

POWER CHIPS

PUBLIC LIMITED COMPANY

Gibraltar Registered No. 60528

Annual Report

Fiscal Period 2016

for the 18 months period ended 30 September 2016

About Power Chips plc

Power Chips plc (“the Company”) is developing Power Chips™, a new technology that uses the physical mechanisms of thermionics and quantum thermotunnelling to generate electrical power directly from heat, with no moving parts, and with a higher projected efficiency than any current technology. We are much closer to building actual devices that have the required characteristics..

Power Chips plc, along with all the technology companies and other companies in the Borealis Family of Companies should be in the future funded by their holdings in WheelTug plc shares which were sold to these companies at the then market price of US\$126/share. The 36,000 shares sold should generate enough funds to carry on all the necessary work to then allow us to move forward with products for the market, if the work shows what is necessary for marketable product. We do not expect to make any sales at less than US\$270/share for the WheelTug plc holdings. If work continues on WheelTug® as it has, we expect that the share sales price could be shortly in the thousands of dollars/share.

Power Chips should revolutionise electrical power generation across virtually all applications. In present large generating stations, adding Power Chips to capture heat that is now wasted will enable power plants to produce at least 20% more power with no increase in fuel consumption or emissions. Eventually, more efficient power plants, using only Power Chips to produce power, will become common.

In automobiles and other vehicles, Power Chips initially are likely to replace the alternator using waste heat from the radiator and exhaust, thereby greatly increasing the efficiency of the internal combustion engine. Power Chips will make possible safe, efficient distributed power, enabling buildings and factories to generate their own electricity. They will make it possible to bring plentiful electric power to regions of the world whose peoples and economies now suffer from inadequate electric power, at a fraction of the cost using current generating technologies. Power Chips will be among the first economically and environmentally transformative fruits of the emerging nanotechnology revolution.



Power Chip prototype (shown with a US Quarter for size comparison)

Power Chips plc 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).

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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 not be affected in any substantial manner by other factors which are either 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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POWER CHIPS PUBLIC LIMITED COMPANY

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DIRECTORS AND OFFICERS

Director	Appointed	
Rodney T. Cox, PhD	23 Mar 2000	Director, Chairman of the Board and Chief Executive Officer
Isaiah W. Cox	23 Mar 2000	Director, President and Chief Operating Officer
Wayne S. Marshall PhD	23 Mar 2000	Director
Peter Vanderwicken	06 Sept 2000	Director
Nechama J. Cox, PhD	01 Aug 2001	Director
Ing. Jan Váňa	01 Mar 2013	Director
Warren L. Serenbitz	01 Mar 2014	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
GX11 1AA
Gibraltar

POWER CHIPS PUBLIC LIMITED COMPANY

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DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the 18-month period ended 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 to 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 11 February 1997 in Gibraltar to develop and market the Power Chip technology.

Activities

The principal activity of the Company is that of researching, developing, and commercializing the Power Chips™ technology. Power Chips are devices that absorb heat and use it to produce electrical power. They are silent, non-polluting, scalable, portable, and can operate anywhere there is a source of heat. We expect them to replace many existing technologies for generating electricity. The underlying technology, called Avto Metals™, makes possible the reduction of the electron-volt work function in materials, thus enabling electrons to escape the materials more easily and thus to produce electrical power more efficiently.

Development work thus far has focused on building and testing of successive Avto Metal samples to reduce electron-volt work function and enable construction of commercially-useful prototypes. To date, all such tests have confirmed that the scientific theory underlying Avto Metals is sound, that the technology does in fact reduce the electron-volt work function of a material, and that commercially-useful devices can be built with currently-available technology, at low cost and in large volume. Adequate funding to advance this work, however, remains a major constraint. To the extent additional funds are required, the Company will attempt to raise these funds through future sales of its own shares and through the sale of product or any other financing opportunity that protects the interests of current shareholders. However, there can be no assurance that the Company will be successful in its efforts.

With Avto Metals plus the ability to control work functions, our technical staff are quite confident that we can make a commercially viable product. As we take no government funding, because we wish to make a serious return on our substantial expenditures to date, our funding efforts to date have been very slow and painful. Our technical staff expect that with an investment of US\$10 million we can make working prototypes of Power Chips with at least 20% of Carnot efficiency.

POWER CHIPS PUBLIC LIMITED COMPANY

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DIRECTORS' REPORT (Continued)

Results and Review of Business

The results for the period are shown in the Profit and Loss Account on page 10.

Power Chips plc lost \$225,838 for the eighteen months ended 30 September 2016, compared to a loss of \$176,448 in FY 2015. Our cumulative loss carried forward is now \$2,840,234 compared to \$2,614,396 in 2015.

Power Chips plc is a member of the Borealis Family of Companies and is a publicly traded indirect majority-owned subsidiary of Borealis Exploration Limited. Borealis Technical Limited, our direct parent company, owns 5,222,583 of our 8,035,118 outstanding shares, or 65.0% of our shares. Like our parent and most Family companies, Power Chips plc is incorporated in Gibraltar. Our parent company, Borealis Technical Limited, owes us \$2,629,326 at 30 September 2016 compared to \$2,855,164 at 31 March 2015.

Borealis Technical Limited ("Technical"), the parent company, has conducted basic industrial research on its Power Chips technology since 1996 and has more than 40 patents issued and pending. All of the research expenditures until fiscal 2013 that had been undertaken by Technical were funded by Borealis Exploration Limited, the ultimate parent of the Company. Technical had received deposits in prior years on behalf of the Company towards the issue of shares in the Company, which deposits were then due back to Power Chips plc. During the 18 months ended 30 September 2016, the Company was charged Consulting Fees of \$225,838 (2015: \$176,448).

An Intellectual Property Agreement was signed effective 1 January 1999, whereby Technical has granted the Company the exclusive worldwide rights for sublicensing the Power Chips technology. In consideration for the rights granted to the Company, the Company will pay Technical an 8% royalty based on net sales of licensed products and services sold by the Company and 50% of all sub-licence income. To date the Power Chips technology is still under development, such that the Company has not made any related sub-licence sales. Power Chips plc has also licensed Avto Metals plc technology for use in making Power Chips.

The Company has been in the development stage since its inception. The Company intends to retain its sub-licence rights granted by Technical. These financial statements have been prepared in accordance with generally accepted accounting principles 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. From inception to 31 March 2006, the Company lent money raised on its behalf to Technical and Borealis Exploration Limited. The Company is being charged for management and project fees, and is also paying its direct costs of research.

Management of the Company has indicated they have no intention to demand repayment of the amounts owing from Technical until the Power Chips technology is being licensed in the marketplace. The Company and Technical are actively working together to negotiate sales and/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 licences, of products, sale of shares in Asamera Limited and the sale of further shares of the Company. 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.

POWER CHIPS PUBLIC LIMITED COMPANY

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DIRECTORS' REPORT (Continued)

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 3.

The interests of the directors in the shares of the Company at the year end were as follows:

	Shares held at 30 September 2016	Shares held at 31 March 2015
Rodney T. Cox	22,299	22,343
Isaiah W. Cox	25,648	25,750
Wayne S. Marshall	57,363	65,177
Peter Vanderwicken	6,000	6,000
Nechama J. Cox	16,211	16,243
Jan Váña	1	1

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.

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.

POWER CHIPS PUBLIC LIMITED COMPANY

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DIRECTORS' REPORT (Continued)

Investor Information

Extensive information for investors can be found on our Website at www.powerchips.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.

If you have a question about Power Chips, please write to us at pr@powerchips.gi. Under NDA we can make extensive disclosure.

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

Independent auditors' report to the members of Power Chips plc

Report on the financial statements

We have audited the financial statements of Power Chips 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.

**Independent auditors' report to the members of
Power Chips plc - continued Opinion**

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 loss 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 \$2,629,326 of which represents amount due from shareholder 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: 03 January 2017

POWER CHIPS PUBLIC LIMITED COMPANY

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

	Notes	2016 \$	2015 \$
Expenditure			
Administrative fees	8	(225,838)	(176,448)
		<hr/>	<hr/>
Loss for the period/year		<u><u>\$(225,838)</u></u>	<u><u>\$(176,448)</u></u>

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 13-19 form part of these Financial Statements.

POWER CHIPS PUBLIC LIMITED COMPANY

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BALANCE SHEET

at 30 September 2016 and 31 March 2015

	Notes	2016 \$	2015 \$
Investments	4	<u>4,636,000</u>	<u>100,000</u>
Current Assets			
Accounts receivable	5,8	<u>2,629,326</u>	<u>2,855,164</u>
Current Liabilities			
Accounts payable	6	<u>(4,636,000)</u>	<u>(100,000)</u>
Net Current Assets		<u>(2,006,674)</u>	<u>2,755,164</u>
Net Assets		<u><u>\$2,629,326</u></u>	<u><u>\$2,855,164</u></u>
Capital and Reserves			
Called up share capital	7	80,351	80,351
Share premium account	7	5,389,209	5,389,209
Accumulated loss		<u>(2,840,234)</u>	<u>(2,614,396)</u>
Total Shareholders' Funds		<u><u>\$2,629,326</u></u>	<u><u>\$2,855,164</u></u>

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

These financial statements were approved and authorized for issue by the board on 3 January 2017:

Isaiah W. Cox
Director

Rodney T. Cox
Director

The notes on pages 13-19 form part of these Financial Statements.

POWER CHIPS PUBLIC LIMITED COMPANY

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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	80,351	5,389,209	(2,437,948)	3,031,612
Shares issued during the year	-	-	-	-
Loss for the year	-	-	(176,448)	(176,448)
At 31 March 2015	80,351	5,389,209	(2,614,396)	2,855,164
Shares issued during the period	-	-	-	-
Loss for the period	-	-	(225,838)	(225,838)
At 30 September 2016	<u>\$80,351</u>	<u>\$5,389,209</u>	<u>\$(2,840,234)</u>	<u>\$2,629,326</u>

The notes on pages 13-19 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 recognized.

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 4-7.

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 they accrue in or derive from Gibraltar.

h. **Investments**

Investments relates 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.

i. **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.

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.

j. **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.

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

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

k. 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;
- 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.

l. 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.

NOTES TO THE FINANCIAL STATEMENTS for the 18 months period ended 30 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 only one debtor, the parent company Borealis Technical Limited. The Company's management monitors the financial position of the parent company on an ongoing basis.

The Company has a significant concentration of credit risk, with exposure concentrated on one trade debtor. The Company does not deposit short term cash investments with major institutions but keeps it on current accounts.

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

4. INVESTMENTS

	2016 % holding	2015 % holding	2016 \$	2015 \$
Asamera Limited, a dormant company	100.00%	100.00%	100,000	100,000
Shares in subsidiary under common control	0.52%	nil	4,536,000	-
			<u>\$4,636,000</u>	<u>\$100,000</u>

5. ACCOUNTS RECEIVABLE

	2016 \$	2015 \$
Loan to parent company	<u>\$2,629,326</u>	<u>\$2,855,164</u>

This loan is interest free, unsecured, and with no fixed terms of repayment.

6. ACCOUNTS PAYABLE

	2016 \$	2015 \$
Due to subsidiary company	100,000	100,000
Due to subsidiary under common control	4,536,000	-
	<u>\$4,636,000</u>	<u>\$100,000</u>

These loans are interest free, unsecured, and with no fixed terms of repayment.

POWER CHIPS PUBLIC LIMITED COMPANY

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

7. CALLED UP SHARE CAPITAL

	2015	2014
	\$	\$
Authorised share capital 10,000,000 ordinary shares @ £0.01 each	\$160,000	\$160,000

	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
At 31 March 2014	8,035,118	80,351	5,389,209	5,469,560
Shares issued during the year	-	-	-	-
At 31 March 2015	8,035,118	80,351	5,389,209	5,469,560
Shares issued during the period	-	-	-	-
At 30 September 2016	8,035,118	80,351	5,389,209	5,469,560

8. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the 18 months ended 30 September 2016 the Company was charged \$225,838 (2015: \$176,448) in fees for administrative services and development expenses provided by Borealis Technical Limited. Amounts due to Borealis Technical Limited, parent Company, as at 30 September 2015 was \$2,629,326 (2015: \$2,855,164).

During the period, the Company bought investment of 36,000 shares in subsidiary under common control, Wheeltug plc, held by subsidiary under common control, Chorus Motors plc at \$180 per share and amount due to Chorus Motors plc as at 30 September 2016 was \$4,536,000 (2015: nil).

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 Limited, of which Borealis Exploration Limited is in turn the majority owner.

POWER CHIPS PUBLIC LIMITED COMPANY

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NOTES TO THE FINANCIAL STATEMENTS

for the 18 months period ended 30 September 2016 (Continued)

10. SUBSEQUENT EVENTS

The directors have nothing to report under this section.

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.