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INVU INC  
Form 10KSB  
May 01, 2003

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

FORM 10-KSB

[x] Annual report under Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended January 31, 2003

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

Colorado  
(State or Other Jurisdiction of  
Incorporation or Organization)

84-1135638  
(I.R.S. Employer  
Identification No.)

The Beren  
Blisworth Hill Farm  
Stoke Road  
Blisworth Northamptonshire  
United Kingdom

NN7 3DB

-----  
(Address of Principal Executive Offices) (Zip code)

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<br>----- | Name of Each Exchange<br>on Which Registered<br>----- |
|------------------------------|---|
| 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  
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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 this Form 10-KSB. [ ]

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State issuer's revenues for its most recent fiscal year: \$2,567,824

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of April 30, 2003, was approximately \$1,360,534. 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, 2003, 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
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INVU, Inc.

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PART I

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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 itself holds certain intellectual property rights and wholly owns an operating subsidiary INVU Netherlands B.V. (INVU Netherlands), 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,

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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.

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Each year there continues to be 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 120 Gigabyte hard disks, and these machines continue to be 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 of all sizes. 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 products that enable organizations to manage and control this mass of information has lagged behind the requirement for such products. Therefore, Management believes that the market for document management products 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 to company wide installations. INVU software is designed to offer a solution 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

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software can, therefore, solve specific operational problems within a short timeframe and with short payback periods and then become 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 improve the quality of its' 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.

The Company is fully focussed on its professional range of products, which include INVU Series 100, Series 200, Series 250, i200 and CodeFree Integration, where 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.

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Management has adopted a value added reseller (VAR) model for sales of its products in the UK and Holland. 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 \$3,820 with a recurring annual fee thereafter. The Company continues to monitor its resellers to ensure that they meet the stringent INVU accreditation requirements, and consequently has cut half of its former resellers that no longer meet these requirements. The Company continues its aggressive VAR recruitment campaign, and having recruited 33 (including four in Holland) new resellers during the year ended January 31, 2003, Management has set an ambitious target to recruit a further 100 VARs by January 31, 2004. A new sales manager, specifically tasked with this objective, joined the Company in February 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 new and repeat orders being received from, amongst others, Samsung, Kraft, Centrica, Persimmon Homes,

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Maersk Group, Universal Music Group, Millfield Partnership Limited, Rothschild Bank Switzerland, MAN Financial and Mysis Financial Solutions.

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), provided INVU with an experienced and dedicated team with which to recruit a reseller base and explore other sales opportunities during the year ended January 31, 2003. The subsequent UK recruitment of the "Dealer Sign-Up Manager", "Existing Accounts Development Manager" and a further "Business Development Manager" signals the Company's intent to expand sales even further in fiscal year ended January 31, 2004 (the "Current Fiscal Year").

Following the successful acquisition of Corsham Holding B.V., in August 2002, whose name has now been changed to INVU Netherlands B.V. the Company now has representation in Amsterdam, Holland. A country manager has been recruited, who is directed by and responsible to the Company's board of directors. Sales opportunities have already been identified and realized. The initial success of this venture has led to the recent expansion of the Dutch sales team.

INVU has also appointed representatives in the Middle East, who have attended trade shows and have generated a number of potential sales leads. The Company is supporting these efforts wherever possible without incurring unnecessary overheads.

Both the Dutch and Middle East ventures reflect INVU's global aspirations, whilst ensuring that tight fiscal controls are exercised over the business during this period of growth and change.

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 continue 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 Current Fiscal Year and beyond.

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Management believes that the international market for document technologies is growing at a rapid rate 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. The Company believes that 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 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.

Management believes that the INVU technical development team is highly

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skilled and innovative, with the ability to create ground-breaking technical advances in computer science. INVU developers have re-engineered traditional database technology to meet flexible user configurations whilst maintaining high performance targets. They have demonstrated an innate ability to exploit synergies between many different strands of computer science and, most recently, have used artificial intelligence technology to resolve complex data extraction issues. Although INVU software has many layers of sophistication, Management insists that its products be inexpensive, simple to use, and of high quality.

The Company currently has five products in its range. The products address different market segments, namely (1) the small office/home office market, or "SOHO" and (2) the small/medium enterprise market, or "SME," and (3) 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 "INVU enable" customers' existing applications              | SME/Large Enterpr |

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 in May 2000, version 5.1.1 was released to distributors in March 2001 and version, 5.1.2, was released in October 2001. Version 5.2 was released in May 2002 with additional functionality provided in two service packs in October 2002 and February 2003. Each subsequent version has built upon the original premise of ease of use, high quality and price performance. Enhancements have been incorporated in light of customer feedback and technical advances achieved by the Company's development team.

Version 5.2 of the Company's professional range of products, INVU Series 100 and Series 200, contains the newly developed OCR (Optical Character Recognition) functionality, which works with all Microsoft Office™ and Adobe™ file types and scanned images. This functionality automatically allows a user to keyword search all existing documents in the system. This release also contains a Microsoft Office Add-In, which allows integration with Microsoft Office™ 2000. This gives INVU the ability to send items from Microsoft Outlook to a user-selectable in-tray. It also allows users to save documents from Microsoft

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WORD, EXCEL and PowerPoint as an INVU filing, even if these files are created outside of INVU.

A separate "Sequential Workflow Module" has also been released alongside Version 5.2. When the "Sequential Workflow Module" is integrated with Version 5.2, they are sold as INVU Series 250, and charged accordingly. The "Sequential Workflow Module" allows documents, forms and files to be "intelligently" routed electronically to specific departments and individuals in a pre-determined sequence. Individuals who receive the file may review and revise it, and the file will then be sent to the next individual in the pre-determined order. The new module is a generic adaptation of a bespoke program already in use with customers such as Universal Music Group. The workflow module is designed to be customer friendly and easy to use. Sales and inquiry levels of this product both continue to rise. Management believes that the functionality of Series 250 has given the INVU range a much broader appeal to all of its potential customer base.

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

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

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 significant development has taken place during the year ended January 31, 2003. Full text retrieval technology is already available within the latest release of Series 200 and Series 250, but INVU is developing technology that allows access to data and documents through intelligent frequency of word and phrase recognition and semantic networking. Scanned images can be converted into text using standard Optical Character Recognition technology, and even poor quality scanned images can yield words and 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.

Management decided not to integrate this technology within the latest



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release of INVU products and has instead considered the further wide-ranging applications for which this advanced technology can be utilized. An agreement was signed on August 1, 2002 between The Britech Foundation Limited, Smashing Concepts Ltd (an Israeli company) and INVU Inc. Britech is an Anglo-Israeli Government funding initiative concerning bilateral co-operation in private sector industrial research and development. INVU and Smashing Concepts put forward a joint proposal to develop a web based application that will enable financial services organizations to interrogate multiple data sources and, via an electronic filtration mechanism, provide highly sophisticated categorization of information within pre-determined parameters. This will allow faster and more

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accurate retrieval of relevant data from which reliable decisions can be made. The combination of INVU's proven technology and that provided by Smashing Concepts has convinced Britech to invest nearly \$500,000 into the project. INVU and Smashing Concepts will invest a similar amount between them in new employees dedicated to this project and other development expenses, and the project should provide an end user solution within 18 months. Due to the cutting edge technology being developed, Management expects further spin-off benefits to accrue that will complement the Company's current product portfolio. Encouraging progress has been made on this project, which is currently on budget and within original timescales.

Research and development costs for the fiscal year ended January 31, 2003 were \$714,096 compared with research and development costs of \$381,135 for the fiscal year ended January 31, 2002. This substantial increase reflects Management's commitment to continuous product improvement and innovation. 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.

### 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 imanage, FileNet Corporation, Hummingbird and Information Management Research Inc. 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 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 and marketing strategy are targeted at markets where, to date, few of the Company's larger and more established competitors have secured significant market penetration and often the Company secures sales without being exposed to any competition. Although the

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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.

### Major Contracts

In accordance with management's strategy, the Company's significant growth is founded on multiple low value sales rather than a few high value contracts. However, during the year the Company did conclude an enterprise license upgrade with one of its existing customers that contributed \$305,660 (19% of total revenues). This sale was made in accordance with standard trading terms. In addition, the Company has two other customers that accounted for 14% and 7% of its revenues for the fiscal year ended January 31, 2003.

The Company currently has approximately 68 "Accredited Reseller Agreements" whereby resellers are authorized to provide the professional range of products to end users.

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 (pound)438,000 (\$628,399) in the aggregate, are to be made by Invu Services quarterly until September 15, 2004. However, as provided in the agreement, INVU has instead elected to receive 75,000 licenses at a cost of (pound)219,000 (\$334,698). As of January 2003, the

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Company had made payments amounting to (pound)80,000 (\$122,264) with remaining payments scheduled throughout the Current Fiscal Year. Management's decision to limit the number of licenses taken was founded on the Company's ability to utilize other databases for its products.

### Employees

As of April 30, 2003, the Company had 26 employees, all of whom were full-time, and a further three people who are part-time or serve as consultants.

### 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

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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 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.

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### The First Financing Transaction

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, a company registered in Jersey, 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 Investments Limited and Tom Maxfield ("Maxfield", together with Alan David Goldman and Vertical Investments Limited, collectively, the

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"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 Investments Limited 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 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 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 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

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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. 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 Investments 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.

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 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.

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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

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the Company's subsidiaries at the equivalent per share conversion price. The Company requested and received 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 per share 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 per share 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, 2009, 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 landlord has the right to terminate the lease at any time after December 31, 2004 provided that six months notice is given. The monthly rent is currently approximately \$6,410.

### Item 3. Legal Proceedings

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

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

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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.

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

### Item 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.

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## PART II

### Item 5. Market for Common Equity and Related Stockholder Matters

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, 2002 and January 31, 2003 and for the quarter ending April 30, 2003. Such inter-dealer quotations do not necessarily represent actual transactions, and do not reflect retail mark-ups, mark-downs or commissions.

|                               | OTC ELECTRONIC<br>BULLETIN BOARD<br>BID PRICE |        |
|-------------------------------|---|--------|
|                               | HIGH  | LOW    |
| 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                   |   |        |
| 1st Quarter                   | \$0.17  | \$0.08 |
| 2nd Quarter                   | \$0.24  | \$0.11 |
| 3rd Quarter                   | \$0.21  | \$0.10 |
| 4th Quarter                   | \$0.23  | \$0.14 |
| Fiscal 2004 (Feb 1 to Apr 18) |   |        |
| 1st Quarter                   | \$0.21  | \$0.12 |

As of April 18, 2003, there were approximately 143 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

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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

The Company did not sell any unregistered securities during the fiscal year ended January 31, 2003 that have not been previously reported.

### 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 of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as such involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of INVU, Inc., a Colorado corporation (the "Company"), to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The words "expect", "estimate", "anticipate", "predict", "believe", "forecast," "plan", "seek", "objective", and similar expressions are intended to identify forward-looking statements. Important factors that could cause the actual results, performance or achievement of the Company to differ materially from the

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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 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.; (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) foreign currency exchange rate fluctuations. 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,



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subject to certain exceptions.

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

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

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

### Critical Accounting Policies

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

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

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licensing agreement. In instances where a significant vendor obligation exists, revenue recognition is delayed until such obligation has been satisfied.

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

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technological feasibility for its products is reached shortly before the products are released to manufacturing. Costs incurred after technological feasibility is established have been insignificant, and accordingly, the Company has not capitalized any software development costs.

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

Invu follows the provisions of SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and other Intangible assets. The Company capitalizes goodwill arising as a result of the acquisition of a subsidiary and does not amortize this goodwill. The goodwill is subject to an impairment review at least annually with any impairment provision being charged to the Statement of Operations in the relevant period.

Invu follows the provisions of SFAS No. 5, Accounting for Contingencies. SFAS No. 5 requires that an estimated loss from a loss contingency should be accrued for by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a contingency is required if there is a possibility that a loss has been incurred.

### Results of Operations

The following is a discussion of the results of operations for the year ended January 31, 2003, compared with the year ended January 31, 2002, and changes in financial condition during the year ended January 31, 2003.

Net sales for fiscal year ended January 31, 2003 were \$2,567,824, which compares to \$1,564,248 sales for the fiscal year ended January 31, 2002. The significant increase in the level of sales reflects the Company's investment in sales personnel and marketing which has facilitated the recruitment and retention of a number of higher 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 operating loss in the fiscal year ended January 31, 2003 was (\$516,689), which is \$404,051 less than the operating loss in the year ended January 31, 2002 of (\$920,740). The operating loss for the fiscal year ended January 31, 2003 was due to: increased production, selling and distribution, and research and development costs, which with a reduction in administrative expenses totaled \$3,084,513 in the year ended January 31, 2003 as compared to \$2,484,988 in the year ended January 31, 2002. The increase, which amounts to \$599,525, is partly due to movements in the exchange rate between sterling and the US dollar during the fiscal year ended January 31, 2003. The remainder of the increase reflects the Company's continued investment in product development, sales and marketing support, and administrative infrastructure. The operating loss reflects the consolidation 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 sales team, which includes field sales and sales support, has been further strengthened, as has the technical development and support department. Despite the release of Version 5.2 of the professional range in the

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fiscal year ended January 31, 2003, the Company has further expanded its development base to consolidate and enhance its technology even further with

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technological improvements from the field of "artificial intelligence." Management believes it can continue to exert similar control over operating expenses during the Current Fiscal Year. The net loss in the fiscal year ended January 31, 2003 was (\$1,029,036), which is \$246,594 less than the net loss in the year ended January 31, 2002 of (\$1,275,630)

In the fiscal year ended January 31, 2003, the Company incurred net interest expense of \$512,347 compared with net interest expense of \$354,890 for fiscal year ended January 31, 2002. This increase in interest was due to increased bank borrowings, and interest associated with additional debt based financing obtained during the fiscal years ended January 31, 2003 and January 31, 2002. See "Item 1. Description of Business - First Financing Transaction, Second Financing Transaction and The Subsequent Financing Transaction." In view of the increase in debt finance during the fiscal year ended January 31, 2003, Management would expect an increase in interest expense. However, Management believes that some of the existing debt finance may be converted into equity during the next fiscal year.

The tax rates for the years 2003 and 2002 are zero due to a net loss in each period.

The total current assets of the Company were \$1,807,895 at January 31, 2003, an increase of \$687,293, compared to \$1,120,602 at January 31, 2002. Working capital was negative \$6,525,695 as of January 31, 2003, an increase of \$3,091,114 when compared with negative \$3,434,581 as of January 31, 2002. These changes are mainly due to increases in cash, accounts receivable, inventories, short term credit facilities, accrued liabilities, deferred revenue, and current maturities of long term obligations. The cash relates to bank balances held by the Dutch subsidiary. The Dutch subsidiary acquired in August 2002 has a tax liability of \$1,931,560, which is also responsible for the large increase in the negative working capital. However, based on professional advice, Management believes that this liability will be expunged once agreement of the tax computations and returns for the period ending January 31, 2003 has been reached with the Dutch tax authorities, although no assurance can be given that the applicable tax authorities will reach the same conclusion in the event of an audit or other regulatory inquiry. Management believes that a significant part of the current maturities of long term obligations, together with accrued interest included in accrued liabilities, will ultimately be converted into equity and not become repayable.

The Company has obtained a short term facility in the principal amount of \$410,925 from Bank Leumi and convertible loans from Vertical Investments Limited in the aggregate principal amount of \$275,000 during the year ended January 31, 2003. Management believes these facilities and loans will be repaid from the proceeds of future financings or, for the convertible loans, converted into common stock of the Company.

Total assets of the Company were \$3,536,818 at January 31, 2003, an increase of \$2,005,509, compared to \$1,531,309 at January 31, 2002. The difference is mainly attributable to increases in cash, accounts receivable, inventories, and goodwill. The goodwill of \$1,361,113 at January 31, 2003 is in respect of the acquisition of the Dutch subsidiary in August 2002 for consideration of \$4,195,778, including professional fees. See "Financing Management's Plan of Operation" below. An impairment review was carried out during the year ended January 31, 2003 and no impairment provision was required.

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The total current liabilities of the Company increased by \$3,778,407 from \$4,555,183 at January 31, 2002 to \$8,333,590 at January 31, 2003. Long term liabilities were \$1,811,922 at January 31, 2003, a decrease of \$281,818 when compared to \$2,093,740 at January 31, 2002. The increase in current liabilities is due to an increases in short term credit facilities, mainly as a result of the Bank Leumi advance, and in current maturities of long-term obligations, which represents debt capital raised to finance the development of the products and the infrastructure of the business. The accrued interest of such debt finance, together with employment taxes and indirect taxes, have also increased accrued liabilities. Management believes that a significant part of the current maturities of long term obligations, together with accrued interest included in accrued liabilities, will ultimately be converted into equity and not become repayable. Deferred revenue has increased by \$163,161 from \$216,848 at January 31, 2002 to \$380,009 at January 31, 2003. The Dutch subsidiary acquired in August 2002 has a tax liability of \$1,931,560 which is also responsible for the large increase in current liabilities. However, based on professional advice, Management believes that this liability will be expunged once agreement of the tax computations and returns for the period ending January 31, 2003 has been reached with the Dutch tax authorities, although no assurance can be given that the applicable tax authorities will reach the same conclusion in the event of an audit or other regulatory inquiry.

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The Company has a commitment to purchase a minimum of 75,000 database licenses from Gupta Technologies LLC for approximately \$334,698 by December 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 \$30.57 to \$4.46. As of January 2003, the Company had made payments amounting to (pound)80,000 (\$122,264) with remaining payments scheduled throughout the Current Fiscal Year. See "Item 1. Description of Business-Major Contracts."

Total stockholders' equity decreased by \$1,491,080 during the year ended January 31, 2003 from deficit \$5,117,614 at January 31, 2002 to a deficit of \$6,608,694 at January 31, 2003 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.

### Financing Management's Plan of Operation

As a result of the increase in sales revenues, the Company is approaching a position whereby it will be able to meet current operating expense payments out of current revenue receipts. If revenues continue to grow as predicted and assuming that cash collections are in line with Management's forecasts, Management believes that the Company will be in a position to finance the Company's day to day operations from internally generated working capital; however the Company is seeking additional financing in order to pay down its outstanding indebtedness and to enable the Company to further accelerate its growth both organically and through acquisition.

The Company has a \$328,740 short-term credit facility with an annual interest rate currently of 5.75% with an English bank. The amount drawn against the facility at January 31, 2003 was \$284,288. This facility has been renewed and the next review date has been set for February 10, 2004. The Company's bank also provided a further credit facility of \$986,220 in October 2001 by way of notes payable with re-negotiated monthly repayments of \$41,092 for May through August 2003 and \$82,184 from September 2003 through June 2004. This facility currently bears interest at the rate of 5.75% per annum. All bank credit facilities and notes payable are collateralized by all assets of the Company and

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a corporate guarantee given by Vertical Investments Limited.

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

In February 2001, Vertical Investments Limited lent the Company \$1,000,000. Vertical Investments Limited made further advances of \$250,000 in May 2001, \$50,000 in July 2001, \$500,000 in September 2001, \$275,000 in December 2001 and \$275,000 in February 2002 (collectively, the "Vertical Loans"). Effective as of December 2001, the Vertical Loans then outstanding were restructured to apply conversion features to enable the loans to be converted into shares of the Company's common stock at conversion prices ranging from \$0.13 to \$0.25 per shares at various times.

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

In June 2002, the Company secured a short term credit facility of \$410,925 from Bank Leumi at an annual interest rate currently at 6.75%. The credit facility is collateralized by all assets of the Company and a corporate guarantee given by Vertical Investments Limited. The amount drawn against the

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facility at January 31, 2003 was \$410,925. The amount drawn is payable on demand at the bank's discretion. Negotiations for the renewal of this facility are currently ongoing.

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

Britech agreed to provide funds by conditional grant for the implementation of the Project in an amount equal to the lesser of (pound)310,000 (US\$484,282) or 50% of the actual expenditures on the Project (as contemplated in the approved budget of the Project). Such amount will be divided equally between the Company and Smashing Concepts. On August 22, 2002, the Company received an initial payment of (pound)71,000 (US\$110,916) from Britech, which

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has been included in deferred revenue. Following the satisfactory completion of the "integration phase" of the Project, Britech made an additional payment of (pound)66,000 (US\$103,105) to the Company on February 18, 2003. Britech will make a final payment of (pound)18,000 (US\$28,120) to the Company upon the completion of the Project. The Company and Smashing Concepts are required to make certain repayments to Britech of the grant amounts based on the gross sales derived from the sale, leasing or marketing of innovations developed during the course of the Project, as well as make certain royalty payments to Britech based on sales of patented products developed during the course of the Project. Additionally, the Company and Smashing Concepts are required to pay to Britech a percentage of all licensing revenues achieved from products developed during the course of the Project.

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

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

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will not result in a tax liability, although no assurance can be given that the applicable tax authorities will reach the same conclusion in the event of an audit or other regulatory inquiry relating to the transaction.

The distribution and technology transfer rights licensed to Corsham

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will be written down in the financial statements of Corsham over a period commensurate with standard accounting practices in the Netherlands to reflect depreciation. It is, therefore, anticipated that this transaction will result in a substantial reduction in Corsham's tax liability in the Netherlands. As a result of this transaction, the cash holdings of the INVU group increased by approximately (pound)322,627 (US\$490,684).

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

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 in order to pay down its outstanding indebtedness and to enable the Company to further accelerate its growth both organically and through acquisition. There can, however, be no assurance 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.

## 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   | YEAR ELECTED |
|-----------------|-----|--|--------------|
| David Morgan    | 42  | President, Chief Executive Officer<br>Officer                    | 1998         |
| Jon Halestrap   | 43  | Director, VP Sales and Marketing                                 | 2000         |
| John Agostini   | 44  | Director, Chief Finance Officer<br>and Secretary                 | 1999         |
| Daniel Goldman  | 33  | Non-Executive Director and Chairman<br>of the Board of Directors | 1999         |
| Thomas Maxfield | 54  | Non-Executive Director   | 1999         |

David Morgan (Chief Executive Officer) - Mr. Morgan is 42 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

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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

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Chief Executive Officer of INVU Plc. Since the Share Exchange on August 31, 1998, he has been Chief Executive Officer of the Company and served as Chairman of the Board of Directors from that date until 2002.

Jon Halestrap (VP Sales and Marketing) - Mr. Halestrap is 43 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 44 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 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.

Daniel Goldman (Non-Executive Director) - Mr. Goldman is 33 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 and was appointed as Chairman of the Board of Directors in 2002.

Thomas Maxfield (Non-Executive Director) - Mr. Maxfield is 54 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.



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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.

The Company's Remuneration Committee was established in 2002 to review remuneration and bonus payments to be made to the Company's executive officers. Mr. Morgan, Mr. Goldman and Mr. Maxfield serve as members of the Remuneration Committee.

### 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

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by SEC regulations to furnish the Company with copies of all Section 16(a) forms so filed. Based solely on correspondence with, and a review of copies of Section 16(a) forms received from executive officers and directors and 10% Stockholders (if any), the Company believes that, during the last fiscal year (i) Daniel Goldman failed to file a Form 4 in connection with the restructuring of the Vertical Loans, (ii) Daniel Goldman failed to file a Form 4 regarding the divestiture of his interest in Vertical Investments Limited and (iii) Oliver Trust or its trustee, which indirectly owns Vertical Investments Limited, failed to file a Form 3 upon its acquisition of the beneficial ownership of Vertical Investments Limited.

### 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, 2003. No other executive officer earned in excess of \$100,000.

| Name/Principal<br>Position<br>-----      | Year<br>---- | Annual Compensation |                | Long Term<br>Securities<br>Underlying<br>Options<br>----- |
|--|--------------|---------------------|----------------|---|
|  |              | Salary<br>-----     | Bonus<br>----- |   |
| David Morgan/Chief Executive<br>Officer  | 2003         | \$144,902           | \$7,641        | --  |
|  | 2002         | \$132,710           | --             | 400,000 (4)   |
|  | 2001         | \$100,937           | --             | --  |
| John Agostini/Chief Financial<br>Officer | 2003         | \$114,049           | \$4,585        | --  |
|  | 2002         | \$92,359            | \$8,608        | 250,000 (4)   |
|  | 2001         | \$ 93,750           | \$3,750        | 100,000 (2)   |
| Jon Halestrap/VP Sales and<br>Marketing  | 2003         | \$132,389           | \$6,113        | --  |
|  | 2002         | \$89,669            | \$31,085       | 250,000 (4)   |

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2001 \$ 73,482 -- --

No stock options were granted on behalf of the Company to any employee during the Company's last fiscal year.

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, 2003 and unexercised options held as of January 31, 2003. No options were exercised by the Named Executive Officers during 2002.

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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.....  | --                                    | --             | 100,000/300,000  |

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.

As compensation for their services as non-executive directors of the Company, in December 2001 the Company granted 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 increments over a four-year term.

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### 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, which was increased to (pound)97,125, 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.

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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 has been increased to (pound)68,250. 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. This quarterly bonus has now been incorporated into his basic salary. Any further bonus is subject to review by the Remuneration Committee of the Company. The Company also agreed to provide Mr. Agostini with a company car. However, as of September 2002, Mr Agostini elected to take a monthly car allowance of (pound)900 in lieu of a company car. The agreement may be terminated by either the 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. The basic salary was subsequently increased to (pound)68,250, and the performance related bonus has now been incorporated into his basic salary. Mr. Halestrap's further bonuses are subject to the Remuneration Committee's 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

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may terminate Mr. Halestrap's employment immediately in the event of gross misconduct. Upon termination, Mr. Halestrap 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. 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, 2003 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, 2003.

#### Beneficial Ownership (1)

| Name and Address<br>of Beneficial Owner          | Amount and Nature<br>of Beneficial<br>Owner | Percentage(1) (2) |
|--|---|-------------------|
| Montague Limited (3) (4) (5)                     | 19,755,890                                  | 65.00%            |
| David Morgan (4) (5) (6)                         | 100,000                                     | 0.33%             |
| Jon Halestrap (4) (5) (7)                        | 100,000                                     | 0.33%             |
| Peter Fraser (4) (5)                             | *   | *                 |
| John Agostini(11)                                | 100,000                                     | 0.33%             |
| Daniel Goldman(8)                                | 42,500                                      | 0.14%             |
| Thomas Maxfield(9)                               | 671,859                                     | 2.17%             |
| Roy G. Williams (10)                             | 1,725,920                                   | 5.68%             |
| Paul O'Sullivan(5) (12)                          | *   | *                 |
| Vertical Investments<br>Limited (13)             | 17,481,674                                  | 36.58%            |
| Officers and Directors as<br>a Group (5 persons) | 1,014,359                                   | 3.25%             |

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- (1) Pursuant to Rule 13d-3 under the Exchange Act, a person has beneficial ownership of any securities as to which such person, directly or indirectly, through any contract, arrangement, undertaking, relationship or otherwise has or shares voting power and/or investment power and as to which such person has the right to acquire such voting and/or investment power within 60 days. Percentage of beneficial ownership as to any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person by the sum of the number of shares outstanding as of such date and the number of shares as to which such person has the right to acquire voting and/or investment power with in 60 days.
- (2) Based on 30,386,539 shares of Common Stock outstanding as of April 30, 2003.
- (3) Montague Limited ("Montague") is a company organized under Isle of Man law with a business address of 34 Athol Street, Douglas, Isle of Man IM1 1RD United Kingdom. The directors of Montague are Eammon Harkin and

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Barry John Williams. The sole issued and outstanding share capital of Montague is beneficially owned by an Isle of Man discretionary trust (the "Discretionary Trust") and, therefore, indirect beneficial ownership of 18,654,252 shares of Company Common Stock that are held of record by Montague. The trustee of the Discretionary Trust is Caymanx Trust Company, an Isle of Man corporate trust ("Caymanx Trust"). The directors and officers of Caymanx Trust are Eric John Crutchley (Chairman), Francis Joseph Eammon Harkin (Managing Director), Peter Abye Tomkins (Director), David William Trimble (Director), John Charles Bierley (Director), Malcolm Brian Hartley (Director), Mark William Solly (Director), and Barry John Williams (Alternate Director and Secretary). The business address of Caymanx Trust is the same as Montague. Montague has also made a distribution of 1,176,800 shares to one beneficiary and has instructed the Company's transfer agent to effectuate such transfer. As of April 30, 2003, the transfer agent was awaiting documentation in connection with such transfer. Such number of shares is not included in the 18,654,252 shares of Company Common Stock held of record by Montague.

- (4) Montague is the record owner of 1,101,638 shares that have been allocated to certain individuals and entities and are held by for such individuals and entities under a declaration of trust (the "Allocated Trust").
- (5) Such person or persons are within a class of beneficiaries of the Discretionary Trust. The percentage of each such person's beneficial interest, if any, in the assets of the Discretionary Trust has not been determined at this time, and, therefore, such persons disclaim beneficial ownership of such shares. Mr. Fraser's business address is Wisteria House, I Kings Lane, Flore, Northamptonshire, NN7 4LQ.
- (6) David Morgan is President and Chief Executive Officer of the Company and is a member of the Company's Board of Directors. His business address is The Beren, Blisworth Hill Farm, Stoke Road, Blisworth Northamptonshire NN7 3DB. Consists of currently exercisable options to purchase 100,000 shares of Common Stock at an exercise price of \$0.50.
- (7) Jon Halestrap is Vice President - Sales and Marketing of the Company and is a member of the Company's Board of Directors. Mr. Halestrap has been allocated 100,000 shares as a beneficiary of the Allocated Trust. His business address is The Beren, Blisworth Hill Farm, Stoke Road, Blisworth Northamptonshire NN7 3DB.
- (8) Consists of 5,000 shares of Common Stock transferred to Mr. Goldman from Montague as compensation for director services and currently exercisable options to purchase 37,500 shares of Common Stock at an exercise price of \$0.50. Mr. Goldman's business address is Beit Sofri 33, Har Tuv POB 11029, Beit Shemesh, Jerusalem 99100, Israel.
- (9) Includes 10,000 shares of Common Stock transferred to Mr. Maxfield from Montague as compensation for director services, currently exercisable options to purchase 12,500 shares of Common Stock at an exercise price of \$0.50, 75,000 shares of Common Stock acquired in connection with The Second Financing Transaction and 574,359 shares of shares of Common Stock that Mr. Maxfield has the right to acquire upon conversion of Loan Stock Instrument A and Loan Stock Instrument B (assuming that all accrued interest has been paid). See "Item 1. Description of Business - The Second Financing Transaction." Mr. Maxfield's business address is Marsden Hall, Lizard Lane, MarsdenTyne & Wear NE34 7AD.

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- (10) Pursuant to a Schedule 13G filed by Mr. Williams, Mr. Williams has the following beneficial ownership with respect to shares of Common Stock. Mr. Williams has sole voting and dispositive power over 659,780 shares of Common Stock including 261,875 shares of Common Stock owned by Mustardseed and has sole voting and power over such shares. Zalcany owns 1,066,140 shares of Common Stock. Zalcany is owned 50% by Mr. Williams and 50% by Richard Harris. Mr. Williams and Mr. Harris share voting and dispositive power with respect to such shares. Mr. Williams business address is Birkett House, 27 Albemarle Street, London W1X 4LQ.
  
- (11) Mr. Agostini is the Chief Financial Officer and a director of the Company. His business address is The Beren, Blisworth Hill Farm, Stoke Road, Blisworth Northamptonshire NN7 3DB. Includes 100,000 shares of common stock that Mr. Agostini may acquire upon the exercise of an option privately arranged between Mr. Morgan and Mr. Agostini.
  
- (12) Mr. O'Sullivan was the Chief Technical Officer and a director of the Company until July 2000. His business address is 23 Denton Rd., Horton, Northampton NN72BE.
  
- (13) Consists of 75,000 shares of Common Stock acquired in connection with the Second Financing Transaction and 574,359 shares of Common Stock that Vertical Investments Limited has the right to acquire upon conversion of Loan Stock Instrument A and Loan Stock Instrument B (assuming that all accrued interest has been paid) and 16,832,315 shares of Common Stock that may be acquired by Vertical Investments pursuant to loan instruments and two stock options. See "Item 1. Description of Business - The Second Financing Transaction" and "The Subsequent Financing Transactions." Vertical Investments Limited's business address is 22 Colomberie St. Helier, Jersey JE1 4XA, Channel Islands, and the directors of Vertical Investments are David Hopkins and Bernard Le Claire. Vertical Investments Limited is wholly owned by Tyne & Wear Holdings Ltd., a company beneficially owned by the Oliver Trust, a discretionary Jersey Trust, the Trustee of which is Seaton Trustees Ltd., a Jersey company. Seaton Trustees Ltd.'s business address, and the business address for its directors, is Seaton House, 19 Seaton Place St. Helier, Jersey, Channel Islands. The directors of Seaton Trustees Ltd. are David Hopkins, Bernard Le Claire and Darren Hocquard.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of January 31, 2003 regarding compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance.

EQUITY COMPENSATION PLAN INFORMATION

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted average exercise price of outstanding options, warrants and rights<br>(b) |
|---------------|--|--|
| -----         |  |  |

Equity compensation plans approved

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|                               |           |       |
|-------------------------------|-----------|-------|
| by security holders           | 0         | 0     |
| Equity compensation plans not |           |       |
| Approved by security holders  | 1,666,365 | .50   |
|                               | -----     | ----- |
| Total                         | 1,666,365 | .50   |
|                               | =====     | ===== |

The Company maintains three option plans, the Invu, Inc. Enterprise Management Share Option Agreement (Group A) (the "Group A Agreement"), the Invu Inc. Enterprise Management Share Option Agreement (Group B) (the "Group B

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Agreement") and the Invu, Inc. Executive Stock Incentive Share Option Agreement (the "Executive Agreement"), all of which are administered by the Board of Directors.

Under each Group A Agreement, 25% of the options vest and become exercisable each year provided that certain performance targets are met and the optionee remains an employee of the Company, subject to certain exceptions. If on the sixth anniversary of the date of grant, the performance targets have not been met and such optionee continues to remain an employee of the Company, subject to certain exceptions, the entire number of options shall vest and become exercisable. Options granted under the Group A Agreement are exercisable at an exercise price of \$.50 per share.

Under each Group B Agreement, the entire number of options vest on the third anniversary of the date of grant provided that certain performance goals are met and provided that the optionee continues to remain an employee of the Company, subject to certain exceptions. However, if an optionee has been employed by the Company for five years and terminates employment with the Company before the third anniversary of the date of grant, the option shall become immediately vested and exercisable on the date of termination despite the fact that performance goals have not been met. In addition, if the performance goals have not been met by the sixth anniversary of the date of grant, the entire option shall become vested and exercisable provided that the optionee continues to remain employed with the Company, subject to certain exceptions. Options granted under the Group B Agreement are also exercisable at an exercise price of \$.50 per share. The Group B Agreement may be amended by the Board of Directors in its sole discretion provided that no amendment may be made without the consent of an optionee if such amendment adversely affects the existing rights of the optionee.

All options granted under the Group A Agreement and the Group B Agreement shall expire on the tenth anniversary of the date of grant. In the event of a change in control of the Company or a voluntary liquidation, both Group A and Group B Agreements provide for accelerated vesting of options. An optionee may not assign or transfer options provided that the personal representatives of an optionee may exercise the option within one year of the death of an optionee. Options under both plans may be exercised for cash only.

The Executive Agreement is for David Morgan and non-executive directors of the Company and as such, optionees are not subject to employment or performance criteria. Options granted under the Executive Agreement may be exercised for cash only, vest 25% annually and expire on the tenth anniversary of the date of grant. Option grants may be subject to accelerated vesting in the event of a change of control or voluntary liquidation. Optionees are also prohibited from assigning or transferring options; provided that the personal

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representative of an optionee may exercise the option within one year of the death of the optionee.

### Item 12. Certain Relationships and Related Transactions

#### Guarantees of Indebtedness and Guarantee Fees

The Company has a \$328,740 short-term credit facility with an annual interest rate currently of 5.75% with an English bank. The Company's bank also provided a further credit facility of \$986,220 in October 2001 by way of notes payable with re-negotiated monthly repayments of \$41,092 for May through August 2003 and \$82,184 from September 2003 through June 2004. This facility currently bears interest at the rate of 5.75% 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, had an interest until December 2002. 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.

In June 2002, the Company secured a short term credit facility of \$410,925 from Bank Leumi at an annual interest rate currently of 6.75%. 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 the Company, had an interest until December 2002.

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#### Loans

In February 2001, the Company increased its non-interest bearing loan of \$5,635 made to David Morgan in September 1999 to \$19,584. This loan was paid in full in December 2002.

As of January 31, 2003, the Company had received unsecured loans totaling \$795,637 from Peter Fraser. These loans bear interest of \$4,931 per month.

In February 2001, Vertical Investments Limited, an entity in which Daniel Goldman, a non-executive director of the Company had an interest until December 2002, 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



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The Company paid Impakt Software Limited \$75,001 as of the fiscal year ended January 31, 2003. 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.

The Company paid Peter Fraser, an individual listed in the beneficial ownership table set forth in Item 11, \$63,998 for advisory services relating to the acquisition of Corsham Holding BV.

The Company made purchases from Vertical Investments Limited, a company in which Daniel Goldman, as a non-executive director of the Company, had an interest until December 2002, totaling \$13,692 with a balance of \$14,726 owed at January 31, 2003.

### Item 13. Exhibits and Reports on Form 8-K

#### (a) Exhibits

| Exhibit<br>Number<br>----- | Description of Exhibit<br>-----  |
|----------------------------|--|
| 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).  |
| 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).  |
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- 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).
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- 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).
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- 10.16 Letter Agreement, dated February 2, 1999, by and between David Morgan

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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).
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- 10.19 Secured Guarantee, dated October 24, 2001, between the Company and Vertical Investments Limited (incorporated by reference from Exhibit 10.19 of the Company's Annual Report on Form 10-KSB filed May 1, 2002).
- 10.20 Ranking Agreement, dated October 24, 2001, between Vertical Investments Limited, Invu Services Limited and the Bank of Scotland (incorporated by reference from Exhibit 10.20 of the Company's Annual Report on Form 10-KSB filed May 1, 2002).
- 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 (incorporated by reference from Exhibit 10.21 of the Company's Annual Report on Form 10-KSB filed May 1, 2002).
- 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 (incorporated by reference from Exhibit 10.22 of the Company's Annual Report on Form 10-KSB filed May 1, 2002).
- 10.23 Amendment No. 1 to the Limited Manufacturing Agreement, effective December 21, 2001 between Gupta Technologies, LLC and Invu Services Limited (incorporated by reference from Exhibit 10.23 of the Company's Annual Report on Form 10-KSB filed May 1, 2002).
- 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).
- 10.26 Co-operation and Project Funding Agreement, dated as of August 1, 2002, between and among The Britech Foundation Limited and Smashing Concepts Ltd and INVU Inc. (incorporated by reference from Exhibit 10.10 of the Company's Quarterly Report on Form 10-QSB filed September 16, 2002).
- 10.27 Agreement for the Sale, Purchase and Transfer of Shares, dated as of August 23, 2002, between and among B.V. Holding Maatschappij "De Hondsrug," INVU International Holdings Limited, and Corsham Holding B.V. (incorporated by reference from Exhibit 10.11 of the Company's Quarterly Report on Form 10-QSB filed September 16, 2002).

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- 10.28 Agreement for the Sale, Purchase and Transfer of Shares, dated as of August 23, 2002, between and among B. V. Holding Maatschappij "De Hondsrug," and INVU International Holdings Limited. (incorporated by

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reference from Exhibit 10.12 of the Company's Quarterly Report on Form 10-QSB filed September 16, 2002).

- 10.29 Exclusive Copyright and Trademark/Tradename License, dated as of September 6, 2002, between and among INVU International Holdings Ltd. and Corsham Holding B.V. (incorporated by reference from Exhibit 10.13 of the Company's Quarterly Report on Form 10-QSB filed September 16, 2002).
- 10.30 Transfer of Trade Secret and Exclusive License of Know-How Agreement, dated as of September 6, 2002, between and among INVU International Holdings Ltd. and Corsham Holding B.V. (incorporated by reference from Exhibit 10.14 of the Company's Quarterly Report on Form 10-QSB filed September 16, 2002).
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- \*10.35 Overdraft Agreement, dated April 2, 2003, between Invu Services Limited and Bank of Scotland.
- 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).
- \*99.1 Certification by David Morgan pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- \*99.2 Certification by John Agostini pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\*Filed herewith

\*\*Confidential materials deleted and filed separately with the Securities and Exchange Commission.

### (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.

### Item 14. Controls and Procedures

Within 90 days prior to the date of this annual report, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC

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

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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, 2003

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<br>-----                          | OFFICE<br>-----   | DATE<br>---- |
|---|---|--------------|
| /s/ David Morgan<br>-----<br>David Morgan   | President and Chief Executive Officer<br>(Principal Executive Officer)                              | May 1, 2003  |
| /s/ Jon Halestrap<br>-----<br>Jon Halestrap | Director and VP Marketing and Sales   | May 1, 2003  |
| -----<br>Daniel Goldman                     | Director  | May __, 2003 |
| /s/ John Agostini<br>-----<br>John Agostini | Director and Chief Finance Officer<br>(Principal Financial Officer and<br>Chief Accounting Officer) | May 1, 2003  |
| -----<br>Tom Maxfield                       | Director  | May __, 2003 |

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CERTIFICATION

I, David Morgan, Chairman of the Board, President and Chief Executive Officer of Invu, Inc. (the "Company"), certify that:

1. I have reviewed this report on Form 10-KSB of the Company;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading as with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;
4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and have:
  - a. designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's Board of Directors:
  - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and
6. The Company's other certifying officers and I have indicated in this annual report whether there were significant changes in internal

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controls or in other factors that could significant affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ David Morgan

-----  
David Morgan  
President and Chief Executive  
Officer (Principal Executive Officer)  
May 1, 2003

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### CERTIFICATION

I, John Agostini, Chief Financial Officer of Invu, Inc. (the "Company"), certify that:

1. I have reviewed this report on Form 10-KSB of the Company;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading as with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;
4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and have:
  - a. designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's Board of Directors:
  - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial

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- data and have identified for the Company's auditors any material weaknesses in internal controls; and
- b. any fraud, whether of not material, that involves management or other employees who have a significant role in the Company's internal controls; and
6. The Company's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significant affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ John Agostini

-----  
John Agostini  
Chief Financial Officer (Principal  
Financial and Accounting Officer)  
May 1, 2003

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### INDEX TO EXHIBITS

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|      |  |
|------|--|
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August 23, 2002, between and among B.V. Holding Maatschappij "De Hondsrug," INVU International Holdings Limited, and Corsham Holding B.V. (incorporated by reference from Exhibit 10.11 of the Company's Quarterly Report on Form 10-QSB filed September 16, 2002).

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- 10.28 Agreement for the Sale, Purchase and Transfer of Shares, dated as of August 23, 2002, between and among B. V. Holding Maatschappij "De Hondsrug," and INVU International Holdings Limited. (incorporated by reference from Exhibit 10.12 of the Company's Quarterly Report on Form 10-QSB filed September 16, 2002).
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\*Filed herewith

\*\*Confidential materials deleted and filed separately with the Securities and Exchange Commission.

CONSOLIDATED FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT  
ACCOUNTANTS

INVU, INC. AND SUBSIDIARIES

JANUARY 31, 2003 AND 2002

INVU, INC. AND SUBSIDIARIES

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| Consolidated statements of operations                      | 5    |
| Consolidated statements of deficit in stockholders' equity | 6    |
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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors INVU, Inc. and Subsidiaries

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We have audited the accompanying consolidated balance sheets of INVU, Inc. and Subsidiaries as of January 31, 2003 and 2002 and the related consolidated statements of operations, deficit in stockholders' equity and cash flows for each of the years ended January 31, 2003 and 2002. 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.

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, 2003 and 2002 and the consolidated results of their operations and their consolidated cash flows for each of the years ended January 31, 2003 and 2002 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As 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.

As discussed in Note B to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standard 142, "Goodwill and Other Intangible Assets."

Grant Thornton  
Northampton, England

April 30, 2003

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### INVU, INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

AS AT JANUARY 31,

|                           | 2003   | 2002 |
|---------------------------|--------|------|
|                           | \$     | \$   |
| ASSETS                    |        |      |
| Current assets            |        |      |
| Cash and cash equivalents | 57,214 | -    |
| Accounts receivable:      |        |      |

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|                                   |           |           |
|-----------------------------------|-----------|-----------|
| Trade, net                        | 1,559,094 | 936,442   |
| VAT recoverable and other         | 916       | 19,582    |
| Inventories                       | 123,596   | 78,782    |
| Prepaid expenses                  | 67,075    | 85,796    |
|                                   | -----     | -----     |
| Total current assets              | 1,807,895 | 1,120,602 |
|                                   | -----     | -----     |
| Equipment, furniture and fixtures |           |           |
| Computer equipment                | 283,430   | 148,579   |
| Vehicles                          | 277,098   | 287,722   |
| Office furniture and fixtures     | 121,037   | 100,897   |
|                                   | -----     | -----     |
|                                   | 681,565   | 537,198   |
| Less accumulated depreciation     | 395,940   | 244,266   |
|                                   | -----     | -----     |
|                                   | 285,625   | 292,932   |
|                                   | -----     | -----     |
| Intangible assets, net            | 82,185    | 117,775   |
| Goodwill                          | 1,361,113 | -         |
|                                   | -----     | -----     |
| Total assets                      | 3,536,818 | 1,531,309 |
|                                   | =====     | =====     |

The accompanying notes are an integral part of these financial statements

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INVU, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS AT JANUARY 31,

|   |           |
|---|-----------|
|   | 2003      |
|   | \$        |
| -----   |           |
| LIABILITIES AND DEFICIT IN STOCKHOLDERS' EQUITY |           |
| Current liabilities                             |           |
| Short-term credit facility                      | 695,213   |
| Current maturities of long-term obligations     | 3,643,239 |
| Accounts payable                                | 496,117   |
| Accrued liabilities                             | 1,187,452 |
| Deferred revenue                                | 380,009   |
| Taxation liabilities                            | 1,931,560 |
|   | -----     |

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|   |             |
|---|-------------|
| Total current liabilities   | 8,333,590   |
|   | -----       |
| Long-term obligations, less current maturities                    | 1,811,922   |
| Commitments and contingencies                                     | -           |
| 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 shares   | 1,746,223   |
| Accumulated deficit   | (8,115,118) |
| Accumulated other comprehensive (loss)/income                     | (239,799)   |
|   | -----       |
| Deficit in stockholders' equity                                   | (6,608,694) |
|   | -----       |
| Total liabilities and deficit in stockholders' equity             | 3,536,818   |
|   | =====       |

The accompanying notes are an integral part of these financial statements

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INVU, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JANUARY 31,

|                               | 2003        | 2002        |
|-------------------------------|-------------|-------------|
|                               | \$          | \$          |
| Revenues                      | 2,567,824   | 1,564,248   |
| Expenses:                     |             |             |
| Production cost               | 255,863     | 208,247     |
| Selling and distribution cost | 970,180     | 607,432     |
| Research and development cost | 714,096     | 381,135     |
| Administrative costs          | 1,144,374   | 1,288,174   |
|                               | -----       | -----       |
| Total operating expenses      | 3,084,513   | 2,484,988   |
|                               | -----       | -----       |
| Operating loss                | (516,689)   | (920,740)   |
|                               | -----       | -----       |
| Other income (expense)        |             |             |
| Interest, net                 | (512,347)   | (354,890)   |
|                               | -----       | -----       |
| Total other expense           | (512,347)   | (354,890)   |
|                               | -----       | -----       |
| Loss before income taxes      | (1,029,036) | (1,275,630) |

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|                                      |                               |                               |
|--------------------------------------|-------------------------------|-------------------------------|
| Income taxes                         | -----<br>-                    | -----<br>-                    |
| Net loss                             | -----<br>(1,029,036)<br>===== | -----<br>(1,275,630)<br>===== |
| Weighted average shares outstanding: |                               |                               |
| Basic and Diluted                    | -----<br>30,386,539<br>=====  | -----<br>30,386,539<br>=====  |
| Net loss per common share:           |                               |                               |
| Basic and Diluted                    | -----<br>(0.03)<br>=====      | -----<br>(0.04)<br>=====      |

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

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INVU, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF DEFICIT IN STOCKHOLDERS' EQUITY

|  | Common stock<br>Shares | Amount<br>\$ | Accumulated<br>deficit<br>\$ | Accumulated<br>other<br>comprehensive<br>income/(loss)<br>\$ |
|--|------------------------|--------------|------------------------------|--|
| Balance at January 31, 2001                | 30,386,539             | 1,746,223    | (5,810,452)                  | 157,514  |
| Comprehensive loss:                        |                        |              |                              |  |
| Foreign currency translation<br>adjustment | -                      | -            | -                            | 64,731   |
| 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)                  | 222,245  |
| Comprehensive loss:                        |                        |              |                              |  |
| Foreign currency translation<br>adjustment | -                      | -            | -                            | (462,044)  |
| Net loss during the year                   | -                      | -            | (1,029,036)                  | -  |



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Total comprehensive loss

|                             |            |           |             |           |
|-----------------------------|------------|-----------|-------------|-----------|
|                             | -----      | -----     | -----       | -----     |
| Balance at January 31, 2003 | 30,386,539 | 1,746,223 | (8,115,118) | (239,799) |
|                             | =====      | =====     | =====       | =====     |

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

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INVU, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JANUARY 31,

|   | 2003        | 2002        |
|---|-------------|-------------|
|   | \$          | \$          |
| Net cash flows used in operating activities                                 |             |             |
| Net loss during the period  | (1,029,036) | (1,275,630) |
| Adjustments to reconcile net loss to net cash used in operating activities: |             |             |
| Depreciation and amortisation   | 195,059     | 135,185     |
| (Profit)/loss on disposal of fixed assets                                   | (382)       | 1,046       |
| Exchange difference   | (63,119)    | -           |
| Changes in:   |             |             |
| Accounts receivable   | (416,669)   | (660,265)   |
| Inventories   | (29,727)    | (45,460)    |
| Prepaid expenses  | 30,414      | 16,244      |
| Accounts payable  | (86,061)    | (20,861)    |
| Accrued liabilities   | 518,085     | 431,926     |
| Net cash used in operating activities                                       | (881,436)   | (1,417,815) |
| Cash flows provided by/(used in) investing activities:                      |             |             |
| Acquisitions of property and equipment                                      | (106,295)   | (71,263)    |
| Disposals of property and equipment   | 13,755      | -           |
| Acquisition of intangible assets  | -           | (143,470)   |
| Net cash from acquisition of subsidiary                                     | 490,684     | -           |
| Net cash provided by/(used in) investing activities                         | 398,144     | (214,733)   |
| Cash flows provided by financing activities:                                |             |             |
| Short-term credit facility  | 347,727     | (1,372,182) |
| Borrowings received from notes payable                                      | 277,751     | 3,096,255   |
| Repayment of borrowings   | (82,105)    | (28,694)    |
| Principal payments on capital lease   | (63,453)    | (46,520)    |

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|   |             |            |
|---|-------------|------------|
| Net cash provided by financing activities         | 479,920     | 1,648,859  |
|   | -----       | -----      |
| Effect of exchange rate changes on cash           | 60,586      | (16,311)   |
|   | -----       | -----      |
| Net increase in cash                              | 57,214      | -          |
| Cash at beginning of period                       | -           | -          |
|   | -----       | -----      |
| Cash at end of period                             | 57,214      | -          |
|   | =====       | =====      |
| Supplemental disclosure of cash flow information: |             |            |
| Cash paid during the period for:                  |             |            |
| Interest  | \$ 190,000  | \$ 165,000 |
| Taxation  | \$ -        | \$ -       |
| Non-cash items during the period                  |             |            |
| Taxation liability assumed on acquisition         | \$1,750,108 | \$ -       |

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

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2003 AND 2002

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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). Holdings has one subsidiary of its own, INVU Netherlands BV (formerly Corsham Holding BV). 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 for the UK market. INVU Netherlands BV is the sales, marketing and trading company for the Benelux market and holds the licence to the Benelux intellectual property rights to the INVU software. Holdings holds the intellectual property rights to the INVU software. The Company has three customers that accounted for 19%, 14% and 7% of the revenues for the year ended January 31, 2003. For the prior year, the revenues were 18%, 15% and 10% respectively.

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.

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### 1 Principles of consolidation

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

The Company follows the provisions of Statement of Financial Accounting Standard No 141 "Business Combinations" and Statement of Financial Accounting Standard No 142 "Goodwill and other Intangible Assets". The Company capitalizes goodwill as a result of the acquisition of a subsidiary undertaking and does not amortize this goodwill. The goodwill is subject to an impairment review at least annually with any impairment provision being charged to the Statement of Operations in the relevant period.

An initial impairment review was performed and no impairment provision was required. The Company intends to carry out its annual impairment reviews in January of the relevant years.

### 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.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2003 AND 2002

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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.

### 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,

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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.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2003 AND 2002

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### 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

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cash flows discounted at a rate commensurate with the risks associated with the recovery of the assets.

### 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. The Company has \$57,214 of cash and cash equivalents in foreign bank accounts, as of January 31, 2003.

### 7 Inventories

Inventories consist of 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 \$125,071 and \$99,446 for the years ended January 31, 2003 and 2002 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.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2003 AND 2002

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### 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, 2003 and 2002 no common stock equivalents were included in the computation of diluted net earnings per share. Convertible debentures, stock options and loan notes

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excluded from the calculation of loss per share because their effect is anti-dilutive amounted to 20,762,130 common shares on a weighted average basis for the year ended January 31, 2003 (January 31, 2002: 4,358,487).

### 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 as there is no market value for such instruments.

### 13 Stock-based compensation

The Company has adopted the disclosure provisions of Statement of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock-Based Compensation." As permitted by the provisions of SFAS No. 123, the Company applies Accounting Principles Board Opinion 25 and related interpretations in accounting for its employee share option plans. As a result, compensation expense related to options granted is measured based on the intrinsic value of the underlying common stock. See Note below for a summary of the pro-forma effects on reported net loss per share for the years ended January 31, 2003 and 2002 based on the fair value of options and shares granted as prescribed by SFAS No. 123.

As permitted under SFAS No. 123 "Accounting for Stock Based Compensation", the Company has elected to follow Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB No. 25") in accounting for share-based awards to employees, for options granted.

Pro-forma information regarding net loss and net loss per share is required by SFAS No. 123 and has been determined as if the Company had accounted for its employee share options and the options granted by shareholders under the fair value method consistent with the method prescribed by that Statement. The weighted average fair value at date of grant for options granted during 2002 was \$0.13 per option. No options were granted during 2003. The fair value of these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for 2003 and 2002:

|                         | 2003  | 2002  |
|-------------------------|-------|-------|
|                         | ----  | ----  |
| Risk-free interest rate | 6.5%  | 6.5%  |
| Dividend yield          | 0%    | 0%    |
| Volatility factor       | 100%  | 100%  |
| Expected life           | Eight | Eight |

Had the Company's option plan and the options granted to stockholders been accounted for under SFAS No. 123, the Company's charge to income for 2003 and 2002 would have been \$nil and \$209,918, respectively. Net loss and loss per share would have been increased to the following pro-forma amounts.

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|   | Year ended<br>January 31,<br>2003 | Year end<br>January 3<br>2002 |
|---|-----------------------------------|-------------------------------|
| Net Loss applicable to common shareholders.....   | \$ (1,029,036)                    | \$(1,275,63                   |
| Employee compensation.....  | -                                 | (209,91                       |
|   | -----                             | -----                         |
| Pro-forma net loss applicable to common shareholders.....                                   | \$ (1,029,036)                    | \$(1,485,54                   |
|   | =====                             | =====                         |
| Pro-forma net loss per share applicable to common<br>stockholders -- basic and diluted..... | (\$0.03)                          | (\$0.0                        |
|   | =====                             | =====                         |

14 Foreign currency translation

The functional currency of the Company and its Subsidiaries is the British pound sterling, except INVU Netherlands BV which is the Euro. 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.

Exchange gains of \$63,119 on foreign monetary balances are included in the Statement of Operations.

15 Research and development costs

All research and development costs are expensed as incurred.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2003 AND 2002

16 Contingencies

The Company follows the provision of Statement of Financial Accounting Standard No 5 "Accounting for Contingencies" (SFAS No 5). SFAS 5 requires that an estimated loss from a loss contingency should be accrued for by a charge to income if it is probable that an asset has been impaired or a liability has been accrued and the amount of the loss can be reasonably estimated. Disclosure of a contingency is required if there is a possibility that a loss has been incurred.

17 Recent pronouncements

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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 adoption of SFAS 144 did not have a material impact on the Company's financial position and results of operations.

In June, 2002, the FASB issued Statement 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 replaces previous accounting guidance provided by EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)", and requires companies to recognize costs associated with Exit or disposal activities only when a liability for these costs are incurred (subsequent to a commitment to a plan) rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the Statement include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, plant closings, or other initiated after December 31, 2002. Although management believes the adoption of SFAS 146 will not have a material impact on the Company's financial statements, adoption of the Statement will result in timing differences in the recognition and measurement of expenses relating to exit and disposal activities.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure an amendment of FASB Statement No. 123" ("SFAS 148"). SFAS 148 amends FASB Statement No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation and to require prominent disclosures about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. SFAS 148 also amends APB Opinion No. 28, "Interim Financial Reporting", to require disclosures about those effects in interim financial information.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2003 AND 2002

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The Company currently intends to continue to account for its stock-based compensation awards to employees and directors under the accounting prescribed by Accounting Principles Board Opinion No. 25 and will adopt the additional disclosure provisions of SFAS 148 during the first quarter of its year ending January 31, 2004.

In December 2002, the FASB issued Interpretation 45 (FIN 45),



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Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. For a guarantee subject to FASB Interpretation 45, a guarantor is required to:

- o measure and recognize the fair value of the guarantee at inception (for many guarantees, fair value will be determined using a present value method); and
- o provide new disclosures regarding the nature of any guarantees, the maximum potential amount of future guarantee payments, the current carrying amount of the guarantee liability, and the nature of any recourse provisions or assets held as collateral that could be liquidated and allow the guarantor to recover all or a portion of its payments in the event guarantee payments are required.

The disclosure requirement of this Interpretation is effective for financial statements for fiscal years ending after December 15, 2002 and did not have a material effect on the Company's financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements" and provides guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities" or "VIE's") and how to determine when and which business enterprise should consolidate the VIE. This new model for consolidation applies to an entity which either (1) the equity investors (if any) do not have a controlling financial interest or (2) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. The provisions of this interpretation are immediately effective for VIEs formed after January 31, 2003. For VIEs formed prior to January 31, 2003, the provisions of this interpretation apply to the first fiscal year or interim period beginning after June 15, 2003. Management is currently reviewing the application of FIN 46 and is unable to determine the impact on the Company's results of operations or financial condition.

### NOTE C - 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 total liabilities exceeded its total assets by \$6,608,694 at January 31, 2003 and the Company had negative cash flows from operations of \$881,436 for the year to January 31, 2003. The Company is starting to generate operating revenues and has obtained additional financing during the year ended January 31, 2003 of \$685,925. 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:

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|                  | January, 31<br>2003<br>\$ | January, 31<br>2002<br>\$ |
|------------------|---------------------------|---------------------------|
| Goods for resale | 123,596<br>=====          | 78,782<br>=====           |

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2003 AND 2002

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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 \$164,370 ((pound)100,000). Amortisation of \$50,943 ((pound)33,333) has been charged during the period.

NOTE F - SHORT-TERM CREDIT FACILITY

At January 31, 2003 the Company had a \$328,740 (or (pound)200,000) (at January 31, 2002 the amount was \$282,660 (or (pound)200,000)), 5.75% (at January 31, 2002, the interest rate was 6%) short-term credit facility with an English bank. The credit facility is collateralized by all assets of the Company and a corporate guarantee given by Vertical Investments Limited. The amount drawn against the facility at January 31, 2003 was \$284,288 ((pound)172,956), (January 31, 2002 \$276,203 ((pound)195,431)). The amount drawn is repayable on demand at the bank's discretion. The credit facility is due for review on February 10, 2004.

The Company also has a \$410,925 ((pound)250,000) (January 31, 2002 \$nil ((pound)nil)), 6.75% short-term credit facility with an English bank. The credit facility is collateralised by all assets of the Company and a corporate guarantee given by Vertical Investments Limited. The amount drawn against the facility at January 31, 2003 was \$410,925 ((pound)250,000), (January 31, 2002 \$nil ((pound)nil)). The amount drawn is payable on demand at the bank's discretion. Negotiations for the renewal of this facility are ongoing.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE G - LONG-TERM OBLIGATIONS

Long-term obligations at January 31, 2003 and January 31, 2002, consist of the following:

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January 31,  
2003  
\$

|  |           |
|--|-----------|
| Unsecured loan from an individual, no stated maturity date; bearing interest of \$4,931 per month ((pound)3,000)   | 795,637   |
| 4% above Libor rate (Libor rate was 3.97% and 4% at January 31, 2003 and 2002 respectively) notes payable to an English bank, monthly payment aggregating to (pound)500, matured in March 2002, collateralised by all assets of the Company and a corporate guarantee given by Vertical Investments Limited  | -         |
| 4% above Libor rate (Libor rate was 3.97% and 4% at January 31, 2003 and 2002 respectively) notes payable to an English bank, monthly payments aggregating to (pound)1,333, maturing in June 2004, collateralised by all assets of the Company, unlimited multilateral guarantees between subsidiary undertakings and a corporate guarantee given by Vertical Investments Limited; a quarterly loan guarantee premium of 1.5% per annum is payable on 85% of the outstanding balance | 41,640    |
| 2% above bank base rate (base rate was 3.75% and 4% at January 31, 2003 and 2002 respectively) notes payable to an English bank, 4 monthly payments of (pound)25,000 each starting in May 2003 and 10 monthly payments of (pound)50,000 each starting in September 2003, collateralised by all assets of the Company, unlimited multilateral guarantees between subsidiary undertakings and a corporate guarantee given by Vertical Investments Limited                              | 986,220   |
| Convertible A Note 1999-2002, with interest at 6%; interest due in arrears biannually on January 1 and July 1  | 600,000   |
| Convertible B Note 1999-2002, bearing interest of 8% per annum for the first six months, 9% per annum for the next six months and 10% per annum thereafter; interest due in arrears biannually on January 1 and July 1   | 400,000   |
| Convertible loans 2001-2003 (i) with interest rate per annum of 1.5% above UK bank base rates  | 159,000   |
| Loan notes 2001-2005 (ii) with interest rate per annum of 7%   | 1,000,000 |
| Loan notes 2001-2005 (iii) with interest rate per annum of 12%   | 500,000   |
| Convertible loan 2001-2003 (iv) with interest rate per annum of 1.5% above UK bank base rate   | 300,000   |
| Convertible loan 2001-2005 (v) with interest rate per annum of 12%   | 550,000   |
| Capital leases for vehicles, interest ranging from 10.2% - 16.9% with maturities through 2005  | 122,664   |
|  | -----     |
|  | 5,455,161 |
| Less current maturities  | 3,643,239 |
|  | -----     |
|  | 1,811,922 |
|  | =====     |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Scheduled maturities of long-term obligation are as follows:

| Year ending January 31, | \$        |
|-------------------------|-----------|
| 2004                    | 3,643,239 |
| 2005                    | 441,289   |
| 2006                    | 574,996   |
| 2007                    | -         |
| 2008                    | -         |
| Thereafter              | 795,637   |
|                         | -----     |
|                         | 5,455,161 |
|                         | =====     |

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 \$281,086 has been accrued to January 31, 2003 (January 31, 2002 \$172,383) 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 after August 2002 upon receipt of 30 days written notice from the Company or the Investors. At January 31, 2003 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.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 2) Loan notes and convertible loan notes

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, a non-executive director of the Company and Vertical Investments Limited. 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 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2003 AND 2002

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,<br>2003<br>\$ | January 31,<br>2002<br>\$ |
|-------------------------------|---------------------------|---------------------------|
| Vehicles                      | 277,098                   | 287,722                   |
| Less accumulated depreciation | (190,840)                 | (134,410)                 |
|                               | -----<br>86,258<br>=====  | -----<br>153,312<br>===== |

Scheduled maturities of minimum lease payments are as follows:

|                                   |                           |
|-----------------------------------|---------------------------|
| Year ending January 31,           | \$                        |
| 2004                              | 117,334                   |
| 2005                              | 16,528                    |
| 2006                              | -                         |
|                                   | -----<br>133,862          |
| Less amount representing interest | (11,198)                  |
|                                   | -----<br>122,664<br>===== |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 31, 2003 AND 2002

NOTE H - COMMITMENTS

The Company leases office space and the rent expense totaled approximately

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\$65,150 and \$60,600 for January 31, 2003 and 2002 respectively.

The future minimum rental commitments as of January 31, 2003 are as follows:

|                         |        |
|-------------------------|--------|
| Year ending January 31, | \$     |
| 2004                    | 38,460 |
|                         | =====  |

The Company has a commitment to purchase a minimum of 47,603 database licences for approximately \$228,475 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, 2003, due to the Company's cumulative losses since inception, a loss carry forward of approximately \$1,270,000 for US Federal Tax purposes and \$3,770,000 for UK purposes, 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, 2003 and January 31, 2002 due to the uncertainty of realizing the net deferred tax asset through future operations. The valuation allowances were approximately \$1,735,000 and \$1,175,000 at January 31, 2003 and January 31, 2002, respectively. The valuation allowance increased approximately \$ 560,000 and \$475,000 at January 31, 2003 and 2002 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.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE J - ACQUISITIONS

On August 23, 2002, the Group acquired 6,625,000 ordinary shares at a nominal value per share of \$0.44 ((euro)0.45) in Corsham Holding BV representing 100% of the outstanding common shares of the company. Subsequent to the acquisition, Corsham Holding BV changed its name to INVU Netherlands BV. Prior to the acquisition, the trading assets of the company were removed and no continuing

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revenues are expected to be generated.

The results of INVU Netherlands BV's operations have been included in the consolidated financial statements since that date. Management believes that the acquisition of INVU Netherlands BV will allow the Company to expand into Europe with the advantage of generating cash and the possibility of creating tax savings.

The aggregate purchase price was \$4,195,778, including \$1,271,769 of cash and the assignment of an intercompany liability from the vendor of \$2,924,009.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition.

|                                   | At<br>August 23, 2002<br>\$ |
|-----------------------------------|-----------------------------|
| Current assets                    |                             |
| Cash                              | 1,750,108                   |
| Intercompany receivable           | 2,924,009                   |
|                                   | -----                       |
| Total current assets assumed      | 4,674,117                   |
|                                   | -----                       |
| Current liabilities               |                             |
| Taxation liabilities              | 1,750,108                   |
|                                   | -----                       |
| Total current liabilities assumed | 1,750,108                   |
|                                   | -----                       |
| Net assets acquired               | 2,924,009                   |
| Goodwill                          | 1,271,769                   |
|                                   | -----                       |
| Total consideration               | 4,195,778                   |
|                                   | =====                       |

The Group paid more for the Company than the value of the net assets because they believe that the current tax liability can be reduced via their expansion into Europe. Of the total amount of goodwill, \$nil is expected to be deductible for tax purposes.

An impairment provision will be made against the goodwill when the expected tax savings are realized.

### NOTE K - RELATED PARTY TRANSACTIONS

At January 31, 2003 David Morgan owed \$nil (January 31, 2002 \$19,584) to the Company. The maximum liability during the year amounted to \$19,584 and the interest charge amounted to \$nil (January 31, 2002 \$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 res 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 \$75,001 (January 31, 2002 \$136,340) and the balance owed by the Company at January 31, 2003 was \$1,256 (January 31, 2002 \$6,477).

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INVU, INC. AND SUBSIDIARIES



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE K - RELATED PARTY TRANSACTIONS (CONTINUED)

During the period, the company paid Peter Fraser, a minority shareholder of the company, \$63,998 for advisory services relating to the acquisition of Corsham Holding BV.

The Company made purchases during the year under normal commercial terms from Vertical Investments Limited, a company in which D. Goldman had an interest until December 2002. Mr. Goldman is a minority shareholder and non-executive director of the Company. A related party of Mr. Goldman is a beneficiary of a trust that indirectly owns Vertical Investments Limited. Total purchases amounted to \$13,692 (2002: \$nil) and the balance owed by the company at 31 January 2003 was \$14,726 (2002: \$nil).

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

|                             | Options   | Weighted<br>average<br>exercise price |
|-----------------------------|-----------|---------------------------------------|
|                             | -----     | -----                                 |
| Options outstanding at      |           |                                       |
| February 1, 2001.....       | --        | --                                    |
| Exercised.....              | --        | --                                    |
| Granted.....                | 1,666,365 | \$0.50                                |
| Cancelled or forfeited..... | --        | --                                    |
|                             | -----     | -----                                 |
| Options outstanding at      |           |                                       |
| January 31, 2002.....       | 1,666,365 | 0.50                                  |
| Exercised.....              | --        | --                                    |

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|                             |           |        |
|-----------------------------|-----------|--------|
| Granted.....                | --        | --     |
| Cancelled or forfeited..... | --        | --     |
|                             | -----     | -----  |
| Options outstanding at      |           |        |
| January 31, 2003.....       | 1,666,365 | \$0.50 |
|                             | =====     | =====  |

The weighted average fair value of the options granted during the year ended January 31, 2002 was \$0.13. No options were granted during the year ended January 31, 2003.

The following table summarizes information about stock options outstanding at January 31, 2003.

| Range of exercise prices | Number outstanding | Weighted average remaining contractual life (in years) | Weighted average exercise price | Number exercisable |
|--------------------------|--------------------|--|---------------------------------|--------------------|
| \$0.50-\$0.50            | 1,666,365          | 8.7  | \$0.50                          | 157,500            |

NOTE M - CONTINGENT LIABILITY

During the period there was a transfer of intellectual property between group companies at a value of \$38,754,351. This transfer eliminates on consolidation. The Company has received independent tax advice that the transfers referred to above will not result in a tax liability but no assurance can be given that the applicable tax authorities will reach the same conclusion in the event of an audit or other regulatory inquiry relating to the transaction.

NOTE N - SUBSEQUENT EVENTS

The Company has, since the year end, renegotiated the terms of the \$986,220 ((pound)600,000) bank loan included in Note G. The Company is required to repay the bank loan by 4 monthly payments of (pound)25,000 each starting in May 2003 followed by 10 monthly payments of (pound)50,000 each starting in September 2003.