

PARRY PEOPLE MOVERS LTD

FINANCIAL STATEMENTS

31 DECEMBER 1998

Registered number: 2652429



PARRY PEOPLE MOVERS LTD
FINANCIAL STATEMENTS
for the year ended 31 December 1998

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The following page does not form part of the statutory accounts

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|--|------------|

PARRY PEOPLE MOVERS LTD

COMPANY INFORMATION

31 December 1998

| | |
|-------------------|--|
| INCORPORATED | in England on 3 October 1991 |
| NUMBER | 2652429 |
| CHAIRMAN | J P M Parry MBE |
| OTHER DIRECTORS | A D Collier N R Evans R S Glendenning P A L Gordon J S Hilton S P Hobbs D R Oldfield |
| SECRETARY | A J Mynette |
| REGISTERED OFFICE | Overend Road, Cradley Heath, West Midlands B64 7DD. |
| 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 Auditor Ivydene House, Uckingham, Tewkesbury, Glos. GL20 6ES |
| REGISTRARS | Mynette & Company 60 Prospect Road, Birmingham, B13 9TD |

PARRY PEOPLE MOVERS LTD

DIRECTORS' REPORT

31 December 1998

The directors present their report and the audited financial statements for the year ended 31 December 1998.

Principal activity

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

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

| | 31 December 1998 Ordinary shares | 1 January 1998 Ordinary shares |
|---|--|--------------------------------------|
| J P M Parry MBE | 10,957 | 10,957 |
| A D Collier | - | - |
| N R Evans | 9,544 | 8,749 |
| R S Glendenning (appointed 14 September 1998) | 571 | - |
| P A L Gordon | 5,468 | 5,468 |
| J S Hilton | 200 | 200 |
| S P Hobbs | 1,418 | 1,418 |
| D R Oldfield | 4,965 | 4,965 |
| J S Skinner (resigned 6 July 1998) | - | 21,826 |
| C M Jefferson (resigned 20 May 1998) | - | 275 |

In accordance with the Articles of Association, D R Oldfield and J P M Parry MBE retire by rotation and offer themselves for re-election.

Share and loan capital

35,590 new ordinary £1 shares were allotted during the year for a total consideration of £130,053.

In addition, £99300 of Unsecured Loan Stock 2002 was issued during the year.

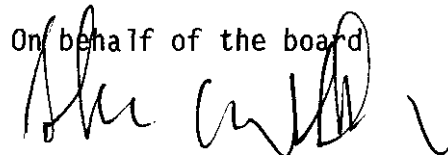
Auditors

Gallagher & Company have agreed to offer themselves for re-appointment as auditors of the company.

Small company exemptions

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

On behalf of the board



A J Mynette
Secretary

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

26 May 1999

PARRY PEOPLE MOVERS LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES


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 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 to 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.

26 May 1999

On behalf of the board



J P M Parry MBE
Chairman

PARRY PEOPLE MOVERS LTD

AUDITORS' REPORT

Auditors' report to the members of

Parry People Movers Ltd.

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

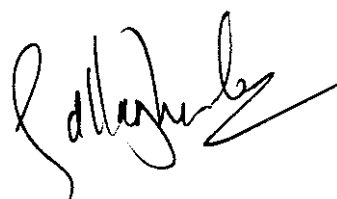
Basis of opinion

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 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 error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Gallagher & Company
Registered Auditor
Chartered Accountants

Tewkesbury, Glos.
26 May 1999

PARRY PEOPLE MOVERS LTD

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

| | Note | 1998 £ | 1997 £ |
|--|------|-----------|-----------|
| Turnover | | - | 45,000 |
| Cost of sales | | - | (65,640) |
| Gross loss | | - | (20,640) |
| Net operating expenses | | | |
| Administrative expenses | | (168,780) | (193,487) |
| Other operating charges | | - | (10,000) |
| Other operating income | | 26,620 | 35,653 |
| Loss on ordinary activities before taxation | | (142,160) | (188,474) |
| Taxation | 3 | - | - |
| Loss on ordinary activities after taxation | | (142,160) | (188,474) |
| retained for the year | 12 | | |

Movements in reserves are shown in the notes to the financial statements.

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

There were no recognised gains and losses in 1998 or 1997 other than the loss for the year.

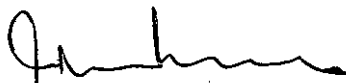
BALANCE SHEET

at 31 December 1998

| | Note | 1998 £ | 1997 £ |
|--|------|------------------|------------------|
| Fixed assets | | | |
| Intangible assets | 4 | 281,701 | 236,877 |
| Tangible assets | 5 | <u>98,272</u> | <u>40,630</u> |
| | | 379,973 | 277,507 |
| Current assets | | | |
| Debtors | 6 | 15,660 | 20,239 |
| Cash at bank and in hand | | <u>28,527</u> | <u>37,772</u> |
| | | 44,187 | 58,011 |
| Creditors: amounts falling due within one year | 7 | <u>(22,187)</u> | <u>(19,298)</u> |
| Net current assets | | 22,000 | 38,713 |
| Total assets less current liabilities | | 401,973 | 316,220 |
| Creditors: amounts falling due after more than one year | 8 | <u>(99,300)</u> | <u>-</u> |
| | | 302,673 | 316,220 |
| Capital and reserves | | | |
| Called up share capital | 10 | 409,404 | 373,814 |
| Share premium account | 11 | 562,658 | 469,635 |
| Profit and loss account | 12 | <u>(669,389)</u> | <u>(527,229)</u> |
| Total shareholders' funds | 9 | 302,673 | 316,220 |

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

The financial statements on pages 5 to 11 were approved by the board of directors on 26 May 1999 and signed on its behalf by:


J P M Parry MBE
Chairman

NOTES ON FINANCIAL STATEMENTS

31 December 1998

1 Accounting policies**Basis of accounting**

The financial statements have been prepared under the historical cost accounting rules.

The company has taken advantage of the exemption from preparing a cash flow statement as conferred by Financial Reporting Standard No. 1 (Revised 1996) on the grounds that it qualifies as a small company under the Companies Act 1985.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Intangible fixed assets

Deferred development costs are amortised as to 33% on cost against related income.

Tangible fixed assets

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

| | |
|---|-------------|
| Demonstration trackwork and buildings | 10% on cost |
| Demonstration plant and machinery | 25% on cost |
| Other plant and machinery | 20% on cost |
| Fixtures and fittings, office equipment | 33% on cost |

Leases and hire purchase contracts

Rentals paid under operating leases are charged to income as incurred.

Research and development

Expenditure on research and development incurred in the year other than on fixed assets is charged against profit.

PARRY PEOPLE MOVERS LTD

NOTES ON FINANCIAL STATEMENTS

31 December 1998

2 Operating loss

| | 1998 £ | 1997 £ |
|---|---------------|---------------|
| Operating loss is stated after crediting: | | |
| Interest receivable | <u>1,301</u> | <u>1,737</u> |
| and after charging: | | |
| Operating leases: | | |
| Hire of assets | <u>13,500</u> | <u>14,500</u> |
| Depreciation of tangible fixed assets (note 5): | | |
| Owned assets | <u>12,666</u> | <u>16,006</u> |

3 Taxation

No liability for corporation tax arises on the results for the year.

4 Intangible fixed assets

| | Deferred Development Costs £ |
|------------------------|---------------------------------------|
| Cost | |
| 1 January 1998 | 236,877 |
| Additions | <u>44,824</u> |
| 31 December 1998 | <u>281,701</u> |
| Net book amount | |
| 31 December 1998 | <u>281,701</u> |
| 1 January 1998 | <u>236,877</u> |

NOTES ON FINANCIAL STATEMENTS

31 December 1998

5 Tangible fixed assets

| Cost | Demo. Plant & Machinery £ | Other Plant & Machinery £ | Fixtures, Fittings, Equip. £ | Total £ |
|------------------------|------------------------------------|------------------------------------|---------------------------------------|------------|
| 1 January 1998 | 103,646 | 15,518 | 3,796 | 122,960 |
| Additions | 68,800 | - | 1,509 | 70,309 |
| 31 December 1998 | 172,446 | 15,518 | 5,305 | 193,269 |
| Depreciation | | | | |
| 1 January 1998 | 74,070 | 6,827 | 1,433 | 82,330 |
| Charge for the year | 8,049 | 2,967 | 1,650 | 12,666 |
| 31 December 1998 | 82,119 | 9,794 | 3,083 | 94,996 |
| Net book amount | | | | |
| 31 December 1998 | 90,326 | 5,724 | 2,222 | 98,272 |
| 1 January 1998 | 29,576 | 8,691 | 2,363 | 40,630 |

6 Debtors

| | 1998 £ | 1997 £ |
|--|-----------|-----------|
| Amounts falling due within one year | | |
| Trade debtors | 6,514 | - |
| Other debtors including VAT | 4,039 | 14,091 |
| Prepayments and accrued income | 5,107 | 6,148 |
| | 15,660 | 20,239 |

7 Creditors: amounts falling due within one year

| | 1998 £ | 1997 £ |
|------------------------------|-----------|-----------|
| Trade creditors | 20,517 | 8,727 |
| Taxation and social security | - | 2,300 |
| Accruals and deferred income | 1,670 | 8,271 |
| | 22,187 | 19,298 |

PARRY PEOPLE MOVERS LTD

NOTES ON FINANCIAL STATEMENTS

31 December 1998

8 Creditors: amounts falling due
after more than one year

| | 1998 £ | 1997 £ |
|-----------------------------|---------------|-----------|
| Non-convertible debt | | |
| Unsecured Loan Stock 2002 | 99,300 | - |
| | <u>99,300</u> | <u>-</u> |

9 Reconciliation of movements in shareholders' funds

| | 1998 £ | 1997 £ |
|---|-----------------------|-----------------------|
| Loss for the financial year | (142,160) | (188,474) |
| New share capital subscribed | 130,053 | 84,951 |
| Share issue costs written-off | <u>(1,440)</u> | <u>(560)</u> |
| Net subtraction from shareholders' funds | (13,547) | (104,083) |
| Opening shareholders' funds | <u>316,220</u> | <u>420,303</u> |
| Closing shareholders' funds | <u>302,673</u> | <u>316,220</u> |

10 Called up share capital

| | 1998 | | 1997 | |
|---|---------------------|------------------|---------------------|------------------|
| | Number of shares | £ | Number of shares | £ |
| Authorised | | | | |
| Ordinary shares of £1 each | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> |
| Allotted, called up and fully paid | | | | |
| Ordinary shares of £1 each | <u>409,404</u> | <u>409,404</u> | <u>373,814</u> | <u>373,814</u> |

During the year a total of 35,590 new shares were allotted and fully paid for cash to increase the capital base of the Company. The new shares were issued at prices ranging from £3 to £4 each.

PARRY PEOPLE MOVERS LTD

NOTES ON FINANCIAL STATEMENTS

31 December 1998

11 Share premium account

| | 1998 £ |
|----------------------------------|----------------|
| 1 January 1998 | 469,635 |
| Premium on shares issued in year | 94,463 |
| Share issue costs written off | (1,440) |
| 31 December 1998 | <u>562,658</u> |

12 Profit and loss account

| | 1998 £ |
|----------------------------|------------------|
| 1 January 1998 | (527,229) |
| Retained loss for the year | (142,160) |
| 31 December 1998 | <u>(669,389)</u> |

13 Directors' interests and loans

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 MBE | 205,519 |
| D R Oldfield | 9,878 |
| N R Evans | 391 |