

# **Photon Power**

**PUBLIC LIMITED COMPANY**  
Gibraltar Registered No. 68278

## **Financial Statements**

**for the year ended 31 March 2009**

# PHOTON POWER PUBLIC LIMITED COMPANY

Gibraltar Registered No. 68278

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## About Photon Power plc

Photon Power plc was founded to develop and commercialize non-thermal solar power generation technologies developed by Borealis Technical Limited (Borealis) or any of its subsidiaries.

Photon Power plc is a majority-owned subsidiary of Borealis Exploration Limited (BOREF: OTC-US). A market has not developed for the Company's shares that have a symbol of PHPWF.

## 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 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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# PHOTON POWER PUBLIC LIMITED COMPANY

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## DIRECTORS AND OFFICERS

### Directors

### Appointed

Rodney T. Cox	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	23 Mar 2000	Director
Peter Vanderwicken	06 Sept 2000	Director
Nechama J. Cox	01 Aug 2001	Director

### Secretary

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

### Registered Office

Suite 3G, Eurolife Building  
1 Corral Road  
P.O. Box 575  
Gibraltar

### Auditors

Moore Stephens  
Suite 5 Watergardens 4  
Waterport  
Gibraltar

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## DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2009.

### Corporate Profile

The Company was incorporated on 16 March 1999 in Gibraltar. The Company trading symbol is PHPWF though the company shares have never traded in the market.

Photon Power plc is a member of the Borealis Family of Companies and is an indirect majority-owned subsidiary of Borealis Exploration Limited. Borealis Technical Limited (which is a 98% owned subsidiary of Borealis Exploration Limited) owns and controls 5,202,690 shares, which is 99.59% of the outstanding shares.

Like our parent and many Family companies, Photon Power plc is incorporated in Gibraltar.

### Activities

The principal activity of the Company is that of researching and developing the Photon Power™ Technology.

### Results and Review of Business

The results for the year are shown in the Profit and Loss Account on page 8.

Borealis Technical Limited ("Technical"), the parent company, has conducted basic industrial research on its Photon Power technology since 1997, for which it has patents issued and pending. We have seen interest in Photon Power given the high price of hydrocarbons. We are working on getting satisfactory terms for developing Photon Power which should be competitive using Avto Metals™ Technology for the custom design of eV. No transactions have been completed to date, though discussions are under way. All of the research expenditures to date have been undertaken by Technical and funded by Borealis Exploration Limited, the ultimate parent of the Company, though the company is paying a management fee to its parent of US\$280,000 per year which last year covered all the expenditures on behalf of Photon Power plc.

An Intellectual Property Agreement was signed effective 1 January 2000, whereby Technical has granted the Company the exclusive worldwide rights for sublicensing the Photon Power technology. In consideration for the rights granted to the Company, the Company shall pay Technical an 8% royalty based on net sales of licensed products and services sold by the Company and 50% of all sublicense income. To date the Photon Power technology is still under development such that the Company has not made any related sublicense sales.

The Company has been in the development stage since its inception. The Company intends to retain its sublicense 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 realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. From inception to 31 March 2009, the Company has lent money raised on its behalf to Technical and Borealis Exploration Limited. The general bad business climate worldwide raises certain doubts about the ability of the Company to continue as a going concern. Management of the Company has been told that its parent company Borealis Technical has no intention to demand repayment of the amounts owing from Photon Power to Borealis Technical until the Photon Power technology is being sold in the marketplace. The Company and Technical are working together to negotiate sales or further sublicensing of its technology to various parties, which is expected to generate profitable operations in the future.

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## DIRECTORS' REPORT (Continued)

To the extent that additional funds are required, the Company will attempt to raise these funds through future sales of its own shares or the sale of rights to use the technology in specific geographic areas or any other financing structure that does not harm the interests of current shareholders. However, there can be no assurance that the Company or its parent will be successful in these actions. The financial statements do not contain any adjustments that might be necessary if the Company is unable to continue as a going concern.

### Dividends

There were no dividends declared during the year.

### Directors and their Interests

The directors who served during the year were as stated on page 2.

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

	Shares held at 31 March 2009	Shares held at 31 March 2008
Rodney T. Cox	100	100
Isaiah W. Cox	100	100
Wayne S. Marshall	7,852	7,852
Peter Vanderwicken	100	100
Nechama J. Cox	100	100

### Share Options

The Company authorized up to 659,000 share options on 22 July 2005. These options can be granted by the directors prior to the options expiration date on 22 July 2010. The exercise price of these options is \$10.00 per share. The options are for a five-year term, and are subject to terms and conditions on the part of the option holder. For the year ended 31 March 2009, there were 519,000 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.

# PHOTON POWER PUBLIC LIMITED COMPANY

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## DIRECTORS' REPORT (Continued)

### Auditor

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

By order of the Board on 22 December 2009



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Isaiah W. Cox  
Director



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Rodney T. Cox  
Director

# PHOTON POWER PUBLIC LIMITED COMPANY

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHOTON POWER PUBLIC LIMITED COMPANY

We have audited the financial statements of Photon Power plc for the year ended 31 March 2009 set out on pages 8 to 12. These financial statements have been prepared under the Accounting Policies set out on page 10.

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 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.

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## 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 2009, 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.



Gibraltar  
22 December 2009

**Moore Stephens**  
CHARTERED ACCOUNTANTS



# PHOTON POWER PUBLIC LIMITED COMPANY

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## PROFIT AND LOSS ACCOUNT for the year ended 31 March 2009

	Notes	2009 \$	2008 \$
<b>Expenditure</b>			
Administrative fees	5	<u>(280,000)</u>	<u>(280,000)</u>
<b>Retained loss for the year</b>		(280,000)	(280,000)
<b>Accumulated loss at 1 April 2008</b>		<u>(358,000)</u>	<u>(78,000)</u>
<b>Accumulated loss at 31 March 2009</b>		<u><u>\$(638,000)</u></u>	<u><u>\$(358,000)</u></u>

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

No statement of recognised gains and losses has been produced as the only recognised gains and losses occurring in the year are those disclosed in the Profit and Loss Account.

The notes on pages 10 to 12 form part of these Financial Statements.

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## BALANCE SHEET as at 31 March 2009

	Notes	2009 \$	2008 \$
<b>Current Liabilities</b>			
Creditors	2	<u>(392,337)</u>	<u>(112,337)</u>
<b>Total Net Liabilities</b>		<u><u>\$(392,337)</u></u>	<u><u>\$(112,337)</u></u>
<b>Capital and Reserves</b>			
Called up Share Capital	3,4	52,270	52,270
Share Premium Account	3,4	193,393	193,393
Accumulated Loss	4	<u>(638,000)</u>	<u>(358,000)</u>
<b>Total Shareholders' Funds</b>		<u><u>\$(392,337)</u></u>	<u><u>\$(112,337)</u></u>

Signed on behalf of the Board of Directors on 22 December 2009



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Isaiah W. Cox  
Director



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Rodney T. Cox  
Director

The notes on pages 10 to 12 form part of these Financial Statements.

# PHOTON POWER PUBLIC LIMITED COMPANY

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009

### 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**

The financial statements are 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. Going Concern**

These financial statements have been prepared under the going concern concept, which assumes that the Company will continue in operational existence for the foreseeable future having adequate funds to meet their obligations as they fall due. Further information is set out in the Directors' Report on pages 3 to 5.

**e. 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.

**f. Taxation**

The Company was granted exempt tax status but has allowed this status to lapse, as of 31 March 2009, because the directors do not consider that a tax liability is likely to arise on profits by the date that new tax legislation will apply to the Company in 2010.

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

### 2. CREDITORS

	2009 \$	2008 \$
Loan from parent company	<u>\$392,337</u>	<u>\$112,337</u>

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

### 3. CALLED UP SHARE CAPITAL

	2008 \$	2007 \$
Authorised share capital 10,000,000 ordinary shares @ \$0.01 each	<u>\$100,000</u>	<u>\$100,000</u>

	Number of Shares	Share Capital \$	Share Premium Account \$	Total \$
At 31 March 2007	5,224,242	52,270	193,393	245,663
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2008	5,224,242	52,270	193,393	245,663
Shares issued during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2009	<u>\$5,224,242</u>	<u>\$52,270</u>	<u>\$193,393</u>	<u>\$245,663</u>

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2009 (Continued)

### 4 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share \$	Share Premium Account \$	Profit & Loss Account \$	Total \$
<b>At 31 March 2007</b>	52,270	193,393	(78,000)	167,663
Share issued during the	-	-	-	-
Loss for the year	-	-	(280,000)	(280,000)
<b>At 31 March 2008</b>	52,270	193,393	(358,000)	(112,337)
Shares issued during the	-	-	-	-
Loss for the year	-	-	(280,000)	(280,000)
<b>At 31 March 2009</b>	<u>\$52,270</u>	<u>\$193,393</u>	<u>\$(638,000)</u>	<u>\$(392,337)</u>

### 5. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in these financial statements, during the year ended 31 March 2009, the Company was charged \$280,000 (2008 - \$280,000) in fees for administrative services provided by Technical.

### 6. 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, P.O. Box 575, Gibraltar.