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INVU INC
Form 10QSB
June 06, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One):

- QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED APRIL 30, 2001
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File No. 00-22661

INVU, INC.

(Exact name of small business issuer as specified in charter)

Colorado

84-1135638

(State or other jurisdiction
of incorporation)

(IRS Employer Identification No.)

The Beren, Blisworth Hill Farm
Stoke Road
Blisworth, Northamptonshire

NN7 3DB

(Address of principal
executive offices)

(Postal Code)

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

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

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

YES X NO

As of June 5, 2001 there were 30,386,539 shares of the common stock, no par value, of the registrant issued and outstanding.

Transitional Small Business Disclosure Format (check one)

YES NO X

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INVU, INC.

April 30, 2001

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PART I. FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

INVU, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

APRIL 30, 2001

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INVU, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED BALANCE SHEETS

	April 30, 2001 (unaudited) \$
<hr style="border-top: 1px dashed black;"/>	
ASSETS	
Current assets	
Accounts receivable:	
Trade, net	478,464
VAT recoverable and other	5,519
Inventories	35,374
Prepaid expenses	123,661
	<hr style="border-top: 1px dashed black;"/>
Total current assets	643,018
	<hr style="border-top: 1px dashed black;"/>
Equipment, furniture and fixtures	
Computer equipment	87,505
Vehicles	291,285
Office furniture and fixtures	100,929
	<hr style="border-top: 1px dashed black;"/>
	479,719
	<hr style="border-top: 1px dashed black;"/>
Less accumulated depreciation	163,449
	<hr style="border-top: 1px dashed black;"/>
	316,270
	<hr style="border-top: 1px dashed black;"/>
	959,288
	<hr style="border-top: 3px double black;"/>
LIABILITIES AND DEFICIT IN STOCKHOLDERS' EQUITY	
Current liabilities	
Short-term credit facility	1,294,480
Current maturities of long-term obligations	1,075,604
Accounts payable	352,364
Accrued liabilities	429,191
	<hr style="border-top: 1px dashed black;"/>
Total current liabilities	3,151,639
	<hr style="border-top: 1px dashed black;"/>
Long-term obligations, less current maturities	1,947,653
	<hr style="border-top: 1px dashed black;"/>
Deficit in stockholders' equity	
Preferred stock, no par value	
Authorised - 20,000,000 shares; nil shares issued and outstanding	-
Common stock, no par value	
Authorised - 100,000,000 shares; issued and outstanding - 30,386,539	1,746,223
Accumulated deficit during the development stage	(6,093,315)

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Accumulated other comprehensive income	207,088

	(4,140,004)

	959,288
	=====

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

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INVU, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended April 30, 2001 (unaudited) \$	April 30, 2000 (unaudited) \$	F in Apr
Revenues	302,016	12,943	
Expenses:			
Production cost	25,702	8,870	
Selling and distribution cost	193,046	192,589	
Research and development cost	113,459	63,132	
Administrative costs	201,963	240,552	
	-----	-----	
Total operating expenses	534,170	505,143	
	-----	-----	
Operating loss	(232,154)	(492,200)	
Other income (expense)			
Interest, net	(50,709)	(31,317)	
Other	-	-	
	-----	-----	
Total other expense	(50,709)	(31,317)	
	-----	-----	
Loss before income taxes	(282,863)	(523,517)	
	-----	-----	
Income taxes	-	-	
	-----	-----	
Net loss	(282,863)	(523,517)	
	=====	=====	
Weighted average shares outstanding:			
Basic and Diluted	30,386,539	30,206,896	
	=====	=====	
Net loss per common share			

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Basic and Diluted

(0.01)

(0.02)

=====

=====

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

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INVU, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF DEFICIT IN STOCKHOLDERS' EQUITY

	Common stock Shares	Common stock Amount \$	Accumulated deficit \$	Accumulat oth comprehensi inco
Issuance of common stock (\$1.64 per share)	176,000	288,640	-	
Reclassification of \$1.64 common stock	(176,000)	(288,640)	-	
Issuance of no par common stock in connection with reverse acquisition	28,696,552	288,355	-	
Issuance of common stock (\$0.50 per share)	1,510,344	750,000	-	
Reverse acquisition transaction costs	-	(750,000)	-	
Comprehensive income:				
Foreign currency translation adjustment	-	-	-	4
Net loss during the period	-	-	(217,153)	
Total comprehensive income	-----	-----	-----	-----
Balance at January 31, 1998	30,206,896	288,355	(217,153)	4
Comprehensive income:				
Foreign currency translation adjustment	-	-	-	8,6
Net loss during the period	-	-	(694,809)	
Total comprehensive income	-----	-----	-----	-----
Balance at January 31, 1999	30,206,896	288,355	(911,962)	9,0
Beneficial conversion feature of convertible debentures	-	723,077	-	
Credit enhancements provided by the major shareholder	-	630,000	-	
Comprehensive income:				

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Foreign currency translation adjustment	-	-	-	(2,25
Net loss during the period	-	-	(2,786,081)	
Total comprehensive income				
Balance at January 31, 2000	30,206,896	1,641,432	(3,698,043)	6,8

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

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INVU, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF DEFICIT IN STOCKHOLDERS' EQUITY

	Common stock Shares	Amount \$	Accumulated deficit \$	Accumula ot comprehens inc
Issuance of no par common stock (\$0.58 per share)	179,643	104,791	-	
Comprehensive income:				
Foreign currency translation adjustment	-	-	-	150,
Net loss during the period	-	-	(2,112,409)	
Total comprehensive income				
Balance at January 31, 2001	30,386,539	1,746,223	(5,810,452)	157,
Comprehensive income (unaudited):				
Foreign currency translation adjustment (unaudited)	-	-	-	49,
Net loss for the period (unaudited)	-	-	(282,863)	
Total comprehensive income (unaudited)				
Balance at April 30, 2001 (unaudited)	30,386,539	1,746,223	(6,093,315)	207,

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

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INVU, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three months ended April 30, 2001 (unaudited) \$	For the three months ended April 30, 2000 (unaudited) \$
Net cash flows used in operating activities		
Net loss during the period	(282,863)	(523,517)
Interest expense relating to beneficial conversion feature	-	-
Interest expense related to debt discount	-	-
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	27,143	19,820
Loss on disposal of fixed assets	1,044	-
Accounts receivable	(174,687)	(34,423)
Inventories	(953)	(18,307)
Prepaid expenses	(20,614)	(16,663)
Accounts payable	(180,969)	144,791
Accrued liabilities	22,576	27,746
Net cash used in operating activities	(609,323)	(400,553)
Cash flows used in investing activities:		
Acquisitions of property and equipment	(6,942)	(80,988)
Proceeds from sale of vehicles	-	-
Net cash used in investing activities	(6,942)	(80,988)
Cash flows provided by financing activities:		
Short-term credit facility	(353,791)	(70,803)
Borrowings received from notes payable	1,000,000	610,293
Repayment of borrowings	(9,068)	(40,465)
Principal payments on capital lease	(10,567)	(10,248)
Proceeds from issuance of stock	-	-
Net cash provided by financing activities	626,574	488,777
Effect of exchange rate changes on cash	(10,309)	(7,236)
Net decrease in cash	-	-
Cash at beginning of period	-	-
Cash at end of period	-	-

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Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest	38,000	31,000
Income taxes	-	-

Major non-cash transactions

The beneficial conversion feature of the Convertible Notes amounting to \$723,077 and debt discounts of \$630,000 have been included in the Statement of Operations for the period from February 18, 1997 (date of inception) to April 30, 2001. The accompanying notes are an integral part of these financial statements.

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INVU, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These statements include all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation of financial position and results of operations. The financial statements included herein should be read in conjunction with the financial statements and notes thereto included in the latest annual report on Form 10-KSB. The results of operations for the three month period ended April 30, 2001 are not necessarily indicative of the results to be expected for the full year.

NOTE A - COMPANY DESCRIPTION

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

On August 31, 1998, Sunburst Acquisitions I Inc. (Sunburst) (a public development stage enterprise) acquired all of the outstanding shares of INVU Plc in exchange for restricted shares of common stock of Sunburst (the Exchange) pursuant to a Share Exchange Agreement between Sunburst and the principal shareholders of INVU Plc. Sunburst exchanged 26,506,552 shares of common stock for all of INVU Plc's issued and outstanding shares of common stock. For accounting purposes, the Exchange was treated as a recapitalization of INVU Plc where INVU Plc is the accounting acquirer. All periods have been restated to give effect to the recapitalization. The historic statements from inception up to the Exchange are those of INVU Plc.

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In connection with the Exchange, the directors and officers of INVU Plc became the directors and officers of Sunburst. Also, Sunburst changed its name to INVU, Inc. At the time of the Exchange, the Company issued 1,510,344 shares of Common Stock of the Company to a consultant pursuant to a consulting agreement for introducing INVU Plc and Sunburst. The shares were estimated to have a value of \$750,000 and have been treated as a transaction cost in connection with the Exchange. Immediately after the Exchange, INVU Plc's former shareholders owned approximately 88% of the outstanding common stock of Sunburst.

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INVU, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B - GOING CONCERN

The financial statements have been prepared on a going concern basis which assumes that the Company can meet its financial obligations as they fall due in the ordinary course of business. The Company's liabilities exceeded its assets by \$4,140,004 at April 30, 2001 and the Company had negative cash flows from operations of \$609,323 for the three months to April 30, 2001. The Company is starting to generate revenues from operations and has obtained additional financing since January 31, 2001 amounting to \$1 million. Operations to date have been funded principally by equity capital and borrowings. The Company is in the process of negotiating 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 C - INVENTORIES

Inventories consist of the following:

	April 30, 2001 (unaudited) \$	January, 31 2001 \$
Licensed goods	-	-
Goods for resale	35,374	35,150
	-----	-----
	35,374	35,150
	=====	=====

Licensed goods represent software licenses purchased by the Company which allow the Company to manufacture and distribute a separate company's proprietary software products in conjunction with and as an embedded component of the Company's proprietary software. Goods for resale represent the finished consolidated product to be sold to the end user.

NOTE D - SHORT-TERM CREDIT FACILITY

The Company has a \$1,144,640 ((pound)800,000) (January 31, 2001 \$1,169,000 ((pound)800,000)), 7.5% short-term credit facility with an English bank. The

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Company's bank has agreed to a temporary increase in the facility of \$286,160 ((pound)200,000) until May 25, 2001 on the basis that further investment additional to the \$1 million received in the three months to April 30, 2001 will be obtained by May 25, 2001. 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 April 30, 2001 was \$1,294,480 ((pound)904,725), (January 31, 2001 \$1,682,975 ((pound)1,151,855)). The amount drawn is payable on demand at the bank's discretion. The credit facility is due for review on July 31, 2001.

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INVU, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - LONG-TERM OBLIGATIONS

Long-term obligations at April 30, 2001 and January 31, 2001

	April 30, 2001 (unaudited) \$
Non-interest bearing, unsecured loan from an individual, no stated maturity date	739,207
4% above Libor rate (Libor rate was 5.3125% and 5.72% at April 30, 2001 and January 31, 2001 respectively) notes payable to an English bank, monthly payment aggregating to (pound)500, maturing in March 2002, collateralized by all assets of the Company and a limited personal guarantee by a director	5,723
4% above Libor rate (Libor rate was 5.3125% and 5.72% at April 30, 2001 and January 31, 2001 respectively) notes payable to an English bank, monthly payment aggregating to (pound)1,333, maturing in June 2004, collateralized by all assets of the Company and unlimited multilateral guarantees between subsidiary undertakings; a quarterly loan guarantee premium of 1.5% per annum is payable on 85% of the outstanding balance	76,309
Convertible A Note 1999-2002, with interest at 6%; interest due in arrears biannually on January 1 and July 1	600,000
Convertible B Note 1999-2002, bearing interest of 8% per annum for the first six months, 9% per annum for the next six months and 10% per annum thereafter; interest due in arrears biannually on January 1 and July 1	400,000
Loan advance from a minority shareholder	1,000,000
Capital leases for vehicles, interest ranging from 10.2% - 16.9% with maturities through 2004	202,018
	3,023,257

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Less current maturities

(1,075,604)

1,947,653
=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Scheduled maturities of long-term obligation are as follows:

Year ending April 30,	\$
2002	1,075,604
2003	1,096,201
2004	104,614
2005	7,631
2006	739,207

	3,023,257
	=====

1) Convertible debentures

All corporate and individual investors are minority shareholders in the Company.

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:

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

Interest amounting to \$115,424 has been accrued to April 30, 2001 (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, 2000, will be redeemed at par plus interest in the year 2002 upon receipt of 30 days written notice from the Company or the Investors.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) Capital leases

The Company leases vehicles under noncancellable capitalized leases.

	April 30, 2001 (unaudited) \$	January 31, 2001 \$
Vehicles	291,285	289,970
Less accumulated depreciation	(81,459)	(88,902)
	----- 209,826 =====	----- 201,068 =====

Scheduled maturities of minimum lease payments are as follows:

Period ending April 30,	\$
2002	68,483
2003	90,835
2004	87,656
	----- 246,974
Less amount representing interest	44,956
Present value of net minimum lease payments	----- 202,018 =====

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

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INVU, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - RELATED PARTY TRANSACTIONS

At April 30, 2001 David Morgan owed \$5,518 ((pound)3,857) (January 31, 2001 \$5,635 ((pound)3,857)) to the Company. The maximum liability during the period amounted to \$5,635 and the interest charge amounted to \$Nil (January 31, 2001

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\$Nil).

The Company made purchases during the period under normal commercial terms from Impakt Software Limited, a company owned by Paul O'Sullivan who was a director of the Company during the year and 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 \$27,172 in the three months to April 30, 2001 (Year to January 31, 2001 \$85,800) and the balance owed by the Company at April 30, 2001 was \$Nil (January 31, 2001 \$2,233).

NOTE G - 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.

NOTE H - SUBSEQUENT EVENTS

Since April 30, 2001, the Company has received a loan advance of \$250,000 from Vertical Investments Limited and \$50,000 from Paysage Investments Limited, companies in which Daniel Goldman, a non-executive director of this Company, has an interest.

The Company's bank has agreed to a temporary \$143,080 ((pound)100,000) increase in the Company's short-term credit facility from May 30, 2001 to June 8, 2001. The temporary increase will be reduced by \$35,770 ((pound)25,000) per week until June 29, 2001 at which time the short-term credit facility will revert to the formal facility of \$1,144,640 ((pound)800,000).

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

The following description of "Management's Plan of Operation" constitutes forward-looking statements for purposes of the Securities Act of 1933, as amended ("the Securities Act"), and the Securities Exchange Act of 1934, as amended, and as such involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of INVU, Inc., a Colorado corporation (the "Company"), to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The words "expect", "estimate", "anticipate", "predict", "believe", "plan", "seek", "objective", and similar expressions are intended to identify forward-looking statements. Important factors that could cause the actual results, performance or achievement of the Company to differ materially from the Company's expectations include the following: (1) one or more of the assumptions or other cautionary factors

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discussed in connection with particular forward-looking statements or elsewhere in the Company's Form 10-KSB for the fiscal year ending January 31, 2001 or in this Form 10-QSB prove not to be accurate; (2) the Company is unsuccessful in increasing sales through its anticipated marketing efforts; (3) mistakes in cost estimates and cost overruns; (4) the Company's inability to obtain financing for general operations including the marketing of the Company's products; (5) non-acceptance of one or more products of the Company in the marketplace for whatever reason; (6) the Company's inability to supply any product to meet market demand; (7) generally unfavorable economic conditions which would adversely effect purchasing decisions by distributors, resellers or consumers; (8) development of a similar competing product at a similar price point; (9) the inability to successfully integrate one or more acquisitions, joint ventures or new subsidiaries with the Company's operations (including the inability to successfully integrate businesses which may be diverse as to type, geographic area, or customer base and the diversion of management's attention among several acquired businesses) without substantial costs, delays, or other problems; (10) if the Company experiences labor and or employment problems such as the loss of key personnel, inability to hire and/or retain competent personnel, etc.; and (11) if the Company experiences unanticipated problems and/or force majeure events (including but not limited to accidents, fires, acts of God etc.), or is adversely affected by problems of its suppliers, shippers, customers or others. All written or oral forward-looking statements attributable to the Company are expressly qualified in their entirety by such factors. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Notwithstanding the foregoing, the Company is not entitled to rely on the safe harbor for forward looking statements under 27A of the Securities Act or 21E of the Exchange Act as long as the Company's stock is classified as a penny stock within the meaning of Rule 3a51-1 of the Exchange Act. A penny stock is generally defined to be any equity security that has a market price (as defined in Rule 3a51-1) of less than \$5.00 per share, subject to certain exceptions.

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

The Company develops, markets and sells fully scalable software (under the brand name of INVU) for the electronic management of all types of information and documents, such as forms, correspondence, literature, faxes, e-mail, technical drawings, electronic files and web pages. Management believes that the INVU software is simple, 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. For its professional range of products, INVU Series 100, Series 200, ViewSafe, and Series 2000 (formerly WEBFAST), the Company expects to target its marketing efforts initially in the United Kingdom and the United States on departmental users in organizations, distributors and resellers. INVU's SOHO market products, "WebServant" and "FileServant," continue to be marketed via retail outlets and the world-wide web. Management believes that this market has been, and continues to be, useful for brand awareness, and has received inquiries for its professional series from this activity. Nevertheless, the majority of the Company's development and marketing resources are directed to the higher margin small/medium size enterprise market, or "SME," and corporate professional series of products.

In November 1999, Management decided to adopt a value added reseller (VAR) model for sales of its professional range in the U.K. 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 charged an initial fee of approximately \$3000 to become an accredited reseller,

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with a recurring annual fee thereafter. Having recruited 82 resellers, the Company has reviewed its reseller application criteria in order to provide end users with improved service and support systems. All resellers must meet these stringent requirements if they are to retain their INVU accreditation.

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As is typical in a VAR based route to market, some resellers are swifter to gain early sales success than others. INVU's experience is similar with a small number of resellers gaining notable success soon after product adoption. The INVU sales management team has implemented an aggressive marketing and sales support program with its resellers, including joint seminars, direct mail and joint telephone blitz weeks.

As a result of this program, many of the recruited resellers now have a pipeline of end-user opportunities, which they are actively pursuing with the involvement of Company sales personnel. The level of end user inquiries continues to grow and these inquiries are now being converted into sales at a steadily 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 SME companies, Management is encouraged by the continuing level of interest from large organizations with actual or anticipated orders being received from Balfour Beatty (major UK construction group), The Wood Group (part of Tyco Group), Lancashire Fire Brigade, River Island (Retail Clothing Group), Jules Verne Travel and East Lancashire National Health Service Trust.

During the quarter ended April 30, 2001, sales were \$302,000, which represents an increase of 33% over the previous quarter. The Company received further orders from Universal Music Group, a member of the global music, film and leisure group. The total value of orders received to date from Universal Music Group now exceeds \$200,000 and further orders are anticipated throughout the remainder of the fiscal year ended January 31, 2002 (the "Current Fiscal Year"). INVU's technology integrates with Universal Music Group's JD Edwards system, utilizing INVU's unique code free integration technology. Plans to develop the project into a web-based solution are currently being developed.

In addition to Universal Music Group, the Company has received a number of repeat orders from other existing end users. These include Fleming Offshore Bank, Norweb (a major U.K. utility company), Sussex Police (a large law enforcement agency in the south of U.K.), Siemens Traffic Controls Systems (a subsidiary of Siemens Group), Glasgow Primary Care Trust (a major healthcare provider), Crystal Holidays and YJL Construction. In addition, Management is encouraged by the growing number of SME companies that are adopting INVU products. This is seen as further vindication of the Company's overall strategy. The Company's sales team continues to target these enterprises, and Management believes that its expanding reseller and customer base will continue to generate steadily increasing sales levels during the Current Fiscal Year.

Throughout the three months ended April 30, 2001, the Company has continued to develop its software products.

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, and the latest version 5.1.1 was released to distributors in March 2001. Each subsequent version has built upon the original premise of ease of use, functionality and price performance. Enhancements have been added in the light of customer feedback and due to

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technical advances achieved by the Company's development department.

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. 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 the Universal Music Group project and other projects has significantly reduced cost and installation timescales for the Universal Music Group. The Company believes that this unique product provides a significant competitive advantage when compared to other information and document management technologies. During the quarter ended April 30, 2001, sales of the "codefree" module have been widespread and Management expects this trend to continue throughout the Current Fiscal Year.

INVU Series 2000 (formerly INVU WEBFAST) continues to be developed. This product allows global access to retrieve, view, create or edit, and file information via the web. Management believes that this product will form the basis of future developments for many of its existing and future end users. In view of customer driven demands for various other unique features for the existing professional range, Management now estimates that this product is expected to be released to distributors in late 2001 or early 2002. However, a web browser "view only" product is expected to be released in the third quarter of the Current Fiscal Year. Management believes this technology will place INVU in direct competition with

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the world's most established document management solutions providers, but at a significantly discounted price level.

Management anticipates the completion of development on a highly sophisticated content addressable indexing and retrieval system during the second quarter of the Current Fiscal Year. This development will allow access to data and documents through intelligent frequency of word and phrase recognition and semantic networking. Scanned images can be converted into text using standard Optical Character Recognition technology, and even poor quality scanned images can yield words and 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.

Company software engineers have also successfully developed a prototype information management internet service. Management believes that this service will allow advanced internet information management within fully encrypted secure databases. Management believes that individuals and corporations will be able to store their documents on an INVU web site and access and update them in real time, via password and pin number controls, from anywhere in the world. Development work continues on this project, and Management anticipates a beta release date later in 2001. Management will not release this product publicly until a satisfactory security system can be embedded.

INVU's development team has produced a prototype module, which allows speech files to be stored within the INVU central database. As with all records stored within INVU, these can be attached to other corresponding files. Using advanced compression techniques, this application is capable of storing 2,800 hours of recorded sound on a standard 40 gigabyte hard disk. With the addition

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of a "raid card" attached to a 10 disk storage system, end users can obtain 28,000 hours of storage space for approximately \$2,000. Management believes this application has widespread appeal within many different environments such as call centers, patient records in hospitals, oral statements for lawyers, police interviews, etc. The anticipated release date for this product is the second quarter of this Current Fiscal Year.

In view of the Company's improving financial position and its objective of reaching a monthly break-even during the third quarter of the Current Fiscal Year, Management has reviewed its resource requirements for the remainder of the Current Fiscal Year. Management recognizes that additional technical staff will be required in order to fulfill the Company's ambitious product development plans. There is also a requirement for further sales support personnel to deal with the ever-increasing rate of sales inquiries. Both these personnel issues have been addressed, and new staff are currently being recruited.

Throughout the quarter ended April 30, 2001, Management has continued to develop relationships with potential investors. This has resulted in agreements to provide additional funding as described in "Financing Management's Plan of Operation."

Results of Operations

The following is a discussion of the results of operations for the three months ended April 30, 2001, compared with the three months ended April 30, 2000, and changes in financial condition during the three month period ended April 30, 2001.

Net sales for the three months ended April 30, 2001 were \$302,016, which compares to \$12,943 sales for the three months ended April 30, 2000. The Company's strategy to sell its professional range of products via VARs (value added resellers) continues to be vindicated with sales increasing by 33% when compared to the fourth quarter of the fiscal year ended January 31, 2001. The INVU sales management team has implemented an aggressive marketing and sales support program with its resellers, including joint seminars, direct mail and joint telephone blitz weeks. As a result of this program, many of the recruited resellers now have a pipeline of end-user opportunities, which they are actively pursuing with the involvement of Company sales personnel. The level of end user inquiries continues to grow, and these inquiries are now being converted into sales at a steadily increasing rate.

The net loss for the three months ended April 30, 2001 was \$282,863, which is significantly less than the net loss for the corresponding period in 2000 of \$523,517 due to increased sales of \$289,073. As compared with the three months ended April 30, 2000, the Company incurred increased selling and distribution costs of \$457, research and development costs of \$50,327, and production costs of \$16,832. However, administrative costs were \$38,589 less than the corresponding period ended April 30, 2000.

Selling and distribution expenditures reflect the Company's continued investment in personnel and sales and

marketing activities, including trade shows, product launch and advertising costs, but with an emphasis on the Company's professional range of products. The Company continues to invest heavily in the development of existing and new products, and, therefore, has increased expenditures in this area over the last year. The increases in administrative expenditure during the fiscal year ended July 31, 2001 have evened out, and the Company's administrative infrastructure is more suitably matched to its scale of operations. Production costs per unit

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have also fallen significantly due to economies of scale, mass production techniques and improved supply terms.

In the three month period ended April 30, 2001, the Company incurred net interest expense of \$50,709 compared with net interest expense of \$31,317 for the three month period ended April 30, 2000. This increase is entirely due to increased bank facilities. Management expects these costs to fall as soon as additional equity investment funding is secured. Interest costs will also decrease when net revenues are adequate to generate net cash inflows, which Management predicts will occur in quarter three of the Current Fiscal Year.

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

The total current assets of the Company were \$643,018 at April 30, 2001, an increase of \$186,681 compared to \$456,337 at January 31, 2001. Working capital was negative \$2,508,621 as of April 30, 2001, compared with negative \$2,256,025 as of January 31, 2001. These changes are mainly due to increases in accounts receivable and prepaid expenses, and decreases in accounts payable and short term credit facilities.

Total assets of the Company were \$959,288 at April 30, 2001, an increase of \$191,006 compared to \$768,282 at January 31, 2001. This is attributable to increases in fixed assets of \$4,325 and current assets of \$186,681.

The total current liabilities of the Company increased by \$439,277 from \$2,712,362 at January 31, 2001 to \$3,151,639 at April 30, 2001. The change in current liabilities is due to decreases in accounts payable of \$192,160 and short term credit facilities of \$388,495 and increases in current maturities of long-term obligations of \$1,005,980 and accrued liabilities of \$13,952. This, together with the decrease in long-term obligations less current maturities, reflects the replacement of short-term credit facilities with a short term unsecured loan from a minority shareholder of the Company of \$1,000,000 and the subsequent repayment of accounts payable. See "Financing Management Plan of Operation." Long-term obligations less current maturities were \$1,947,653 at April 30, 2001 compared to \$1,962,635 at January 31, 2001.

Total stockholders' equity decreased by \$233,289 during the three month period ended April 30, 2001 from a deficit of \$3,906,715 at January 31, 2001 to a deficit of \$4,140,004 at April 30, 2001. The Company continues to evaluate various financing options, including issuing debt and equity to finance future development and marketing of products during the transitional period between development and operational stages.

Financing Management's Plan of Operation

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

As of January 31, 1999, the Company had agreed to borrow \$656,000 at an annual interest rate of 8% by way of a secured short-term loan. In August 1999, the Company raised \$1,000,000 by way of a private placement, the proceeds of which were used, among other things, to pay off the short-term loan described above. In March 2000, the Company received a non-interest unsecured loan of \$571,500 from an individual with no stated maturity date. Since April 30, 2001, the Company has received loan advances of \$250,000 from Vertical Investments Limited and \$50,000 from Paysage Investments Limited, both companies in which Daniel Goldman, a non-executive director of the Company, has an interest. No stated maturity date or interest rate has been established for the advances. In addition, the Company has a \$1,144,640 short-term credit facility with an annual interest rate of 7.5% with an English bank. This facility matures on July 31,

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2001. The Company believes that at such maturity date the facility will be extended. The Company's bank has agreed to temporary borrowings of \$286,160 in excess of the formal facility and to reduce this figure by \$143,080 on May 30, 2001, with further weekly reductions of \$35,770 commencing on June 8, 2001 and finishing on June 29, 2001 when the facility will revert to \$1,144,640. Management made the initial payment on May 30 and fully expects to comply with this schedule. The credit facility is collateralized by all assets of the Company and a corporate guarantee given by Vertical Investments Limited, a company in which Daniel Goldman, a non-executive director of this Company, has an interest. The amount drawn against the facility at April 30, 2001 was \$1,294,480.

In February 2001, Goldman Investments Limited, an entity in which Daniel Goldman, a non-executive director of

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the Company, has an interest, lent the Company \$1,000,000. Although the specific terms of the loan, including the interest rate and maturity date, have not been finalized, to the extent that the loan contains a conversion feature, the Company may be required to recognize an accounting charge equal to the amount by which the aggregate market value of the Common Stock into which the loan could be converted exceeds the value of the loan. Approximately \$500,000 of the loan was used to reduce the amount owed by the Company under the short-term credit facility described above with the remaining \$500,000 used for working capital.

The Company is in the process of conducting an offering of shares of Company Common Stock pursuant to an exemption under the Securities Act. Any securities offered in such placement will not be or will not have been registered under the Securities Act, and thus may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

Goldman Investments Limited may elect to have the \$1,000,000 loan considered as part of the placement and thus counted towards the \$2 million (prior to commissions and other expenses) that the Company is seeking to raise in the placement.

Management estimates that the placement, if consummated, would fulfill the Company's capital requirements, including the payment of any loan obligations described above, for a period up to the point at which net sales revenues could sustain the Company's day to day operations. Management believes that, subject to this additional investment, monthly break-even will be achieved in the third fiscal quarter of the Current Fiscal Year. There can, however, be no assurance that the above transaction will be consummated, that the Company will be able to achieve monthly break-even in the third fiscal quarter of the Current Fiscal Year, or that additional debt or equity financing will be available, if and when needed, or that, if available, such financing could be completed on commercially favorable terms. Failure to obtain additional financing if and when needed, could have a material adverse affect on the Company's business, results of operations and financial condition. Please refer to Note B of the Consolidated Financial Statements in conjunction with this paragraph regarding the Company's ability to continue as a going concern.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

In 1998, the Company filed an application for trademark registration of its "INVU" mark in the United Kingdom. This application was opposed by France Cables et Radio, who challenged the Company's right to protect the "UNVU" mark

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and asked for a denial of registration.

The opposition case with Frances Cable began on September 3, 1998 and was assigned case number 48955. Frances Cable asserted that there was a likelihood of confusion with its own tradename. At a hearing on February 20, 2001, the hearing officer determined that the marks of Frances Cable and the Company are sufficiently different such that there is no likelihood of confusion between the two. Frances Cable did not appeal the decision.

Please see Part I. Item 3. of the Company's 10-KSB for the fiscal year ended January 31, 2001 for a discussion of other existing litigation involving the Company.

Item 2. Changes in Securities.

None

Item 3. Default Upon Senior Securities.

None

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

None

Item 5. Other Information.

None

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

None

EXHIBITS

10.1 Overdraft Facility, dated October 19, 2000, by and between the Company and the Bank of Scotland (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-QSB for the quarter ended July 31, 2000).

10.2 Corporate Guarantee, dated October 18, 2000, by and among the Company, Invu Plc, Invu Services Limited, Invu International Holdings Limited and the Bank of Scotland (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-QSB for the quarter ended July 31, 2000).

10.3 Debenture, dated October 13, 2000, by and between Invu International Holdings Limited and the Bank of Scotland (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-QSB for the quarter ended July 31, 2000).

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SIGNATURES

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

INVU, INC.
(Issuer)

Date: June 5, 2001

By: /s/ David Morgan

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

Date: June 5, 2001

By: /s/ John Agostini

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

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INDEX TO EXHIBITS

(a) Exhibits

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