CHORUS MOTORS

PUBLIC LIMITED COMPANY
Gibraltar Registered No. 68312

Annual Report

Fiscal Period 2016

(18 months period ended 30 September 2016)

ABOUT CHORUS MOTORS PLC

Chorus Motors ("the Company") has developed an innovative electric motor technology, called Chorus® Meshcon® ("Chorus"). Chorus is an AC induction electric motor/drive offering dramatic improvements in torque, size, weight, and reliability. A multiphase Chorus Meshcon® motor can produce five times the start-up torque of a similarly sized three-phase conventional motor. It is ideal for low-speed overload such as those with start-stop and traction requirements, providing high torque at low speeds without compromising high-speed operation and performance. Initial applications – such as the WheelTug® aircraft electric drive system – will be for aerospace (where power, size, and weight are all critical considerations), and for starter-generators. Chorus is also ideal for powering industrial machinery, cars, trucks, ships, and trains.

The Company's principal focus at present is developing, certifying, and marketing the WheelTug® system for commercial aircraft, described more fully below in this report.

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 judgement 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 Commission.

Contents

DIRECTORS AND OFFICERS

Directors	Appointed	
Rodney T. Cox PhD	21 December 1999	Director, Chairman of the Board, Chief Financial Officer, and Chief Executive Officer
Isaiah W. Cox	21 December 1999	Director, President
Wayne S. Marshall PhD	21 December 1999	Director
Peter Vanderwicken	06 September 2000	Director
Nechama J. Cox PhD	01 August 2001	Director, Chief Operating Officer
John Klys	21 December 1999	Director

Secretary

Mark Radom
Suite 2
Nachal Maor 1
Ramat Bet Shemesh
Israel 99623

Registered Office

Suite 1
43 Main Street
GX11-1AA
Gibraltar

Auditors

Moore Stephens Limited
Suite 5 Watergardens 4
Waterport
Gibraltar

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the 18-month period ending 30 September 2016. In September 2015, the Company changed its fiscal year end from 31 March to 30 September. This had the effect of extending fiscal 2016 from 12 to 18 months from 1 April 2015 through 30 September 2016.

The reasons for changing the year-end date and extending the audit period to 30 September 2016 are as follows:
1. Management considers that it is much more practical to have the Annual General Meetings ("AGMs") in January or February as there are many more accommodation and flight options for management to ensure these attend the AGM.
2. There are critical business meetings and conferences (e.g., Farnborough/Paris Air Show) during the four-month period after a 31 March year-end date such that the audit and AGM conflict with and become a distraction to valuable management time and focus.

All references to fiscal 2016 refer to the 18 month period ended 30 September 2016. Comparatives shown in these financial statements are for the year ended 31 March 2015 therefore not entirely comparable.

Corporate Profile

The Company was incorporated on 18 March 1999 in Gibraltar. The Company's shares can be publicly traded in the United States over-the-counter (OTC) market and are quoted as CHOMF on OTC Markets at www.otcmarkets.com. We are seeking other trading venues for Chorus Motors plc. The Company is a majority-owned subsidiary of Borealis Technical Limited, which in turn is a majority-owned subsidiary of Borealis Exploration Limited (PRG: BOREY; US OTC: BOREF).

Activities

The principal activity of the Company is researching, developing, building, and marketing the Chorus Meshcon electric motor technology for a range of commercial and industrial applications, the principal one of which at present is for the WheelTug aircraft electric drive system. Chorus Motors plc currently owns 5,450,525 shares, or 78.63% of WheelTug plc, its majority-owned subsidiary developing WheelTug.

Results and Review of Business

The results for the year are shown in the Profit and Loss Account on page 10. The directors do not recommend the payment of a dividend (2015: nil) and consequently the profit for the financial period has been taken to reserves.

Our subsidiary company WheelTug made major strides in fiscal 2016 toward completing development of and preparing for regulatory certification for its transformative technology for the aviation industry. While most of the year's efforts were focused on the highly complex task of engineering and developing a radically new technology, we also demonstrated the intense interest in the product among airlines. As of the date of this report, 22 airlines worldwide have reserved delivery positions for WheelTug systems for nearly 1,000 Boeing 737 and Airbus A320 aircraft, the initial versions being developed. This represents approximately 10% of all 737 and 320 model aircraft flying today.

DIRECTORS' REPORT (Continued)

The WheelTug project began in 2004, when The Boeing Company proposed a joint test project to try to solve an engineering problem the aerospace industry had thought impossible: whether an electric motor, designed to fit within the small nosegear wheels of an aircraft, could produce sufficient torque to drive an airplane? Could this motor enable forward and backward mobility at airports without using either jet engines or a tow tug? The tests, conducted in the summer of 2005 on a Boeing 767 using Chorus Meshcon™ motors, were successful, and we then launched a multiyear effort to develop, certify, and market the WheelTug aircraft electric drive system.

WheelTug is the first available technology that enables many if not most commercial and military aircraft to taxi around airports without using their main engines and without the assistance of tow tugs. The WheelTug system operates using highly-efficient, environmentally friendly, ultra-high-torque Chorus electrical motors. As a result, airlines (and other aircraft operators) will enjoy reduced fuel consumption, reduced engine damage, reduced maintenance costs, potential major time savings, and improved ground operations with improved schedule efficiencies. A WheelTug installation consists of two electric motors installed in the nosegear wheels of an aircraft, a motor drive electronics package, and cockpit controls. WheelTug is powered by the aircraft's auxiliary power unit (APU). WheelTug can be fitted onto existing and new commercial airplanes and private jet aircraft, and helicopters, as well as onto military aircraft. WheelTug can also be easily installed and uninstalled, which provides flexibility both to airlines and aircraft leasing companies.

WheelTug offers significant environmental benefits to both airlines and airports: reduced fuel consumption, reduced emissions (both from aircraft engines and from ground vehicles such as baggage trains), and reduced noise. A leading industry publication, *Air Transport World,* selected WheelTug as its 2013 ATW Eco-Aviation Technology Award winner, citing that its editors "were most impressed with how WheelTug has developed and placed something on the market that is ahead of the competition, uniquely meets the efficiency needs of airlines, and which uses a business model that truly makes the benefits of the system measurable."

Commercial airlines currently rely on tow tugs for pushback from terminal gates and on jet engines for ground taxiing. WheelTug eliminates the need for a tug and leaves the engines off until the pilot is at the runway and ready for takeoff. Turnaround time will be reduced by replacing the tow tugs with WheelTug, using the aircraft's onboard electricity from the APU to drive the aircraft on the ramp, tarmac, and taxiways to and from the gate. After landing, main engines can be turned off and WheelTug can then drive the aircraft from the runway directly to the gate.

Actual tests show that WheelTug works in rain, on snow, and in hot, desert-like conditions. The WheelTug Twist™, using the system to turn an aircraft 90º at the terminal and thus enabling parking parallel to the terminal, makes for even greater flight-time savings and airport efficiencies than originally envisioned. By using two adjoining terminal gates to deplane and board passengers more swiftly, WheelTug enables airlines to reduce turnaround times between flights by as much as 15-20 minutes; each one minute saved reduces an airline's costs by around $100.

We are developing and certifying WheelTug systems initially for the Boeing 737NG and then the Airbus A320 aircraft families, which are the world's most widely-flown aircraft; versions for other aircraft models will follow. For a typical 737NG or A320 aircraft, WheelTug is expected to deliver agreed-upon operating cost reductions of at least $1 million per airplane per year, and total economic benefits perhaps much larger, subject to its degree of utilisation by the particular airline and agreement on savings sources. Along with such financial benefits, there are also expected to be sharp reductions in greenhouse gas emissions, engine noise, and safety risks in terminal areas.

DIRECTORS' REPORT (Continued)

With the WheelTug Twist enabling parallel parking and dual-gate boarding, WheelTug is expected to provide the most extensive efficiency improvements in ground handling of aircraft in decades. WheelTug plc's business model is based on leasing the WheelTug system to airlines and to aircraft leasing companies. WheelTug expects to initially lease each system to airlines for approximately 50% of the agreed monthly cash savings of the airlines using WheelTug. We presently estimate these savings at $70,000 to $200,000 per month, although given our current information on probable savings, this estimate is conservative.

The Company now has supply contracts with companies that design and build almost all the components of the WheelTug system. Several of these are risk-sharing partners investing their own funds to engineer, develop, certificate, and manufacture parts of the system. We have also been extensively testing components of the system, as well as complete prototype systems, as is required for certification of all aircraft products.

We completed the process and procedure documentation that is required for certification, and in December 2015 filed two Project Specific Certification Plans (PSCPs) and an application for certification of the WheelTug system for the Boeing 737NG family of aircraft with the U.S. Federal Aviation Administration (FAA).We have also made progress toward contracting with partners to handle installation, maintenance, and servicing of the systems. We work with airports and aviation regulators in several countries to develop new operating procedures for WheelTug-equipped aircraft and to optimise the economic and environmental benefits of WheelTug for both our airline customers and the airports they use.

For example, we have assisted a number of airlines (several not yet customers) in studying procedural and structural changes needed at their hub airports to fully utilise and benefit from the WheelTug Twist. In several cases, airlines have happily found that they could implement the Twist at key airports with little or no reconstruction or reconfiguration of their gates, enabling them to capture significant time and cost savings rapidly and with little investment required.

We have also been working with aviation regulators and service providers in several countries to prepare airports for the advent of WheelTug. Such efforts, to assist airlines, airports, air traffic controllers, and regulators to adapt to and obtain maximum benefits from the WheelTug system, will continue for some years as the product becomes available on additional aircraft models and subsequently becomes widely used worldwide.

WheelTug now has letters of intent to lease the systems from 22 airlines, including several national flag carrier airlines such as Alitalia, KLM Royal Dutch Airlines, El Al Israel Airlines, and India's Jet Airlines. WheelTug expects to be profitable within six to nine months after FAA certification is obtained.

Chorus Motors plc is a member of the Borealis Family of Companies and is an indirect majority-owned subsidiary of Borealis Exploration Limited. Like our parent and many of our family companies, Chorus Motors plc is domiciled in Gibraltar.

The financial statements have been prepared in accordance with Gibraltar Accounting Standards, with the assumption that the Company will be able to realise its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As of 30 September 2016, the Company had net assets of US$72,159,140 (2015 - US$40,164,140) and to date has relied on the support of Borealis Exploration Limited, its indirect ultimate parent company.

DIRECTORS' REPORT (Continued)

The continued operation and growth of the Company is dependent on its ability to receive continued financial support from its direct and indirect parent companies and/or to develop potential joint venture partners, development partners, or investors. The financial statements do not contain any adjustments that might be necessary if the Company is unable to continue as a going concern

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Dividends

There were no dividends declared during the period. (2015 – NIL)

Directors and their Interests

The directors who served during the period were as stated on page 2.
The interests of the directors in the shares of the Company in the period were as follows.

	Shares held on 30 September 2016	Shares held on 31 March 2015
Rodney T. Cox	51,824	51,927
Isaiah W. Cox	37,810	37,885
Wayne S. Marshall	41,250	41,327
Peter Vanderwicken	10,134	8,334
Nechama J. Cox	5,753	13,874
John Klys	10,000	14,999

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 Act 2014. 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.

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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIRECTORS' REPORT (Continued)

Directors' Responsibilities (Continued)

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 Act 2014. 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 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

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

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

By order of the Board on 3 January 2017:

Isaiah W. Cox Director	Rodney T. Cox Director

MOORE STEPHENS

Independent auditors' report to the members of
Chorus Motors Public Limited Company

Report on the financial statements

We have audited the financial statements of Chorus Motors plc (the "company") for the 18 months period ended 30 September 2016 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 257 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and true and fair presentation of these financial statements in accordance with applicable law in Gibraltar and Gibraltar Financial Reporting Standards ("Gibraltar Generally Accepted Accounting Practice"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation 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.

Auditors' 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 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 auditors' judgement, 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.

MOORE STEPHENS

Independent auditors' report to the members of
Chorus Motors Public Limited Company - Continued

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of the company's profit for the period then ended;

- have been properly prepared in accordance with Gibraltar Financial Reporting Standards; and

- have been properly prepared in accordance with the Companies Act 2014.

Emphasis of matter

Without modifying our opinion, we draw attention to note 1(e) in the notes to the financial statements which highlights the existence of a material uncertainty relating to conditions that may cast doubt about the company's ability to continue as a going concern. The Company had net assets as at 30 September 2016 of $72,159,540, of which $65,267,286 represents amount due from related parties which also show signs of going concern issues.

Opinion on other matter prescribed by the Companies Act 2014

In our opinion the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the Companies Act 2014 requires us to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit

Kieran Power
Statutory Auditor
For and on behalf of
Moore Stephens Limited

Date: 3 January 2017

PROFIT AND LOSS ACCOUNT
for the 18 months period ended 30 September 2016

	Notes	2016 $	2015 $
Expenditure			
Marketing expenses	8	(852,376)	(647,920)
Administrative and related expenses	8	(273,303)	(174,448)
Expenditure for the period/year		(1,125,679)	(822,368)
Profit of disposal of investments	1(b)	33,121,079	2,869,943
Retained profit for the period/year		$31,995,400	$ 2,047,575

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

The notes on pages 13-20 form part of these Financial Statements.

BALANCE SHEET
at 30 September 2016

	Notes	2016 $	2015 $
Fixed Assets			
Intangible assets	4	6,893,015	5,817,431
Investments	5	54,505	57,098
Current Assets			
Accounts receivable	6	65,267,286	34,289,611
Current Liabilities			
Accounts payable		(55,266)	-
Total Net Current Assets		65,212,020	34,289,611
Total Net Assets		$ 72,159,540	$ 40,164,140
Capital and Reserves			
Called up share capital	7	66,900	66,900
Share premium account	7	13,253,869	13,253,869
Retained profit		58,838,771	26,843,371
Total Shareholders' Funds		$ 72,159,540	$ 40,164,140

The financial statements have been prepared in accordance with the provisions of the Financial Reporting Standard 102 (effective 1st January 2015).

Signed on behalf of the Board of Directors on 3 January 2017:

Isaiah W. Cox
Director

Rodney T. Cox
Director

The notes on pages 13-20 form part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY
for the 18 months period ended 30 September 2016

	Share Capital $	Share Premium Account $	Profit & Loss Account $	Total $
At 31 March 2014	66,900	13,253,869	24,795,796	38,116,565
Profit for the year	-	-	2,047,575	2,047,575
At 31 March 2015	66,900	13,253,869	26,843,371	40,164,140
Profit for the period	-	-	31,995,400	31,995,400
At 30 September 2016	$ 66,900	$ 13,253,869	$ 58,838,771	$ 72,159,540

The notes on pages 13-20 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
for the 18 months period ended 30 September 2016

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and on a going concern basis. The financial statements have been prepared in accordance with Gibraltar Financial Reporting Standard 102 ("GFRS 102") and the Gibraltar Companies Act 2014.

These are the company's first set of financial statements prepared in accordance with GFRS102. The previous financial statements were prepared in accordance with Gibraltar Generally Accepted Accounting Practice ("GAAP").

a. Basis of accounting

These financial statements have been prepared under the historical cost convention applying the Accounting Policies set out below.

b. Revenue

At present the Company is engaged in development of products which have not yet reached the point of generating revenue. Once trading commences, revenue will be recognised.
Profit from the sale of WheelTug plc shares is recognised as income.

c. Reporting currency

The Company has a presentational currency of US dollars (USD).

The Company has determined that USD is its functional currency, as this is the currency of the economic environment in which the Company predominantly operates.

d. Foreign currency translation

Transactions in currencies other than USD are recorded at the rate of exchange at the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on exchange are included in profit or loss.

e. 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 3-7.

f. Cash Flow Statements

The company has taken advantage of the exemption available for subsidiaries under GFRS 102, section 1.8, not to present a cash flow statement as these are presented in the consolidated financial statements of the ultimate parent company, Borealis Exploration Limited.

NOTES TO THE FINANCIAL STATEMENTS
for the 18 months period ended 30 September 2016
(Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

g. 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.

h. Intangible assets - Development expenditure

Research costs are expensed in the period 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 Company are capitalised as intangible assets only when the following criteria are met:

(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 year useful estimated life once the asset is available for use. Currently the asset is not available for use therefore no amortisation is charged during the period.

i. Investments

Investments relate to subsidiary undertakings and are stated at cost, less any provision for impairment, where recoverable amount is considered to be less than cost. The recoverable amount is reviewed at each balance sheet date to determine if there are any indicators of impairment. If such indicators exist then the assets recoverable amount is estimated. Impairment losses are recognised in the profit and loss account.

j. Financial assets and liabilities

General

Financial instruments are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are measured as set out below. A financing transaction is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

NOTES TO THE FINANCIAL STATEMENTS
for the 18 months period ended 30 September 2016
(Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

j. Financial assets and liabilities (Continued)

Classification
Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS 102.

Subsequent measurement
At the end of each reporting period, debt instruments classified as basic are measured at amortised cost using the effective interest rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period, with the resulting changes recognised in profit or loss. Where their fair value cannot be reliably measured, they are recognised at cost less impairment.

Derecognition
Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

k. Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

l. Impairment of financial assets

Assets carried at cost or amortised cost
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:
i. Significant financial difficulty of the issuer or obligor;
ii. A breach of contract, such as a default or delinquency in interest or principal payments;
iii. The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
iv. It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

NOTES TO THE FINANCIAL STATEMENTS
for the 18 months period ended30 September 2016
(Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

l. Impairment of financial assets (continued)

v. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(a) Adverse changes in the payment status of borrowers in the portfolio; and
(b) National or local economic conditions that correlate with defaults on the assets in the portfolio.

As an initial step the Company assesses whether objective evidence of impairment exists.

The amount of the loss is measured, in the case of assets measured at amortised cost, as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced to the present value of estimate future cash flows and the amount of the loss is recognised in the profit and loss account.

In the case of financial assets measured at cost, the impairment loss will be the difference between the asset's carrying amount and the best estimate of the sales price that would be achieved at the reporting date.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

m. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less.

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

n. Accounts payable

Accounts payable are classified as creditors falling due within one year if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as creditors falling due after more than one year.

o. Consolidated financial statements

The company is a majority owned subsidiary of Borealis Technical Limited and of its ultimate parent Borealis Exploration Limited. It is included in the consolidated statements of Borealis Exploration Limited which are publically available. Therefore the company is exempt by virtue of section 285 of the Companies Act 2014 from the requirement to prepare consolidated financial statements.

These financial statements are the Company's separate financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the 18 months period ended30 September 2016
(Continued)

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Administrative services – these represent recharges from ultimate parent company Borealis Exploration Limited. The parent company incurs all administrative expenses and recharges on a quarterly basis between 9 subsidiaries (2015:8).

3. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:
Liquidity risk
Credit risk

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Liquidity risk management
The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.
The Company uses revenues and costs from other activities that are predictable contractually. This assists with monitoring cash flow requirements and optimising treasury strategies.
The Company has not made any significant guarantees of third party or related party actual or potential obligations.
Credit risk management
Potential material areas of credit risk consist of trade accounts receivable.

Trade accounts receivable consist of amounts due from the parent company, Borealis Technical Limited, subsidiary company, Wheeltug plc, and other family companies. The Company's management monitors the financial position of these companies on an ongoing basis.

The Company has a significant concentration of credit risk, with exposure concentrated on these trade debtors.

NOTES TO THE FINANCIAL STATEMENTS
for the 18 months period ended 30 September 2016
(Continued)

4. INTANGIBLE ASSETS - Development costs

	2016 $	2015 $
At 1 April	5,817,431	5,251,467
Additions	1,075,584	565,964
At 30 September 2016 and 31 March 2015	$ 6,893,015	$ 5,817,431

5. INTERESTS IN GROUP UNDERTAKING

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

Name	Country of Incorporation	Holding	Loss for Year	Net Liabilities
WheelTug plc	Gibraltar	78.63%	$ 1,435,329	$ 7,295,974

The loss shown in the financial statements for the above mentioned undertaking has been carried forward in those accounts and not brought into the accounts of the holding company. The ultimate Parent Company, Borealis Exploration Limited, prepares consolidated financial statements.

The registered address of the above is Suite 1, 43 Main Street, Gibraltar, GX11-1AA.

6. ACCOUNTS RECEIVABLE

	2016 $	2015 $
Loan to parent company	25,161,075	22,609,444
Loan to subsidiary company	12,890,211	11,680,167
Loans to other family companies	27,216,000	-
	$ 65,267,286	$ 34,289,611

All these loans non-interest bearing, unsecured, and with no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS
for the 18 months period ended 30 September 2016
(Continued)

7. CALLED UP SHARE CAPITAL

	2016	2015
	$	$
Authorised share capital		
10,000,000 ordinary shares @ $0.01 each	$ 100,000	$ 100,000

	Number of Shares Issued	Share Capital	Share Premium Account	Total
		$	$	$
At 31 March 2014	6,689,965	66,900	13,253,869	13,320,769
Shares issued during the year	-	-	-	-
At 31 March 2015	6,689,965	66,900	13,253,869	13,320,769
Shares issued during the period	-	-	-	-
At 30 September 2016	6,689,965	$ 66,900	$ 13,253,869	$ 13,320,769

8. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the period ended 30 September 2016, the Company was charged $206,937 (2015:$174,448) in fees for administrative services provided by the ultimate parent company. The remaining amount of $66,366 to the total administrative expenses of $273,303 are the company's own incurred expenses.

In addition, the company was charged $199,773 (2015 - $174,449) for the subsidiary's WheelTug plc administrative charge. This amount was recharged down to the subsidiary.

During the 18 month period ended 30 September 2016, the Company was charged by the Parent Company $3,855,920 (year ended 31 March 2015 - $2,427,766) for development and marketing expenses. Of this amount, the Company was charged marketing fees of $852,376 (31 March 2015 - $647,921) and development fees of US$1,075,584 (2015 - US$565,964) with the remaining balance of $1,927,960 being charged to the subsidiary Wheeltug plc for development and marketing costs. In terms of note 4 above, the development charges have been capitalised as they have met all the criteria in accounting policy 1(h).

NOTES TO THE FINANCIAL STATEMENTS
for the 18 months period ended 30 September 2016
(Continued)

9. CONTROLLING PARTY

The ultimate controlling party is Borealis Exploration Limited, a company incorporated in Gibraltar whose registered office is Suite 1, 43 Main Street, Gibraltar.

The immediate controlling party is Borealis Technical, a company in which Borealis Exploration Limited hold the majority interest.

10. SUBSEQUENT EVENTS

Communication with the FAA regarding the project has continued, and has been encouraging. We are confident that progress has been made towards certification and entry into service.

11. TRANSITION TO GFRS 102

This is the first period that the company has presented its results under GFRS 102. The last financial statements under Gibraltar GAAP were for the year ended 31 March 2015. The date of transition to GFRS 102 was 1 April 2014.

No adjustments are required to reflect the transition in the accounting standards to GFRS 102.