

CHORUS MOTORS

Chorus Motors plc

2004 Annual Report



Fellow Members:

We now have product and we are tendering bids for specialty Chorus® Meshcon™ and Chorus® Star™ systems for major customers.

Please look to http://www.chorusmotors.gi/press/pr_040803.shtml for our most recent press release, relating to the new test data on our Chorus Meshcon motor system. These are very heady times for Chorus Motors plc.

We have completed the basic development of the Chorus Meshcon and Chorus Star technology. We demonstrated in June 2003 a 1.5 horsepower motor and in June 2004 we completed development of a plug- and-play 20-hp Chorus Meshcon motor system. We are now in a position to be a substantial virtual producer of these motor systems that transform the engineering envelope for electric motors. Test results, posted recently on the Chorus Motors Website, show that a Chorus Meshcon system can produce at least five times more startup torque than a comparable conventional drive system, using strict criteria for a true apples to apples comparison.

This new capability means that motors (Chorus, of course) can now be used in many applications where previously no motor could offer the combination of high torque, small size and light weight required. The market for Chorus systems will thus be broader than the current market for electric motors as Chorus replaces not only conventional motors, but also hydraulic and pneumatic systems and even internal-combustion engines for many purposes. Indeed, we have spent much of the past year designing Chorus systems for highly-demanding (and in some cases novel) applications for major corporations. While it takes significant time for us to design and customers to evaluate these new systems, we expect that some of these designs will lead to large and multi-year supply contracts.

Let us give a little background on what has happened here from our viewpoint and perspective. With our working plug-and-play 20-hp Chorus Meshcon motor, we have in hand the culmination of decades of work by many research teams in the United States. For almost as long as the U.S. Department of Energy (DOE) has existed, it has been funding programs looking for a “better”, “more efficient” and higher-torque electric motor.

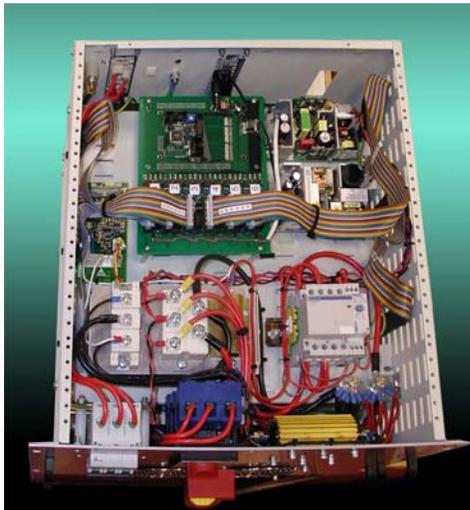
In our opinion, motor R&D has been very weak for decades. The main textbooks were written in the 1950s, and the really seminal work was done around a century ago and published from 1915 to 1917. Motor companies learned the hard way since the early days of spectacular advances in understanding and the ability to build motors that spending money on research was a waste — because for so many years it was.



In the late 1950s the advent of power silicon, and its capability to synthesize variable frequency power was the first serious advance in over 50 years. Initially silicon-controlled rectifiers (SCRs) came on-line in the 1960s, but they could not do a proper sine wave because they could not switch fast enough. The transistor had a faster switching speed, allowing pulse-width-modulation (pwm), but there was a problem: making variable frequency drives requires a microprocessor. So while inverters were available for motors in the 1960s, they did not become a major part of the supply chain and normal corporate offerings until the 1990s.

Partially this slow adoption was a result of the technology not being available. Motor companies were also slow to adopt electronic drives because they saw little competitive advantage in doing so. In this, they were basically correct: it took from the 1960s to today to make electronic drives relatively common. Nobody in the business today currently selling product into the market has a truly superior technology solution which gives them proprietary pricing, margins are thin, and strong profits are not to be found in this commodity industry.

Chorus started working in this business for three reasons: We saw that the industry did not aggressively research breakthrough technologies. We saw that the market size, at more than \$100 billion yearly, meant that if something really special did come along there would be a superb opportunity to profit. Most important of all, we had a researcher who convinced us early on that he really understood AC electric motors at a level that perhaps no one since their inventor, Nikola Tesla, has even approached.



Power Electronics for a
Chorus Meshcon Drive

The few researchers left in the field are primarily academics, and they have done an excellent job of furthering the incremental advances still possible with standard brushless and AC induction technologies. These advances include better ways to control a given drive, better ways to make high-speed machines, and still-better ways to crowd out harmonics by simulating more perfect sine waves.

When we started making Chorus machines back in the mid-1990s, we set out to try to go back to the basics. So instead of working in an area which already had researchers (such as vector-field control), we went in an entirely new direction with high phase order machines and concentrated windings. Instead of minimizing harmonics, as everyone else was doing, we explicitly embraced them.

There is no surprise that nobody else went in this direction. Academics were not doing basic research any more, and nobody would have funded such work. Motor companies had learned not to invest in research anyway — and certainly not in something which would take time to pan out. The best candidates might have been companies making inverters (certainly we have found that drives engineers have been the quickest to understand Chorus Meshcon), but their direct focus on immediate products meant that they would not invest in or invent a strategic shift such as Chorus.

So the field was left wide open, and we drove right in. This is why our patent coverage is so strong: nobody had previously understood what could be achieved with high-phase-order drives and concentrated windings.

In terms of basic concepts, Chorus Meshcon could not have been demonstrated 20 or perhaps even 10 years ago. The computing hardware was not there, and it is still not there in the digital signal processors used by most drive companies and researchers. We are using processors that are now inexpensive and common. But they had no equal just five years ago.

Our progress has certainly not been smooth. It has been painfully slow with many false hopes and starts. Now, over ten years later, we have developed Chorus Meshcon and Chorus Star. We have shown that our technology is superior to any other motor/drive in the world capable of the same torque-speed profile. And Chorus Motors owns 100% of this proprietary patented technology.

Instead of trying to work with new materials or a new control paradigm, we have cheerfully adopted all of the excellent incremental work done in the three-phase world. We use standard materials, standard bearings, and standard control modules. This is why it is possible for Semikron® Limited to make our drives, and a normal motor manufacturer can wind a Chorus machine. Our building blocks are the same — we just think about the way those blocks should be assembled differently from anyone else. And what makes it all so much fun is that our motors and drives outperform any other system and we provide a huge increase in the size of the available engineering envelope.



Finished Chorus Meshcon
Inverter Enclosure

We are currently bidding on several large orders. We are increasingly confident that the adoption of our science will be quick, as our technology allows companies to increase their engineering envelope and thus opens new and huge markets for electric motors. Again, we are initially going after the high-value sales. Chorus Motors is becoming a spectacular business.

Our Organizational Structure

Chorus Motors plc is a public quoted company trading under the symbol CHOMF. Chorus Motors is a majority-owned subsidiary of Borealis Exploration Limited. Our immediate parent is Borealis' 98%-owned subsidiary, Borealis Technical Limited, which owns all patents on the Chorus Star and Meshcon technologies and has licensed them exclusively to Chorus Motors plc. Chorus Motors plc has 10,000,000 shares authorized and, at fiscal year-end, had 6,396,467 shares outstanding, of which Borealis owned 5,222,672 shares, or 82% of the total. Both Borealis and Chorus Motors plc are incorporated in Gibraltar.

Our headquarters and legal domicile are in Gibraltar, Chorus Motors operates as a virtual company, and the Internet plays a dominant role in our day-to-day work. It is the means by which we manage our businesses, discuss new ideas, and promote ourselves to the outside world. Modern communications technology has allowed us to circumvent the traditional problems associated with working on four continents and twenty time zones. Because of this, we have access to facilities and personnel about which a company of our size would normally only be able to dream.

Chorus has consultants around the world, all of whom work over e-mail. Management and technical discussions take place over the Internet. Chorus Motors runs a continual Board of Directors meeting 24 x 365, with an annual traffic of well over 3,000 messages to each board member. Chorus has intense direct participatory management, and many consultants to the Company sit in on the board meetings and provide input even while they are not voting members.

Our Website, www.chorusmotors.gi, makes information about our technology available, and informs shareholders, other companies, and the general public about Chorus Motors. The Website is frequently updated, and our major disclosed technologies are described on the site in detail. Additionally, Borealis sends out a weekly update (as well as daily share trades with its prices) to shareholders and to all the major news organizations and other interested parties, detailing Chorus' ongoing work and progress (please e-mail pr@chorusmotors.gi if you would like to receive these updates). Through this wide distribution, we are able to keep people better informed than through traditional channels. Your management uses this technology to maintain a close relationship with our shareholders.

This virtual company structure is great to work with and allows us to have many people directly involved in the decision-making processes at Chorus. This approach may not be conventional, but the results to date have validated the business structure.

Patents and Intellectual Property

Borealis Technical Limited so far has been granted a number of patents for its Chorus Motor and Meshcon technologies, and we are applying for additional patents as our continuing research warrants. In fiscal 2004 we were granted three new patents related to Chorus' technologies. We have recently, for example, received patents covering the winding of electric motors and the Meshcon and Chorus technologies; we believe these are among the most significant patents granted for electric motor technology in almost a century.

We are confident that some of our patents will be judged by the courts as "pioneer" patents, reflecting the fact that they represent a technical revolution in the motor field. Pioneer patents are those to which most later patents in a field make reference, or on which later patents build by adding new improvements to the field. Because pioneer patents represent the result of groundbreaking scientific discoveries or development, the courts have found that they merit a wide breadth of protection in construing their claims and specifications.

Because our scientific discoveries and technical advances are the core of our business, we are very careful about protecting these assets. Patenting and otherwise protecting our technologies is an important activity at Chorus and consumes a considerable portion of our resources. We have developed a valuable library of intellectual property and we intend to protect it vigorously.

Chorus Motors plc also owns 100% of a technology, which we have not previously disclosed, and to which we refer internally as “DeepG”. The U.S. Patent and Trademark Office has approved this patent for issue and we are awaiting its formal issue. This patent is very long, and it covers the basic control technology of generator systems known in the trade as “gensets”. We expect that the technology covered by this patent will enable motors operated as generators to operate with radically improved efficiency and sharply reduced energy consumption.

If properly managed and marketed, this technology will generate significant revenues for a very long time with virtually no capital investment in plant or equipment. We have worked on this technology for about 10 years, and we are now considering alternative business models for capitalizing on the technology. One option under consideration is to give the product away in return for 18% of the user’s monthly fuel savings. The profitability will be very much a collection issue but, like Microsoft Corporation, we believe that we can manage a product that has basically no manufacturing cost but generates substantial licensing revenue. We initially expect to get paid through license fees by the large companies using the technology and hopefully we can get paid by most users of this technology worldwide. It should be noted that this is another stand-alone business with huge revenue and profit potential coming from our long-standing on-going research efforts worldwide.

Financial Report

Chorus Motors plc has all its bills paid by Borealis Technical Limited and as such has no liabilities of any kind. In return Borealis Technical Limited will receive 50% of the sublicense revenue and 8% of all other revenue generated by Chorus Motors plc.

All proceeds from private sales of Chorus shares are due back to Chorus Motors plc and these totaled \$9,504,030 at fiscal 2004 year-end, compared with \$7,038,069 for fiscal 2003. Stated another way, Chorus Motors plc has accounts receivable of \$9,504,030 and no accounts payable, and no long-term or short-term debt.

Borealis Technical Limited collects \$64,800 in annual management fees and the cumulative loss to date for your Company is \$324,000.

The fiscal year ended 31 March 2004 was very active, with continual major on-going advances in our technologies. What is very unusual is that our pace of scientific advance is, if anything, speeding up.

The fiscal year-end 2004 showed 6,396,467 shares outstanding compared with 6,044,289 shares outstanding for fiscal 2003.

As Chorus Motors plc has no debt or other obligations, the Company is in an excellent position to pursue its business in an industry that has long been very immune to any change.

The technical advances have continued year in and year out and are now really picking up. With the business model we are using of the Chorus Club, we expect a very long life for our continued scientific advances.

We now have products to sell and are working intensely to do so. It is difficult to make any sales in such a stable industry. That said, because of our financial structure and position, we can continue our scientific advances and development work for many years until this industry finally adopts our technology.

We thank everybody for their help and for their support. This has been a long tough road to run down, where we have made many mistakes, gone down numerous technological dead ends and have finally arrived at the other end vastly enlarging the engineering envelope for electric motors.

Changing basic industries is not easy. The motor industry will only change as we go directly to the industry's customers and provide them with vastly improved product at competitive pricing. When and if we are allowed to talk of the business we are generating all of our shareholders will be very pleased with our customers and our partners.

Chorus Motors plc owns the proprietary and patented technology that will be the dominant technology in electric motors for generations to come. In the long run, we will dominate this industry. We want the long run to begin in as short a time period as possible.

Thanks again for your support, your help, your brilliance and perseverance in the face of many obstacles in getting this family of technologies from a gleam in our chief scientist's eye to market reality.

Chorus Motors plc

A handwritten signature in black ink, appearing to read 'Rodney T. Cox', with a large, stylized initial 'R' at the start.

Rodney T. Cox
Chairman and CEO

A handwritten signature in black ink, appearing to read 'Isaiah W. Cox', with a large, stylized initial 'I' at the start.

Isaiah W. Cox
President and COO

Forward Looking Statement

The discussion of the Company's business and operations in this report includes in several instances forward-looking statements, which are based upon management's good faith assumptions relating to the financial, market, operating and other relevant environments that will exist and affect the Company's business and operations in the future. All technical, scientific, and commercial statements regarding technologies and their impacts are based on the educated judgment of the Company's technical and scientific staff. No assurance can be made that the assumptions upon which management based its forward-looking statements will prove to be correct, or that the Company's business and operations will not be affected in any substantial manner by other factors not currently foreseeable by management or beyond the Company's control.

All forward-looking statements involve risks and uncertainty. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that might be made to reflect the events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events; including those described in this report, and such statements shall be deemed in the future to be modified in their entirety by the Company's public pronouncements, including those contained in all future reports and other documents filed by the Company with the relevant Securities Commissions.

CHORUS MOTORS
PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 68312

Financial Statements

for the year ended 31 March 2004

CHORUS MOTORS PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 68312

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CHORUS MOTORS PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 68312

DIRECTORS AND OFFICERS

Directors

Appointed

Rodney T. Cox	21 Dec 1999	Director, Chairman of the Board, and Chief Executive Officer
Isaiah W. Cox	21 Dec 1999	Director, President, and Chief Operating Officer
Wayne S. Marshall	21 Dec 1999	Director
John Klys	21 Dec 1999	Director
Peter Vanderwicken	06 Sept 2000	Director
Iris Oren Cox	24 July 2001	Director
Nechama J. Cox	01 Aug 2001	Director
Stuart Harbron	23 July 2002	Director, and Chief Patent Officer
Giulio Pontecorvo	28 Aug 2003	Director
Robert T. Bauer	17 May 2004	Director
Joseph J. Cox	(resigned 27 June 2003)	

Secretary

Fidecs Management Limited
(Formerly known as BDO Fidecs Management Limited)

Registered Office

Montagu Pavillion
8-10 Queensway
Gibraltar

Auditors

Moore Stephens
Suite 5 Watergardens 4
Waterport
Gibraltar

CHORUS MOTORS PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 68312

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2004.

Corporate Profile

The Company was incorporated on 18 March 1999 in Gibraltar. In November of 2003, the shares of the Company began being quoted on the OTC market in the United States, and now trade on www.pinksheets.com under the symbol CHOMF. Shares have traded between \$23/share and \$4/share since quotations began, and the last sale was at \$13/share.

Activities

The principal activity of the Company is that of researching, developing building and marketing the Chorus® Meshcon™ motor technology.

Results and Review of Business

The results for the year are shown in the profit and loss account on page 6.

Borealis Technical Limited (Technical), the parent company, has conducted basic industrial research on its Chorus® Meshcon™ motor technology since 1994, through itself and more recently through Chorus Motors plc. Chorus Motors plc has exclusive world rights to manufacture and market the Chorus® Meshcon™ motor technology for which there are many patents issued and pending. All of the research expenditures to date have been undertaken by Technical and funded by Technical, and currently principally funded through the sale of shares in the subsidiary by the ultimate parent of the Company. All share sales proceeds by Chorus Motors plc are lent to Technical. Chorus Motors plc has no debt or any financial obligations of any sort at the present, as all its costs are met by its parent. When Chorus Motors plc begins operations as a stand alone licensing, manufacturing and sales company for the Chorus® motor technologies, then Chorus Motors plc will assume the normal financial obligations for its type of business and trade. This is the culmination of many years of work.

An Intellectual Property Agreement was signed effective 1 January 1999, whereby Technical has granted the Company the exclusive worldwide rights for sublicensing the Chorus® motor technology. In consideration for the rights granted to the Company, the Company shall pay Technical an 8% royalty based on net sales of licensed products and services sold by the Company and 50% of all sublicense income. To date, the Chorus® motor technology is still under development such that the Company has not made any related sublicense, or product sales.

CHORUS MOTORS PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 68312

DIRECTORS' REPORT (Continued)

Results and Review of Business (Continued)

The Company has been in the development stage since its inception. The Company intends to retain its sublicence rights granted by Technical. These financial statements have been prepared in accordance with generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. From inception to 31 March 2004, the Company has lent money raised on its behalf to Technical and Borealis Exploration Limited, who are also in a development stage. The present circumstances therefore raise certain doubts about the ability of the Company to continue as a going concern. Management of the Company has indicated they have no intention to demand repayment of the amounts owing from Technical until the Chorus® motor technology is being sold in the marketplace, and the Company is financially independent. The Company and Technical are actively working together to negotiate product sales or further sublicensing of its technology to various parties, which is expected to generate profitable operations in the future. To the extent additional funds are required, the Company will attempt to raise these funds through future sales of products and licences and perhaps by further issues of shares. There can be no assurance that the Company will be successful in its actions. The financial statements do not contain any adjustments that might be necessary if the Company is unable to continue as a going concern.

During the 2000 fiscal year, the Company further entered into an agreement with a certain contractor of Technical. Pursuant to this agreement the Company is granting the contractor certain sublicensing rights for the Chorus® motor technologies in the Canadian market. In consideration for the rights granted to this contractor, the Company will be entitled to a 4% royalty based on net sales of licenced products and services sold by the contractor and 50% of all sublicense income in the Canadian market.

Dividends

There were no dividends declared during the year.

CHORUS MOTORS PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 68312

DIRECTORS' REPORT (Continued)

Directors and their Interests

The directors who served during the year were as stated on page 1.

The interests of the directors in the shares of the Company in the year were as follows.

Shares held at 31 March 2004

Rodney T. Cox	32,031
Isaiah W. Cox	32,960
Wayne S. Marshall	30,071
John Klys	10,000
Peter Vanderwicken	8,586
Iris Oren Cox	2,305
Nechama J. Cox	5,775
Stuart Harbron	2,160
Giulio Pontecorvo	100
Robert T. Bauer	500

Share Options

As of 31 March 2004, there were no share options outstanding.

Directors' Responsibilities

The directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss for that year and which comply with the Gibraltar Companies Ordinance 1930 and the Gibraltar Companies (Accounts) Ordinance 1999. In preparing the financial statements, appropriate accounting policies have been used and applied consistently, reasonable and prudent judgements and estimates have been made, and applicable accounting standards have been followed. The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities.

Auditor

A resolution to reappoint Moore Stephens will be proposed at the Annual General Meeting.

By order of the Board on 12 August 2004



Isaiah W Cox
Director



Rodney T Cox
Director

CHORUS MOTORS PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 68312

REPORT OF THE AUDITORS

To the members of Chorus Motors Public Limited Company

We have audited the financial statements on pages 6 to 10, which have been prepared under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the Company's members as a body, in accordance with the Companies Ordinance 1930. 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 auditor's 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 directors and auditors

As described in the report of the Directors, the Company's Directors and management 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 in the United Kingdom. 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.

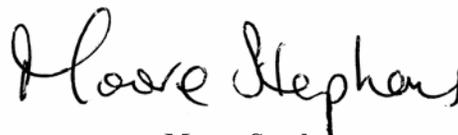
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In forming our opinion, we have considered the disclosures made in note 1 of the financial statements in connection with the application of the going concern basis and the uncertainty with regards to securing continued financial support. In view of the significance of these matters we consider they should be drawn to your attention but our opinion is not qualified in these respects.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2004, and of the loss for the year then ended in accordance with Gibraltar Accounting Standards and have been properly prepared in accordance with Gibraltar Companies Ordinance 1930 and the Gibraltar Companies (Accounts) Ordinance 1999.

Gibraltar
12 August 2004



Moore Stephens
CHARTERED ACCOUNTANTS

CHORUS MOTORS PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 68312

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2004

	Note	2004 \$	2003 \$
Expenditure			
Administration fees	5	64,800	64,800
		<u> </u>	<u> </u>
Retained loss for the year		(64,800)	(64,800)
		<u> </u>	<u> </u>
Retained losses brought forward		(259,200)	(194,400)
		<u> </u>	<u> </u>
Retained losses carried forward		\$ (324,000)	\$ (259,200)
		<u> </u>	<u> </u>

The Company has had no discontinued activities during the year, accordingly, the above result for the Company relates solely to continuing activities.

No statement of recognised gains and losses has been produced as the only recognised gains and losses occurring in the year are those disclosed in the Profit and Loss Account.

The notes on pages 8 to 10 form part of these Financial Statements.

CHORUS MOTORS PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 68312

BALANCE SHEET as at 31 March 2004

	Notes	2004 \$	2003 \$
Current Assets			
Debtors	2	9,504,030	7,038,069
Total Net Assets		<u>\$ 9,504,030</u>	<u>\$ 7,038,069</u>
Capital and Reserves			
Called up Share Capital	3,4	63,965	60,443
Share Premium Account	3,4	9,764,065	7,236,826
Profit and Loss account	4	(324,000)	(259,200)
Total Shareholders' Funds		<u>\$ 9,504,030</u>	<u>\$ 7,038,069</u>

Signed on behalf of the Board of Directors on 12 August 2004



Isaiah W Cox
Director



Rodney T Cox
Director

The notes on pages 8 to 10 form part of these Financial Statements.

CHORUS MOTORS PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 68312

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2004

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Gibraltar Accounting Standards and the Gibraltar Companies Ordinance 1930 and the Gibraltar (Companies Accounts) Ordinance 1999 (together, 'Gibraltar GAAP').

a. Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

b. Reporting currency

The Company's financial statements are presented in US dollars, which is the functional currency for operations.

c. Foreign currency translation

Transactions in foreign currency are recorded at the rate at the date of the transaction. Any monetary assets or liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

d. Going Concern

These financial statements have been prepared under the going concern concept, which assumes that the Company will continue in operational existence for the foreseeable future having adequate funds to meet their obligations as they fall due. Further information is set out in the Directors' Report on pages 2 to 4.

e. Cash Flow Statements

The Company meets the size criteria for a small company set by the Companies Act 1985, and therefore, in accordance with FRS1: Cash Flow Statements, it has not prepared a cash flow statement.

f. Taxation

The Company has been granted exempt status under the Gibraltar Companies (Taxation and Concessions) Ordinance. Providing the Company continues to satisfy the criteria for such status, including the payment of an annual government charge of £225 it will not be subject to Gibraltar Corporation Tax for a period of twenty-five years from 24 August 1999, the date on which it was granted such status. There is proposed legislation now pending approval that may change the tax status of the Company in the foreseeable future, although it appears likely that a low or zero rate of taxation will apply under the proposed new structure

CHORUS MOTORS PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 68312

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2004

2. DEBTORS

	2004 \$	2003 \$
Loan to related party	\$ 9,504,030	\$ 7,038,069

Amounts due from the Company's parent company are non-interest bearing, unsecured, and with no fixed terms of repayment

3. CALLED UP SHARE CAPITAL

	2004 \$	2003 \$
Authorised share capital 10,000,000 ordinary shares @ \$0.01 each	\$ 100,000	\$ 100,000

	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
At 31 March 2002	5,966,799	59,667	6,780,926	6,840,593
Shares issued during the year	77,490	776	455,900	456,676
At 31 March 2003	6,044,289	60,443	7,236,826	7,297,269
Shares issued during the year	352,178	3,522	2,527,239	2,530,761
At 31 March 2004	6,396,467	\$ 63,965	\$ 9,764,065	\$ 9,828,030

The shares issued were partly to raise additional finance (cash received in Technical) and partly to settle amounts owing to creditors by Technical.

CHORUS MOTORS PUBLIC LIMITED COMPANY

Registered No (Gibraltar) 68312

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2004

4. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital \$	Share Premium Account \$	Profit & Loss Account \$	Total \$
At 31 March 2002	59,667	6,780,926	(194,400)	6,646,193
Shares issued during the year	776	455,900	–	456,676
Loss for the year	–	–	(64,800)	(64,800)
At 31 March 2003	60,443	7,236,826	(259,200)	7,038,069
Shares issued during the year	3,522	2,527,239	–	2,530,761
Loss for the year	–	–	(64,800)	(64,800)
At 31 March 2004	<u>\$ 63,965</u>	<u>\$ 9,764,065</u>	<u>\$ (324,000)</u>	<u>\$ 9,504,030</u>

5. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2004, the Company was charged \$64,800 (2003-\$64,800) in fees for administrative services provided by the ultimate Parent Company.

6. ULTIMATE PARENT COMPANY

The ultimate parent company is Borealis Exploration Limited, a company incorporated in Gibraltar whose registered office is at Montagu Pavillion, 8-10 Queensway, Gibraltar.