

CHORUS MOTORS

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 68312

Financial Statements

for the year ended 31 March 2009

CHORUS MOTORS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 68312

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 be unaffected 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.

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CHORUS MOTORS PUBLIC LIMITED COMPANY

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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
Wayne S. Marshall	21 Dec 1999	Director
John Klys	21 Dec 1999	Director
Peter Vanderwicken	06 Sept 2000	Director
Nechama J. Cox	01 Aug 2001	Director and Chief Operating Officer
Giulio Pontecorvo	28 Aug 2003	Director
Stuart Harbron	23 July 2002	Resigned 24 June 2008

Secretary

STM Fidecs Management Limited
Montagu Pavilion
P.O. Box 575
8-10 Queensway
Gibraltar

Registered Office

Suite 3G, Eurolife Building
1 Corral Road
P.O.Box 575
Gibraltar

Auditors

Moore Stephens
Suite 5 Watergardens 4
Waterport
Gibraltar

CHORUS MOTORS PUBLIC LIMITED COMPANY

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DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2009.

Corporate Profile

The Company was incorporated on 18 March 1999 in Gibraltar. The Company's shares are publicly traded in the United States over-the-counter (OTC) market and quoted as CHOMF on the Pink Sheets at www.pinksheets.com. 31 March 2009, CHOMF closed at \$2.50 per share, with the yearly high at \$7.50 per share, and the low at \$1.00 per share.

Activities

The principal activity of the Company is that of researching, developing, building, and marketing the Chorus® Meshcon™ Technology. Chorus Motors plc currently owns 6,574,262 shares of WheelTug plc.

Results and Review of Business

The results for the year are shown in the Profit and Loss Account on page 8.

Borealis Technical Limited (Technical), the parent company, has conducted basic industrial research on its Chorus® Meshcon patented and proprietary 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 until fiscal 2007 were undertaken and funded by Borealis Technical. Since that date, Chorus Motors plc has become a profitable stand-alone company and it is currently principally funded through the sale of shares in the subsidiary.

The Chorus Meshcon technology is a novel electric motor/drive combination that uses electromagnetic harmonics to greatly increase the motor's torque. A Chorus system is smaller, lighter, and is expected to sell for a premium over a conventional motor with the same output. It is ideal for traction applications such as electric cars and trains.

WheelTug plc was incorporated on 9 February 2005, as a subsidiary of Chorus Motors plc, and is the assignee of the WheelTug® programme announced with Boeing Phantom Works on 8 November 2004. The WheelTug® technology looks to be the first of the Chorus technologies brought to market. In fiscal 2008 the decision to formally launch the program for the 737NG came with adding key consultants and risk sharing partners. Work continues as we progress to working prototypes of WheelTug®.

As of 31 March 2009, Chorus Motors plc owned 6,580,742 shares of WheelTug plc. During Fiscal Year 2009, Chorus Motors sold 83,916 shares of WheelTug for \$1,678,320.

A current business plan for WheelTug plc is available under NDA.

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. The Company intends to retain its sublicense rights granted by Technical.

CHORUS MOTORS PUBLIC LIMITED COMPANY

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DIRECTORS' REPORT (Continued)

Results and Review of Business (Continued)

The Company has been in the development stage until fiscal 2007. 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 2006, the Company lent money raised on its behalf and through the sale of WheelTug plc shares and the sale of product to Technical which is owned by Borealis Exploration Limited, who are also in a development stage. Since that date, Chorus Motors plc is paying its own expenses, though excess funds are being lent to Technical.

Chorus Motors plc is strongly profitable and has been for several years. Securities held by the Company are carried at cost on the Company books, which is a nominal sum. Nonetheless the present circumstances 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. The Company and Technical are actively working together to negotiate product sales or further sublicensing of its technology to various parties, which are 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, licences, sales of portfolio shares 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.

Dividends

There were no dividends declared during the year.

Directors and their Interests

The directors who served during the year were as stated on page 2.

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

	Share held on 31 March 2009	Shares held on 31 March 2008
Rodney T. Cox	48,165	48,165
Isaiah W. Cox	37,810	37,810
Wayne S. Marshall	36,571	29,171
John Klys	10,000	10,000
Peter Vanderwicken	18,313	15,879
Nechama J. Cox	13,775	13,775
Giulio Pontecorvo	5,809	4,169

Share Options

As of 31 March 2009, there were no share options outstanding.

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DIRECTORS' REPORT (Continued)

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 Act 1930 and the Gibraltar Companies (Accounts) Act 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.

Investor Information

Extensive information for investors can be found on our Website at www.chorusmotors.gi. Our annual and quarterly reports for the past several years are posted there, as well as full information about the Company and our technologies. The site also has links to quotation systems that report our current share prices.

If you have a question about Chorus Motors, please write to us at <mailto:pr@chorusmotors.gi>.

Auditor

A resolution to reappoint Moore Stephens was passed at the Annual General Meeting.

By order of the Board on 22 December 2009



Isaiah W. Cox
Director



Rodney T. Cox
Director

CHORUS MOTORS PUBLIC LIMITED COMPANY

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHORUS MOTORS PUBLIC LIMITED COMPANY

We have audited the financial statements of Chorus Motors plc for the year ended 31 March 2009 set out on pages 8 to 13. These financial statements have been prepared under the Accounting Policies set out on page 10.

This report is made solely to the Company's members as a body, in accordance with the Companies Act 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 are responsible for the preparation of financial statements in accordance with applicable law and Gibraltar Accounting Standards (Gibraltar Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the relevant financial reporting framework and are properly prepared in accordance with Gibraltar Law. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements.

Basis of opinion

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

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AUDITORS' REPORT (Continued)

In connection with the other information provided by the Company, we also draw attention to the content of the Forward-Looking Statement on page 1.

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 2009, and of the profit for the year then ended in accordance with Gibraltar Accounting Standards and have been properly prepared in accordance with Gibraltar Companies Act 1930, the Gibraltar Companies (Accounts) Act 1999, and the Gibraltar Companies (Consolidated Accounts) Act 1999.



Gibraltar
22 December 2009

Moore Stephens
CHARTERED ACCOUNTANTS

CHORUS MOTORS PUBLIC LIMITED COMPANY

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PROFIT AND LOSS ACCOUNT for the year ended 31 March 2009

	Notes	2009 \$	2008 \$
Expenditure			
Development Expenses	6	(311,730)	(347,513)
Administrative fees	7	<u>(280,000)</u>	<u>(280,000)</u>
Expenditure for the year		(591,730)	(627,513)
Profit of disposal of investments	1	1,677,480	869,527
Retained profit for the year		<u>1,085,750</u>	<u>242,014</u>
Retained profit 1 April 2008		<u>2,003,884</u>	<u>1,761,870</u>
Retained profit 31 March 2009		<u><u>\$3,089,634</u></u>	<u><u>\$2,003,884</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 10 to 13 form part of these Financial Statements.

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BALANCE SHEET as at 31 March 2009

	Notes	2009 \$	2008 \$
Investments	2	<u>65,807</u>	<u>66,647</u>
Current Assets			
Debtors	3	<u>15,605,079</u>	<u>14,192,607</u>
Total Current Assets		<u>15,605,079</u>	<u>14,192,607</u>
Total Net Assets		<u><u>\$15,670,886</u></u>	<u><u>\$14,259,254</u></u>
Capital and Reserves			
Called up Share Capital	4,5	66,178	66,014
Share Premium Account	4,5	12,515,074	12,189,356
Retained Profit	5	<u>3,089,634</u>	<u>2,003,884</u>
Total Shareholders' Funds		<u><u>\$15,670,886</u></u>	<u><u>\$14,259,254</u></u>

Signed on behalf of the Board of Directors on 22 December 2009



Isaiah W. Cox
Director



Rodney T. Cox
Director

The notes on pages 10 to 13 form part of these Financial Statements.

CHORUS MOTORS PUBLIC LIMITED COMPANY

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009

1. PRINCIPAL ACCOUNTING POLICIES

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

a. Basis of accounting

These financial statements have been prepared under the Accounting Policies set out.

b. Revenue

Revenue in the current year represents profit from the sales of WheelTug plc shares.

c. Reporting currency

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

d. 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.

e. Consolidation

Consolidated accounts are not presented since the accounts of the company and its subsidiaries are consolidated in the accounts of the ultimate parent company.

f. 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 3 to 5.

g. Cash Flow Statements

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

h. Taxation

The Company has been granted exempt status under the Gibraltar Companies (Taxation and Concessions) Act.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

2. INTERESTS IN GROUP UNDERTAKING

The Company has the principal ownership interests and invested amounts in its subsidiary:

	Ownership Interest		Investments	
	2009	2008	2009	2008
	\$	\$	\$	\$
WheelTug plc	<u>94.90%</u>	<u>96.12%</u>	<u>\$65,807</u>	<u>\$66,647</u>

3. DEBTORS

	2009	2008
	\$	\$
Loan to parent company	14,401,107	13,559,813
Amount due by subsidiary company	<u>1,203,972</u>	<u>632,794</u>
	<u>\$15,605,079</u>	<u>\$14,192,607</u>

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

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

4. CALLED UP SHARE CAPITAL

	2009	2008
	\$	\$
Authorised share capital		
10,000,000 ordinary shares @ \$0.01 each	<u>\$100,000</u>	<u>\$10,000</u>

	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
At 31 March 2007	6,601,483	66,014	12,189,356	12,255,370
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2008	6,601,483	66,014	12,189,356	12,255,370
Shares issued during the year	<u>16,294</u>	<u>164</u>	<u>325,718</u>	<u>325,882</u>
At 31 March 2009	<u>6,617,777</u>	<u>\$66,178</u>	<u>\$12,515,074</u>	<u>\$12,581,252</u>

The shares issued were to settle amounts owing to creditors by Technical.

5. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital \$	Share Premium Account \$	Profit & Loss Account \$	Total \$
At 31 March 2007	66,014	12,189,356	1,761,870	14,017,240
Share issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit for the year	<u>-</u>	<u>-</u>	<u>242,014</u>	<u>242,014</u>
At 31 March 2008	66,014	12,189,356	2,003,884	14,259,254
Shares issued during the year	<u>164</u>	<u>325,718</u>	<u>-</u>	<u>325,882</u>
Profit for the year	<u>-</u>	<u>-</u>	<u>1,085,750</u>	<u>1,085,750</u>
At 31 March 2009	<u>\$66,178</u>	<u>\$12,515,074</u>	<u>\$3,089,634</u>	<u>\$15,670,886</u>

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

6. DEVELOPMENT EXPENSE

During the year ended 31 March 2009, the Company was charged by the Holding Company \$311,683 (2008, \$347,513) for development expenses.

7. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2008, the Company was charged \$ 280,000 (2008 - \$280,000) in fees for administrative services provided by the ultimate Parent Company.

8. ULTIMATE PARENT COMPANY

The ultimate parent company is Borealis Exploration Limited, a company incorporated in Gibraltar whose registered office is Suite 3G, Eurolife Building, 1 Corral Road, Box 757, Gibraltar