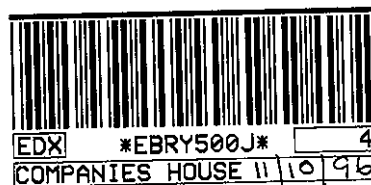


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**PARRY PEOPLE MOVERS  
LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31st DECEMBER 1995**



Parry People Movers Limited  
Overend Road Cradley Heath  
West Midlands B64 7DD U.K.  
Tel 01384 569171  
Fax 01384 637753

## CHAIRMAN'S STATEMENT

In 1995 Parry People Movers Ltd maintained excellent progress towards its goal of introducing a new zero-emission public transport capable of making an important contribution to the quality of life in our towns and cities. We successfully completed a 12 month period of trials and testing of intended production versions of our light tramcar: this involved an extended period of urban simulation running and was supervised by an independent panel of industry experts. We also achieved our first order, from a leasing company, for no less than three trams, of which one had been delivered by the year's end.

In the near future we expect to embark on a further stage of proving when one of our trams operates on a fully commercial basis for a trial period. This will take place in Weymouth, subject to agreements with various parties including Railtrack, which owns the line through the town centre to the harbour. This project will be the first high profile exposure of the Parry system and will be watched with keen interest by the light rail industry, by government departments and by transport authorities.

Although the Parry light tramway is remarkably easy to install, compared with conventional tramways, many steps are still required between an authority's decision in principle to install a system and its final realisation. And firm commitment to proceed is reached only at about the half way stage in this obstacle course. However, of the many discussions we are now having with local and transport authorities around the country, we believe that at least 8 are committed in principle to the Parry system and firm orders are subject 'only' to finance, planning and legal process.

As far as finance is concerned, local authorities under the present dispensation have few resources under their own control for transport initiatives of this kind. Central funds can be made available after lengthy process but we believe that in many cases it will be preferable to raise tramway project development funds from private sources. The Parry tramway system is highly suitable for private finance and we are taking steps in a number of places to launch local Tramway Development Companies. These companies will provide a focus for local interest in the tramway project and mobilise the funds required from local and other sources - at first on a small scale and on more serious levels as the project develops. The TDCs will manage the project, lead negotiations with the authorities and co-ordinate the many inputs required, eg from civil engineers, hardware suppliers, financing companies, system operators etc. Parry People Movers will, of course, provide maximum encouragement to the TDC but will not normally contribute cash.

While it is taking our company some time to move from the development to the revenue stage, there is no doubt that the tramway system now commands the approval of the authorities, the respect of the transport industry and the enthusiasm of the public. The Department of Transport informs us that it sees a significant role for the system, while ultra light rail, preferably without wires, is an essential component of the Urban Clear Zone concept now being promoted by the government's Technology Foresight Committee. The EU Transport Commissioner, Neil Kinnock, visited the company's premises at Cradley Heath in February 1996: he confirmed his view that the Parry system was just the kind of urban transport innovation the Commission was looking for and promised his full support wherever appropriate.

We have now started work with other members of the light rail industry on a larger two-car version of the tram. It is well known that the capital and operating costs of conventional rolling stock are such that on many inter-urban railway routes only a peak hour service can be provided. British Rail Research have pointed out that a lower cost system such as the PPM could provide a more frequent service on low density routes and thus generate a substantial new transport market. Work on the 'ULT 70' PPM is being carried out by our licensor JPM Parry & Associates, in association with BRR, Brush Traction, Brecknell Willis and Sheffield University's Advanced Rail Research Centre.

After 5 years of demonstrably successful development PPM is approaching the stage of full commercial operation, in advance of which it will be necessary to review the organisation of the company and its capital needs. As shareholders will know, our shares have been quoted since last December on the OFEX exchange, where, in independent trading, they have commanded a price which fairly recognises our achievement so far. As this achievement is proved in the market place we expect public appreciation of what we are doing to be even further enhanced and that this will provide us with the support we need to put the company on a sound financial footing for the tasks and opportunities that lie ahead.

John Parry MBE

March 1996

PARRY PEOPLE MOVERS LTD

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FINANCIAL ACCOUNTS FOR THE  
YEAR ENDED 31 DECEMBER 1995

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**PARRY PEOPLE MOVERS LTD**

**DIRECTORS**

J P M Parry MBE  
A D Collier  
P A L Gordon  
C M Jefferson  
D R Oldfield  
J S Skinner

**SECRETARY**

A J Mynette

**REGISTERED OFFICE**

Overend Road, Cradley Heath,  
West Midlands B64 7DD.

**REGISTERED NUMBER**

2652429

**BANKERS**

Midland Bank plc  
1 Great Cornbow, Halesowen,  
West Midlands B63 3AD

**SOLICITORS**

Malcolm Lynch  
Vassalli House, 20 Central Road,  
Leeds LS1 6DE

**AUDITORS**

Gallagher & Company  
Chartered Accountants & Registered Auditors  
Glover Hill, Uckingham,  
Tewkesbury, Glos. GL20 6EP

**REGISTRARS**

Mynette & Company  
60 Prospect Road  
Birmingham B13 9TD

PARKY PEOPLE MOVERS LTD  
**FINANCIAL ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1995**

**CONTENTS**

1. Report of the Directors
2. Statement of Directors Responsibilities
3. Report of the Auditors
4. Profit and Loss Account
5. Balance Sheet
- 6-10. Notes to Accounts

**The following page does not form part of the Statutory Accounts**

Appendix 1. Trading and Profit and Loss Account

1.

**PARRY PEOPLE MOVERS LTD**  
**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31 DECEMBER 1995**

The directors present their annual report with the accounts of the company for the year ended 31 December 1995.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was the development and marketing of flywheel powered trams and promotion of ultra-light rail systems.

**DIRECTORS**

The directors in office in the year and their beneficial interests in the company's issued ordinary share capital were as follows:

	Ordinary Shares of £1 each	
	1995	1994
J P M Parry MBE	7,830	6,693
A D Collier	-	-
P A L Gordon	4,000	3,387
C M Jefferson	-	-
D R Oldfield	5,000	5,000
J S Skinner	17,543	14,651

J P M Parry and D R Oldfield retire by rotation and, being eligible, offer themselves for re-election.

**POLITICAL AND CHARITABLE DONATIONS**

There were no political or charitable donations in the year.

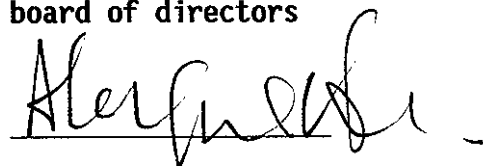
**AUDITORS**

The auditors, Gallagher & Company, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**SMALL COMPANY EXEMPTIONS**

Advantage has been taken in the preparation of this report of special exemptions applicable to small companies.

Signed on behalf of the  
board of directors



**A J Mynette**  
Secretary

11 March 1996

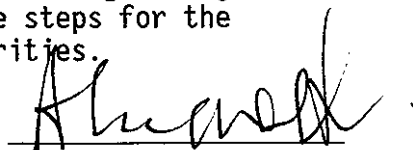
STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are required under company law to prepare financial accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial accounts we are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial accounts comply with Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

11 March 1996



By Order of the Board

A J Mynette  
Secretary



5.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF**  
**PARRY PEOPLE MOVERS LTD**

We have audited the financial accounts on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 2 the company's directors are responsible for the preparation of financial accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.


**BASIS OF OPINION**

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial accounts, and of whether the accounting policies are appropriate to the company'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 accounts 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 accounts.

**OPINION**

In our opinion the financial accounts give a true and fair view of the state of the company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



**GALLAGHER AND COMPANY**  
**Registered Auditors**  
**Chartered Accountants**

Glover Hill, Uckinghall,  
Tewkesbury, Glos.  
GL20 6EP

11 March 1996

PARRY PEOPLE MOVERS LTDPROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1995

	<u>Notes</u>	<u>1995</u>	<u>1994</u>
		£	£
TURNOVER	2	129,000	-
Cost of Sales		51,250	-
<u>GROSS PROFIT</u>		77,750	-
Net Operating Expenses			
Administrative Expenses		62,354	81,414
<u>OPERATING PROFIT/(LOSS)</u>	3	15,396	(81,414)
Income from Investments		850	744
<u>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST</u>		16,246	(80,670)
<u>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		16,246	(80,670)
Tax on Ordinary Activities	4	-	-
<u>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</u>		£ 16,246	£ (80,670)
<u>STATEMENT OF RETAINED EARNINGS</u>			
Loss Brought Forward		(141,766)	(61,096)
Retained Profit/(Loss) for the Year		16,246	(80,670)
<u>RETAINED LOSS CARRIED FORWARD</u>		£ (125,520)	£ (141,766)

None of the company's activities were acquired or discontinued during the above two financial years.

There were no recognised gains or losses other than the profit or loss for the above two financial years.

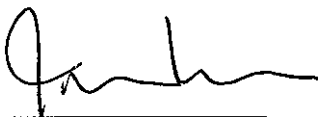
The notes on pages 6 to 10 form part of these accounts.

**BALANCE SHEET**  
**AS AT 31 DECEMBER 1995**

	<u>Notes</u>	£	<u>1995</u>	£	£	<u>1994</u>	£
<b>FIXED ASSETS</b>							
Intangible Assets	5		210,877			182,307	
Tangible Assets	6		44,711			63,265	
			<u>255,588</u>			<u>245,572</u>	
<b>CURRENT ASSETS</b>							
Debtors	7	56,262			8,772		
Cash at Bank and in Hand		<u>46,158</u>			<u>40,351</u>		
			102,420			49,123	
<b>CREDITORS : Amounts Falling Due within One Year</b>	8	(46,983)			(7,116)		
<b>NET CURRENT ASSETS</b>			<u>55,437</u>			<u>42,007</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>£ 311,025</u>			<u>£ 287,579</u>	
<b>CAPITAL AND RESERVES</b>							
Share Capital	9		279,400			276,775	
Share Premium Account	10		157,145			152,570	
Profit and Loss Account	10		<u>(125,520)</u>			<u>(141,766)</u>	
<b>TOTAL SHAREHOLDERS' FUNDS</b>	11		<u>£ 311,025</u>			<u>£ 287,579</u>	

In the preparation of the accounts advantage has been taken of special exemptions applicable to small companies under Part I of Schedule 8 to the Companies Act 1985 on the grounds that, in the directors' opinion, the company qualifies as a small company and is entitled to make use of the special exemptions.

Signed on behalf of the  
board of directors



J P M Parry MBE  
Director

Approved by the board: 11 March 1996

The notes on pages 6 to 10 form part of these accounts.

**NOTES TO ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1995**

**1. ACCOUNTING POLICIES**

**Basis of Accounting**

The accounts have been prepared under the historical cost convention.

**Turnover**

Turnover represents the net invoiced sales of goods, excluding VAT.

**Tangible Fixed Assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Demonstration plant and machinery	25% on cost
Other plant and machinery	15% on cost
Office equipment	10% on cost

**Intangible Fixed Assets**

Costs have been capitalised and are amortised over the estimated life of the asset as follows:

Deferred development costs	- against related product income
Company formation/share issue costs	- as incurred, against Share Premium Account

**Government Grants**

Grants on capital expenditure are treated as a deferred credit and are released to the profit and loss account in equal instalments over the estimated useful life of the related assets. Grants of a revenue nature are credited to income in the period to which they relate.

Grants on capital expenditure are deducted from the cost of related assets effectively understating tangible fixed assets and creditors due after one year (or creditors due within one year).

**Stocks and Work in Progress**

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

**Research and Development**

Expenditure on research and development is routinely written off in the year in which incurred. Exceptionally and, where significant, certain identifiable expenditure on specific product development programmes is deferred to later periods.

**Cash Flow Statement**

The company has taken advantage of the exemption provided by Financial Reporting Standard 1 and has not prepared a Cash Flow Statement for the year.

**PARRY PEOPLE MOVERS LTD**

**NOTES TO ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1995**

**2. TURNOVER**

The Turnover and Profit (1994 - Loss) before taxation for the year is attributable to the principal activity of the Company which is the development and marketing of flywheel powered trams and promotion of ultra-light rail systems.

**3. OPERATING PROFIT/(LOSS)**

The Operating Profit (1994 - Loss) is stated after charging:

	<u>1995</u> £	<u>1994</u> £
Depreciation of Tangible Fixed Assets	<u>18,047</u>	<u>22,636</u>

**4. TAXATION**

The company has no liability to Corporation Tax for the year ended 31 December 1995.

**5. INTANGIBLE FIXED ASSETS**

	Share Issue Costs £	Deferred Development Costs £	<u>TOTAL</u> £
At 31 December 1994	-	182,307	182,307
Additions in year	675	28,570	29,245
Transfer to Share Premium Account	(675)	-	(675)
At 31 December 1995	<u>-</u>	<u>210,877</u>	<u>210,877</u>

**NOTES TO ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 1995**

**6. TANGIBLE FIXED ASSETS**

	<b>Demo. Plant &amp; Equipment £</b>	<b>Other Plant &amp; Equipment £</b>	<b>Office Equipment £</b>	<b>TOTAL £</b>
<b>COST OR VALUATION</b>				
At 1 January 1995	105,172	3,023	269	108,464
Additions in year	14,000	1	-	14,001
Disposals in year	(32,014)	-	-	(32,014)
At 31 December 1995	<u>87,158</u>	<u>3,024</u>	<u>269</u>	<u>90,451</u>
<b>DEPRECIATION</b>				
At 1 January 1995	44,131	802	266	45,199
Write Off On Disposal	(17,506)	-	-	(17,506)
Charge for year	17,439	605	3	18,047
At 31 December 1995	<u>44,064</u>	<u>1,407</u>	<u>269</u>	<u>45,740</u>
<b>NET BOOK VALUE</b>				
At 31 December 1995	<u>43,094</u>	<u>1,617</u>	<u>-</u>	<u>44,711</u>
At 31 December 1994	<u>61,041</u>	<u>2,221</u>	<u>3</u>	<u>63,265</u>

**7. DEBTORS**

	<b><u>1995</u> £</b>	<b><u>1994</u> £</b>
<b>Amounts due within one year:</b>		
Trade debtors	49,429	57
Other debtors and prepayments	6,833	8,715
	<u>56,262</u>	<u>8,772</u>

**8. CREDITORS**

	<b><u>1995</u> £</b>	<b><u>1994</u> £</b>
<b>Amounts falling due within one year:</b>		
Trade creditors incl. customer prepayments	27,296	488
Other Creditors and accruals	19,687	6,628
	<u>46,983</u>	<u>7,116</u>

**NOTES TO ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 1995**

**9. SHARE CAPITAL**

	<u>1995</u> £	<u>1994</u> £
Authorised	£1,000,000	£1,000,000
Allotted, Issued and Fully Paid	<u>279,400</u>	<u>276,775</u>

During the year 2,625 Ordinary shares of £1 each were allotted and fully paid for cash at £3 per share to increase the capital base of the Company. The shares formed part of 25,400 provisionally allotted under the terms of a 1 for 10 Rights Issue on 1st December 1994.

**10. RESERVES**

	<u>Share Premium Account</u> £	<u>Profit &amp; Loss A/c</u> £
At 1 January 1995	152,570	(141,766)
Prior year adjustment	-	-
	<u>152,570</u>	<u>(141,766)</u>
Premium on Allotments in the year	5,250	
Share issue costs written off	(675)	
Retained Profit/(loss) for the year		16,246
	<u>157,145</u>	<u>(125,520)</u>

**11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>1995</u> £	<u>1994</u> £
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	16,246	(80,670)
New share capital subscribed	7,875	68,325
Share issue costs written off	(675)	(3,675)
Net addition to shareholders' funds	<u>23,446</u>	<u>(16,020)</u>
Opening Shareholders' Funds	287,579	303,599
Closing Shareholders' Funds	<u>311,025</u>	<u>287,579</u>

PARRY PEOPLE MOVERS LTDNOTES TO ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 1995**12. TRANSACTIONS WITH DIRECTORS****Material Interests of Directors**

Contracts subsisted during the year between the Company and the undermentioned directors, or companies with which those directors are connected, under which goods or services were provided to the Company to the following value:

	£
J P M Parry	121,031
D R Oldfield	2,653