

Edgar Filing: INVU INC - Form 10KSB

INVU INC
Form 10KSB
May 01, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-KSB

- Annual report under Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended January 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 Number 000-22661

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

Colorado -----	84-1135638 -----
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

The Beren Blisworth Hill Farm Stoke Road Blisworth Northamptonshire -----	NN7 3DB -----
United Kingdom -----	(Zip code)

(Address of Principal Executive Offices)
011 44 1604 859 893

(Issuer's Telephone Number, Including Area Code.)

Securities registered under Section 12(b) of the Exchange Act:	
Title of Each Class -----	Name of Each Exchange on Which Registered -----
NONE	N/A

Securities registered under Section 12(g) of the Exchange Act:
Common Stock, no par value

(Title of class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for past 90 days.

Yes X No

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to

Edgar Filing: INVU INC - Form 10KSB

this Form 10-KSB. []

State issuer's revenues for its most recent fiscal year: \$1,564,248

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of April 30, 2002, was approximately \$1,235,827. For purposes of this computation, all executive officers, directors and 10% stockholders were deemed affiliates. Such a determination should not be construed as an admission that such executive officers, directors or 10% stockholders are affiliates.

As of April 30, 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: Yes _____ No _____ X _____

INVU, Inc.

PART I
Item 1. Description of Business.....
Item 2. Description of Properties.....
Item 3. Legal Proceedings.....
Item 4. Submission of Matters to a Vote of Security Holders.....
PART II
Item 5. Market for Common Equity and Related Stockholder Matters.....
Item 6. Management's Discussion and Analysis or Plan of Operations.....
Item 7. Financial Statements.....
PART III
Item 9. Directors, Executive Officers, Promoters and Control Persons.....
Item 10. Executive Compensation.....
Item 11. Security Ownership of Certain Beneficial Owners and Management.....
Item 12. Certain Relationships and Related Transactions.....
Item 13. Exhibits and Reports on Form 8-K.....
SIGNATURES
INDEX TO EXHIBITS.....
FINANCIAL STATEMENTS
Report of Independent Certified Public Accountants.....
Consolidated Balance Sheets as of January 31, 2002 and 2001.....
Consolidated Statements of Operations for the year ended January 31, 2002 and January 31, 2001.....
Consolidated Statements of Deficit in Stockholders' Equity for the year ended January 31, 2001.....
Consolidated Statements of Cash Flows for the year ended January 31, 2002 and January 31, 2001.....
Notes to Consolidated Financial Statements.....

PART I

Edgar Filing: INVU INC - Form 10KSB

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or anticipated results, including those set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in, or incorporated by reference into, this report.

Item 1. Description of Business

Background of Company

INVU, Inc. (the "Company" or "INVU") was incorporated under the name Sunburst Acquisitions I, Inc. pursuant to the laws of the State of Colorado on February 25, 1997, as a "shell" company. The Company's business plan at the time was to seek, investigate, and, if warranted, acquire one or more properties or businesses, and to pursue other related activities intended to enhance shareholder value.

After the consummation of the Share Exchange on August 31, 1998, which is discussed below, the Company entered the business of marketing and selling software for the electronic management of information and documents.

The structure of the business at this point consists of INVU, Inc. as the ultimate holding company of three directly or indirectly wholly-owned subsidiaries: INVU Plc, a UK holding company, and its subsidiaries, INVU International (Holdings) Ltd., which holds certain intellectual property rights, and Invu Services Ltd. ("INVU Services"), an operating company.

The Share Exchange

On August 31, 1998, the Company consummated the acquisition of all of the issued and outstanding capital stock of INVU Plc, a company incorporated under English law ("INVU Plc"), in exchange for 26,506,552 shares (the "Share Exchange") of common stock, no par value, of the Company (the "Common Stock"), pursuant to a Share Exchange Agreement, dated as of May 19, 1998, between the Company and INVU Plc's majority shareholder Montague Limited ("Montague"), an Isle of Man company (as amended by a First Amendment to Share Exchange Agreement, dated as of July 23, 1998 (the "Share Exchange Agreement")). As a result of the Share Exchange, INVU Plc became a wholly-owned subsidiary of the Company. As conditions precedent to the consummation of the Share Exchange, (i) Montague received a power of attorney from Halcyon Enterprises Plc, a minority shareholder and a company incorporated under English law ("Halcyon"), to transfer its shares of INVU Plc to the Company, and (ii) all of the outstanding shares of Series A Convertible Preferred Stock of the Company (the "Preferred Stock") were converted into Common Stock of the Company at a conversion rate of two (2) shares of Common Stock for each share of Preferred Stock.

Immediately prior to the Share Exchange, the Company had a total of 2,190,000 shares of Common Stock issued and outstanding after the conversion of the Preferred Stock. Upon consummation of the Share Exchange, Montague and Halcyon received in the aggregate 26,506,552 shares of Common Stock of the Company in exchange for all of the issued and outstanding share capital of INVU Plc.

The Market and Market Strategy

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,

Edgar Filing: INVU INC - Form 10KSB

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.

1

There has, in the recent past, been a significant increase in the volume of information available to organizations with the advent of inexpensive computing and the arrival of wide area networks (that provide a conduit to this information). There is also a significant amount of information (e.g. on-line databases, documents, graphics, audio, recordings and video) now available via the internet to organizations and individuals from sources around the world. Management believes that the proliferation and consequent accumulation of such information and accompanying documents over the years has created a problem for individuals and organizations because they now need to manage large and disparate sets of data created internally and arriving externally. For example, personal computers are now often sold with 60 Gigabyte hard disks, and these machines are rapidly becoming repositories for lost files and information. Management believes that this is a global problem that has resulted in an international market for document management technologies, which Management expects to grow significantly in the next five years. Information is now regarded as the key resource for organizations and individuals. Management believes that accessing and sharing information are two of the biggest challenges currently facing businesses. Management expects that those organizations that are able to harness and exploit information will derive a competitive advantage in their markets.

By contrast, Management estimates that the availability of cost effective services that enable organizations to manage and control this mass of information has lagged behind the requirement for such services. Therefore, Management believes that the market for document management services has the potential for rapid growth in markets throughout the world. Further, the document management market is applicable to all information users, both organizations and individuals, and, therefore, while difficult to define, is broad in terms of potential in the estimate of Management.

INVU serves the personal computer ("PC"), client server and mobile computing (internet) market segments and is, therefore, firmly placed in what Management believes are the three principal growth areas. Management believes that these market segments have previously been poorly served by complicated and expensive systems and that the Company's competitors generally fall into two categories:

- i. Large corporate suppliers that offer proprietary turnkey systems; or
- ii. Small niche suppliers addressing the needs of small highly specialized groups (e.g. lawyers or real estate agents).

Management considers that INVU enjoys an advantage over most competing programs because INVU software can access a much larger share of the market; from single users, departmental users and company wide installations in any given market sector. Furthermore, the scalability and flexibility of an INVU solution allows the customer to maintain full control over the time and cost of the project, which in most cases is completed within a few days rather than months. Management believes this provides considerable potential for additional sales to existing customers. Once successfully installed with a departmental user, INVU encourages resellers to "roll out" the product to other departments within the same organization using the first installation as an internal reference site. INVU software can, therefore, solve specific operational problems within a short timeframe and with short payback periods and then become

Edgar Filing: INVU INC - Form 10KSB

the "solution of choice" throughout an organization.

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. The majority of the Company's development and marketing resources are now directed at these fast growing and higher margin markets.

2

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 109 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 Management expects to recruit a further 48 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 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 by companies in the small/medium enterprise market, Management is encouraged by the continuing level of interest from large organizations with orders being received from, amongst others, Universal Music Group, States of Jersey Police, Mansell Construction (a large UK construction company), River Island, Millfield Partnership Limited (a large firm of financial advisors), Samsung, Kawasaki, Gerrard Private Bank, Close Bank, Greater Glasgow Primary Healthcare Trust, Spirax Sarco, and Spar. Most of these organizations have also provided repeat orders for INVU software.

Edgar Filing: INVU INC - Form 10KSB

The Company has also progressed further with regard to two Original Equipment Manufacture (OEM) opportunities with Xerox and Epson UK. 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 now underway. The INVU enhanced Document Centre has been branded "VU Centre". Epson UK and INVU have agreed to a joint marketing strategy, whereby Epson UK, with the assistance of INVU personnel, has introduced the INVU product line to its resellers at formal events and roadshows.

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 the Gartner Group and Management believes that it has the ability to be a major provider of information management to businesses world-wide. Management considers 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.

3

The Product

INVU's business is the development and sale of document and information management software programs that operate on stand-alone PCs, networked PCs and client server systems and allow documents of any size and format, from correspondence and faxes to technical drawings and electronic files, to be stored on to computer memory and retrieved instantly. In order to store such information, INVU software also scans paper and creates files and imports documents. The software also provides a mechanism to manage and retrieve the imported and filed information. Although INVU software has many layers of sophistication, Management believes it is comparatively simple to use and inexpensive.

The Company's professional range of products, INVU Series 100, Series 200 and ViewSafe, were first introduced in beta format in October 1999. Version 5.1 was released to distributors in May 2000, version 5.1.1 was released to distributors in March 2001 and the latest version, 5.1.2, was released in October 2001. Beta copies of Version 5.2 were released to several end users in quarter four of the last fiscal year and the full product release is scheduled at the beginning of the second fiscal quarter of the Current Fiscal Year. Each subsequent version has built upon the original premise of ease of use, high

Edgar Filing: INVU INC - Form 10KSB

quality and price performance. Enhancements have been incorporated in the light of customer feedback and technical advances achieved by the Company's development team.

Version 5.2 will contain the newly developed OCR (Optical Character Recognition) functionality, which works with all Microsoft Office™ and Adobe™ file types and scanned images. This functionality will automatically allow a user to keyword search all existing documents in the system. This release will also contain a Microsoft Office Add-In, which allows integration with Microsoft Office™ 2000. This gives INVU the ability to send items from Microsoft Outlook to a user-selectable in-tray. It will also allow 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" is also planned for release 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 will be a generic adaptation of the bespoke program, which is already in use with customers such as Universal Music Group. The workflow module to be released is designed to be customer friendly and easy to use. This will be a separate 5.2 Module, which, when integrated with Version 5.2, will be sold as INVU Series 250, and charged accordingly.

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. During the year ended January 31, 2002, sales of the "codefree" module have increased significantly, with one in three installations employing this technology. Management expects this trend to continue throughout the Current Fiscal Year and beyond.

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 the full product release is scheduled for May 2002. Management believes that this product will form the basis of future developments for many of its existing and future end users. In the opinion of Management, this technology will place INVU in direct competition with the world's most established document and content management solutions providers, 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. This technology 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

Edgar Filing: INVU INC - Form 10KSB

even poor quality scanned images can yield words and 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. After "beta" trials are concluded, Management expects to launch this product during the second fiscal quarter of the Current Fiscal Year. Full text retrieval technology is already available within the latest release of Series 200 and Series 250.

Research and development costs for the fiscal year ended January 31, 2002 were \$381,135 compared with research and development costs of \$313,587 for the fiscal year ended January 31, 2001. Research and development costs for both of the Company's last two fiscal years have been written off as incurred and none of these sums have been borne directly by customers.

In summary, the Company currently has five products. Each product addresses different market segments, which include (1) the small office/home office market, or "SOHO" and (2) the small/medium enterprise market, or "SME," (3) the internet and (4) large enterprises.

Product	Description	Ma
INVU Series 100	Single-user information and document management	SOHO/SME
INVU Series 200	multi-user information and document management system	SME/Large Enterpr
INVU Series 250	multi-user information and document management system with sequential workflow module	SME/Large Enterpr
INVU i200	Multi-user global access to retrieve, view, edit, and file information via the web	SME/Large Enterpr
INVU Codefree Integration	Fast track integration to "document enable" existing applications	SME/Large Enterpr

Competition

The market for the Company's products is competitive, subject to rapid change and significantly affected by new product introduction and other market activities of industry participants. The Company currently encounters direct competition, in the larger corporate market, from a number of public and private companies such as Altris Software, Inc., Key File Inc., FileNet Corporation, PC Docs and Caere Corporation. Virtually all of these direct competitors have significantly greater financial, technical, marketing and other resources than the Company. The Company also expects that direct competition will increase as a result of consolidation in the software industry.

The Company sells through a number of systems consulting and systems integration firms for implementation and other customer support services, as well as for recommendation of its products to potential purchasers. Although the

Edgar Filing: INVU INC - Form 10KSB

Company seeks to maintain close relationships with these service providers, some of these third parties have similar, and often more established, relationships with the Company's potential competitors. If the Company is unable to develop and retain effective, long-term relationships with these third parties, the Company's competitive position would be materially and adversely affected. Further, there can be no assurance that these third parties will not market software products in competition with the Company in the future or will not otherwise reduce or discontinue their relationship with, or support of, the Company and its products.

Management believes that its products are targeted at markets where, to date, few of the Company's larger and more established competitors have secured significant market penetration. Although the Company believes that it will compete favorably in these markets, there can be no assurance that the Company can maintain its competitive position against current and any potential competitors, especially those with greater financial, marketing, service, support, technical and other resources than the Company.

5

Major Contracts

The Company has also entered into approximately 109 "Accredited Reseller Agreements" whereby resellers are authorized to provide the professional range of products to end users.

On September 18, 2000, INVU Services entered into an Consulting Services Agreement with Centura Software Limited in connection with the phased delivery of a bespoke information management software solution provided by INVU Services for Universal Music Group. This agreement has now been completed. However, Management has secured and completed further significant phased agreements with Universal Music Group during the last fiscal year and anticipates further significant phased assignments over the next 12 months as it becomes the solution of choice within key elements of that business.

The Company has also progressed further with regard to two Original Equipment Manufacture (OEM) opportunities with Xerox and Epson UK. As an Independent Software Vendor, INVU has been designated as a Xerox Business Partner. Utilizing Xerox SDK (standard 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 now underway. The INVU enhanced Document Centre has been branded "VU Centre". Epson UK and INVU have agreed to a joint marketing strategy, whereby Epson UK, with the assistance of INVU personnel, has introduced the INVU product line to its resellers at formal events and roadshows.

On December 21, 2001, INVU Services Limited entered into an agreement with Gupta Technologies, LLC ("Gupta") relating to the reproduction and distribution of 150,000 Gupta SQLBase database licenses for incorporation in the INVU software. Payments for the licenses, which total \$628,399 in the aggregate, are to be made by Invu Services quarterly until September 15, 2004. However; if scheduled payments have been made, in June 2003 Invu Services may elect to terminate the agreement. If Invu Services elects early termination, it will at that time have received 75,000 licenses and paid approximately \$314,199.

Employees

As of April 30, 2002, the Company had 19 employees, all of whom were full-time, and a further five people who are part-time or serve as consultants.

Edgar Filing: INVU INC - Form 10KSB

Patents, Trademarks and Copyright

The Company's success is dependent in part upon proprietary technology. At this time, the Company has not patented any aspect of its document management systems technology in the United Kingdom, the United States or internationally. The Company currently has no plans to file for and obtain patents domestically or internationally. Even if the Company were to attain patent protection over certain of its intellectual property, the rapidly changing technology in the industry makes the Company's success largely dependent on the technical competence and creative skills of its personnel.

The Company relies on a combination of trade secret, copyright and non-disclosure agreements with third parties to protect its proprietary rights in its software and technology. There can be no assurance that such measures are or will be adequate to protect the Company's proprietary technology. Furthermore, there can be no assurance that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technology.

The Company's software will be licensed to customers under license agreements containing provisions prohibiting the unauthorized use, copying and transfer of the licensed program. Policing unauthorized use of the Company's products will be difficult, and any significant piracy of its products could materially and adversely affect the Company's financial condition and results of operations.

In addition, the Company also relies on certain software that it licenses from third parties, including software that is integrated with internally developed software and used in the Company's products to perform key

6

functions. There can be no assurances that the developers of such software will remain in business, or that they will otherwise continue to be available to the Company on commercially reasonable terms. The loss of or inability to maintain any of these software licenses could result in delays or reductions in product shipments until equivalent software can be developed, identified, licensed and integrated, which could adversely affect the Company's business, operating results and financial condition.

The Company is not aware that any of its software products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim infringement by the Company with respect to its current or future products. The Company expects that software product developers will increasingly be subject to infringement claims. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company or at all, which could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company claims a trademark on all of its products under common law by using the "TM" symbol. The duration of such trademarks under United Kingdom common law is the length of time the Company continues to use them. Following unsuccessful opposition by two dissenting companies, The Company's "INVU" trademark was registered in the United Kingdom as of December 24, 1997 for an initial period of ten years.

The First Financing Transaction

Edgar Filing: INVU INC - Form 10KSB

As of February 2, 1999, pursuant to a financing transaction (the "First Financing Transaction") among Montague and Zalcan Limited ("Zalcan"), Mustardseed Estates Limited ("Mustardseed"), and Tomuro Limited, all companies incorporated under English law, and Richard Harris and Roy Grainger Williams (collectively, the "Lenders"), Montague transferred 2,400,000 shares of the Common Stock to such purchasers in exchange for \$1,000 and a loan facility for the Company in the principal amount of \$656,000. Of this amount, \$190,325 was advanced to the Company prior to January 31, 1999, with the balance being received on February 2, 1999.

The Second Financing Transaction

On August 23, 1999, the Company entered into an Investment Agreement (the "Initial Investment Agreement"), with David Morgan, John Agostini, and Paul O'Sullivan, on the one hand, and Alan David Goldman and Vertical Investments Limited ("Vertical"), a company registered in Jersey and beneficially owned by Daniel Goldman, on the other hand. The Initial Investment Agreement was immediately followed by a Supplemental Agreement (the "Supplemental Agreement" and, together with the Initial Investment Agreement, the "Final Investment Agreement"), between the Company, David Morgan, John Agostini, Paul O'Sullivan and INVU Services, on the one hand, and Alan David Goldman, Vertical, and Tom Maxfield ("Maxfield", together with Alan David Goldman and Vertical, collectively, the "Investors") on the other hand. Pursuant to the terms of the Final Investment Agreement, the Investors advanced certain funds to the Company in the aggregate principal amount of \$1,000,000 in the principal amounts of \$333,334, \$333,333 and approximately \$333,333 among Alan David Goldman, Vertical and Maxfield, respectively. In turn, the Company agreed to (1) pay in full any and all amounts then outstanding pursuant to the First Financing Transaction and to terminate such Agreement, (2) cause the Lenders to transfer to Montague 425,000 shares of the Common Stock then held by Lenders pursuant to the terms of the First Financing Transaction (the "Transferred Shares"), and (3) cause Montague to transfer 225,000 of such Transferred Shares to the Investors in equal shares of 75,000 to each Investor.

The loans being made to the Company pursuant to the terms of the Final Investment Agreement were evidenced by (1) a Loan Stock Instrument, dated as of August 23, 1999, executed by the Company in favor of the Investors, in the aggregate principal amount of \$600,000 ("Loan Stock Instrument A"), and (2) a second Loan Stock Instrument, dated as of August 23, 1999, executed by the Company in favor of the Investors, in the aggregate principal amount of \$400,000 ("Loan Stock Instrument B" and together with Loan Stock Instrument A, collectively, the "Loan Stock Instruments"). Until the Loan Stock Instruments are redeemed pursuant to their terms upon the occurrence of certain events described therein, the outstanding principal and accrued but unpaid interest (1) under Loan Stock Instrument A shall, at the option of the Investors, be converted into one share of the Common Stock for each \$.65 of outstanding principal and accrued but unpaid interest converted, and (2) under the Loan

7

Stock Instrument B shall, at the option of Investors, be converted into one share of the Common Stock for each \$.50 of outstanding principal and accrued but unpaid interest converted.

Any amounts outstanding under Loan Stock Instrument A shall bear interest at a rate of 6% per annum, payable in semi-annual installments in arrears on January 1 and July 1 of each year accruing from day to day and calculated monthly. In addition, Loan Stock Instrument A will be automatically converted in the event that the Company is listed on the NASDAQ National Market or the Official List of the London Stock Exchange or if the Company raises

Edgar Filing: INVU INC - Form 10KSB

additional capital of at least \$4,000,000. Any amounts outstanding under Loan Stock Instrument B shall bear interest at a rate of 8% per annum for the first six months following the date thereof, 9% per annum for the following six month period, and 10% per annum thereafter. All accrued but unpaid interest on the Loan Stock shall be payable in semi-annual installments in arrears on January 1 and July 1 of each year. Loan Stock Instrument B will also be automatically converted in the event that the Company is listed on the NASDAQ National Market or the Official List of the London Stock Exchange, however, the Investors have the option of converting if the Company raises additional capital of at least \$4,000,000. If the Loan Stock Instruments are not so converted, they may be redeemed upon 30 days notice by the Company or the Investors on or after August 2002.

Pursuant to the terms of the Final Investment Agreement, the Investors shall have the right to nominate one director of the Company, until the amounts outstanding under the Loan Stock Instruments are redeemed or converted. Daniel Goldman, the son of Alan David Goldman, is the nominee of the Investors.

The obligations of the Company under the Final Investment Agreement and the Loan Stock Instruments have been guaranteed by INVU Services. Pursuant to the Final Investment Agreement, the Company covenanted with the Investors to restrict certain actions while any amounts remain outstanding under the Loan Stock Instruments without the Investors' consent, which consent may not be unreasonably withheld, including the following actions: the issuance of additional Company Common Stock, except pursuant to the exercise of outstanding warrants and options of the Company; the issuance of any new options to purchase Company Common Stock; additional borrowings by the Company; capital expenditures of the Company; paying off liabilities; granting security interests; and acquiring other entities.

The Subsequent Financing Transaction

In an agreement, effective December 27, 2001 (the "Financing Agreement"), the Company restructured several of the short-term loans made to the Company or its affiliates by Vertical Investments Limited, an entity controlled by Daniel Goldman, a non-executive director. The restructured loans include (1) a \$1,000,000 loan made in February 2001 at an interest rate of 1.5% above the UK bank base rate and due on December 17, 2001 (the "February Loan"), (2) loans made in May 2001 for \$250,000 and a loan made in July 2001 for \$50,000, all bearing interest at 1.5% above the UK bank base rate, convertible at any time at the rate of \$0.25 per share of Common Stock and due 24 months from the date of issue (the "Summer Loans"); (3) a \$500,000 loan made in September 2001 bearing an annual interest rate of 12% per annum and due on December 17, 2001 (the "September Loan") and (4) loans made in December 2001 for \$200,000 and \$75,000 (the "December Loans"). The Company and its subsidiaries also issued a debenture in favor of Vertical Investment Limited in October 2001 (the "Debenture"), under which the Company pledged all of its assets, including intellectual property rights, to Vertical Investments Limited. The Debenture secures all of the above listed loans and is subordinate to a prior debenture granted to the Bank of Scotland.

Under the Financing Agreement, the February Loan was restructured as follows: (1) the maturity date was extended until August 26, 2005, (2) the interest rate was increased to 7% per annum effective from February 26, 2001, (3) at any time from May 1, 2002 until August 26, 2005, the holder of the loan may demand repayment of the entire loan or any part thereof at any time after three days notice to the Company, and (4) if the Company does not timely repay such amounts after having received notice, the holder may convert the unpaid amount into shares of the Company's Common Stock at a conversion price of \$0.2175 per share or convert the unpaid amount into shares of the Company's subsidiaries at the equivalent per share conversion price.

Edgar Filing: INVU INC - Form 10KSB

The Summer Loans were restructured to allow at any time from May 1, 2002 until July 2, 2003 the holder to convert any loan amounts into shares of the Company or any of the Company's subsidiaries following three days notice to

8

the Company at a conversion price of \$0.25 per share for shares of the Company's Common Stock or the equivalent per share conversion price for the Company's subsidiaries. The remaining terms were unchanged.

The September Loan was restructured as follows: (1) the maturity date was extended until June 17, 2005, (2) at any time from May 1, 2002 until June 17, 2005, the holder of the loan may demand repayment of \$475,000 of the loan or any part thereof at any time after three days notice to the Company (the remaining \$25,000 is due at maturity), (3) provisions for the accrual of additional interest on unpaid or late repayments were eliminated, and (4) if the Company does not timely repay such amounts after having received notice, the holder may convert the unpaid amount into shares of the Company's Common Stock at a conversion price of \$0.13 per share or convert the unpaid amount into shares of the Company's subsidiaries at the equivalent per share conversion price.

The December Loans were restructured as follows: (1) the interest rate was set at 12% per annum effective from the issuance dates of such loans and (2) at any time from May 1, 2002 until May 1, 2005, the holder of the loan may convert the loan amount or any portion thereof 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 the unpaid amount into shares of the Company's subsidiaries at the equivalent per share conversion price.

Under the Financing Agreement, the Company was granted until February 28, 2002, the right to request further loans up to a maximum of \$275,000, bearing interest at 12% per annum and due on May 1, 2005. At any time from May 1, 2002 until May 1, 2005, the holder may convert, after three days notice to the Company, the unpaid amount into shares of the Company's Common Stock at a conversion price of \$0.13 per share or convert the unpaid amount into shares of the Company's subsidiaries at the equivalent per share conversion price. The Company requested a loan in the amount of \$275,000 during February 2002.

The Company additionally granted Vertical Investments Limited two options on shares of its Common Stock. The first option is an option for 2,700,000 shares of the Company's Common Stock that may be exercised at any time from March 1, 2002 after three days notice and for any number of shares of Common Stock up to 2,700,000 at an exercise price of \$0.25 until March 1, 2006. The second option is an option for 450,000 shares of the Company's Common Stock that may be exercised at any time from March 1, 2002 after three days notice and for any number of shares of Common Stock up to 450,000 at an exercise price of \$0.875 until March 1, 2006.

Item 2. Description of Properties

The Company moved into new executive offices on March 19, 2000. These new premises are located in Blisworth, Northamptonshire, England. The Company leases 3,600 square feet of space in a facility as a tenant. The term of the lease is through January 1, 2003 although the Company has the right to terminate the lease at any time after December 31, 2001 provided that six months notice is given. The monthly rent is currently approximately \$5,000.

Item 3. Legal Proceedings

Edgar Filing: INVU INC - Form 10KSB

As reflected in the Company's 10-KSB for the fiscal year ended January 31, 2001, 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 relates to a \$100,000 demand promissory note (the "Note") dated May 1, 2000 and payable to the order of GEM. The Note bears interest at a rate of 3% per annum and if payment is not made upon demand, the rate increases 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. GEM's complaint pleads claims for judgment on the Note (First Cause of Action), money had and received (Second Cause of Action), money lent (Third Cause of Action), attorneys' fees (Fourth Cause of Action), and unjust enrichment (Fifth Cause of Action).

In response, the Company filed an answer on or about April 16, 2001, denying that any amounts are owing under the Note, and denying liability under GEM's remaining causes of action. It is 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 from any further liability under the Note.

On August 9, 2001, GEM filed a Motion for Summary Judgment. The Company filed a Cross-Motion for Summary Judgment on August 27, 2001.

On March 26, 2002, the Court issued an Opinion and Order denying GEM's motion for summary judgment, and granting the Company partial summary judgment on its cross-motion dismissing the Second, Third and Fifth Causes of Action in the complaint. The Court granted the Company's motion to dismiss the First Cause of Action insofar as it stated a cause of action to recover under the Note, but sustained an unpled claim for breach of contract based upon the Company's alleged failure to timely deliver the share certificate. The Court also refused to dismiss the Fourth Cause of Action for attorneys' fees at this time.

9

The Court issued an Order dated March 27, 2002, setting an April 26, 2002 deadline for submitting a joint pretrial order, and a May 3, 2002 ready date for trial. The latter order was amended to allow the parties until May 3, 2002 to file a joint pretrial order.

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

There were no matters for submission to a vote of security holders during the last fiscal year.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

Edgar Filing: INVU INC - Form 10KSB

The Common Stock is listed on the OTC Electronic Bulletin Board. The following table indicates the quarterly high and low bid price for the Common Stock on the OTC Electronic Bulletin Board for the fiscal years ending January 31, 2001 and January 31, 2002 and for the quarter ending April 30, 2002. Such inter-dealer quotations do not necessarily represent actual transactions, and do not reflect retail mark-ups, mark-downs or commissions.

OTC ELECTRONIC BULLETIN BOARD BID PRICE		
	HIGH	LOW
Fiscal 2001		
1st Quarter	\$6.9375	\$2.75
2nd Quarter	\$3.875	\$1.125
3rd Quarter	\$1.625	\$1.125
4th Quarter	\$1.5312	\$0.4688
Fiscal 2002		
1st Quarter	\$0.875	\$0.25
2nd Quarter	\$0.30	\$0.17
3rd Quarter	\$0.27	\$0.11
4th Quarter	\$0.27	\$0.10
Fiscal 2003 (Feb 1 to Apr 18)		
1st Quarter	\$0.17	\$0.09

As of April 19, 2002, there were approximately 141 holders of record of the Common Stock.

The Company has not declared or paid any cash or other dividends on the Common Stock to date for the last two (2) fiscal years and in any subsequent period for which financial information is required and has no intention of doing so in the foreseeable future. The Initial Investment Agreement prohibits the Company from declaring or distributing any dividend so long as the Investors hold stock. See "Item 1. Description of Business - The Second Financing Transaction."

Recent Sales of Unregistered Securities

Since the Company's 10-QSB for the quarter ended October 31, 2001, the Company restructured its loans with the Goldman affiliated entities allowing for such entities to convert the loans into shares of the Company's Common Stock at conversion prices ranging from \$0.13 per share to \$0.25 per share at the times described under "Item 1. Description of Business - The Subsequent Financing Transaction." The Company also granted Daniel Goldman the right to acquire, until March 1, 2006, 2,700,000 shares of the Company's Common Stock at an exercise price of \$0.25 and 450,000 shares of the Company's Common Stock at an exercise price of \$0.875 (together, the "Options"). The issuance of the loans and the Options were not, and the issuance of the shares of Common Stock on

conversion of the loans and shares of Common Stock on exercise of the Options will not be, registered under the Securities Act but instead were and will be issued in reliance on the exemption from registration set forth in Section 4(2) of the Securities Act. The transactions were privately negotiated transactions without any general solicitation or advertising. The Goldman affiliated entities are "sophisticated investors" within the meaning of the Securities Act and have

Edgar Filing: INVU INC - Form 10KSB

access to all information concerning the Company needed to make an informed decision with respect to the transactions. In particular, Daniel Goldman is a non-executive director of the Company.

The certificates evidencing the Conversion Shares will bear a legend reflecting that the Conversion Shares are subject to the restriction on transfer under the Securities Act, including Rule 144 promulgated thereunder.

Item 6. Management's Discussion and Analysis or Plan of Operations

The following description of "Management's Plan of Operation" constitutes forward-looking statements for purposes of the Securities Act and the Exchange Act, and as such involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of 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", "believes", "plan", "seek", "objective", "will" 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 this Form 10-KSB 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 that 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 that 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.; 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 adversely affected by problems of its suppliers, shippers, customers or others; and 12) litigation expenses and any potential damage awards against the Company in connection with litigation. 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 that 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

Edgar Filing: INVU INC - Form 10KSB

that the INVU software strongly adheres to the Company's brand values of ease of use, functionality and price performance by being simple to install and use, intuitive and cost effective, yet powerful.

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 recruit more third party value added resellers.

11

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.

Results of Operations

The following is a discussion of the results of operations for the year ended January 31, 2002, compared with the year ended January 31, 2001, and changes in financial condition during the year ended January 31, 2002.

Net sales for fiscal year ended January 31, 2002 were \$1,564,248, which compares to \$502,218 sales for the fiscal year ended January 31, 2001. The dramatic increase in the level of sales reflects the Company's investment in sales personnel, and marketing which has facilitated the recruitment of a significant number of high quality value added resellers. It is also a reflection of the Company's growing reputation for high quality, easy to use and cost effective software. The net loss in the fiscal year ended January 31, 2002 was (\$1,275,630), which is \$836,779 less than the net loss in the year ended January 31, 2001 of (\$2,112,409). The net loss for the fiscal year ended January 31, 2002 was due to: increased production, research and development, and administrative expenses (including expenses incurred in complying with U.S. securities laws and other expenses relating to public company requirements) to a total of \$2,484,988, which reflected the Company's investment in product development, marketing support, and administrative infrastructure. The loss reflects the establishment of a technical, marketing and administrative infrastructure that will support the significantly higher sales revenues anticipated by Management as the Company continues to achieve greater market share. The Company only concluded its development stage at the end of the second fiscal quarter for the year ended January 31, 2002 and its attention and resources have been particularly diverted towards sales and marketing, technical support, product development and administrative collateral. The sales team, which includes field sales and sales support, has effectively grown in size by 40%, and the technical support department has grown by the equivalent amount. Despite the release of the professional range in the fiscal year ended January 31, 2001, the Company has further expanded its development base to consolidate and enhance its technology even further. However, as previously predicted by Management, overall operating expenses have been relatively stable with an increase of only \$35,460 from \$2,449,528 in the fiscal year ended January 31, 2001 to \$2,484,988 in the fiscal year ended January 31, 2002. Management believes it can continue to exert similar control over operating expenses during the Current Fiscal Year.

In the fiscal year ended January 31, 2002, the Company incurred net interest expense of \$354,890 compared with net interest expense of \$165,099 for fiscal year ended January 31, 2001. This increase in interest expense was due to the increased bank and loan interest in the fiscal year ended January 31, 2002 due to increased bank loan borrowings, and interest associated with the Second Financing Transaction and subsequent debt based financing obtained during the

Edgar Filing: INVU INC - Form 10KSB

year. See "Item 1. Description of Business - First Financing Transaction and Second Financing Transaction" and "The Subsequent Financing Transaction." In view of the increase in debt finance during the fiscal year ended January 31, 2002, Management would expect an increase in interest expense. However, Management expects the second financing transaction to be converted into equity in August 2002 and also believes that some of the remaining debt finance may be converted into equity during the next fiscal year.

The tax rates for the years 2002 and 2001 are zero due to a net loss in each period.

The total current assets of the Company were \$1,120,602 at January 31, 2002, an increase of \$664,265, compared to \$456,337 at January 31, 2001. Working capital was negative \$3,434,581 as of January 31, 2002, compared with negative \$2,256,025 as of January 31, 2001. These changes are due to the increases in current maturities of long-term obligations, accrued liabilities and deferred revenue and decreases in short-term credit facilities and accounts payable. \$1,000,000 of current maturities of long-term obligations may be converted into common stock in August 2002. The significant increase in business activities has resulted in significant increases in accounts receivable whilst at the same time accounts payable have been slightly reduced.

Total assets of the Company were \$1,531,309 at January 31, 2002, an increase of \$763,027, compared to \$768,282 at January 31, 2001. The difference is mainly attributable to increases in accounts receivable and stock and the purchase of EasiFile, which is reflected in intangible assets.

The total current liabilities of the Company increased by \$1,842,821 from \$2,712,362 at January 31, 2001 to \$4,555,183 at January 31, 2002. Long term liabilities were \$2,093,740 at January 31, 2002 compared to \$1,962,635 at January 31, 2001. The increase in current liabilities is primarily attributable to the increase in current maturities of long-term obligations, which represents

12

debt capital raised to finance the development of the products and the infrastructure of the business. The accrued interest of such debt finance has also increased accrued liabilities. Deferred revenue has been separately disclosed this year and has increased by \$154,899 from \$61,949 at January 31, 2001 to \$216,848 at January 31, 2002. The Company has a commitment to purchase a minimum of 75,000 database licenses from Gupta Technologies LLC for approximately \$315,000 by June 2003. Management decided to buy this quantity of licenses in order to take advantage of bulk discounts, which decreased the price per license from the previously charged price of \$28.69 to \$4.20. See "Item 1. Description of Business - Major Contracts".

Total stockholders' equity decreased by \$1,210,899 during the year ended January 31, 2002 from deficit \$3,906,715 at January 31, 2001 to a deficit of \$5,117,614 at January 31, 2002 as a result of the net loss for the year. The Company is evaluating various financing options, including issuing debt and equity to finance future development, marketing of products, and strategic acquisitions now that its development stage has ended and its operational stage has commenced.

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 \$282,660 short-term credit facility with an annual

Edgar Filing: INVU INC - Form 10KSB

interest rate currently of 6% with an English bank. The amount drawn against the facility at January 31, 2002 was \$276,203. 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 \$847,980 in October 2001 by way of notes payable with monthly repayments of \$70,665 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.

In February 2001, Vertical Investments Limited, an entity controlled by Daniel Goldman, a non-executive director of the Company, 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. See "Item 1. Description of Business - The First Financing Transaction, The Second Financing Transaction and The Subsequent Financing Transaction."

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.

The Loan Stock Instruments described in Item 1 under The Second Financing Transaction, if not converted into shares of the Company's Common Stock and provided that 30 days notice has been given, may be called by the Company or the Investors may demand that the Company redeem the Loan Stock Instruments in August 2002. The Company anticipates that the Loan Stock Instruments will be converted.

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. Assuming that the Loan Stock Instruments are converted, management anticipates that a further requirement of \$1,000,000 would be necessary to achieve the break even position and meet all outstanding obligations. Management estimates the financing it is seeking, if consummated, would fulfill the Company's working capital requirements 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 it's 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 C of the Consolidated Financial Statements in conjunction with this paragraph regarding the Company's ability to continue as a going concern.

Item 7. Financial Statements

The Financial Statements of the Company appear at pages F-1 to F-9.

Edgar Filing: INVU INC - Form 10KSB

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons

The Board of Directors currently consists of five (5) persons, David Morgan, Jon Halestrap, John Agostini, Daniel Goldman and Tom Maxfield. The following table sets forth information about all directors and executive officers of the Company and all persons nominated or chosen to become such.

NAME -----	AGE ---	OFFICE -----
David Morgan	41	President, Chief Executive Officer, and Chairman of the Board of Directors
Jon Halestrap	42	Director, VP Sales and Marketing
John Agostini	43	Director, Chief Finance Officer and Secretary
Daniel Goldman	32	Non-Executive Director
Thomas Maxfield	53	Non-Executive Director

David Morgan (Chief Executive Officer) - Mr. Morgan is 41 years old and graduated in 1982 from the University of Warwick with a Bachelor of Laws degree, with honors. From 1982 to 1986, he was assistant to the Director of the Industrial & Marine Division of Rolls Royce plc. From 1986 to 1991, he was Group Commercial Manager of Blackwood Hodge plc, a worldwide distributor of construction and earthmoving equipment. From 1991 to 1992, he was managing director of Hunsbury Computer Services Ltd, a systems integrator and subsidiary of Blackwood Hodge. From 1992 to 1995, he was Managing Director of the UK subsidiary of Network Imaging Inc., an international software and systems house. From 1995 to 1996, he was Managing Director of Orchid Ltd, a UK computer software reseller. From 1997 to the present, he has been a director of and the Chief Executive Officer of INVU Plc. Since the Share Exchange on August 31, 1998, he has been Chairman and Chief Executive Officer of the Company.

Jon Halestrap (VP Sales and Marketing) - Mr. Halestrap is 42 years old and graduated from Coventry Polytechnic in 1984 with a degree in Production Engineering. From 1995 to 1996, he was Group Sales Director of Orchid Ltd, a UK computer software reseller. Between November 1996 and May 1999, he was Channel Director for Bentley Systems Limited, a leading supplier of Micro CAD systems in the world. From June 1999 to July 2000, Mr. Halestrap was Northern European Business Development Manager for Motiva Limited, a global information management solutions company. Mr. Halestrap joined INVU on July 10, 2000 as Vice President of Sales and Marketing and serves as a director of the Company.

John Agostini (Chief Finance Officer) - Mr. Agostini is 43 years old and qualified as a chartered accountant with Grant Thornton in 1984. Since 1986 he has worked for various companies within the printing, construction, and electronics industries, typically as a Finance/Commercial Director. From December 1993 to October 1996, he held the position of Director of Finance and Operations of Bizeq Limited, a security alarms distributor. From November 1996

Edgar Filing: INVU INC - Form 10KSB

to April 1997, Mr. Agostini served as European Financial Controller for Sunbeam Europe Limited, a domestic appliance distributor. From April 1997 to February 1999, he served as Finance and Operations Director of the performance textiles division of Porvair Plc. Mr. Agostini joined INVU in February 1999 as Chief Finance Officer, director and Secretary.

14

Daniel Goldman (Non-Executive Director) - Mr. Goldman is 32 years old, and works with emerging technology companies raising private equity finance and also provides corporate finance advice. He has worked with a number of companies in the fields of software and the internet, smart card technology, medical devices and other areas of patented technology as a consultant. From January 1997 until June 1997, Mr. Goldman worked with Elderstreet Corporate Finance Ltd., a venture capital fund specializing in the high-tech sector. From July 1997 through April 1998, Mr. Goldman worked with Alberdale & Co., a venture capital fund specializing in the high-tech and healthcare sectors. From April 1998 until June 1999, he served as a Corporate Finance Executive with Shore Capital Group Plc, an investment bank specializing in corporate finance. Mr Goldman is the chairman of Goldman Investments, a provider of strategic advice and investment banking services and is currently a non-executive director for a number of technology companies. These include Boomerang Software Inc., an internet software publishing company based in Boston. Mr. Goldman joined the Board of INVU Inc. on May 13, 1999.

Thomas Maxfield (Non-Executive Director) - Mr. Maxfield is 53 years old. He has a B.A. honors degree in modern languages. Between 1984 and 1997 he was a main board director of The Sage Group plc, a supplier of PC accounting software. His responsibilities included the development of a national reseller network, creating and maintaining telesales and field sales operations, and the creation of the company's retail sales channel. From 1997 to the present, Mr. Maxfield has served as a director of Seaham Hall Limited, a property development company. Mr Maxfield joined the Board of INVU Inc. on May 13, 1999.

The Company is not aware of any "family relationships" among directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers.

The Company is not aware of any event (as listed in Item 401(d) of Regulation S-B promulgated by the Commission) that occurred during the past five years that are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, promoter or control person of the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities (the "10% Stockholders") to file reports of ownership and changes of ownership with the Securities and Exchange Commission ("SEC"). Officers, directors and 10% Stockholders of the Company are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms so filed.

The Company believes that, during the last fiscal year, the following forms required to be filed under Section 16(a) were not filed or were not timely filed: (i) Forms 5 for David Andrews, a non-executive director of the Company who resigned in April 2002, and Daniel Goldman related to stock options grants exercisable for 30,000 and 150,000 shares of the Company's Common Stock, respectively, (ii) Forms 4 for Montague, related to two transfers of Company

Edgar Filing: INVU INC - Form 10KSB

Common Stock in the aggregate amount of 1,170,000, (iii) Forms 4 for the Montague beneficiaries, including Peter Fraser, David Morgan and Jon Halestrap, who may have been required to jointly file Forms 4 along with Montague as described in (ii) above and (v) Forms 5 regarding the above described failure to file Forms 4.

Item 10. Executive Compensation

The following tables set forth the compensation paid by the Company to its Executive Officers during the fiscal year ended January 31, 2002. No other executive officer earned in excess of \$100,000.

15

Name/Principal Position -----	Year ----	Annual Compensation -----		Long Ter -----
		Salary -----	Bonus -----	Securities Underlying Options -----
David Morgan/Chief Executive Officer	2002	\$132,710	--	400,000 (4)
	2001	\$100,937	--	--
	2000	\$ 97,964	--	--
John Agostini/Chief Financial Officer	2002	\$ 92,359	\$ 8,608	250,000 (4)
	2001	\$ 93,750	\$ 3,750	100,000 (2)
	2000	\$ 86,312	--	--
Jon Halestrap/VP Sales and Marketing	2002	\$ 89,669	\$31,085	250,000 (4)
	2001	\$ 73,482	--	--

Option Grants in Last Fiscal Year Individual Grants

Name -----	Number of Securities Underlying Options -----	% of Total Options Granted to Employees in Fiscal Year -----	Exercise Price -----	Expi -----
John Agostini	250,000 (1)	15%	\$ 0.50	09
Jon Halestrap	250,000 (1)	15%	\$ 0.50	09

Edgar Filing: INVU INC - Form 10KSB

David Morgan 400,000 24% \$ 0.50

The following table sets forth information with respect to the Named Executive Officers concerning the exercise of options during the fiscal year ended January 31, 2002 and unexercised options held as of January 31, 2002. No options were exercised by the Named Executive Officers during 2001.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Name	Number of Shares Acquired On Exercise	Value Realized	Number of Unexercised Options at FY-end: Exercisable/Unexercisable
John Agostini.....	--	--	100,000 (2)/250,000
Jon Halestrap.....	--	--	0/250,000
David Morgan.....	--	--	0/400,000

Director Compensation

Except as noted below, directors currently do not receive any cash compensation from the Company for their services as members of the Board of Directors. Directors are reimbursed for actual and reasonable out of pocket expenses in connection with attendance at Board of Directors and committee meetings.

Effective February 2, 1999, Mr. Goldman was entitled to receive (pound)5,000 payable in six equal installments and 5,000 shares of the Company's Common Stock from Montague as compensation for his services. Mr. Maxfield was granted 10,000 shares of the Company's Common Stock from Montague for his services as a director in April 1999. The Company also agreed in February 2000 to pay Mr. Andrews (pound)25,000 as consideration for his services as a director.

As compensation for their services as non-executive directors of the Company, the Company granted Mr. Andrews, who resigned in April 2002, an option to purchase 30,000 shares of the Company's Common Stock, Mr. Goldman an option to purchase 150,000 shares of the Company's Common Stock and Mr. Maxfield an option to purchase 50,000 shares of the Company's Common Stock. Each of the options are exercisable at an exercise price of \$0.50 and vest in one-fourth

Edgar Filing: INVU INC - Form 10KSB

increments over a four-year term.

Designations

As part of an investment agreement executed in August 1999, Mr. Goldman was nominated and appointed to serve on the Company's board of directors. See "Item 12. Certain Relationships and Related Transactions."

Employment Agreements

David Morgan. The Company entered into an employment agreement with Mr. Morgan in June 1997. The Company agreed to pay Mr. Morgan (pound)92,000 as salary plus quarterly bonuses based upon profit achievements. The profit achievements necessary for any bonus award will be determined by the Company's Board of Directors. The Company reviews Mr. Morgan's salary each year. The Company also agreed to provide Mr. Morgan with a company car, to provide and maintain his membership in a private health care plan and to contribute a sum equal to 5% of his total salary to his private pension. No contributions have been made by the Company to Mr. Morgan's private pension. The agreement may be terminated by either Mr. Morgan or the Company with twelve months notice. In addition, the Company may terminate the agreement at any time without prior notice if Mr. Morgan were to (1) commit an act of gross misconduct or incompetence; (2) become of unsound mind; (3) file for bankruptcy or make any arrangement with his creditors; (4) willfully refuse to carry out duties vested in him by the Board of Directors; (5) be convicted of a criminal offense unless, in the opinion of the Board of Directors, the conviction does not affect his position or suitability for the position; or (6) commit any conduct which, in the opinion of the Board of Directors, brings him or the Company or any of the Company's subsidiaries into disrepute.

John Agostini. The Company entered into an employment agreement with Mr. Agostini in January 1999. The Company agreed to pay Mr. Agostini an initial salary of (pound)62,500, which was increased to (pound)65,000. Mr. Agostini was initially entitled to receive an annual bonus of (pound)2000, however in 2001 it was decided that Mr. Agostini is entitled to receive quarterly bonuses of (pound)2000 subject to timely filing of Forms 10-QSB and 10-KSB. Any bonus is subject to review by the Board of Directors. The Company also agreed to provide Mr. Agostini with a company car. The agreement may be terminated by either the

17

Company or Mr. Agostini with one months notice, which was changed to three months notice in 2001. However, the Company may terminate Mr. Agostini's employment immediately in the event of gross misconduct. Upon termination, Mr. Agostini is prohibited from competing with the Company for six months and is subject to certain confidentiality provisions. In addition, any intellectual property developed by Mr. Agostini is the property of Invu International Holdings Limited, the Company's wholly owned subsidiary.

Jon Halestrap. The Company entered into an employment agreement with Mr. Halestrap in June 2000. The Company agreed to pay Mr. Halestrap (pound)62,500 as salary and a performance related bonus of (pound)22,500. Mr. Halestrap's commission's are subject to the Board of Director's regular review. The Company also agreed to maintain Mr. Halestrap's mobile phone contract, to provide him with a company car and to grant him an option for not less than 100,000 shares of the Company's Common Stock. The agreement may be terminated by either the Company or Mr. Halestrap with three months notice by either party during his first year of employment with the Company. Thereafter, the notice period will increase one month for each years service to a maximum of six months. However, the Company may terminate Mr. Halestrap's employment immediately in the event of gross misconduct. Upon termination, Mr. Halestrap is

Edgar Filing: INVU INC - Form 10KSB

prohibited from competing with the Company for six months and is subject to certain confidentiality provisions. In addition, any intellectual property developed by Mr. Halestrap is the property of Invu International Holdings Limited, the Company's wholly owned subsidiary.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of the close of business on April 30, 2002 information as to the beneficial ownership of shares of the Company Common Stock for all directors, each of the named executive officers (as defined in Item 402(a)(2) of Regulation S-B promulgated by the Commission), for all directors and executive officers as a group, and any person or "group" who or which is known to the Company to be the beneficial owner of more than 5% of the outstanding shares of Company Common Stock. In addition, except as set forth below, the Company does not know of any person or group who or which owns beneficially more than 5% of its outstanding shares of Company Common Stock as of the close of business on April 30, 2002.

Name and Address of Beneficial Owner	Beneficial Ownership (1) Amount and Nature of Beneficial Owner	Percentage(1) (2)
Montague Limited (3) (4) (5)	22,132,690	72.84%
David Morgan (4) (5) (6)	*	*
Jon Halestrap (4) (7)	100,000	0.33%
Peter Fraser (5)	*	*
John Agostini(11)	100,000	0.33%
Daniel Goldman(8)	17,486,674	36.58%
Thomas Maxfield(9)	659,359	2.13%
Roy G. Williams (10)	1,725,920	5.68%
Paul O'Sullivan(5) (12)	*	*
Officers and Directors as a Group (6 persons)	18,346,033	37.85%

19

Item 12. Certain Relationships and Related Transactions

Guarantees of Indebtedness and Guarantee Fees

The Company has a \$282,660 short-term credit facility with an annual interest rate of 6% with an English bank. The bank also provided a credit facility of \$847,980 in October 2001 bearing an annual interest rate of 6% by way of notes payable with monthly repayments of \$70,665 commencing in November 2002. All bank credit facilities and notes payable are secured by all assets of the Company and a corporate guarantee made by Vertical Investments Limited, a company in which Daniel Goldman, a non-executive officer, has an interest. Cross guarantees were made by Invu Services Limited, Invu plc and Invu International Holdings Limited. Invu International Holdings Limited also executed a Debenture in favor of the bank.

Loans

Edgar Filing: INVU INC - Form 10KSB

In February 2001, the Company increased its non-interest bearing loan of \$5,635 made to David Morgan in September 1999 to \$19,584. To date, no payments have been made on this loan.

As of January 31, 2002, the Company had received unsecured loans totaling \$735,818 from Peter Fraser. These loans bear interest of \$4,304 per month.

In February 2001, Vertical Investments Limited, an entity controlled by Daniel Goldman, a non-executive director of the Company, 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. These loans are secured by a debenture covering all of the Company's assets, which is subordinate to the debenture granted to the Company's bank. In addition, Paysage Investments Limited, also an entity in which Daniel Goldman's brother has an interest, loaned the Company \$50,000 in May 2001. To date, no payments have been made on any of these loans. See "Item 1. Description of Business - The First Financing Transaction, The Second Financing Transaction and The Subsequent Financing Transactions."

Employment and Indemnification Agreements

The Company does not maintain any Indemnification Agreements with its directors. David Morgan, John Agostini and Jon Halestrap have entered into employee employment agreements with the Company. See "Item 10. Executive Compensation-Employment Agreements."

Transactions

The Company paid Impakt Software Limited \$132,609 as of the fiscal year ended January 31, 2002. Paul O'Sullivan, an individual listed in the beneficial ownership table set forth in Item 11 and the Company's former Chief Technical Officer and director, is a director of Impakt Software Limited.

Item 13. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit

Number

Description of Exhibit

- | | |
|-----|--|
| 2.1 | Share Exchange Agreement, dated as of May 19, 1998, by and between the Company and Montague Limited, as amended by that certain First Amendment to Share Exchange Agreement, dated as of July 23, 1998 (incorporated by reference from Exhibit 2.1 of the Company's Current Report on Form 8-K filed June 8, 1998 and Exhibit 99 of the Company's Amendment to Current Report on Form 8-K/A filed August 6, 1998). |
| 3.1 | Articles of Incorporation of the Company filed on February 25, 1997 with the Secretary of State of the State of Colorado (incorporated by reference from Exhibit 3.2 of the Company's Registration Statement on Form 10-SB/A filed August 29, 1997). |
| 3.2 | Amendment to the Articles of Incorporation of the Company filed on February 22, 1999, with the Secretary of State of the State of Colorado (incorporated by reference from Exhibit 3.2 of the Company's Annual Report on Form 10-KSB filed October 15, 1999). |
| 3.3 | Bylaws of the Company (incorporated by reference from Exhibit 2.2 of the Company's Registration Statement on Form 10-SB/A filed August 29, |

Edgar Filing: INVU INC - Form 10KSB

1997).

20

- 10.1 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).
- 10.2 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).
- 10.3 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).
- 10.4 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).
- 10.5 Distribution Agreement, dated January 29, 2000, by and between INVU Services and Gem Distribution Limited. (incorporated by reference from Exhibit 10.13 of the Company's Annual Report on Form 10-KSB/A filed May 18, 2000).
- 10.6 Overdraft Facility Agreement, dated December 13, 1999, by and between Invu Services Limited and HSBC Bank plc. (incorporated by reference from Exhibit 10.16 of the Company's Annual Report on Form 10-KSB/A filed May 18, 2000).
- 10.7 Lease Agreement, effective January 1, 2000, by and between Invu Services Limited, Roy Taylor and Diana Ruth Taylor (incorporated by reference from Exhibit 10.24 of the Company's Annual Report on Form 10-KSB/A filed May 18, 2000).
- 10.8 Demand Promissory Note, dated May 1, 2000, by and between the Company and GEM Advisors, Inc. (incorporated by reference from Exhibit 10.25 of the Company's Annual Report on Form 10-KSB/A filed May 18, 2000).
- 10.9 Overdraft Facility, dated July 19, 2000, by and between the Company and the Bank of Scotland (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
- 10.10 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 from Exhibit 10.2 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
- 10.11 Debenture, dated July 13, 2000, by and between Invu International Holdings Limited and the Bank of Scotland (incorporated by reference from Exhibit 10.3 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).

Edgar Filing: INVU INC - Form 10KSB

10.12 Employment Agreement, dated June 30, 1997, by and between the Company and David Morgan (incorporated by reference from Exhibit 10.4 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).

10.13 Employment Agreement, dated June 9, 2000, by and between the Company and John Halestrap (incorporated by reference from Exhibit 10.5 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).

21

10.14 Employment Agreement, dated June 10, 1999, by and between the Company and John Agostini (incorporated by reference from Exhibit 10.6 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).

10.15 Letter Agreement, dated February 22, 2000, by and between David Morgan and David Andrews (incorporated by reference from Exhibit 10.7 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).

10.16 Letter Agreement, dated February 2, 1999, by and between David Morgan and Daniel Goldman (incorporated by reference from Exhibit 10.8 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).

10.17 Letter Agreement, dated April 27, 1999, by and between David Morgan and Tom Maxfield (incorporated by reference from Exhibit 10.9 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).

*10.18 Debenture, dated October 24, 2001, between the Company and Vertical Investments Limited.

*10.19 Secured Guarantee, dated October 24, 2001, between the Company and Vertical Investments Limited.

*10.20 Ranking Agreement, dated October 24, 2001, between Vertical Investments Limited, Invu Services Limited and the Bank of Scotland.

*10.21 Financing Arrangement, effective as of December 27, 2001, between Vertical Investments Limited, the Company, Invu Services Limited, Invu International Holdings Limited and Invu PLC.

*10.22 Loan Agreement, dated October 24, 2001, between Vertical Investments Limited, Invu Services Limited, Invu International Holdings Limited, Invu PLC, David Morgan, John Agostini and Jon Halestrap.

*10.23 Amendment No. 1 to the Limited Manufacturing Agreement, effective December 21, 2001 between Gupta Technologies, LLC and Invu Services Limited.

10.24 Form of Invu Inc. Enterprise Management Share Option Agreement (Group A) (incorporated by reference from Exhibit 10.5 of the Company's Quarterly Report on Form 10-QSB filed December 14, 2001).

10.25 Form of Invu Inc. Enterprise Management Share Option Agreement (Group B) (incorporated by reference from Exhibit 10.6 of the Company's Quarterly Report on Form 10-QSB filed December 14, 2001).

21 Subsidiaries of the Company (incorporated by reference from Exhibit 21 of the Company's Annual Report on Form 10-KSB filed October 15, 1999).

*Filed herewith

Edgar Filing: INVU INC - Form 10KSB

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the period covered by this report.

22

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report on Form 10-KSB to be signed on its behalf by the undersigned thereto duly authorized.

INVU, Inc.
(Registrant)

Date: May 1, 2002

By: /s/ David Morgan

David Morgan, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report on Form 10-KSB has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE -----	OFFICE -----	
/s/ David Morgan ----- David Morgan	President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	Ma
/s/ Jon Halestrap ----- Jon Halestrap	Director and VP Marketing and Sales	Ma
----- Daniel Goldman	Director	Ma
/s/ John Agostini ----- John Agostini	Director and Chief Finance Officer (Principal Financial Officer and Chief Accounting Officer)	Ma
----- Tom Maxfield	Director	Ma

S-1

INDEX TO EXHIBITS

(a) Exhibits

Exhibit Number -----	Description of Exhibit -----
2.1	Share Exchange Agreement, dated as of May 19, 1998, by and between the Company and Montague Limited, as amended by that certain First Amendment to Share Exchange Agreement, dated as of July 23, 1998 (incorporated by reference from Exhibit 2.1 of the Company's Current Report on Form 8-K filed June 8, 1998 and Exhibit 99 of the Company's Amendment to Current Report on Form 8-K/A filed August 6, 1998).
3.1	Articles of Incorporation of the Company filed on February 25, 1997 with the Secretary of State of the State of Colorado (incorporated by reference from Exhibit 3.2 of the Company's Registration Statement on Form 10-SB/A filed August 29, 1997).
3.2	Amendment to the Articles of Incorporation of the Company filed on February 22, 1999, with the Secretary of State of the State of Colorado (incorporated by reference from Exhibit 3.2 of the Company's Annual Report on Form 10-KSB filed October 15, 1999).
3.3	Bylaws of the Company (incorporated by reference from Exhibit 2.2 of the Company's Registration Statement on Form 10-SB/A filed August 29, 1997).

E-1

10.1	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).
10.2	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).
10.3	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).
10.4	Supplemental Agreement, dated as of August 23, 1999, among the

Edgar Filing: INVU INC - Form 10KSB

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).

- 10.5 Distribution Agreement, dated January 29, 2000, by and between INVU Services and Gem Distribution Limited. (incorporated by reference from Exhibit 10.13 of the Company's Annual Report on Form 10-KSB/A filed May 18, 2000).
- 10.6 Overdraft Facility Agreement, dated December 13, 1999, by and between Invu Services Limited and HSBC Bank plc. (incorporated by reference from Exhibit 10.16 of the Company's Annual Report on Form 10-KSB/A filed May 18, 2000).
- 10.7 Lease Agreement, effective January 1, 2000, by and between Invu Services Limited, Roy Taylor and Diana Ruth Taylor (incorporated by reference from Exhibit 10.24 of the Company's Annual Report on Form 10-KSB/A filed May 18, 2000).
- 10.8 Demand Promissory Note, dated May 1, 2000, by and between the Company and GEM Advisors, Inc. (incorporated by reference from Exhibit 10.25 of the Company's Annual Report on Form 10-KSB/A filed May 18, 2000).
- 10.9 Overdraft Facility, dated July 19, 2000, by and between the Company and the Bank of Scotland (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
- 10.10 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 from Exhibit 10.2 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
- 10.11 Debenture, dated July 13, 2000, by and between Invu International Holdings Limited and the Bank of Scotland (incorporated by reference from Exhibit 10.3 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
- 10.12 Employment Agreement, dated June 30, 1997, by and between the Company and David Morgan (incorporated by reference from Exhibit 10.4 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
- 10.13 Employment Agreement, dated June 9, 2000, by and between the Company and John Halestrap (incorporated by reference from Exhibit 10.5 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).

E-2

- 10.14 Employment Agreement, dated June 10, 1999, by and between the Company and John Agostini (incorporated by reference from Exhibit 10.6 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
- 10.15 Letter Agreement, dated February 22, 2000, by and between David Morgan and David Andrews (incorporated by reference from Exhibit 10.7 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
- 10.16 Letter Agreement, dated February 2, 1999, by and between David Morgan and Daniel Goldman (incorporated by reference from Exhibit 10.8 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).

Edgar Filing: INVU INC - Form 10KSB

- 10.17 Letter Agreement, dated April 27, 1999, by and between David Morgan and Tom Maxfield (incorporated by reference from Exhibit 10.9 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).
- *10.18 Debenture, dated October 24, 2001, between the Company and Vertical Investments Limited.
- *10.19 Secured Guarantee, dated October 24, 2001, between the Company and Vertical Investments Limited.
- *10.20 Ranking Agreement, dated October 24, 2001, between Vertical Investments Limited, Invu Services Limited and the Bank of Scotland.
- *10.21 Financing Arrangement, effective as of December 27, 2001, between Vertical Investments Limited, the Company, Invu Services Limited, Invu International Holdings Limited and Invu PLC.
- *10.22 Loan Agreement, dated October 24, 2001, between Vertical Investments Limited, Invu Services Limited, Invu International Holdings Limited, Invu PLC, David Morgan, John Agostini and Jon Halestrap.
- *10.23 Amendment No. 1 to the Limited Manufacturing Agreement, effective December 21, 2001 between Gupta Technologies, LLC and Invu Services Limited.
- 10.24 Form of Invu Inc. Enterprise Management Share Option Agreement (Group A) (incorporated by reference from Exhibit 10.5 of the Company's Quarterly Report on Form 10-QSB filed December 14, 2001).
- 10.25 Form of Invu Inc. Enterprise Management Share Option Agreement (Group B) (incorporated by reference from Exhibit 10.6 of the Company's Quarterly Report on Form 10-QSB filed December 14, 2001).
- 21 Subsidiaries of the Company (incorporated by reference from Exhibit 21 of the Company's Annual Report on Form 10-KSB filed October 15, 1999).

*Filed herewith

E-3

CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

INVU, INC. AND SUBSIDIARIES

JANUARY 31, 2002 AND 2001

Edgar Filing: INVU INC - Form 10KSB

F-1

INVU, INC. AND SUBSIDIARIES

CONTENTS	PAGE
Report of independent certified public accountants	F-3
Consolidated financial statements	
Consolidated balance sheets	F-4
Consolidated statements of operations	F-5
Consolidated statements of deficit in stockholders' equity	F-6
Consolidated statements of cash flows	F-7
Notes to consolidated financial statements	F-8

F-2

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors INVU, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of INVU, Inc. and Subsidiaries as of January 31, 2002 and 2001 and the related consolidated statements of operations, deficit in stockholders' equity and cash flows for the years ended January 31, 2002 and 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

Edgar Filing: INVU INC - Form 10KSB

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of INVU, Inc. and Subsidiaries as of January 31, 2002 and 2001 and the consolidated results of their operations and their consolidated cash flows for the years ended January 31, 2002 and 2001 in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company has experienced losses, is not generating cash from operations and has a deficit in stockholders' equity. These circumstances raise substantial doubt about the Company's ability to continue as a going concern. The Company's plans with respect to these matters are described in Note C. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Grant Thornton

Grant Thornton
Northampton, England

April 12, 2002

F-3

INVU, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	January 31, 2002 \$

ASSETS	
Current assets	
Accounts receivable:	
Trade, net	936,442
VAT recoverable and other	19,582
Inventories	78,782
Prepaid expenses	85,796

Total current assets	1,120,602

Equipment, furniture and fixtures	
Computer equipment	148,579
Vehicles	287,722
Office furniture and fixtures	100,897

	537,198

Less accumulated depreciation	244,266

Edgar Filing: INVU INC - Form 10KSB

	292,932
Intangible assets	117,775

	1,531,309
	=====
LIABILITIES AND DEFICIT IN STOCKHOLDERS' EQUITY	
Current liabilities	
Short-term credit facility	276,203
Current maturities of long-term obligations	2,945,681
Accounts payable	506,161
Accrued liabilities	610,290
Deferred revenue	216,848

Total current liabilities	4,555,183

Long-term obligations, less current maturities	2,093,740
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 (2001: 30,386,539) shares	1,746,223
Accumulated deficit	(7,086,082)
Accumulated other comprehensive income	222,245

	(5,117,614)

	1,531,309
	=====

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

F-4

INVU, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	January 31,
	2002
	\$
Revenues	1,564,248

Edgar Filing: INVU INC - Form 10KSB

Expenses:	
Production cost	208,247
Selling and distribution cost	607,432
Research and development cost	381,135
Administrative costs	1,288,174

Total operating expenses	2,484,988

Operating loss	(920,740)

Other income (expense)	
Interest, net	(354,890)

Total other expense	(354,890)

Loss before income taxes	(1,275,630)

Income taxes	-

Net loss	(1,275,630)
	=====
Weighted average shares outstanding:	
Basic and Diluted	30,386,539
	=====
Net loss per common share:	
Basic and Diluted	(0.04)
	=====

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

F-5

INVU, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF DEFICIT IN STOCKHOLDERS' EQUITY

-----			Accumul
	Common stock	Accumulated	o
	Shares	deficit	comprehen
	Amount		in

Edgar Filing: INVU INC - Form 10KSB

		\$	\$	
Balance at January 31, 2000	30,206,896	1,641,432	(3,698,043)	6,84
Issuance of no par common stock (\$0.58 per share)	179,643	104,791	-	
Comprehensive loss:				
Foreign currency translation adjustment	-	-	-	150,67
Net loss during the year	-	-	(2,112,409)	
Total comprehensive loss				
Balance at January 31, 2001	----- 30,386,539	----- 1,746,223	----- (5,810,452)	----- 157,51
Comprehensive loss:				
Foreign currency translation adjustment	-	-	-	64,73
Net loss during the year	-	-	(1,275,630)	
Total comprehensive loss				
Balance at January 31, 2002	----- 30,386,539 =====	----- 1,746,223 =====	----- (7,086,082) =====	----- 222,24 =====

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

F-6

INVU, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	January 31, 2002 \$
Net cash flows used in operating activities	
Net loss during the period	(1,275,630)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortisation	135,185
Loss on disposal of fixed assets	1,046
Changes in:	
Accounts receivable	(660,265)
Inventories	(45,460)
Prepaid expenses	16,244
Accounts payable	(20,861)

Edgar Filing: INVU INC - Form 10KSB

Accrued liabilities	431,926
Net cash used in operating activities	(1,417,815)
Cash flows used in investing activities:	
Acquisitions of property and equipment	(71,263)
Acquisition of intangible assets	(143,470)
Net cash used in investing activities	(214,733)
Cash flows provided by financing activities:	
Short-term credit facility	(1,372,182)
Borrowings received from notes payable	3,096,255
Repayment of borrowings	(28,694)
Principal payments on capital lease	(46,520)
Proceeds from issuance of stock	-
Net cash provided by financing activities	1,648,859
Effect of exchange rate changes on cash	(16,311)
Net decrease in cash	-
Cash at beginning of period	-
Cash at end of period	-
Supplemental disclosure of cash flow information:	
Cash paid during the period for:	
Interest	165,000

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

F-7

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2002 AND 2001

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,

Edgar Filing: INVU INC - Form 10KSB

technical drawings and electronic files. The Company has three customers that accounted for 18%, 15% and 10% of the revenues for the year ended January 31, 2002. For the prior year, the revenues were 9%, 0% and 5% respectively. Services is the sales, marketing and trading company and Holdings holds the intellectual property rights to the INVU software.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

1 Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries INVU Plc, Services and Holdings. All significant intercompany accounts and transactions have been eliminated in consolidation.

2 Revenue recognition

The Company recognizes revenue in accordance with the provisions of Statement of Position 97-2 "Software Revenue Recognition" (SOP 97-2) as amended by Statement of Position 98-9 "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions" (SOP 98-9) issued by the American Institution of Certified Public Accountants ("AICPA"). Fees for services and maintenance are generally charged to customers separately from the license of software. 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.

For those license agreements which provide the customers the right to multiple copies in exchange for guaranteed amounts (including non refundable advance royalties), license revenues are recognized at delivery of the product master or the first copy. Per copy royalties on sales which exceed the guarantee are recognized as earned.

Services revenue consists of training and consulting for which revenue is recognized when the services are performed. Maintenance revenue consists of ongoing support and maintenance and product updates for which revenue is deferred and recognized rateably over the term of the contract, normally twelve months.

F-8

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2002 AND 2001

3 Software development costs

Software development costs are included in research and development and are expensed as incurred. Statement of Financial Accounting Standard No. 86 "Accounting for the Costs of Computer Software to be Sold,

Edgar Filing: INVU INC - Form 10KSB

Leased, or Otherwise Marketed" (SFAS No. 86) requires the capitalization of certain software development costs once technological feasibility is established, which the Company defines as establishment of a working model. The working model criteria is used because the Company's process of creating software (including enhancements) does not include a detailed program design. To date, the period between achieving technological feasibility and the general availability of such software has been short and software development costs qualifying for capitalization have been insignificant. Accordingly, the Company has not capitalized any software development costs.

4 Equipment, furniture and fixtures

Equipment, furniture and fixtures are stated at cost. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The straight line method of depreciation is followed for financial reporting purposes. The useful lives are as follows:

	Years
Computer equipment	4
Vehicles	4
Office furniture and fixtures	4

Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in the results of operations.

5 Intangible asset

The intangible asset is to be amortised by equal instalments over a three year period as this is the estimated useful economic life over which the Company expects to generate revenues from the assets acquired.

The Company 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.

F-9

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Edgar Filing: INVU INC - Form 10KSB

JANUARY 31, 2002 AND 2001

6 Cash

For the purpose of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

7 Inventories

Inventories consist of licensed goods and goods for resale and are stated at the lower of FIFO (first-in, first-out) cost or market value.

8 Advertising costs

Advertising costs of \$99,446 and \$344,466 for the years ended January 31, 2002 and 2001 respectively, have been charged to expense as incurred.

9 Income taxes

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. An allowance against deferred tax assets is recorded when it is more likely than not that such tax benefits will not be realized.

10 Use of estimates in financial statements

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11 Net loss per share

The Company has adopted Statement of Financial Accounting Standard No. 128, "Earnings Per Share" (SFAS No. 128).

The Company's basic net loss per share amount has been computed by dividing net loss by the weighted average number of outstanding common shares. For the years ended January 31, 2002 and 2001 no common stock equivalents were included in the computation of diluted net earnings per share. Convertible debentures and loan notes excluded from the calculation of loss per share because their effect is anti-dilutive amounted to 4,358,487 common shares on a weighted average basis for the year ended January 31, 2002.

F-10

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2002 AND 2001

Edgar Filing: INVU INC - Form 10KSB

12 Fair value of financial instruments

The Company's financial instruments consists of cash, trade receivables, borrowings, trade payables and accrued liabilities. The carrying amount of these instruments approximate the fair values because of their short maturity. The fair value of certain non-current financial assets and liabilities are estimated to approximate carrying value based on considerations of risk, current interest rates and remaining maturities. The Company is unable to determine the fair value of certain other non-current financial liabilities.

13 Stock-based compensation

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board ("APB") No. 25, Accounting for Stock Issued to Employees and Financial Accounting Standard (SFAS No. 123), Accounting for Stock-Based Compensation. Under APB No. 25, compensation cost is recognized over the vesting period based on the difference, if any, on the date of grant between the quoted market price of the Company's stock and the amount an employee must pay to acquire the stock.

14 Foreign currency translation

The functional currency of the Company and its Subsidiaries is the British pound sterling. The consolidated financial statements are presented in US dollars using the principles set out in Statement of Financial Accounting Standard No. 52 "Foreign Currency Translation" (SFAS No. 52). Assets and liabilities are translated at the rate of exchange in effect at the close of the period. Revenues and expenses are translated at the weighted average of exchange rates in effect during the period. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into US dollars are included as part of the accumulated other comprehensive income component of stockholders' equity.

15 Research and development costs

All research and development costs are expensed as incurred.

16 Reclassifications

Certain items in the 2001 financial statements have been reclassified to conform to the current presentation.

F-11

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2002 AND 2001

NOTE C - GOING CONCERN

Edgar Filing: INVU INC - Form 10KSB

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 total liabilities exceeded its total assets by \$5,117,614 at January 31, 2002 and the Company had negative cash flows from operations of \$1,417,815 for the year to January 31, 2002. The Company is starting to generate revenues from operations and has obtained additional financing during the year ended January 31, 2002 of \$3,096,255. 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 generate net cash inflows. The Company is in the process of seeking the necessary additional financing to fund its 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 D - INVENTORIES

Inventories consist of the following:

	January, 31 2002	January, 31 2001
	\$	\$
Goods for resale	78,782	35,150
	=====	=====

NOTE E - INTANGIBLE ASSET

The Company purchased certain assets comprising software, intellectual property rights and the customer list from an unaffiliated entity on July 31, 2001 for \$141,330 ((pound)100,000). Amortisation of \$23,555 ((pound)16,667) has been charged during the period.

NOTE F - SHORT-TERM CREDIT FACILITY

At January 31, 2002 the Company had a \$282,660 (or (pound)200,000) (at January 31, 2001 the amount was \$1,169,000 (or (pound)800,000)), 6% (at January 31, 2001, the interest rate was 7.5%) short-term credit facility with an English bank. The Company's bank has, in the past, agreed to temporary borrowings in excess of the formal facility during the period to January 31, 2002. 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 January 31, 2002 was \$276,203 ((pound)195,431), (January 31, 2001 \$1,682,975 ((pound)1,151,855)). The amount drawn is repayable on demand at the bank's discretion. The credit facility is due for review on September 30, 2002.

F-12

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2002 AND 2001

Edgar Filing: INVU INC - Form 10KSB

NOTE G - LONG-TERM OBLIGATIONS

Long-term obligations at January 31, 2002 and January 31, 2001, consist of the following:

	January 31 2002
Unsecured loan from an individual, no stated maturity date; bearing interest of \$4,304 per month ((pound)3,000)	735,81
4% above Libor rate (Libor rate was 4% and 5.72% at January 31, 2002 and 2001 respectively) notes payable to an English bank, monthly payment aggregating to (pound)500, maturing in March 2002, collateralised by all assets of the Company and a corporate guarantee given by Vertical Investments Limited	94
4% above Libor rate (Libor rate was 4% and 5.72% at January 31, 2002 and 2001 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% of the outstanding balance	56,53
2% above Libor rate (Libor rate was 4% and 5.72% at January 31, 2002 and 2001 respectively) 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	847,98
Convertible A Note 1999-2002, with interest at 6%; interest due in arrears biannually on January 1 and July 1	600,00
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	400,00
Convertible loans 2001-2003 (i) with interest rate per annum of 1.5% above UK bank base rates	159,00
Loan notes 2001-2005 (ii) with interest rate per annum of 7%	1,000,00
Loan notes 2001-2005 (iii) with interest rate per annum of 12%	500,00
Convertible loan 2001-2003 (iv) with interest rate per annum of 1.5% above UK bank base rate	300,00
Convertible loan 2001-2005 (v) with interest rate per annum of 12%	275,00
Capital leases for vehicles, interest ranging from 10.2% - 16.9% with maturities through 2005	164,15
	5,039,42
Less current maturities	2,945,68
	2,093,74

Edgar Filing: INVU INC - Form 10KSB

F-13

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2002 AND 2001

Scheduled maturities of long-term obligation are as follows:

Year ending January 31,	\$
2003	2,945,681
2004	734,960
2005	322,964
2006	-
2007	-
Thereafter	1,035,816

	5,039,421
	=====

1) Convertible debentures

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

- a) immediately prior to a Public Offering
- b) at the option of the investor 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
- c) at the option of the investor giving 30 days notice to the Company.

Interest amounting to \$172,383 has been accrued to January 31, 2002 (January 31, 2001 \$99,241) in respect of the A and B Convertible Notes.

Any outstanding principal not converted or redeemed by the anniversary date, which was August 16, 2001, will be redeemed at par plus all outstanding interest in August 2002 upon receipt of 30 days written notice from the Company or the Investors. At January 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-14

Edgar Filing: INVU INC - Form 10KSB

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2002 AND 2001

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 G.

- 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.
- 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

Edgar Filing: INVU INC - Form 10KSB

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-15

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2002 AND 2001

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.

	January 31, 2002 \$	January 31, 2001 \$
Vehicles	287,722	289,970
Less accumulated depreciation	(134,410)	(88,902)
	----- 153,312 =====	----- 201,068 =====

Scheduled maturities of minimum lease payments are as follows:

Year ending January 31,	\$
2003	95,330
2004	85,247
2005	11,864
	----- 192,441
Less amount representing interest	28,288
	----- 164,153 =====

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

F-16

INVU, INC. AND SUBSIDIARIES

Edgar Filing: INVU INC - Form 10KSB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2002 AND 2001

NOTE H - COMMITMENTS

The Company leases office space and the rent expense totaled approximately \$60,600 and \$50,500 for January 31, 2002 and 2001 respectively.

The future minimum rental commitments as of January 31, 2002 are as follows:

Year ending January 31,	\$
2003	29,850 =====

The Company has a commitment to purchase a minimum of 75,000 database licences for approximately \$315,000 by June 2003.

NOTE I - INCOME TAXES

The Company has adopted the provisions of Statement of Financial Accounting Standards No 109 "Accounting for Income Taxes". Accordingly, a deferred tax liability or deferred tax asset (benefit) is computed by applying the current statutory tax rates to net taxable or deductible temporary differences between pre-tax financial and taxable income.

Deferred tax benefits are recorded only to the extent that the amount of net deductible temporary differences or carry forward attributes may be utilized against current period earnings, offset against taxable temporary differences reversing in future periods, or utilized to the extent of management's estimate of future taxable income. Deferred tax liabilities are provided for on differences between amounts reported for financial and tax basis accounting. Utilization of net operating loss carry-forwards in the future may be limited if changes in the Company's stock ownership create a change of control as provided in Section 382 of the Internal Revenue Code.

At January 31, 2002, due to the Company's cumulative losses since inception, a loss carry forward of approximately \$4,700,000 may be utilized in the future for an indefinite period.

Net deferred tax assets resulting from the loss carry forward have been offset by a valuation allowance of equal amounts at January 31, 2002 and January 31, 2001 due to the uncertainty of realizing the net deferred tax asset through future operations. The valuation allowances were approximately \$1,175,000 and \$700,000 at January 31, 2002 and January 31, 2001, respectively. The valuation allowance increased approximately \$475,000 and \$283,000 at January 31, 2002 and 2001 respectively. The effective tax rate differs from the statutory rate as a result of the valuation allowance. Gross deferred tax liabilities were immaterial for all periods.

F-17

INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2002 AND 2001

Edgar Filing: INVU INC - Form 10KSB

NOTE J - RELATED PARTY TRANSACTIONS

At January 31, 2002 David Morgan owed \$19,584 (January 31, 2001 \$5,635) to the Company. The maximum liability during the year amounted to \$19,584 and the interest charge amounted to \$Nil (January 31, 2001 \$Nil).

The Company made purchases during the year 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 \$136,340 (January 31, 2001 \$85,800) and the balance owed by the Company at January 31, 2002 was \$6,477 (January 31, 2001 \$2,233).

NOTE K - CONTINGENT LIABILITY

A complaint was filed against the Company on February 23, 2001 relating to a \$100,000 demand promissory note dated May 1, 2000 and payable to the order of GEM Advisors Inc (GEM). The note bears interest at a rate of 3% per annum and if payment is not made upon demand, the rate increases to 15% per annum. 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, subsequently 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 the note agreements. Although the Company is unable to predict any outcome of the litigation, it is 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 fully satisfied the obligations under the note.

The Company has provided for its own legal expenses incurred to January 31, 2002 in respect of this litigation in these financial statements. The Company has no obligation to pay for the legal expenses of GEM.

NOTE L - STOCK OPTIONS

On September 14, 2001 the Company granted stock options to certain employees including two directors to purchase an aggregate of 1,036,365 shares of its common stock at an exercise price of \$0.50 per share. The purchase of 650,000 shares of common stock is under the Enterprise Management Share Option Agreement (Group A) and 386,365 is under the Enterprise Management Share Option Agreement (Group B). The stock options contain performance targets over the next 3 to 4 years which accelerate the vesting of the options to the individuals. If the performance targets are not met, the options would vest to the individuals on the sixth anniversary of the date of grant. The options can be exercised after they have been vested to the individuals and cease to be exercisable ten years after the date of grant. On the measurement date of September 14, 2001, the market price of the common stock was \$0.20 per share and accordingly, no expense charge has been recorded in the financial statements.

On December 27, 2001 the Company granted stock options to four Directors of the Company (under the Executive Share Option Scheme) to purchase 630,000 shares of its common stock at an exercise price of \$0.50 per share. The stock options will vest to the individuals at each anniversary from the date of grant in four annual instalments. The options can be exercised after they have been vested to the individuals and cease to be exercisable ten years after the date of grant. On the measurement date of December 27, 2001, the market price of the common

Edgar Filing: INVU INC - Form 10KSB

stock was \$0.10 per share and accordingly, no expense charge has been recorded in the financial statements.

The total number of stock options outstanding at January 31, 2002 were 1,066,365 and zero at January 31, 2001. The weighted average of the stock options granted during the year was zero.

NOTE M - RECENT PRONOUNCEMENT

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 required by the new statement. Upon adoption, the Company will no longer amortize goodwill and other indefinite lived intangible assets. In the future, the Company will be required to test any 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. The Company expects that the adoption of SFAS 143 will not have a material impact on its financial position and results of operations.

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. The Company expects that the adoption of SFAS 144 will not have a material impact on its financial position and results of operations.

NOTE N - SUBSEQUENT EVENT

On both February 5, 2002 and February 28, 2002, the Company received \$137,500 in the form of loan notes which bear interest at the rate of 12% per annum from Vertical Investments Limited, a company in which Daniel Goldman, a non-executive director of this company, has an interest. The loan notes are repayable by May 1, 2005. At any time from May 1, 2002 until May 1, 2005, 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 after three days notice to the Company, into the 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.

