of \$0.875 per share.

On the date of issue of all of the convertible loan notes, the conversion rate was in excess of the market price of the common stock and therefore, no beneficial conversion feature expense has been recorded in the financial statements.

3) Capital leases

The Company leases vehicles under noncancellable capitalized leases.

Edgar Filing: INVU INC - Form 10QSB

July 31,
2002
(Unaudited)
\$

Vehicles	318,036
Less accumulated depreciation	(188,326)

	129,710
	=====

Scheduled maturities of minimum lease payments are as follows:

Period ending July 31,

2003
2004

Less amount representing interest

Present value of net minimum lease payments

The scheduled net minimum lease payments to maturity are included in the long-term obligation table above.

F-10

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - RELATED PARTY TRANSACTIONS

At July 31, 2002 David Morgan owed \$22,491 ((pound)14,397) (January 31, 2002 \$19,584 ((pound)13,857)) to the Company. The maximum liability during the period amounted to \$22,491 and the interest charge amounted to \$Nil (January 31, 2002 \$Nil).

The Company made purchases during the period under normal commercial terms from Impakt Software Limited, a company owned by Paul O'Sullivan who is a potential beneficiary of a discretionary trust, the rest of which includes beneficial ownership of the Company's common stock. The percentage of Mr O'Sullivan's interest in the assets of the trust has not been determined. Total purchases amounted to \$23,814 in the three months to July 31, 2002 (Year to January 31, 2002 \$136,340) and the balance owed by the Company at July 31, 2002 was \$10,738 (January 31, 2002 \$6,477).

NOTE F - RECENT PRONOUNCEMENT

Edgar Filing: INVU INC - Form 10QSB

On July 20, 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 141, Business Combinations and SFAS 142, Goodwill and Other Intangible Assets. SFAS 141 is effective for business combinations completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however certain provisions of this Statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142.

These statements address how intangible assets that are acquired individually, with a group of other assets or in connection with a business combination should be accounted for in financial statements upon and subsequent to their acquisition. The new statements require that all business combinations initiated after June 30, 2001 be accounted for using the purchase method and establish specific criteria for the recognition of intangible assets separately from goodwill.

The Company will adopt SFAS 141 on February 1, 2002, as permitted by the new statement. Upon adoption, the Company will no longer amortize goodwill and other indefinite lived intangible assets. The Company will be required to test its goodwill and intangible assets that are determined to have an indefinite life for impairment at least annually. Other than in those periods in which the Company may record an asset impairment, the Company expects that the adoption of SFAS 142 will not impact its financial position or its results of operations.

The FASB issued SFAS 143, Accounting for Asset Retirement Obligations in June 2001. SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 is effective for fiscal years beginning after June 15, 2002. While the Company is currently evaluating the impact the adoption of SFAS 143 will have on its financial position and results of operations, it does not expect such impact to be material.

The FASB issued SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets, in August 2001. SFAS 144, which addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, supercedes SFAS 121 and is effective for fiscal years beginning after December 15, 2001. While the Company is currently

F-11

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

evaluating the impact the adoption of SFAS 144 will have on its financial position and results of operations, it does not expect such impact to be material.

In June, 2002, the FASB issued Statement 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 replaces previous accounting guidance provided by EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)", and requires companies to recognize costs associated with Exit or disposal activities only when a liability for these costs are incurred (subsequent to a commitment to a plan) rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the Statement include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, plant

Edgar Filing: INVU INC - Form 10QSB

closings, or other initiated after December 31, 2002. Although management believes the adoption of SFAS 146 will not have a material impact on the Company's financial statements, adoption of the Statement will result in timing differences in the recognition and measurement of expenses relating to exit and disposal activities.

NOTE G - SUBSEQUENT EVENTS

Since July 31, 2002 the Company has entered into an agreement with The Britech Fund ("Britech") and Smashing Concepts Limited for a software development project. Britech has agreed to provide funds by conditional grant for the implementation of the project in an amount equal to the lesser of (pound)310,000 (US\$484,282) or 50% of the actual expenditures on the project. Such amount will be divided equally between the Company and Smashing Concepts. On August 22, 2002, the Company received an initial payment of (pound)71,000 (US\$110,916) from Britech. Britech is required to make an additional payment of (pound)66,000 (US\$103,105) to the Company after six months subject to completion of the "integration phase" of the project, and Britech will make a final payment of (pound)18,000 (US\$28,120) to the Company upon the completion of the project. The Company and Smashing Concepts are required to make certain repayments to Britech of the grant amounts based on the gross sales derived from the sale, leasing or marketing of innovations developed during the course of the project, as well as make certain royalty payments to Britech based on sales of a patented products developed during the course of the project. Additionally, the Company and Smashing Concepts are required to pay to Britech a percentage of all licensing revenues achieved from products developed during the course of the project.

On August 23, 2002, INVU International Holdings Limited ("Holdings"), a wholly-owned subsidiary of the Company, entered into an Agreement for the Sale, Purchase and Transfer of Shares (the "Agreement") pursuant to which Holdings agreed to purchase all of the issued and outstanding stock (the "Corsham Stock") of Corsham Holding B.V., a company incorporated under Dutch law ("Corsham"), from B.V. Holding Maatschappij "De Hondsrug," a company incorporated under Dutch law ("B.V. Holding"). In consideration for the Corsham Stock, Holdings agreed to (i) assume an aggregate of (Euro) 3,006,294 (US\$2,923,928) of debt owed by B.V. Holding to Corsham and (ii) make a cash payment equal to (Euro) 965,544 (US\$939,090) to B.V. Holding. The Agreement provides that the acquisition of the Corsham Stock would be effective as of August 23, 2002. The purchase price for the Corsham Stock was based on the net asset value of Corsham on August 23, 2002, as set forth in Corsham's balance sheet, plus an amount equal to 18.5% of Corsham's net profits before taxes for the financial year 2002 through August 23, 2002.

F-12

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the terms of the Agreement for the Sale, Purchase and Transfer of Shares dated as of August 23, 2002, by and among Holdings, B.V. Holding and Corsham (the "Second Agreement"), Holdings and Corsham entered into a Transfer of Trade Secret and Exclusive License of Know-How Agreement on September 6, 2002, pursuant to which Holdings agreed, under certain conditions, to transfer confidential information, an exclusive license to use its technology and its business plan to Corsham. In exchange for such transfer, Corsham has agreed to (i) make a cash payment equal to (Euro) 965,544 (US\$950,385) to Holdings and (ii) reduce the debt owed by Holdings to Corsham by (Euro) 1,330,783 (US\$1,309,890). Pursuant to the terms of the Second Agreement, Holdings and

Edgar Filing: INVU INC - Form 10QSB

Corsham also entered into an Exclusive Copyright and Trademark/Tradename License Agreement on September 6, 2002 pursuant to which Holdings agreed, inter alia, to grant exclusive software and copyright licenses of certain of its products to Corsham for an initial term of four (4) years. In consideration for such exclusive licenses, Corsham has agreed to (i) reduce the debt owed by INVU Holdings to Corsham by an additional (Euro) 1,675,511 (US\$1,649,205) and (ii) pay an aggregate amount equal to (Euro) 35,400,661 (US\$34,844,871) to Holdings, which amount shall be loaned to Corsham by Holdings pursuant to a Loan Agreement entered into by Holdings and Corsham dated as of September 6, 2002. The value of the distribution and technology transfer rights licensed to Corsham was based on two valuations that Holdings received from independent accounting firms.

The distribution and technology transfer rights licensed to Corsham will be written down on the financial statements of Corsham over a period commensurate with standard accounting practices in the Netherlands to reflect depreciation. It is, therefore, anticipated that this transaction will result in a substantial reduction in Corsham's tax liability in the Netherlands. The Company anticipates that as a result of this transaction the cash holdings of the INVU group will increase by approximately (pound)360,000 (US\$562,000).

Additionally, Holdings has changed the corporate name of Corsham to INVU Netherlands BV.

F-13

Item 2. Management's Discussion and Analysis or Plan of Operation

The following description of "Management's Plan of Operation" constitutes forward-looking statements for purposes of the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as such involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of INVU, Inc., a Colorado corporation (the "Company"), to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The words "expect", "estimate", "anticipate", "predict", "believe", "forecast," "plan", "seek", "objective", and similar expressions are intended to identify forward-looking statements. Important factors that could cause the actual results, performance or achievement of the Company to differ materially from the Company's expectations include the following: (1) one or more of the assumptions or other cautionary factors discussed in connection with particular forward-looking statements or elsewhere in the Company's Form 10-KSB for the fiscal year ending January 31, 2003 or in this Form 10-QSB prove not to be accurate; (2) the Company is unsuccessful in increasing sales through its anticipated marketing efforts; (3) mistakes in cost estimates and cost overruns; (4) the Company's inability to obtain financing for general operations including the marketing of the Company's products; (5) non-acceptance of one or more products of the Company in the marketplace for whatever reason; (6) the Company's inability to supply any product to meet market demand; (7) generally unfavorable economic conditions which would adversely effect purchasing decisions by distributors, resellers or consumers; (8) development of a similar competing product at a similar price point; (9) the inability to successfully integrate one or more acquisitions, joint ventures or new subsidiaries with the Company's operations (including the inability to successfully integrate businesses which may be diverse as to type, geographic area, or customer base and the diversion of management's attention among several acquired businesses) without substantial costs, delays, or other problems; (10) if the Company experiences labor and or employment problems such as the loss of key personnel, inability to hire and/or retain competent personnel, etc.; and (11) if the Company experiences unanticipated problems and/or force majeure events (including but not limited to accidents, fires, acts of God etc.), or is

Edgar Filing: INVU INC - Form 10QSB

adversely affected by problems of its suppliers, shippers, customers or others. All written or oral forward-looking statements attributable to the Company are expressly qualified in their entirety by such factors. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Notwithstanding the foregoing, the Company is not entitled to rely on the safe harbor for forward looking statements under 27A of the Securities Act or 21E of the Exchange Act as long as the Company's stock is classified as a penny stock within the meaning of Rule 3a51-1 of the Exchange Act. A penny stock is generally defined to be any equity security that has a market price (as defined in Rule 3a51-1) of less than \$5.00 per share, subject to certain exceptions.

The following discussion should be read in conjunction with the Consolidated Financial Statements, including the notes thereto.

The Company develops, markets and sells fully scalable software (under the brand name of INVU) for the electronic management of all types of information and documents, such as forms, correspondence, literature, faxes, e-mail, technical drawings, electronic files and web pages. Management believes that the INVU software strongly adheres to the Company's brand values of ease of use, functionality and price performance.

The Company's objective is to establish itself as a leading global supplier of information and document management software and services. Management believes that, as the market matures, the purchase of document management systems will become increasingly routine as buyers become acquainted with both the technology and applications. In order to deal with the increased demand, the Company continues to increase its number of third party value added resellers. Management considers both branding and product positioning fundamental to attaining the market share required to profitably achieve its objective of being a leading supplier of information and document management software.

For its professional range of products, which include INVU Series 100, Series 200, Series 250, i200 and CodeFree Integration, the Company continues to target its sales and marketing efforts on several easily identifiable mature market channels. These channels include software distributors and resellers who market to small and medium size enterprises as well as departmental users in major organizations, strategic alliances with hardware manufacturers and distributors, and direct sales to major institutions and organizations. All of the Company's development and marketing resources are now directed at these fast growing and higher margin markets.

1

In November 1999, management decided to adopt a value added reseller (VAR) model for sales of its professional range in the UK. The Company is also pursuing non-exclusive distributors for its products in other territories. Management is extremely encouraged by the number and quality of the resellers that have been recruited to date to sell the product. Each VAR is currently engaged, as an accredited reseller, at an initial fee of approximately \$3000, with a recurring annual fee thereafter. Having now recruited 127 resellers, the Company continues to monitor all existing resellers to ensure that they meet the stringent INVU accreditation requirements. The Company continues its aggressive VAR recruitment campaign, and having recruited 7 new resellers in the quarter ended July 31, 2002, management expects to recruit a further 15 VARs by January 31, 2003.

Typically in a VAR based route to market, sales success can be inconsistent. However, the INVU sales management team has implemented an

Edgar Filing: INVU INC - Form 10QSB

intensive marketing and sales support program with its resellers, including sales and technical training, joint seminars, direct mail and joint telephone marketing campaigns. The success of this ongoing program has provided many of the recruited resellers with a pipeline of end-user opportunities, which they are actively pursuing with the involvement of Company sales personnel. Many newly recruited resellers are taking sales orders within two weeks of accreditation. The level of end user inquiries continues to grow and these inquiries are now being converted into sales at a rapidly increasing rate. Even more satisfying is the increase in average number of users per sale and the significant reduction in time between first contact and order placement by end users. Management believes that this reflects the Company's brand values of ease of use, high quality and price performance.

Together with the steady increase in adoption of the INVU range of products by companies in the small/medium enterprise market, management is encouraged by the continuing level of interest from large organizations with new and repeat orders being received from, among others, Hansa Capital, Bradford & Bingley, Kraft, Inland Revenue, Universal Music Group, Millfield Partnership Limited, Samsung, Brewin Dolphin, and Mysis Financial Solutions.

The Company has made significant progress with regard to an Original Equipment Manufacture (OEM) opportunity with Xerox. As an Independent Software Vendor, INVU has been designated as a Xerox Business Partner. Utilizing Xerox SDK (software development kits), the Company has now developed software that provides seamless integration with the Xerox Document Centre Range, of which 55,000 machines are currently in use in the UK. INVU has undertaken sales training of key Xerox sales personnel and joint sales initiatives are continuing. The INVU enhanced Document Centre is branded "VU Centre." Xerox's largest European dealer, Printware Limited, is providing a full priced five-user version of "VU Centre" with every Xerox Docucentre it sells.

The significant expansion of the sales team in the fiscal year ended January 31, 2002, under the guidance of Jon Halestrap (VP of Sales and Marketing), has given INVU an experienced and dedicated team with which to recruit a reseller base and explore other sales opportunities. Management believes that the increased experience in the document management sector of its sales team and resellers together with their proven ability to develop and grow sales revenue continues to be the key factors in the rapid development of the Company. Most current resellers have now attended the INVU bespoke sales training course, which has proved extremely successful in terms of lead generation and conversion. Management expects continued sales growth during the fiscal year ended January 31, 2003 (the "Current Fiscal Year") and beyond.

The Company believes its current products, together with planned future developments, are well matched to its target market, and that its brand values of ease of use, functionality and price performance have already and will continue to differentiate its products from its competitors. The international market for document technologies is forecast to grow from \$17.5 billion in 1999 to \$41.6 billion in 2003 according to the AIIM Report: State of the Document Technologies Market 1997-2003 prepared by IDC for the Gartner Group, and management believes that it has the ability to be a major provider of information management to businesses world-wide. Management believes that the INVU brand awareness is increasing. Unsolicited inquiries from prospective end users and resellers are increasing significantly, as are visitor numbers at exhibitions, trade fair and shows.

Throughout the three months ended July 31, 2002, the Company has continued to develop its software products.

Version 5.2 of the Company's professional range of products, INVU Series 100, Series 200 and ViewSafe, contains the newly developed OCR (Optical Character Recognition) functionality, which works with all Microsoft Office™

Edgar Filing: INVU INC - Form 10QSB

and Adobe™ file types and scanned images. This functionality automatically allows a user to keyword search all existing documents in the system. This release also contains a Microsoft Office Add-In, which allows integration with

2

Microsoft Office™ 2000. This gives INVU the ability to send items from Microsoft Outlook to a user-selectable in-tray. It also allows users to save documents from Microsoft WORD, EXCEL and PowerPoint as an INVU filing, even if these files are created outside of INVU. A separate "Sequential Workflow Module" has also been released alongside Version 5.2. The "Sequential Workflow Module" allows documents, forms and files to be "intelligently" routed electronically to specific departments and individuals in a pre-determined sequence. Individuals who receive the file may review and revise it, and the file will then be sent to the next individual in the pre-determined order. The new module is a generic adaptation of the bespoke program, which is already in use with customers such as Universal Music Group. The workflow module is designed to be customer friendly and easy to use. This is a separate 5.2 Module, which, when integrated with Version 5.2, is sold as INVU Series 250, and charged accordingly. Initial sales of this product have been encouraging and inquiry levels for Series 250 are increasing.

The Company has successfully developed a highly sophisticated code free integration tool for use with the INVU professional range of products. This allows INVU products to be linked to any other Windows(TM) or Windows(TM) emulation-based applications. For instance, an INVU scanned image of a supplier invoice can be retrieved directly from an accounts software application, or an image of an x-ray can be retrieved directly from a patient records application. This is achieved without the need for further software development and gives INVU resellers the ability to add considerable value to the INVU product offering without the difficulty and cost of hiring and managing development programmers. Management believes the use of this product for Universal Music Group and other projects has significantly reduced cost and installation timescales. The Company believes that this product provides a significant competitive advantage when compared to other information and document management technologies. Sales of the "codefree" module have increased significantly, with one in three INVU installations employing this technology. Management expects this trend to continue particularly now that the new enhanced version of "codefree" has been released into the market.

INVU i200 (formerly codenamed Series 2000 or INVU WEBFAST) allows global access to retrieve, view, edit, and file information via the web. This product was also released in beta format to several end users in quarter four of the last fiscal year and quarter one of the Current Fiscal Year. The full product release, originally scheduled for quarter two of the Current Fiscal Year has been delayed until quarter three of the Current Fiscal Year. Management believes that this product forms the basis of future developments for many of its existing and future end users. In the opinion of management, with this technology INVU now offers key functionality that is comparable to the world's most established document and content management solutions, but at a significantly lower price level.

Development of a highly sophisticated content addressable indexing and retrieval system reached the prototype stage during the second quarter of the fiscal year ended January 31, 2002 and further development has taken place during the Current Fiscal Year. Full text retrieval technology is already available within the latest release of Series 200 and Series 250 but INVU is developing technology, which allows access to data and documents through intelligent frequency of word and phrase recognition and semantic networking. Scanned images can be converted into text using standard Optical Character Recognition technology, and even poor quality scanned images can yield words and

Edgar Filing: INVU INC - Form 10QSB

phrases that INVU's technology will retrieve. The Company expects this product to further enhance filing and retrieval speeds for organizations with large multiple data storage requirements across networks, intranets, extranets and the internet.

As stated in the Form 10QSB for the quarter ended April 30, 2002, management decided not to integrate this technology within the latest release of INVU products and has instead considered the further wide-ranging applications for which this advanced technology can be utilized. An agreement was signed on August 1, 2002 between The Britech Foundation Limited and Smashing Concepts Ltd (an Israeli company) and INVU Inc. Britech is an Anglo-Israeli Government funding initiative concerning bilateral co-operation in private sector industrial research and development. INVU and Smashing Concepts put forward a joint proposal to develop a web based application that will enable financial services organisations to interrogate multiple data sources and, via an electronic filtration mechanism, provide highly sophisticated categorisation of information within pre-determined parameters. This will allow faster and more accurate retrieval of relevant data from which reliable decisions can be made. The combination of INVU's proven technology and that provided by Smashing Concepts has convinced Britech to invest nearly \$500,000 into the project. INVU and Smashing Concepts will invest a similar amount between them, and the project should provide an end user solution within 18 months. Due to the cutting edge technology being developed, management expects further spin-off benefits to accrue which will complement the Company's current product portfolio.

3

Critical Accounting Policies

Invu's financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Critical accounting policies for Invu include revenue recognition, accounting for research and development costs, accounting for the impairment of long-lived assets and accounting for contingencies.

Invu recognizes revenue in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 97-2, Software Revenue Recognition as amended by Statement of Position (SOP) 98-9, Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions, (SOP 98-9). Fees for services and maintenance are generally charged to customers separately from the license of software. Service revenue is recognized when services are performed. Maintenance revenue is deferred and recognized ratably over the term of the contract, normally twelve months. Revenues from license fees are recognized upon product shipment when fees are fixed, collectability is probable and the Company has no significant obligations remaining under the licensing agreement. In instances where a significant vendor obligation exists, revenue recognition is delayed until such obligation has been satisfied.

Invu accounts for research and development costs in accordance with several accounting pronouncements, including SFAS 2, Accounting for Research and Development Costs, and SFAS 86, Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed. SFAS 86 specifies that costs incurred internally in creating a computer software product should be charged to expense when incurred as research and development until technological feasibility has been established for the product. Once technological feasibility is established, all software costs should be capitalized until the product is available for

Edgar Filing: INVU INC - Form 10QSB

general release to customers. Judgment is required in determining when the technological feasibility of a product is established. Invu believes that technological feasibility for its products is reached shortly before the products are released to manufacturing. Costs incurred after technological feasibility is established have been insignificant, and accordingly, the Company has not capitalized any software development costs.

Invu follows the provisions of Statement of Accounting Standards (SFAS No. 121), Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS No. 121 establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and items related to those assets. The Company reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the assets, the Company recognizes an impairment loss. Impairment losses are measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the assets.

Invu has been engaged in legal proceedings with GEM Advisors Inc. (GEM). An agreement has recently been made, whereby Invu will pay \$25,000 to GEM in full and final settlement. SFAS 5, Accounting for Contingencies, requires that an estimated loss from a loss contingency should be accrued by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. The Company does not consider the sum above to have a material impact on the Company's financial position or its results of operations.

Results of Operations

The following is a discussion of the results of operations for the six months ended July 31, 2002, compared with the six months ended July 31, 2001, with further comparison between the three months ended July 31, 2002 and the three months ended July 31, 2001, together with changes in financial condition during the six month period ended July 31, 2002.

Total revenues increased by \$208,116, or 53%, from \$393,139, for the three months ended July 31, 2001 to \$601,255, for the three months ended July 31, 2002, and by \$318,451, or 46%, from \$695,155, for the six months ended July 31, 2001 to \$1,013,606 for the six months ended July 31, 2002. This increase in revenues reflects the Company's continued expansion of its customer base and the increasing awareness of the Company's software products in the market place.

4

The net loss for the three months ended July 31, 2002 was \$307,229, which is \$30,033 or 11% more than the net loss for the corresponding period in fiscal year 2001 of \$277,196, mainly due to increased interest expense of \$71,341. The net loss for the six months ended July 31, 2002 was \$685,389, an increase of \$125,330, or 22%, from the corresponding period in fiscal year 2001 of \$560,059, again mainly due to an increase in interest expense of \$126,733.

Production costs consist of royalty fees associated with third party software, costs related to reproduction, packaging, and despatch of software, direct costs associated with the implementation of software solutions, consulting and training services and other costs related to product upgrades for existing users. Production costs as a percentage of total revenues were 8.3% and

Edgar Filing: INVU INC - Form 10QSB

10.5%, respectively, during the three and six months ended July 31, 2002 compared to 19.1% and 14.5%, respectively, during the same periods in fiscal year 2001. Despite the large increase in sales, production costs decreased \$25,279, or 34%, during the three months ended July 31, 2002 compared to the same period in fiscal year 2001 and increased only \$5,509, or 5.5%, during the six months ended July 31, 2002 compared to the same period in fiscal year 2001. These changes reflect the continued fall in production costs per unit due to economies of scale, mass production techniques and improved supply terms.

Selling and distribution costs consist primarily of personnel costs, commissions, marketing literature, travel and promotional activities such as trade shows, seminars, advertising and public relations programs. Selling and distribution costs increased \$83,843, or 54%, and \$92,706, or 27%, respectively, during the three and six months ended July 31, 2002 compared to the same periods in fiscal year 2001. Selling and distribution costs as a percentage of total revenues were 40% and 43%, respectively, during the three and six months ended July 31, 2002 compared to 39% and 50%, respectively, during the same periods in fiscal year 2001. The changes over the comparable three and six month periods were due to the Company's re-focussed marketing to the SME sector in both 2001 and 2002, and costly trade shows and seminars to launch INVU Series 250 and the latest version of INVU Series 200.

Research and development costs consist of continued software development and further enhancements to existing software products. These costs are expensed as incurred until technical feasibility has been established. To date, the establishment of technical feasibility, and the subsequent general release to customers, have been almost simultaneous, and, therefore, the Company has not capitalized software development costs. Research and development costs increased \$57,435, or 49%, and \$121,167, or 53%, respectively, during the three and six months ended July 31, 2002 compared to the same periods in fiscal year 2001. Research and development costs as a percentage of total revenues were 29% and 35%, respectively, during the three and six months ended July 31, 2002 compared to 30% and 33%, respectively, during the same periods in 2001. The relative stability of research and development expenditure as a percentage of sales over the comparable three and six month periods reflects the Company's continued investment in its current and future products. This investment in research and development has provided the recent launch of Series 250, the latest version of Series 200 and Advanced CodeFree Integration, and continued work on i200 and the Britech project.

Administrative costs include the personnel and other costs of the administration, human resources and finance departments, together with property expenses, amortization of intangibles and depreciation of tangible assets. These costs increased \$50,809, or 18%, during the three months ended July 31, 2002 and increased \$97,666, or 20%, during the six months ended July 31, 2002, compared to the same periods in fiscal year 2001. Administrative costs as a percentage of total revenues had reduced to 54% and 57%, respectively, during the three and six months ended July 31, 2002 compared to 70% and 69%, respectively, during the same periods in fiscal year 2001. The dollar increases in administrative costs over the comparable three and six month periods was due to the Company's additional legal fees relating to the now settled dispute with GEM Advisors, Inc., amortization of intangible assets acquired in July 2001, and an increase in general administrative costs.

During the three and six months ended July 31, 2002, the Company incurred net interest expense of \$118,101 and \$224,202, respectively, compared to net interest expense of \$46,760 and \$97,469, respectively, during the corresponding periods in fiscal year 2001. These increases are entirely due to increased bank and loan facilities. Management expects these costs to fall when additional investment funding is secured.

The tax rates for the periods in question are zero due to a net loss in

Edgar Filing: INVU INC - Form 10QSB

each period.

5

The total current assets of the Company were \$1,316,267 at July 31, 2002, an increase of \$195,665 compared to \$1,120,602 at January 31, 2002. Working capital was negative \$4,782,148 as of July 31, 2002, compared with negative \$3,434,581 as of January 31, 2002. These changes are mainly due to increases in accounts receivable, inventories, short term credit facilities, accounts payable, accrued liabilities and current maturities of long term obligations.

The Company has obtained a short term facility in the principal amount of \$390,550 from Bank Leumi and convertible loans from Vertical Investments, an entity in which Daniel Goldman (a non-executive director) has an interest, in the aggregate principal amount of \$275,000 during the six month period ended July 31, 2002. Management believes these facilities and loans will be repaid from the proceeds of future financings or, for the convertible loans, converted into common stock of the Company.

Total assets of the Company were \$1,755,990 at July 31, 2002, an increase of \$224,681 compared to \$1,531,309 at January 31, 2002. This increase in total assets is attributable to increases in fixed assets of \$42,644 and current assets of \$195,665, and a decrease in intangible assets of \$13,628.

The total current liabilities of the Company increased by \$1,543,232 from \$4,555,183 at January 31, 2002 to \$6,098,415 at July 31, 2002. This increase in current liabilities is due to an increase in short term credit facilities of \$416,636 mainly as a result of the Bank Leumi advance, and increases in current maturities of long-term obligations of \$829,939, accounts payable of \$75,146 and accrued liabilities of \$267,043. Deferred revenue has decreased by \$45,532. These changes continue to reflect the Company's current reliance on short term credit facilities and loan finance. Long-term obligations less current maturities were \$1,680,928 at July 31, 2002 compared to \$2,093,740 at January 31, 2002.

Total stockholders' equity decreased by \$905,739 during the six month period ended July 31, 2002 from a deficit of \$5,117,614 at January 31, 2002 to a deficit of \$6,023,353 at July 31, 2002. The Company continues to evaluate various financing options, including issuing debt and equity to finance future development and marketing of products as the Company has now moved to an operational stage.

Financing Management's Plan of Operation

The Company remains committed to raising the necessary funds to enable the business to fulfill its potential and is engaged in or presently pursuing the following financing transactions.

The Company has a \$312,440 short-term credit facility with an annual interest rate currently of 6% with an English bank. The amount drawn against the facility at July 31, 2002 was \$302,289. This facility is due for review on September 30, 2002. The Company believes that at such maturity date the facility will be extended. The Company's bank also provided a further credit facility of \$937,320 in October 2001 by way of notes payable with monthly repayments of \$78,110 commencing in November 2002 until October 2003. This facility currently bears interest at the rate of 6% per annum. All bank credit facilities and notes payable are collateralized by all assets of the Company and a corporate guarantee given by Vertical Investments Limited, a company in which Daniel Goldman, a non-executive director of this Company, has an interest.

Edgar Filing: INVU INC - Form 10QSB

In August 1999, the Company received a loan in the aggregate principal amount of \$600,000 and a second loan in the principal amount of \$400,000 (together "Loan Stock Instruments") from Alan David Goldman (the father of Daniel Goldman), Vertical Investments Limited and Tom Maxfield (a non-executive director of the Company). The Loan Stock Instruments currently bear interest at the rate of 6% and 10% per annum, respectively, and may be converted into 1 share of common stock for each \$0.65 and \$0.50, respectively, of outstanding principal and accrued but unpaid interest. If the Loan Stock Instruments are not converted, they may be redeemed upon 30 days notice by the Company or the Investors on or after August 2002.

In February 2001, Vertical Investments Limited, a company in which Daniel Goldman, a non-executive director of the Company, has an interest, lent the Company \$1,000,000. Vertical Investments Limited made further advances of \$250,000 in May 2001, \$50,000 in July 2001, \$500,000 in September 2001, \$275,000 in December 2001 and \$275,000 in February 2002 (collectively, the "Vertical Loans"). Effective as of December 2001, the Vertical Loans were restructured to

6

apply conversion features to enable the loans to be converted into shares of the Company's common stock at conversion prices ranging from \$0.13 to \$0.25 per share at various times.

In May 2001, the Company received \$50,000 from Paysage Investments Limited and in June 2001, the Company received \$84,000 from Pershing Nominees and \$25,000 from Guernroy Limited. Each of these advances referenced in this paragraph were made by way of convertible loans at an interest rate per annum of 1.5% above the UK bank base rate. Each of the convertible loans has maturity date 24 months from date of issue, but principal and interest may be repaid at any time without penalty. The loans are convertible at the rate of \$0.25 per share of Common Stock, and the investor may convert, having given 45 days notice, at any time during the 24 month period.

In June 2002, the Company secured a short term credit facility of \$390,550 from Bank Leumi at an interest rate of 3% above the UK bank base rate. The credit facility is collateralized by all assets of the Company and a corporate guarantee given by Vertical Investments Limited, a company in which Daniel Goldman, a non-executive director of this Company has an interest. The amount drawn against the facility at July 31, 2002 was \$390,550. The amount drawn is payable on demand at the bank's discretion. The facility is due for review in December 2002.

On May 24, 1999, the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the State of Israel signed an agreement concerning the bilateral co-operation of the two countries in private sector industrial research and development and establishing a United Kingdom-Israel Industrial Research and Development Fund, also known as The Britech Fund. As a result, the Company entered into a Co-operation and Project Funding Agreement on August 1, 2002 with Smashing Concepts Ltd., a software development company based in Israel ("Smashing Concepts"), and The Britech Foundation Limited, the non-profit administrator of The Britech Fund ("Britech"), pursuant to which Britech approved a proposal submitted jointly by the Company and Smashing Concepts for the financial support of a software development project between the two companies (the "Project").

Britech agreed to provide funds by conditional grant for the implementation of the Project in an amount equal to the lesser of (pound)310,000 (US\$484,282) or 50% of the actual expenditures on the Project (as contemplated in the approved budget of the Project). Such amount will be divided equally between the Company and Smashing Concepts. On August 22, 2002, the Company

Edgar Filing: INVU INC - Form 10QSB

received an initial payment of (pound)71,000 (US\$110,916) from Britech. Britech is required to make an additional payment of (pound)66,000 (US\$103,105) to the Company after six months subject to completion of the "integration phase" of the Project, and Britech will make a final payment of (pound)18,000 (US\$28,120) to the Company upon the completion of the Project. The Company and Smashing Concepts are required to make certain repayments to Britech of the grant amounts based on the gross sales derived from the sale, leasing or marketing of innovations developed during the course of the Project, as well as make certain royalty payments to Britech based on sales of a patented products developed during the course of the Project. Additionally, the Company and Smashing are required to pay to Britech a percentage of all licensing revenues achieved from products developed during the course of the Project.

On August 23, 2002, INVU International Holdings Limited, a wholly-owned subsidiary of the Company ("INVU Holdings"), entered into an Agreement for the Sale, Purchase and Transfer of Shares (the "Agreement) pursuant to which INVU Holdings agreed to purchase all of the issued and outstanding stock (the "Corsham Stock") of Corsham Holding B.V., a company incorporated under Dutch law ("Corsham"), from B.V. Holding Maatschappij "De Hondsrug," a company incorporated under Dutch law ("B.V. Holding"). In consideration for the Corsham Stock, INVU Holdings agreed to (i) assume an aggregate of (Euro) 3,006,294 (US\$2,923,928) of debt owed by B.V. Holding to Corsham and (ii) make a cash payment equal to (Euro) 965,544 (US\$939,090) to B.V. Holding. The Agreement provides that the acquisition of the Corsham Stock would be effective as of August 23, 2002. The purchase price for the Corsham Stock was based on the net asset value of Corsham on August 23, 2002, as set forth in Corsham's balance sheet, plus an amount equal to 18.5% of Corsham's net profits before taxes for the financial year 2002 through August 23, 2002.

Pursuant to the terms of the Agreement for the Sale, Purchase and Transfer of Shares dated as of August 23, 2002, by and among INVU Holdings, B.V. Holding and Corsham (the "Second Agreement"), INVU Holdings and Corsham entered into a Transfer of Trade Secret and Exclusive License of Know-How Agreement on September 6, 2002, pursuant to which INVU Holdings agreed, under certain conditions, to transfer confidential information, an exclusive license to use its technology and its business plan to Corsham. In exchange for such transfer, Corsham has agreed to (i) make a cash payment equal to (Euro) 965,544 (US\$950,385) to INVU Holdings and (ii) reduce the debt owed by INVU Holdings to Corsham by (Euro) 1,330,783 (US\$1,309,890). Pursuant to the terms of the Second Agreement, INVU Holdings and Corsham also entered into an Exclusive Copyright and Trademark/Tradename License Agreement on September 6, 2002 pursuant to which

7

INVU Holdings agreed, inter alia, to grant exclusive software and copyright licenses of certain of its products to Corsham for an initial term of four (4) years. In consideration for such exclusive licenses, Corsham has agreed to (i) reduce the debt owed by INVU Holdings to Corsham by an additional (Euro) 1,675,511 (US\$1,649,205) and (ii) pay an aggregate amount equal to (Euro) 35,400,661 (US\$34,844,871) to INVU Holdings, which amount shall be loaned to Corsham by INVU Holdings pursuant to a Loan Agreement entered into by INVU Holdings and Corsham dated as of September 6, 2002. The value of the distribution and technology transfer rights licensed to Corsham was based on two valuations that INVU Holdings received from independent accounting firms.

The distribution and technology transfer rights licensed to Corsham will be written down on the financial statements of Corsham over a period commensurate with standard accounting practices in the Netherlands to reflect depreciation. It is, therefore, anticipated that this transaction will result in a substantial reduction in Corsham's tax liability in the Netherlands. The Company anticipates that as a result of this transaction the cash holdings of

Edgar Filing: INVU INC - Form 10QSB

the INVU group will increase by approximately (pound)360,000 (US\$562,000).

Additionally, INVU Holdings has changed the corporate name of Corsham to INVU Netherlands BV.

This transaction, which was fully consummated on September 6, 2002, constituted the acquisition of a significant amount of assets otherwise in the ordinary course of business within the meaning of Item 2 of Form 8-K. The financial statements of Corsham and the pro-forma information required by Item 7 of Form 8-K are not yet available. The Company expects that such financial statements will be completed and filed pursuant to a Current Report on Form 8-K within sixty (60) days after the filing of this Form 10-QSB.

As noted above, the Company has continued to raise significant funding during difficult market conditions. The Company is in the process of seeking further financing from a number of sources. Management estimates the financing it is seeking, if consummated, would fulfill the Company's working capital requirements (not including the repayment of the Company's outstanding loans) for a period up to the point at which net sales revenues could sustain the Company's day to day operations and also enable the Company to further accelerate its growth both organically and through acquisition. There can, however, be no assurance that the above transaction will be consummated or that additional debt or equity financing will be available, if and when needed, or that, if available, such financing could be completed on commercially favorable terms. Failure to obtain additional financing if and when needed, could have a material adverse affect on the Company's business, results of operations and financial condition. Please refer to Note B of the Consolidated Financial Statements in conjunction with this paragraph regarding the Company's ability to continue as a going concern.

8

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

As reflected in the Company's 10-KSB for the fiscal year ended January 31, 2002, a complaint was filed against the Company on February 23, 2001, in the United States District Court for the Southern District of New York on behalf of GEM Advisors, Inc. ("GEM") seeking money damages in the amount of \$100,000 together with interest from September 21, 2000, costs, disbursement and attorneys' fees. The complaint related to a \$100,000 demand promissory note (the "Note") dated May 1, 2000 and payable to the order of GEM. The Note bore interest at a rate of 3% per annum and if payment was not made upon demand, the rate increased to 15% per annum from the date of demand through and including the date of payment. GEM was entitled to convert the unpaid balance and interest into shares of the Company's Common Stock if payment was not made on demand. Demand on the Note was made by GEM on September 21, 2000 and GEM sent the Company a conversion notice on December 18, 2000 electing to convert the Note into 179,643 shares of the Company's Common Stock. The Note was subsequently converted and a share certificate was delivered to GEM, which GEM returned to the Company contending that the timeliness of the delivery of the share certificate violated the terms of related Note agreements.

In response, the Company filed an answer on or about April 16, 2001, denying that any amounts were owing under the Note, and denying liability under GEM's remaining causes of action. It was the Company's position that GEM made a binding election to convert unpaid amounts due under the Note into shares of the Company's Common Stock, and that the Company's tender of the share certificate to GEM, and GEM's acceptance and retention of the share certificate, fully satisfied the Company's obligations under the Note and discharged the Company

Edgar Filing: INVU INC - Form 10QSB

from any further liability under the Note.

The parties entered into a Settlement Agreement in May 2002 that obligated the Company to pay GEM an aggregate of \$50,000 in four equal installments during 2002. GEM in turn has agreed to return the 179,643 shares of the Company's Common Stock (the "GEM Shares") to the Company or its assigns. The Company has assigned its right to acquire the GEM Shares to an unaffiliated third party who acquired the GEM Shares directly from GEM for \$25,000. Such \$25,000 reduced the Company's settlement obligation to \$25,000 from \$50,000. On May 23, 2002, the Judge signed an Order that discontinued GEM's action with prejudice. The Company has met all the requirements of the Settlement Agreement, and all obligations with regard to this matter have been discharged.

Item 2. Changes in Securities.

There have been no changes in securities during the period.

Item 3. Default Upon Senior Securities.

None

Item 4. Submission of Matters to a Vote of Security Holders.

None

Item 5. Other Information.

On August 23, 2002, INVU International Holdings Limited, a wholly-owned subsidiary of the Company ("INVU Holdings"), entered into an Agreement for the Sale, Purchase and Transfer of Shares (the "Agreement") pursuant to which INVU Holdings agreed to purchase all of the issued and outstanding stock (the "Corsham Stock") of Corsham Holding B.V., a company incorporated under Dutch law ("Corsham"), from B.V. Holding Maatschappij "De Hondsrug," a company incorporated under Dutch law ("B.V. Holding"). In consideration for the Corsham Stock, INVU Holdings agreed to (i) assume an aggregate of (Euro) 3,006,294 (US\$2,923,928) of debt owed by B.V. Holding to Corsham and (ii) make a cash payment equal to (Euro) 965,544 (US\$939,090) to B.V. Holding. The Agreement provides that the acquisition of the Corsham Stock would be effective as of August 23, 2002. The purchase price for the Corsham Stock was based on the net asset value of Corsham on August 23, 2002, as set forth in Corsham's balance sheet, plus an amount equal to 18.5% of Corsham's net profits before taxes for the financial year 2002 through August 23, 2002.

Pursuant to the terms of the Agreement for the Sale, Purchase and Transfer of Shares dated as of August 23, 2002, by and among INVU Holdings, B.V. Holding and Corsham (the "Second Agreement"), INVU Holdings and Corsham entered into a Transfer of Trade Secret and Exclusive License of Know-How Agreement on September 6, 2002, pursuant to which INVU Holdings agreed, under certain conditions, to transfer confidential information, an exclusive license to use its technology and its business plan to Corsham. In exchange for such transfer, Corsham has agreed to (i) make a cash payment equal to (Euro) 965,544 (US\$950,385) to INVU Holdings and (ii) reduce the debt owed by INVU Holdings to Corsham by (Euro) 1,330,783 (US\$1,309,890). Pursuant to the terms of the Second Agreement, INVU Holdings and Corsham also entered into an Exclusive Copyright and Trademark/Tradename License Agreement on September 6, 2002 pursuant to which INVU Holdings agreed, inter alia, to grant exclusive software and copyright licenses of certain of its products to Corsham for an initial term of four (4) years. In consideration for such exclusive licenses, Corsham has agreed to (i) reduce the debt owed by INVU Holdings to Corsham by an additional (Euro) 1,675,511 (US\$1,649,205) and (ii) pay an aggregate amount equal to (Euro) 35,400,661 (US\$34,844,871) to INVU Holdings, which amount shall be loaned to Corsham by INVU Holdings pursuant to a Loan Agreement entered into by INVU

Edgar Filing: INVU INC - Form 10QSB

Holdings and Corsham dated as of September 6, 2002. The value of the distribution and technology transfer rights licensed to Corsham was based on two valuations that INVU Holdings received from independent accounting firms.

The distribution and technology transfer rights licensed to Corsham will be written down on the financial statements of Corsham over a period commensurate with standard accounting practices in the Netherlands to reflect depreciation. It is, therefore, anticipated that this transaction will result in a substantial reduction in Corsham's tax liability in the Netherlands. The

9

Company anticipates that as a result of this transaction the cash holdings of the INVU group will increase by approximately (pound)360,000 (US\$562,000).

Additionally, INVU Holdings has changed the corporate name of Corsham to INVU Netherlands BV.

This transaction, which was fully consummated on September 6, 2002, constituted the acquisition of a significant amount of assets otherwise in the ordinary course of business within the meaning of Item 2 of Form 8-K. The financial statements of Corsham and the pro-forma information required by Item 7 of Form 8-K are not yet available. The Company expects that such financial statements will be completed and filed pursuant to a Current Report on Form 8-K within sixty (60) days after the filing of this Form 10-QSB.

Item 6. Exhibits and Reports on Form 8-K.

None

EXHIBITS

(a) Exhibits

Exhibit Number	Description of Exhibit
10.1	Overdraft Facility, dated July 19, 2000, by and between the Company and the Bank of Scotland (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
10.2	Corporate Guarantee, dated July 18, 2000, by and among the Company, Invu Plc, Invu Services Limited, Invu International Holdings Limited and the Bank of Scotland (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
10.3	Debenture, dated July 13, 2000, by and between Invu International Holdings Limited and the Bank of Scotland (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
10.4	Overdraft Facility, dated October 29, 2001, by and between the Company and the Bank of Scotland (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-QSB filed December 14, 2001).
10.5	Investment Agreement, dated August 23, 1999, among the Company, David Morgan, John Agostini, Paul O'Sullivan, Alan David Goldman, and Vertical Investments Limited (incorporated by reference from Exhibit 10.12 of the Company's Annual Report on Form 10-KSB filed October 15,

Edgar Filing: INVU INC - Form 10QSB

1999).

- 10.6 Loan Stock Instrument, dated as of August 23, 1999, by the Company in favor of Alan David Goldman and Vertical Investments Limited (incorporated by reference from Exhibit 10.13 of the Company's Annual Report on Form 10-KSB filed October 15, 1999).
- 10.7 Loan Stock Instrument, dated as of August 23, 1999, by the Company in favor of Alan David Goldman and Vertical Investments Limited (incorporated by reference from Exhibit 10.14 of the Company's Annual Report on Form 10-KSB filed October 15, 1999).
- 10.8 Supplemental Agreement, dated as of August 23, 1999, among the Company, Vertical Investments Limited, Alan David Goldman, David Morgan, John Agostini, Paul O'Sullivan, INVU Services Limited and Tom Maxfield (incorporated by reference from Exhibit 10.15 of the Company's Annual Report on Form 10-KSB filed October 15, 1999).
- 10.9 Financing Arrangement, effective as of December 27, 2001, between Vertical Investments Limited, the Company, Invu Services Limited, Invu International Holdings Limited and Invu PLC (incorporated by reference from Exhibit 10.21 of the Company's Annual Report on Form 10-KSB filed May 1, 2002).
- 10.10*+ Co-operation and Project Funding Agreement, dated as of August 1, 2002, between and among The Britech Foundation Limited and Smashing Concepts Ltd and INVU Inc.
- 10.11* Agreement for the Sale, Purchase and Transfer of Shares, dated as of August 23, 2002, between and among B.V. Holding Maatschappij "De Hondsrug," INVU International Holdings Limited, and Corsham Holding B.V.
- 10.12* Agreement for the Sale, Purchase and Transfer of Shares, dated as of August 23, 2002, between and among B. V. Holding Maatschappij "De Hondsrug," and INVU International Holdings Limited.
- 10.13* Exclusive Copyright and Trademark/Tradename License, dated as of September 6, 2002, between and among INVU International Holdings Ltd. and Corsham Holding B.V.
- 10.14* Transfer of Trade Secret and Exclusive License of Know-How Agreement, dated as of September 6, 2002, between and among INVU International Holdings Ltd. and Corsham Holding B.V.
- 10.15* Loan Agreement, dated as of September 6, 2002, between and among INVU International Holdings Ltd. and Corsham Holding B.V.
- 99.1* Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

10

*Filed herewith

+Confidential materials deleted and filed separately with the Securities and Exchange Commission

11

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

INVU, INC.
(Issuer)

Date: September 16, 2002

By: /s/ David Morgan

David Morgan, President &
Chief Executive Officer
(Principal Executive Officer)

Date: September 16, 2002

By: /s/ John Agostini

John Agostini, Vice President-
Chief Financial Officer &
Secretary
(Principal Financial Officer)

S-1

Certification Pursuant to Rules 13a-14 and 15d-14 of the
Securities Exchange Act of 1934, as amended

I, David Morgan, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of INVU, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

Edgar Filing: INVU INC - Form 10QSB

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

Date: September 16, 2002

By: /s/ David Morgan

David Morgan
President & Chief Executive Officer

I, John Agostini, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of INVU, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

Date: September 16, 2002

By: /s/ John Agostini

John Agostini
Vice President & Chief Financial
Officer

S-2

INDEX TO EXHIBITS

(a) Exhibits

Exhibit Number	Description of Exhibit
10.1	Overdraft Facility, dated July 19, 2000, by and between the Company and the Bank of Scotland (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
10.2	Corporate Guarantee, dated July 18, 2000, by and among the Company, Invu Plc, Invu Services Limited, Invu International Holdings Limited

Edgar Filing: INVU INC - Form 10QSB

and the Bank of Scotland (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).

- 10.3 Debenture, dated July 13, 2000, by and between Invu International Holdings Limited and the Bank of Scotland (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
- 10.4 Overdraft Facility, dated October 29, 2001, by and between the Company and the Bank of Scotland (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-QSB filed December 14, 2001).
- 10.5 Investment Agreement, dated August 23, 1999, among the Company, David Morgan, John Agostini, Paul O'Sullivan, Alan David Goldman, and Vertical Investments Limited (incorporated by reference from Exhibit 10.12 of the Company's Annual Report on Form 10-KSB filed October 15, 1999).
- 10.6 Loan Stock Instrument, dated as of August 23, 1999, by the Company in favor of Alan David Goldman and Vertical Investments Limited (incorporated by reference from Exhibit 10.13 of the Company's Annual Report on Form 10-KSB filed October 15, 1999).
- 10.7 Loan Stock Instrument, dated as of August 23, 1999, by the Company in favor of Alan David Goldman and Vertical Investments Limited (incorporated by reference from Exhibit 10.14 of the Company's Annual Report on Form 10-KSB filed October 15, 1999).
- 10.8 Supplemental Agreement, dated as of August 23, 1999, among the Company, Vertical Investments Limited, Alan David Goldman, David Morgan, John Agostini, Paul O'Sullivan, INVU Services Limited and Tom Maxfield (incorporated by reference from Exhibit 10.15 of the Company's Annual Report on Form 10-KSB filed October 15, 1999).
- 10.9 Financing Arrangement, effective as of December 27, 2001, between Vertical Investments Limited, the Company, Invu Services Limited, Invu International Holdings Limited and Invu PLC (incorporated by reference from Exhibit 10.21 of the Company's Annual Report on Form 10-KSB filed May 1, 2002).
- 10.10*+ Co-operation and Project Funding Agreement, dated as of August 1, 2002, between and among The Britech Foundation Limited and Smashing Concepts Ltd and INVU Inc.
- 10.11* Agreement for the Sale, Purchase and Transfer of Shares, dated as of August 23, 2002, between and among B.V. Holding Maatschappij "De Hondsrug," INVU International Holdings Limited, and Corsham Holding B.V.
- 10.12* Agreement for the Sale, Purchase and Transfer of Shares, dated as of August 23, 2002, between and among B. V. Holding Maatschappij "De Hondsrug," and INVU International Holdings Limited.
- 10.13* Exclusive Copyright and Trademark/Tradename License, dated as of September 6, 2002, between and among INVU International Holdings Ltd. and Corsham Holding B.V.
- 10.14* Transfer of Trade Secret and Exclusive License of Know-How Agreement, dated as of September 6, 2002, between and among INVU International Holdings Ltd. and Corsham Holding B.V.

Edgar Filing: INVU INC - Form 10QSB

E-1

10.15* Loan Agreement, dated as of September 6, 2002, between and among INVU International Holdings Ltd. and Corsham Holding B.V.

99.1* Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*Filed herewith

+Confidential materials deleted and filed separately with the Securities and Exchange Commission

E-2