CHALLENGER ACQUISITIONS LIMITED

Annual Report for the Period Ended 31 December 2015

Contents

Company Information

Directors
John Le Poidevin *(Non-Executive Chairman)*
Mark Gustafson *(Chief Executive Officer)*
Markus Kameisis *(Chief Financial Officer)*
Richard Marin *(Non-Executive Director)*
Gert Rieder *(Non-Executive Director)*

Company Secretary
Markus Kameisis
Gutenbergstrasse 10
Zurich
Switzerland
CH-8002

Registered Office
55 Mount Row
St Peter Port
Guernsey
GY1 1NU

Registered Number
Incorporated in Guernsey with Registered No. 59383

Financial Advisor
finnCap
60 New Broad Street
London
EC2M 1JJ

Auditors and Reporting Accountants
Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

Solicitors
McCarthy Denning Limited
25 Southampton Buildings
London
WC2A 1AL

Company's Guernsey Law Advisors
Collas Crill
Glategny Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 4EW

Principal Bankers
HSBC Bank plc
8 Canada Square
London
E14 5HQ

Registrars
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
B63 3DA

Chairman's Statement

I am pleased to present the first annual report for your Company for the period ended 31 December 2015.

Challenger Acquisitions offers an entirely unique investment proposition. It is the market leader and only listed company focused on the design, engineering and project management of Giant Observation Wheels.

Following the Company's listing on the London Stock Exchange in February 2015, its first full year has been transformational. Although I was only appointed as Non-Executive Chairman in January 2016, I have been involved with the Company as a consultant since January 2015 and in this time, I have been pleased to witness the Company completing the acquisition of Starneth and making an investment in the New York Wheel Project.

The investment in the New York Wheel Project is a first step towards building a portfolio of equity stakes in Giant Observation Wheels globally – a strategy which, when combined with the proven engineering prowess of Starneth, creates a unique opportunity and is what first attracted me to Challenger.

We successfully raised £0.7m of equity (before share issue costs) on listing in February 2015, with a further £3.1m raised through a convertible loan note in May 2015. Subsequent to the period end, we have secured a further £2m of funding through the issuance of new convertible notes that has enabled the company to continue in its strategic and operational development during the current period.

The Board has also been significantly strengthened since the financial period end, with the appointment of Richard Marin and myself and corporate governance will remain a topic close to the top of the Board's agenda going forward.

I would like to take this opportunity to thank our loyal shareholders for their patience during our longer-than-expected suspension as a result of the two major transactions we undertook last year. However, emerging with these two game-changing transactions under our belt (Starneth and the New York Wheel) and with a number of new projects on the horizon, each of which will transform our bottom line, our wheels are well and truly set in motion to deliver significant value to shareholders.

John Le Poidevin
Non-Executive Chairman
26 April 2016

CEO's Strategic and Operational Review

Challenger was formed in November 2014 to undertake one or more acquisitions of target companies in the entertainment and leisure sectors with a particular focus on the attractions sector.

The Company was admitted to the Official List by way of a Standard Listing and commenced trading on the London Stock Exchange's main market for listed securities on 19 February 2015. During this first period of operation, revenues for the Group amounted to £926,000 from services provided to the New York Wheel Project by Starneth since 1 July 2015. The total loss for the period was £2.6 million after taking account significant costs associated with the IPO and acquisition. Future results will not include these one-off costs and revenue should be positively impacted as we commence new projects.

The Group has been financed by equity raised from the IPO and the issue of convertible notes in May 2015 (£3m) and in three further note issues since the year end (£2m). The convertible notes have provided timely access to funding and we expect them to remain a feature of the Company's funding structure going forward.

Acquisition of Starneth

Since 2000 the incredible success of the London Eye has driven demand for Giant Observation Wheels. People forget that the London Eye was built as a temporary fixture for the Millennium, and it is now an irreversible and truly iconic part of London's skyline with approximately 3.5 million visitors per year. In July 2015 we acquired 100% of the Starneth Group (the "Acquisition", together the "Group"), whose CEO was the project manager responsible for the design and construction of the London Eye's wheel and drive system.

The key personnel at Starneth are the go-to engineering coordinators for Giant Observation Wheels, with a track record in Starneth and previous companies of designing and engineering major components of four out of the six projects to date globally, namely the London Eye (2000), Las Vegas High Roller (2014), Dubai-I (2017) and the New York Wheel (2017). With proven expertise in the sector, the Group offers a wide range of services to developers of Giant Observation Wheels worldwide, ranging from initial conceptual ideas, designing, engineering, fabrication, erection, testing phases and overall project management depending on specifics of a project.

The Group is currently engaged on: providing technical and support services to the New York Wheel Project which is currently under construction for a 2017 opening; and preparing for a turnkey project for a 125-metre tall observation wheel to be built in Jakarta (the "Southeast Asia Wheel") where bank financing is required to be finalised prior to commencement of the project.

Outside of these two projects, the Group's focus is to work with local developers on its pipeline of 25 projects in South East Asia, the Middle East, Europe and the Americas. At present, negotiations continue on a number of additional projects in these regions.

New York Wheel Project Investment

On 26 May 2015 Challenger announced its participation as an investor in the US$500 million New York Wheel Project which is currently under construction and is targeted to open in 2017. Challenger initially invested US$3 million for an approximate 2.4% interest in New York Wheel Investor LLC, the company set up to fund the equity component for the New York Wheel Project.

The New York Wheel Project - which the Group is also providing technical and support services to - commenced construction in May 2015 and is located on New York Harbour.

New York Wheel Project key facts:

- The New York Wheel will stand more than 60 stories high. Its 36 capsules, each carrying 40 passengers, will offer views of New York Harbour, the Statue of Liberty and Lower Manhattan during the wheel's 38-minute rotation.
- The New York Wheel will remain in constant motion, rotating approximately 10" every second – a speed that will allow passengers to board and disembark safely without the New York Wheel ever having to actually come to a stop.
- The New York Wheel will emphasise sustainability and will have a maximum capacity of up to 1,440 people per ride, approximately 30,000 visitors per day and an estimated 3.5 million visitors per year.
- The project features approximately 68,000 square feet for a multi purpose terminal building and eight acres of outdoor space.

The New York Wheel Project is in full blown construction with US$220 million spent to date and we eagerly await its opening which is targeted for 2017. We are tremendously excited to not only be a part of this, but also have a stake in what should become one of the world's great landmark attractions.

More than three million tourists already ride the free Staten Island Ferry every year to get a closer view of the Statue of Liberty. The New York Wheel will give them a reason to stay and spend more time at the destination before returning to Manhattan.

Jakarta Wheel

During the period, the Group signed an initial project contract with the developer for turnkey project management services for the design, procurement, fabrication, assembly, erection and commissioning of a Giant Observation Wheel in Jakarta, Southeast Asia.

When built, the iconic wheel will be 125 metres tall and it will comprise of 18 capsules, each carrying up to 40 passengers.

Post period end, the Company announced that the land site had been secured for the project, marking a major milestone in its development. Bank financing is now being finalised by the developer, which once completed will allow construction to commence. Getting to financial close has taken longer than we anticipated and we are actively monitoring this bank financing process. We are working hard to ensure that any further delays do not impact the Group's other operations. However, we are still confident that Jakarta should be the first project to be commenced since Challenger acquired Starneth.

In terms of timeline, it is envisaged that it will take 24 to 30 months from the official commencement date for the wheel component to be built. As the turnkey project manager, the Group will be responsible for all the principal costs of the project relating to design, procurement, fabrication, assembly, erection and commissioning. The contract agreement between the Group and the developer envisages the payment of US$98 million over the life of the contract, with a significant upfront payment on commencement.

Corporate and Post Period End

To ensure structured and scalable growth, the Group has established a number of offices from which to manage its regional operations. Its headquarters in Enschede, The Netherlands, oversees the Group's European operations, whilst its office in Dubai is responsible for work in the Middle East and its office in Florida manages operations in the Americas. The Company is also in the process of opening an Asian office in Singapore. With regional offices and personnel, the Group is well placed for global growth and able to oversee and manage at least one new project each year.

Post period-end, in early January 2016, two new directors were appointed to our Board so as to increase the expertise available to your company and bolster corporate governance. Richard Marin, the CEO and President of New York Wheel LLC was appointed as Non-Executive Director and has fundraising capabilities that speak for themselves, having successfully raised US$500 million for the New York Wheel Project. John Le Poidevin joined the Board as Non-Executive Chairman, bringing UK public company experience and a deep understanding of the consumer space to support Challenger's development strategy. Full details on both appointments are set-out later in this report.

Prior to the Acquisition, the Company had no employees other than Directors. Following the acquisition of Starneth and as at the date of this Document there are 22 employees of the Group, in addition to the five Directors, being based as follows:

	Europe	Americas	Middle East	Asia	Total
Directors/Sales	3	1	1	2	7
Technical	6	2	2	-	10
Admin	2	2	1	-	5
	11	5	4	2	22

The Directors have identified the following Key Performance Indicators (KPIs) that the Company will track over 2016 and into future years. These will be refined and augmented as the Group's business matures:

1. Commence work on at least one new Giant Observation Wheel each year, with at least one additional project at the stage of contractual negotiation, The Company defines "contractual negotiation" as having a detailed contract for design and engineering services or turnkey project management services circulated between Starneth and the developer;

2. Commence work in at least one recognised city being actively developed by Starneth as a potential Giant Observation Wheel project every two years. The Company defines an internal project as a Giant Observation Wheel opportunity that it is leading as promoter/ local developer where it would start with a majority interest in the project and dilute this interest as external funding is required.

3. Growth in the Company's portfolio of interests in Giant Observation Wheels. The Directors will seek to track the value of its portfolio going forward and at the appropriate point start to prepare a regular update on progress and trading performance for each interest.

Subsequent to the year's end, the Company has raised £2 million through the issue of convertible notes and has subscribed for a further investment of US$1 million in the New York Wheel Project which potentially increases the Company's equity interest to~3%.

With a strengthened team in place we firmly believe we have the necessary skill set and experience in place with which to deliver on our near and longer term objectives to generate revenues and significant shareholder value from Giant Observation Wheels globally.

2016 is all about validating the Challenger business model. We have assembled a scalable platform to build a large public company. Now we need to deliver on Starneth projects and additional equity stakes in other Giant Observation Wheels.

Mark Gustafson
Chief Executive Officer
26 April 2016

Financial Review

Overview

At the balance sheet date the Group is in a transition phase, which is reflected correspondingly in the financial statements. After the transformational acquisition of the Starneth group of entities as well as the investment in the New York Wheel, the Group is now heavily engaged in realising its economic potential.

A crucial element of the Group's work is involved in ensuring projects are brought to fruition. Only once a contract has started, then the Group is able to realise the positive cash flows related to the contract. The Group has one signed contract for a Giant Observation Wheel in Jakarta and is currently waiting for this contract to start. This contract was initially expected to start in early 2016, but due to the financing complexity of such big projects, the start date has slipped back to mid 2016 based on the developer's revised timeline. The delay in commencement of the Group's first project has meant that the interim focus has been on careful management of the Group's cash resources until cash flows from the commencement of the Group's first project are released. The company has been successful in managing the Group's ongoing cash needs and in raising further financing where needed and it is foreseeable that the company will continue to do so until the Jakarta contract starts.

The initial consideration for the acquisition and the investment of the New York Wheel was financed through a convertible note through which £ 3,067k was raised in May 2015. This note is due on 6 May 2016 and to date £ 255k has been converted into equity. We have successfully prolonged the duration of this convertible note for one more year to 6 May 2017.

With the Jakarta contract starting and a possible start of one more contract in 2016, the Group is cautiously optimistic that its operations will be cash flow positive in 2016.

Profit for the period

In the period from incorporation to 31 December 2015, the Group recorded revenue of £926k from services provided to the New York Wheel Project. After deduction of the cost of sales, the net revenue was £468k. Administrative and personnel expenses of £2,215k were incurred, together with finance costs of £854k, resulting in a loss of £2,601k.
Included in this loss are the expenses incurred with the acquisition of the Starneth Group of entities of £417k and the expenses in relation to the re-admission of £314k. The IPO cost related to existing shares and hence recognised in profit or loss were £50k.

Balance Sheet

The total amount of assets on the balance sheet as per the balance sheet date is £7,460k. The assets consist largely of two major items which are the goodwill from the acquisition of the Starneth group of entities of £4,766k and the investment in the New York Wheel of £1,976k. Both investments are strategic to the company and are intended to be held for the long term. In addition to these strategic investments, there are tangible (£140 k) and intangible (£51k) fixed assets which are being amortised over their useful economic lives as well as receivables of £ 202k and cash and cash equivalents of £ 325k. These assets have been financed by a mix of equity and convertible notes. The equity at the balance sheet date amounted to £ 1,268k and the liabilities to £6,192k. The main element within the Group's liabilities is a convertible loan note of £ 3,067k, which had a due date on 6 May 2016, which has subsequently been extended to 6 May 2017. The other significant element within liabilities is the deferred consideration payable as a result of the Starneth acquisition. The deferred compensation has two cash elements recorded as liabilities on the balance sheet. The first element of deferred consideration is due on 15 July 2016 (£ 865k) and the second on 15 July 2017 (£ 772k). Other borrowings of £ 497k as well as trade and other payables of £ 1,046k make up the remaining liabilities.

Cash flow

During the period there were a number of funding transactions which generated cash inflows of £3,676k, namely:

- On incorporation, the Company issued one Founder Share of £1 to the Founder.

- On 5 December 2014 the Company issued and allotted to the Founder 40,000 additional Founder Shares of £1 each for a subscription price of £8 per share, raising £320,000 (before share issue expenses).

- Pursuant to a subscription on 12 February 2015 a further 7,000,000 Ordinary Shares were issued at a price of £0.10 per Ordinary Share raising £700,000. Consequently, a total of 11,100,100 Ordinary Shares of £0.01 each were on 19 February 2015 admitted to the Official List (by way of a Standard Listing) and to trading on the London Stock Exchange's main market for listed securities.

- On 5 May 2015, the Board approved the issue of up to £3 million unlisted unsecured transferable 12 per cent convertible notes 2016 ('Convertible Notes'), with nominal value of £1.00 per note, to fund an acquisition or investment. On 30 June 2015 the Board approved an increase in the amount of Convertible Notes that could be issued under the program to £3.5 million.

- On 28 July 2015 the Company confirmed that it had issued a total of 3,067,200 Convertible Notes and the funds of £3,067,200 were used to invest in the New York Wheel Project and to provide the initial cash consideration for the Acquisition.

- During the year, the Company issued 345,581 Ordinary Shares at a price of £0.37 per Ordinary Share, to the holders of the Convertible Notes in payment of interest.

- On 3 July 2015, 240,000 Ordinary Shares were allotted at a price of £0.40 per Ordinary Share, as a fee to the introducer of the Investment.

- On 15 July 2015, the Company issued 1,100,000 Ordinary Shares comprising the First Tranche of the Consideration Shares to the Vendors in connection with the Acquisition.

- On 28 July 2015, 630,000 Ordinary Shares were allotted at a price of £0.40 per Ordinary Shares, as a fee to the introducer of the Acquisition.

- On 16 October 2015, the Company issued 10,000 new Ordinary Shares pursuant to exercise of 10,000 Options at £0.40 by an employee.

- On 2 December 2015 the Company published a prospectus approved by the UKLA and all of the then issued share capital was re-admitted to trading on 8 December 2015.

Cash of £3,676k was generated from financing activities.

Cash used in operations and investments totalled £3,351k.

Closing cash

As at 31 December 2015, the Group held £ 325k in the bank account.

Markus Kameisis
Chief Financial Officer
26 April 2016

Board of Directors and Senior Management

During the period covered by the Annual Report, the Board consisted of Mark Gustafson (Executive Chairman), Markus Kameisis (Chief Financial Officer) and Gert Rieder (Non-Executive Director). Following the acquisition of Starneth and the investment in the New York Wheel Project, the Company took steps to strengthen the Board, and shortly after the year end appointed John Le Poidevin (Non-Executive Chairman) and Richard Marin (Non-Executive Director). Details of the current Board, including the new appointments are set out below.

John Le Poidevin (aged 45)
Non-Executive Chairman
Appointed 11 January 2016
Member of Remuneration Committee and member of the Audit & Risk Committee

Mr Le Poidevin is a senior non-executive with significant experience in advising businesses in relation to their strategy, investment and financing, M&A matters, corporate governance and financial management.

He is the former Head of Consumer Markets at BDO in London, with an extensive breadth of experience in auditing and advising listed and large private businesses operating across a range of business sectors in the UK and overseas.

A graduate of the University of Exeter and Harvard Business School and a Fellow of the Institute of Chartered Accountants in England and Wales, Mr. Le Poidevin was previously a consultant to Challenger.

Mark Gustafson (aged 56)
Chief Executive Officer
Appointed 24 November 2014

Mr Gustafson is a Canadian based Chartered Accountant with over 30 years of experience in building public and private companies and arranging finance.

Mr Gustafson served as President and CEO of Total Energy Services Ltd, a Toronto Stock Exchange listed company providing oilfield rental services and Chairman and Chief Executive Officer of Triangle Petroleum Corporation. More recently, Mr Gustafson held the position of President and Chief Executive Officer of Euromax Resources Ltd.

Markus Kameisis (aged 37)
Chief Financial Officer
Appointed 24 November 2014

Mr Kameisis is a Swiss-based German finance executive with over 10 years of experience in the banking and financial industry.

Having worked for UBS in Luxembourg and Switzerland and more latterly Guttenberg Group AG in Switzerland, Mr Kameisis founded an outsourcing and advisory firm for SME companies called Icelia AG in 2014. He now also serves as a senior finance executive at a Swiss based oil and gas company with a portfolio of oil and gas assets in Africa and Europe. Icelia AG provides accounting services to the Company.

Richard Marin (aged 62)
Non-Executive Director
Appointed 11 January 2016
Chairman of the Remuneration Committee and Member of the Audit & Risk Committee

Mr Marin is the President and CEO of The New York Wheel, LLC. He is a finance industry executive with 37 years' experience in senior management roles.

Mr Marin is a member of the faculty of the Johnson Graduate School of Management at Cornell University where he is a Clinical Professor. He is Chairman Emeritus of the Johnson School's Advisory Council and was elected to the Johnson School Hall of Honor in 2001. A 1975 graduate of Cornell University with a BA in economics and government, Mr. Marin received an MBA in finance from the Johnson School in 1976. He is also an adviser to Penbridge Advisers and is a director of CARE, the global relief and development agency.

Gert Rieder (aged 53)
Non-Executive Director
Appointed 5 December 2014
Chairman of the Audit & Risk Committee and Member of the Remuneration Committee

Mr Rieder has over 20 years of experience as senior executive and consultant building companies, markets and revenues globally while heading up start-ups, advising on board positions, and leading business development and growth for companies and customers in Scandinavia, Europe and the Middle East.

Former COO of Sunrise Communications in Switzerland and member of the Executive Board at Danish TDC Fixnet Nordic, Mr Rieder has extensive experience in managing complicated businesses with a focus on customer service and sales operation.

Mr Rieder is highly experienced in consumer marketing having built his career creating and selling products and services and is currently Executive Chairman of Falcon Acquisitions Limited.

In addition to the Challenger Board, the senior management of Starneth comprises:

Chiel Smits (aged 57)
Starneth, Chief Executive Officer

Mr Smits, is a native Dutchman with an engineering degree from Dordrecht Hogere Techniche School. Before founding Starneth in 2007, he was a core founder and board member of the Great Wheel Corporation acting as the Chief Technical Officer and working on start-up development of wheels in Beijing, Orlando and Berlin. His experience in Giant Observation Wheels stemmed from having been the lead designer and project manager for the wheel and the drive system of the “London Eye”.

Leon Heijkoop (aged 50)
Starneth, Managing Director

Mr Heijkoop is a native Dutchman with an engineering background and has been based in the Middle East since early 2005. Prior to joining Starneth in 2013 he worked as regional manager in the Middle East for Great Wheel Corporation and as a project manager on various construction and fabrication contracts for amongst others Hollandia B.V., the steel construction company, and Lamprell Energy Ltd. Leon has more than 20 years of experience in project management and construction services in the oil and gas industry as well as leisure and entertainment.

Director's Report

The Directors present their report with the financial statements of the company for the period ended 31 December 2015.

The Company's Ordinary Shares were originally admitted to listing on the London Stock Exchange, on the Official List pursuant to Chapters 14 of the Listing Rules, which sets out the requirements for Standard Listings, on 19 February 2015.

Principal Activities

The Company was formed to undertake acquisitions of target companies in the entertainment and leisure sectors with a particular focus on the attractions sector.

Review of Business in the Year

Further details of the Company's business and expected future development are also set out in the Chairman's Statement, the CEO's Strategic and Operational Review and the Financial Reviews on pages 4 to 11.

Directors

The Directors of the Company during the period and their beneficial interest in the Ordinary shares of the Company at 31 December 2015 were as follows:

Director	Position	Appointed	Ordinary Shares	Options*
Mark Gustafson	CEO	24/12/2014	500,000	280,000
Markus Kameisis	CFO	24/12/2014	100,000	250,000
Gert Rieder	Non-Exec	05/12/2014	100,000	200,000

* *Options issued to Directors were issued under individual agreements with each Director on 8 September 2015.*

Following the year end, Mr John Le Poidevin was appointed as Non-Executive Chairman (on 11 January 2016). Mr Le Poidevin was granted 100,000 Options on 8 September 2015 when he was a consultant to the Company.

Also on 11 January 2016, Mr Richard Marin was appointed as a non-executive Director. Mr Marin holds no shares or options in the Company.

Substantial shareholders

As at 31 December 2015, the total number of issued Ordinary Shares with voting rights in the Company was 13,325,681.

Save for the interests of the Directors, as at 19 April 2016, being the latest practicable date prior to publication of this Document, the Company has been informed of the following holdings of Ordinary Shares which represent more than 5 per cent. of its issued share capital.

Party Name	**Number of Ordinary Shares**	**% of Share Capital**
GSC SICAV plc	3,700,100	25.9%
YA Global Master SPV Ltd*	1,242,500	8.7%
Smits International B.V.**	880,000	6.2%

* *YA Global Master SPV Ltd holds £1,076,802 in nominal amount of the Convertible Notes which are convertible into Ordinary Shares.*

** *Smits International B.V. is the family holding company of Chiel Smits, CEO of Starneth.*

Financial instruments

Details of the use of financial instruments by the Company are contained in notes 11 and 24 of the financial statements.

Dividends

The Directors do not propose a dividend in respect of the period ended 31 December 2015.

Going Concern

The financial information has been prepared on the assumption that the Company will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. In assessing whether the going concern assumption is appropriate, the Directors take into account all available information for the foreseeable future, in particular for the twelve months from the date of approval of the financial information.

Following the review of ongoing performance and cash flows, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Further details can be found in note 2 to the financial statements.

The Directors' objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. At the date of this financial information, the Company had been financed from equity and convertible notes. In the future, the capital structure of the Company is expected to consist of convertible notes and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

Auditors

The auditors, Crowe Clark Whitehill LLP, have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Directors are required to prepare the Directors' Report and the Consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the undertakings included in the consolidation taken as a whole, as at the end of the financial year and of the profit or loss for that year. In preparing the consolidated financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Consolidated financial statements; and
- Prepare the Consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the consolidated financial statements. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Consolidated financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008 (as amended). The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board confirms to the best of its knowledge that the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole.

The Chairman's statement, CEO's Strategic and Operational Review, and Financial Review, all of which are incorporated into this report, include a true and fair view of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face and provides information necessary for shareholders to assess the Company's performance, business model and strategies.

Statement as to Disclosure of Information to Auditors
So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Principal Risks and Uncertainties

Internal controls and an effective risk management regime are integral to the Group's continued operation. Overall responsibility for the risk management processes adopted by the Group lies with the Board. On behalf of the Board, the Audit Committee reviews the effectiveness of the Group's internal control policies and procedures for the identification, assessment and reporting of risks. In order to maintain oversight and seek comfort as to Group policies and procedures, the Group has an internal auditor who acts as a means of rigorously and continuously testing the effectiveness of the Group's procedures. For further details in respect of the Group's internal control processes, please refer to the Corporate Governance Report.

In this section we describe the Group's principal risks and uncertainties. We provide information on the nature of the risk, actions to mitigate risk exposure and an indication of the significance of the risk by reference to its potential impact on the Group's business, financial condition and results of operation and/or the likelihood of the risk materialising. Not all potential risks are listed overleaf. Some risks are excluded because the Board considers them not to be material to the Group as a whole. Additionally, there may be risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial that may also have an adverse effect upon the Group.

The risk factors are summarised below:

Reliance on a small number of large contracts

Engineering and design firms specialising on large projects are dependent on a small number of major contracts. Historically, there has been, on average, completion of an iconic-type wheel project approximately every 2.5 years and therefore the Group's revenues are highly dependent on a small number of large contracts. The lead time required for developers of these projects to secure a potential site can range anytime from two years to five years if there are no major disruptions in the process. Therefore the time and cost of this process could result in very few projects actually proceeding to the contractual phase, which increases the importance of each contract. In addition, if a potential project does not proceed to contract phase, the Group could incur substantial costs in terms of management time and unrecovered transaction costs, including legal costs and other expenses.

The Group's cash flow is highly dependent upon both the availability and timing of projects and any delay would have a material impact on its working capital position. The Group's ability to grow its businesses is dependent on securing contracts and/or investments in the right locations and on the right terms where necessary planning permissions are obtained both for existing sites and new developments. Failure to secure contracts and/or investments with the optimal sites and approvals may prevent the Group from developing its business activities, and ultimately the financial viability of the Group could be at risk.

Reliance on subcontractors

Although the Group specialises in the designing and engineering of giant observation wheels, it does offer complete turnkey project management for large contracts that local developers require. By offering this type of service, the Group needs to rely on subcontractors, some of which will be internationally recognised companies it has previously worked with, but some of which may be smaller local contractors providing select products and services for local markets. Securing large contracts demands more complex project management solutions as well as the hiring and integration of more subcontractors into each project. The delegation of duties and reliance on subcontractors poses a degree of risk as the Group will have less control over workforce and product quality and the supply of defective components, the inadequate provision of training and/or poor health and safety which could lead to disputes and delays. Any incidents on site and/or faulty components supplied could be time and cost consuming and might lead to litigation and/or pose insurance issues beyond the one year warranty coverage provided by the Group to its customers and the Group's professional indemnity coverage, which could damage the Group's financial position and the Group's reputation. Should costs incurred exceed the Group's current insurance coverage, the Group may incur unanticipated out of pocket costs. Any of these factors could have a material adverse impact on the Group's financial results.

Doing business in emerging markets
Some of the Group's pipeline projects are located in emerging markets that are subject to significantly greater legal, economic and political risks than more mature markets. Political instability, corruption, significant inflationary pressures, unpredictable shifts in government policy and regulation, ethnic and religious tensions, selective or arbitrary governmental actions, labour and social unrest, poorly developed infrastructure, lack of independence of the judicial system and its vulnerability to economic and political influences as well poorly developed legislation are among the factors that affect companies operating in emerging markets. All of these factors could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Competition
Competition is based on many factors, including brand recognition, product quality and reliability, product design and innovation, designing/manufacturing capabilities and price. However in the giant observation wheels and structures sector competition is limited as the number of individuals with the relevant knowledge and experience is limited. Nevertheless, the competitors may have or may obtain greater financial, technical or other resources than the Group, which could enhance their ability to successfully compete for new projects. Some competitors may also be, or may become, able to offer similar, equivalent or superior services and/or products at lower costs than the Group. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations, business and financial condition.

Legal and regulatory
The Group operates in many different jurisdictions and must comply with a variety of international, national, regional and local laws and regulations and non-compliance with material laws and regulations may result in fines or the removal of necessary permits and/or

licences and hence have a material effect on the ability of the Group to operate in such jurisdictions.

In addition, some jurisdictions in which the Group operates are known to be litigious. As at 31 December 2015 the Group was involved in legal action with Madison Capital Markets LLC ("Madison"). Madison filed a complaint on 11 September, 2015 against the Company and some of its subsidiaries, demanding compensation for alleged services for advising and facilitating the Company's acquisition of Starneth and investment in the New York wheel project. The complaint was filed in the United States District Court for the Southern District of New York (Case 1:15-cv-07213). On 17 November 2015, the Company filed a response to the complaint, in which the defendants denied all of the claims made by Madison and moved to have the complaint dismissed for lack of personal jurisdiction and failure to state a claim upon which relief can be granted. Following Madison's change of counsel in January, Madison amended its complaint. The court heard oral arguments on the motion to dismiss on 7 April 2016, but the decision of the court is expected to take several months.

Management of the Company considers the probability of this claim to be successful as extremely low as in their view, the claim is without substance and there are no written or verbal agreements in place between the Company and Madison and as such no provision for any claim amount has been made in these financial statements. The defence of this lawsuit and related legal proceedings may be costly and time-consuming, and the outcome is uncertain. If the claim ultimately was successful, it could have a material adverse effect on the Group's prospects, results of operation, business and financial condition.

Corporate Governance Report

Introduction

The Board is committed to good corporate governance and it is not required to follow any governance code, however the Board sets out below its practices to ensure good corporate governance having due regard for the principles of the UK Corporate Governance Code.

The Board has established two committees: an Audit & Risk Committee and a Remuneration Committee.

Set out below are Challenger's corporate governance practices for the period ended 31 December 2015 and, were applicable, its position for the current financial year.

Leadership

The Company is headed by an effective Board which is collectively responsible for the long-term success of the Company.

On 11 January 2016, following the acquisition of Starneth and the investment in the New York Wheel Project, the Company took steps to augment the original Directors by appointing two new Directors with specialist skill-sets not already represented on the Board. Full details of the Directors can be found on page 13.

The role of the Board

The Board sets the Company's strategy, ensuring that the necessary resources are in place to achieve the agreed strategic priorities, and reviews management and financial performance. It is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and monitoring the Company's affairs within a framework of controls which enable risk to be assessed and managed effectively. The Board also has responsibility for setting the Company's core values and standards of business conduct and for ensuring that these, together with the Company's obligations to its stakeholders, are widely understood throughout the Company. The Board has a formal schedule of matters reserved which is detailed later in this report.

Board Meetings

The core activities of the Board are carried out in scheduled meetings of the Board and its Committees. These meetings are timed to link to key events in the Company's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. During 2015, the Board met on 23 occasions related to the IPO, multiple financings, acquisition of Starneth, readmission and other corporate matters.

Outside the scheduled meetings of the Board, the Directors maintain frequent contact with each other to discuss any issues of concern they may have relating to the Company or their areas of responsibility, and to keep them fully briefed on the Company's operations.

Matters reserved specifically for Board

The Board has a formal schedule of matters reserved that can only be decided by the Board. The key matters reserved are the consideration and approval of;

- The Group's overall strategy;
- Financial statements and dividend policy;
- Management structure including succession planning, appointments and remuneration (supported by the Remuneration Committee);
- Material acquisitions and disposal, material contracts, major capital expenditure projects and budgets;
- Capital structure, debt and equity financing and other matters;
- Risk management and internal controls (supported by the Audit and Risk Committee);
- The Company's corporate governance and compliance arrangements;
- Corporate policies;

Certain other matters are delegated to the Board committees, namely the Audit and Risk Committee and the Remuneration Committee.

Summary of the Board's work in the year

During 2015, the Board considered all relevant matters within its remit, but focused in particular on the acquisition of Starneth, the investment in the New York Wheel Project and the financing necessary to achieve these objectives.

Attendance at meetings;

Member	***Meetings held***	***Meetings attended***	***Attendance***
Mark Gustafson	23	23	100%
Markus Kameisis	23	23	100%
Gert Rieder	23	23	100%

The Board is pleased with the high level of attendance and participation of Directors at Board meetings. Due to the early stage of the Company, no meetings of the Audit & Risk Committee or Remuneration Committee were held during the year, with all relevant business instead conducted at Board meetings.

The Chairman sets the Board Agenda and ensures adequate time for discussion. On appointment on 11 January 2016, John Le Poidevin met the independence criteria set out in the UK Code of Corporate Governance.

Non-executive Directors

The non-executive Directors bring a broad range of business and commercial experience to the Company and have a particular responsibility to challenge independently and constructively the performance of the Executive management (where appointed) and to monitor the performance of the management team in the delivery of the agreed objectives and targets.

Non-executive Directors are initially appointed for a term of one year, which may, subject to satisfactory performance and re-election by shareholders, be extended by mutual agreement.

Delegations of authority

Board Committees
Since the appointment of new directors in January 2016, the Board intends to delegate matters to two committees, namely an Audit & Risk Committee, and a Remuneration Committee. The memberships, roles and expected activities of these committees are detailed in separate reports: the Audit & Risk Committee from page 31 onwards, and the Remuneration Committee from page 28 onwards. Each committee will report to the Board and the issues considered at meetings of the committees are provided by the respective committee chairmen. The terms of reference of each committee is to be reviewed by the Board every other year.

Other governance matters
All of the Directors are aware that independent professional advice is available to each Director in order to properly discharge their duties as a Director. In addition, each Director and Board committee has access to the advice of the Company Secretary.

The Company Secretary
The Company Secretary is Markus Kameisis who is retained on a consultancy basis. He is available to Directors and responsible for the Board complying with UK procedures.

Effectiveness
For the period under review the Board comprised of two Executive Directors and a Non-Executive Director. Following the appointment of John Le Poidevin and Richard Marin, the board now consists of an independent Non-Executive Chairman, two Executive Directors and two Non-Executive Directors. Of the two Non-Executive Directors, the Board considers Richard Marin to be independent while Gert Rieder is not independent. Biographical details of the Board members are set out on page 13 and the following pages of this report.

The Directors are of the view that the Board and its committees consist of Directors with an appropriate balance of skills, experience, independence and diverse backgrounds to enable them to discharge their duties and responsibilities effectively.

Independence
The Non-Executive Directors bring a broad range of business and commercial experience to the Company. The Board considers John Le Poidevin and Richard Marin to be independent in character and judgement.

Appointments
The Remuneration Committee is responsible for reviewing and the structure, size and composition of the Board and making recommendations to the board with regards to any required changes.

Commitments
All Directors have disclosed any significant commitments to the Board and confirmed that they have sufficient time to discharge their duties.

Induction
All new Directors received an induction as soon as practical on joining the Board.

Conflict Of interest
A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Company. The Board had satisfied itself that there is no compromise to the independence of those Directors who have appointments on the Boards of, or relationships with, companies outside the Company. The Board requires Directors to declare all appointments and other situations which could result in a possible conflict of interest.

Board performance and evaluation
Challenger has a policy of appraising Board performance annually. Challenger has concluded that for a company of its current scale, an internal process administered by the Board is most appropriate at this stage.

Accountability
The Board is committed to providing shareholders with a clear assessment of the Group's position and prospects. This is achieved through this report and as required other periodic financial and trading statements. The Board has made appropriate arrangements for the application of risk management and internal control principles and these are detailed on page 31. The Board has delegated to the Audit & Risk committee oversight of the relationship with the Company's auditors as outlined in the Audit and Risk committee report on page 31 and the following pages.

Going concern
The Group's business activities, together with factors likely to affect its future operations, financial position, and liquidity position are set out in the CEO's Strategic and Operational Review and the Financial Review sections of the Annual Report. In addition, note 4 to the consolidated financial statements discloses the Company's financial risk management practices with respect to its capital structure, liquidity risk, interest rate risk, credit risk, and other related matters.

The Directors, having made due and careful enquiry, are of the opinion that the Company has adequate working capital to execute its operations and has the ability to access additional financing, if required, over the next 12 months. The Directors, therefore, have made an informed judgement, at the time of approving financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements. Further details can be found in note 2 to the financial statements.

Internal controls

The Board of Directors reviews the effectiveness of the Company's system of internal controls in line with the requirements of the Code. The internal control system is designed to manage the risk of failure to achieve its business objectives. This covers internal financial and operational controls, compliances and risk management. The Company had necessary procedures in place for the year under review and up to the date of approval of the Annual Report and Accounts. The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The Board confirms the need for an ongoing process for identification, evaluation and management of significant risks faced by the Company. A risk assessment for each project is carried out by the Directors before making any commitments

The Board has delegated to the Audit Committee responsibility for monitoring the Company’s financial reporting. The Report from the Audit and Risk Committee on pages 31 to 32 contains full details of the role and activities of the Audit Committee.

The Directors are responsible for taking such steps as are reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Remuneration

The Board has delegated to the Remuneration Committee responsibility for agreeing the remuneration policy for senior executives. The Directors remuneration report on pages 27 to 30 contains full details of the role and activities of the Remuneration Committee.

Nomination

Currently due to the size of the Company there is no Nomination Committee. Nominations are considered by the whole Board. The Directors anticipate that a Nomination Committee will be established in the future when the size of the Company justifies it.

The Nomination Committee will review the composition and balance of the Board and senior management on a regular basis to ensure that the Board and senior management have the right structure, skills and experience in place for the effective management of the Company's business and is expected to meet twice a year.

Model Code

The Directors have voluntarily adopted the Model Code for directors' dealings contained in the Listing Rules of the UK Listing Authority. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors.

Compliance with the Model Code is being undertaken on a voluntary basis and the FCA will not have the authority to (and will not) monitor the Company's voluntary compliance with the Model Code, nor to impose sanctions in respect of any failure by the Company to so comply.

Shareholder relations

Communication and dialogue

Open and transparent communication with shareholders is given high priority. The Directors are available to meet with institutional shareholders to discuss any issues and gain an understanding of the Company's business, its strategies and governance.

All Directors are kept aware of changes in major shareholders in the Company and are available to meet with shareholders who have specific interests or concerns. The Company issues its results promptly to individual shareholders and also publishes them on the Company's website: www.challengeracquisitions.com. Regular updates to record news in relation to the Group and the status of its projects are included on the Company's website.

Annual General Meeting

At every AGM individual shareholders are given the opportunity to put questions to the Chairman and to other members of the Board that may be present. Notice of the AGM is sent to shareholders at least 10 working days before the meeting. Details of proxy votes for and against each resolution, together with the votes withheld are announced to the London Stock Exchange and are published on the Company's website as soon as practical after the meeting.

Director's Remuneration Report

The Remuneration Committee

During the period to 31 December 2015, the full Board of the Company met to consider matters relating to remuneration. Following the appointment of new directors in January 2016, the Remuneration Committee now comprises Richard Marin (Chairman), John Le Poidevin and Gert Rieder.

Challenger's Remuneration Committee will operate within the terms of reference approved by the Board. The Remuneration Committee follows current SCA guidelines and the UK Corporate Governance Code.

The items included in this report are unaudited unless otherwise stated.

Committee's main responsibilities

- The Remuneration Committee will consider the remuneration policy, employment terms and remuneration of the Directors and review the remuneration of senior management;
- The Remuneration Committee's role is advisory in nature and it will make recommendations to the Board on the overall remuneration packages for Directors and senior management in order to attract, retain and motivate high quality executives capable of achieving the Company's objectives;
- The Remuneration Committee will also review proposals for any share option plans and other incentive plans, make recommendations for the grant of awards under such plans as well as approving the terms of any performance-related pay schemes;

Committee advisors

The Company will consult with the Company's major investors and investor representative Companies as appropriate. No Director takes part in any decision directly affecting their remuneration. No remuneration advisors were retained by the Remuneration Committee during the year.

Statement of Challenger's policy on Directors' remuneration

The Company's policy is to maintain levels of remuneration so as to attract, motivate, and retain Directors and senior executives of the highest calibre who can contribute their experience to deliver industry leading performance with the Company's operations. The remuneration package for Executive Directors comprises of a base fees and share incentive arrangements. The remuneration package for non-executive Directors comprises of base fees and share incentive arrangements.

A meaningful proportion of executive and senior managements' remuneration is structured so as to link rewards to corporate and individual performance, align their interests with those of shareholders and to incentivise them to perform at the highest levels. The Remuneration Committee considers remuneration policy and the employment terms and remuneration of the Directors and makes recommendations to the Board of Directors on the overall remuneration packages for the Directors.

Remuneration Components
For the period ended 31 December 2015 the Directors received a base salary and share options.

Service Agreements and Letters of Appointment
All of the service contracts with Directors are on an evergreen basis, subject to termination provisions. The appointment of Directors is subject to termination upon three months' notice, with the exception of Richard Marin, whose contract requires one months' notice.

The Directors who held office at 31 December 2015 and who had beneficial interests in the Ordinary Shares of the Company are summarised as follows:

Name of Director	Position
Mark Gustafson	Executive Chairman
Markus Kameisis	Chief Financial Officer
Gert Rieder	Non-Executive Director

* *John Le Poidevin was appointed Non-Executive Chairman on the 11 January 2016 but held beneficial interests in the Company since 8 September 2015.*

Details of these beneficial interests can be found in this Directors' Remuneration Report on page 34.

Terms of appointment
The services of the Directors, provided under the terms of agreement with the Company dated as follows:

Director	Year of appointment	Number of years completed	Date of current engagement letter
John Le Poidevin	2016	-	11/01/2016
Mark Gustafson	2014	1	17/12/2014
Markus Kameisis	2014	1	17/12/2014
Gert Rieder	2014	1	17/12/2014
Richard Marin	2016	-	11/01/2016

Consideration of shareholder views
The Remuneration committee will consider shareholder feedback received and guidance from shareholder bodies. This feedback, plus any additional feedback received from time to time, is considered as part of the Company's annual policy on remuneration.

Policy for new appointments
Base salary levels will take into account market data for the relevant role, internal relativities, their individual's experience and their current base salary. Where an individual is recruited at

below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

For external and internal appointments, the Committee may agree that the company will meet certain relocation and/or incidental expenses as appropriate.

Directors' emoluments and compensation (audited)

Set out below are the emoluments of the Directors for the period ended 31 December 2015 (GBP):

Name of Director	Short term employee benefits	Post employment benefits	Other long term benefits	Termination benefits	Other	Total
Mark Gustafson	160,133	-	1,568	-	-	-
Markus Kameisis	13,533	-	1,400	-	-	-
Gert Rieder	13,235	-	1,120	-	-	-

Of the amounts mentioned under Short term employee benefits there was £85,133 paid to Mark Gustafson, £11,033 to Markus Kameisis and £10,735 to Gert Rieder. The other amounts were accrued but unpaid at the balance sheet date.

Mr. Kameisis is in addition an employee and director of Icelia AG, which provides CFO services to the Group. Icelia AG has billed a total £118k to the Group in the period for the provision of services. Of the £118k billed, £72k had been paid until the balance sheet date.

Other long term benefits represent a total of 730,000 options that have been issued to the directors. The options can be exercised over 5 years and have a strike price of £0.40. Also John Le Poidevin, at the time a consultant to the company, has received 100,000 options with the same conditions. Details to the options are given in Note 21.

None of the remuneration paid was subject to performance conditions.

Other matters

The Company does not currently have any annual or long-term incentive schemes in place for any of the Directors and as such there are no disclosures in this respect.

The Company does not have any pension plans for any of the Directors and does not pay pension amounts in relation to their remuneration.

The Company has not paid out any excess retirement benefits to any Directors or past Directors.

The Company has not paid any excess retirement benefits to any Directors or past Directors.

The performance of the Remuneration Committee has yet to be assessed given the short time frame that it has been operational. Its performance will be assessed and its structure reviewed in the next Annual Report.

The Company is currently in its infancy and has only recently made the Acquisition in order to achieve its long term objectives. As such Directors pay represents 6.7% of total spend.

Report from the Audit & Risk Committee

The responsibilities of the Audit & Risk Committee were discharged by the full Board during the period. Following the appointment of new directors in January 2016, the Audit & Risk Committee was formally established, comprising Gert Rieder (Chairman), John Le Poidevin and Richard Marin. The committee oversees the Company's financial reporting and internal controls, and provides a formal reporting link with the external auditors. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the half-yearly reports remains with the Board.

Main Responsibilities

The Audit Committee acts as a preparatory body for discharging the Board's responsibilities in a wide range of financial matters by:

- Monitoring the integrity of the financial statements and formal announcements relating to the Company's financial performance;
- Reviewing significant financial reporting issues and accounting policies and disclosures in financial reports;
- Overseeing that an effective system of internal control and risk management systems are maintained;
- Ensuring that an effective whistle-blowing, anti-fraud and bribery procedures are in place;
- Considering the Company's internal audit requirements and make recommendations to the Board;
- Overseeing the Board's relationship with the external auditors and, where appropriate, the selection of new external auditors;
- Approving non-audit services provided by the external auditors, or any other accounting firm, ensuring the independence and objectivity of the external auditors is safeguarded when appointing them to conduct non-audit services;
- Ensuring compliance with legal requirements, accounting standards and the Listing Rules and the Disclosure and Transparency Rules.

The Audit and Risk Committee shall meet at least twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

Governance

The Board requires that at least one member of the Audit Committee has recent and relevant financial experience. Mr Rieder, Chairman of the Audit Committee, has significant senior management experience covering all business areas, including finance. In addition, John Le Poidevin is a Chartered Accountant and has an extensive breadth of experience in auditing and advising listed and large private businesses operating across a range of business sectors in the UK and overseas. As a result the Board is satisfied that the Audit Committee has recent and relevant financial experience.

The Company's external auditors are Crowe Clark Whitehill LLP and the Audit Committee will closely monitor the level of audit and non-audit services they provide to the Company. In the year ended 31 December 2015 Crowe Clark Whitehill LLP did provide non-audit services to the Company. Those services were related to the company's IPO, the acquisitions and the re-admission.

Meetings
The Audit & Risk Committee met on 25 April 2016 for the first time to consider the audit for the period ended 31 December 2015.

External auditor
The Company's external auditors are Crowe Clark Whitehill LLP. The external auditors have unrestricted access to the Audit Committee Chairman. The Committee is satisfied that Crowe Clark Whitehill LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence are maintained. The external auditors report to the Audit Committee annually on their independence from the Company.

The current auditors, Crowe Clark Whitehill LLP were first appointed by the Company in 2015 and therefore the current partner is due to rotate off the engagement after completing the 2020 audit. Having assessed the performance objectivity and independence of the Auditors, the Committee will be recommending the reappointment of Crowe Clark Whitehill LLP as auditors to the company at the next annual general meeting.

Independent Auditor’s Report to the Members of Challenger Acquisitions Ltd

We have audited the Financial Statements of Challenger Acquisitions Ltd for the period ended 31 December 2015, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash flows, Consolidated Statement of Changes in Equity and their related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

This report is made solely to the company’s members, as a body, in accordance with Companies (Guernsey) Law 2008. 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 auditor

As explained more fully in the Statement of Directors’ Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the information in the Directors’ Report and any other surround information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group’s affairs as at 31 December 2015 and of the group’s loss for the period then ended;

- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £2,601k during the period ended 31 December 2015 and, at that date, the group's current liabilities exceeded its current assets by £4,893k. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Matters on which we are required to report by exception

We have nothing to report to you in respect of the following matters where the Companies (Guernsey) Law 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Leo Malkin

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

St Bride's House

10 Salisbury Square

London EC4Y 8EH, UK

26 April 2016

Consolidated Statement of Comprehensive Income

The statement of comprehensive income of the group from the date of incorporation on 24 November 2014 to 31 December 2015 is set out below.

	Note	Period ended 31 December 2015 £'000
Revenue	5	926
Cost of Sales		(458)
Gross profit		468
Personnel expenses	15	(519)
Administrative expenses		(1,696)
Operating loss on ordinary activities before taxation		(1,747)
Finance costs	13	(854)
Loss before income taxes		(2,601)
Income tax expense	17	-
Loss after taxation		(2,601)
Loss for the period		(2,601)
Other comprehensive expense		-
Total comprehensive loss attributable to owners of the parent		(2,601)
Loss per share:		
Basic	18	(0.25)
Diluted	18	(0.25)

Consolidated Statement of Financial Position

The consolidated statement of financial position of the group as at 31 December 2015 is set out below:

	Note	As at 31 December 2015 £'000
Assets		
Current assets		
Cash and cash equivalents	7	325
Trade and other receivables	8	202
Total current assets		**527**
Non-current assets		
Property, plant and equipment	9	140
Intangible assets	10	4,817
Available-for-sale financial assets	11	1,976
Total non-current assets		**6,933**
Total assets		**7,460**
Equity and liabilities		
Capital and reserves		
Share capital	6	133
Share premium		2,080
Shares to be issued	10	1,650
Translation reserve		(3)
Reserve options	21	9
Retained earnings		(2,601)
Total equity attributable to equity holders		**1,268**
Current liabilities		
Borrowings	12	4,374
Trade and other payables	14	1,046
Total current liabilities		**5,420**
Non-current liabilities		
Borrowings	12	772
Total non-current liabilities		**772**
Total equity and liabilities		**7,460**

Consolidated Statement of Changes in Equity

The statement of changes in equity of the group from the date of incorporation on 24 November 2014 to 31 December 2015 is set out below:

	Share capital £'000	Share Premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
On incorporation on 24 November 2014	-	-	-	-	-
Loss for the period	-	-	-	(2,601))	(2,601)
Total comprehensive loss for the period	**-**	**-**	**-**	**(2,601)**	**(2,601)**
Unissued share capital	-	-	1,650	-	1,650
Issue of options	-	-	9	-	9
Translation Reserve	-	-	(3)	-	(3)
Transaction with owners					
Issue of shares	133	2,080	-	-	2,213
Total	**133**	**2,080**	**1,656**	**-**	**3,869**
As at 31 December 2015	**133**	**2,080**	**1,656**	**(2,601)**	**1,268**

Share capital comprises the Common Shares issued by the Company.

Accumulated deficit represents the aggregate retained losses of the Company since incorporation.

Other reserves represent the shares to be issued, the share options reserve as well as gains and losses on translation of foreign subsidiaries.

Consolidated Statement of Cash Flows

The cash flow statement of the group from the date of incorporation on 24 November 2014 to 31 December 2015 is set out below:

	Period ended 31 December 2015 £,000
Cash flow from operating activities	
Loss for the period before taxation	(2,601)
Depreciation and amortisation	37
Share option charge	9
Interest	847
Operating cash flows before movements in working capital	**(1,708)**
Increase in receivables	(55)
Increase in accounts payable and accrued liabilities	1,009
Net cash generated from operating activities	**(754)**
Acquisition of tangible fixed assets	(8)
Investment in subsidiaries net of cash acquired	(613)
Investment in available for sale financial asset	(1,976)
Net cash outflow from investing activities	**(2,597)**
Interest expense	(570)
Issue of ordinary shares net of issue costs	1,339
Issue of convertible loan notes net of issue costs	2,907
Net cash inflow from financing activities	**3,676**
Net increase in cash and cash equivalents	**325**
Cash and cash equivalent at beginning of period	-
Cash and cash equivalent at end of period	**325**

Notes to the consolidated financial statements

1. **GENERAL INFORMATION**

The Company was incorporated under the section II of the Companies (Guernsey) Law 2008 on 24 November 2014, it is limited by shares and has registration number 59383.

Following completion of the acquisition of Starneth (the "Acquisition") Challenger became the holding company of the Starneth Group through which it owns and operates a business specialising in the design and engineering of giant observation wheels and structures. In addition, the Company has an investment of US$3m in New York Wheel Investor LLC, a company that was set up to fund the equity component for the project to build a New York Wheel which includes an approximate 630 foot high observation wheel with 36 capsules, a 68,000 square foot terminal and retail building, and a 950 space parking garage.

No comparative figures are given as the reporting period is the first reporting for the Group since its incorporation. The acquired Starneth Group was consolidated from 1 July 2015.

The Company's registered office is located at 55 Mount Row, St Peter Port, Guernsey, GY1 1NU, Channel Islands.

The company has not prepared individual financial statements in accordance with section 244 of the Companies (Guernsey) Law 2008.

2. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of preparation

The consolidated financial statements of Challenger Acquisitions Limited for the period ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS's as adopted by the EU), issued by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) applicable to the companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The financial information has been presented in United Kingdom Pounds (£), being the functional currency of the Company.

Going concern

At 31 December 2015 the group had net current liabilities of £4,893k. The financial statements have been prepared assuming the Group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. The assessment has been made based on the Group's economic prospects which have been included in the financial budget for the forthcoming twelve months and for managing their working capital requirements. In assessing whether the going concern assumption is appropriate, management takes into account all available information for the foreseeable future, in particular for the twelve months from the date of approval of the financial statements. Should the company be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their reasonable amounts, to provide for further liabilities which might arise, and to classify fixed assets as current.

The nature of the business in which the Group operates creates a degree of uncertainty as to the timing and value of new contracts. A number of projects based in North America, the Middle East and Asia are currently at the tender and fund raising stage and the directors are confident that new contracts will be awarded to the Group in due course. Furthermore, the directors have assessed the likelihood that the Group will be awarded a proportion of the contracts for which it is currently tendering and are working to ensure that individual contracts generate positive cash inflows on an ongoing basis once these contracts have begun.

The Group finances its current working capital through the work on the New York Wheel project and the issue of convertible loan notes. As disclosed in note 22, further funds amounting to £2 million have been raised subsequent to the year end.

As a consequence, the directors are confident that they will be able to raise the required funds and/or manage the level of expenditure for the foreseeable future, being a period not less than 12 months from the date on which these accounts have been signed until the expected cash inflows from individual projects are generated.

Based on the above, especially the fund raising activities, the current projects under tender and the expected cash generative nature of individual projects, the directors have formed a judgement that the going concern basis should be adopted in preparing the financial statements.

Comparative figures

No comparative figures have been presented as the financial information covers the period from incorporation on 24 November 2014 to 31 December 2015.

Standards and interpretations issued but not yet applied

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU.

The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the company in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will have an impact on the recognition of operating leases. At this point it is not practicable for the directors to provide a reasonable estimate of the effect of these standards as their detailed review of these standards is still ongoing.

Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see below), after initially being recognised at cost.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment.

Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Challenger Acquisitions Limited.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Segment Reporting

For the purpose of IFRS8, the Chief Operating Decision Maker "CODM" takes the form of the board of directors. The Directors are of the opinion that the business of the Company comprises three activities:

Corporate Center

Administers and manages the group. Identifies target companies or businesses in the entertainment and leisure sectors for possible further acquisitions.

Engineering

Engineers and project manages global observation wheel around the globe.

Investments

Holds and administers all participations the group has in global observation wheels.

Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented British Pounds (GBP), which is Challenger Acquisitions functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. Foreign exchange gains and losses are presented in the statement of profit or loss, within finance income or finance costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group’s activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Income Tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company’s subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Investments and other financial assets

Classification

The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for ‘financial assets at fair value through profit or loss’ – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income

- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

<u>Impairment</u>

The group 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 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 reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortized cost

For loans and receivables, the amount of the loss is measured 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 and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Income recognition

Service income

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the group are:

- Vehicles 3-5 years
- Furniture, fittings and equipment 3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Intangible assets

<u>Goodwill</u>

Goodwill is measured as described under "Business Combinations" in this document. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

<u>Software</u>

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

<u>Amortisation methods and useful lives</u>

The group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- IT development and software 3-5 years

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Share based payments

Employee options

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (eg the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (eg the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

The options are administered by Challenger Acquisitions Limited. When the options are exercised, Challenger Acquisitions Limited transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity under share premium as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Great Britain Pounds unless otherwise stated. As a result rounding differences may occur in additions.

3. CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

Significant estimates and judgements

The areas involving significant estimates or judgements are:

- Going concern
  See accounting policies (note 2) for details of the assessment made.
- Recognition of revenue
  The Group recognises revenue from service contracts to customers. In making its judgement, management considered the detailed criteria for the recognition of revenue set out in IAS 18 'Revenue'. The Directors are satisfied that the significant risks and rewards are transferred and that the recognition of revenue is appropriate.
- Valuation of acquired intangible assets
  The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price, specifically to previously unrecognised intangible assets in the acquired entity. If any unallocated portion is positive it is recognised as goodwill. In making its assessment as to whether there were any intangible assets identified, management considered the requirements of IFRS 3 and reviewed the financial information of the acquired business, they did not identify any separately identifiable intangible assets including intellectual property, software or branding. Management consider the goodwill on this acquisition to relate to the assembled workforce. In addition management have subsumed into goodwill the value of potential contracts.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4. FINANCIAL RISK MANAGEMENT

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial cash flows not denominated in GBP	Cash flow forecasting Sensitivity analysis	No hedging
	Recognised financial assets and liabilities not denominated in GBP		No hedging
Credit risk	Cash and cash equivalents, trade receivables,	Aging analysis Credit ratings	Diversification of bank deposits.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

Foreign exchange risk

The group is especially focused on the currency pairs EUR/GBP and USD/GBP. The group's main personnel costs are in EUR, its revenue from projects is in USD and its only investment is also denominated in USD.

The group's exposure to foreign currency risk at the end of the reporting period, expressed in '000 GBP, was as follows:

Currency	Assets in CCY	Assets in GBP	10% change	Liabilities in CCY	Liabilities in GBP	10% change
USD	81	54	(5)	863	580	58
EUR	806	592	(59)	3,726	2,735	274
AED	555	101	(10)	76	14	1
SGD	51	24	(2)	57	27	3
CHF	1	1	-	16	11	1

During the year, £ 39k foreign-exchange related expenses were recognised in profit or loss.

As described above the group is primarily exposed to changes in USD/GBP and EUR/GBP exchange rates. The sensitivity of profit or loss to changes in the exchange rates as summarized in the above table arises mainly from the group's EUR denominated liabilities.

Interest rate risk

The group's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. To limit the risk the group's main cash resources are held with banks with a minimum external rating of A.

5. BUSINESS SEGMENTS

For the purpose of IFRS8, the Chief Operating Decision Maker "CODM" takes the form of the board of directors. The Directors are of the opinion that the business of the Company comprises three activities, being the corporate center, which administers and manages the Group and identifies target companies or businesses for possible acquisitions in the Giant Observation Wheel industry, the Engineering business which is compromised by the acquired Starneth design and engineering business and the Investment segment which compromises all investments the group holds in Giant Observation Wheels globally.

All revenues are generated from customers that are external the group.

The analysis of revenue, operating loss, assets and liabilities by the component used by the CODM to make decisions about operating matters is as follows:

Period ended 31 December 2015	Engineering £'000	Investments £'000	Corporate Center £'000	Total £'000
Revenue	926	-	-	926
Operating loss	(350)	-	(1,360)	(1,710)
Finance cost	(1)	(155)	(698)	(854)
Depreciation	(37)	-	-	(37)
Taxation	-	-	-	-
Carrying amount of assets	702	1,976	4,782	7,460
Carrying amount of liabilities	1,021	1,976	3,195	6,192

6. SHARE CAPITAL

Issued and fully paid	Number of shares	Share capital £'000	Share premium £'000	Total £'000
Issued on incorporation	1	-	-	-
Issue of shares	9,365,581	133	2,080	2,213
Sub division of share	3,960,099	-	-	-
At 31 December 2015	13,325,681	133	2,080	2,213

On 24 November 2014, the Company was incorporated and had an issued share capital of one Ordinary Share of £1.00.

On 5 December 2014, a further 40,000 Ordinary Shares of £1 each were issued to the Founder for a consideration of £320,000.

On 10 December 2014, the existing 40,001 Founder Shares were sub-divided into 4,000,100 Ordinary Shares of £0.01 each.

On 19 February 2015, on Admission to the Main Market of the London Stock Exchange, a further 7,000,000 Ordinary Shares were issued for a consideration of £700,000.

On 3 July 2015, 109,789 shares were issued at £ 0.37 as consideration for interests from the Convertible Note 2016 and 240,000 shares at £ 0.40 were issued to the introducer of the New York Wheel investment.

On 15 July 2015, as part of the consideration paid for acquiring the Starneth business 1,100,000 shares were issued at a price of £ 0.75/each.

On 28 July 2015, 630,000 shares were issued at £ 0.40 to the introducer of the Starneth acquisition.

On 6 October 2015, 235,792 shares were issued as consideration for interests from the Convertible Note 2016.

On 16 October 2015, 10,000 shares were issued upon the exercise of employee options at £ 0.40 per share.

On 31 December 2015, the number of Ordinary Shares authorised for issue was unlimited. All Ordinary Shares have equal voting rights and rank equally on a winding up.

7. CASH AND CASH EQUIVALENTS

	2015 £'000
Cash at bank and in hand	325
Total cash and cash equivalents	325

8. TRADE AND OTHER RECEIVABLES

	2015
	£'000
Prepayments	90
Other receivables	112
Total trade and other receivables	202

All receivables are classified as loans and receivables current and performing.

9. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings	Total
	£'000	£'000
Cost		
On incorporation	-	-
Additions on acquisitions	157	157
Additions	8	8
Foreign exchange differences	2	2
At 31 December 2015	167	167
Accumulated Depreciation		
On incorporation	-	-
Charge for the period	(27)	(27)
At 31 December 2015	(27)	(27)
Net book value		
At 31 December 2015	140	140

10. INTANGIBLE ASSETS

	Goodwill £'000	Software £'000	Total £'000
Cost			
On incorporation	-	-	-
Additions on acquisition	4,766	59	4,825
Foreign exchange difference	-	2	2
At 31 December 2015	4,766	61	4,827
Accumulated amortisation			
On incorporation	-	-	-
Amortisation charged in period	-	(10)	(10)
At 31 December 2015	-	(10)	(10)
Carrying amount			
At 31 December 2015	**4,766**	**51**	**4,817**

Goodwill

On 15 July 2015, the Company entered into a Share Purchase Agreement with Smits International B.V., Yamapro Trading - F.Z.E. and Systems Engineering International, Inc. (the "Sellers"), for the acquisition of all shares in Starneth Holding B.V. and in Starneth Europe B.V. with immediate effect. Starneth Holding B.V. and Starneth Europe B.V. own all the shares in Banka B.V., SME Engineering Services JLT, Starneth Ltd, Starneth Pte Ltd, and Starneth America LLC. The total consideration under the Share Purchase Agreement amounted to €7,200,000, plus a variable component equal to 30% of the consolidated EBITDA of the acquired companies in excess of €1,267,000 for the next three financial years. Of the consideration, €1,250,000 was paid in cash at closing, and two further cash payments of €1,250,000 will be made on the first and second anniversary of closing. The deferred cash consideration forms part of the group's liabilities and has been accounted for using the effective interest rate method. The rest of the consideration will be settled in Ordinary Shares. A total of 1,100,000 Ordinary Shares were issued to the Sellers at closing (the "Starneth Shares"). Two additional installments of 1,100,000 Ordinary Shares will be made on the first and second anniversary of closing, and the variable component will also be paid in Ordinary Shares on the first and second anniversary of closing. All Ordinary Shares issued and to be issued to the Sellers under the Share Purchase Agreement are valued at £0.75 per Ordinary Share. At the balance sheet date 2,200,000 shares were not issued under the SPA valued with a price of £ 0.75 per share

£1,650,000 have been recognized on the balance sheet as unissued shares.

The acquisition has led to goodwill of £ 4,766k in the group's balance sheet.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. At 31 December 2015 management were not aware of any indicators of impairment. The recoverable amount of the cash generating unit to which the goodwill relates is determined from value in use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and future operating margins of the pipeline of contracts in acquired group. Management applies a discount rate of 12% being its cost of finance and applies this to cash flow forecasts derived from the most recent financial plan approved by the Board. No reasonably possible change in a key assumption would produce a significant movement in the carrying value of goodwill and therefore no sensitivity analysis is presented. On this basis no impairment was deemed necessary for the goodwill.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Available for sale financial asset £'000
Cost	
On incorporation	-
Additions on acquisition	-
Additions	1,976
Foreign exchange difference	-
At 31 December 2015	1,976

On 20 May 2015, the Company invested a total of £1,976,400 (US$3,000,000) for a 2.463% interest in New York Wheel Investor LLC. This company was setup to fund the equity component for the New York Wheel project, which includes an approximate 630 foot high observation wheel with 36 capsules, a 68,000 square foot terminal and retail building and a 950 space parking garage. In order to acquire its interest, the Company became a party to the Amended and Restated Operating Agreement of New York Wheel Investor LLC, dated May 20, 2015. Under that agreement, the Company can be called upon to make further capital contributions to the project should there be a cash shortfall, or face potential dilution of its interest should it choose not to invest further cash sums.

12. Borrowings

Current	2015 £'000
Convertible notes	3,012
Deferred cash consideration	865
Borrowings	497
	4,374
Non-current	
Deferred cash consideration	772

Between 6 May 2015 and 30 July 2015, the Company issued £3,067,200 of convertible notes. The notes are unlisted, unsecured, transferable and convertible with a twelve month maturity date. Interest is accrued at 12% per annum and payable quarterly, or upon conversion, in cash or in Ordinary Shares at the Company's discretion. The notes can be converted into Ordinary Shares at a price per Ordinary Share equal to the lower of £0.50 and 7.5% discount to the prevailing market price, defined as the average of the lowest three volume weighted average prices as quoted by Bloomberg for the period of 10 trading days prior to the conversion date. Provided that if the volume weighted average price is at any time less than £0.25 for three consecutive trading days, then the noteholder is unable to convert for a period of 30 calendar days, without the consent of the Company. The requirement of consent applies only on the first such occasion. The maximum amount of notes that may be converted in any 30-day period by a noteholder is 10% of the total amount of any notes subscribed by that noteholder. The Company can redeem the notes at a 10% premium anytime the market price is lower than £0.50.

The convertible note has been recognised as a liability in accordance with IAS 32 - Financial Instruments as the instrument provides an obligation to the company to either settle the liability via a cash payment or via the issue of a variable number of shares. The conversion feature represents an embedded derivative, however this has not been separately recognised as the conversion feature is considered to be closely related to the host contract.

On 15 July 2015 the company acquired the Starneth Group. Part of the purchase price were two deferred cash payments. The payments are in equal amounts of EUR 1,250,000 and payable at the first and second anniversary of the transaction. Accordingly these were recorded under current and non-current liabilities respectively. Based on the convertible notes issued in 2015, an interest rate of 12% was used to discount the tranches for the initial recognition. The amounts recognized in the transaction were EUR 1,116k (£ 796k)for the first tranche and EUR 996k (£ 711k) for the second tranche. Interest expenses recorded on both tranches in 2015 were EUR 117k (£ 86k).

On 31 December 2015 Starneth Europe BV entered into a loan agreement with Starneth LLC over an amount of $ 740k (£ 497k). The interest rate for this loan is 5% and the duration is 1 year. No interest expense has been recorded in 2015.

13. FINANCE INCOME AND COSTS

	2015 £'000
Interest expense banks	1
Bank charges	6
Financing Fees	348
Interest on notes and convertibles	412
Listing costs	48
Net foreign exchange costs	39
Finance costs	854

14. TRADE AND OTHER PAYABLES

	2015 £'000
Trade payables	406
Social security and other taxes	32
Other liabilities	327
Accrued expenses	281
Total trade and other payables	1,046

As at 31 December 2015, the trade and other payables were classified as financial liabilities measured at fair value through profit or loss. A maturity analysis of the Company's trade payables due in less than one year is as follows:

	As at 31 December 2015 £
0 to 3 months	378
3 to 6 months	28
6 months +	-
Total	406

15. EMPLOYEE BENEFIT EXPENSE

	2015 £'000
Wages and salaries	418
Social security costs	23
Share options granted to directors, employees and key advisers	9
Pension costs	25
Housing and transportation	44
	519

16. DIRECTOR'S EMOLUMENTS

The three Directors were paid emoluments totaling £107k during the period under review and received options with a fair value of £ 4k. Of this amount £ 74k were paid as management fee to Mark Gustafson. In addition to the paid amounts £ 80k are accrued and unpaid.
Icelia AG, a company of which Mr. Markus Kameisis is a director, has billed the Group for £ 118k for the period under review for the outsourcing of the CFO function. Of this amount £ 72k were paid and £ 46k were accrued at the end of the reporting period.
The Directors were the key management personnel of the Group. The key management personnel in Starneth earned a total of £ 280,437 since the acquisition.

17. TAXATION

Challenger Acquisitions Limited is a Guernsey Corporation subject to a corporate tax rate of nil, as at 31 December 2015. The other businesses are taxable at the respective corporate tax rates in the United States of America (8%), the Netherlands (20%), Singapore (0%) and Dubai (0%). The groups average tax rate is 3.7%.

Income tax

	2015 £'000
Current tax expense:	
- Current tax on profits for the year	-
- Adjustments in respect to prior years	-
- Foreign current tax on profits for the year	-
Total current tax	-
Deferred tax:	
- Origination and reversal of temporary differences	-
- Adjustments in respect to prior years	-
Total deferred tax	-
Income tax expense	-

A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:

	31 Dec 2015 £'000
Loss before taxation	(2,601)
Tax calculated at domestic tax rates applicable to losses in respective countries:	(91)
Tax effects of:	
Tax losses carried forward	91
	-

18. LOSS PER SHARE

The calculation for loss per share (basic and diluted) for the relevant period is based on the loss after income tax attributable to equity holder for the period from incorporation on 24 November 2014 to 31 December 2015 and is as follows:

Loss attributable to equity holders (£)	(2,601,000)
Weighted average number of shares	10,292,463
Loss per share basic (£)	(0.25)
Weighted average number of shares for dilutive calculation	22,848,068
Loss per share diluted (£)	(0.25)

Basic loss per share is calculated by dividing the loss after tax attributable to the equity holders of the group by the weighted average number of shares in issue during the year.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares namely the conversion of the convertible loan note in issue. The effect of these potential dilutive shares would be anti-dilutive and therefore are not included in the above calculation of diluted earnings per share.

19. RELATED PARTY TRANSACTIONS

During the period the Group invoiced Starneth LLC, a company controlled by Chiel Smits, €926k for sub-contracting services provided.

On 31 December 2015, the Group entered into a loan agreement with Starneth LLC over an amount of $ 740k (£ 497k). The interest rate for this loan is 5% and the duration is 1 year. No interest expense was recorded in 2015.

20. COMMITMENTS

The Company had not entered into any material capital commitments as at 31 December 2015.

21. SHARE BASED PAYMENTS

On 29 July 2015, options to acquire 615,000 Ordinary Shares ("Options") were granted to employees and consultants of the Company. On 8 September 2015, options to acquire 730,000 Ordinary Shares ("Options") were granted to the directors of the company. These Options have a fixed exercise price of 40 pence, and are exercisable in the following tranches; 25% as from the date of grant and 25% every twelve months thereafter (and are therefore fully vested after three years). They cannot be exercised after the 5th anniversary of the grant. The group has no legal or constructive obligation to repurchase or settle the options in cash.
Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015	
	Average exercise price in £ per share option	Options (thousands)
At 24 November	0.00	-
Granted	0.40	1,345
Forfeited	0.00	-
Exercised	0.40	10
Expired	0.00	-
At 31 December	0.40	1,335

Out of the outstanding 1,345,000 share options 336,250 were exercisable. Options exercised in 2015 resulted in 10,000 shares being issued at a price of 40 pence each.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant-vest	Expiry date	Exercise price in £	Share options (thousands)
			2015
2015-01	2020-07	0.40	605
2015-02	2020-09	0.40	730
			1,335

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was 1.4 pence per option. The significant inputs to the model were share price of 38 pence at the grant date, exercise price of £0.40, volatility of 14%, dividend yield of 0% an expected option life (to expiry) of 5 years with 25% vesting each year and an annual risk free interest rate of 0.5%. The volatility measured at the standard deviation of continuously compounded share returns is based on the statistical analysis of daily share prices from listing of the company until the grant date. See note 15 for the total expense recognised in the income statement for share options granted to directors, employees and key advisers.

22. SUBSEQUENT EVENTS

On 7 January 2016, the Company issued 230,034 Ordinary Shares at a price of £0.40 per Ordinary Share, to the holders of the convertible loan notes in payment of £92,772 of interest due in the period ending 31 December 2015.

On 7 January 2016, options to acquire 180,000 Ordinary Shares (“Options”) were granted to employees and consultants of the Company. These Options have an exercise price of 45 pence, and are exercisable in the following tranches; 25% as from the date of grant and 25% every twelve months thereafter (and are therefore fully vested after three years). They cannot be exercised after the 5th anniversary of grant.

On 12 January 2016 the company announced that it had increased its number of directors to five. At the same time Mark Gustafson stepped down from his role as executive chairman of the company and took over as chief executive officer. He stays as a member of the board. John Le Poidevin was announced as the new non-executive chairman of the company.

On 29 January 2016 the company announced the raise of £ 1 million via a secured convertible note with maturity a date of 30 June 2019 and an interest rate of 8%. The company used the proceeds to subscribe equity units in the New York Wheel for $ 1 million. One of the three existing The additionally bought share unit in the New York Wheel was used as securitization for the convertible note.

On 3 March 2016 the company announced the raise of £ 0.5 million via a secured convertible note with a maturity date of 2 March 2017 and an interest rate of 5%. The company used the proceeds for working capital. One of the three existing equity units in the New York Wheel was used as securitization for the convertible note.

On 26 April 2016 the company announced the raise of £0.5 million via an unsecured convertible note with a maturity date of 22 April 2018 and an interest rate of 8%.

23. GROUP STRUCTURE & ACQUISITIONS

On 15 July 2015, the Company acquired 100% of the issued share capital of Starneth Europe BV and Starneth Holding BV. The Starneth Group of entities is a provider of lump-sum turn-key projects in the space of Global Observation Wheels.

The initial consideration comprised EUR 1,250k in cash, and £825k in newly issued 1,100,000 shares.

Further elements of the total consideration payable are deferred. The deferred part includes two further cash payments at the first and second anniversary of the transaction, which have a book value of £1,784k (EUR 2,500k), and two further issuances of a total of 2,200,000 shares at £0.75 per share, of which half of the shares will be issued on the first anniversary and the other half on the second anniversary of the transaction. The deferred cash part have been discounted at 12%, the rate the company was able to raise money via a convertible note. The fair value of the deferred cash consideration payable on the first anniversary of the transactions was £796k at the time of the transaction. Finance expenses of £ 46k have been recognised for this tranche. The second tranche had a fair value at the date of the transaction of £711k, finance expenses of £41k have been recognised.

Further performance based payments amounting to 30% of the EBITA exceeding EUR 1,267k of the acquired Group of entities is payable in shares at £ 0.75 per 30 June 2016, 2017 and 2018. Of this contingent consideration all is payable to the vendors of the Starneth Group of entities who are contractually bound to continue employment until 30 June 2018.

Together liabilities of £1,600k are held on the balance sheet under short and long-term liabilities (see Note 12).

Acquisition costs of £417k were expensed in the year. The costs for the following re-admission were £314k and were also expensed in the year as there was no issuance of new shares. Both amounts are included in the Administrative Expense.

The following table summarises the consideration paid for the Starneth Group of entities, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Book value	Fair value
Consideration	£'000	£'000
Cash	2,676	2,399
Equity instruments (6,818,182 ordinary shares)	2,475	2,475
Total consideration	5,151	4,874
Recognised amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	279	279
Property, plant and equipment	216	216
Trade and other receivables	147	147
Trade and other payables	(534)	(534)
Amount recoverable on contracts	-	-
Total identifiable net assets	108	108
Goodwill		4,766
Total		4,874

The goodwill arising is attributable to the acquired workforce, anticipated future profit from expansion opportunities and synergies of the business.

Goodwill arising from the acquisition has been allocated to the Engineering CGU.

The Starneth Group of entities contributed £0.9 million of revenue for the period between the date of acquisition and the balance sheet date and a loss of £ 0.3 million.

Details regarding the strategic decision to acquire the Starneth group of entities can be found in the Chairman's statement.

The group had the following active subsidiaries as of 31 December 2015:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held directly by parent (%)	Portion of ordinary shares held by the group (%)
Starneth Europe BV	Netherlands	Engineering company	100	100
Starneth Holdings BV	Netherlands	Intermediate holding company	100	100
Starneth America LLC	US	Engineering company	-	100
Starneth Pte Ltd	Singapore	Engineering company	-	100
SME Engineering Services JLT	Dubai	Engineering company	-	100
Banka BV	Netherlands	Treasury entity	-	100

The group had the following dormant subsidiaries as of 31 December 2015:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held directly by parent (%)	Portion of ordinary shares held by the group (%)
Starneth Ltd	Hong Kong	Dormant	-	100
Global Eye Holdings Limited	Guernsey	Dormant	100	100

The group had the following dormant associates as of 31 December 2015:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held directly by parent (%)	Portion of ordinary shares held by the group (%)
Starneth Engineering LLC	US	Dormant	-	30

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. There are no preference shares existing in the group. Further there are no significant restrictions in any of the subsidiaries' domiciles.

24. FINANCIAL INSTRUMENTS

The only financial instrument the Group held, in addition to those disclosed elsewhere in these notes, as at 31 December 2015 was Cash and cash equivalents.

25. ULTIMATE CONTROLLING PARTY

As at 31 December 2015, no one entity owns greater than 50% of the issued share capital. Therefore the Company does not have an ultimate controlling party.

26. CONTINGENCIES

Due to the Group's activities, matters arise that could give rise to a contingent liability. No further details are given as it could be seriously prejudicial to the position of the Group.