

PARRY PEOPLE MOVERS LTD

FINANCIAL STATEMENTS

31 DECEMBER 2002

Registered number: 2652429



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COMPANIES HOUSE

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22/07/03

CHAIRMAN'S STATEMENT

Our protracted struggle to insert our 50 passenger vehicle into service on the national rail network has recently been taking us through some of the senior corridors of the rail industry and it has been interesting to hear some of the views of our company from those heights. 'I am amazed how you have stuck at it', said one industry leader, but steadfastness in holding to our objective has always been the common characteristic of our directors and our shareholders. When the idea of converting the Stourbridge branch to light rail was first discussed our company was seen as merely 'aspirational', while now, with a vehicle on the tracks and in virtual public service, how different things seem!

A time of great change should be a time of opportunity but it has been a period of unprecedentedly low morale in the rail industry which rule-bound by culture, simply did not have the flexibility to respond to the new realities. Decisions with regard to technical innovations such as ours were a particular problem. The route of what we always accepted might be a Marathon turned out to go via the summit of Everest! The financial deprivations on our small company caused by the extra delay of at least two years have, of course, been severe. More than a little determination is needed in such circumstances.

Nevertheless, prospective advantages of operating a significant number of non-mainline rail services as light rail, with regulatory standards which take into account the lower speeds and weight of vehicles, have at last been noticed by the authorities. PPM technology holds out the prospect of major savings in public subsidy to these routes and we believe that the pressing need for these savings is now leading the authorities to take down the remaining hurdles. This is what we now have as a result of our efforts over the past year:-

- a vehicle design which has been approved by HM Railways Inspectorate for carrying passengers on suitable branch lines of the national network and on private lines;
- a Train Operating Licence granted by the Office of the Rail Regulator to our associates, Pre Metro Operations Ltd to operate passenger services under SRA franchise arrangements;
- agreement with Central Trains for access to the Stourbridge stations on Sundays and to co-operate in a programme for the complete conversion of the line to light rail;
- Strong evidence that a PPM service can be provided at Stourbridge and similar branches at less than half the cost of conventional services, and
- details of a significant number of branch lines (including mothballed lines and lines now operated by heritage companies) where PPM technology could provide new economically and socially useful services.

We are also now building up passenger service experience, especially on the privately owned Great Central Railway, where Car 12 has, on selected days, been working the 14 mile round trip between Loughborough and Rothley (north of Leicester). This experience (significantly more challenging than Stourbridge) indicates, incidentally, a fuel consumption equivalent to 17 mpg. We calculate that one typical journey will substitute for 10 cars travelling collectively at some 3 mpg and occupying 180 square meters of scarce space to park in Loughborough.

So three regular PPM railcar operations are now under serious consideration: Stourbridge, Loughborough and Kidderminster (where public authorities are funding the study of a traffic-relieving service out of Bewdley). Each of these services, if proceeded with, will

require 2 vehicles. Preparations are in hand for the manufacture of running gear by Brush Traction Ltd once the probability of these orders firms up.

We have always seen the PPM railcar as paving the way for the PPM district or tramway (which will operate electrically but without overhead wires). Progress with this concept has been maintained with municipal authorities committing funds to study the potential of the system and joint development with other companies of the 'carpet track' idea, demonstrated by PPM in the mid 90s, by which tram track is laid temporarily or permanently on the surface of the road.

We believe the requirement for an affordable, zero-emission urban public transport, which PPM foresaw more than 10 years ago, has become much more pressing with the introduction *and acceptance* of the congestion charge. For the second time in history a man called Livingstone brought enlightenment to a dangerous world of ignorance and superstition, this time, the roads of central London. How can rational people have resisted for so long the idea that those who elect to bring their 6 square metre ton of personal transport into the city at such inconvenience to others should pay a little extra for the privilege, and that the proceeds should be used for public transport to improve the mobility, health and security of the many? As the idea spreads to other cities and towns of the UK we expect PPM technology to come into its own as one of the principal complementary options open to authorities, particularly in regional towns.

In the continued absence of sales income in 2002 our trading loss of £205,000 was mainly attributable to additional costs associated with striving for the attainment of vehicles in service, especially at Stourbridge. While liquidity remains under great pressure, I should emphasise that our trade creditors are principally associated companies who are participants in the project.

External factors combined with our own efforts have now resulted in a market situation which is full of opportunity for us. If this is to be realised, it is clear that the venture will need substantial new funding, but from where? The endeavour of private shareholders has achieved an engineering result for which planners have craved. It is now time for a greater contribution to the affordable rapid transit project to be made from public sources and this is the principal object of our present strategy.

John Parry
June 2003

PARRY PEOPLE MOVERS LTD

FINANCIAL STATEMENTS

for the year ended 31 December 2002

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The following page does not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix 1
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PARRY PEOPLE MOVERS LTD

COMPANY INFORMATION

31 December 2002

INCORPORATED	in England on 3 October 1991
NUMBER	2652429
CHAIRMAN	J P M Parry MBE
OTHER DIRECTORS	R S Glendenning P A L Gordon J S Hilton C B Holden G J Lusher B C Mackie D R Oldfield
SECRETARY	A J Mynette
REGISTERED OFFICE	Overend Road, Cradley Heath, West Midlands B64 7DD
BANKERS	HSBC Bank plc 1 Great Cornbow, Halesowen, West Midlands B63 3AD
SOLICITORS	Wrigleys, Solicitors 19 Cookridge Street, Leeds LS2 3AG
AUDITORS	Gallagher & Co. Chartered Accountants, Registered Auditor Ivydene House, Uckinghall, Tewkesbury, Glos. GL20 6ES
CORPORATE ADVISORS	Wrigleys, Solicitors 19 Cookridge Street, Leeds LS2 3AG
REGISTRARS	Mynette & Co. Ltd. 60 Prospect Road Birmingham B13 9TD

DIRECTORS' REPORT

31 December 2002

The directors present their report and the audited financial statements for the year ended 31 December 2002.

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 2002 Ordinary shares	1 January 2002 Ordinary shares
J P M Parry MBE	190,820	178,320
N R Evans (resigned 9 September 2002)	-	9,941
R S Glendenning	16,424	13,924
P A L Gordon	6,608	6,608
J S Hilton	200	200
S P Hobbs (resigned 4 October 2002)	-	1,418
C B Holden (appointed 9 September 2002)	-	-
G J Lusher (appointed 9 September 2002)	-	-
B C Mackie (appointed 28 January 2002)	6,088	-
D R Oldfield	7,329	6,413

In respect of JPM Parry's recorded interest a total of 164,292 (2001 - 156,792) shares were registered in the name of JPM Parry & Associates Ltd.

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

Substantial shareholders

On 9 June 2003 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:

H F Marriott	56,936 shares
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continued

PARRY PEOPLE MOVERS LTD

DIRECTORS' REPORT
(continued)

31 December 2002

Share capital

60,720 new ordinary £1 shares were allotted during the year for a total consideration of £121,440.

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.

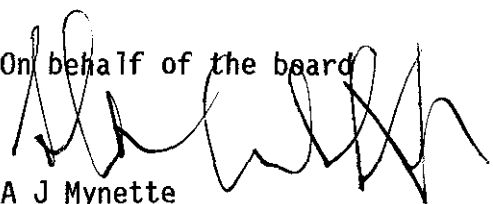
Auditors

Gallagher & Co. 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

9 June 2003

PARRY PEOPLE MOVERS LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

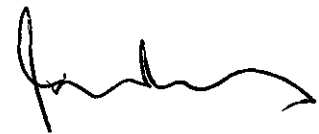
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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.

9 June 2003

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Tewkesbury, Glos.
9 June 2003

Gallagher & Co.
Chartered Accountants
Registered Auditor

PARRY PEOPLE MOVERS LTD

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

	Note	2002 £	2001 £
Net operating expenses			
Administrative expenses		(205,242)	(106,508)
Other operating income		<u>40</u>	<u>7,257</u>
Loss on ordinary activities before taxation		(205,202)	(99,251)
Taxation	3	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation retained for the year	12	(205,202) <u> </u>	(99,251) <u> </u>

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 2002 or 2001 other than the loss for the year.

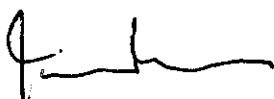
BALANCE SHEET

at 31 December 2002

	Note	£	2002 £	£	2001 £
Fixed assets					
Intangible assets	4		330,125		330,125
Tangible assets	5		179,562		240,517
			<u>509,687</u>		<u>570,642</u>
Current assets					
Debtors	6	15,327		7,337	
Cash at bank and in hand		40		-	
		<u>15,367</u>		<u>7,337</u>	
Creditors: amounts falling due within one year	7	(134,432)		(121,835)	
Net current liabilities			<u>(119,065)</u>		<u>(114,498)</u>
Total assets less current liabilities			<u>390,622</u>		<u>456,144</u>
Creditors: amounts falling due after more than one year (including convertible debt)	8		(142,850)		(122,850)
			<u>247,772</u>		<u>333,294</u>
Capital and reserves					
Called up share capital	10		679,835		619,115
Share premium account	11		862,378		803,418
Profit and loss account	12		(1,294,441)		(1,089,239)
Total shareholders' funds	9		<u>247,772</u>		<u>333,294</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 9 June 2003 and signed on its behalf by:


J P M Parry MBE
Chairman

NOTES ON FINANCIAL STATEMENTS

31 December 2002

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

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

	2002 £	2001 £
Operating loss is stated after crediting:		
Interest receivable	40	7
and after charging:		
Depreciation of tangible fixed assets (note 5):		
Owned assets	58,284	28,159

3 Taxation

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

PARRY PEOPLE MOVERS LTD

NOTES ON FINANCIAL STATEMENTS

31 December 2002

4 Intangible fixed assets

	Deferred Development Expenditure £
Cost	
1 January 2002	330,125
and 31 December 2002	<u> </u>
Net book amount	
31 December 2002	<u>330,125</u>
1 January 2002	<u>330,125</u>

5 Tangible fixed assets

	Demo. Plant & Machinery £	Other Plant & Machinery £	Fixtures, Fittings, Equipment £	Total £
Cost				
1 January 2002	404,767	15,518	5,305	425,590
Additions (Note)	(2,671)	-	-	(2,671)
31 December 2002	<u>402,096</u>	<u>15,518</u>	<u>5,305</u>	<u>422,919</u>
Depreciation				
1 January 2002	164,250	15,518	5,305	185,073
Charge for the year	<u>58,284</u>	<u>-</u>	<u>-</u>	<u>58,284</u>
31 December 2002	<u>222,534</u>	<u>15,518</u>	<u>5,305</u>	<u>243,357</u>
Net book amount				
31 December 2002	<u>179,562</u>	<u>-</u>	<u>-</u>	<u>179,562</u>
1 January 2002	<u>240,517</u>	<u>-</u>	<u>-</u>	<u>240,517</u>

Note: additions at cost 8,111
grant receipts (DTI Smart) (10,782)
(2,671)

PARRY PEOPLE MOVERS LTD

NOTES ON FINANCIAL STATEMENTS

31 December 2002

6 Debtors

	2002 £	2001 £
Amounts falling due within one year		
Trade debtors	5,965	-
Other debtors including VAT	4,067	-
Prepayments	5,295	7,337
	<u>15,327</u>	<u>7,337</u>

7 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdrafts	30,135	4,799
Trade creditors	76,747	97,321
Taxation and social security	-	164
Accruals	27,550	19,551
	<u>134,432</u>	<u>121,835</u>

8 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Convertible debt		
Unsecured, Convertible 6% Loan Stock 2005-2007	20,000	-
Non-convertible debt		
Unsecured Loan Stock 2002 (Note)	<u>122,850</u>	<u>122,850</u>
	<u>142,850</u>	<u>122,850</u>

Note: Unsecured Loan Stock 2002 is repayable from the proceeds of sale, or revenue arising from the deployment, of Railcars no. 11 and 12.

PARRY PEOPLE MOVERS LTD

NOTES ON FINANCIAL STATEMENTS

31 December 2002

9 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Loss for the financial year	(205,202)	(99,251)
New share capital subscribed	121,440	121,516
Share issue costs written off	<u>(1,760)</u>	<u>(920)</u>
Net (subtraction from)/addition to shareholders' funds	(85,522)	21,345
Opening shareholders' funds	<u>333,294</u>	<u>311,949</u>
Closing shareholders' funds	<u><u>247,772</u></u>	<u><u>333,294</u></u>

10 Called up share capital

	2002		2001	
	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>679,835</u>	<u>679,835</u>	<u>619,115</u>	<u>619,115</u>

During the year 60,720 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.

11 Share premium account

	2002 £
1 January 2002	803,418
Premium on shares issued in year	60,720
Share issue costs written off	<u>(1,760)</u>
31 December 2002	<u><u>862,378</u></u>

12 Profit and loss account

	2002 £
1 January 2002	(1,089,239)
Retained loss for the year	<u>(205,202)</u>
31 December 2002	<u><u>(1,294,441)</u></u>

PARRY PEOPLE MOVERS LTD

NOTES ON FINANCIAL STATEMENTS

31 December 2002

13 Directors' interests and loans

Contracts 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:

J P M Parry MBE	£
	119,389

PARRY PEOPLE MOVERS LTD

TRADING AND PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

	2002		2001	
	£	£	£	£
Other operating income				
DTI, other grants	-		7,250	
Bank deposit interest	40		7	
		40		7,257
		40		7,257
Less overheads				
Artwork, design services	990		-	
Travel, subsistence, entertaining	700		-	
Printing postage and stationery	415		546	
Advertising, publicity, promotion	11,640		2,357	
Demonstration/exhibition costs	5,271		-	
Sundry expenses	1,164		-	
Repairs and renewals	23,770		-	
Insurances	6,315		6,109	
Trials and testing	5,827		2,353	
JPA admin., r&d, technical support	67,689		47,829	
Bank charges	1,577		1,005	
Accountancy, audit, secretarial fees	6,175		5,143	
Other professional fees	15,425		13,007	
Depreciation of tangible fixed assets	58,284		28,159	
		205,242		106,508
Net loss for the year		(205,202)		(99,251)