

CHORUS MOTORS

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 68312

Financial Statements

for the year ended 31 March 2013

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, Chief Financial Officer 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

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

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 2013.

Corporate Profile

The Company was incorporated on 18 March 1999 in Gibraltar. The Company's shares were publicly traded in the United States over-the-counter (OTC) market for many years and quoted as CHOMF on the Pink Sheets at www.pinksheets.com. We are seeking other trading venues for Chorus Motor plc.

Activities

The principal activity of the Company is that of researching, developing, building, and marketing the Chorus® Meshcon™ Technology. Chorus Motors plc currently owns 5,955,615 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.

In August 2010, we signed a deal with Dynetic Systems, Ohio, USA, in terms of which they have built the M1 motors for the prototype testing which was just completed in Prague, Czech Republic. We are now all to work on the M2 production model motors. 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 and June 2012 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. This agreement has since been terminated. In January 2012, 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.

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.

CHORUS MOTORS PUBLIC LIMITED COMPANY

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DIRECTORS' REPORT (Continued)

Results and Review of Business (Continued)

We currently completed this month the testing of the M1 WheelTug system in Prague. We are designing the M2 Wheel.

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 2012, Chorus Motors plc owned 5,955,615 shares of WheelTug plc. During Fiscal Year 2013, Chorus Motors trading in these shares resulted in a net 165,919 shares sold yielding a net gain of \$8,368,231 and leaving a share balance owned of 5,786,696 WheelTug plc shares.

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.

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 PUBLIC LIMITED COMPANY

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DIRECTORS' REPORT (Continued)

Results and Review of Business (Continued)

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. 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 2013			Shares held on 31 March 2012		
Rodney T. Cox		52,031			52,031	
Isaiah W. Cox		37,960			37,960	
Wayne S. Marshall		41,386			41,386	
John Klys		10,000			10,000	
Peter Vanderwicken		20,513			19,513	
Nechama J. Cox		13,875			13,875	

Directors' Responsibilities

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

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 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.

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DIRECTORS' REPORT (Continued)

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. 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 26 June 2013

Signed

Wayne S. Marshall
Director

Signed

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 2013 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.

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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 2013 and of its profit for the year then ended.

Emphasis of matter

Without modifying our opinion, we draw attention to note 1 in the financial statements which describes material uncertainty that raises doubt about the company's ability to continue as a going concern.

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.

Signed

Kieran Power

Statutory Auditor
For and on behalf of
MOORE STEPHENS LIMITED

Suite 5
Watergardens 4
Waterport
Gibraltar

26 June 2013

CHORUS MOTORS PUBLIC LIMITED COMPANY

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PROFIT AND LOSS ACCOUNT for the year ended 31 March 2013

	Notes	2013 \$	2012 \$
Expenditure			
Marketing Expenses	6	(833,317)	-
Administrative fees	7	<u>(164,805)</u>	<u>(165,000)</u>
Expenditure for the year		(998,122)	(165,000)
Profit of disposal of investments	1	8,368,231	5,115,851
Retained profit for the year		<u>\$ 7,370,109</u>	<u>\$ 4,950,851</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.

CHORUS MOTORS PUBLIC LIMITED COMPANY

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BALANCE SHEET

as at 31 March 2013

Intangible Assets	2	4,325,194	1,282,582
Investments	3	57,934	59,556
Current Assets			
Debtors	4	29,664,950	25,380,431
Current Liabilities			
Creditors		-	(44,600)
Total Net Current Assets		29,664,950	25,335,831
Total Net Assets		<u>\$ 34,048,078</u>	<u>\$ 26,677,969</u>
Capital and Reserves			
Called up Share Capital	5,6	66,900	66,900
Share Premium Account	5,6	13,253,869	13,253,869
Retained Profit	6	20,727,309	13,357,200
Total Shareholders' Funds		<u>\$ 34,048,078</u>	<u>\$ 26,677,969</u>

Signed on behalf of the Board of Directors on 26 June 2013

Signed

Wayne S. Marshall
Director

Signed

Rodney T. Cox
Director

The notes on pages 11 to 14 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 2013

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 1999 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

In order to meet future expenditures and cover administrative costs, the Company may need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These financial statements have been prepared on a going concern basis that assumes the Company will be able to realise its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. 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 is subject to the Gibraltar Tax Act 2010 which requires companies with businesses managed and controlled in Gibraltar, to pay 10% Gibraltar Corporation Tax on profits to the extent that this is accrued in or derived from Gibraltar.

i. Intangible assets - Research and development expenditure

Research costs are expensed in the year in which they are incurred. Development costs are reviewed annually and are expensed if they do not qualify for capitalisation. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are capitalised as intangible assets only when the following criteria are met:

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2013 (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

i. Intangible assets - Research and development expenditure (Continued)

- (i) it is technically feasible to complete the product so that it will be available for use;
- (ii) management intends to complete the product and use or sell it;
- (iii) there is an ability to use or sell the product;
- (iv) it can be demonstrated how the product will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- (vi) the expenditure attributable to the product during its development can be measured reliably.

The depreciable amount of an intangible asset with a finite useful life will be distributed on a systematic basis over its useful life. Capitalised development costs are amortised on a straight line basis over their twenty five year useful estimated life once the asset is available for use.

2. INTANGIBLE ASSETS

					\$	\$	
Development Costs							
At 1 April 2012							
						1,282,582	-
Additions							
						3,042,612	1,282,582
At 31 March 2013							
						<u>\$ 4,325,194</u>	<u>\$ 1,282,582</u>

3. INTERESTS IN GROUP UNDERTAKING

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

	Ownership Interest		Investments	
	2013	2012	2013	2012
	\$	\$	\$	\$
WheelTug plc	<u>85.90%</u>	<u>89.60%</u>	<u>\$ 59,556</u>	<u>\$ 62,115</u>

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2013 (Continued)

4. DEBTORS

	2013	2012
	\$	\$
Loan to parent company	21,037,677	19,727,951
Loan to subsidiary company	8,627,273	4,260,939
Other	1,672,540	1,672,540
	<u>\$ 29,664,950</u>	<u>\$ 25,661,430</u>

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

5. CALLED UP SHARE CAPITAL

	2013	2012
	\$	\$
Authorised share capital 10,000,000 ordinary shares @ \$0.01 each	<u>\$ 100,000</u>	<u>\$ 100,000</u>

	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
At 31 March 2011	6,689,965	66,900	13,253,869	13,320,769
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2012	6,689,965	66,900	13,253,869	13,320,769
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2013	<u>6,689,965</u>	<u>\$ 66,900</u>	<u>\$ 13,253,869</u>	<u>\$ 13,320,769</u>

CHORUS MOTORS PUBLIC LIMITED COMPANY

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2013 (Continued)

6. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital \$	Share Premium Account \$	Profit & Loss Account \$	Total \$
At 31 March 2011	66,900	13,253,869	8,406,348	21,727,117
Share issued during the year	-	-	-	-
Profit for the year	-	-	4,950,852	4,950,852
At 31 March 2012	66,900	13,253,869	13,357,200	26,677,969
Shares issued during the year	-	-	-	-
Profit for the year	-	-	7,370,109	7,370,109
At 31 March 2013	<u>\$ 66,900</u>	<u>\$13,253,869</u>	<u>\$20,727,309</u>	<u>\$ 34,048,078</u>

7. DEVELOPMENT EXPENSE

During the year ended 31 March 2013, the Company was charged by the Holding Company \$3,875,930 (2012 - \$1,252,582) for development and marketing expenses. In terms of note 2 above, development charges of \$3,042,612 (2012 1,282,582) have been capitalised as they have met all the criteria in accounting policy 1.

8. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2013, the Company was charged \$164,805 (2012 - \$165,000) in fees for administrative services provided by the ultimate Parent Company.

9. CONTROLLING PARTY

The ultimate controlling party is Borealis Exploration Limited, a company incorporated in Gibraltar whose registered office is Suite 2F/2, Eurolife Building, 1 Corral Road, Box 757, Gibraltar.

The immediate controlling party is Borealis Technical, a majority owned company by Borealis Exploration Limited.