

WHEELTUG

WheelTug plc
2008 Annual Report



WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

About WheelTug plc

WheelTug® is a fully integrated ground propulsion system for aircraft. Built into the hubs of the nose wheels, it will give aircraft of full ground mobility (forward & reverse) without turbines or external tugs. In June 2005, a demonstration system was successfully tested at an Evergreen Aviation facility in Arizona on a Boeing 767. Delta Air Lines is the launch customer and exclusive development partner for the Boeing 737NG WheelTug. Several other key partners are in place for the cockpit interface and wiring, as well as to certify WheelTug with the FAA and worldwide.

WheelTug plc was incorporated on 5 February 2005 to develop and commercialize WheelTug technology. WheelTug plc is a majority-owned subsidiary of Chorus Motors plc (CHOMF OTC-US).

Contents

Management's Letter to Shareholders	3
Management Discussion and Analysis	5
Officers and Directors	7
Directors' Report	8
Auditors' Report	10
Financial Statements and Notes	12

Management's Letter to Members

19 June 2008

Fellow Members:

It has been an excellent year. WheelTug has added the core members of the development team, and launched the WheelTug® for the Boeing 737NG family of aircraft.

WheelTug's two Chorus® motors, installed in the nose wheels of planes like the Boeing 737, will give airliners on the ground full mobility without the use of the main turbines or tugs. The resulting improvements in efficiency, flexibility, fuel savings, and reduced maintenance aim to unlock savings of over US\$ 750,000 per airplane per year. And the environmental benefits, in huge reductions in ground emissions, noise and pollution, are transformational. In sum, WheelTug® has the potential to revolutionize airport ground operations - and be of immense value to your company, our customers, and the environment.

After adding Delta Air Lines as our launch customer and development partner, we then welcomed Gilbert Thompson as our Senior Certification Advisor. Together with Newport Aeronautical, we now have partners providing a complete certification service to help WheelTug obtain regulatory approval in the United States with the FAA, and then worldwide. The addition of Newport was significant enough news to merit media coverage both in Design News, and in the Wall Street Journal.

In December we started building the development team as we officially launched the development work. Daniel Barbalata joined as our Program Manager, and he brings a wealth of experience to managing complex and far-flung aerospace development projects such as these.

In January we started courting development partners capable of handling the design, development, testing, and supply aspects of key WheelTug components. WheelTug systems themselves have four major components: the Chorus Motors that turn the wheels; the electronics that interface with the motors and the pilot; the cockpit interface; and the wiring that connects all of these elements together (known as a "wire harness"). We have announced Luxell Technologies Inc. (TSX:LUX) as our risk sharing development partner for the cockpit interface, and Co-Operative Industries Aerospace as our risk sharing development partner for the wire harness.

In both cases, our risk sharing partners are making a significant investment in time and resources in return for the exclusive supply rights for those components. WheelTug benefits by reducing the development risk of developing, testing and certifying components for which we have no specific expertise. We view the addition of these partners as extremely positive for WheelTug's future.

Alongside the development work comes our intellectual property protection. As of 31 March, we have 19 issued patents, and another 43 patents pending. Of those 43 applications, 26 were filed last year. Our patenting efforts remain a strong part of our operational efforts.

This coming year should be one with a great deal of development work. We expect to complete development work over the coming year, and by this time next year to be solidly in the certification stage. We hope to complete certification by the end of 2009, and be on revenue-generating flights soon after. Also within the next year we expect to have embarked on development of a WheelTug product for at least one more aircraft type to follow the 737NG. Discussions are already underway with potential partners and customers.

We thank you for your support and encouragement, and we look forward to a superb year!

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

Management's Letter to Members (Continued)

To learn more, visit our website: (www.wheeltug.gi).

WheelTug plc

The image shows two handwritten signatures in black ink. The signature on the left is for Isaiah Cox, featuring a large, sweeping 'I' and 'C' with a horizontal line underneath. The signature on the right is for Rodney T. Cox, featuring a large 'R' and 'C' with 'Rodney T. Cox' written in smaller letters below it.

Isaiah Cox
CEO

Rodney T. Cox
Chairman

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

Management's Discussion and Analysis of 2008 Results

We owe our parent company, Chorus Motors plc, US\$632,794 (2007 - US\$123,772), due to the development expenses being borne by WheelTug plc. Our key asset is the rights to the Chorus® Motor technology in moving aircraft on the ground, as well as the rights to patents on the WheelTug® concept and implementation that are owned by Borealis Technical Limited. These assets, as well as the expertise of Chorus and WheelTug personnel, is carried at a zero value on the books.

Your company is now being charged for its expenses and some corporate overheads. We expect to be funded by our majority shareholder, Chorus Motors plc. Chorus Motors has been selling WheelTug plc shares from its extensive holdings, and applying those funds to WheelTug obligations.

Depending in part on the desires of our minority shareholders, we are planning, within the next 18 months, to seek a share listing on a major European Exchange.

Investor Information

Extensive information for investors can be found on our Website at www.wheeltug.gi. Our reports are posted there, as well as full information about the Company and our technologies.

If you have a question about WheelTug, please write to us at pr@wheeltug.gi.

Forward-Looking Statement

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

All forward-looking statements involve risks and uncertainty. WheelTug 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 herein, and such statements shall be deemed in the future to be modified in their entirety by the WheelTug's public pronouncements, including those contained in all future reports and other documents filed by the WheelTug with the relevant securities commissions.

WHEELTUG
PUBLIC LIMITED COMPANY
Gibraltar Registered No. 94119

Financial Statements

for the year ended 31 March 2008

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

DIRECTORS AND OFFICERS

Directors

Appointed

Rodney T. Cox	09 February 2005	Director, Chairman of the Board
Isaiah W. Cox	09 February 2005	Director, Chief Executive Officer
Wayne S. Marshall	09 February 2005	Director

Secretary

STM Fidecs Management (Gibraltar) Limited
Montagu Pavilion
8-10 Queensway
Gibraltar

Registered Office

Suite 3G, Eurolife Building
1 Corral Road
Gibraltar

Auditors

Moore Stephens
Suite 5 Watergardens 4
Waterport
Gibraltar

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2008.

Corporate Profile

The Company was incorporated in Gibraltar on 9 February 2005.

Activities

The company is a licensee of Borealis Technical Technologies for the use of the Chorus Motor system for moving aircraft on the ground, as well as other intellectual property specific to WheelTug®. Marketing and planning efforts concluded last year, and the company has been developing the strategic partnerships with risk sharing partners, as well as adding key team members for engineering, project management, and FAA certification expertise.

Results and Review of Business

The results for the year are shown in the Profit and Loss Account on page 12.

WheelTug plc is a member of the Borealis Family of Companies and is an indirect majority-owned subsidiary of Borealis Exploration Limited and a direct subsidiary of Chorus Motors plc. Chorus Motors plc owns 6,664,658 of our 6,933,348 outstanding shares, or 96.12 % of our shares. Like our parent and many of our Family Companies, WheelTug plc is incorporated in Gibraltar.

In March 2007, WheelTug plc and Delta Air Lines entered into an agreement in which the airline will assist your Company in developing WheelTug™ systems. Full development and approval of the system is expected sometime in 2009 and Delta, as WheelTug's launch customer, could begin installing the system on its fleet of B-737NG aircraft as early as late 2009. The agreement gives Delta the right of first refusal to provide installation and maintenance services on WheelTug systems for itself and for other airlines that desire such services. Delta already performs maintenance for more than 100 customers and this could serve as another opportunity to continue to grow its maintenance insourcing business. Delta has also acquired warrants to buy 600,000 shares of WheelTug plc at an average price of \$36 per share.

In order to speed our drive to bring WheelTug to market, we appointed Gilbert Thompson as our Senior Certification Advisor in 2007. Mr. Thompson, who has more than 30 years experience of airplane certification with the US Federal Aviation Authority, will guide your Company through the certification process which ensures that new products meet the requirements of aviation authorities.

Our certification team was completed by the addition of Newport Aeronautical Development, Inc., who offer a full set of experts needed to certify a new product for the FAA and equivalent regulatory bodies worldwide.

WheelTug launched the development of the system for the 737NG when we added Daniel Barbalata as our Program Manager, and then added numerous consultants capable of aiding the development work. In addition to "in-house" talent, WheelTug also completed major transactions with Luxell Technologies Inc. (TSX:LUX), and Co-Operative Industries Aerospace. These partners agreed to take on the financial and technical obligations necessary to develop, test, and support the certification for the cockpit interface and wire harnesses, respectively. WheelTug may conclude additional strategic partnerships in the coming year.

These financial statements have been prepared in accordance with Gibraltar Generally Accepted Accounting Principles (GAAP), 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. As of 31 March 2008, the Company had net liabilities of US\$632,794, (2007 - US\$123,772)

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

DIRECTORS' REPORT (Continued)

and to date has relied on the support of Borealis, which is also in the development stage. The continued operation and growth of the Company is dependent on its ability to receive continued financial support from its parent company 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.

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 7.

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

Shares held at	31 March 2008	31 March 2007
Rodney T. Cox	1	1
Wayne Marshall	12,201	12,201
Isaiah Cox	18,001	18,001

Share Options

As of 31 March 2008, there were no share options outstanding.

Directors' Responsibilities

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

Auditor

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

By order of the Board on 19 June 2008

WheelTug plc


Rodney T. Cox
Director



Isaiah W. Cox
Director

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHEELTUG PUBLIC LIMITED COMPANY

We have audited the financial statements of WheelTug plc for the year ended 31 March 2008 set out on pages 12 to 16. These financial statements have been prepared under the Accounting Policies set out on page 14.

This report is made solely to the Company's members as a body, in accordance with the Companies Act 1930. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the report of the Directors, the Company's Directors are responsible for the preparation of financial statements in accordance with applicable law and Gibraltar Accounting Standards (Gibraltar Generally Accepted Accounting Practice).

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

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

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

In forming our opinion, we have considered the disclosures made in Note 1 of the financial statements in connection with the application of the going concern basis and the uncertainty with regards to securing continued financial support.

In connection with the other information contained in the Annual Report we also draw attention to the content of the Forward-Looking Statement on page 5.

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

AUDITORS' REPORT (Continued)

In view of the significance of these matters we consider they should be drawn to your attention but our opinion is not qualified in these respects.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2008, and of the loss for the year then ended in accordance with Gibraltar Accounting Standards and have been properly prepared in accordance with Gibraltar Companies Act 1930, the Gibraltar Companies (Accounts) Act 1999, and the Gibraltar Companies (Consolidated Accounts) Act 1999.

Gibraltar
19 June 2008



Moore Stephens
CHARTERED ACCOUNTANTS

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2008

	Notes	2008 \$	2007 \$
Expenditure			
Administration fees		(280,000)	-
Development fees		<u>(229,022)</u>	<u>(193,105)</u>
Total Expenditures		(509,022)	(193,105)
Loss for the year		(509,022)	(193,105)
Accumulated loss brought forward		<u>(193,105)</u>	<u>-</u>
Accumulated loss carried forward		<u><u>\$ (702,127)</u></u>	<u><u>\$ (193,105)</u></u>

The notes on pages 14 to 16 form part of these Financial Statements.

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

BALANCE SHEET as at 31 March 2008

	Notes	31 March 2008 \$	31 March 2007 \$
Current Liabilities			
Creditors - amounts due within one year			
Due to Parent Company	2	<u>(632,794)</u>	<u>(123,772)</u>
Total Net Current Liabilities		<u>(632,794)</u>	<u>(123,772)</u>
Total Net Assets / (Liabilities)		<u>\$ (632,794)</u>	<u>\$ (123,772)</u>
Capital and Reserves			
Equity			
Called up Share Capital	3,4	69,333	69,333
Profit and Loss Account		<u>(702,127)</u>	<u>(193,105)</u>
TOTAL SHAREHOLDER FUNDS		<u>\$ (632,794)</u>	<u>\$ (123,772)</u>

Signed on behalf of the Board of Directors on 19 June 2008



Isaiah W. Cox
Director



Rodney T. Cox
Director

The notes on pages 14 to 16 form part of these Financial Statements.

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

1. PRINCIPAL ACCOUNTING POLICIES

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

a. Basis of accounting

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

b. Reporting currency

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

c. Foreign currency translation

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

d. Consolidation

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

e. 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 8 to 9.

f. 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 FRS1: Cash Flow Statements, it has not prepared a cash flow statement.

2. CREDITORS

	2008	2007
	\$	\$
Amount Due to Parent Company (Chorus Motors plc)	<u>\$ (632,794)</u>	<u>\$ 123,772</u>

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

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008 (Continued)

3. CALLED UP SHARE CAPITAL

			2008	2007
			\$	\$
Authorised share capital				
10,000,000 ordinary shares @ \$0.01 each			<u>\$ 69,333</u>	<u>\$ 69,333</u>
	Number of	Share	Share	
	Shares	Capital	Premium	Total
		\$	Account	\$
			\$	
At 31 March 2006	6,933,348	69,333	-	69,333
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2007	6,933,348	69,333		69,333
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2008	<u>6,933,348</u>	<u>\$ 69,333</u>	<u>\$ -</u>	<u>\$ 69,333</u>

WHEELTUG PUBLIC LIMITED COMPANY

Gibraltar Registered No. 94119

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2008 (Continued)

4. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital	Share Premium Account	Profit & Loss Account	Total
	\$	\$	\$	\$
At 31 March 2006	69,333	-	-	69,333
Shares issued during the year	-	-	-	-
Loss for the year	-	-	(193,105)	(193,105)
At 31 March 2007	69,333	-	(193,105)	(123,772)
Shares issued during the year	-	-	-	-
Loss for the year	-	-	(509,022)	(509,022)
At 31 March 2008	<u>\$ 69,333</u>	<u>\$ -</u>	<u>\$ (702,127)</u>	<u>\$ (632,794)</u>

5. ULTIMATE PARENT COMPANY

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