CHALLENGER ACQUISITIONS LIMITED

Unaudited Interim Report for the Six Month Period Ended 30 June 2016

Contents

Company Information.. 3
Interim Management Report.. 4
Responsibility Statement... 7
Condensed Consolidated Statement of Comprehensive Income.. 8
Condensed Consolidated Statement of Financial Position 9
Condensed Consolidated Statement of Changes in Equity 10
Condensed Consolidated Statement of Cash Flows 11
Notes to the Condensed Consolidated Interim Report.. 12

Company Information

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

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Interim Management Report

This has been an active, yet challenging, period for Challenger Acquisitions, including positive Board appointments, successful capital raises, preparation for opening a new manufacturing facility in the Netherlands, and continued development of potential projects for our Starneth Group ("Starneth"), tempered by a delay in the commencement of the construction of the Giant Observation Wheel ("GOW") project in Jakarta. Overall, the steps we have taken have strengthened our position as the go-to team for the design, engineering and delivery of GOWs.

We are able to offer our investors this unique investment opportunity following our acquisition of 100% of Starneth last year, who's CEO, Chiel Smits was the original project manager responsible for the design and construction of the wheel and drive system for the London Eye. Combined with the experience of working on three other major GOW projects, this has positioned us as the leader in the GOW industry.

The success of the London Eye speaks for itself with the attraction receiving 3-4 million visitors annually and topping the leader board as the UK's most popular paid for visitor attraction. Using this as a template for success, Challenger has an exciting pipeline of 25 new GOW projects worldwide, with the aim of rolling one out each year. As it stands we have made a firm investment of US$3 million in the US$590 million New York Wheel Project on New York Harbour ("NY Project") which represents a ~2% equity stake. The NY Project includes a 630ft observation wheel (50% larger than London Eye), a 68,000 sq ft terminal and retail building, a 950 space parking garage, and a 5,000 person capacity green roof for events. The grand opening of this NY Project is targeted for early 2018. With three million tourists already riding the free Staten Island ferry every year to get a closer view of the Statue of Liberty, these tourists will be natural clients for the project. Being the only public listed company with an investment in the NY Wheel Project, we believe this further cements our unique offering on the London Stock Exchange.

Subject to the developer in Indonesia securing the necessary bank funding arrangements, a GOW in Jakarta is scheduled to be built with Starneth as the project manager, including the design, engineering and construction of the wheel. This project is part of our pipeline of 25 potential GOW projects. Once the financing arrangements have been completed, wheel construction will begin which has been estimated to take 24 to 30 months from the official commencement date. The opening of the new airport terminal in Jakarta may be a significant development for us as it is envisaged that the Jakarta airport will become a major stopover destination, therefore driving further traffic to the potential GOW. It is also important to note that due to the funding for the wheel being at project level; it will therefore be non-dilutive to Challenger. The official start of the Jakarta GOW project, which has been delayed due to the developer's funding arrangements, will provide a proof of concept for Challenger.

As mentioned above, in July 2016 we announced that Starneth officially inaugurated a new manufacturing facility with the potential to build additional projects outside of the GOW market. The new manufacturing facility, which comprises a 500m^2 workshop and 150m^2 office space in Enschede, the Netherlands, has been set up to design, manufacture and test the essential control systems, which are used to manage and direct the operating systems for GOW's. The opening of this facility will allow all aspects of the manufacturing of these control systems to be managed in-house, which will maximise efficiencies.

Financial and Corporate Overview

Post period end, we received US$1 million from the New York Wheel Investors LLC ("NYWI"). The funds were originally raised by Challenger in January 2016 and held in escrow by NYWI until final funding arrangements for the NY Project were in place and now that NYWI has received sufficient funding commitments from its sponsoring investors it therefore does not require these funds.

Additionally, post period we reached an agreement with the three vendors of Starneth regarding the second cash instalment payment that was due on 15 July 2016. It will now be paid earlier on the financial closing of the Jakarta project or 50% of the balance on 15 January 2017 and the remaining 50% of the balance on 15 April 2017. The Payment accrues interest of 5% from 16 July 2016 and is secured by one common equity unit of NYWI held by Challenger until the entire cash payment has been made.

We were delighted to announce on 25 August 2016 that, as expected, the complaint filed against the Company and some of its subsidiaries on 11 September 2015 by Madison Capital Markets LLC ("Madison") was dismissed. The complaint, where Madison demanded compensation for alleged services for advising and facilitating the Company's acquisition of Starneth and investment in the NY Project, was denied by the United States District Court for the Southern District of New York (Case 1:15-cv-07213), and Madison has been denied motion for leave to amend the complaint. I would like to thank our shareholders for their patience whilst this court case was resolved.

During the six month period we have successfully raised £2.5 million of funding through the issuance of new convertible notes which has enabled the Company to continue in its strategic and operational development during the current period.

The half year results report a loss of £ 1,509k. This result is driven by three main drivers. The Corporate Centre continues incurring costs for the ongoing management of the Group, for the sourcing of funding of the Group and the corresponding interest as well as dealing with its shareholders, stakeholders and the Madison case. In aggregate these activities have led to a loss of £ 739k in the first six months of 2016. The Starneth Group of entities, which are presenting the Engineering segment of the Group, recorded revenues of £ 2,029k in the first six month of 2016. As a result of the New York Wheel project winding down in activity for the Group, not all costs could be covered by this revenue. The result was a loss of £ 574k for the half year. For the Group's investment into the New York Wheel £ 196k of financing were recorded for the financing of this investment.

Our Board has been significantly bolstered over the period following the appointment of Mr. Richard Marin as a Non-Executive Director, complemented by my own appointment as Non-Executive Chairman. Richard, a finance industry executive with 37 years' experience, is

President and CEO of The New York Wheel, LLC. He has successfully raised the funds for the development of the NY Wheel and we are delighted to have him join our team.

Outlook

Looking forward we expect to continue the development of our pipeline of 25 potential projects, including Jakarta, which will act as a proof of concept for our strategy to grow the Company. The Company has also commenced discussions with certain financial and industry partners to assist in accelerating the development of our potential projects. We believe this is going to be a transformational time for Challenger, as we are at various stages of discussions in regards to multiple GOW opportunities in four different and carefully selected locations worldwide namely Europe, Asia, the Middle East and the Americas. Having strategic regional offices located in these areas will help to support our growth strategy and, coupled with the acquisition of Starneth last year, we remain confident that at least one GOW from our pipeline of 25 projects will commence each year.

I would like to take this opportunity to thank our loyal shareholders, employees and the Board for their continued support. We are continuing to focus on our strategy to deliver significant value to shareholders through project management and equity stakes in GOW’s. I look forward to updating you all with any up and coming projects in our pipeline.

John Le Poidevin
Non-Executive Chairman
26 August 2016

Responsibility Statement

The Directors are responsible for preparing the Interim Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority ('DTR') and with International Accounting Standard 34 on Interim Financial Reporting (IAS 34).

The Directors confirm that the interim financial statements have been prepared in accordance with IAS 34 and that as required by DTR 4.2.7 and DTR 4.2.8, the Interim Report includes a fair review of:

- important events that have occurred during the first six months of the year;
- the impact of those events on the financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- details of any related party transactions that have materially affected the Company's financial position or performance in the six months ended 30 June 2016.

The Directors who served during the period and up to the date of signing the interim financial statements were:

John Le Poidevin
Richard Marin
Mark Gustafson
Gert Rieder
Markus Kameisis

Company Secretary:
Markus Kameisis

By Order of the Board
Markus Kameisis
Chief Financial Officer
26 August 2016

Condensed Consolidated Statement of Comprehensive Income

The condensed consolidated statement of comprehensive income of the Group for the six month period from 1 January 2016 to 30 June 2016 is set out below.

	Note	Period ended 30 June 2016 (unaudited) £'000	Period ended 30 June 2015* (unaudited) £'000
Revenue	4	2,029	-
Cost of sales		(1,553)	-
Gross profit		476	-
Personnel expenses		(498)	(18)
Administrative expenses		(966)	(669)
Operating loss on ordinary activities before taxation		(988)	(687)
Finance costs		(521)	(68)
Loss before income taxes		(1,509)	(754)
Income tax expense		-	-
Loss after taxation		(1,509)	(754)
Loss for the period		(1,509)	(754)
Other comprehensive expense		(20)	-
Total comprehensive loss attributable to owners of the parent		(1,529)	(754)
Loss per share:			
Basic & diluted	8	(0.11)	(0.09)

*Before the acquisition of the Starneth group of entities

Condensed Consolidated Statement of Financial Position

The condensed consolidated statement of financial position as at 30 June 2016 is set out below:

	Note	As at 30 June 2016 unaudited £'000	As at 31 December 2015 audited £'000
Assets			
Current assets			
Cash and cash equivalents		434	325
Trade and other receivables		699	202
Total current assets		**1,133**	**527**
Non-current assets			
Property, plant and equipment		144	140
Intangible assets		4,811	4,817
Available-for-sale financial assets	6	2,781	1,976
Total non-current assets		**7,735**	**6,933**
Total assets		**8,869**	**7,460**
Equity and liabilities			
Capital and reserves			
Share capital	5	149	133
Share premium		2,508	2,080
Shares to be issued		1,650	1,650
Translation reserve		(23)	(3)
Reserve options		583	9
Accumulated deficit		(4,110)	(2,601)
Total equity attributable to equity holders		**756**	**1,268**
Current liabilities			
Borrowings	7	4,243	4,374
Trade and other payables		1,134	1,046
Total current liabilities		**5,377**	**5,420**
Non-current liabilities			
Borrowings	7	2,736	772
Total non-current liabilities		**2,736**	**772**
Total equity and liabilities		**8,869**	**7,460**

Condensed Consolidated Statement of Changes in Equity

The unaudited condensed consolidated statement of changes in equity of the Group for the period from incorporation on 24 November 2014 to 30 June 2015 is set out below:

	Share capital £'000	Share Premium £'000	Other reserves £'000	Accumulated Deficit £'000	Total £'000
On incorporation on 24 November 2014	**-**	**-**	**-**	**-**	**-**
Loss for the period	-	-	-	(754)	(754)
Total comprehensive loss for the period	**-**	**-**	**-**	**(754)**	**(754)**
Transaction with owners					
Issue of shares	110	910	-	-	1,020
Total	**110**	**910**	**-**	**-**	**1,020**
As at 30 June 2015*	**110**	**910**	**-**	**(754)**	**266**

*Before the acquisition of the Starneth group of entities

The unaudited condensed consolidated statement of changes in equity of the Group from 1 January 2016 to 30 June 2016 is set out below:

	Share capital £'000	Share Premium £'000	Other reserves £'000	Accumulated Deficit £'000	Total £'000
On 1 January 2016	**133**	**2,080**	**1,656**	**(2,601)**	**1,268**
Loss for the period	-	-	-	(1,509)	(1,509)
Other comprehensive loss	-	-	(20)	-	(20)
Total comprehensive loss for the period	**-**	**-**	**(20)**	**(1,509)**	**(1,529)**
Transaction with owners					
Issue of shares	16	428	-	-	444
Issue of options	-	-	5	-	5
Equity component convertible notes	-	-	569	-	569
Total	**16**	**428**	**574**	**-**	**1,018**
As at 30 June 2016	**149**	**2,508**	**2,210**	**(4,110)**	**756**

Share capital comprises the Common Shares issued by the Company.
Accumulated deficit represents the aggregate retained losses of the Company since incorporation.
Other reserves represent the shares to be issued, the share options reserve as well as gains and losses on translation of foreign subsidiaries.

Condensed Consolidated Statement of Cash Flows

The condensed consolidated cash flow statement of the Group from 1 January 2016 to 30 June 2016 is set out below:

	Period ended 30 June 2016 unaudited £'000	**Period ended 30 June 2015* unaudited £'000**
Net cash used in operating activities		
Loss for the period before taxation	(1,509)	(754)
Depreciation and amortisation	39	-
Share option charge	5	-
Finance cost	521	-
Operating cash flows before movements in working capital	**(944)**	**(754)**
Increase in receivables	(508)	(5)
Increase in accounts payable and accrued liabilities	88	263
Net cash used in operating activities	**(1,364)**	**(496)**
Investment in property, plant and equipment	(16)	-
Investment in available for sale financial asset	(805)	(1,976)
Net cash outflow from investing activities	**(821)**	**(1,976)**
Issue of ordinary shares net of issue costs	-	1,020
Issue of convertible loan notes net of issue costs	2,402	2,532
Finance Cost	(108)	-
Net cash inflow from financing activities	**2,294**	**3,552**
Net increase in cash and cash equivalents	**109**	**1,080**
Cash and cash equivalent at beginning of period	325	-
Cash and cash equivalent at end of period	**434**	**1,080**

*Before the acquisition of the Starneth group of entities

Notes to the Condensed Consolidated Interim Report

1. GENERAL INFORMATION

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

Following completion of the acquisition of Starneth (the "Acquisition") Challenger became the holding company of the Starneth Group through which it owns and operates a business specialising in the design and engineering of giant observation wheels and structures. In addition, the Company has an investment of US$4m in New York Wheel Investor LLC, a company that was set up to fund the equity component for the project to build a New York Wheel which includes an approximate 630 foot high observation wheel with 36 capsules, a 68,000 square foot terminal and retail building, and a 950 space parking garage. Subsequent to the half year reporting date, the investment in New York Wheel Investor LLC was reduced to US$ 3m.

The comparatives given relate to period ended 30 June 2015 for all Profit and Loss related items and to the annual report for the period ended 31 December 2015 for all Balance Sheet related items. The comparatives relating to the period ended 30 June 2015 are before the Acquisition of the Starneth group of entities.

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

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

2. BASIS OF PREPARATION

The interim condensed unaudited financial statements for the period ended 30 June 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the group's financial position and performance since the last annual consolidated financial statements as at the year ended 31 December 2015. The results for the period ended 30 June 2016 are unaudited.

The condensed unaudited consolidated financial statements for the period ended 30 June 2016 have adopted accounting policies consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Significant estimates and judgements

The areas involving significant estimates or judgements are:

- Going concern

  At 30 June 2016 the group had net current liabilities of £4,244k. The Interim Report has been prepared on the basis that the Group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. The assessment has been made based on the Group's economic prospects which have been included in the financial budget for the forthcoming twelve months and for managing their working capital requirements. In assessing whether the going concern assumption is appropriate, management takes into account all available information for the foreseeable future, in particular for the twelve months from the date of approval of the financial statements. Should the company be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their reasonable amounts, to provide for further liabilities which might arise, and to classify fixed assets as current.

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

  The Group finances its current working capital through the work on the New York Wheel project and the issue of convertible loan notes.

As a consequence, the directors are confident that they will be able to raise the required funds and/or manage the level of expenditure for the foreseeable future.

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

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. BUSINESS SEGMENTS

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

All revenues are generated from customers that are external to the Group.

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

Period ended 30 June 2016	Engineering £'000	Investments £'000	Corporate Center £'000	Total £'000
Revenue	2,029	-	-	2,029
Operating loss	(564)	-	(424)	(988)
Finance cost	(10)	(196)	(315)	(521)
Depreciation	(39)	-	-	(39)
Taxation	-	-	-	-
Carrying amount of assets	1,215	2,781	4,873	8,869
Carrying amount of liabilities	1,226	2,781	4,674	8,681

Period ended 30 June 2015*	Engineering £'000	Investments £'000	Corporate Center £'000	Total £'000
Operating loss	-	-	(687)	(687)
Finance cost	-	(44)	(24)	(68)
Depreciation	-	-	-	-
Taxation	-	-	-	-
Carrying amount of assets	-	1,976	1,085	3,061
Carrying amount of liabilities	-	1,976	819	2,795

*Before the acquisition of the Starneth group of entities

5. SHARE CAPITAL

Issued and fully paid	Number of shares	Share capital £'000	Share premium £'000	Total £'000
Issued on incorporation	1	-	-	-
Issue of shares	9,365,581	133	2,080	2,213
Sub division of shares	3,960,099	-	-	-
At 31 December 2015	13,325,681	133	2,080	2,213
Issue of shares	1,552,087	16	428	444
At 30 June 2016	14,877,768	149	2,508	2,657

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

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

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

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

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

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

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

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

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

On 7 January 2016, 230,034 shares were issued as consideration for interests on the Convertible Notes outstanding.

On 21 March 2016, 711,646 shares have been issued for the conversion of convertible notes into shares. 694,610 shares have been for the conversion of £ 172,200 and 17,036 shares have been for the accrued interest until the conversion date.

On 13 April 2016, 277,061 shares were issued as consideration for interests on the Convertible Notes outstanding. On the same day 332,792 shares were issued for the conversion of £ 83,198 loan notes into shares. For the accrued interest of £ 138.08 on the conversion amount 554 shares were issued.

On 30 June 2016, the number of Ordinary Shares authorised for issue was unlimited. All Ordinary Shares have equal voting rights and rank equally on a winding up.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Available for sale financial asset £'000
Cost	
At 31 December 2015	1,976
Additions	805
At 31 December 2015	2,781

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

On 29 January 2016, the Company has signed an agreement to invest a further US$1.0 million for one additional common unit of shares in New York Wheel Investor LLC. The investment was done into an escrow account, pending the completion of a financing round of New York Wheel Investor LLC.

On 20 July 2016, the Company has received $ 1 million from New York Wheel Investor LLC. These funds, raised by Challenger in January 2016, were held in escrow by New York Wheel Investor LLC until final funding arrangements for completion of the New York Wheel Project were in place. Challenger has been informed by New York Wheel Investor LLC that it has now received sufficient funding commitments from its sponsoring investors and therefore does not require these funds. As a result $ 1 million were returned to the Company.

7. Borrowings

	30 June 2016	31 December 2015
Current	**£'000**	**£'000**
Convertible notes	2,832	3,012
Deferred cash consideration	1,029	865
Borrowings	382	497
	4,243	4,374
Non-current		
Convertible notes	1,817	-
Deferred cash consideration	919	772
	2,736	772

Between 6 May 2015 and 30 July 2015, the Company issued £3,067,200 of convertible notes. The notes are unlisted, unsecured, transferable and convertible with a twelve month maturity date. Interest is accrued at 12% per annum and payable quarterly, or upon conversion, in cash or in Ordinary Shares at the Company's discretion. The notes can be converted into Ordinary Shares at a price per Ordinary Share equal to the lower of £0.50 and 7.5% discount to the prevailing market price, defined as the average of the lowest three volume weighted average prices as quoted by Bloomberg for the period of 10 trading days prior to the conversion date. Provided that if the volume weighted average price is at any time less than £0.25 for three consecutive trading days, then the noteholder is unable to convert for a period of 30 calendar days, without the consent of the Company. The requirement of consent applies only on the first such occasion. The maximum amount of notes that may be converted in any 30-day period by a noteholder is 10% of the total amount of any notes subscribed by that noteholder. The Company can redeem the notes at a 10% premium anytime the market price is lower than £0.50. On 26 April 2016 the Noteholders agreed to an extension of the Convertible Note for 12 month. Prior to the extension noteholders converted £ 255,398 notes into 1,045,352 Ordinary shares of the company, including £ 4k of accrued interest. The average share price in these conversions was £ 0.25.

On 15 July 2015 the company acquired the Starneth Group. Part of the purchase price were two deferred cash payments. The payments are in equal amounts of EUR 1,250,000 and payable at the first and second anniversary of the transaction. Accordingly these were recorded under current and non-current liabilities respectively. Based on the convertible notes issued in 2015, an interest rate of 12% was used to discount the tranches for the initial recognition. The amounts recognized in the transaction were EUR 1,116k (£ 796k) for the first tranche and EUR 996k (£ 711k) for the second tranche. Interest expenses recorded on both tranches in 2015 were EUR 117k (£ 86k). In the first six month of 2016 the interest expenses recorded for both tranches amounted to EUR 127k (£ 105k).

On 31 December 2015, the Group entered into a loan agreement with Starneth LLC over an amount of $ 740k (£ 497k). On 30 June 2016 the remaining loan amount was $ 513k (£ 382k). The interest rate for this loan is 5% and the duration is 1 year.

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 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%.

On 2 March 2016 the Company issued another convertible note with a volume of £0.5 million. The notes are unlisted, secured, transferable and convertible. Maturity date is 2 March 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 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.

On 24 April 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 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 has been recognised as an equity component in the share option reserve, using a discount rate of 12%.

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.

The convertible notes, where no equity component has been described above, have 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.

8. LOSS PER SHARE

The calculation for loss per share (basic and diluted) for the relevant period is based on the loss after income tax attributable to equity holder for the period from 31 December 2015 to 30 June 2016 and is as follows:

Loss attributable to equity holders (£)	(1,508,860)
Weighted average number of shares	14,203,395
Loss per share basic (£)	(0.11)

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.

9. RELATED PARTY TRANSACTIONS

During the period the Group invoiced Starneth LLC, a company controlled by Chiel Smits, €2,584k for sub-contracting services provided.

On 31 December 2015, the Group entered into a loan agreement with Starneth LLC over an amount of $ 740k (£ 497k). At 30 June 2016 the remaining loan amount was $ 513k (£ 382k). The interest rate for this loan is 5% and the duration is 1 year.

10. SUBSEQUENT EVENTS

On 13 July 2016, the Company issued 463,597 Ordinary Shares to the holders of its convertible loan notes in payment of £ 103k of interest due in the period ending 30 June 2016.

On 20 July 2016 the Company has received $ 1 million from New York Wheel Investor LLC. These funds, raised by Challenger in January 2016, were held in escrow by NYWI until final funding arrangements for completion of the New York Wheel Project were in place. Challenger has been informed by NYWI that it has now received sufficient funding commitments from its sponsoring investors and therefore does not require these funds. As a result $ 1 million were returned to the Company.

On 20 July 2016 the Company has issued 460,824 Ordinary Shares in respect of the conversion of £ 91,243 of the Convertible Loan Notes due 2017 (as extended in 2016).

On 20 July 2016 the Company has issued 1,100,000 Ordinary Shares in relation to the second tranche of Consideration Shares for the acquisition of the Starneth Group of entities.

On 23 August 2016, the Company informed that the payment of €1.25 million to the Sellers of the Starneth Group of entities, that was due on 15 July 2016, will now be paid on the earlier of the financial closing of the Jakarta project or 50% of the balance on 15 January 2017 and the remaining 50% of the balance on 15 April 2017. The Payment accrues interest of 5% from 16 July 2016 and is secured by one common equity unit of New York Wheel Investor LLC held by Challenger until the entire cash payment has been made.

On 25 August 2016, the Company announced that the United States District Court, Southern District of New York had dismissed the claim brought forward by Madison Capital Markets LLC.