

# **CHALLENGER ACQUISITIONS LIMITED**

Annual Report for the Year Ended 31 December 2017

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## **Company Information**

### **Directors**

Mark Gustafson (*Executive Chairman*)  
Richard Marin (*Non-Executive Director*)  
Gene Stice (*Non-Executive Director*)

### **Company Secretary**

Markus Kameisis  
Giesshübelstrasse 40  
Zurich  
Switzerland  
CH-8045

### **Registered Office**

PO Box 186, Royal Chambers  
St Julian's Avenue, St Peter Port  
Guernsey  
GY1 4HP

### **Registered Number**

Incorporated in Guernsey with Registered No. 59383

### **Auditors**

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**

Mourant Ozannes  
PO Box 186, Royal Chambers  
St Julian's Avenue, St. Peter Port  
Guernsey  
GY1 4HP

### **Principal Bankers**

HSBC Bank plc  
8 Canada Square  
  
London  
E14 5HQ

### **Registrars**

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

## **CEO's Statement**

The year under review has been one of stabilisation for Challenger, as we have looked to re-focus our strategies, identify new opportunities for investment, and ultimately ensure we are positioned for growth. We have had success in this regard with a streamlined corporate profile and multiple growth opportunities continuing to present themselves to us within the leisure and entertainment industry.

Looking first at our long-standing investment in the New York Wheel Project ('NYW Project'), progress continues to be made in advancing this giant observation wheel ('GOW') and associated entertainment complex. Most of the main components of the wheel are now complete, with the components for the four 275-foot legs being stored in Brooklyn and ready to be assembled on site. In mid-2017 the termination of the contract between the developer and the former wheel erectors has caused some delays in construction. However, we are pleased to confirm that New York Wheel Investors LLC, who operate the NYW Project, are in advanced negotiations with American Bridge Company. This is a very experienced engineering and construction firm, and we expect their formal appointment as contractor to be finalised. With their knowledge and skill-set we have every confidence that full construction work will recommence again in the near future. We would also like to take this opportunity to reassure shareholders that the longstanding financial supporters/shareholders of the NYW Project are fully committed to seeing this iconic project completed. We look forward to continuing to provide updates on this project.

With longstanding popularity and landmark status in the cities they are established (like the London Eye), select GOWs can still be an attractive investment opportunity for us. Testament to this is the recent investment we made post-period-end in a new GOW project to be established in Dallas, Texas, known as the Eye of Texas, LLC ('EOT'). Showing similarities to the NYW project, the EOT project will comprise a 165-metre GOW and a large entertainment complex which will be developed by third parties. A seven-acre parcel of land has already been contractually secured for the site in the Dallas-Fort Worth area, which has a population of 7.2 million (2016 census), and with plans to increase transport links further we are confident that the EOT will become an incredibly popular attraction for both the local and wider area.

We would like to assure shareholders that this is not a "green" project. The EOT has been in the planning stages for several years, during which point equity has already been invested. With activity and development set to increase, we are delighted to invest in this project. Challenger has invested an initial US\$300,000 in the EOT to-date, which will support pre-development costs, and we have the opportunity to invest, at our option, up to US\$1million for

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these pre-development costs. The balance of the total US\$3 million pre-development costs will be raised by local developers. Challenger also has the option to become operator of the EOT once the GOW has been constructed. This project represents a very exciting, and potentially highly lucrative growth opportunity for our company.

Despite our support of the GOW industry, the engineering company that we acquired in 2015 to support these GOW projects was not able to secure another GOW contract, especially the long-awaited GOW planned to be built in Jakarta. Accordingly, we divested our ownership interest in Starneth Europe B.V. and Starneth Holding B.V. ("Starneth") (see RNS dated 30 January 2017). The terms of this divestment meant we successfully removed a significant cash drain from the Company whilst maintaining the potential to receive up to US\$6 million in fees less a payment of €1.25 million upon the closing of at least two major development projects by Starneth (until January 2019). To-date no Starneth projects have commenced however we continue to wish them every success.

Outside of GOWs, we continue to assess additional opportunities within the leisure and entertainment sector, which offer both near and long-term revenue generation prospects.

During the last quarter of 2017, we became a supportive investor of a new UK events company set to launch fan conventions in the UK and Europe. Known as Star Sanctum, the unique events were supposed to provide a select number of paying attendees with an opportunity to meet with, ask questions, watch panels and get autographs and photos from the stars of film and television. The first event was set to begin with a three-day convention in May 2018, to be held in central London. However the owner of Star Sanctum was not able to generate sufficient ticket sales and she cancelled the event. Since the £100,000 loan to Star Sanctum was backed by a personal guarantee from the owner, Challenger will commence legal proceedings to recover the loan amount. The loan has been fully provided for in these financial statements.

At a corporate level, during the year under review three directors stepped down from the Board as part of a series of structural changes and an active effort to consolidate costs. Due to these significant cost savings we were then able to pay all of the Company's external vendors owed for work done in 2016 and 2017. Furthermore, during the year under review we had success in restructuring a total of four convertible notes, with the holders agreeing to extend the maturity dates of their notes to 2018 and change the payment of interest from quarterly to payment upon conversion only. These efforts have greatly strengthened the financial foundation of our company. Nonetheless, due to the conversion of the previous year's notes, a significant number of ordinary shares were issued during the year, which we are aware is a concern to shareholders. On behalf of the Challenger Board we would like to take this

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opportunity to thank our shareholders, note holders and all stakeholders for their patience and support. Following this period of stabilisation we are now committed to building the value of our company.

**Mark Gustafson**  
Chief Executive Officer  
27 April 2018

## **Strategic and Operational Review**

Challenger was formed in November 2014 to undertake one or more acquisitions 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. The US\$3 million investment in the New York Wheel was announced on 26 May 2015. The acquisition of the Starneth companies was closed on 15 July 2015 and the of the Starneth group of companies was announced on 30 January 2017. Challenger announced the £100k advance to the London-based Star Sanctum on 7 November 2017 and the US\$300k investment in the Dallas-based Eye of Texas on 18 January 2018.

The Company has been financed by equity raised from the IPO and the issue of multiple convertible notes in 2015 (£3 million), 2016 (£2.8 million) and 2017 (£0.6 million). The convertible notes have provided timely access to funding in order to achieve its acquisition and investment objectives.

### ***New York Wheel Project Investment***

On 26 May 2015 Challenger announced its participation as an US\$3 million equity investor in the approximate US\$600 million New York Wheel Project ("NYW Project").

The NYW Project is a large entertainment complex currently being built on the New York Harbour, which will feature a 630-foot Giant Observation Wheel, a 68,000 square foot terminal and retail building, a 950-space parking garage and a 5,000-person capacity green roof for events.

Due to a contractual dispute with the wheel erectors in mid-July 2017, the NYW Project developers have terminated this contract and is in advanced negotiations with American Bridge Company, a very experienced engineering and construction firm. The Directors of Challenger remain confident that full construction of the NYW Project will recommence in the short-term for the following reasons:

- The main financial supporters/shareholders of the NYW Project want to see this iconic project completed as they have with a substantial number of other large scale real estate projects in the United States
- The significant majority of the main components are substantially complete
- The components for the four 275-foot legs are stored in Brooklyn and ready to be assembled on site
- Approximately US\$400 million has been spent to date
- Despite the ongoing legal process regarding a contractual dispute that the developer has with the former wheel erectors, counsel for the NYW Project has publicly stated that the appointment of a new wheel contractor should be finalized in the short-term

***Star Sanctum Project Participation***

On 7 November 2017 Challenger announced that it has provided a £100k loan to Star Sanctum to launch its first convention in London. The funding will support the venue, staff, marketing and guest (actor) costs. The loan was scheduled to be repaid to Challenger by 15 May 2018 with a premium of 40% and is secured by a personal guarantee from the principal owner of Star Sanctum.

Due to inadequate ticket sales, the owner cancelled the event in mid-April 2018 and Challenger has initiated legal proceedings to recover the loan amount from the owner.

***Dallas Eye of Texas Investment***

Post period, on 18 January 2018 Challenger announced that it has invested US\$300,000 for pre-development costs of the Eye of Texas (“EOT”) Giant Observation Wheel. This initial investment consists of a convertible note from EOT with a 24-month term, 9% interest rate, and is convertible into membership interests, which the Company estimates would convert today into an equity position of approximately 4%.

Challenger has the option to invest up to US\$1 million in these pre-development costs for the EOT, which are expected to include planning (architectural, structural, geotechnical, civil, environmental), legal (lending, land use, construction), city costs (fees, taxes), and corporate costs (attendance studies, initial staffing). After this initial investment of US\$300,000 Challenger has the right to determine whether or not funding continues for future tranches.

The balance of the total pre-development costs of US\$3 million is being raised by local developers, which includes a highly experienced team of real estate professionals and commercial/residential developers. This team has been working on the EOT for three years, during which time significant equity has been invested and a seven-acre parcel of land has been contractually secured for the EOT in the Dallas-Fort Worth area (population 7.2 million – 2016 census). The redevelopment plan for the area is expected to include an entertainment complex and significant improvements to mass transportation to be developed by third parties.

Preliminary planning for the height of the EOT is 165 meters (the London Eye is 125 meters) and Challenger has the opportunity to operate the EOT once it has been constructed and is operational.

**Mark Gustafson**  
Chief Executive Officer  
27 April 2018



## **Financial Review**

### **Overview**

The Company has stabilised its situation in the period under review, transitioning from a heavy cash burn to a lean structure and refocusing on the investment in and operation of entertainment and leisure projects. This re-focus and the support of the noteholders and shareholders have led to a solidified financial situation at 31 December 2017. With the disposal of the Starneth entities in January 2017 the heavy cash burn has come to an end. The changes in the structure of the board and new contracts for the management have helped to save further cash burn. With the delays in the New York Wheel, any return from this investment is not expected for several years. The investment into the Dallas GOW will not lead to revenue in the short term and is a long term investment. We are especially excited about the opportunity to be able to operate this GOW, once it is completed.

### **Disposal of Starneth**

Immediately subsequent to the year end the Company lost control of the disposal group after agreement was reached with the purchasers. The date of signing the sale and purchase agreement was the 30 January 2017, however the date of the loss of control was 6 January 2017. As the loss of control happened immediately after to the year end, the figures as at year end have been used for the deconsolidation.

The fair value less costs to sell reflect the expected proceeds on disposal, which have been determined by the directors to be the waiving of an existing liability to the purchaser for deferred cash consideration for £1,043k. Therefore the carrying value of the disposal group equals the expected proceeds at 31 December 2016. The loss on the disposal of the disposal group during 31 December 2017 of £146k is the release of the foreign currency translation reserve.

### **Loss for the year**

In the period under review the Company had no income and recorded a loss of £999k (2016: £6,900k including the disposal unit, £1,928k without). The biggest cost driver in 2017 was the interest for the convertible notes with £498k. Together with the fair value movement of the available for sale financial asset of (£219k) (2016: £462k), the Company reports a total comprehensive loss of £1,364k (2016: £6,581k including the disposal unit, £1,609k without).

### **Balance Sheet**

The total amount of assets on the balance sheet as per the balance sheet date is £2,424k (2016: £4,797k). The assets consist mainly of the investment in the New York Wheel of £2,219k (2016: £2,438k). In 2016 the disposal unit was included in the total assets with an amount of £2,217k. The investments in the New York Wheel is strategic to the company and is intended to be held long term. In addition to the New York Wheel the Company shows cash

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and cash equivalents of £79k (2016: £71k) and trade and other receivables of £14k (2016: £17k).

These assets have been financed by a mix of equity and convertible notes. The equity at the balance sheet date amounted to £(1,325k) (2016: (£2,750k)) and the liabilities to £3,750k (2016: £7,547k, whereof £1,228k belonged to the disposal unit). The liabilities consists of £680k (2016: £3,615k) short term borrowing, £2,669k (2016: £2,171k) long term borrowing, trade and other payables of £401k (2016: £533k). Included in the total liabilities in 2016 were the liabilities of the disposal unit of £1,228k.

### **Cash flow**

During the year there were a number of funding transactions which generated cash inflows of £0.6m. In addition there was a number of non-cash transactions namely:

On 6 January 2017, 188,501 new ordinary shares have been issued on the conversion of £20,000 of the unsecured convertible note due 13 April 2018. A further 792,156 new ordinary shares and 18,500 new convertible notes due 2019 have been issued to the holders of convertible notes as payment of interest due for the quarter ended 31 December 2016.

On 6 February 2017, 8,323,476 new ordinary shares were issued. Of these 7,688,185 shares were issued for the conversion of £630,431 of the 12% unsecured convertible notes due 6 May 2017 and 635,291 shares were issued for the conversion of £50,000 of the unsecured convertible notes due 13 April 2018. Additionally 15,536 new ordinary shares were issued to settle interest of £1,274 due up until the date of conversion.

On 28 March 2017, the convertible note due 2 March 2017 for £500,000 was prolonged to 2 March 2018 principally on the same terms, but with the following changes: fixed conversion price of £0.12, accrued interest will be paid upon conversion or maturity date, at any time the Company can redeem at a 30% premium to the principal amount.

On 30 March 2017, 6,622,963 new ordinary shares have been issued upon conversion of £213,400 of the unsecured convertible notes due 6 May 2017. Further 1,206,329 new ordinary shares have been issued upon conversion of £40,453 of the unsecured convertible notes due 13 April 2018. In addition 868,635 new ordinary shares have been issued to settle interest due up until the date of conversion of £27,818.

On 4 May 2017, 1,991,839 new ordinary shares were issued upon the conversion of £72,487 of the unsecured convertible note due 13 April 2018. Further 62,844 new ordinary shares have been allotted to the holder of the convertible note 2019 in payment of interest due for the quarter ended 31 March 2017.

On 8 May 2017, the convertible note due 6 May 2017 has been prolonged in agreement with the three remaining noteholders to 6 May 2018. Interest is to be paid upon conversion or on the maturity date. Otherwise the note remained unchanged. In addition the convertible notes due in June and April 2018 were changed so that interest is to be paid upon conversion or on the maturity date. Otherwise these notes remain unchanged.

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On 18 May 2017, the Company announced that it has received £30,000 and therefore issued convertible notes due 17 May 2018 to the CEO Mark Gustafson. The convertible notes have a fixed conversion price of £ 0.03 and carry no interest for the first 90 days, thereafter 5%. The notes can be redeemed by the Company at a 20% premium.

On 25 May 2017, 2,089,995 new ordinary shares have been allotted on the conversion of £60,242 of the unsecured convertible note due 13 April 2018. Further 10,429,629 new ordinary shares have been allotted to the holders of the unsecured convertible note due 6 May 2018 on the conversion of £281,600. Additionally 255,608 new ordinary shares were allotted as interest on this note upon until the date of conversion. Further 3,571,429 new ordinary shares were issued upon the conversion of £100,000 of the unsecured convertible note due 22 April 2018. Additionally 111,155 have been issued as interest on this note up until the date of conversion.

On 13 June 2017 the Company informed that it has received \$ 100,000 (£ 95,000 net of fees) from the setup of a new convertible note facility due 8 June 2019. The facility has a principal amount of up to £ 1 million. The note is unlisted, unsecured and transferable and has to be redeemed in cash on the maturity date unless it was fully converted into ordinary shares by then. The conversion price is the lowest volume weighted average price over the ten days prior to the conversion. Interest is accrued at 8% per annum and payable upon conversion. The Company can redeem the convertible notes at 25% premium to the principal.

On 7 July 2017 the Company issued 1,000,000 new ordinary shares to Mark Gustafson upon conversion of the convertible note due 17 May 2018. Further 6,115,713 new ordinary shares have been allotted to the holders of the unsecured convertible note due 22 April 2018, comprising 5,882,353 shares for the conversion of £100,000 of notes and 233,360 for accumulated interest. In addition 141,682 new ordinary shares and 18,493 new convertible notes have been allotted in the relation to the unsecured convertible note due 30 June 2019, for interest for the quarter ended 30 June 2017.

On 2 August 2017 the Company announced that it has allotted 5,510,282 new ordinary shares on the conversion of £53,802.39 of the unsecured convertible note due 13 April 2018. In addition the Company allotted 10,555,556 shares on the conversion of £95,000 of the unsecured convertible note due 22 April 2018 and 490,472 shares for accumulated interest.

On 15 August 2017 the Company announced that it has allotted 5,952,166 new ordinary shares for the conversion of the remaining £73,408.06 of the unsecured convertible note due 13 April 2018. Further the Company has allotted 22,777,778 new ordinary shares on the conversion of the last £205,000 of the unsecured convertible note due 22 April 2018 and 1,113,304 shares for accumulated interest. Further 13,463,027 new ordinary shares were issued for the conversion of £170,000 of the unsecured convertible note due 6 May 2018 and 1,000,322 shares have been issued for accumulated interest.

On 24 August 2017 the Company announced that it has allotted 35,833,334 new ordinary shares in relation to the conversion of £430,000 unsecured convertible notes due 10 June 2018 and a further 1,837,808 shares for accumulated interest.

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On 25 August 2017, the Company informed that it has received £250,000 (£237,500 net of fees) out of the previously announced convertible note facility due 8 June 2019.

On 3 October 2017 the Company announced that it has allotted 17,000,000 new ordinary shares in relation to the conversion of certain convertible notes and a further 882,473 new ordinary shares in relation to interest on convertible notes.

On 1 November 2017, the Company informed that it has received another £250,000 (£237,500 net of fees) out of the previously announced convertible note facility due 8 June 2019.

Cash of £600k net of fees was generated from financing activities.

Cash used in operations totalled £ 592k.

**Closing cash**

As at 31 December 2017, the Company held £79k (2016: £273k, of which £202k were held in the disposal group) in the bank account.

**Markus Kameisis**  
Chief Financial Officer  
27 April 2018

## **Board of Directors and Senior Management**

From 1 January 2017 to the present the Board consists of Mark Gustafson (Chief Executive Officer) and Richard Marin (Non-Executive Director). Gene Stice (Non-Executive Director) was appointed to the Board on 28 March 2017 and continues to serve on the Board to the present. During the first quarter of 2017, three directors retired including John Le Poidevin, Markus Kameisis and Gert Rieder. Details of the current Board are set out below.

**Mark Gustafson** (aged 58)  
*Chief Executive Officer*  
*Appointed 24 November 2014*

Mr Gustafson is a Canadian based Chartered Professional 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.

**Richard Marin** (aged 64)  
*Non-Executive Director*  
*Appointed 11 January 2016*  
*Chairman of the Remuneration Committee; Member of the Audit & Risk Committee*

Mr Marin is the CEO of Low Emissions Resources (New York) and part of the development team for the Eye of Texas (Dallas). Mr Marin was the President and CEO of The New York Wheel, LLC from 2012 until early 2018. 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.

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**Harold Eugene (Gene) Stice** (aged 57)

*Non-Executive Director*

*Appointed 28 March 2017*

*Chairman of the Audit & Risk Committee; Member of the Remuneration Committee*

Mr. Stice is the Chief Operating Officer and Chief Compliance Officer of Northeast Securities, Inc. He is a senior manager with over 30 years of experience in finance, compliance and administration within the financial services sector.

Mr. Stice received a Masters of Business Administration in Finance from New York University. Previously he was the Chief Financial Officer and Chief Compliance Officer for the Jeffrey Matthews Financial Group, a fully regulated broker-dealer. Mr. Stice also held senior positions with a number of other companies including Group Health Solutions, LLC, Joseph Gunnar & Co., LLC, USA Capital, Inc., First Liberty Investment Group, and Donald & Co. Securities, Inc.

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

**Markus Kameisis** (aged 39)

*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 also served 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.

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**Directors' Report**

The Directors present their report with the financial statements of the Company for the year ended 31 December 2017.

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 in the entertainment and leisure sectors with a particular focus on the attractions sector. Following the disposal of the assets and liabilities related to the Starneth companies early in 2017, the Company is now seeking other acquisition opportunities in the entertainment and leisure sectors.

**Review of Business in the Year**

Further details of the Company's business and expected future development are also set out in the CEO's Statement, the Strategic and Operational Review and the Financial Reviews on pages 4 to 12.

**Directors**

The Directors of the Company during the year and their beneficial interest in the Ordinary shares of the Company at 31 December 2017 were as follows:

<b>Director</b>	<b>Position</b>	<b>Appointed</b>	<b>Resigned</b>	<b>Ordinary Shares</b>	<b>Options*</b>
Mark Gustafson	CEO	24/12/2014	-	2,150,000	280,000
Richard Marin	Non-Exec	11/01/2016	-	-	-
Gene Stice	Non-Exec	28/03/2017	-	-	-
Markus Kameisis	CFO	24/12/2014	01/02/2017	100,000	250,000
John Le Poidevin	Chairman	11/01/2016	05/01/2017	-	100,000
Gert Rieder	Non-Exec	05/12/2014	28/03/2017	100,000	200,000

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

**Substantial shareholders**

As at 31 December 2017, the total number of issued Ordinary Shares with voting rights in the Company was 182,103,088. As of the date of this report, the total number of issued Ordinary Shares with voting rights in the Company was 221,407,872.

Save for the interests of the Directors, as at 27 April 2018, 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.

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<b>Party Name</b>	<b>Number of Ordinary Shares</b>	<b>% of Share Capital</b>
Jarvis Investment Management	19,530,823	8.8%

**Financial instruments**

Details of the use of financial instruments by the Company are contained in notes 7 and 22 of these financial statements.

**Dividends**

The Directors do not propose a dividend in respect of the year ended 31 December 2017.

**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 discussions held with the convertible note holders, the cost control measures implemented, the significant progress in reducing the amounts owed to external creditors and the recent completed financing, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The note holders are supportive of the company and there are no material external creditor balances. In order to support a new acquisition, the fund raising options may include a substantial equity offering or a new financing facility with one of the key note holders. The fund raising options are early stage and therefore there is a material uncertainty as to whether additional funding will be received and therefore regarding the going concern basis of preparation. The financial statements do not include any adjustments that would be required if the going concern basis was not appropriate.

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. 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 maintenance and integrity of the Challenger Acquisitions Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

The CEO's statement, 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**

*Status and Fair value of the New York Wheel investment*

The primary business risk is that there may be further difficulties and delays to the project (see CEO's statement). There is therefore a risk that the company may not be able to extract value from the investment without being heavily diluted, if further equity funding is required to see the project to fruition.

The New York Wheel is a private investment. As a result there is limited to no dealing in the equity of the company. As a result a fair value in the meaning of a market price cannot be derived and used for the financial statements. The directors therefore used a discounted cash flow model. The valuation using a discounted cash flow model contains uncertainty as the planning is looking into the future.

## **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 year ended 31 December 2017 and, where 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.

#### *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 2017, the Board met on 22 occasions related to the Starneth disposal, multiple financings, multiple note conversions 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 the 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 Company's overall strategy;
- Financial statements and dividend policy;

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- 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 2017, the Board considered all relevant matters within its remit, but focused in particular on financings, convertible note conversions and the search for new potential projects.

Attendance at meetings;

<b>Member</b>	<b>Meetings held</b>	<b>Meetings attended</b>	<b>Attendance</b>
Mark Gustafson	22	22	100%
Richard Marin	22	15	68%
Gene Stice	17	15	88%

Mr. Stice was appointed on 28 March 2017 and was able to attend 15 out of 17 meetings during 2017.

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.

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 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

Once the Company grows beyond its early stages and expands its number of directors, 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 29 onwards, and the Remuneration Committee from page 25 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 are 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 year under review the Board comprised of an Executive Director and two Non-Executive Directors. 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 consists 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 Richard Marin and Gene Stice to be independent in character and judgement.

### Appointments

The Remuneration Committee is responsible for reviewing 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 Company'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 28. 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 28 and the following pages.

Going concern

The Company's business activities, together with factors likely to affect its future operations, financial position, and liquidity position are set out in the 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 the required support from its note holders and has the ability to access additional financing, if required, over the next 12 months. The fund raising options are early stage and therefore there is a material uncertainty as to whether additional funding will be received and therefore regarding the going concern basis of preparation. The Directors, therefore, have made an informed judgement, at the time of approving these financial statements, that there is a reasonable expectation that the Company will 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 29 to 30 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 25 to 27 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 are 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](http://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.



## **Directors' Remuneration Report**

### **The Remuneration Committee**

During the year ended 31 December 2017, the full Board of the Company met to consider matters relating to remuneration. Following the Board changes in the first quarter 2017, the Remuneration Committee now comprises Richard Marin (Chairman) and Gene Stice.

Challenger's Remuneration Committee will operate within the terms of reference approved by the Board.

### **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 base fees and share incentive arrangements. The remuneration package for non-executive Directors comprises 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.

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**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 2017 and who had beneficial interests in the Ordinary Shares of the Company are summarised as follows:

<b>Name of Director</b>	<b>Position</b>
Mark Gustafson	Chief Executive Officer

Details of these beneficial interests can be found in the Directors' Report on page 15.

**Terms of appointment**

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

<b>Director</b>	<b>Year of appointment</b>	<b>Number of years completed</b>	<b>Date of current engagement letter</b>
Mark Gustafson	2014	3	17/12/2014
Richard Marin	2016	2	11/01/2016
Gene Stice	2017	1	24/03/2017

**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.

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**Directors' emoluments and compensation (audited)**

Set out below are the emoluments of the Directors for the year ended 31 December 2017 (GBP):

<b>Name of Director</b>	<b>Short term employee benefits</b>	<b>Post-employment benefits</b>	<b>Other long term benefits</b>	<b>Termination benefits</b>	<b>Management fee</b>	<b>Total</b>
Mark Gustafson	19,740	-	-	-	18,500	38,240
Richard Marin	19,740	-	-	-	-	19,740
Gene Stice (appointed 28 March 2017)	7,692	-	-	-	-	7,692
Markus Kameisis (resigned 1 February 2017)	9,308	-	-	-	-	9,308
John Le Poidevin (resigned 5 January 2017)	486	-	-	-	-	486
Gert Rieder (resigned 28 March 2017)	12,048	-	-	-	-	12,048

Set out below are the emoluments of the Directors for the year ended 31 December 2016 (GBP):

<b>Name of Director</b>	<b>Short term employee benefits</b>	<b>Post-employment benefits</b>	<b>Other long term benefits</b>	<b>Termination benefits</b>	<b>Other</b>	<b>Total</b>
Mark Gustafson	100,000	-	-	-	-	100,000
Markus Kameisis	10,000	-	-	-	-	10,000
Gert Rieder	10,000	-	-	-	-	10,000
John Le Poidevin	33,846	-	-	-	-	33,846
Richard Marin	11,829	-	-	-	-	11,829

Of the amounts mentioned under Short term employee benefits there were £14,740 of director's fees attributable to Mark Gustafson in 2017, £14,740 to Richard Marin, and £7,692

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to Gene Stice. The compensation for the fourth quarter of £2,500 for each of the three active directors were accrued but unpaid at the balance sheet date and is included in the figures above. Mr Gustafson billed a total amount of £18,500 as management fees for the year 2017, which is also part of above figure. These management fees are accrued but unpaid. The new compensation for directors is £10,000 per year and the new compensation for the services of Mr. Gustafson is £1,000 monthly for the time being.

Mr. Kameisis is in addition an employee and director of Icelia AG, which provides CFO and administrative services to the Company. Icelia AG has billed a total £41,000 to the Company in the period for the provision of services. Of the £41k billed, nothing had been paid at the balance sheet date.

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 current or past Directors.

Directors pay represents 26.5% of the total operational costs.

## **Report from the Audit & Risk Committee**

The responsibilities of the Audit & Risk Committee were discharged by the full Board during the year. 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 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 Stice, Chairman of the Audit Committee, has significant senior management experience covering all business areas, including finance. 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 2017 Crowe Clark Whitehill LLP did not provide non-audit services to the Company.

**Meetings**

The Audit & Risk Committee met on 27 April 2018 to consider the audit for the year ended 31 December 2017.

**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 2019 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**

### **Opinion**

We have audited the financial statements of Challenger Acquisitions Limited for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to note 2 to the financial statements, which details the factors the company has considered when assessing the going concern position. As detailed in note 2 the uncertainty surrounding the availability of funds to make a suitable acquisition and ongoing working capital costs indicates that there is a material uncertainty that exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Overview of our audit approach**

#### *Materiality*

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be £45,000, based on a 5% of the loss for the year from continuing operations.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £2,250. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

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*Overview of the scope of our audit*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we focussed on where the directors made subjective judgements, for example in respect of estimating the fair value of the available for sale investment.

The financial statements are a consolidation of two components the Parent Company and the disposal group held for sale. The Parent Company was subject to a full scope audit. No activity was recorded in these financial statements relating to the disposal group and therefore our work was limited to reviewing the accounting entries and the disclosures relating to the disposal.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

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<i>Key audit matter</i>	<i>How the scope of our audit addressed the key audit matter</i>
<p><i>Fair value of the investment in the New York Wheel</i></p> <p>The investment in the New York Wheel is held at fair value through other comprehensive income. The fair value of the investment has been calculated by management using a discounted cashflow model. This required management to estimate the expected quantum and growth of cashflows and select a suitable discount rate. See note 9</p>	<p><i>We reviewed managements discounted cashflow model noting that the model was adjusted to incorporate the delay the change in developer may cause.</i></p> <p><i>We benchmarked the key assumptions used in the model having regard to publicly available information of similar attractions.</i></p> <p><i>We challenged management on the discount rate used and that an appropriate discount was applied for having a minority holding.</i></p> <p><i>We tested the mathematical accuracy of the model and performed sensitivity analysis on the assumptions.</i></p>
<p><i>Disposal of Starneth</i></p> <p>During January 2017 the company disposed of its entire interest in Starneth Europe B.V. This has had a significant impact on the financial statements as this was a significant component of the group..</p>	<p><i>Considerations regarding the disclosure as a disposal group were concluded in the prior year.</i></p> <p><i>In the current year we reviewed the accounting entries to remove the assets and liabilities that were held for sale and the calculation regarding the loss on disposal.</i></p> <p><i>We reviewed the share purchase agreement to ensure that disclosures regarding the disposal were accurate.</i></p>

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Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.



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## **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept by the Company; or
- the 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.

## **Responsibilities of the directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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**Use of our report**

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.

Leo Malkin  
Senior Statutory Auditor  
For and on behalf of  
**Crowe Clark Whitehill LLP**  
Statutory Auditor  
**London**  
**27 April 2018**

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**Consolidated Statement of Comprehensive Income**

The consolidated statement of comprehensive income of the group is set out below.

		Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
	Note		
Administrative expenses		(472)	(984)
<b>Operating loss</b>		(472)	(984)
Finance costs	11	(527)	(944)
<b>Loss before income taxes</b>		(999)	(1,928)
Income tax expense	15	-	-
Loss after taxation		(999)	(1,928)
Loss for the year from continuing operations		(999)	(1,928)
Loss for the year from discontinued operations	24	(146)	(4,972)
Loss for year		(1,145)	(6,900)
Other comprehensive expense			
Translation of foreign subsidiaries		-	(143)
Disposal of disposal group	24	146	
Fair value movement on available for sale financial asset		(219)	462
Total other comprehensive income		(219)	319
<b>Total comprehensive loss attributable to owners of the parent</b>		(1,218)	(6,581)
Loss per share:			
Basic from continuing operations	16	(0.01)	(0.11)
Diluted from continuing operations	16	(0.01)	(0.11)
Basic from discontinued operations	16	(0.01)	(0.30)
Diluted from discontinued operations	16	(0.01)	(0.30)
Total loss basic and diluted per share	16	(0.01)	(0.41)

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**Consolidated Statement of Financial Position**

The consolidated statement of financial position of the group as at 31 December 2017 is set out below:

	Note	As at 31 December 2017 £'000	As at 31 December 2016 £'000
<b>Assets</b>			
Current assets			
Cash and cash equivalents	7	79	71
Trade and other receivables	8	14	17
<b>Total current assets</b>		<b>93</b>	<b>88</b>
<b>Assets of disposal group classified as held for sale</b>	24	-	<b>2,271</b>
<b>Non-current assets</b>			
Available-for-sale financial assets	9	2,219	2,438
<b>Total non-current assets</b>		<b>2,219</b>	<b>2,438</b>
<b>Total assets</b>		<b>2,312</b>	<b>4,797</b>
<b>Equity and liabilities</b>			
Capital and reserves			
Share capital	6	1,821	219
Share premium	6	5,758	4,364
Shares to be issued	6	-	775
Translation reserve		-	(146)
Equity component of convertible instruments		601	1,064
Available for sale reserve		243	462
Retained earnings		(9,861)	(9,488)
<b>Total equity attributable to equity holders</b>		<b>(1,438)</b>	<b>(2,750)</b>
Current liabilities			
Borrowings	12	680	3,615
Trade and other payables	14	401	533
<b>Total current liabilities</b>		<b>1,081</b>	<b>4,148</b>
<b>Liabilities of disposal group classified as held for sale</b>	24	-	<b>1,228</b>
Non-current liabilities			
Borrowings	12	2,669	2,171
<b>Total non-current liabilities</b>		<b>2,669</b>	<b>2,171</b>
<b>Total equity and liabilities</b>		<b>2,312</b>	<b>4,797</b>

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**Consolidated Statement of Changes in Equity**

The statement of changes in equity of the group is set out below:

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Trans-lation reserve £'000	Equity component of convertible instruments £'000	Available for sale reserve £'000	Retained earnings £'000	Total £'000
<b>As at 31 December 2016</b>	<b>219</b>	<b>4,364</b>	<b>775</b>	<b>(146)</b>	<b>1,064</b>	<b>462</b>	<b>(9,488)</b>	<b>(2,750)</b>
Loss for the year	-	-	-	-	-	-	(1,145)	(1,145)
Other comprehensive loss	-	-	-	146	-	(219)	-	(75)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(219)</b>	<b>(1,145)</b>	<b>(1,364)</b>
<b>Transaction with owners</b>								
Issue of shares	1,602	1,394	-	-	-	-	-	2,996
Cancellation of unissued shares	-	-	(775)	-	-	-	775	-
Equity component convertible notes	-	-	-	-	30	-	-	30
Release on settlement of convertible loans	-	-	-	-	(493)	-	-	(493)
Forfeited options	-	-	-	-	-	-	(3)	(3)
<b>Total</b>	<b>1,602</b>	<b>1,394</b>	<b>(775)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>772</b>	<b>2,676</b>
<b>As at 31 December 2017</b>	<b>1,821</b>	<b>5,758</b>	<b>-</b>	<b>-</b>	<b>601</b>	<b>243</b>	<b>(9,861)</b>	<b>(1,438)</b>

Share capital comprises the Ordinary Shares issued by the Company.

Retained earnings represents the aggregate retained losses of the Company since incorporation.

Translation reserve represents the foreign exchange differences on translation of foreign operations.

Equity component of convertible instruments represents the equity element of instruments with a convertible element. Available for sale reserve represents the fair value movements on available for sale financial assets

## **Consolidated Statement of Cash Flows**

The cash flow statement of the group is set out below:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
<b>Cash flow from operating activities</b>		
Loss for the period before taxation	(999)	(6,900)
Depreciation, amortisation, impairment	112	3,153
Share option charge	-	5
Net unrealised FX effect	41	-
Interests	498	760
<b>Operating cash flows before movements in working capital</b>	<b>(351)</b>	<b>(2,982)</b>
Increase in receivables	(109)	(81)
De-/Increase in accounts payable and accrued liabilities	(132)	393
<b>Net cash used in operating activities</b>	<b>(592)</b>	<b>(2,670)</b>
Cash held in disposal unit	(202)	-
<b>Net cash outflow from investing activities</b>	<b>(202)</b>	<b>-</b>
Interest expense	-	(56)
Issue of convertible instruments net of issue costs	600	2,850
Loans repaid	-	(176)
<b>Net cash inflow from financing activities</b>	<b>600</b>	<b>2,618</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(194)</b>	<b>(52)</b>
Cash and cash equivalent at beginning of period	273	325
<b>Cash and cash equivalent at end of period</b>	<b>79</b>	<b>273</b>

Of the cash and cash equivalents at 31 December 2016 £202k was held in the disposal unit.

There were significant non-cash transactions being the issue of share capital to settle convertible debt and interest. These are detailed on pages 10 and 11.

## **Notes to the consolidated financial statements**

### **1. GENERAL INFORMATION**

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

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.

The Company's registered office is located at PO Box 186, Royal Chambers, St Julian's Avenue, St. Peter Port, Guernsey GY1 4HP, 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 year ended 31 December 2017 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 and available-for-sale financial assets.

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 2017 the group had net current liabilities of £876k. The financial statements have 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 discussions held with the convertible note holders, the cost control measures implemented, the significant progress in reducing the amounts owed to external creditors and the recent completed financing where the company received the remaining £400,000 from the £1,000,000 convertible note facility due 8 June 2019, of this \$300,000 was invested in the Dallas GOW project, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The note holders are supportive of the company and there are no material external creditor balances. In order to support a new acquisition, the fund raising options may include a substantial equity offering or a new financing facility with one of the key note holders. The fund raising options are early stage and therefore there is a material uncertainty as to whether additional funding will be received and therefore regarding the going concern basis of preparation. The financial statements do not include any adjustments that would be required if the going concern basis was not appropriate.

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. 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.



### **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, more specifically that any gain or loss on the available for sale investment will not be reclassified through the profit and loss and impairment charges in the profit and loss will no longer occur. 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.

### **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 after the sale of the Starneth entities the business of the Company comprised a single activity, being the identification and acquisition of target companies or businesses in the entertainment sector.

### **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 in 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.

### **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

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- 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.

#### Impairment

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:

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- 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**

#### Goodwill

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.

### **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.

### **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.

## **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.
- Fair value of the available for sale financial asset  
The equity units in New York Wheel Investor LLC are not quoted, in assessing the fair value of the asset the Directors have applied a DCF model based on the projections received from the New York Wheel. The calculated amount, including anticipated delays, supports the USD 3 million shown on the balance sheet. Based on this and the confidence of the Directors that the project will continue soon with a new contractor, the Directors do not believe that the fair value is materially different to the acquisition value in the underlying currency (US dollars).

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 Recognised financial assets and liabilities not denominated in GBP	Cash flow forecasting Sensitivity analysis	No hedging  No hedging
Credit risk	Cash and cash equivalents, trade receivables, other receivables	Aging analysis Credit ratings	Diversification of bank deposits. Follow-ups to loan investment
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 USD/GBP and EUR/GBP. The group's biggest investment is denominated in USD. An outstanding liability from the Starneth acquisition is in EUR.

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

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Currency	Assets in CCY	Assets in GBP	10% change	Liabilities in CCY	Liabilities in GBP	10% change
USD	3,003	2,222	(222)	8	6	1
EUR	1	1	-	1,341	1,190	119
CHF	1	1	-	1	1	-

The displayed FX exposures are without the disposal group (assets held for sale) which is denominated in EUR.

During the year, £ 13k foreign-exchange related profits 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 after the sale of the Starneth entities the business of the Company comprised a single activity, being the identification and acquisition of target companies or businesses in the entertainment sector.

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**6. SHARE CAPITAL**

<b>Issued and fully paid</b>	<b>Number of shares</b>	<b>Share capital £'000</b>	<b>Share premium £'000</b>	<b>Total £'000</b>
At 31 December 2016	21,899,076	219	4,364	4,583
Issue of shares	160,204,012	1,602	1,393	2,995
At 31 December 2017	182,103,088	1,821	5,757	7,578

During the year the company issued 152,398,657 shares to settle convertible loans worth £2,783,000 and 7,805,355 shares to settle interest accruing on the convertible loans of £212,000

The unissued shares at 31 December 2016 represented the third tranche of shares to be issued as part of the acquisition of the Starneth business. These shares were forgiven as part of the share purchase agreement. On this basis the shares have been released within equity.

**7. CASH AND CASH EQUIVALENTS**

	<b>2017 £'000</b>	<b>2016 £'000</b>
Cash at bank and in hand	79	71
Total cash and cash equivalents	79	71

**8. TRADE AND OTHER RECEIVABLES**

	<b>2017 £'000</b>	<b>2016 £'000</b>
Prepayments	14	17
Other receivables	-	-
Total trade and other receivables	14	17

All receivables, with the exception of prepayments which are not a financial instrument are classified as loans and receivables. Under "Other receivables" the Company gave a £100k loan to a private UK company set to launch and operate film focused conventions. The loan is due on 15 May 2018. Up to year end £12k had been recognised as accrued interest income. Before finalisation of these financial statements we were informed that the event does not take place

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as there was too little interest and hence too little ticket sales. As therewith the probability to receive back the full amount of the loan has decreased significantly, the whole amount including accrued interest has been impaired.

**9. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

<b>Fair value</b>	<b>Available for sale financial asset £'000</b>
At 31 December 2015	1,976
Additions	805
Disposal	(805)
Foreign exchange difference	462
At 31 December 2016	2,438
Additions	-
Foreign exchange difference	(219)
At 31 December 2017	2,219

On 20 May 2015, the Company invested a total of £1,976,400 (US\$3,000,000) for an approximate 2% 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.

The equity units in New York Wheel Investor LLC are not quoted, in the prior year the Directors had regard to recent transactions in equity units of the New York Wheel and therefore assessed the value as a level 2 valuation. There have been no recent transaction in equity units and therefore in assessing the fair value of the asset the Directors have applied a discounted cash flow model based on the projections received from the New York Wheel. The calculated amount, including anticipated delays, supports the USD 3 million shown on the balance sheet. Based on this and the confidence of the Directors that the project will continue soon with a new contractor, the Directors do not believe that the fair value is materially different to the acquisition value.

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The movement of the fair value of the asset are recognized in other comprehensive income and in the available for sale reserve.

The Directors consider this to be a level 3 valuation under IFRS 13, the key inputs used in the DCF model are as follows:

Discount rate – 16%  
Cash flows generated over a 10 year period  
Annual attendance – 2.5m – 3.8m  
Ticket price – \$32 – \$33  
Minority interest discount factor – 30%

If the discount rate was increased by one percentage point the fair value of the investment decreases by £0.1m.

If the annual attendance or ticket prices were reduced by 5% the fair value of the investment decreases by £0.17m.

If the minority interest discount factor was increased by five percentage points then the fair value of the investment would decrease by £0.16m

If the project was delayed by a further year the fair value of the investment decreases by £0.35m

One unit of the investment is held as security over the second part of the cash consideration of € 1.25 million.

A further unit is held as security over the 29 January 2016 convertible loan and the third unit for the convertible loan note from 2 March 2016.

**10. Borrowings**

	2017	2016
<b>Current</b>	£'000	£'000
Convertible notes	680	1,508
Deferred cash consideration	-	2,107
Borrowings	-	-
	680	3,615
<b>Non-current</b>		
Deferred cash consideration	1,190	-
Convertible notes	1,478	2,171
	2,668	2,171

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	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 8	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2016 (liability)	1,970	-	22	305	481	901	-	-	3,679
Balance at 31 December 2016 (equity)	-	495	463	-	-	106	-	-	1,064
Finance charge	121	29	38	89	44	111	22	-	447
Issued for cash	-	-	-	-	-	-	600	-	600
Issued in lieu of interest	-	-	-	-	-	57	-	30	87
Converted into shares	(1,295)	-	(500)	(350)	(500)	(8)	(100)	(30)	(2,783)
Interest paid in shares	(90)	(5)	(40)	(53)	(49)	(86)	(3)	-	(326)
Interest paid in cash	-	-	-	-	-	-	-	-	-
(Increase)/decrease in accrued interest	(31)	(19)	17	9	24	(1)	(10)	-	(11)
Balance at 31 December 2017 (liability)	675	-	-	-	-	974	509	-	2,158
Balance at 31 December 2017 (equity)	-	500	-	-	-	106	-	-	606

**Note 1**

The notes are unlisted, unsecured, transferable and convertible with a twelve month maturity date which was extended during the year to 6 May 2018. 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. 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.

**Note 2**

On 2 March 2016 the Company issued convertible notes worth £0.5 million. The notes are unlisted, secured, transferable and convertible. Maturity date is 2 March 2018. The Company can redeem the notes in cash or shares at \$0.25 at Maturity at the Company's discretion. The Secured Convertible Notes are secured by one common unit of New York Wheel Investor LLC, representing a total value US\$1 million. Interest is accrued at 5% per annum and payable quarterly or at Maturity at the Company's discretion. The interest can be paid in cash or shares, at the average of the 10 day closing price prior to the end of each calendar quarter, at the Company's discretion. The Company can redeem the notes at a 25% premium anytime in cash. The company can repay the accrued interest and the principal in shares at their decision, on this basis the full £0.5 million net of the £0.025 million transaction fees has been recognised in equity.



**Note 3**

On 24 April 2016 the Company issued convertible notes with a value of £0.5 million. The notes are unlisted, unsecured, transferable and convertible. Maturity date is 22 April 2018. Interest is accrued at 8% per annum and payable quarterly. The interest can be paid in cash or shares, at the average of the 10 day closing price prior to the end of each calendar quarter, at the Company's discretion. The notes can only be converted into Ordinary Shares at £0.25. The Company can redeem the notes at a 25% premium anytime. As per the nature of this convertible instrument, £463k was recognised as an equity component, using a discount rate of 12%. The loan and associated interest was fully converted during 2017.

**Note 4**

On 18 October 2016 the Company issued another convertible note with a volume of up to £ 0.35 million. The notes are unlisted, unsecured, transferable and convertible. Maturity date is 13 April 2018. Interest is built into the face value of the note at £1.15 per £ 1 of note. The notes can be converted into ordinary shares of the Company for the lower of £ 0.25 or the lowest weighted average price over the 5 days prior to the conversion. For the first 6 month, the Company can redeem in cash all or any part of the outstanding convertible note at face value, thereafter with a 15% premium to face value. The convertible note must be redeemed by the Company on 13 April 2018 in cash, unless it has been fully converted by then into ordinary shares. During the year the loan note and embedded interest was fully settled in shares

**Note 5**

On 10 June 2016 the Company issued another convertible note with a volume of £0.5 million. The notes are unlisted, unsecured, transferable and convertible. Maturity date is 10 June 2018. Interest is accrued at 8% per annum and payable quarterly. The interest can be paid in cash or shares, at the average of the 10 day closing price prior to the end of each calendar quarter, at the Company's discretion. The notes can be converted into Ordinary Shares at the lower of £0.25 or the lowest volume weighted average price over the 10 days prior to the conversion. The Company can redeem the notes at a 25% premium anytime in cash.

**Note 6**

On 29 January 2016, the Company issued further £1 million of secured convertible notes. The notes are unlisted, secured, transferable and convertible. Maturity date is 30 June 2019. The Secured Convertible Notes are secured by one common unit of New York Wheel Investor LLC, representing a total value US\$1 million. Interest is accrued at 8% per annum and payable quarterly. One eighth of the interest can be settled in cash or shares at the Company's discretion. Seven eighths of the interest is settled in new convertible notes with the same terms. The notes are convertible in cash or shares at the option of the holder and can be converted into Ordinary Shares at a fixed conversion price of £0.80 per Ordinary Share. The Company can redeem the notes at a 10% premium anytime. As per the nature of this convertible instrument, £106k has been recognised as an equity component in the share option reserve, using a discount rate of 12%.

**Note 7**

On 2 March 2016 the Company issued another convertible note for £0.5 million. The notes are unlisted, secured, transferable and convertible. Maturity date was 2 March 2017 and has been extended to 2 March 2018 in 2017. The Company can redeem the notes in cash or shares at \$0.25 at Maturity at the Company's discretion. The Secured Convertible Notes are secured by one common unit of New York Wheel Investor LLC, representing a total value US\$1 million. Interest is accrued at 5% per annum and payable quarterly. The interest can be paid in cash or shares, at the average of the 10 day closing price prior to the end of each calendar quarter, at the Company's discretion. The Company can redeem the notes at a 25% premium anytime in cash. Since the Company can repay the accrued interest and the principal at maturity in shares, the full £0.5 million net of the £0.025 million transaction fees has been recognised in equity.

As part of a new £1 million funding facility, on 13 June 2017 the company issued another convertible note for £100,000. The notes are unlisted, unsecured, transferable and convertible. Maturity date is 8 June 2019. No conversions can happen in the first 120 days. The maximum amount that can be converted in any 30 day period is 20% of the principle amount. The conversion price is the lowest volume weighted average price over 10 days prior to the conversion. Interest rate is 8% per annum and payable upon conversion at the Company's option in cash or ordinary shares at the conversion price. The Company can redeem in cash all or any part of the outstanding convertible note with a 25% premium to the principal amount. From this facility £ 100,000 has been converted until 31 December 2017 and two more tranches of this convertible note were drawn. On 25 August 2017 the Company received the first from the two additional tranches of £ 250,000 and on 1 November 2017 the second tranche received was for £ 250,000. Total outstanding nominal as per the balance sheet date were therewith £ 500,000.

**Note 8**

The unsecured convertible note due 17 May 2018 for £30,000 was issued to the Chief Executive Officer of the Company. This note was convertible at 3p and carried a 5% interest rate after a 90 day grace period. It was converted into 1,000,000 shares at £0.03 on 6 July 2017.

On 15 July 2015 the company acquired the Starneth Group. Part of the purchase price included 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 carrying value of the amounts at 31 December 2016 in the transaction were £1,064k for the first tranche and £1,043k for the second tranche. Interest expenses recorded on both tranches in 2016 was £163k (2015:£ 86k). As part of the disposal of the Starneth participation, the terms of these payments were changed as follows, the second tranche was waived by the as part of the sale agreement and the first tranche is only payable on the payment of success fees by Starneth to Challenger, if success fees become payable then the first tranche of fees will be deducted from success fees due. The company has not recognised an asset in this regard due to the uncertainty

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over whether the success fees will become due. The amount of the liability amounts to £1,190k and becomes due in January 2019

**11. FINANCE INCOME AND COSTS**

	2017	2016
	£'000	£'000
Interest Income	(12)	-
Bank charges	9	10
Interest on notes and convertibles and deferred consideration	498	759
Net foreign exchange costs	32	175
Finance costs	527	944

**12. TRADE AND OTHER PAYABLES**

	2017	2016
	£'000	£'000
Trade payables	220	331
Accrued expenses	181	202
Total trade and other payables	401	533

As at 31 December 2017, trade and other payables were classified at amortised cost. A maturity analysis of the Company's trade payables due in less than one year is as follows:

	<b>As at 31 December 2017 £</b>	<b>As at 31 December 2016 £</b>
0 to 3 months	220	87
3 to 6 months	-	132
6 months +	181	112
Total	401	331

**13. EMPLOYEE BENEFIT EXPENSE**

	2017	2016
	£'000	£'000
Wages and salaries	69	75
Share options granted to directors, employees and key advisers	(3)	5
	66	80

**14. DIRECTORS' EMOLUMENTS**

The Directors were paid emoluments of £69k as directors' fees during the period under review (£75k in 2016). There was a release of an existing bonus accrual that has been included in administrative expenses. Of the £69k, £17k were the director's fees for Mark Gustafson. Mr. Gustafson billed an additional £19k (2016: £23k) as management fees, booked under administrative expenses. At 31 December 2017 a total amount of £87k was unpaid and due to Mr. Gustafson for management services. The total compensation for Mr. Gustafson in the year under review was £38k, whereof the director's fees have been paid, with the exception of the fourth quarter, and the management fees of £ 9k were accrued.

These details and the details for the other directors can be found within the Director's remuneration report on page 27.

The Directors were the key management personnel of the Group.

**15. TAXATION**

Challenger Acquisitions Limited is a Guernsey Corporation subject to a corporate tax rate of nil, as at 31 December 2017.

<b>Income tax</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax expense:</b>		
- Current tax on profits for the year	-	-
- Adjustments in respect to prior years	-	-
- Foreign current tax on profits for the year	-	-
Total current tax	-	-
<b>Deferred tax:</b>		
- Origination and reversal of temporary differences	-	-
- Adjustments in respect to prior years	-	-
Total deferred tax	-	-
<b>Income tax expense</b>	-	-

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A reconciliation of income tax expense, from continuing operations, 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:

	<b>31 Dec 2017 £'000</b>	<b>31 Dec 2016 £'000</b>
Loss before taxation from continuing operations	(999)	(1,928)
Tax calculated at domestic tax rates applicable to losses in respective countries:	-	-
Tax effects of:		
Tax losses carried forward	-	-
	-	-

The corporation tax rate in Guernsey is 0%, there are no unrecognised tax losses.

**16. 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 ending 31 December 2017 and is as follows:

**31 December 2017**

Loss from continued operations attributable to equity holders (£)	(1,218,000)
Weighted average number of shares	93,005,288
Loss per share basic (£)	(0.01)
Weighted average number of shares for dilutive calculation	93,005,288
Loss per share diluted (£)	(0.01)
Loss from discontinued operations attributable to equity holders (£)	(146,000)
Weighted average number of shares	93,005,288
Loss per share basic and diluted (£)	(0.01)
Total loss per share basic and diluted	(0.01)

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**31 December 2016**

Loss from continued operations attributable to equity holders (£)	(1,928,000)
Weighted average number of shares	<u>16,824,053</u>
Loss per share basic (£)	<u>(0.11)</u>
Weighted average number of shares for dilutive calculation	16,824,053
Loss per share diluted (£)	<u>(0.11)</u>
Loss from discontinued operations attributable to equity holders (£)	(4,972,000)
Weighted average number of shares	<u>16,824,053</u>
Loss per share basic (£)	<u>(0.30)</u>
Weighted average number of shares for dilutive calculation	16,824,053
Loss per share diluted (£)	<u>(0.30)</u>
Total loss per share basic and diluted	(0.41)

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.

**17. RELATED PARTY TRANSACTIONS**

The unsecured convertible note due 17 May 2018 for £30,000 was issued to the Chief Executive Officer of the Company. This note was convertible at 3p and carried a 5% interest rate after a 90 day grace period. It was converted into 1,000,000 shares at £0.03 on 6 July 2017.

**18. COMMITMENTS**

The Company had not entered into any material capital commitments as at 31 December 2017.

**19. SHARE BASED PAYMENTS**

On 29 July 2015, options to acquire 615,000 Ordinary Shares (“Options 2015”) were granted to employees and consultants of the Group. On 8 September 2015, options to acquire 730,000 Ordinary Shares (“Options 2015”) were granted to the directors of the company. These Options 2015 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.

On 7 January 2016, options to acquire 180,000 Ordinary Shares (“Options 2016”) were granted to consultants of the Group. These options have a fixed exercise price of 45 pence, and are exercisable in the following tranches:

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows: 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.

	2017		2016	
	Average exercise price in £ per share option	Options (thousands)	Average exercise price in £ per share option	Options (thousands)
Beginning of period	0.41	1,516	0.40	1,335
Granted	0.00	-	0.45	181
Forfeited	0.41	(423)	0.00	-
Exercised	0.00	-	0.00	-
Expired	0.00	-	0.00	-
End of period	0.41	1,093	0.41	1,516

Out of the outstanding 1,092,500 share options 855,000 were exercisable. No options were exercised in 2016 and 2017.

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)
<b>2017</b>			
2015-01	2020-07	0.40	303
2015-02	2020-09	0.40	630
2016-01	2021-01	0.45	160
			<u>1,093</u>

The weighted average fair value of the Options 2015 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.

The weighted average fair value of the Options 2016 determined using the Black-Scholes valuation model was 2.49 pence per option. The significant inputs to the model were share price of 37.5 pence at the grant date, exercise price of £0.45, 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.

As a result of the 422,500 options that forfeited during the period, the profit and loss has been credited with £3k and the share option reserve has been decreased accordingly.

## **20. SUBSEQUENT EVENTS**

On 11 January 2018, the Company issued 478,098 Ordinary Shares and 19,829 new Convertible Notes to the holders of the Convertible Note due 30 June 2019 in payment of interest due for the quarter ending 31 December 2017.

On 18 January 2018, the Company announced that it has raised the remaining £400,000 from the Convertible Note facility due 8 June 2019 and invested consequently US\$ 300,000 in a new Giant Observation Wheel Project in Dallas, Texas called the Eye of Texas LLC. This initial investment into the project is in form of a convertible note with a 24 month term, 9% interest, and is convertible into membership interest, which the Company estimates would convert today into an equity position of approx. 4%.



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On 6 March 2018, the Company issued 38,826,686 new ordinary shares in relation to conversion of certain convertible notes as follows:

9,901,353 shares were allocated to the holders of the convertible note due 2 March 2018 comprising 4,166,667 shares on the conversion of the entire balance of £500,000 of notes and 5,734,686 shares for accumulated interest.

9,394,510 shares were allotted to holders of the convertible note due 6 May 2018, comprising 8,242,791 Shares on the conversion of £35,444 of notes and 1,151,719 shares for accumulated interest;

19,530,823 shares were allotted to holders of convertible note due 8 June 2019, comprising 18,750,000 Shares on the conversion of £75,000 of notes and 780,823 shares for accumulated interest.

**21. FINANCIAL INSTRUMENTS**

The only financial instrument the Group held, in addition to those disclosed elsewhere in these notes, as at 31 December 2017 was Cash and cash equivalents.

**22. ULTIMATE CONTROLLING PARTY**

As at 31 December 2017, no one entity owns greater than 50% of the issued share capital. Therefore the Company does not have an ultimate controlling party.

**23. 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.

**24. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS**

At 31 December 2016 the assets and liabilities relating to the Starneth Holdings BV and Starneth Europe BV were presented as held for sale following the approval of the group's management to proceed with the disposal of these companies. During the year to 31 December 2017 and on 6 January 2017 the sale completed.

Cash flows

	<b>31 Dec 2016</b>
	<b>£'000</b>
Operating cash flows	(1,512)
Investing cash flows	-
Financing cash flows	1,405
<b>Total cash flows</b>	<b>(107)</b>

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Assets of disposal group classified as held for sale

	<b>31 Dec 2016</b>
	<b>£'000</b>
Property plant and equipment	118
Intangibles	50
Goodwill allocated to disposal group	1,635
Trade and other receivables	266
Cash and cash equivalents	202
<b>Total</b>	<b>2,271</b>

Liabilities of disposal group classified as held for sale

	<b>31 Dec 2016</b>
	<b>£'000</b>
Trade and other payables	1,228
<b>Total</b>	<b>1,228</b>

Cumulative income/(expense) recognised other comprehensive income relating to disposal group classified as held for sale

	<b>31 Dec 2016</b>
	<b>£'000</b>
Foreign exchange translation adjustments	(146)
<b>Total</b>	<b>(146)</b>

Analysis of the result of discontinued operations and the result recognised on the re-measurement of assets or disposal group is as follows:

	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	<b>£'000</b>	<b>£'000</b>
Revenue	-	3,579
Expenses	-	(5,423)
Impairment of Goodwill associated with disposal group (note 10)	-	(3,128)
Profit before tax of discontinued operations	-	(4,972)
Tax	-	-
<b>Profit after tax of discontinued operations</b>	<b>-</b>	<b>(4,972)</b>
Release of translation reserve	(146)	-
<b>Loss for the year from discontinued operations</b>	<b>(146)</b>	<b>(4,972)</b>

The pre-tax loss recognised on the re-measurement of the disposal group to fair value less costs to sell was £3,128k. The fair value less costs to sell reflect the expected proceeds on disposal,

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which have been determined by the directors to be the waiving of an existing liability to the purchaser for deferred cash consideration for £1,043k. Therefore the carrying value of the disposal group equals the expected proceeds at 31 December 2016.

Immediately subsequent to the year end the Company lost control of the disposal group after agreement was reached with the purchasers. The date of signing the sale and purchase agreement was the 30 January 2017, the date of the loss of control was 6 January 2017. As the loss of control happened immediately after to the year end, the figures as at year end have been used for the deconsolidation.

The fair value less costs to sell reflect the expected proceeds on disposal, which have been determined by the directors to be the waiving of an existing liability to the purchaser for deferred cash consideration for £1,043k. Therefore the carrying value of the disposal group equals the expected proceeds at 31 December 2016. The loss on the disposal of the disposal group of £146k is the release of the foreign currency translation reserve.