

Company Registration No. 2652429 (England and Wales)

PARRY PEOPLE MOVERS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005



PARRY PEOPLE MOVERS LIMITED

COMPANY INFORMATION

Directors

J P M Parry MBE
D R Oldfield
J S Hilton
P A L Gordon
R S Glendenning
G J Lusher
C B Holden OBE
R L Sansom
B C Mackie

Secretary

E J Sansom

Company number

2652429

Registered office

Overend Road
Cradley Heath
West Midlands
B64 7DD

Auditors

Neal and Co Business Services Ltd
Shakespeare Buildings
26 Cradley Road
Cradley Heath
West Midlands
B64 6AG

Bankers

HSBC Bank plc
1 Great Cornbow
Halesowen
B63 3AD

Solicitors

Wrigleys
19 Cookridge Street
Leeds
LS2 3AG

PARRY PEOPLE MOVERS LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 11

PARRY PEOPLE MOVERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of the company continued to be that of the development and marketing of flywheel/hybrid powered railcars and the promotion of ultra-light rail systems.

Directors

The following directors have held office since 1 January 2005:

J P M Parry MBE
D R Oldfield
J S Hilton
P A L Gordon
R S Glendenning
G J Lusher
C B Holden OBE
R L Sansom
B C Mackie

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary Shares of £1 each	
	31 December 2005	1 January 2005
J P M Parry MBE	197,332	197,332
D R Oldfield	8,716	8,716
J S Hilton	200	200
P A L Gordon	6,608	6,608
R S Glendenning	21,388	20,335
G J Lusher	2,632	-
C B Holden OBE	575	575
R L Sansom	16,813	16,813
B C Mackie	6,238	6,238

Substantial Shareholdings

At the date of signing these accounts the company had received notification of the following interests in more than 3% of the Company's share capital held by shareholders other than directors:

The executors of H F Marriot (Dec'd) 59,686 shares.

Auditors

Neal and Co Business Services Ltd were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

PARRY PEOPLE MOVERS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

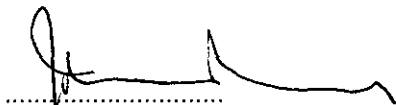
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements 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 enable them to ensure that the financial statements comply with the 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



J P M Parry MBE

Director

26/10/06

PARRY PEOPLE MOVERS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PARRY PEOPLE MOVERS LIMITED

We have audited the financial statements of Parry People Movers Limited for the year ended 31 December 2005 set out on pages 5 to 11. 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, in accordance with Section 235 of the Companies Act 1985. 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

As described in the Statement of Directors' Responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 the Companies Act 1985. 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 or 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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 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.

PARRY PEOPLE MOVERS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF PARRY PEOPLE MOVERS LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended ; and
- have been properly prepared in accordance with the Companies Act 1985.

Emphasis of matter-Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the ongoing support of shareholders, stockholders and suppliers. In view of the significance of this we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Neal & Co

Neal and Co Business Services Ltd

26/10/06
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Registered Auditor

Shakespeare Buildings
26 Cradley Road
Cradley Heath
West Midlands
B64 6AG

PARRY PEOPLE MOVERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Turnover		45	5,315
Administrative expenses		(161,348)	(168,228)
Operating loss	2	(161,303)	(162,913)
Other interest receivable and similar income	3	2	-
Interest payable and similar charges		(11,129)	(4,069)
Loss on ordinary activities before taxation		(172,430)	(166,982)
Tax on loss on ordinary activities	4	-	-
Loss for the year	11	(172,430)	(166,982)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

PARRY PEOPLE MOVERS LIMITED


BALANCE SHEET

AS AT 31 DECEMBER 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Intangible assets	5	337,750		337,750	
Tangible assets	6	74,921		107,666	
			412,671		445,416
Current assets					
Debtors	7	5,823		15,636	
Cash at bank and in hand		42		40	
		5,865		15,676	
Creditors: amounts falling due within one year	8	(151,642)		(170,768)	
Net current liabilities			(145,777)		(155,092)
Total assets less current liabilities			266,894		290,324
Creditors: amounts falling due after more than one year	9		(341,100)		(202,850)
			(74,206)		87,474
Capital and reserves					
Called up share capital	10	781,181		773,746	
Share premium account	11	956,513		953,198	
Profit and loss account	11	(1,811,900)		(1,639,470)	
Shareholders' funds	12		(74,206)		87,474

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the Board and authorised for issue on 26th October 2006



J P M Parry MBE
Director

PARRY PEOPLE MOVERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company is still operating in the development stage of its activities. Until a breakthrough into profitable trading is made the company is entirely dependent upon its shareholders, stockholders and suppliers to provide the resources with which to carry out its development activities. After reviewing the year end position the company has raised funds by the issue of new shares and loan stock in the company. The company considers that with the continuing support of shareholders, stockholders and suppliers it can continue to operate within its agreed facilities. The directors therefore feel it appropriate that the accounts are prepared on the going concern basis.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	25% reducing balance
Computer equipment	25% reducing balance
Fixtures, fittings & equipment	25% reducing balance

2 Operating loss

	2005	2004
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	32,745	32,745
Auditors' remuneration	2,000	750
	<hr/>	<hr/>

3 Investment income

	2005	2004
	£	£
Other interest	2	-
	<hr/>	<hr/>

PARRY PEOPLE MOVERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

4	Taxation	2005	2004
	Current tax charge	-	-
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(172,430)	(166,982)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00% (2004 - 0.00%)	-	-
	Current tax charge	-	-

The company has estimated losses of £ 2,176,479 (2004 - £ 2,017,740) available for carry forward against future trading profits.

5	Intangible fixed assets	Deferred Development Expenditure £
	Cost	
	At 1 January 2005 & at 31 December 2005	337,750
	Net book value	
	At 31 December 2005	337,750
	At 31 December 2004	337,750

PARRY PEOPLE MOVERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

6 Tangible fixed assets

	Demo Equipment & Other Plant and Machinery £
Cost	
At 1 January 2005 & at 31 December 2005	416,537
Depreciation	
At 1 January 2005	308,871
Charge for the year	32,745
At 31 December 2005	341,616
Net book value	
At 31 December 2005	74,921
At 31 December 2004	107,666

7 Debtors	2005 £	2004 £
Other debtors	5,823	15,636

8 Creditors: amounts falling due within one year	2005 £	2004 £
Bank loans and overdrafts	16,367	24,054
Trade creditors	85,683	86,812
Taxation and social security	1,384	525
Other creditors	48,208	59,377
	151,642	170,768

PARRY PEOPLE MOVERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

9	Creditors: amounts falling due after more than one year	2005 £	2004 £
	Unsecured, convertible 6% Loan Stock 2005-2007	55,000	55,000
	Unsecured, convertible 6.5% Loan Stock 2007-2009	145,750	25,000
	Unsecured 7% Debenture	5,000	-
	Unsecured Loan stock	135,350	122,850
		<u>341,100</u>	<u>202,850</u>

Unsecured Loan Stock is repayable to the Railcar 11 and 12 Syndicates from the proceeds of sale or revenue arising from the deployment of Railcars 11 and 12 when that occurs.

10	Share capital	2005 £	2004 £
	Authorised		
	2,000,000 Ordinary Shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>
	Allotted, called up and fully paid		
	781,181 Ordinary Shares of £1 each	<u>781,181</u>	<u>773,746</u>

11	Statement of movements on reserves	Share premium account £	Profit and loss account £
	Balance at 1 January 2005	953,198	(1,639,470)
	Loss for the year	-	(172,430)
	Premium on shares issued during the year	3,315	-
	Balance at 31 December 2005	<u>956,513</u>	<u>(1,811,900)</u>

PARRY PEOPLE MOVERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

12 Reconciliation of movements in shareholders' funds	2005 £	2004 £
Loss for the financial year	(172,430)	(166,982)
Proceeds from issue of shares	10,750	39,574
Cost of share issue written off to share premium account	-	(1,650)
	<hr/>	<hr/>
Net depletion in shareholders' funds	(161,680)	(129,058)
Opening shareholders' funds	87,474	216,532
	<hr/>	<hr/>
Closing shareholders' funds	(74,206)	87,474
	<hr/>	<hr/>

13 Related party transactions

During the year the company has purchased goods and services from JPM Parry and Associates Limited totalling £107,570 (2004 £92,800). All transactions were on normal commercial terms. Throughout the year JPM Parry and Associates Limited owned 164,292 Ordinary Shares (Approx 21% of issued share capital) in Parry People Movers Limited. In addition JPM Parry and PAL Gordon are directors of both companies.