

# **CHORUS MOTORS**

**PUBLIC LIMITED COMPANY**

**Gibraltar Registered No. 68312**

## **Financial Statements**

**for the year ended 31 March 2011**

# CHORUS MOTORS PUBLIC LIMITED COMPANY

Gibraltar Registered No. 68312

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## 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

<b>Directors</b>	<b>Appointed</b>	
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, Chief Operating Officer
Giulio Pontecorvo	28 Aug 2003	Director

## Secretary

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

## Registered Office

Suite 2F/2, Eurolife Building  
1 Corral Road  
P.O.Box 575  
Gibraltar

## Auditors

Moore Stephens Limited  
Suite 5 Watergardens 4  
Waterport  
Gibraltar

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## DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2011.

### 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](http://www.pinksheets.com).

### Activities

The principal activity of the Company is that of researching, developing, building, and marketing the Chorus® Meshcon™ Technology. Chorus Motors plc currently owns 6,211,536 shares of WheelTug plc.

### Results and Review of Business

The results for the year are shown in the Profit and Loss Account on page 9.

The Chorus Meshcon technology is a novel AC electric motor/drive combination that uses electromagnetic harmonics to greatly increase the motor's torque and power density. 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. We can routinely improve start up torque by up to ten times the overload capacity of a conventional 3-phase machine, and there are new advances that suggest we will be able to achieve over twenty times the start up overload capacity of the competition. The system has significant aerospace, ship propulsion and automotive uses.

During the year, we relocated our main motor laboratory to an industrial zone in Baltimore. The new facility is spacious and satisfies all our electrical and technical needs. It also has a separate meeting area. We have we have the ability to extend the premises should it be required.

In August 2010, we signed a deal with Dynetic Systems, Ohio, USA, in terms of which they will build the motors for the WheelTug application. Dynetic Systems is AS9100 certified, which and is therefore suitably qualified to supply motors which meet certification requirements for aerospace use. They are working closely with the core Chorus team to design the motors for WheelTug. Chorus retains the IP rights to the technology.

In November 2010 we supported the WheelTug tow tests which took place in Prague, Czech Republic. These successful tests enabled us to collect a lot of very useful data which we subsequently spent many months analyzing. The analyses increased our understanding of system, has given us invaluable insight the needs of the system, and has enhanced our ability to design the motors accordingly.

In December 2010, we signed a deal with Gibbs Gears, Hertsfordshire, UK. They have vast experience in gearing and also have aerospace certification. They too are working closely with the Chorus Team to design the gearing required for the WheelTug system.

In January 2011, Resource Group, Switzerland, also joined the team. They are developing the necessary software to integrate our motors with the entire system. The function demands extensive documentation and certification, and Resource Group is well qualified to meet all these needs.

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## DIRECTORS' REPORT (Continued)

### Results and Review of Business (Continued)

All of the agreements allow Chorus to focus on its core motor technology. This leaves the development of the gearing and the details of production and documentation to specialist companies who are highly qualified and experienced, and have the certification for aerospace work.

We currently have two motor set ups in place in the lab for testing. These motors are on a dynamometer test machine which allows us to run the motor under various conditions and thereby understand the motor better, as well as develop software. The first are the motors which we used in the November 2010 Prague tests. The second set up is of the M0 motors, which demonstrate the toroidal, or "pancake," design which we feel may be a better fit for specific applications. This test set up is expected to be used for testing the motors built by Dynetic Systems for the WheelTug application, and should allow us to do all tests except for the rolling tests with the landing gear. This also allows us to test out the software from Resource Group in laboratory conditions. We continue to expand our capabilities in terms of data evaluation software and work. As we gather more and more data, we are increasing the effort spent in evaluation and analysis of this data.

We are continuing with our patenting efforts, and we have increased our patent applications as relevant inventions are made.

While our development work means that we have not applied for as many patents as in previous years (currently, we are focusing our work on existing efforts), we did respond to third party responses and challenges through the USPTO which resulted in our patented proprietary work being upheld. We will continue to aggressively defend and expand our patented proprietary Chorus Motor Technology.

We continue conversations with potential partners, car manufacturers. The [paper](#) on Neodymium scarcity and demand continues to make it clear that our technology is a much safer way to develop an electric/hybrid automobile.

The revision of our web site was completed this year. This update was needed, and we feel puts a more contemporary face forward for the company

As of 31 March 2010, Chorus Motors plc owned 6,503,541 shares of WheelTug plc. During Fiscal Year 2011, Chorus Motors sold 292,005 shares of WheelTug for \$ 5,712,370.

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.

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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 2011	Shares held on 31 March 2010
Rodney T. Cox	48,165	48,165
Isaiah W. Cox	37,960	37,810
Wayne S. Marshall	41,571	36,571
John Klys	10,000	10,000
Peter Vanderwicken	22,979	18,313
Nechama J. Cox	13,775	13,775
Giulio Pontecorvo	7,969	5,809

### Share Options

As of 31 March 2011, there were no share options outstanding.

## DIRECTORS' REPORT (Continued)

### Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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Company law requires the directors to prepare financial statements for each financial year which meet the requirements of the Gibraltar Companies (Accounts) Act 1999 and Gibraltar Companies Act 1930. In addition the Directors have elected to prepare the financial statements in accordance with Gibraltar Accounting Standards.

The financial statements unless are required by law to give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Gibraltar Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 Gibraltar Companies (Accounts) Act 1999 and Gibraltar Companies Act 1930. 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.

## Investor Information

Extensive information for investors can be found on our Website at [www.chorusmotors.gi](http://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 Limited was passed at the Annual General Meeting.

By order of the Board on 28 June 2011



Isaiah W. Cox  
Director



Rodney T. Cox  
Director

## **Independent auditors' report to the shareholders of Chorus Motors Public Limited Company**

We have audited the financial statements of Chorus Motors plc for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 182 of the Gibraltar Companies Act. 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.

### **Directors' responsibilities for the financial statements**

The directors are responsible for the preparation and true and fair representation of these financial statements in accordance with applicable law and Gibraltar Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibilities**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In forming our opinion, we considered the disclosures in Note 1 of the Financial Statements in connection with the application of the going concern basis and the uncertainty with regard to securing continued financial support.

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## AUDITORS' REPORT (Continued)

### Opinion

In our opinion the financial statements give a true and fair view, in accordance with Gibraltar Generally Accepted Accounting Standards, of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended.

### Report on other legal and regulatory matters

In addition to reporting on the financial statements, Gibraltar legal and regulatory requirements also require us to:

- (a) Report to you our opinion as to whether the financial statements have been properly prepared in accordance with the Gibraltar Companies Act 1930, the Gibraltar Companies (Accounts) Act 1999 and other applicable legislation.
- (b) State in our report whether in our opinion the information given in the directors' report is consistent with the financial statements.
- (c) Report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

### Opinion

In our opinion the financial statements have been properly prepared in accordance with the Gibraltar Companies Act 1930, the Gibraltar Companies (Accounts) Act 1999 and other applicable legislation; and the information given in the directors' report is consistent with the financial statements.

We have nothing to report to you in respect of our responsibility set out in (c) above.



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**Bernard Hazell**

Statutory Auditor  
For and on behalf of  
**MOORE STEPHENS LIMITED**

Suite 5  
Watergardens 4  
Waterport  
Gibraltar

28 June 2011

# CHORUS MOTORS PUBLIC LIMITED COMPANY

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## PROFIT AND LOSS ACCOUNT for the year ended 31 March 2011

	Notes	2011 \$	2010 \$
<b>Expenditure</b>			
Development Expenses	6	(1,145,314)	(228,670)
Administrative fees	7	<u>(280,000)</u>	<u>(280,000)</u>
<b>Expenditure for the year</b>		(1,425,314)	(508,670)
<b>Profit of disposal of investments</b>	1	5,709,450	1,541,248
<b>Retained profit for the year</b>		<u>\$ 4,284,136</u>	<u>\$ 1,032,578</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 11 to 14 form part of these Financial Statements.

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## BALANCE SHEET

as at 31 March 2011

	Notes	2011 \$	2010 \$
<b>Investments</b>	2	62,115	65,035
<b>Current Assets</b>			
Debtors	3	21,665,002	17,036,346
<b>Total Current Assets</b>		21,665,002	17,036,346
<b>Total Net Assets</b>		<u>\$ 21,727,117</u>	<u>\$ 17,101,381</u>
<b>Capital and Reserves</b>			
Called up Share Capital	4,5	66,900	66,578
Share Premium Account	4,5	13,253,869	12,912,591
Retained Profit	5	8,406,348	4,122,212
<b>Total Shareholders' Funds</b>		<u>\$ 21,727,117</u>	<u>\$ 17,101,381</u>

Signed on behalf of the Board of Directors on 28 June 2011



Isaiah W. Cox  
Director



Rodney T. Cox  
Director

The notes on pages 11 to 14 form part of these Financial Statements.

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2011

### 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 below.

**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**

In terms of an exemption under Section 8 of the Companies (Consolidated Accounts) Act 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 6.

**g. Cash Flow Statements**

The Company meets the size criteria for a small company set by the Gibraltar (Companies Accounts) Act 1999, and therefore, in accordance with the Gibraltar Financial Reporting Standards 1, 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 2011 (Continued)

### 2. INTERESTS IN GROUP UNDERTAKING

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

	Ownership Interest		Investments	
	2011	2010	2011	2010
	\$	\$	\$	\$
WheelTug plc	<u>89.59%</u>	<u>93.80%</u>	<u>\$ 62,115</u>	<u>\$ 65,035</u>

### 3. DEBTORS

	2011	2010
	\$	\$
Loan to parent company	18,527,045	15,323,703
Amount due by subsidiary company	<u>3,137,957</u>	<u>1,712,643</u>
	<u>\$ 21,665,002</u>	<u>\$ 17,036,346</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 2011 (Continued)

### 4. CALLED UP SHARE CAPITAL

	<b>2011</b>	<b>2010</b>
	\$	\$
Authorised share capital 10,000,000 ordinary shares @ \$0.01 each	<u>\$ 100,000</u>	<u>\$ 10,000</u>

	<b>Number of Shares</b>	<b>Share Capital \$</b>	<b>Share Premium Account \$</b>	<b>Total \$</b>
<b>At 31 March 2009</b>	6,617,777	66,178	12,515,074	12,581,252
Shares issued during the year	<u>40,028</u>	<u>400</u>	<u>397,517</u>	<u>397,917</u>
<b>At 31 March 2010</b>	6,657,805	66,578	12,912,591	12,979,169
Shares issued during the year	<u>32,160</u>	<u>322</u>	<u>341,278</u>	<u>341,600</u>
<b>At 31 March 2011</b>	<u>6,689,965</u>	<u>\$ 66,900</u>	<u>\$ 13,253,869</u>	<u>\$ 13,320,769</u>

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

### 5. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<b>Share Capital \$</b>	<b>Share Premium Account \$</b>	<b>Profit &amp; Loss Account \$</b>	<b>Total \$</b>
<b>At 31 March 2009</b>	66,178	12,515,074	3,089,634	15,670,886
Share issued during the year	400	397,517	-	397,917
Profit for the year	<u>-</u>	<u>-</u>	<u>1,032,578</u>	<u>1,032,578</u>
<b>At 31 March 2010</b>	66,578	12,912,591	4,122,212	17,101,381
Shares issued during the year	322	341,278	-	341,600
Profit for the year	<u>-</u>	<u>-</u>	<u>4,284,136</u>	<u>4,284,136</u>
<b>At 31 March 2011</b>	<u>\$ 66,900</u>	<u>\$ 13,253,869</u>	<u>\$ 8,406,348</u>	<u>\$ 21,727,117</u>

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010 (Continued)

### 6. DEVELOPMENT EXPENSE

During the year ended 31 March 2011, the Company was charged by the Holding Company \$1,145,314 (2010, \$228,670) 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 2011, the Company was charged \$280,000 (2010 - \$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 2F/2, Eurolife Building, 1 Corral Road, Box 757, Gibraltar