IRV INC
Form 10QSB
February 19, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly Period ended December 31, 2002

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition Period from _____________ to _____________

Commission file number 000-19949

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

Colorado	84-1153522
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

100-1255 Pender Street West, Vancouver, British Columbia V6E 2V1
(Address of principal executive offices)

(604) 688-1075
(Issuer's telephone number)

1000-885 Dunsmuir Street, Vancouver, British Columbia V6C 1N5
(Former name, former address and former fiscal year, if changed since last report)

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes [X] No [ ]

As of December 31, 2002, the issuer had 99,999,903 shares of its Common Stock outstanding.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

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PART I -- FINANCIAL INFORMATION

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

The consolidated financial statements included herein have been prepared by IRV, Inc. (the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such SEC rules and regulations. In the opinion of management of the Company the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of December 31, 2002, and its results of operations for the nine month periods ended December 31, 2002 and 2001 and its cash flows for the nine-month periods ended December 31, 2002 and 2001.The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of the Company's annual report on Form 10-KSB.

IRV, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2002 AND DECEMBER 31, 2001

(in thousands, except share data)

ASSETS	December 31 2002	December 31 2001
	(unaudited)	
Current assets:		
Cash and cash equivalents	$ (24)	$ --
Prepaid expenses and deposits	$ 13	$ --
Accounts Receivable	$ 178	$ --
Total current assets	$ 167	$ --
Fixed Assets	$ 10	$ --
Other assets:		
Investment in restricted stock	$ --	$ 7
Investment in subsidiary	$ 337	$ --
Total other assets	$ 337	$ 7
Total Assets	$ 514	$ 7

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 293	$ 33
Deposits	$ 1	$ --
Other Current Liabilities	$ 17	$ 24
Total current liabilities	$ 311	$ 57
Other Liabilities		
Notes and accounts payable to officers	$ 3	--
Tax Liabilities	$ (32)	--
Payroll Liabilities	$ 34	--
Total liabilities	$ 316	$ 50
Stockholders' Deficit:		
Common stock - $.001 par value; 100,000,000 shares authorized; 99,999,903 shares issued and outstanding	$ 100	$ 14
Additional paid-in capital	$ 533	$ 3,782
Accumulated deficit	$ (335)	$ (3,846)
	$ (198)	$ (50)
Total liabilities and stockholders' equity	$ 514	$ 7

SEE ACCOMPANYING NOTES

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IRV, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2002 AND 2001
(in thousands, except share data)
(Unaudited)

	THREE MONTHS ENDED December 31 2002	2001
Revenues:		
Sales	$ 106	$ --
Cost of Sales	60	--
Gross Profit	46	--
Operating Expenses:		
General and Administrative	82	187
Income (Loss) from Operations	(36)	(187)
Net Income (Loss)	(36)	(187)
Earnings (loss) per common share - basic and diluted:	$ (0.001)	$ (0.02)
Weighted average shares outstanding - basic and diluted	99,999,903	10,606,201

SEE ACCOMPANYING NOTES.

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IRV, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2002 AND 2001
(in thousands, except share data)
(Unaudited)

	NINE MONTHS ENDED December 31 2002	2001
Revenues:		
Sales	$ 483	$ --
Cost of Sales	324	--
Gross Profit	159	--
Operating Expenses:		

General and Administrative	317	251
Income (Loss) from Operations	(158)	(251)
Other Income (Expense):		
Interest Expense	--	(9)
Income (Loss) from Continuing Operations	(158)	(260)
Discontinued Operations	--	(21)
Net Income (Loss)	(158)	(281)
Earnings (loss) per common share - basic and diluted:	$ (0.002)	$ (0.03)
Weighted average shares outstanding - basic and diluted	99,999,903	9,159,238

SEE ACCOMPANYING NOTES.

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IRV, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2002 AND
MARCH 31, 2002
(in thousands)
(Unaudited)

	December 31 2002	March 31 2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	(158,135)	(112,434)
Adjustments to reconcile net income to net cash used in operating activities:		
Amortization	359	330
Prepaid Expenses and Deposits	(13,382)	(8,515)
Changes in operating assets and liabilities:		
Net cash used in operating activities	(171,158)	(120,619)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in investing activities	(337,500)	(63)
Acquisition of fixed assets	(1,865)	(2,195)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issuance of common stock	141,950	200,625
Net decrease in cash and cash equivalents	39,356	14,927
Cash and cash equivalents, beginning	14,927	0
Cash and cash equivalents, ending	(24,429)	14,927

SEE ACCOMPANYING NOTES.

IRV, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED STATEMENTS

1. ORGANIZATION and SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements for the nine months ended December 31, 2002 and 2001 have been prepared in accordance with the accounting policies described in the Company's annual report on Form 10-KSB. The preparation of financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes the statements include all adjustments of a normal recurring nature necessary to present fairly the results of operations for the interim periods.

On March 25, 2002, the Company entered into an Agreement and Plan of Reorganization (the "Plan") with Scarab Systems, Inc. ("Scarab") and certain shareholders of Scarab, which closed on July 17, 2002. Under the terms of the Plan, the Company formed a new wholly-owned subsidiary, Real Asset Management, Ltd. ("RAM") and transferred all of the Company's assets to it. RAM has guaranteed the then outstanding liabilities of the Company and agreed to indemnify the Company for such liabilities.

As part of that strategy, the Company's two other subsidiaries, iRV.com, Inc. and iRV Dealerships, Inc., were both transferred to RAM together with all pre-existing obligations and liabilities. The Company then declared a dividend of all of its shares of RAM. The record date for the spin-off distribution of its interest in RAM was June 25, 2002. When paid, the spin-off dividend will result in the distribution of one share of RAM for every ten shares of iRV, Inc. owned by the Company's shareholders as of the record date. Payment of the spin-off dividend is contingent upon the filing of a registration statement with the Securities and Exchange Commission and the Commission's declaring that registration statement effective.

2. DISCONTINUED OPERATIONS

On June 25, 2002, the Company transferred all its assets to RAM and the Company discontinued operations. The Company's consolidated statements of operations and cash flows accordingly showed operations as nil for the three months ended June

30, 2002, as previously reported.

On June 25, 2002, the Company had outstanding debts and liabilities of $135,000. RAM guaranteed the payment of these outstanding debts and liabilities, and further agreed to indemnify the Company for such debts and liabilities. RAM has failed or refused to pay the sum of $1,964.81, which in the view of present management was a debt owing by the Company before June 25, 2002, and this amount has been added to the current liabilities of the Company set out in the Consolidated Balance Sheet as of December 31, 2002, with a corresponding entry in accounts receivable reflecting the corresponding claim against RAM.

If RAM further breaches its guarantee and indemnity, then the subject debts and liabilities would again be current liabilities of the Company, and the Company would have a corresponding claim against RAM.

3. GOING CONCERN

The accompanying financial statements have been prepared with the presumption that the Company will continue as a going concern. However, the Company does not currently have sufficient working capital to implement its business plan. Continuation of the Company as a going concern will depend upon the Company securing additional working capital. To ensure that the Company may continue operations, Company management is attempting to secure additional working capital through private placement equity funding and/or debt financing which will enable the Company to operate through the current fiscal year.

4. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is based on the estimated useful lives of the assets and is computed using the double declining method as follows:

Furniture and fixtures	30%

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

On June 25, 2002, the Company effectively discontinued operations in the online sale of recreational vehicles, which constituted substantially all of the Company's operations to that date.

Effective upon the acquisition of Scarab Systems, Inc. on July 17, 2002, and the subsequent change in management, the Company shifted its business into the areas of marketing, electronic commerce and transaction processing. The Company's initial business focus since the acquisition of Scarab has been to sell rechargeable stored value payment and money transfer systems that can be used for both electronic commerce and point of sale purchases. The Company is also pursuing opportunities related to the convergence of electronic commerce with technology sectors of the entertainment industry.

The discontinuance of operations in recreational vehicle sales on June 25, 2002, affects the comparison of operations between 2002 and 2001. In light of the discontinued operations, the acquisition of Scarab, and management's decision to shift the Company into unrelated areas of business, management believes that revenue comparisons with the prior periods are not relevant.

RESULTS OF OPERATIONS - THREE MONTHS ENDED DECEMBER 31, 2002 COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 2001

During the three months ended December 31, 2002, the Company had revenue of $106,383 and incurred a net loss of $36,153. Expenses for this Period were related primarily to cost of sales, salaries, management and consulting fees as well as for general and administrative expenses incurred.

RESULTS OF OPERATIONS - NINE MONTHS ENDED DECEMBER 31, 2002 COMPARED TO NINE MONTHS ENDED DECEMBER 31, 2001

During the nine months ended December 31, 2002, the Company had revenue of $483,098 and incurred a net loss of $158,135. Expenses for this Period were related primarily to cost of sales, salaries, management and consulting fees as well as for general and administrative expenses incurred.

INCOME TAX

The company did not record any income tax expense for the Period as it has a history of net losses and does not expect to report net income for the year.

As a result of its previous operations, the Company had a net operating loss carryover ("NOL"). Due to such operations being discontinued, a change of ownership and business plan, and certain limitations and restrictions imposed under the Tax Reform Act of 1986, the NOL will not be available to offset future taxable income, if any.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2002, the Company had a cash deficit of $24,429, and had trade accounts payable in the amount of $292,826. The Company does not have any bank line of credit.

The Company has not been able to generate cash flow from operations in amounts required to meet its capital needs. During the Period, it relied upon outside sources of debt and equity financing adequate to fund its operations. The Company is currently seeking debt and equity financing. There is no guarantee that the Company will be successful in obtaining such financing.

During the Period, the Company was unable to retain sales staff sufficient to sell its financial transaction processing services, or its payment systems. Furthermore, the events of September 11, 2001, and subsequent regulatory changes, have had a substantial impact on the processing of financial transactions and electronic payment systems. As a result, during the Period the Company did not earn any revenue from the licenses respectively granted by Merchant Wired Global, and Prima Benefits Corporation.

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On September 12, 2002, the Company executed a letter of intent with a games designer based in Las Vegas, Nevada. The letter of intent set out that the Company was to acquire certain intellectual properties related to the convergence of electronic commerce with technology sectors of the entertainment industry. By mutual agreement, the parties to the letter of intent determined that it was not in their best interests to pursue the contemplated acquisition. The letter of intent was allowed to lapse without penalty or residual obligation on either party.

The Company had engaged the games designer to consult with respect to prospective opportunities in the entertainment industry. This engagement expired on November 1, 2002, and was not renewed.

Effective November 1, 2002, the Company relocated its offices to new premises, which is expected to save the Company $5,000 per month in operating expenses.

Other than the foregoing, management knows of no trends, demands or uncertainties that are reasonably likely to have an impact on the Company's liquidity or capital resources.

FORWARD LOOKING STATEMENTS

Except for the historical information contained herein, certain of the matters discussed in this report are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. The forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, competitive pressures, changes in regulatory environment, a general slowdown in the economy, and other factors which may be disclosed throughout this Form 10-QSB or in the Company's Annual Report on Form 10-KSB. Any forecasts and projections in this report are "forward-looking statements" and are based on management's current expectations of the Company's near-term results, based on current information available pertaining to the Company, including the aforementioned risk factors; actual results could differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect only management's opinions. The Company does not have an obligation to revise these forward-looking statements to reflect subsequent events or circumstances. Readers should refer to and carefully review the information contained in future documents filed with the Securities and Exchange Commission.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (SFAS 141), BUSINESS COMBINATIONS. SFAS 141 applies to all business combinations initiated after June 30, 2001. The SFAS 141 applies to all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001, or later. The adoption of SFAS 141 will not have an impact on the Company's financial statements.

In June, 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 (SFAS 142), GOODWILL AND OTHER INTANGIBLE ASSETS. The provisions of SFAS 142 are required to be applied starting with fiscal years beginning after December 15, 2001 with earlier application permitted for entities with fiscal years beginning after March 15, 2001 provided that the first interim financial statements have not been previously issued. The Statement is required to be applied at the beginning of the entity's fiscal year and to be applied to all goodwill and other intangible assets recognized in its financial statements to that date. The adoption of SFAS 142 will not have an impact on the Company's financial statements.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143 (SFAS 143), ASSET RETIREMENT OBLIGATIONS. SFAS 143 establishes accounting standards for recognition and measurement of a liability for the costs of assets retirement obligations. Under SFAS 143, the costs of retiring an asset will be recorded as a liability when the retirement obligation arises, and will be amortized to expense over the life of the asset. The adoption of SFAS 143 will not have an impact on the Company's financial statements.

In October, 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 (SFAS 144), ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. SFAS 144 supersedes SFAS 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF, and APB Opinion 30, REPORTING THE RESULTS OF OPERATIONS - REPORTING THE EFFECTS OF DISPOSAL OF A SEGMENT OF A BUSINESS, AND EXTRAORDINARY, UNUSUAL AND INFREQUENTLY OCCURRING EVENTS AND TRANSACTIONS, for segments of a business to be disposed of. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The adoption of SFAS 144 will not have an impact on the Company's financial statements.

PART II -- OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

ITEM	Title
Ex-99.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350
Ex-99.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350

ITEMS 1, 2, 3, 4 AND 5 ARE NOT APPLICABLE AND HAVE BEEN OMITTED.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IRV, Inc.
(Registrant)

Date: February 13, 2002

/s/ Thomas E. Mills

Thomas E. Mills
President

Date: February 13, 2002

/s/ John Allen

John Allen
Chief Financial Officer