INVU INC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JANUARY 2004

INVU INC

DIRECTORS AND ADVISORS

For the year ended 31 January 2004

IRS employer identification number:	84-1135638
Place of incorporation:	COLORADO, USA
Principal executive offices:	The Beren Blisworth Hill Farm Stoke Road Blisworth NORTHANTS
Directors:	D Goldman - Non-executive chairman D Morgan J C Agostini J V Halestrap T P Maxfield - Non-executive
Secretary:	J C Agostini
Bankers:	Bank of Scotland 55 Temple Row BIRMINGHAM B2 5LS
Nominated advisor and broker:	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street LONDON EC2Y 9AR
Registrars:	(UK) Capita IRG Plc The Registry 34 Beckenham Road Beckenham KENT BR3 4TU (USA) Corporate Stock Transfer 3200 Cherry Creek Drive South/Suite 430 DENVER, CO 80209

Solicitors:	(UK) DLA Victoria Square House Victoria Square BIRMINGHAM B2 4OL
	(USA) Jenkens & Gilchrist 1445 Ross Avenue, Suite 3200 DALLAS, TEXAS 75202
Auditors:	Grant Thornton Registered Auditors Chartered Accountants Elgin House Billing Road NORTHAMPTON NN1 5AU
Public relations:	Financial Dynamics Limited Holborn Gate 26 Southampton Buildings LONDON WC2A 1PB

INVU INC

FINANCIAL STATEMENTS

For the year ended 31 January 2004

INDEX **PAGE**

CHAIRMAN'S STATEMENT

This year the company can look back with great satisfaction, having achieved all of the key milestones it set for itself. However, everyone at the company understands that this is merely the beginning of an exciting new chapter in the company's development during which we must build on the strong foundations laid, to create sustained, profitable growth for the long term.

Revenues rose 19% year on year. Even more significantly, sales increased by 54% during the second half as compared to the first half of this year. Accordingly, the company considerably reduced operating losses before goodwill in the second half of the year. Trading continues to be strong both from new customers and additional sales to existing customers. Importantly, revenues from our annual maintenance contracts (INVUCare) continue to rise as a proportion of total turnover (18%).

We have seen a dramatic increase in the number of accredited resellers (Jan 2003: 54, Jan 2004: 101). In addition to the quantitative increase, their overall quality has improved with new resellers including IKON, ISC Networks and XKO. Alone, these three new resellers have over 32 offices throughout the UK, greatly extending INVU's sales reach.

The company continues to invest in research and development. In 2003 we successfully launched further versions of the core products, and also new products such as web-based workflow (INVU i250). This year we are planning to introduce further innovative and exciting products to the market. As ever, all new products adhere to our brand values of ease of use, high quality and price performance.

INVU successfully completed a listing on AIM in January 2004 raising £3m before costs. At the same time, we radically restructured the balance sheet and de-listed from Nasdaq. These actions will allow the company to grow further by investing in the key areas of sales and marketing, reinforcing our brand and further supporting our growing reseller channel. The continued pace of reseller sign-ups gives us confidence in our ability to generate significant, repeatable and profitable revenues in the future.

Building on the success of the last year, and with the increased focus on expanding INVU's reach, we expect this year to be just as exciting with growth in all of the key areas of our business. As usual, we would expect a strong weighting to the second half.

The company continues to see many exciting prospects as our pipeline grows. The money raised during the recent listing will allow us to capitalise fully on these opportunities.

It is our stated intention to make a further non-executive appointment to the board as and when we find an appropriate candidate who is clearly able to add further value to the company and its shareholders.

……………………………..
Daniel Goldman
Non Executive Chairman

Introduction

Trading this year has been extremely encouraging, particularly showing significant growth during the second half. All of the key performance indicators have improved during the period, including the number of resellers (up 87% year on year to 101), customer sites (up 61% to 801), and total number of end users (up 41% to 13,797). All these factors have contributed to the company's substantial improvement in trading in the second half of the year.

Our focus this year has been on strengthening the reseller channel, both in terms of quality and quantity, laying solid foundations for growth in future years. For the coming year, particular emphasis will be placed on consolidating our position within the market through an active programme of branding and further fine-tuning of the sales and marketing strategies.

It has been particularly exciting to see the new resellers joining us during the period, and witnessing the dramatic improvement in the quality of those that have received accreditation. It is a theme that has continued into the current year, paralleling the growing maturity of our business and recognition within our key markets that INVU has a compelling product offering.

We are very pleased to have "brought INVU home" through the AIM listing and the successful capital fundraising in January 2004. I am very pleased with the support the company has received from its new and existing shareholders and look forward to building on these strong relationships in the coming years.

Financial performance

Turnover for the period was £2.00m (2003: £1.68m), an increase of 19% on the prior year. Recurring revenues from INVUCare amounted to 18% of total turnover, in line with expectation.

Gross profit margin improved to 94.3% of turnover (2003: 90.0%). This increase was primarily due to improved terms for embedded software licences that are incorporated into the INVU suite. We expect to maintain similar margins going forward. In addition INVUCare revenues, which are annually recurring, have increased from £0.16m in the previous year to £0.36m in the year ended 31 January 2004. These revenues attract similar high gross margins.

Research and development expenditure in the year was £0.48m (2003: £0.47m). We continue to maintain an active development programme, covering upgrades of core products and product innovations. It is the company's policy to direct research and development according to the needs of the market, and to ensure that every new product adheres to our core brand values of ease of use, high quality and price performance. It is important to note that we adopt the policy of writing off research and development costs as and when they occur.

General and administrative expenses were £1.65m during the period compared with £0.51m for the previous year. This increase was due to a number of items that require explanation. The following table reflects these items:

Analysis of operating loss

	Year ended 31 January 2004 £m	Year ended 31 January 2003 £m
Operating loss	**(1.02)**	(0.10)
General and administrative expenses include:		
Goodwill write off	**0.76**	0.07
Exchange gains	**(0.08)**	(0.30)
Professional fees associated with re-structuring and NASDAQ de-listing	**0.10**	-
Provision for doubtful debts	**0.10**	-
	0.88	(0.23)
Adjusted operating loss	**(0.14)**	(0.33)

Operating loss amounted to £1.02m (2003: loss £0.10m) an increase of £0.92m compared with last year. As detailed above certain administrative and general expenses amounted to £0.88m in the year ended 31 January 2004 as compared to (£0.23m) in the previous year.

The loss after taxes amounted to £0.13m (2003: loss £0.44m), giving a loss per share of 0.36p (2003: loss 1.45p). Based on professional advice, a tax liability of £1.25m, inherited when a group company acquired INVU Netherlands B.V., will now be expunged by tax losses and the liability has therefore been released.

The balance sheet has been radically strengthened as a result of the restructuring which took place immediately prior to the AIM listing, and also the finance raised as part of the flotation. Loans amounting to £2.30m and accrued interest of £0.51m were converted into equity and new equity funding of £2.4m net was obtained. Net cash (after bank loans) at 31 January 2004 was £1.11m (2003: Net bank debt of £1.01m).

Operations

Trading

During the past year we have seen an improvement in all areas of the business. This includes a much larger reseller channel made up of 101 resellers, as compared to 54 at the beginning of the year. We have managed to grow customer sites through the up-selling of extra products and an increase in the number of users of the existing products. INVUCare recurring revenues represents a growing proportion of the total revenues (18% for the year).

Contract wins

This year has seen both a number of exciting new customers, and growth of existing installations. The customer base now includes Persimmon Homes, Bournville Village Trust, The Telegraph Group, Solaglas Windowcare, The Maersk Company, Wincanton Group Limited. In addition we have had continued success in some specific targeted customer groups. These include financial services, construction and logistics. We will continue to identify and target specific market segments where we believe our product offering is most compelling.

Reseller channel

The reseller recruitment programme has been very successful with the sign-up rate having accelerated dramatically since the recruitment of a salesman dedicated to this task. We have continued to be successful at recruiting resellers not historically involved with document management who have recognised that INVU can provide for them new and more profitable revenue streams, as well as differentiating them from their competitors. This year, for the first time, we have also recruited several resellers previously accredited to sell other document management solutions. Whilst we do not expect these resellers to replace their other accreditations with INVU, I do believe that this shows a strengthening of our brand recognition within the reseller channel and demand for INVU products.

Of particular note is IKON who became an accredited reseller in January 2004. IKON has an installed base of 40,000 SME customers in the UK that represents a very exciting opportunity for INVU. Prior to sign-up, IKON put INVU through an intensive period of evaluation. In addition to being impressed by the product suite, IKON were especially pleased with the sales and technical training and support that the company provides to its partners and customers. INVU has already trained over 20 people within the IKON organisation. We are very pleased with the early signs from this relationship. IKON-related opportunities have already generated initial revenues and a healthy and growing pipeline.

As part of our efforts to improve margins, we are currently in the process of gradually changing our policy with respect to selling stock to our resellers at discounted rates. While discounted stock sales will always remain a part of our commercial arrangements, we expect the percentage of our sales arising from such transactions to fall over the coming 12 - 18 months. Our aim this year is to continue to increase the number of good quality resellers as well as the amount of turnover per reseller. To this end, several new marketing and PR programmes focused on the reseller channel and their customers will be implemented.

Overseas markets

This year was the first year that INVU marketed its products in Holland. We are pleased with the progress so far, although we remain cautious about the growth prospects in that territory. During the period the Dutch operation contributed 9% of revenues.

In addition we have recently signed a reseller in New Zealand and distribution in Australia is under discussion. We continue to look for further overseas channels on an opportunistic basis, in situations where we feel that the local partner can add significant value over time. Due to the early stages of these relationships we have not factored any revenues from these territories into our forecasts.

With respect to the US, the company is continually looking at possible distribution partners, although to date there has not been a relevant fit that would match our strategic aims. Whilst we recognise that the US represents a huge potential market place for our software, it is our view that there are currently too many associated risks for a company at our stage of development.

Research and development

We are pleased with the performance of the product in the market place. Version 5.3 of the Series 200 and 250 ranges has been released and has proven very successful. Codefree integration continues to be a significant factor in our sales success. We are embarking upon a conversion of our core products to the NET operating environment this year, which will give our products greater longevity and easier translation to foreign languages. In addition, we are developing highly advanced intelligent document recognition technology which will complement our core technology offering.

Use of listing proceeds

As stated in the AIM admission document the key use of the proceeds is to support the next stage in the company's development through the expansion of our sales and marketing activities. Specifically we intend to increase sales and marketing staffing within the company, maintain the reseller recruitment programme and plan and implement a series of new programmes to support the channel and the company's branding with selected marketing and PR activities.

To this end we have already recruited the necessary extra sales staff with three additional business development managers. We are in the process of recruiting a marketing manager, the first in the company's history. We are in the advanced planning stages of various marketing and PR activities aimed at broadening the reseller channel and raising the corporate profile. We have, of course, continued to recruit new resellers into the channel.

Outlook

I am very pleased with the company's performance during 2004 and in particular the AIM flotation. I would expect the sales seasonality to continue into the current year, and the company's objective remains to reach profitability during the current financial year.

The move away from our historically high level of stock sales, in addition to the increased investment in sales and marketing, will impact reportable revenues and profits over the next few months. However, for the reasons stated above in the section marked "reseller channel", we believe it is in the long term interests of the company to alter the mix between stock sales and straight product throughput.

We believe that the SME market remains a source of major growth opportunities for INVU and we are confident that our potential customers will continue to base their purchasing decisions on the specific business issues that we have identified as the drivers to our business, that is the ever growing need to find documents and data quickly.

Given the strong progress the company has made in 2003/4 and its future prospects, I am confident that 2004/5 will be another successful year for the company.

…………………………..
David Morgan
Chief Executive Officer

Executive Directors

David Morgan (aged 43), Chief Executive Officer

David Morgan founded INVU's business in 1997 and is the company's Chief Executive Officer. Prior to joining INVU, David was managing director of Orchid Limited, a UK computer software reseller, from 1995. In 1992, he was appointed managing director of Network Imaging UK Holdings Limited, an international software and systems house. In 1990, he was appointed managing director of Hunsbury Computer Services Limited, a systems integrator and subsidiary of Blackwood Hodge plc. David began his career with Rolls Royce plc and progressed to assistant to the director of the industrial and marine division. He graduated from Warwick University in 1982 with a Bachelor of Law degree.

John Charles Agostini FCA (aged 45), Chief Finance Officer

John is a qualified chartered accountant and joined the company in February 1999 as Chief Finance Officer and Company Secretary. In 1997, he joined the performance textiles division of Porvair plc as finance and operations director. In 1996, he was employed as an interim European financial controller for Sunbeam Europe Limited, a domestic appliance distributor. Between 1993 and 1996 he was the director of finance and operations at Bizeq Limited, a security alarms distributor. John trained as a chartered accountant with Grant Thornton and qualified in 1984.

Jonathan Victor Halestrap (aged 45), Director of Sales and Marketing

Jonathan joined the company in July 2000 as director of Sales and Marketing. Prior to joining INVU Jonathan was Northern European business development manager for Motiva Limited, a global information management solutions company. In 1996, Jonathan joined the international software company Bentley Systems Limited, where he became channel director, prior to which he was group sales director at Orchid Limited. In 1994, Jonathan joined Hunsbury Computer Services Limited (to become Network Imaging Solutions Limited) as divisional managing director. Jonathan graduated from Coventry Polytechnic in 1984 with a Bachelor of Science degree in engineering.

Non-Executive Directors

Daniel Goldman (aged 34), Non-Executive Chairman

Daniel joined the Board in May 1999 and replaced David Morgan as Chairman in 2002. He has significant experience with emerging technology companies, raising private equity finance and providing bespoke corporate finance advice. Daniel is currently managing director of DG Goldman Investments Limited, a provider of strategic advice and investment banking services and a director of BATM Advanced Communications Limited. He is also a director of the Puma II Fund, a fund managed by the Shore Capital Group with a bias towards technology. Daniel holds a degree in Engineering and Business Administration and studied corporate finance at the London Business School.

Thomas Patrick Maxfield (aged 54), Non-Executive Director

Thomas joined the Board of INVU in May 1999. Between 1989 and 1997 he was a main board director of The Sage Group plc, a supplier of 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 group's retail sales channel. Since leaving Sage, Thomas founded Seaham Hall Limited, an independent private company set up to develop and acquire several hotel and restaurant properties of which he is a director. The Automobile Association recently awarded Seaham Hall Hotel, its flagship property, the prestigious Hotel of the Year Award 2003. Thomas holds a Bachelor of Honours degree in Modern Languages.

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 January 2004. These will be presented to the shareholders at the Annual General Meeting to be held on ……

Principal activity

The group is principally engaged in the design and sale of computer software for the electronic management of information and documents.

Business review

The company's common shares, no par value, were traded on Nasdaq's OTC Bulletin Board until 16 December 2003 when the company suspended trading on that market. On 6 January 2004 the company's common shares, no par value, were admitted to trading on AIM. The directors made the decision to transfer the company's listing to a UK market as that is where the company's trading activities are concentrated.

There was a loss for the year after taxation amounting to £125,976 (2003: £439,218). The directors cannot recommend the payment of a dividend and the loss for the year has been transferred from reserves. A review of the group's performance for the year ended 31 January 2004 is contained in the Chairman's statement.

Research and development

The group incurs research and development expenditure which is fully expensed through the profit and loss account.

Share issues

Details of share issues during the year are detailed in note 15 to the financial statements.

Directors

The present membership of the Board is set out below.

The interests of the directors and their families in the shares of the company as at 31 January 2003 and 31 January 2004 were as follows:

	Common shares no par value	
	31 January 2004	31 January 2003
D Goldman	**5,000**	5,000
D Morgan *	**-**	-
J C Agostini	**-**	-
J Halestrap	**100,000**	100,000
T P Maxfield	**1,551,483**	85,000

* D Morgan is a potential beneficiary of an Isle of Man discretionary trust that owns Montague Limited. Montague Limited owns 19,755,890 common shares of no par value of the company. The percentage of D Morgan's beneficial interest in the assets of the discretionary trust has not been determined.

Details of options held by the directors are included within the remuneration report.

Directors' responsibilities for the financial statements

The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Substantial shareholders

At 4 May 2004 the following, other than the directors whose shareholdings are outlined above, had notified the company of disclosable interests in 3% or more of the nominal value of the company's common shares:

Name	Shareholding	%
Tyne & Wear Holdings Limited	21,123,012	22.47
Montague Limited	19,755,890	21.02
Pershing Keen Nominees Limited	19,500,070	20.75
BNY (OCS) Nominees Limited	5,350,000	5.69
Cede & Co	4,147,294	4.41

Supplier payment policy and practice

The group's normal terms of payment are between 30 and 60 days.

Trade creditors at the period end amount to 37 days of average supplies for the period.

The company had no trade creditors at the period end.

Auditors

Grant Thornton offer themselves for reappointment as auditors.

BY ORDER OF THE BOARD

J C Agostini
Secretary

Board

The Board, comprising three Executive directors, a Non-Executive Chairman and a further Non-Executive director, is responsible for the overall strategy of the group as well as considering a formal schedule of matters reserved to it and meets regularly during the year. The Board is supplied in a timely manner with information in a form suitable to enable it to discharge its duties. Advice from independent sources is available if required.

The Board members and their roles are described on page 2. The Executive directors have service contracts which are terminable upon six months notice.

The Board delegates specific responsibilities to Board committees.

Audit Committee

The Audit Committee comprises both of the Non-Executive directors, Daniel Goldman and Tom Maxfield, and the Chief Finance Officer John Agostini. Executive directors are invited to attend meetings when considered appropriate. The Committee is responsible for reviewing the half year and annual financial statements prior to submission to the Board and monitoring the group's systems of internal control. The Committee also ensures the independence and objectivity of the external auditors and also review the provision of non-audit services by external auditors. Taxation and legal advice are provided to the company by independent advisors with experience in the relevant jurisdictions.

Remuneration Committee

The Remuneration Committee is chaired by Daniel Goldman and comprises both of the Non-Executive directors. When appropriate the Committee also invites the views of the Chief Executive. The Committee makes recommendations to the Board, within agreed terms of reference, on the group's framework of executive remuneration and cost. It also determines the remuneration and benefits packages for the Executive directors and any changes to their service contracts.

Internal control

The Board has overall responsibility for the group's system of internal control and for reviewing its effectiveness. These systems of internal control can only provide reasonable, not absolute, assurance that no material loss or misstatement has occurred.

Assessment of business risk

The group has an ongoing process for identifying, evaluating and managing business risk. Strategic risks are regularly reviewed by the Board. Risks relating to the key activities of the group are assessed continuously.

Control environment

The group's operating procedures encompass a comprehensive system for providing information, both financial and non-financial, to the Board including:

- Preparation and review of annual budgets
- Review of the business at each Board meeting.

Control procedures

Detailed operational procedures, that incorporate key controls, have been developed within the group. These procedures take account of the implications of changes in law and regulations.

Monitoring procedures

There are clear procedures for monitoring the systems of key controls. The significant elements are:

- Regular reviews of operational and financial controls by the Executive directors.
- Review by the Audit Committee of the process for identifying and assessing risks and of the effectiveness of controls via the work of External Audit.

The Board considers that there have been no significant weaknesses in internal financial controls that have resulted in any material losses, contingencies or uncertainties, which need to be disclosed in the financial statements. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group, and that this process has been in place for the year under review and up to the date of this report.

Shareholder relations

INVU is committed to open communication with all its shareholders and recognises the importance of maintaining a regular dialogue with shareholders to ensure that the group's strategy and performance is understood. Following the group's listing on AIM, the directors intend to hold regular meetings with institutional shareholders to discuss and review the group's activities, objectives and performance.

Communication with private shareholders will principally be through the Annual General Meeting, where participation is encouraged and where the Board is available to answer questions.

Every shareholder will receive by post a full annual report each year and an interim report at the half year. Care is taken that price sensitive information is released to all shareholders, institutional and private, at the same time in accordance with London Stock Exchange requirements.

The Remuneration Committee operates within defined terms of reference. The Remuneration Committee comprises the Non-Executive Chairman, Daniel Goldman the other Non-Executive director, Tom Maxfield. When appropriate the Committee consults with the Chief Executive in respect of its proposals. The committee is chaired by Daniel Goldman and meets as and when remuneration issues arise.

Remuneration policy

The policy of the group is to set levels of remuneration to attract retain and motivate Executive directors and key staff. In setting executive salaries, the Remuneration Committee considers a number of factors, such as market conditions, salaries in comparable companies in similar industries and affordability, also taking into account performance and market comparisons.

The committee recognises the need to link an executive's remuneration package to individual and corporate performance.

The components of the Executive directors' remuneration packages as at the year end comprised a basic salary, bonus and benefits in kind. The benefits included a car allowance and private medical cover. However, this has recently been extended to include life cover and critical illness cover. The bonus elements are dependent upon the Executive directors achieving performance criteria set out by the Remuneration Committee. The criteria includes targets for turnover, and net profit.

Directors' remuneration

	Salaries and fees £	Bonuses £	Other benefits received £	Total 2004 £
David Morgan	97,125	5,000	17,204	119,329
John Agostini	72,250	10,500	10,800	93,550
Jon Halestrap	88,250	8,500	10,440	107,190
Daniel Goldman	7,575	-	-	7,575
Tom Maxfield	-	-	-	-
	265,200	24,000	38,444	327,644

	Salaries and fees £	Bonuses £	Benefits £	Total 2003 £
David Morgan	94,813	5,000	24,497	124,310
John Agostini	74,625	3,000	14,824	92,449
Jon Halestrap	86,625	4,000	15,159	105,784
Daniel Goldman	4,907	-	-	4,907
Tom Maxfield	-	-	-	-
	260,970	12,000	54,480	327,450

Non-Executive directors

The Board, based on a recommendation by the Non Executive Chairman determines the remuneration of the Non-Executive directors. The Non-Executive directors do not currently participate in the various benefit schemes operated by the company. All Non-Executive directors are engaged on letters of appointment, which set out their duties and responsibilities. Both the company and the Non-Executive directors are required to give one months notice of termination.

Service contracts

The Executive directors have entered into Service Contracts with the group that are terminable by either party on six months prior notice.

Share options

The company's share option schemes are set out in note 21 to the financial statements. The directors believe it is important to incentivise key management and employees generally by granting them options over shares in the company to allow them to participate over time in any increase in value of the group.

The following options have been granted to the Executive and Non-Executive directors over Ordinary Shares of no par value in the company:

		Number of common shares					
	Date of grant	**Granted**	**At 31 Jan 2002**	**At 31 Jan 2003**	**At 31 Jan 2004**	**Exercise price per share**	**Expiry date**
David Morgan	27 December 2001	400,000	400,000	400,000	400,000	£0.27 ($0.50)	December 2011
John Agostini	14 September 2001	250,000	250,000	250,000	250,000	£0.27 ($0.50)	September 2011
Jon Halestrap	14 September 2001	250,000	250,000	250,000	250,000	£0.27 ($0.50)	September 2011
Daniel Goldman	27 December 2001	150,000	150,000	150,000	150,000	£0.27 ($0.50)	December 2011
Tom Maxfield	27 December 2001	50,000	50,000	50,000	50,000	£0.27 ($0.50)	December 2011
David Andrews *	27 December 2001	30,000	30,000	30,000	30,000	£0.27 ($0.50)	December 2011

In addition in June 2000 Mr J Agostini was given an option in a personal capacity by Mr D Morgan to purchase 100,000 Common Shares for US$2 per share if Mr D Morgan was allocated a distribution from a trust that has an interest in the group. The option was exercisable from March 2001.

No share options were granted to directors during the year. No share options relating to directors lapsed during the year.

On 12 March 2004 the company cancelled all prior option schemes with regard to its employees and executive directors and replaced them with a new option scheme as detailed below. The Non-Executive directors still retain their entitlement to options under the original scheme.

	Date of grant	**Number of common shares Granted**	**Expiry date**	**Exercise price per share**
David Morgan	12 March 2004	500,000	March 2014	10.375p
John Agostini	12 March 2004	350,000	March 2014	10.375p
Jon Halestrap	12 March 2004	350,000	March 2014	10.375p

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

INVU INC

We have audited the financial statements of INVU Inc for the year ended 31 January 2004 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with generally accepted accounting practice in the United Kingdom. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read other information contained in the annual report, including the corporate governance statement and consider whether it is consistent with the audited financial statements. This other information comprises only the chairman's statement, the chief executive's report, the directors' report, the corporate governance report and the remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the Board's statement on internal control covers all risks and controls or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

INVU INC

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 January 2004 and of the loss for the group for the year then ended and have been properly prepared in accordance with generally accepted accounting practice in the United Kingdom.

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Northampton

The maintenance and integrity of the INVU Inc website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from the legislation in other jurisdictions.

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies of the group are set out below and are unchanged from the previous year.

BASIS OF CONSOLIDATION

The financial statements represent the consolidation of the company and its subsidiary undertakings drawn up to 31 January 2004. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

GOODWILL

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired is capitalised and is amortised on a straight line basis over its estimated useful economic life. As a matter of accounting policy, goodwill on consolidation, first accounted for in accounting periods ending before 23 December 1998, the implementation date of Financial Reporting Standard No 10, was written off to reserves immediately on acquisition. Such goodwill will be charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates.

REVENUE RECOGNITION

Turnover represents amounts receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

Fees for services and maintenance are charged to resellers separately from the sale of software. Revenues from the sale of software to resellers are recognised upon product shipment when fees are fixed, collectability is probable and the group has no significant obligations remaining under the sale agreement. In instances where a significant vendor obligation exists, revenue recognition is delayed until such obligation has been satisfied.

For those sale agreements to resellers which provide the resellers the right to multiple copies in exchange for guaranteed amounts, software revenues are recognised at delivery of the product master or the first copy as the reseller has no recourse to the group after this point. Per copy royalties on sales which exceed the guarantee are recognised as earned.

Resellers are charged an accreditation fee each year for training and consulting to be provided by the group to the resellers and this fee is recognised evenly over each accreditation period.

The group's resellers provide primary maintenance and ongoing support to the end users. The group provides secondary support to the end users via the resellers and charge the reseller an annual fee for this support. The fees charged by the group to the resellers are recognised over a twelve month period. Where the end user no longer has an accredited reseller support fees are charged by the group to the end user and recognised over a twelve month period.

INTANGIBLE FIXED ASSETS

Purchased software licences and similar rights and assets are included at cost and amortised on a straight line basis over their expected useful economic life of 3 years.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Computer equipment	25% per annum
Motor vehicles	25% per annum
Fixtures, fittings and equipment	25% per annum

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

INVESTMENTS

Investments in subsidiary undertakings are included at cost less amounts written off.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

FINANCIAL INSTRUMENTS

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value.

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

Convertible loan notes, and accrued interest in respect of these instruments, are converted into equity based on the respective balance sheet amounts outstanding on the date of conversion.

FOREIGN CURRENCY

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

The balance sheets of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The profit and loss accounts of foreign subsidiaries are translated at the average exchange rate for the period. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to profits in the period in which it is incurred.

CASH AND LIQUID RESOURCES

Cash at bank and in hand includes cash deposits that have notice periods of one day apart from balances held in escrow that are treated as liquid resources

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 January 2004

	Note	2004 £'000	2003 £'000
Turnover	1	**1,997**	1,680
Cost of sales		**(113)**	(167)
Gross profit		**1,884**	1,513
Distribution costs		**(182)**	(162)
Administrative expenses		**(2,720)**	(1,455)
Operating loss		**(1,018)**	(104)
Net interest	2	**(359)**	(335)
Loss on ordinary activities before taxation	1	**(1,377)**	(439)
Tax on loss on ordinary activities	4	**1,251**	-
Loss for the year transferred from reserves	17	**(126)**	(439)
Loss per ordinary share Basic	5	**(0.36p)**	(1.45p)

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET AT 31 JANUARY 2004

	Note	**£'000**	**2004 £'000**	£'000	2003 £'000
Fixed assets					
Intangible assets	7	**17**		809	
Tangible assets	8	**141**		174	
			158		983
Current assets					
Stock	10	**182**		75	
Debtors	11	**1,296**		990	
Short term deposits		**425**		-	
Cash at bank and in hand		**1,122**		35	
		3,025		1,100	
Creditors: amounts falling due within one year	12	**(1,993)**		(5,070)	
Net current assets/(liabilities)			**1,032**		(3,970)
Total assets less current liabilities			**1,190**		(2,987)
Creditors: amounts falling due after more than one year	13		**(8)**		(1,103)
Net assets/(liabilities)			**1,182**		(4,090)
Capital and reserves					
Called up share capital	15		**-**		-
Share premium account	16		**5,562**		243
Profit and loss account	16		**(4,380)**		(4,333)
Shareholders' funds	17		**1,182**		(4,090)

The financial statements were approved by the Board of Directors on

……………………
D Goldman
Chairman

……………………
D Morgan
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

BALANCE SHEET AT 31 JANUARY 2004

	Note		2004		2003
		£'000	**£'000**	£'000	£'000
Fixed assets					
Investments	9		**176**		176
Current assets					
Debtors	11				
- amounts due in less than one year		**350**		350	
- amounts due in more than one year		**4,414**		615	
		4,764		965	
Creditors: amounts falling due within one year	12	**(713)**		(1,567)	
Net current assets/(liabilities)			**4,051**		(602)
Total assets less current liabilities			**4,227**		(426)
Creditors: amounts falling due after more than one year	13		**-**		(518)
Net assets/(liabilities)			**4,227**		(944)
Capital and reserves					
Called up share capital	15		**-**		-
Share premium account	16		**5,562**		243
Profit and loss account	16		**(1,335)**		(1,187)
Shareholders' funds			**4,227**		(944)

The financial statements were approved by the Board of Directors on

……………………
D Goldman
Chairman

……………………
D Morgan
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 January 2004

	Note	2004 £'000	2003 £'000
Net cash outflow from operating activities	18	**(470)**	(453)
Returns on investments and servicing of finance			
Interest paid		**(126)**	(109)
Interest received		**1**	-
Hire purchase interest paid		**(5)**	(15)
Net cash outflow from returns on investments and servicing of finance		**(130)**	(124)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(65)**	(70)
Sale of tangible fixed assets		**34**	9
Net cash outflow from capital expenditure and financial investment		**(31)**	(61)
Acquisitions and disposals			
Purchase of subsidiary undertakings		**-**	(828)
Net cash acquired from purchase of subsidiary undertakings		**-**	1,151
Net cash inflow from acquisitions and disposals		**-**	323
Management of liquid resources			
Purchase of short term deposits		**(425)**	-
Net cash outflow from management of liquid resources		**(425)**	-
Financing			
Issue of shares		**3,000**	-
Issue costs paid		**(620)**	-
Receipts from borrowings		**567**	193
Repayments of borrowings		**(324)**	(54)
Capital element of hire purchase payments		**(57)**	(42)
Net cash inflow from financing		**2,566**	97
Increase/(decrease) in cash	19	**1,510**	(218)

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2004	2003
	£'000	£'000
Loss for the financial year	**(126)**	(439)
Currency differences on foreign currency net investments	**79**	(30)
Total recognised gains and losses for the year	**(47)**	(469)

The accompanying accounting policies and notes form an integral part of these financial statements.

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and loss on ordinary activities before taxation is attributable to the activity stated in the Report of the Directors. An analysis of turnover by geographical market is given below:

	2004	2003
	£'000	£'000
United Kingdom	**1,822**	1,672
Europe	**175**	8
	1,997	1,680

The loss on ordinary activities before taxation is stated after charging/(crediting):

	2004	2003
	£'000	£'000
Research and development expenditure (including wages and salaries)	**477**	467
Auditors' remuneration:		
Audit services	**40**	41
Non-audit services - other advisory services	**16**	9
Depreciation and amortisation:		
Goodwill	**155**	69
Other intangible fixed assets	**33**	33
Tangible fixed assets, owned	**57**	47
Tangible fixed assets, held under hire purchase contracts	**14**	47
Goodwill impairment provision	**604**	-
Other operating lease rentals	**69**	58
Exchange gains	**(81)**	(344)

In addition to the above fees for non-audit services charged by the auditors, fees totalling £124,000 for reporting accountant work have been charged to the share premium account as issue costs.

2 NET INTEREST

	2004	2003
	£'000	£'000
On bank loans and overdrafts	**56**	57
On other loans and convertible loan stock	**169**	263
Other debt finance costs (see note 15)	**130**	-
Finance charges in respect of hire purchase contracts	**5**	15
Other interest receivable and similar income	**(1)**	-
	359	335

On 2 January 2004, £99,000 of the other interest payable above for the year together with accrued interest from previous years amounting to £412,000 was converted into common shares of no par value (see note 14).

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2004	2003
	£'000	£'000
Wages and salaries	**1,154**	949
Social security costs	**113**	99
	1,267	1,048

The average number of employees of the group during the year was:

	2004	2003
	Number	Number
	25	21

Details of directors' remuneration are disclosed within the Remuneration Report.

4 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit represents:

	2004 **£'000**	2003 £'000
Adjustment in respect of prior year:		
Overseas taxation	**(1,251)**	-
Total current tax	**(1,251)**	-

Factors affecting the tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained as follows:

	2004 **£'000**	2003 £'000
Loss on ordinary activities before tax	**(1,377)**	(439)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	**(413)**	(132)
Effect of:		
Expenses not deductible for tax purposes	**317**	(38)
Capital allowances for the period in excess of depreciation	**(19)**	6
Research and development deductions	**(32)**	(45)
Research and development tax credits	**-**	112
Losses unutilised in the year	**117**	97
Adjustment in respect of prior year	**(1,251)**	-
Other timing differences	**30**	-
Current tax charge for the year	**(1,251)**	-

On acquisition of INVU Netherlands B.V. in the year ended 31 January 2003 the group inherited a tax liability of £1.25m. As a result of tax losses incurred since the acquisition the group has received independent tax advice that this will not now be payable and therefore this liability has been reduced.

Unrelieved tax losses remain available to offset against future taxable trading profits in the respective countries as follows:

Country	**Unrelieved tax losses £'000**
UK	2,390
US	980
Netherlands	390

5 LOSS PER SHARE

	2004 £'000	2003 £'000
Basic loss per share		
Loss for the financial year	**(126)**	(439)

	2004 Number	2003 Number
Weighted average number of common shares in issue during the year	**35,440,330**	30,386,539
Basic loss per share	**(0.36p)**	(1.45p)

The share options and convertible debt potential shares are anti-dilutive and therefore the basic and diluted loss per share are the same.

6 LOSS FOR THE FINANCIAL YEAR

The parent company has not included its own profit and loss account in these financial statements. The loss for the financial year of the company was £148,357.

7 INTANGIBLE FIXED ASSETS

The group	**Goodwill on consolidation £'000**	**Software rights and licences £'000**	**Total £'000**
Cost			
At 1 February 2003 and at 31 January 2004	828	100	928
Amortisation			
At 1 February 2003	69	50	119
Provided in the year	759	33	792
At 31 January 2004	828	83	911
Net book amount at 31 January 2004	**-**	**17**	**17**
Net book amount at 31 January 2003	759	50	809

Goodwill on consolidation related to the acquisition of INVU Netherlands B.V. (formerly Corsham Holding B.V.). An impairment provision of £604,000 has been made during the period as no future economic benefit is expected to be derived from the original net assets acquired.

The company has no intangible fixed assets.

8 TANGIBLE FIXED ASSETS

The group

	Computer equipment £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 February 2003	172	168	73	413
Additions	63	-	2	65
Disposals	(22)	(116)	(1)	(139)
At 31 January 2004	213	52	74	339
Depreciation				
At 1 February 2003	68	115	56	239
Provided in the year	43	14	14	71
Disposals	(22)	(89)	(1)	(112)
At 31 January 2004	89	40	69	198
Net book amount at 31 January 2004	**124**	**12**	**5**	**141**
Net book amount at 31 January 2003	104	53	17	174

Motor vehicles above includes assets held under hire purchase contracts with a net book value of £12,000 (2003: £52,000). Depreciation amounting to £14,000 (2003: £47,000) has been charged to the profit and loss account during the year.

The company has no tangible fixed assets.

9 FIXED ASSET INVESTMENTS

The company	Shares in group undertakings £'000
Cost	
At 1 February 2003 and 31 January 2004	**176**

9 FIXED ASSET INVESTMENTS (CONTINUED)

At 31 January 2004 the company held 20% or more of the allotted share capital of the following:

	Country of incorporation	Class of share capital held	Proportion held By parent company	Proportion held By the group	Nature of business
INVU Plc	England	Ordinary	100%	100%	Holding company
INVU Services Limited	England	Ordinary	-	100%	Software and related services, design and sales
INVU International Holdings Limited	England	Ordinary	-	100%	Holds intellectual property rights
INVU Netherlands B.V.	Netherlands	Ordinary	-	100%	Software and related services and sales

10 STOCK

	2004	2003
	£'000	£'000
Licences and goods for resale	**182**	75

11 DEBTORS

	The group		The company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Trade debtors	**1,234**	949	**-**	-
Amounts owed by group undertakings	-	-	**4,764**	965
Other debtors	-	1	**-**	-
Prepayments and accrued income	**62**	40	**-**	-
	1,296	990	**4,764**	965

Amounts owed by group undertakings for the company for 2004 include £4,414,000 that is due after more than one year (2003: £615,000).

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The group		The company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**434**	789	**-**	-
Convertible loan stock	**-**	1,785	**-**	1,496
Other loans	**576**	-	**576**	-
Trade creditors	**406**	302	**-**	-
Amounts owed to group undertakings	**-**	-	**-**	-
Corporation tax	**-**	1,175	**-**	-
Other taxation and social security	**117**	221	**-**	-
Accruals	**450**	733	**137**	71
Amounts due under hire purchase contracts	**10**	65	**-**	-
	1,993	5,070	**713**	1,567

Other loans comprise the following:

Loan amount £'000	Interest rate per annum	Repayment terms
300	15%	Repayable by 28 February 2004
110	14%	Repayable by 28 February 2004
166	6%	Repayable by monthly instalments of £20,000 per month
576		

The other loans due to be repaid by 28 February 2004 have been repaid since the year end.

Amounts due under hire purchase contracts are secured on the assets to which they relate.

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The group		The company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Bank loans	**-**	259	**-**	-
Convertible loan stock	**-**	350	**-**	518
Other loans	**-**	484	**-**	-
Amounts due under hire purchase contracts	**8**	10	**-**	-
	8	1,103	**-**	518

Amounts due under hire purchase contracts are secured on the assets to which they relate.

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

Bank loans and overdraft

The bank loans and overdrafts are secured by a charge over all of the assets of the group and a corporate guarantee from Vertical Investments Limited, a company in which Mr D Goldman, a shareholder and non-executive director of the group, had an interest until December 2002.

At 31 January 2004 £425,000 was included in short term deposits specifically to repay bank loans of the same amount. As of 5 May 2004 £200,000 of the bank loan had been repaid from this account and since the year end the charge over the group's assets and the corporate guarantee from Vertical Investments Limited have been released.

14 FINANCIAL INSTRUMENTS

The group uses financial instruments, other than derivatives, comprising borrowings, cash and various items, such as trade debtors, trade creditors etc that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Refinancing agreement

At 31 January 2003 the group had the convertible loan stock detailed below outstanding:

Amount $'000	Amount £'000	Interest rate per annum	Final repayment date	Original Conversion rate	Revised Conversion rate
600	366	6%	August 2002	1 Common share for every US$0.65	1 Common share for every US$0.30
400	244	8% - 10%	August 2002	1 Common share for every US$0.50	1 Common share for every US$0.30
1,000	609	7%	August 2005	1 Common share for every US$0.2175	1 Common share for every US$0.2175
250	152	1.5% above UK base rate	May 2003	1 Common share for every US$0.25	1 Common share for every US$0.20
50	30	1.5% above UK base rate	May 2003	1 Common share for every US$0.25	1 Common share for every US$0.20
84	51	1.5% above UK base rate	June 2003	1 Common share for every US$0.25	1 Common share for every US$0.20
25	15	1.5% above UK base rate	June 2003	1 Common share for every US$0.25	1 Common share for every US$0.20
50	30	1.5% above UK base rate	July 2003	1 Common share for every US$0.25	1 Common share for every US$0.20
500	304	12%	June 2005	1 Common share for every US$0.13	1 Common share for every US$0.13
275	167	12%	May 2005	1 Common share for every US$0.13	1 Common share for every US$0.13
275	167	12%	May 2005	1 Common share for every US$0.13	1 Common share for every US$0.13
3,509	2,135				

During the year ended 31 January 2004 the group issued convertible loan stock amounting to £103,000 ($175,000) at an interest rate of 14% per annum and a conversion rate of 1 Common share for every $0.065 outstanding.

On 2 January 2004 under the terms of a refinancing agreement dated 19 December 2003 all of the above convertible loans amounting to £2,059,711 at that date, plus £237,950 ($380,720) of the other loans with an agreed conversion price of $0.30 per Common share outstanding at that time, were converted into 22,264,328 Common shares of no par value. The convertible loan stock was converted at the revised conversion rates noted above which were part of the refinancing agreement.

Refinancing agreement (continued)

In addition the accrued interest to 19 December 2003 on the convertible loan stock amounting to £510,762 ($884,946) was converted into 4,514,454 Common shares of no par value on 2 January 2004.

As part of the refinancing agreement the group issued 1,535,156 Common shares of no par value to lenders who had provided short term funding during the year to the group when the group was in the process of transferring its listing to AIM and placing new Common shares of no par value.

Interest rate risk

The group finances its operations through a mixture of bank and other borrowings. The other borrowings represented convertible loan stock which was converted into equity as detailed in note 15. The group exposure to interest rate fluctuations on its borrowings is managed by the use of fixed and floating facilities. There is no standing policy on the mix of interest rate.

Financial liabilities

The interest rate profile of the financial liabilities as at 31 January 2004 was:

Currency	Total £'000	Fixed rate financial liabilities £'000	Floating rate financial liabilities £'000
2004			
Sterling	**918**	**484**	**434**
US dollars	**110**	**110**	**-**
	1,028	**594**	**434**

14 FINANCIAL INSTRUMENTS (CONTINUED)

	Total £'000	**Fixed rate financial liabilities £'000**	**Floating rate financial liabilities £'000**
2003			
Sterling	1,607	559	1,048
US dollars	2,135	1,856	279
	3,742	2,415	1,327

Currency	**Weighted average fixed interest rate**
2004	
Sterling	**12%**
US dollars	**14%**

All of the financial liabilities are repayable within the next financial year.

	Weighted average fixed interest rate %	**Weighted average period for which rate is fixed in years**
2003		
Sterling	9%	5
US dollars	9%	2

The floating rate liabilities bear interest at various rates linked to the bank base rate.

Financial assets

The interest rate profile of the financial assets as at 31 January 2004 was:

Currency	**2004 Floating rate financial assets £'000**	2003 Floating rate financial assets £'000
Sterling	**1,529**	-
Euro	**18**	35
	1,547	35

The floating rate assets bear interest at various rates linked to the bank base rate.

14 FINANCIAL INSTRUMENTS (CONTINUED)

Maturity of financial liabilities

The group financial liabilities analysis at 31 January 2004 and 31 January 2003 was as follows:

	The group		The company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
In less than one year or on demand				
Bank and other borrowings	**1,010**	2,574	**576**	1,496
Finance leases	**10**	65	**-**	-
In more than one year but less than two years				
Bank and other borrowings	**-**	259	**-**	-
Finance leases	**8**	10	**-**	-
In more than two years but less than five years				
Bank and other borrowings	**-**	350	**-**	518
In more than five years				
Bank and other borrowings	**-**	484	**-**	-
	1,028	3,742	**576**	2,014

Borrowing facilities

The group was negotiating additional borrowing facilities of £300,000 at 31 January 2004. These facilities were agreed after the year end.

Currency risk

The group does not hedge its exposure of foreign investments held in foreign currencies. The group is exposed to translation and transaction foreign exchange risk. The group has an overseas subsidiary operating in Europe, whose revenues and expenses are denominated in Euros. The group's UK sales are to customers within the UK. These sales are priced and invoiced in sterling.

14 FINANCIAL INSTRUMENTS (CONTINUED)

The tables below show the extent to which group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the group companies and the group.

Net foreign currency monetary assets/(liabilities)

Functional currency of operation	**Euro £'000**	**US Dollar £'000**	**Total £'000**
2004			
Sterling	**9,496**	**(137)**	**9,359**

	Euro £'000	**US Dollar £'000**	**Total £'000**
2003			
Sterling	6,897	(2,278)	4,619

Of the net monetary liabilities £9,496,366 (2003: £6,896,765) relates to intercompany balances.

Fair values

The fair values of the group's financial assets and liabilities at 31 January 2004 are not materially different from their carrying values.

15 SHARE CAPITAL

	2004 £'000	2003 £'000
Authorised		
20,000,000 Preferred shares, no par value	**-**	-
100,000,000 Common shares, no par value	**-**	-
	-	-
Allotted, called up and fully paid		
93,994,595 (2003: 30,386,539) Common shares, no par value	**-**	-

Issue of shares

On 2 January 2004 the company issued 35,294,118 common shares of no par value for consideration of 8.5p per share. Total proceeds amounted to £3,000,000 before issue costs of £620,012.

On 2 January 2004 the convertible debt held by the company was converted to common shares of no par value. 26,778,782 shares were issued to convert loans and interest amounting to £2,808,423 into share capital.

On 2 January 2004 1,535,156 common shares of no par value were issued as consideration for short term loan finance provided to the group during the year resulting in a finance cost of £130,488 on issue.

16 SHARE PREMIUM ACCOUNT AND RESERVES

The group	Share premium account £'000	Profit and loss account £'000
At 1 February 2003	243	(4,333)
Loss for the year	-	(126)
Exchange differences	-	79
Premium on allotment during the year	5,939	-
Issue costs	(620)	-
At 31 January 2004	**5,562**	**(4,380)**

The company	Share premium account £'000	Profit and loss account £'000
At 1 February 2003	243	(1,187)
Loss for the year	-	(148)
Premium on allotment during the year	5,939	-
Issue costs	(620)	-
At 31 January 2004	**5,562**	**(1,335)**

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

The group	2004 £'000	2003 £'000
Loss for the year	**(126)**	(439)
Exchange differences	**79**	(30)
	(47)	(469)
Issue of shares in year	**2,510**	-
Conversion of debt to equity	**2,809**	-
Net increase/(decrease) in shareholders' funds	**5,272**	(469)
Shareholders' funds at 1 February 2003	**(4,090)**	(3,621)
Shareholders' funds at 31 January 2004	**1,182**	(4,090)

18 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2004	2003
	£'000	£'000
Operating loss	**(1,018)**	(104)
Depreciation and amortisation	**863**	196
Profit on disposal of fixed assets	**(7)**	-
Increase in stock	**(107)**	(19)
Increase in debtors	**(306)**	(253)
Decrease in creditors	**130**	101
Exchange differences	**(25)**	(374)
Net cash outflow from operating activities	**(470)**	(453)

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004	2003
	£'000	£'000
Increase/(decrease) in cash in the year	**1,510**	(218)
Net cash inflow from financing	**(243)**	(139)
Net cash outflow from hire purchase contracts	**57**	42
Net cash outflow from increase in liquid resources	**425**	-
Change in net funds from cash flows	**1,749**	(315)
Conversion of debt to share capital	**2,298**	-
Effect of foreign exchange changes	**179**	369
Movement in net debt in the year	**4,226**	54
Net debt at 1 February 2003	**(3,707)**	(3,761)
Net funds/(debt) at 31 January 2004	**519**	(3,707)

20 ANALYSIS OF CHANGES IN NET DEBT

	At 1 February 2003 £'000	Cash flow £'000	Exchange movement £'000	Non-cash items £'000	At 31 January 2004 £'000
Cash at bank and in hand	35	1,087	-	-	**1,122**
Bank overdraft	(423)	423	-	-	**-**
	(388)	1,510	-	-	**1,122**
Debt	(3,244)	(243)	179	2,298	**(1,010)**
Hire purchase contracts	(75)	57	-	-	**(18)**
Short term deposits	-	425	-	-	**425**
	(3,707)	1,749	179	2,298	**519**

Major non-cash transaction

Under the terms of a refinancing agreement dated 2 January 2004 all of the group's convertible loan stock amounting to £2,297,661 plus accrued interest of £510,762 was converted into 26,778,782 common shares of no par value.

21 SHARE OPTIONS

The following share options were outstanding over common shares of no par value at 31 January 2004:

Scheme	Grant date	Option price per share	Expiry date	Number of options
Enterprise Management Share Option Scheme (Group A)	14 September 2001	£0.27 ($0.50)	14 September 2011	650,000
Enterprise Management Share Option Scheme (Group B)	14 September 2001	£0.27 ($0.50)	14 September 2011	302,484
Executive Share Option Scheme	27 December 2001	£0.27 ($0.50)	27 December 2011	630,000
Options issued to loan providers	27 December 2001	£0.14 ($0.25)	1 March 2006	1,200,000

Enterprise Management Share Option Scheme (Group A and B)

The share options under these schemes contain performance targets over the first 3 to 4 years after the date of grant which accelerate the vesting of the options. If the performance targets are not met, the options would vest to the individuals on the sixth anniversary of the date of grant.

Executive Share Option Scheme

The share options under this scheme vest to the individuals at each anniversary from the date of the grant in four annual instalments.

21 SHARE OPTIONS (CONTINUED)

Other information

The share options are denominated in US dollars and have been translated into sterling at the year end exchange rate.

During the year no options were granted or exercised and 83,881 have been cancelled for employees who have left the group during the year.

As a result of the refinancing agreement of 2 January 2004, 450,000 options that had previously been issued to lenders at an exercise price of £0.48 ($0.875) per share and 1,500,000 of options at an exercise price of £0.14 ($0.25) per share were cancelled, leaving 1,200,000 options at an exercise price of £0.14 ($0.25) per share in existence. The market price of the company's common shares on the date of variation was 8.5p per share.

The market price of the common shares of no par value each at 31 January 2004 was 11p. The market price ranged from a low of 9.8p to a high of 11.1p from 6 January 2004 to 31 January 2004 which is the period for which the company's shares were trading on AIM.

The share options held by directors are detailed in the remuneration report.

New share option schemes

On 12 March 2004 the company cancelled all of the options held under the Enterprise Management Share Option Schemes A and B and 400,000 of the options held under the Executive Share Option Scheme.

The company granted the following options on 12 March 2004:

Scheme	Option price per share	Expiry date	Number of options
Enterprise Management Share Option Scheme (Group A)	10.375p	March 2014	1,483,528
Enterprise Management Share Option Scheme (Group B)	10.375p	March 2014	746,855

22 CAPITAL COMMITMENTS

The group had no capital commitments at 31 January 2004 or 31 January 2003.

The group had a commitment to purchase a minimum of nil (2003: 47,603) database licences for £nil (2003: £139,000) at 31 January 2004.

23 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 January 2004 or 31 January 2003.

24 LEASING COMMITMENTS

Operating lease payments amounting to £32,000 (2003: £28,000) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings		Other	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
In one year or less	**25**	23	**-**	-
Between one and five years	**-**	-	**7**	5
	25	23	**7**	5

25 TRANSACTIONS WITH RELATED PARTIES

The group entered into the following transactions with directors or shareholders or companies in which the directors or shareholders had an interest during the year.

Director or shareholder	Transaction	2004 £'000	2003 £'000
P O'Sullivan	Purchases from Impakt Software Limited	**-**	49
	Balance owed to Impakt Software Limited	**-**	1
P Fraser	Advisory fee paid relating to acquisition of INVU Netherlands B.V. (Corsham Holding B.V.)	**-**	42
	Loan to the group	**166**	484

Mr D Goldman, a director of the group, had an interest in Vertical Investments Limited until December 2002 at which point Vertical Investments Limited was the holder of £1,474,197 (US $2,683,333) convertible loan stock.

The brother of Mr D Goldman was the beneficial holder of £27,469 (US$50,000) of convertible loan stock until December 2002.

Mrs C Goldman, mother of Mr D Goldman, a director of the group and Mr T P Maxfield, a director of the group each held £183,130 (US$333,333) of the convertible loan stock of the group until the loans were converted into common shares of no par value on 2 January 2004.

Notice is hereby given that the Annual General Meeting of INVU Inc will be held at on at for the following purposes:

1 To receive and adopt the report of the directors and the financial statements for the year ended 31 January 2004 and the report of the independent auditors thereon.

2 To re-elect as a director of the company.

3 To re-elect as a director of the company.

4 To re-appoint the auditors and to authorise the directors to fix their remuneration.

5 To transact any other ordinary business.

Every member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote on their behalf. A proxy need not be a member of the company. A form of proxy is enclosed. Completed forms of proxy must be lodged with the Registrar at the address shown on the form not less than 48 hours before the time appointed for the holding of the meeting.

ON BEHALF OF THE BOARD

Secretary

{Date}

Notes

In accordance with the Listing Rules of the Financial Services Authority, copies or particulars of contracts of service between directors and the company or any of its subsidiary undertakings will be available for inspection by members at the registered office of the company during normal business hours from the date of this notice until and at the place of the Annual General Meeting for fifteen minutes prior to and until the conclusion of that meeting.