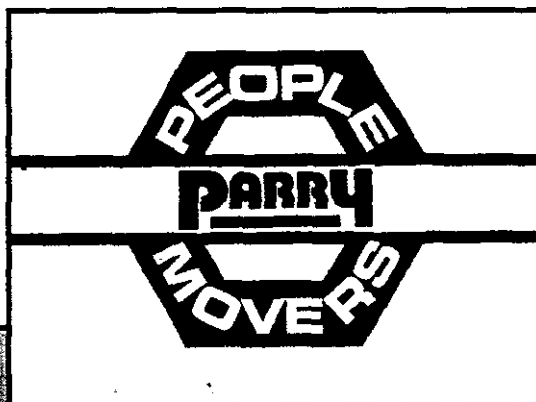


2652429

**PARRY PEOPLE MOVERS LIMITED**

# **FINANCIAL STATEMENTS**

**YEAR ENDED  
31st DECEMBER 2003**



Parry People Movers Limited  
Overend Road, Cradley Heath  
West Midlands B64 7BP U.K.  
Tel: 01384 569653 Fax: 01384 567755  
Email: [ppm@parry@aol.com](mailto:ppm@parry@aol.com)

## CHAIRMAN'S STATEMENT

In the calendar year 2003 your company's strategic position in its approach to the transport market was significantly strengthened and positive indications have continued into the current year. Those familiar with the history of the PPM venture will have seen how our fortune became critically affected by the fortune of Britain's privatised railways. If the latter has been a disaster movie, the 10-year National Transport Plan now looks like a sequel to *Scott of the Antarctic*, with its true-life heroes achieving their goal but dying of exposure in the process, the well-publicised hardship suffered by the makers of buses and trains clearly linked to the floods and droughts in public transport funding in recent years.

PPM's main objective has always been to establish light tramway systems in towns and cities where the PPM mode would have distinct advantages over other forms of public transport. Our interim target is to create a series of 'showcases', putting railcars into service where railway infrastructure already exists. This approach involves meeting certain standard specifications for rolling stock determined by the authorities that control movements on the national network. Our showcase locations have to be branches of the network which are:

- a) self contained (i.e. capable of being kept separate from the mainline);
- b) short (no buffet cars or toilets);
- c) lightly used (with traffic rarely needing more than one carriage), and
- d) slow (normally subject to light railway speed limits of 25 mph or less).

The short Stourbridge Town Branch epitomises this cluster of features and this has been the location identified since 1993 by Centro (the Midlands passenger transport executive) for trial conversion to PPM operation. The task appeared simple but wasn't, because, between 1993 and 2004 Britain's railways entered a dark age, during which whole organisations, key individuals, regulations and laws came and went in a saga too painful to relate. PPM Car 12, completed in September 2001 for service on the Stourbridge Town Branch, was moved to the line and undertook a series of 90 highly successful trial runs. But then, after four spectacular rail crashes elsewhere on the network and the bankruptcy of Railtrack, the industry retreated behind its regulatory shell, avoiding decisions about anything out of the ordinary and thus preventing the experimental Stourbridge Sunday service from moving to the passenger carrying stage.

Rather than submit to being stranded at Stourbridge, we took the decision in 2002 to extract the vehicle from the branch and to put it to work in driver training and subsequent public service on private railways in Worcestershire, Leicestershire and Staffordshire. Whilst generating little income, the exercise accumulated 6,000 miles of operation, established the basic soundness of the design and provided good opportunities for demonstration to prospective users. A steady flow of visitors from Britain and overseas confirmed the level of interest generated by a railcar, which matches the passenger carrying capacity of a modern single deck bus. During the course of the year Car 12 gave rides to distinguished visitors from the Strategic Rail Authority, senior local authority councillors, including the Lord Mayor of Birmingham, and numerous consultants and officials engaged in planning public transport schemes, including the Head of London Trams. Since August 2003 the vehicle has been in intermittent operation on the Chasewater Railway in South Staffordshire.

While this line cannot expect the degree of maintenance which is provided on Network Rail lines such as Stourbridge and the track is less than smooth, the 4 mile round trip between Brownhills West and Chasetown Church Street stations has been providing visitors with a good idea of how PPM vehicles will operate on typical rural branch lines. Although operating mileage has now exceeded what would have been achieved during the one-year trial at Stourbridge, Centro still wants the Sunday service trial. This will now take place very much with an eye to the re-franchising date of April 2006, at which point, if conversion to daily PPM operation is agreed, new vehicles will be required both for this service and, it is reasonable to suppose, others in other locations. The Stourbridge trial will now receive some support from the SRA.

Treasury discipline, resulting partly from runaway costs on the rail network, will for once, we believe, work in PPM's favour. The company has campaigned for years for isolated rural branch lines to be operated as 'Secondary Railways' with lighter and simpler regulations suiting PPM style rolling stock. In recent months the SRA has put forward the concept of 'Community Railways' encompassing many of the same parameters. As a result we now have a clear statement from the SRA, in effect a specification, that if PPM can develop the design of the 'PPM 50' to an '80', providing capacity equivalent to the widely used Class 153 dmu, which was built in the mid-1980s, the PPM mode could be acceptable on about a dozen suggested branch lines of the national system. This gives PPM a clear and attainable interim goal, which, if achieved, will provide critical help in rescuing services where the subsidies now needed to operate heavy rail services many times exceed the fare income from passengers.

These railcar services will provide the necessary demonstration of the PPM system for the much larger market for urban tramways, railcars being *de facto* trams with floor level raised to railway platform height. PPM's entry into the tramway market is now likely to be made much easier with the introduction of the new 'carpet track', which we are developing in association with the award-winning rail company Holdfast Level Crossings Ltd based on their successful level crossing system. This shallow section removable track can be installed quickly and at much lower cost than conventional track, and, for the town hall or transport authority, it will substantially reduce the perceived risk of the new technology.

We set out at the beginning of the 90s to develop urban transport that met the highest environmental criteria, was pleasant to use and was affordable in the smaller town or district. Our technical achievement has already received wide acclaim, not least for the manner and economy of our process, but the route into this most conservative and risk-averse of markets has been unexpectedly long and difficult. However, the steadfastness of our shareholders and other supporters, carrying the company through periods of adversity to the present time of great promise, has perhaps been the most commendable aspect of this remarkable story. With the various elements of our strategy now falling into place, the development of a key complementary technology and now the encouragement of critical authorities such as the SRA, which is now to take tangible form, we believe that we have all the ingredients required for a successful launch of the system and the delivery of the significant public benefits envisaged from the outset of our venture.

John Parry MBE  
June 2004

PARRY PEOPLE MOVERS LTD

FINANCIAL STATEMENTS

31 DECEMBER 2003

Registered number: 2652429

PARRY PEOPLE MOVERS LTD

FINANCIAL STATEMENTS

For the year ended 31 December 2003

CONTENTS

	Page
Directors' report	1,2
Statement of directors' responsibilities	3
Auditors' Report	4
Balance sheet	5
Profit and loss account	6
Notes	7 – 9
Company Information	10
The following page does not form part of the statutory accounts.	
Trading Account	11

## **Parry People Movers Limited**

### **Directors' Report**

The directors present their report and the financial statements for the year ended 31 December 2003.

### **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:

	<b>31 December 2003 Ordinary Shares</b>	<b>1 January 2003 Ordinary Shares</b>
J P M Parry MBE	<b>197,332</b>	190,820
R S Glendenning	<b>19,835</b>	16,424
P A L Gordon	<b>6,608</b>	6,608
J S Hilton	<b>200</b>	200
C B Holden	<b>250</b>	-
G L Lusher	-	-
B C Mackie	<b>6,238</b>	6,088
D R Oldfield	<b>8,716</b>	7,329

In respect of JPM Parry's recorded interest a total of 164,292 (2002 – 164,292) shares were registered in the name of JPM Parry & Associates Ltd.

In accordance with the Articles of Association, R S Glendenning and P A L Gordon retire by rotation and offer themselves for re-election.

### **Substantial shareholders**

On 14 June 2004 the Company had received notification of the following interests in more than 3% of the Company's issued share capital held by shareholders other than directors:

The executives of H F Marriott (d'cd)                      59,686 shares

## **Parry People Movers Limited**

### **Directors' Report (continued)**

#### **Share capital**

74,124 new ordinary £1 shares were allotted during the year for a total consideration of £148,248.

#### **Auditors**

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

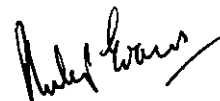
#### **Corporate governance**

The directors acknowledge the importance of the Stock Exchange Combined Code and intend to apply it as appropriate to a company of the size and nature of Parry People Movers Ltd.

#### **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



P R Evans  
Secretary

Overend Road, Cradley Heath,  
West Midlands B64 7DD

14 June 2004

## **Parry People Movers Limited**

### **Statement of Directors' Responsibilities**

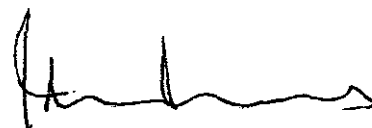
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the ongoing 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.

14 June 2004

On behalf of the board

A handwritten signature in black ink, appearing to read 'J P M Parry', with a long horizontal flourish extending to the right.

J P M Parry MBE  
Chairman



**PARRY PEOPLE MOVERS LIMITED**

**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 these 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 examinations, 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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Tewkesbury, Glos.  
14 June 2004

**Gallagher & Co.**  
Chartered Accountants  
Registered Auditor

**Parry People Movers Limited**

**BALANCE SHEET**  
**As at 31 December 2003**

	Notes	2003		2002	
		£	£	£	£
<b>Fixed Assets</b>					
Intangible assets	5		337,750		330,125
Tangible assets	6		<u>149,482</u>		<u>179,562</u>
			487,232		509,687
<b>Current Assets</b>					
Debtors	7	3,398		15,327	
Cash at bank and in hand		40		40	
		<u>3,438</u>		<u>15,367</u>	
<b>Creditors: amounts falling due within one year</b>	8	<u>( 96,288)</u>		<u>(134,432)</u>	
<b>Net Current Liabilities</b>			( 92,850)		( 119,065)
<b>Total assets less Current Liabilities</b>			394,382		390,622
<b>Creditors: amounts falling due after more than one year (including convertible debt)</b>	9		( 177,850)		( 142,850)
			<u>216,532</u>		<u>247,772</u>
<b>Capital and reserves</b>					
Called up share capital	10		753,959		679,835
Share premium account	11		935,061		862,378
Profit and Loss account			( 1,472,488)		( 1,294,441)
	12		<u>216,532</u>		<u>247,772</u>

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 24 June 2004 and signed on its behalf by:

  
J P M Parry MBE  
Chairman

## Parry People Movers Limited

Profit and Loss Account  
Year ended 31 December 2003

	Notes	2003 £	2002 £
Total Income		5,476	40
Total Expenditure		180,947	205,242
Operating deficit		( 175,471)	( 205,202)
Interest Payable	3	( 2,576)	-
Loss on ordinary activities before taxation		( 178,047)	( 205,202)
Taxation	4	-	-
Loss on ordinary activities after taxation retained for the year		( 178,047)	( 205,202)

## Parry People Movers Limited

Statement of Financial Activities  
Year ended 31 December 2003

	Notes	2003 £	2002 £
<b>INCOME AND EXPENDITURE</b>			
Incoming resources			
Sundry income		5,468	0
Interest receivable	2	8	40
Total incoming resources		5,476	40
Resources expended			
Direct expenditure	2	180,946	205,242
Interest Payable	3	2,576	0
Total resources expended		183,523	205,242
Net (outgoing) resources for the year		( 178,047)	( 205,202)
Net movement in reserves		( 178,047)	( 205,202)
Total reserves brought forward		( 1,294,441)	( 1,089,239)
Total reserves carried forward		( 1,472,488)	( 1,294,441)

All activities derive from continuing operations.

There are no recognised gains or losses for the current and prior years other than as stated above.

# Parry People Movers Limited

## NOTES TO THE ACCOUNTS

Year ended 31 December 2003

### 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, fittings and office equipment	33% on cost

#### Research and development

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

#### Leases and hire purchase contracts

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

### 2 Operating Loss

	2003 £	2002 £
Operating loss is stated after crediting:		
Interest receivable	8	40
Operating loss is stated after charging:		
Depreciation	44,464	58,284
Auditors' remuneration - audit fees	750	750

### 3 Interest payable

	2003 £	2002 £
Interest on unsecured loan stock	2,576	0

### 4 Taxation

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

## 5 Intangible fixed assets

	2003 £	2002 £
Deferred development expenditure		
Balance of Account at start of year	330,125	330,125
Additions during the year	7,625	0
Written off during the year	0	0
Balance of Account at end of year	<u>337,750</u>	<u>330,125</u>

## 6 Tangible Fixed Assets

	Demo equipment £	Plant & Machinery £	Computer equipment £	Office equipment £	Total £
<b>Cost</b>					
As at 1 January 2003	402,096	15,518	2,190	3,115	422,919
Additions	2,688	0	0	0	2,688
Disposals	0	0	0	0	0
As at 31 December 2003	<u>404,784</u>	<u>15,518</u>	<u>2,190</u>	<u>3,115</u>	<u>425,607</u>
<b>Depreciation</b>					
As at 1 January 2003	222,534	15,518	2,190	3,115	243,357
Additions	32,768	0	0	0	32,768
Disposals	0	0	0	0	0
As at 31 December 2003	<u>255,302</u>	<u>15,518</u>	<u>2,190</u>	<u>3,115</u>	<u>276,125</u>
<b>Net book value</b>					
As at 31 December 2003	<u>149,482</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>149,482</u>
As at 1 January 2003	<u>179,562</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>179,562</u>
Note: Additions at cost:	44,694				
Grant receipts (Dti Smart)	-42,006				
	<u>2,688</u>				

## 7 Debtors

	2003 £	2002 £
Trade debtors	1,773	10,032
Prepayments and accrued income	1,625	5,295
	<u>3,398</u>	<u>15,327</u>

## 8 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank Overdraft	11,482	30,135
Trade creditors	51,322	76,747
Other taxes and social security	380	0
Accruals and deferred income	33,104	27,550
	<u>96,288</u>	<u>134,432</u>

**9 Creditors: amounts falling due after more than one year**

	2003	2002
	£	£
<b>Convertible debt</b>		
Unsecured convertible 6% Loan Stock 2005-2007	55,000	20,000
<b>Non-Convertible debt</b>		
Unsecured Loan Stock 2002 (Note)	122,850	122,850
	<u>177,850</u>	<u>142,850</u>

Note: Unsecured Loan Stock 2002 is repayable from the proceeds of sale or revenue arising from the deployment of Railcars 11 and 12.

**10 Called up share capital**  
**Authorised**

	2003		2002	
	Number of shares	£		£
Ordinary Shares of £1 each	2,000,000	2,000,000	1,000,000	1,000,000
<b>Allotted, called up and fully paid</b>	<u>753,959</u>	<u>753,959</u>	<u>679,835</u>	<u>679,835</u>

**Ordinary Shares of £1 each**

During the year 74,124 new shares were allotted and fully paid for cash to maintain the capital base of the Company. The new shares were issued at a price of £2.00 each.

The increase in the authorised share capital of the Company was approved at the 2003 AGM.

**11 Share premium account**

	2003	2002
	£	£
Balance of Account at start of year	862,378	803,418
Premium on shares issued in the year	74,124	60,720
Share issue costs written off	(1,441)	(1,760)
Balance of Account at end of year	<u>935,061</u>	<u>862,378</u>

**12 Reconciliation of movements in shareholders' funds**

	2003	2002
	£	£
<b>Loss for the financial year</b>	(178,047)	(205,202)
New share capital subscribed	148,248	121,440
Share issue costs written off	<u>(1,441)</u>	<u>(1,760)</u>
Net subtraction from shareholder's funds	(31,240)	(85,522)
Opening shareholder's funds	247,772	333,294
<b>Closing shareholders' funds</b>	<u>216,532</u>	<u>247,772</u>

**13 Director's interests and loans**

Contacts subsisted during the year between the company and the undermentioned director, or companies with which that director is connected, under which goods or services were provided to the company to the following value:

	2003	2002
	£	£
J P M Parry MBE	121,232	119,389

## **Parry People Movers Limited**

### **Company Information**

**Incorporated** In England on 3 October 1991  
**Number:** 2652429

## **REPORT AND FINANCIAL STATEMENTS 2003**

### **DIRECTORS AND PROFESSIONAL ADVISORS**

#### **DIRECTORS**

J P M Parry MBE (Chairman & Chief Executive)  
R S Glendenning  
P A L Gordon  
J S Hilton  
C B Holden OBE  
G J Lusher  
B C Mackie  
D R Oldfield

#### **PROFESSIONAL ADVISORS**

<b>Company Secretary</b>	P R Evans, BSc, CPFA, MCIT. A J Mynette	(From 8 July 2003) (To 8 July 2003)
<b>Registered Office</b>	Overend Road, Cradley Heath, West Midlands, B64 7DD.	
<b>Auditors</b>	Gallagher & Co Chartered Accountants, Registered Auditor, Ivydene House, Uckinghall, Tewkesbury, Glous. GL20 6ES.	
<b>Corporate Advisors</b>	Wrigleys, Solicitors 19 Cookridge Street Leeds, LS2 3AG.	
<b>Bankers</b>	HSBC Bank plc 1 Great Cornbow, Halesowen, West Midlands, B63 3AD.	
<b>Solicitors</b>	Wrigleys, Solicitors 19 Cookridge Street Leeds, LS2 3AG.	
<b>Registrars</b>	Mynette & Co. Ltd. 60 Prospect Road Birmingham, B13 9TD	(To 8 July 2003)
	The Company Secretary	(From 8 July 2003)

## **Parr/ People Movers Limited**

### **Trading and Profit and Loss Account**

**for the year ended 31 December 2003**

<b>Direct Income</b>	<b>2003</b>	<b>2002</b>
	£	£
Operating Income	468	0
Grant receipts	5,000	0
Bank deposit interest	8	40
	<u>5,476</u>	<u>40</u>
 <b>Direct Expenditure</b>		
	£	£
Artwork, design services	325	990
Demonstration & exhibition costs	2,452	5,271
Promotion Trials & Testing	26,831	17,467
Repairs & renewals	18,825	23,770
Insurances	6,758	6,315
Office and administration	56,864	67,689
Accountancy, audit & secretarial fees	4,040	6,175
Other professional fees	17,135	15,425
Sundry costs	1,380	2,279
Bank charges	1,873	1,577
Depreciation	44,464	58,284
	<u>180,946</u>	<u>205,242</u>
 <b>Indirect Expenditure</b>		
Interest payable	<u>2,576</u>	<u>0</u>
 <b>Net Loss for the year</b>	<u>( 178,047)</u>	<u>( 205,202)</u>