**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document or the action you should take, you are recommended to seek your own financial advice immediately from an appropriately authorised stockbroker, bank manager, solicitor, accountant or other independent financial adviser who, if you are taking advice in the United Kingdom, is duly authorised under the Financial Services and Markets Act 2000 ("FSMA").**

This Document comprises a prospectus relating to Challenger Acquisitions Limited (the "Company" or "CAL") prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "FCA") made under section 73A of FSMA and approved by the FCA under section 87A of FSMA. This Document has been filed with the FCA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

The listing of the Ordinary Shares on the Official List was suspended on 26 May 2015 following the announcement by the Company of the investment (the "Investment") and the proposed acquisition (the "Acquisition") (as defined herein) which individually and collectively constituted a Reverse Takeover. It is expected that, in accordance with the listing rules published by the UKLA under section 73A of FSMA as amended from time to time (the "Listing Rules"), the UK Listing Authority will cancel the existing listing in the Ordinary Shares immediately before 8.00 a.m. on 8 December 2015. Applications have been made to the UK Listing Authority for all of the issued ordinary shares in the Company (the "Issued Share Capital"), to be admitted to the Official List of the UK Listing Authority (the "Official List") (by way of a standard listing under Chapter 14 of the Listing Rules) and to the London Stock Exchange plc (the "London Stock Exchange") to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that admission of the Issued Share Capital will become effective, and that unconditional dealings in the Ordinary Shares will commence, at 8.00 a.m. on 8 December 2015. Applications for the 1,100,000 Ordinary Shares constituting the second tranche of the ordinary shares to be issued on or around 15 July 2016 (the "Second Tranche of Consideration Shares") to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities will be made in due course. It is expected that admission of the Second Tranche of Consideration Shares will become effective, and that unconditional dealings in such Ordinary Shares will commence, at 8.00 a.m. on or around 15 July 2016.

**THE WHOLE OF THE TEXT OF THIS DOCUMENT SHOULD BE READ BY PROSPECTIVE INVESTORS. YOUR ATTENTION IS SPECIFICALLY DRAWN TO THE DISCUSSION OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE ORDINARY SHARES AS SET OUT IN THE SECTION ENTITLED "RISK FACTORS" BEGINNING ON PAGE 16 OF THIS DOCUMENT.**

The Directors, whose names appear on page 35 and the Company accept responsibility for the information contained in this Document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and contains no omission likely to affect its import.

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# Challenger Acquisitions Limited

*(Incorporated in Guernsey with Registered No. 59383)*

CHALLENGER

## Investment in the New York Wheel Project, Acquisition of the Starneth Group and Admission of the Issued Share Capital and the admission of the Second Tranche of Consideration Shares to the Official List (by way of Standard Listing under Chapter 14 of the Listing Rules) and to trading on the London Stock Exchange's main market for listed securities

BEAUMONT CORNISH Limited

**Financial Adviser**

**Issued ordinary share capital immediately following Admission**

| | Number | Amount |
|---|---|---|
| **Ordinary Shares of £0.01** | **13,325,681** | **£133,256.81** |

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Beaumont Cornish Limited ("**Beaumont Cornish**"), which is authorised and regulated by the Financial Conduct Authority in the conduct of investment business, is acting exclusively for Challenger Acquisitions Limited and for no-one else in connection with the Acquisition and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Beaumont Cornish or for providing advice in relation to the contents of this Document or any matter referred to in it.

Beaumont Cornish is not making any representation, express or implied, as to the contents of this Document, for which CAL and the Directors are solely responsible. Without limiting the statutory rights of any person to whom this Document is issued, no liability whatsoever is accepted by Beaumont Cornish for the accuracy of any information or opinions contained in this Document or for any omission of information, for which CAL and the Directors are solely responsible. The information contained in this Document has been prepared solely for the purpose of the Admission and is not intended to be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

The Issued Share Capital and the Second Tranche of Consideration Shares when issued will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares in issue on admission.

This Document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer or invitation to buy or subscribe for, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company.

The Ordinary Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction of the United States or under applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered, sold, resold, transferred or distributed directly or indirectly, within, into or in the United States or to or for the account or benefit of persons in the United States, Australia, Canada, Japan or any other jurisdiction where such offer or sale would violate the relevant securities laws of such jurisdiction. This document does not constitute an offer to sell or a solicitation of an offer to purchase or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company. The Ordinary Shares may not be taken up, offered, sold, resold, transferred or distributed, directly or indirectly within, into or in the United States except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the Securities Act. There will be no public offer in the United States.

The distribution of this Document in or into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possessions this Document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

*None of the Ordinary Shares have been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed comment upon or endorsed the merit of the offer of the Ordinary Shares or the accuracy or the adequacy of this Document. Any representation to the contrary is a criminal offence in the United States.*

**Application has been made for the Ordinary Shares to be admitted to a Standard Listing on the Official List. A Standard Listing will afford investors in the Company a lower level of regulatory protection than that afforded to investors in companies with Premium Listings on the Official List, which are subject to additional obligations under the Listing Rules.**

**It should be noted that the UK Listing Authority will not have authority to (and will not) monitor the Company's compliance with any of the Listing Rules and/or any provision of the Model Code which the Company has indicated herein that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company to so comply.**

**This Document is dated 2 December 2015.**

## CONTENTS

## SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A-E (A.1-E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

| SECTION A – INTRODUCTION AND WARNINGS | | |
|---|---|---|
| **A.1** | **Warning to investors** | This summary should be read as an introduction to this Document.<br>Any decision to invest in the Ordinary Shares should be based on consideration of this Document as a whole by the investor.<br>Where a claim relating to the information contained in this Document is brought before a court the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this Document before legal proceedings are initiated.<br>Civil liability attaches only to those persons who have tabled this summary including any translation thereof but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Document or it does not provide, when read together with the other parts of this Document, key information in order to aid investors when considering whether to invest in such securities. |
| **A.2** | **Consent for intermediaries** | Not applicable; this is not a public offer of securities and consent will not be given by the Company for the use of this Document for subsequent resale or final placement of securities by financial intermediaries. |

| SECTION B – ISSUER | | |
|---|---|---|
| **B.1** | **Legal and commercial name** | The legal and commercial name of the issuer is Challenger Acquisitions Limited ("Challenger", the "Company", and including its subsidiaries and subsidiary undertakings, the "Group"). |
| **B.2** | **Domicile / Legal form / Legislation / Country of incorporation** | The Company was incorporated with limited liability under the laws of Guernsey on 24 November 2014 with registered number 59383 as a company limited by shares under the Companies (Guernsey) Law, 2008, as amended (the "Act"), and is subject to the UK City Code on Takeovers and Mergers (the "City Code"). |
| **B.3** | **Current operations / Principal activities and markets** | The ordinary shares of £0.01 each (the "Ordinary Shares") of the Company were admitted to the Official List by way of a Standard Listing and to trading on the London Stock Exchange's main market for listed securities on 19 February 2015, simultaneously with which the Company raised approximately £1.1m before expenses through the Subscription. The Company was formed to undertake one or more acquisitions of target companies in the entertainment and leisure |

| | | |
|---|---|---|
| | | sectors with a particular focus on the attractions sector.<br><br>Following completion of the acquisition of Starneth (the "Acquisition") Challenger is now the holding company of the Starneth Group through which it owns and operates a business specialising in the design and engineering of giant observation wheels and structures. In addition, the Company has an investment of US$3m (the "Investment") representing a 2.463 per cent. interest 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 (the "New York Wheel Project") which includes an approximate 630 foot high observation wheel with 36 capsules, a 70,000 square foot terminal and retail building, and a 950 space parking garage.<br><br>The Starneth Group is currently engaged on two principal projects:<br><br>(i) Providing technical and support services to Starneth LLC in relation to the New York Wheel Project.<br><br>In accordance with the Collaboration Agreement entered into between Starneth LLC, a company that was excluded from the Acquisition, and Starneth America LLC, a subsidiary of the Company, Starneth America LLC provides support and project management services to Starneth LLC as well as technical expertise on the procurement of certain key items such as the drive system and the capsules with respect to the New York Wheel Project.<br><br>(ii) Turnkey project for a 125 metres tall observation wheel to be built in Jakarta (the "Southeast Asia Wheel").<br><br>Although the proposed land site and construction funding have not been secured, Starneth has signed an initial project contract for turnkey project management services for the design, procurement, fabrication, assembly erection and commissioning of the Southeast Asia Wheel. The material terms of this initial project contract may have to change in order to facilitate the project moving forward and the Company's intention is to confirm the financial and other terms of this contract, including the location of the site, when funding arrangements are in place and Starneth has received its first payment.<br><br>The Group's focus is to work with local developers on the approximately 25 opportunities in the project pipeline developed by the Starneth Group. At present negotiations continue on two turnkey project management services contracts, both similar to the initial project contract signed on the Southeast Asia Wheel, the first one being for a giant observation wheel in another city in Southeast Asia and the second one for a giant observation wheel in Europe. In addition, Starneth recently began discussions with developers of giant observation wheels in the Americas.<br><br>As far as the Company is aware, the Starneth Group is the only provider that covers giant observation wheels on a lump sum turnkey basis operating in the attractions sector. It is the Group's aim to become the leader not only in design and construction of giant observation wheels and structures but also in providing financing for projects and operating giant observation wheels globally. As such, the Company would be a unique player. However it is always possible that new competitors enter this sector or that independent companies join forces to offer a similar range of products at a lower cost or a superior products at a similar price. |

<table>
<tr><td>B.4a</td><td>Significant trends</td><td>On 24 May 2015 the Company signed a letter of intent to acquire the principal operating business of the Starneth Group, a group specialising in the design and engineering of giant observation wheels and structures. Following satisfactory completion of due diligence and approval by Challenger’s board, the Acquisition completed on 15 July 2015.<br><br>On 26 May 2015 the Company announced its participation as an investor in the New York Wheel Project. Challenger has invested a total of US$3m for a 2.463 per cent. interest in New York Wheel Investor LLC, the company setup to fund the equity component for the New York Wheel Project. In order to acquire the Investment Challenger became a party to the New York Wheel Subscription Agreement dated April 10, 2015.<br><br>The Board believes that there can be significant returns generated from the design and engineering of giant observation wheels and structures worldwide, which are in demand since the opening of the London Eye in 2000 made it a very popular tourist attraction.<br><br>The Starneth Group’s executives do not foresee the total market size higher than 8-12 iconic-type projects over the next 10 years. However, the Board believes that this market represents a potential value of at least US$1 billion.</td></tr>
<tr><td>B.5</td><td>Group structure</td><td>The Company is and will following Admission be the holding company of the Starneth Group, the principal activity of which is the design and engineering of giant observation wheels and structures. The Group includes the following principal subsidiaries:<br><br>Starneth Europe B.V. which holds the Group’s employees and operations in the Netherlands and directly and wholly owns its only subsidiary Banka B.V.<br><br>Starneth Holding B.V. which along with its subsidiaries; SME Engineering Services JLT, Starneth America LLC and Starneth Pte Ltd are the Group’s principal operating companies for all areas outside the Netherlands. The three trading subsidiaries are directly and wholly owned by Starneth Holding B.V. which has also various interests in three other companies set up for future projects.<br><br>Challenger Holdings (NY) Limited is currently inactive but directly and wholly owned by the Company.</td></tr>
<tr><td>B.6</td><td>Major shareholders</td><td>Insofar as the Company is aware, as at 1 December 2015, being the latest practicable date prior to the publication of this Document, the Shareholders identified below had a notifiable, direct or indirect, interest in the Company’s capital or voting rights:<br><br>
<table>
<tr><th>Shareholder</th><th>Number of Ordinary Shares</th><th>Percentage of Issued Share Capital on Admission</th></tr>
<tr><td>Founder</td><td>3,700,100</td><td>27.77%</td></tr>
<tr><td>YA Global Master SPV Ltd*</td><td>1,330,730</td><td>9.99%</td></tr>
<tr><td>Smits International B. V.**</td><td>880,000</td><td>6.60%</td></tr>
<tr><td>Quadrum Strategic AG***</td><td>870,000</td><td>6.53%</td></tr>
</table>
* YA Global Master SPV Ltd holds £1,100,000 in nominal amount of the convertible notes which are convertible into Ordinary Shares on the terms described in paragraph 24.2 of Part VIII of this Document (the “Convertible Notes”).</td></tr>
</table>

| | | |
|---|---|---|
| | | **Smits International B.V. is the family holding company of Chiel Smits, CEO of Starneth<br>***Quadrum Strategic provides capital market and other services on the terms described in paragraph 24.4 in Part VIII of this Document.<br><br>On Admission, such Shareholders will not have special voting rights and the Ordinary Shares owned by it will rank *pari passu* in all respects with other Ordinary Shares.<br><br>The Company is not aware of any person who, either as at the date of this Document or immediately following the Admission, exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company. |
| **B.7** | **Selected historical key financial information** | This Document contains historical financial information of the Company and the Pre-Acquisition Starneth Group along with pro forma financial information for the Group.<br><br>*The Company*<br><br>The Company was incorporated on 24 November 2014 and was admitted to the standard segment of the Official List and to trading on the London Stock Exchange's main market on 19 February 2015. Between the date of incorporation and 31 March 2015, the significant changes to the Company's financial condition comprised the raising £1.1m pursuant to the Subscription. In the first audited accounting period since its incorporation to 31 March 2015, the Company recorded a loss before tax of £285,652 and as at that date, had net assets of £734,349. During the six-month interim period ended 30 June 2015, the Company recorded a loss before tax of £754,331 and as at that date, had net assets of £265,670. Between 31 March 2015 and 30 June 2015, the Company raised £2,532,200 by issuing the Convertible Notes and completed the Investment. There have been no other significant changes to the Company's financial condition and operating results during the six month ended 30 June 2015.<br><br>As at 30 June 2015, the Company's unaudited balance sheet was as follows: |

| | **Unaudited as at 30 June 2015** |
|---|---|
| **Assets** | **£** |
| Available-for-sale financial assets | 1,976,400 |
| **Total non-current assets** | **1,976,400** |
| | |
| Cash and cash equivalents | 1,079,621 |
| Prepaid expenses | 4,500 |
| **Total current assets** | **1,084,121** |
| **Total assets** | **3,060,521** |
| | |
| **Equity and liabilities** | |
| Share capital | 110,001 |
| Share premium | 910,000 |
| Accumulated deficit | (754,331) |
| **Total equity attributable to equity holders** | **265,670** |
| | |
| Borrowings | 2,531,617 |
| Accounts payable and accrued liabilities | 263,234 |
| **Total current liabilities** | **2,794,851** |
| | |
| **Total equity and liabilities** | **3,060,521** |

Subsequent to 30 June 2015, the Company issued a further £535,000 of

Convertible Notes.

On 3 July 2015, the Company issued 109,789 Ordinary Shares at a price of £0.37 per Ordinary Share, to the holders of the Convertible Notes in payment of £40,622 of interest due for the period ending 30 June 2015.

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

On 15 July 2015, the Company completed the Acquisition.

On 28 July 2015, the Company issued 630,000 Ordinary Shares at a price of £0.40 per Ordinary Share, as a fee to the introducer of the Starneth Acquisition.

On 29 July 2015, options to acquire 615,000 Ordinary Shares were granted to employees and consultants of the Company. These options have an exercise price of £0.40 and are exercisable in the following tranches; 25 per cent. as from the date of grant and 25 per cent. every twelve months thereafter. They cannot be exercised after the 5th anniversary of grant.

On 10 September 2015, options to acquire 730,000 Ordinary Shares were granted to the Directors of the Company. These options have an exercise price of £0.40 and are exercisable in the following trances; 25 per cent. as from the date of grant, and 25 per cent. every twelve months thereafter. These options cannot be exercised after the 5th anniversary of grant.

On 6 October 2015, the Company issued 235,792 Ordinary Shares at a price of £0.37 per Ordinary Share, to the holders of the Convertible Notes in payment of interest to 30 September 2015.

On 16 October 2015, the Company issued 10,000 Ordinary Shares pursuant to exercise of 10,000 options at a price of £0.40 by an employee.

*The Pre-Acquisition Starneth Group*

The tables below set out audited summary financial information of the Pre-Acquisition Starneth Group as of and for the years ended 31 December 2012, 2013 and 2014 as extracted from the historical financial information of the Pre-Acquisition Starneth Group set out in Part IV (D) of this Document and the unaudited interim financial information of the Pre-Acquisition Starneth Group as of and for the 6-month period ended 30 June 2015 as extracted from the historical financial information of the Pre-Acquisition Starneth Group set out in Part IV (F) of this Document.

| | **Audited year ended 31 December 2012** | **Audited year ended 31 December 2013** | **Audited year ended 31 December 2014** | **Unaudited 6 months ended 30 June 2015** |
|---|---|---|---|---|
| **Continuing operations** | **€'000** | **€'000** | **€'000** | **'€'000** |
| **Revenue** | 60 | 4,393 | 11,420 | 5,980 |
| Cost of sales | - | (3,059) | (7,291) | (2,588) |
| **Gross profit** | 60 | 1,334 | 4,129 | 3,392 |
| Administrative expenses | (87) | (1,284) | (3,043) | (1,754) |
| **Operating (loss)/profit** | (27) | 50 | 1,086 | 1,638 |
| Finance income | - | 3 | 29 | 22 |

| | | | | |
|---|---|---|---|---|
| Finance costs | - | (51) | (6) | (13) |
| **(Loss)/profit on ordinary activities before taxation** | (27) | 2 | 1,109 | 1,647 |
| Income tax expense | - | - | - | - |
| **(Loss)/profit after taxation** | **(27)** | **2** | **1,109** | **1,647** |
| Other comprehensive income | - | - | (1) | (7) |
| **Total comprehensive (loss)/income attributable to equity shareholders of the Pre-Acquisition Starneth Group** | **(27)** | **2** | **1,108** | **1,640** |
| *Pro forma loss/earnings per share attributable to owners of the Parent:* | | | | |
| Basic and diluted (cents) | (0.21) | 0.02 | 8.48 | 12.59 |

| | **Audited as at 31 December 2012 €'000** | **Audited as at 31 December 2013 €'000** | **Audited as at 31 December 2014 €'000** | **Unaudited as at 30 June 2015 €'000** |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | - | 124 | 97 | 83 |
| Property and equipment | 10 | 285 | 247 | 215 |
| | 10 | 409 | 344 | 298 |
| **Current assets** | | | | |
| Trade and other receivables | 1 | 906 | 312 | 1,646 |
| Cash and bank balances | 12 | 402 | 737 | 710 |
| | 13 | 1,308 | 1,049 | 2,356 |
| **Total Assets** | **23** | **1,717** | **1,393** | **2,654** |
| **Equity and liabilities** | | | | |
| Share capital | 18 | 69 | 65 | 65 |
| Translation reserve | - | - | (1) | (8) |
| Accumulated deficit | (160) | (158) | (224) | 1,423 |
| **Equity** | (142) | (89) | (160) | 1,480 |
| **Current liabilities** | | | | |
| Trade and other payables | 165 | 1,806 | 1,553 | 1,174 |
| | 165 | 1,806 | 1,553 | 1,174 |
| **Total equity and liabilities** | **23** | **1,717** | **1,393** | **2,654** |

There have been no significant changes to the Starneth Group's financial condition and operating results during the period covered by the key financial information set out above.

Subsequent to 30 June 2015, a corporate restructuring took place which resulted in Starneth Holding B.V. becoming the legal parent of the group

| | | |
|---|---|---|
| | | as well as a demerger under Dutch law of Starneth B.V. into two entities being Starneth B.V. and its newly incorporated subsidiary Starneth Europe B.V. Starneth Europe B.V. continues the trade of Starneth B.V. (excluding the contingent gains and liabilities relating to the Dubai-I arbitration) and forms part of the Group, whereas Starneth B.V., with which contingent gains and liabilities relating to the Dubai-I remain, stays outside the Group. A new entity, Starneth America LLC, was created to join the Group. Starneth America LLC will pursue all new projects in North America, Latin America and South America. Starneth LLC, one of the subsidiaries of pre-acquisition Starneth Holding B.V. remains outside of the Group. |
| **B.8** | **Selected key pro forma financial information** | The unaudited pro forma financial information has been prepared to illustrate the impact of (i) the Admission, (ii) the issue of the £535,000 Convertible Notes, (iii) and the €7,200,000 acquisition of the Starneth Group on the net assets of the Company as if they had taken place on 30 June 2015 and on earnings as if the Acquisition had taken place on the first day of that financial period.<br><br>The unaudited pro forma net asset and income statements have been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Rules and should be read in conjunction with the notes to the pro formas. By their nature, they address a hypothetical situation and, therefore, do not represent the Group's actual financial position or results nor are they indicative of the results that may, or may not, be expected to be achieved in the future.<br><br>If the Acquisition had taken place on 30 June 2015 (being the date as at which the unaudited financial information contained in Part IV (C) of this Document ("Unaudited Interim Financial Information of the Company") is presented), the net assets of the Company as at 30 June 2015 would have been higher by £409,000 whilst the unaudited consolidated pro forma loss before tax for the 6-month period ended 30 June 2015 would have amounted to £208,000. |
| **B.9** | **Profit forecasts or estimates** | Not applicable; no profit forecast or estimate is made. |
| **B.10** | **Qualified audit report** | Not applicable; there are no qualifications in the accountant's report on the historical financial information. |
| **B.11** | **Working capital explanation** | The Company is of the opinion that the working capital available to the Group is, for at least the next twelve months from the date of this Document, sufficient for its present requirements. |

| **SECTION C – SECURITIES** | | |
|---|---|---|
| **C.1** | **Description of the type and the class of the securities being offered** | The securities subject to admission are the Issued Share Capital as well as the Second Tranche of Consideration Shares all being Ordinary Shares of £0.01 each which together will be registered with ISIN number GG00BV0LCK35 and SEDOL number BV0LCK3. |
| **C.2** | **Currency of the securities issue** | The Ordinary Shares are denominated in UK Sterling. |
| **C.3** | **Issued share capital** | As at the date of this Document there are 13,325,681 Ordinary Shares of £0.01 each in issue and fully paid. |
| **C.4** | **Rights attaching to the securities** | All Ordinary Shares in issue rank in full for all dividends and other distributions thereafter declared, made or paid on the share capital of the Company. |

| | | |
|---|---|---|
| | | Each Ordinary Share confers the right to receive notice of and attend all meetings of Shareholders. Each holder of Ordinary Shares present at a general meeting in person or by proxy or by its authorised corporate representative has one vote, and, on a poll, one vote for every Ordinary Share of which he is a holder.<br><br>The Company must hold an annual general meeting each year in addition to any other general meetings held in the year. The Directors can call a general meeting at any time. All members who are entitled to receive notice under the Articles must be given notice.<br><br>Subject to the Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board.<br><br>On a voluntary winding-up of the Company, the liquidator may, with the sanction of a special resolution of the Company and subject to the Act, having realised the Company's assets and discharged the Company's liabilities, divide amongst the Shareholders in specie the whole or any part of the assets of the Company, or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the member(s) as the liquidator shall determine. |
| **C.5** | **Restrictions on transferability** | None – all Ordinary Shares are freely transferable. |
| **C.6** | **Application for admission to trading on a regulated market** | As the Acquisition and the Investment are classified as a Reverse Takeover under the Listing Rules, it is expected that the listing on the standard listing segment of the Official List will be cancelled immediately before 8.00 a.m. on 8 December 2015, and applications have been made for the immediate admission of the Issued Share Capital to the Official List of the UKLA by means of a Standard Listing and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that unconditional dealings will commence on the London Stock Exchange at 8.00 a.m. on 8 December 2015. The Ordinary Shares will not be listed on any other regulated market.<br><br>Application for admission of the Second Tranche of Consideration Shares will be made in due course and it is expected that it will become effective, and that unconditional dealings in such Ordinary Shares will commence, at 8.00 a.m. on or around 15 July 2016. |
| **C.7** | **Dividend policy** | The objective of the Directors is the achievement of substantial capital growth. In the short term they do not intend to declare a dividend. |

| **SECTION D – RISKS** | | |
|---|---|---|
| **D.1** | **Key information on the key risks that are specific to the issuer or its industry** | ***Reliance on a small number of large contracts***<br><br>Engineering and design firms specialising on large projects are dependent on a small number of major contracts. The market for the giant observation wheels and structures is relatively small. Historically, there has been, on average, completion of an iconic-type wheel project approximately every 2.5 years and therefore the Group's revenues are highly dependent on a small number of large contracts. The lead time required for developers of these projects to secure a potential site can range anytime from two years to five years if there are no major disruptions in the process. Therefore the time and cost of this process |

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| | | could result in very few projects actually proceeding to the contractual phase, which increases the importance of each contract. The Group is currently relying on revenue from its Collaboration Agreement whilst awaiting official closure to securing site and funding for the turnkey project management services contract for the Southeast Asia Wheel, and at the same time, working on a pipeline of several other early stage projects. Whether and when any one of these large contracts is secured could materially affect the Group's ability to generate revenues and maintain its financial viability.<br><br>***Retaining and attracting highly skilled personnel***<br><br>The Group's ongoing success is dependent on the efforts and abilities of the key personnel responsible for the design and engineering of the components of the giant observation wheels, and the Group's ability to attract and retain such personnel. The Starneth Group's senior management has a track record in designing and engineering the major components on most of the large observation wheel projects to date and they are fundamental to the Group's success. The loss of the services of any senior manager, in particular where such individual possesses specialist knowledge or skills that are not easily replaceable, could have a material adverse effect on the Group's prospects, results of operations, business and financial condition.<br><br>***Changes in development costs on any turnkey project will impact the Group's profitability***<br><br>On any turnkey project a detailed work plan and cost estimates are made at the design stage and are therefore dependent upon approximations and assumptions which may prove to be inaccurate. There is therefore no guarantee that the cost estimates will be kept within the budget and that no unforeseen development costs such as increases in subcontractors' rates or higher costs of materials or procured items such as capsules and drive systems will arise. Should such unforeseen costs occur, since, on this type of turnkey project, the Group assumes responsibility for the development costs, the Group's margins may reduce, which could consequently have an adverse impact on the Group's returns from a project and subsequently on the Group's financial condition. On the other hand, any costs savings on materials and/or the negotiation of a discount with a subcontractor or in relation to procurement may increase the net profits from that project.<br><br>***Relationship with counterparties***<br><br>The Group's success in signing contracts and effectively developing giant observation wheel projects worldwide depends materially upon cooperation with its counterparties, such as land developers and their partners. The Company will attempt to ensure that its counterparties are reputable business partners, however no assurance can be given that the cooperation will prove successful and that the Group will fulfil its obligations under its contract. The failure to work cooperatively with counterparties, and the failure by the counterparties to perform their obligations, could negatively influence development and completion of any project, which would have an adverse effect on the Group's results of operations, business and financial condition.<br><br>***Commercial viability of existing and proposed giant observation wheel projects***<br><br>The existing and proposed giant observation wheel projects achieve commercial viability due to the location and attractiveness of the area as a place of interest where tourists visit. The iconic London Eye, which became operational in 2000, is a great example of the successful combination of the right location from a real estate perspective and the |

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| | | popularity of London as a tourist destination. Building a giant observation wheel in an inappropriate location with potential accessibility issues, height concerns, quality and safety of the area or similar, will have a direct impact on the number of visitors. Furthermore, building a giant observation wheel as the only or primary tourist attraction may also have an adverse impact on the number of visitors and/or the time it takes to generate a reasonable return from the project. The success or failure of existing and future giant observation wheels could have an adverse impact on the Group's ability to finance new projects.<br><br>***Additional capital contributions or dilution of interest in the Investment***<br><br>The construction contract for the New York Wheel provides for a guaranteed maximum construction price, but this price may be exceeded under certain circumstances, including by reason of change orders. If additional funds are required to pay construction costs, operating deficits or satisfy other cash needs or other funding obligations, such funds may not be available and in such event the project may be adversely affected. If such cash needs arise, the managing member, New York Wheel LLC, will have the right to call on the Company as a unit owner and other unit owners to contribute additional capital to the New York Wheel Project. If the Company fails to make such capital contribution and other unit owners or New York Wheel Investor LLC contribute the deficiency, such contribution would be treated as a loan to the Company bearing a compounded interest rate of 18 per cent. per annum until the loan is repaid by the Company or terminated, and any distributions that would otherwise be made to the Company, as the unit owner will be used to repay such loan and the interest thereon. In the event such loan together with interest is not repaid within 180 days, the managing member, would, at the request of a majority of the contributing unit owners, terminate the loan, the Company's interest in the Investment would be diluted by the amount of the loan together with accrued interest and the ownership percentages and capital accounts of the Company and the contributing unit owners would be adjusted accordingly. It is not possible to quantify at this stage what this potential dilution might be. However, any such dilution could affect the income that the Company might expect to receive from the Investment and/or any capital amount that it might derive from a potential future realisation of the Investment.<br><br>Should a situation arise where the Company is called upon to make further capital contributions towards the New York Wheel Project and it does not want to face dilution of its interest and/or take up a loan as described above, it will need to use the Group's cash resources, raise additional equity or incur additional debt to cover the costs of the additional contribution.<br><br>***Adverse occurrences***<br><br>Revenues may be adversely affected by serious incident, accident or an occurrence and this could materially adversely affect the Group's brands, the attractiveness of any offerings and ultimately the financial viability of the Group. Risks include both the adverse publicity of such incidents and the direct legal costs and fines which may be incurred. |
| **D.3** | **Key information on the key risks that are specific to the securities** | ***The Standard Listing of the Ordinary Shares will afford investors a lower level of regulatory protection than a Premium Listing***<br><br>A Standard Listing will not permit the Company to gain a FTSE indexation, which may have an adverse effect on the valuation of the Ordinary Shares.<br><br>***Dilution*** |

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| | | The Shareholders will experience dilution in their ownership and voting interest pursuant to the issue of the two further tranches of Consideration Shares to be issued on the first and second anniversary of closing as well as the shares which will be issued to the Vendors in accordance with the Acquisition Agreement as a variable component based on the future performance of the Starneth Group.<br><br>Furthermore, the Shareholders will experience further dilution when the Convertible Notes are converted into the Ordinary Shares and/or payments of accrued interests on the Convertible Notes are made in Ordinary Shares and/or any of the Options granted are exercised to purchase the Ordinary Shares. Moreover, the Company may issue additional shares in the future which may adversely affect the market price of the outstanding Ordinary Shares at that time.<br><br>***Fluctuation***<br><br>The Company's share price will fluctuate and may decline as a result of a number of factors, some of which are outside of the Company's control.<br><br>***Dividend payments on the Ordinary Shares are not guaranteed***<br><br>The ability of the Group to pay dividends on the Group's Ordinary Shares is a function of its profitability and the extent to which, as a matter of law, it will have available to it sufficient distributable reserves out of which any proposed dividend may be paid. The Group can give no assurances that it will be able to pay a dividend going forward. |

| **SECTION E – OFFER** | | |
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| **E.1** | **Total Net proceeds / expenses** | Not applicable; the Company is not offering any Ordinary Shares or any other securities in connection with the Admission and therefore the Company will not receive any proceeds. The estimated total expenses incurred or to be incurred in connection with the Acquisition, Investment and publication of this Document are £416,000. |
| **E.2a** | **Reasons for the offer and use of proceeds** | Not applicable. |
| **E.3** | **Terms and conditions of the offer** | Not applicable. |
| **E.4** | **Material interests** | Not applicable. |
| **E.5** | **Selling shareholders / lock-up agreements** | Not applicable; no person or entity is offering to sell the relevant securities.<br><br>Each of the Directors has agreed that he shall not, for a period of 12 months from 19 February 2015, the date on which the Ordinary Shares were first admitted to the Official List and trading on the London Stock Exchange's main market for listed securities, without the prior written consent of the Company and Beaumont, dispose of any Ordinary Shares he holds.<br><br>Each of the Vendors has agreed that it shall not, for a period of 36 months from 15 July 2015, the date of the Share Purchase Agreement and completion of the Acquisition, without the prior written consent of the Company, dispose of any Ordinary Shares it holds. |
| **E.6** | **Dilution** | The issue of the further two fixed tranches of the Consideration Shares |

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| | | constituting the Second Tranche of Consideration Shares due to be issued on or around 15 July 2016 and the Third Tranche of Consideration Shares due to be issued on or around 15 July 2017 being the first and second anniversary of the completion of the Acquisition and totalling 2,200,000 new Ordinary Shares as well as the shares that will be issued to the Vendors in accordance with the Acquisition Agreement as a variable component based on the future performance of the Starneth Group will dilute the interest of Shareholders. The issue of the Second and Third Tranche of Consideration Shares will represent 14.17 per cent. of the Issued Share Capital on Admission diluted by the issue of those shares. The variable component amount cannot be determined at this time but it is likely to further dilute the interest of Shareholders.<br><br>Furthermore, it should be noted that the Shareholders' interest will be further diluted at the time holders of Convertible Notes elect to convert their Notes into Ordinary Shares of the Company and/or when the Ordinary Shares are issued in payment of interest accrued quarterly on the Convertible Notes. It is expected that 6,134,400 new Ordinary Shares in the Company may be issued, representing 31.52 per cent. of the Issued Share Capital on Admission further diluted by the issue of those shares only, assuming the full nominal amount of £3,067,200 of Convertible Notes is converted into Ordinary Shares at the fixed conversion price of 50p on maturity. The number of further new shares that may be issued in payment of accrued interest cannot be determined at this time.<br><br>Assuming the 2,200,000 and 6,134,400 new Ordinary Shares described above are issued, the combined amount would represent 38.48 per cent. of the fully diluted issued share capital. |
| **E.7** | **Expenses charged to investors** | Not applicable; no expenses will be charged to investors. |

# RISK FACTORS

*Investment in the Company and the Ordinary Shares carries a significant degree of risk, including risks in relation to the Company's business strategy, potential conflicts of interest, risks relating to taxation and risks relating to the Ordinary Shares.*

*Existing Shareholder and prospective investors should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in the section of this Document headed* "Summary" *are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks that the Group faces relate to events and depend on circumstances that may or may not occur in the future, existing Shareholders and prospective investors should consider not only the information on the key risks summarised in the section of this document headed* "Summary" *but also, among other things, the risks and uncertainties described below.*

*The risks referred to below are those risks the Company and the Directors consider to be the material risks relating to the Group. However, there may be additional risks that the Company and the Directors do not currently consider to be material or of which the Company and the Directors are not currently aware that may adversely affect the Group's business, financial condition, results of operations or prospects. Investors should review this Document carefully and in its entirety and consult with their professional advisers before acquiring any Ordinary Shares. If any of the risks referred to in this Document were to occur, the results of operations, financial condition and prospects of the Group could be materially adversely affected. If that were to be the case, the trading price of the Ordinary Shares and/or the level of dividends or distributions (if any) received from the Ordinary Shares could decline significantly. Further, investors could lose all or part of their investment.*

## RISKS RELATING TO THE BUSINESS OF THE GROUP

### *Reliance on a small number of large contracts*

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

The Group is currently relying on revenue from its Collaboration Agreement whilst awaiting official closure to securing site and funding for the turnkey project management services contract for the Southeast Asia Wheel and at the same time, working on a pipeline of several other early stage projects. Whether and when any one of these large contracts is secured could materially affect the Group's ability to generate revenues and maintain its financial viability.

### *Retaining and attracting highly skilled personnel*

The Group's ongoing success is dependent on the efforts and abilities of the key personnel responsible for the design and engineering of the components of the giant observation wheels, and the Group's ability to attract and retain such personnel. The Starneth Group's senior management has a track record in designing and engineering the major components on most of the large observation wheel projects to date and they are fundamental to the Group's success. The loss of the services of any senior manager, in particular where such individual possesses specialist knowledge or skills that are not easily replaceable, could have a material adverse effect on the Group's prospects, results of operations, business and financial condition.

### *Changes in development costs on any turnkey project will impact the Group's profitability*

On any turnkey project a detailed work plan and cost estimates are made at the design stage and are therefore dependent upon approximations and assumptions which may prove to be inaccurate. There is therefore no guarantee that the cost estimates will be kept within the budget and that no unforeseen development costs such as increases in subcontractors' rates or higher costs of materials or procured items such as capsules and drive systems will arise. Should such unforeseen costs occur, since, on this type of turnkey project, the Group assumes responsibility for the development costs, the Group's margins may reduce, which could consequently have an adverse impact on the Group's returns from a project and subsequently on the Group's financial condition. On the other hand, any costs savings on materials and/or the negotiation of a discount with a subcontractor or in relation to procurement may increase the net profits from that project.

### *Foreign jurisdictions and political and economic risks*

Due to the nature of the Group's business, current projects are and future projects are likely to be in jurisdictions outside the European Union and accordingly, there are a number of risks over which the Company has little control. The prospective giant observation wheels are most likely to be developed in major cities around the world with a significant tourist footprint and although the Company is making every effort to ensure it has robust commercial agreements covering its activities, there is a risk that the Group's activities could be adversely impacted by economic and political factors such as the imposition of additional taxes and charges, cancellation or suspension of site permits, or changes to employment regulations as well as cultural and language differences, crime, strikes, civil disturbances or war and terrorism.

### *Relationship with counterparties*

The Group's success in signing contracts and effectively developing giant observation wheel projects worldwide depends materially upon cooperation with its counterparties, such as land developers and their partners. The Company will attempt to ensure that its counterparties are reputable business partners, however no assurance can be given that the cooperation will prove successful and effectively that the Group will fulfil its obligations under its contract. The failure to work cooperatively with counterparties, and the failure by the counterparties to perform their obligations, could negatively influence development and completion of any project, which would have an adverse effect on the Group's results of operations, business and financial condition.

***Reliance on subcontractors***

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

***Impact of law and the governmental regulation***

The Company and counterparties with whom the Company deals need to comply with regulations relating to environmental, health and safety, land use and development standards. The imposition of or changes to such regulations or the way they are enforced could have the effect of increasing the expenditure relating to, in lowering the income or rate of return from projects.

***Doing business in emerging markets***

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

***The requirement for financial guarantees on large turnkey contracts***

Certain cities may require financial guarantees such as for example performance bonds in order to satisfy their legal requirements to award a contract for a new giant observation wheel and potentially related infrastructure. In this scenario the Group may not have a sufficient financial history and/or balance sheet to support these guarantees. Alternatively, the Group could decide that it should enter into a joint venture with a much larger company to secure a large contract. If the Group cannot provide a financial guarantee on its own or find a suitable joint venture partner, it may be unable to secure a contract. This could result in the loss of revenue from potential projects that require these guarantees. Even if a suitable joint venture partner is identified, the Group may not be able to secure a contract, or, if it does, the Group could lose operational control over the project to the larger joint venture partner or disputes may develop which could lead to potential litigation with partners that control a project.

***Commercial viability of existing and proposed giant observation wheel projects***

The existing and proposed giant observation wheel projects achieve commercial viability due to the location and attractiveness of the area as a place of interest where tourists visit. The iconic London Eye, which became operational in 2000, is a great example of the successful combination of the right location from a real estate perspective and the popularity of London as a tourist destination. Building a giant observation wheel in an inappropriate location with potential accessibility issues, height concerns, quality and safety of the area or similar, will have a direct impact on the number of visitors. Furthermore, building a giant observation wheel as the only or primary tourist attraction may also have an adverse impact on the number of visitors and/or the time it takes to generate a reasonable return from the project. The success or failure of existing and future giant observation wheels could have an adverse impact on the Group's ability to finance new projects.

***Dependence on market demand and economic conditions***

The market trends and general economic conditions are the main drivers of the demand for the new giant observation wheels and structures. The Group's business is particularly influenced by entertainment and leisure activity preferences which can be affected by changes in the general economic environment, and therefore, a financial downturn such as the economic crisis in 2008, could result in fewer contracts and new orders. Another financial downturn could materially reduce the turnover and ultimately the financial viability of the Group could be at risk.

***Competition***

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

***Product failure***

The Group would be adversely affected by any defects or liabilities in relation to the design, construction, manufacturing and assembly of a giant observation wheel or structure. Any failure of a product could potentially lead to a serious incident, accident or an occurrence that would pose danger to the lives of visitors to the attraction and could result in significant product liability, product rework, other costs and reputational damage. Further, events or allegations of malfunctioning products could lead to legal claims against the Group, and the Group could incur substantial legal fees and other costs in defending against such legal claims. Actual or alleged instances of inferior product quality or of damage caused or allegedly caused could damage Starneth's reputation and credibility and materially adversely affect the Group's business and results of operations.

***Technology and Intellectual property***

The technology and other intellectual property owned by the Starneth Group is not suited for patenting or other registered protection, and accordingly, its business relies on technological knowhow protected by business secrets and non-disclosure agreements. No assurances can be given that the Group will be able to protect its technology from competing businesses. A loss of substantial technological knowhow to a competitor could have a material adverse effect on the Group's prospects, results of operation, business and financial condition.

***The Starneth name***

Three companies with the word 'Starneth' in their corporate names were excluded from the Acquisition: Starneth B.V., Starneth LLC and Starneth Construction B.V. and there is no obligation on these companies to change their corporate names or to cease using the Starneth name. In addition, there is a dormant company in Dubai called Starneth Ltd which is now owned by a third party. In the Collaboration Agreement with Starneth America LLC, Starneth LLC has agreed that future projects regarding giant observation wheel projects in North America, Latin America and South America will be developed within Starneth America LLC. However, no assurances can be given that the persons controlling any of the other three companies currently or in the future could not engage in business or other activity that could be confused with that of the Starneth Group, causing damage to the Group's reputation and requiring the Group to re-brand the Starneth Group, which could have a material adverse effect on the Group's prospects, results of operation, business and financial condition.

***Lawsuit from Madison Capital Markets, LLC***

Madison Capital Markets LLC, filed a complaint on September 11, 2015 against the Company, Starneth Europe B.V., Starneth Holding B.V., Mark Gustafson, Marchiel Smits and Wil Armstrong, demanding compensation for alleged services for advising and facilitating the Acquisition and the Investment. The complaint requested an unquantified amount of monetary damages, including attorney fees and costs, as well as a request for equitable relief. In pre-litigation correspondence Madison Capital Markets, LLC requested approximately EUR375,000 in cash, 330,000 Ordinary Shares and 10 per cent. of the EBITDA of Starneth in excess of EUR1,267,000 for the next three financial year. Madison Capital Markets, LLC claims that the Acquisition and the Investment breached the confidentiality and non-circumvention agreement between Starneth LLC and Madison Capital Markets, LLC dated 16 June 2014, in which Starneth LLC had agreed not to engage in business with its contacts without a written consent of Madison Capital Markets, LLC.

On 17 November 2015, the defendants filed their response to the complaint, in which the defendants denied all of the claims made by Madison Capital Markets, LLC and moved to have the complaint dismissed for lack of personal jurisdiction and failure to state a claim upon which relief can be granted. The court will hear the motion to dismiss on January 28, 2016, although the decision of the court will likely take several months. The defence of this lawsuit and related legal proceedings may be costly and time-consuming, and the outcome is uncertain. If the claim ultimately was successful, it could have a material adverse effect on the Group's prospects, results of operation, business and financial condition.

***The Group may suffer uninsured losses or suffer material losses in excess of insurance proceeds***

While the Group maintains professional indemnity insurance (including employer's liability, property and building and inventory) at a level it believes is appropriate against risks commonly insured in its industry, there is no guarantee that it will be able to obtain the desired levels of cover on acceptable terms in the future. Additionally, certain types of risks may be, or may become, either uninsurable or not economically insurable, or may not be currently or in the future covered by the Group's insurance policies. Therefore the Group could suffer losses that may not be fully compensated by insurance.

The Group could be liable to make payments in respect of uninsured losses out of its own funds or could be liable in circumstances where a subcontractor causes a loss and a subcontractor's own professional indemnity coverage does not respond. Any of the foregoing could have a material adverse impact on the Group's business, financial condition, results of operations and prospects.

## RISKS RELATING TO THE INVESTMENT

### *Additional capital contributions or dilution of interest in the Investment*

The complexity of the construction of the New York Wheel as well as other factors such as labour strikes, a shortage or unavailability of materials, bad weather, unfavourable soil or subsurface conditions, unanticipated environmental conditions, non-performance by the general contractor, designers, engineers, trade contractors, subcontractors or material suppliers and/or inability to obtain permits and approvals, defects in plans and specifications or other unforeseen site problems may result in construction delays, as well as changes in the design of the project, that in each case lead to construction cost overruns.

The construction contract for the New York Wheel provides for a guaranteed maximum construction price, but this price may be exceeded under certain circumstances, including by reason of change orders. The construction contract for the terminal and parking provides for an initial guaranteed maximum construction price, but this price may be adjusted as plans are further developed and by reason of change orders. If additional funds are required to pay construction costs, operating deficits or satisfy other cash needs or funding obligations, such funds may not be available and in such event the project may be adversely affected. If such cash needs arise, the managing member, New York Wheel LLC, will have the right to call on the Company as a unit owner and other unit owners to contribute additional capital to the New York Wheel Project. If the Company fails to make such capital contribution and other unit owners or the New York Wheel Investor LLC contribute the deficiency, such contribution would be treated as a loan to the Company bearing a compounded interest rate of 18 per cent. per annum until the loan is repaid by the Company or terminated, and any distributions that would otherwise be made to the Company, as the unit owner, will be used to repay such loan and the interest thereon. In the event such loan together with interest is not repaid within 180 days, the managing member, would, at the request of a majority of the contributing unit owners, terminate the loan and the Company's interest in the Investment would be diluted by the entire outstanding principal amount of the loan, together with accrued and unpaid interest thereon, and the ownership interests and capital accounts of the contributing unit owners and the Company would be adjusted accordingly. It is not possible to quantify at this stage what this potential dilution might be. However, any such dilution could affect the income that the Company might expect to receive from the Investment and/or any capital amount that it might derive from a potential future realisation of the Investment.

The New York Wheel LLC also has the right, subject to pre-emptive rights in favour of the Company and other unit owners, to raise third-party capital to meet cash needs of New York Wheel Project. Such capital may be *pari passu* with, or senior to, the units, and may have a dilutive effect on the Company and other unit holders.

Should a situation arise the Company is called upon to make further capital contributions towards the New York Wheel Project and it does not want to face dilution of its interest and/or take up a loan as described above, it will need to use the Group's cash resources or incur additional debt to cover the costs of the additional contribution.

***The Investment is unlikely to receive distributions of income in the near future***

Under the senior financing for the New York Wheel Project, substantially all net cash flow of the New York Wheel owner will be required to be used to prepay the debt. Accordingly, the Company, as a unit owner should not expect any distributions of income until such financing is repaid.

***Construction of the New York Wheel will be complex***

The engineering and construction of the New York Wheel will be particularly complex. At 60 stories tall, the New York Wheel will be the tallest observation wheel in the Western hemisphere. Due to its size and complexity, erection of the New York Wheel will present particular challenges and difficulties not generally associated with construction projects. Any of these difficulties could increase the time or costs associated with the erection of the New York Wheel, which would have an adverse effect on the value of the New York Wheel Project, and consequently an adverse impact on the returns on the Company's Investment.

***The New York Wheel Project is subject to general risks related to tourist attractions***

Various factors beyond the control of the New York Wheel attraction could adversely affect attendance figures and spending at the New York Wheel site. The success of the New York Wheel depends to a significant extent on discretionary consumer spending, which is heavily influenced by general economic conditions and the availability of discretionary income. The recent severe economic downturn, coupled with high volatility and uncertainty as to the future global economic landscape, has had and continues to have an adverse effect on consumers' discretionary income and consumer confidence. The actual or perceived weakness in the economy could lead to decreased attendance at the New York Wheel, and decreased spending by attendees at the New York Wheel. Both attendance and total per capita spending at the New York Wheel are key drivers of its revenue and profitability, and reductions in either can materially adversely affect the business, financial condition and results of operations of the New York Wheel Project, which would reduce the Group's future income from the Investment. In addition, other factors beyond the control of the New York Wheel owners could adversely affect attendance and spending patterns at the New York Wheel. These factors could also affect the New York Wheel Project's suppliers, vendors, insurance carriers and other contractual counterparties. Such factors include:

- war, terrorist activities or threats and heightened travel security measures instituted in response to these events;
- outbreaks of pandemic or contagious diseases or consumers' concerns relating to potential exposure to contagious diseases;
- natural disasters, such as hurricanes, fires, earthquakes, tsunamis, tornados, floods and volcanic eruptions and man-made disasters, such as oil spills, which may deter travellers from scheduling holiday or cause them to cancel travel or holiday plans;
- bad weather and even forecasts of bad weather, including abnormally hot, cold and/or wet weather;
- changes in the desirability of particular locations or travel patterns of potential guests;
- low consumer confidence;
- oil prices and travel costs and the financial condition of the airline, automotive and other transportation-related industries, any travel-related disruptions or incidents and their impact on travel; and
- actions or statements by U.S. and foreign governmental officials related to travel and corporate travel-related activities (including changes to the U.S. visa rules) and the resulting public perception of such travel and activities.

Any one or more of these factors could adversely affect attendance and total per capita spending at the New York Wheel, which could materially adversely affect its business, financial condition and results of operations and which would consequently have an adverse impact on the returns on the Company's Investment.

***The high fixed cost structure of the New York Wheel's operations can result in significantly lower margins if revenues decline***

A large portion of the New York Wheel's expenses is relatively fixed because the costs for full-time employees, maintenance, utilities, advertising, service of debt and insurance do not vary significantly with attendance. These fixed costs may increase at a greater rate than the New York Wheel's revenues and may not be able to be reduced at the same rate as declining revenues. If cost-cutting efforts are insufficient to offset declines in revenues or are impracticable, the New York Wheel could experience a material decline in margins, revenues, profitability and reduced or negative cash flows and this could have an adverse impact on the returns on the Company's Investment. Such effects can be especially pronounced during periods of economic contraction or slow economic growth, such as the recent economic recession.

***Changes in consumer tastes and preferences for entertainment could reduce demand for entertainment offerings such as the New York Wheel and adversely affect the profitability of the project***

The success of the project, and the returns on the Company's Investment, depend on its ability to withstand changing consumer preferences. If the New York Wheel does not achieve sufficient consumer acceptance or if consumer preferences change, the New York Wheel's financial condition or results of operations could be materially adversely affected, which would result in a decrease in the Group's future income from the Investment.

***Real estate investments are illiquid***

Investments in real estate and real estate related assets are highly illiquid and subject to industry cyclicity, downturns in demand, market disruptions, and the lack of available capital for potential purchasers. Accordingly, there can be no assurance that the investors in the New York Wheel Project will be able to realize on their investments in a timely manner.

***The New York Wheel Project is subject to environmental risks***

Certain federal and state laws and regulations impose strict liability, often regardless of fault, on various parties (jointly and severally), including owners (including, in certain circumstances, a secured lender that succeeds to ownership or control of a property) and operators, associated with real estate affected by a release of a regulated environmental contaminant. If New York Wheel owner becomes subject to significant environmental liabilities, its business, financial condition, liquidity, and results of operations could be materially and adversely affected, which will have a direct effect on the returns on the Company's Investment. It is likely that most, if not all, of these potential losses will not be covered by insurance.

**RISKS RELATING TO THE ENTERAINMENT AND LEISURE SECTOR IN WHICH THE GROUP OPERATES**

***Economic environment***

The disposable income of customers and their entertainment and leisure activity preferences can be affected by changes in the general economic environment and therefore any financial downturn could be reflected in fewer contracts and new orders, which could be reflected in a material reduction in the turnover and ultimately the financial viability of the Group could be at risk.

***Seasonality and weather***

Many businesses to which the Group will provide services and in which the Company is likely to invest will be seasonal and extreme weather conditions at peak trading times could have an impact on business performance. Extreme weather in any one year could materially affect the Group's performance year on year.

***Competition***

Any business to which the Group will provide services and in which the Company is likely to invest may need to compete for consumer time and expenditure with other offerings in the entertainment and leisure sector and also with other leisure and recreational activities, which could limit its ability to meet its objectives.

***Sites***

The Group's ability to grow its businesses is dependent on securing contracts and/or investments in the right locations and on the right terms where necessary planning permissions are obtained both for existing sites and new developments. Failure to secure contract and/or investments with the optimal sites and approvals may prevent the Group from developing its business activities, and ultimately the financial viability of the Group could be at risk.

***Adverse Occurrences***

Revenues may be adversely affected by serious incident, accident or an occurrence and this could materially adversely affect the Company's brands, the attractiveness of any offerings and ultimately the financial viability of the Group. Risks include both the adverse publicity of such incidents and the direct legal costs and fines which may be incurred.

***Property and the environment***

With the increased focus on environmental laws and regulations in many jurisdictions around the world, the ability to operate of businesses in which the Group is likely to invest in and/or provide services to is subject to meeting local environmental laws and regulations. Failure to comply with such laws may result in fines or the removal of necessary licences and hence the ability to operate.

***Legal and regulatory***

The Group operates in many different jurisdictions and must comply with a variety of international, national, regional and local laws and regulations and non-compliance with material laws and regulations may result in fines or the removal of necessary permits and/or licences and hence have a material effect on the ability of the Group to operate in such jurisdictions.

***The Group is subject to market risks including currency exchange risks***

The Company's functional and presentational currency is UK Sterling. As a result, the Company's consolidated financial statements carry the Company's assets in UK Sterling, whilst the Starneth Group's revenues and costs are denominated in Euro. The Group conducts operations and makes sales in foreign currencies, being primarily the US Dollars and Euros. As such, foreign exchange risk arises from the Group's future commercial and financial transactions, recognised assets and liabilities denominated in a currency that is not the Company's and the Group's functional currency. Changes in exchange rates between UK Sterling and other currencies, including Euros and US Dollars may lead to significant changes in the Company's reported financial results from period to period. The Company will seek to manage its foreign exchange exposure, including by active use of hedging and derivative instruments, but there is no assurance that such arrangements will be entered into or available at all times when the Company wishes to use them or that they will be sufficient to cover the risk.

***Force Majeure***

The Group's operations now or in the future may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

***Information technology***

IT systems will be integral to the Company's operations and secure and reliable IT systems performance are critical to operational delivery and to the financial reporting processes which are essential to the proper operating of the Company.

**RISKS RELATING TO THE ORDINARY SHARES**

***Dilution and possible issue of shares***

The Shareholders will experience dilution in their ownership and voting interest pursuant to the issue of the two further fixed tranches of Consideration Shares due on the first and second anniversary of the completion of the Acquisition and totalling 2,200,000 new Ordinary Shares as well as the Ordinary Shares which will be issued to the Vendors in accordance with the Acquisition Agreement as a variable component based on the future performance of the Starneth Group. The issue of 2,200,000 Ordinary Shares will represent 14.17 per cent. of the Issued Share Capital on Admission further diluted by the issue of those shares. The variable component amount cannot be determined at this time but it is likely to further dilute the interest of Shareholders.

Furthermore, the Shareholders will experience further dilution at the time holders of Convertible Notes elect to convert their Notes into Ordinary Shares and/or when the Ordinary Shares are issued in payment of interest accrued quarterly on the Convertible Notes. It is expected that 6,134,400 new Ordinary Shares in the Company may be issued, representing 31.52 per cent. of the Issued Share Capital on Admission further diluted by the issue of those shares only, assuming the full nominal amount of £3,067,200 of Convertible Notes is converted into Ordinary Shares at the fixed conversion price of 50p on maturity. The number of further new shares that may be issued in payment of accrued interest cannot be determined at this time.

The dilution will also occur when any of the Options granted are exercised to purchase the Ordinary Shares. Moreover, the Company may issue additional shares in the future which may adversely affect the market price of the outstanding Ordinary Shares at that time. As at the date of this Document, the total number of Ordinary Shares under option is 1,335,000 representing 9.11 per cent. of the Issued Share Capital on Admission of the Company on a fully diluted basis assuming full exercise of all Options granted to management and certain employees and consultants of the Starneth Group and the Directors.

***The listing on the Standard List will afford investors a lower level of regulatory protection than a Premium Listing***

Application has been made for the Issued Share Capital to be admitted to a Standard Listing on the Official List and when the Second Tranche of Consideration Shares is issued, the Company will make an application for such shares to be admitted to a Standard Listing on the Official List. A Standard Listing will afford investors in the Company a lower level of regulatory protection than that afforded to investors in a company with a Premium Listing, which is subject to additional obligations under the Listing Rules. A Standard Listing will not permit the Company to gain a FTSE indexation, which may have an adverse effect on the valuation of the Ordinary Shares.

Further details regarding the differences in the protections afforded by a Premium Listing as against a Standard Listing are set out in the section entitled "Consequences of a Standard Listing" on page 28.

***Active trading in Ordinary Shares may not develop, which would adversely affect the liquidity and price of the Ordinary Shares***

Investors should be aware that the value of the shares may go down as well as up and that they may not be able to realise their investment. Although the Company has reapplied for listing and admission of the Issued Share Capital to the standard listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, and when the Second Tranche of Consideration Shares is issued, it will apply for listing and admission, and it is expected that these applications will be approved, the Company can give no assurance that the trading market for the Ordinary Shares will be active or, if developed, will be sustained following Admission. If an active trading market is not developed or maintained, the liquidity and/or trading price of the Ordinary Shares could be adversely affected. Investors may be unable to sell their Ordinary Shares unless a market can be established and maintained, and if the Company subsequently obtains a listing on an exchange in addition to, or in lieu of, the London Stock Exchange, the level of liquidity of the Ordinary Shares may decline.

***Fluctuation of share price***

The price at which the shares are quoted and the price at which investors may realise for their Ordinary Shares will be influenced by a number of factors, some specific to the Group's business, operations and performance and some which are outside the Company's control such as general economic conditions and forecasts. Period to period comparisons of the Group's results may not be meaningful and investors should not rely on them as indications of the Group's future performance. Additionally, stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices of the companies whose shares are traded on such markets. Such fluctuations could affect the Company's share price, though they may be unrelated to the Group's actual operating performance and prospects.

***Investors may not be able to realise returns on their investment in Ordinary Shares within a period that they would consider to be reasonable***

Investments in Ordinary Shares may be relatively illiquid. There may be a limited number of Shareholders and this factor may contribute both to infrequent trading in the Ordinary Shares on the London Stock Exchange and to volatile Ordinary Share price movements. Investors should not expect that they will necessarily be able to realise their investment in the Ordinary Shares within a period that they would regard as reasonable. Accordingly, the Ordinary Shares may not be suitable for short-term investment. Admission should not be taken as implying that there will be an active trading market for the Ordinary Shares. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the issue price.

***Dividend payments on the Ordinary Shares are not guaranteed***

To the extent the Company intends to pay dividends on the Ordinary Shares, it will pay such dividends at such times (if any) and in such amounts (if any) as the Board may determine. The Company's current intention is to retain any earnings for use in its business operations and the Company does not anticipate declaring any dividends in the foreseeable future. The Company will only pay dividends to the extent that to do so is in accordance with all applicable laws.

## RISKS RELATING TO TAXATION

***There can be no assurance that the Company will be able to make returns for Shareholders in a tax-efficient manner***

The Company act as the holding company to a trading group, including any company or assets acquired in any acquisition to maximise returns for Shareholders in as fiscally efficient a manner as is practicable. The Company has made certain assumptions regarding taxation. However, if these assumptions are not borne out in practice, taxes may be imposed with respect to any of the Company's assets, or the Company may be subject to tax on its income, profits, gains or distributions in a particular jurisdiction or jurisdictions in excess of taxes that were anticipated. This could alter the post-tax returns for Shareholders (or Shareholders in certain jurisdictions). The level of return for Shareholders may also be adversely affected. Any change in laws or tax authority practices could also adversely affect any post-tax returns of capital to Shareholders or payments of dividends (if any, which the Company does not envisage the payment of, at least in the short to medium-term). In addition, the Company may incur costs in taking steps to mitigate any such adverse effect on the post-tax returns for Shareholders.

***Changes in tax law may reduce any net return to Shareholders***

Changes in applicable tax law in the UK, Guernsey or any other relevant jurisdiction may result in adverse consequences to Shareholders and/or reduce any net return derived by Shareholders from an investment in the Company.

***Changes in tax law may reduce any net returns for Shareholders***

The tax treatment of Shareholders of Ordinary Shares issued by the Company, any of the Starneth Group companies, any special purpose vehicle that the Company may establish and any company which the Company may acquire are all subject to changes in tax laws or practices in the UK, Guernsey or any other relevant jurisdiction. Any change may reduce any net return derived by Shareholders from an investment in the Company.

## CONSEQUENCES OF A STANDARD LISTING

Application has been made for the Ordinary Shares to be admitted to listing on the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings. The Company will comply with the Listing Principles set out in Chapter 7 of the Listing Rules at Listing Rule 7.2.1 which apply to all companies with their securities admitted to the Official List. In addition, the Company also intends to comply with the Listing Principles at Listing Rule 7.2.1A notwithstanding that they only apply to companies which obtain a Premium Listing on the Official List. With regard to the Listing Principles at 7.2.1A, the Company is not, however, formally subject to such Listing Principles and will not be required to comply with them by the UK Listing Authority.

In addition, while the Company has a Standard Listing, it is not required to comply with the provisions of, among other things:

- Chapter 8 of the Listing Rules regarding the appointment of a sponsor to guide the Company in understanding and meetings its responsibilities under the Listing Rules in connection with certain matters. The Company has not and does not intend to appoint such a sponsor on Admission;

- Chapter 10 of the Listing Rules relating to significant transactions;

- Chapter 11 of the Listing Rules regarding related party transactions. Nevertheless, the Company will not enter into any transaction which would constitute a “related party transaction” as defined in Chapter 11 of the Listing Rules without the specific prior approval of a majority of the Directors;

- Chapter 12 of the Listing Rules regarding purchases by the Company of its Ordinary Shares. In particular, the Company has not adopted a policy consistent with the provisions of Listing Rules 12.4.1 and 12.4.2. The Company will have unlimited authority to purchase Ordinary Shares; and

- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

The Company is not currently eligible for a Premium Listing under Chapter 6 of the Listing Rules and does not currently intend to seek to transfer to either a Premium Listing or other listing venue. Should the Company determine to seek a transfer to a Premium Listing there is no guarantee that it would able to fulfil the relevant eligibility criteria.

**It should be noted that the UK Listing Authority will not have the authority to (and will not) monitor the Company’s compliance with any of the Listing Rules which the Company has indicated herein that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company so to comply. However the FCA would be able to impose sanctions for non-compliance where the statements regarding compliance in this Document are themselves misleading, false or deceptive.**

## IMPORTANT INFORMATION

In deciding whether or not to invest in Ordinary Shares prospective investors should rely only on the information contained in this Document. No person has been authorised to give any information or make any representations other than as contained in this Document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or the Directors. Without prejudice to the Company's obligations under the FSMA, the Prospectus Rules, Listing Rules and Disclosure and Transparency Rules, neither the delivery of this Document nor any subscription made under this Document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Document or that the information contained herein is correct as at any time after its date.

Prospective investors must not treat the contents of this Document or any subsequent communications from the Company, the Directors, or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

The section headed "Summary" should be read as an introduction to this Document. Any decision to invest in the Ordinary Shares should be based on consideration of this Document as a whole by the investor. In particular, investors must read the section headed Section D (Risks) of the Summary together with the risks set out in the section headed "Risk Factors" beginning on page 16 of this Document.

This Document is being furnished by the Company in connection with an offering exempt from registration under the Securities Act solely to enable prospective investors to consider the purchase of the Ordinary Shares. Any reproduction or distribution of this Document, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Ordinary Shares hereby is prohibited.

This Document does not constitute, and may not be used for the purposes of, an offer to sell or an invitation or the solicitation of an offer or invitation to subscribe for or buy, any Ordinary Shares by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) in which, or to any person to whom, it is unlawful to make such offer, solicitation or invitation. The distribution of this Document and the offering of Ordinary Shares in certain jurisdictions may be restricted. Accordingly, persons outside the United Kingdom who obtain possession of this Document are required by the Company and the Directors, to inform themselves about, and to observe any restrictions as to the offer or sale of Ordinary Shares and the distribution of, this Document under the laws and regulations of any territory in connection with any applications for Ordinary Shares including obtaining any requisite governmental or other consent and observing any other formality prescribed in such territory. No action has been taken or will be taken in any jurisdiction by the Company or the Directors that would permit a public offering of the Ordinary Shares in any jurisdiction where action for that purpose is required nor has any such action been taken with respect to the possession or distribution of this Document other than in any jurisdiction where action for that purpose is required. Neither the Company nor the Directors accept any responsibility for any violation of any of these restrictions by any person.

The Ordinary Shares have not been and will not be registered under the Securities Act, or under any relevant securities laws of any state or other jurisdiction in the United States, or under the applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Ordinary Shares may not be, offered, sold, resold, reoffered, pledged, transferred, distributed or delivered, directly or indirectly, within, into or in the United States, Australia, Canada or Japan or to any national, resident or citizen of Australia, Canada or Japan.

**The Ordinary Shares have not been approved or disapproved by the SEC, any federal or state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or confirmed the accuracy or determined the adequacy of the information contained in this Document. Any representation to the contrary is a criminal offence in the United States.**

Investors may be required to bear the financial risk of an investment in the Ordinary Shares for an indefinite period. Prospective investors are also notified that the Company may be classified as a passive foreign investment company for United States federal income tax purposes. If the Company is so classified, the Company may, but is not obliged to, provide to U.S. holders of Ordinary Shares the information that would be necessary in order for such persons to make a qualified electing fund election with respect to the Ordinary Shares for any year in which the Company is a passive foreign investment company.

The Company is not subject to any regulation in Guernsey by the Guernsey Financial Services Commission. In particular the Company is not required to comply with the Prospectus Rules 2008 of Guernsey in relation to the distribution of this Document.

**Available information**

The Company is not subject to the reporting requirements of section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). For so long as any Ordinary Shares are “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act, the Company will, during any period in which it is neither subject to section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide, upon written request, to Shareholders and any owner of a beneficial interest in Ordinary Shares or any prospective purchaser designated by such holder or owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

**Data protection**

The Company may delegate certain administrative functions to third parties and will require such third parties to comply with data protection and regulatory requirements of any jurisdiction in which data processing occurs. Such information will be held and processed by the Company (or any third party, functionary or agent appointed by the Company) for the following purposes:

(a) verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;

(b) carrying out the business of the Company and the administering of interests in the Company;

(c) meeting the legal, regulatory, reporting and/or financial obligations of the Company in the United Kingdom or elsewhere; and

(d) disclosing personal data to other functionaries of, or advisers to, the Company to operate and/or administer the Company.

Where appropriate it may be necessary for the Company (or any third party, functionary or agent appointed by the Company) to:

(a) disclose personal data to third party service providers, agents or functionaries appointed by the Company to provide services to prospective investors; and

(b) transfer personal data outside of the EEA to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors as the United Kingdom.

If the Company (or any third party, functionary or agent appointed by the Company) discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will use reasonable endeavours to ensure that any third party, agent or functionary to whom the relevant personal data is disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data.

In providing such personal data, investors will be deemed to have agreed to the processing of such personal data in the manner described above. Prospective investors are responsible for informing any third party individual to whom the personal data relates of the disclosure and use of such data in accordance with these provisions.

**Investment considerations**

In making an investment decision, investors must rely on their own examination, analysis and enquiry of the Company, this Document and the terms of the Admission, including the merits and risks involved. The contents of this Document are not to be construed as advice relating to legal, financial, taxation, investment decisions or any other matter. Investors should inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and
- the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares or distributions by the Company, either on a liquidation and distribution or otherwise. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

An investment in the Company should be regarded as a long-term investment. There can be no assurance that the Company’s objective will be achieved.

It should be remembered that the price of the Ordinary Shares and any income from such Ordinary Shares, can go down as well as up.

This Document should be read in its entirety before making any investment in the Ordinary Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Memorandum of Incorporation of the Company and the Articles, which investors should review.

## Forward-looking statements

This Document includes statements that are, or may be deemed to be, "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "targets", "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout the Document and include statements regarding the intentions, beliefs or current expectations of the Company and the Board concerning, among other things: the Group's strategy, plans and future financial and operating performance, capital resources, prospects, capital appreciation of the Ordinary Shares and dividends. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performances. The Company's actual performance, results of operations, financial condition, distributions to shareholders and the development of its financing strategies may differ materially from the forward-looking statements contained in this Document. In addition, even if the Company's actual performance, results of operations, financial condition, distributions to shareholders and the development of its financing strategies are consistent with the forward-looking statements contained in this Document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to:

- the inability of the Group to secure new projects;
- the inability of the Group to compete effectively with competitors in the attractions sector;
- safety incidents concerning giant observatory wheels and structures designed and/or engineered by the Group;
- the loss of any of the Group's senior management or key employees
- the effect of adverse litigation or arbitration awards against the Group;
- adverse changes in tourism and entertainment industry;
- adverse economic conditions in the jurisdictions in which the Group operates, such as recession or weak recoveries, increased unemployment or a decline in consumer confidence; the availability and cost of equity or debt capital for future transactions;
- currency exchange rate fluctuations, as well as the success of the Company's hedging strategies in relation to such fluctuations (if such strategies are in fact used); and
- legislative and/or regulatory changes, including changes in taxation regimes.

Investors should carefully review the "Risk Factors" section of this Document for a discussion of additional factors that could cause the Company's actual results to differ materially, before making an investment decision. For the avoidance of doubt, nothing in this paragraph constitutes a qualification of the working capital statement contained in paragraph 8 of Part VIII "Additional Information".

Forward-looking statements contained in this Document apply only as at the date of this Document. Subject to any obligations under Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company undertakes no obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

## Market and industry data

Where information contained in this Document has been sourced from a third party, the Company and the Directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information has not been audited or independently verified. Where third party data has been used in this Document, the source of such information has been identified.

## Currency presentation

Unless otherwise indicated, all references in this Document to “UK Sterling”, “British pound sterling”, “sterling”, “£”, or “pounds” are to the lawful currency of the U.K. The Company prepares its financial statements in pound sterling. All references to “$”, “US$”, “US Dollar” or “USD” are to the lawful currency of the United States. All references to the “€”, “EUR” or “Euro” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to “AED” or “Emirati Dirham” are to the lawful currency of the United Arab Emirates.

## Exchange Rate Information

The income of the Starneth Group is mainly in USD, whereas the books are kept in EUR. A larger part of costs are also incurred in EUR. The exchange rates used for the conversion of cost and income are the daily rates and the year-end financial in AED and USD have been historically converted with the average rate of the relevant period into the reporting currency EUR. In 2012, there have been no ledgers in foreign currencies. The rates used for the conversion into EUR in the financial statements of the Pre-Acquisition Starneth Group are as follows:

| | YE 2012 | YE 2013 | YE 2014 | Interims 2015 |
|---|---|---|---|---|
| USD | n/a | 1.3766 | 1.21548 | 1.10944 |
| AED | n/a | 5.0500 | 4.46364 | 4.07409 |

## International Financial Reporting Standards

As required by the Act and Article 4 of the European Union IAS Regulation, the financial statements of the Company and Starneth are prepared in accordance with IFRS issued by International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Committee of the IASB as adopted by the European Union.

## Incorporation of information by reference

The contents of the Company’s website, any website mentioned in this Document or any website directly or indirectly linked to these websites have not been verified and do not form part of this Document, and prospective investors should not rely on them.

## Definitions

A list of defined terms used in this Document is set out in “Definitions” beginning at page 172.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | |
|---|---|
| Publication of this Document | 2 December 2015 |
| Cancellation, Admission and recommencement of dealings in the Issued Share Capital | 8.00 a.m. on 8 December 2015 |

All references to time in this Document are to London GMT time unless otherwise stated.

## STATISTICS

| | |
|---|---|
| The Issued Share Capital on Admission | 13,325,681 |
| The Second Tranche of Consideration Shares to be issued on or around 15 July 2016* | 1,100,000 |
| Estimated Costs | Approx. £ 416,000 |
| Suspension Price | 38 pence |
| Market capitalisation of the Company at Suspension Price | £5.06m |

** Applications are expected to be made for the admission of the Second Tranche of Consideration Shares in due course so that dealings in these shares will commence on or about 15 July 2016*

## DEALING CODES

| | |
|---|---|
| ISIN | GG00BV0LCK35 |
| SEDOL | BV0LCK3 |
| EPIC/TIDM | CHAL |

## DIRECTORS AND ADVISERS

| | | |
|---|---|---|
| **Directors** | Mark Gustafson | *Chairman* |
| | Markus Kameisis | *Chief Financial Officer* |
| | Gert Rieder | *Non-Executive Director* |

The Company's registered address and the business address for each of the Directors is:

55 Mount Row
St Peter Port
Guernsey
GY1 1NU

Tel: +44 1481 740 820
website: www.challengeracquisitions.com

| | |
|---|---|
| **Founder** | GSC SICAV p.l.c.<br>Level 1, Suite 5<br>Tower Business Centre<br>Tower Street<br>Swatar, BKR 4013<br>Malta |
| **Financial Adviser** | Beaumont Cornish Limited (Company No. 3311393)<br>29 Wilson Street<br>London<br>EC2M 2SJ<br>Tel: +44 (0) 20 7628 3396 |
| **Secretary** | Markus Kameisis<br>Gutenbergstrasse 10, Zurich<br>Switzerland, CH-8002<br>Tel: +41 79 726 9388 |
| **Auditors and Reporting Accountants** | Crowe Clark Whitehill LLP<br>St Bride's House<br>10 Salisbury Square<br>London<br>EC4Y 8EH<br>Tel: +44 (0) 20 7842 7100 |
| **Company's Solicitors** | McCarthy Denning Limited<br>25 Southampton Buildings<br>London<br>WC2A 1AL<br>Tel: +44 (0) 20 7769 6741 |
| **Company's Guernsey Law Advisers** | Collas Crill<br>Glategny Court<br>Glategny Esplanade<br>St Peter Port<br>Guernsey |

GY1 4EW
Tel: +44 (0) 1481 723 191

**Bankers** Valartis Bank (Lichtenstein) AG
Schaaner Strasse 27
FL-9487 Gamprin-Bendern
Tel: +423 265 5665

**Registrars** Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
B63 3DA
Tel: +44 (0) 121 585 1131

# PART I

## INFORMATION ON THE GROUP AND MARKET OVERVIEW

### 1. Introduction

Challenger is a holding company for the acquired Starneth Group. The Group owns and operates, through Starneth and its respective subsidiaries and affiliates, a business specialising in the design and engineering of giant observation wheels and structures. In addition, the Company has an investment of US$3m representing a 2.463 per cent. interest in New York Wheel Investor LLC, a company that was set up to fund the equity component for the New York Wheel Project which includes an approximate 630 foot high observation wheel with 36 capsules, a 70,000 square foot terminal and retail building, and a 950 space parking garage.

### 2. Background and history of the Group

The Company was incorporated on 24 November 2014 in Guernsey as an investment vehicle formed to undertake one or more acquisitions of target companies or businesses in the entertainment and leisure sectors with the particular focus on the attractions sector.

The Company was admitted to the standard listing segment of the Official List with trading becoming effective on the London Stock Exchange's main market on 19 February 2015, raising approximately £1.1m before expenses on Admission.

The first significant step confirming the Company's focus to be firmly on the attractions sector was announced on 18 March 2015 when the Company and Starneth Holding B.V. entered into a cooperation agreement about working together to identify wheel projects and cooperating with each other on such projects. This agreement resulted in closer cooperation between the Company and Starneth Holding B.V., and ultimately led to the Acquisition of the Starneth Group by Challenger in July 2015. Starneth was founded in 2007 as a design and engineering firm providing a wide range of services to developers of giant observation wheels and structures worldwide.

On 28 April 2015, the Company announced its intention to raise up to £3 million by means of the issue of Convertible Notes, further details of which are set out in paragraph 24.1 of Part VIII of this Document. The proceeds of the convertible note program amounted to £3,067,200 and enabled the Company to participate as an investor in the New York Wheel Project, further details of which are set out in paragraph 4.2 below.

The Company announced its participation in and details of the Investment on 26 May 2015 and that it had entered into a letter of intent to acquire the principal operating business of the Starneth Group from the Vendors.

As both the Investment and the Acquisition, which were in line with the Company's strategy, individually and collectively constituted a Reverse Takeover under the Listing Rules since, *inter alia,* in substance they resulted in a fundamental change in the Company's business, in accordance with the Listing Rule 5.1.1(i) the listing of the Company's Ordinary Shares was suspended with effect from 26 May 2015 pending the publication of a prospectus and the re-application for listing of the Issued Share Capital to be admitted to the standard listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities.

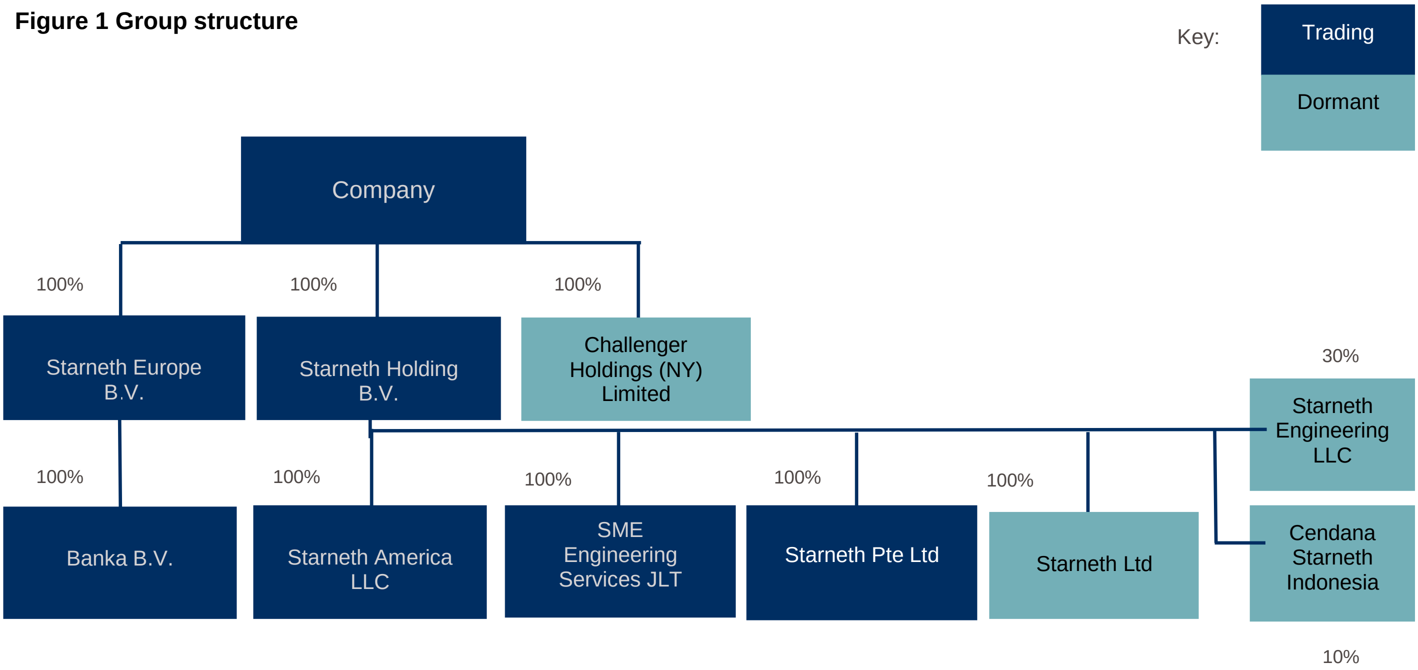
Further details of the Acquisition and the background and history of the Starneth Group are set out in Part II of this Document.

## 3. The Group's structure and employees

### *3.1 The Group's structure*

Following the Acquisition, completed on 15 July 2015, the Group comprises:

**Figure 1 Group structure**




Starneth Europe B.V. which primarily holds the Group's employees and operations in the Netherlands and owns 100 per cent. of its only subsidiary Banka B.V.

Starneth Holding B.V. which along with its subsidiaries; SME Engineering Services JLT, Starneth America LLC and Starneth Pte Ltd, are the Group's principal operating companies for all areas outside the Netherlands. The three trading subsidiaries are directly and wholly owned by Starneth Holding B.V. which has also various interests in three other companies set up for future projects.

Challenger Holdings (NY) Limited is currently inactive but directly and wholly owned by the Company.

### *3.2 Employees*

Prior to the Acquisition, the Company had no employees other than Directors. Following the Acquisition and as at the date of this Document there are 16 permanent employees of the Group in addition to the three Directors, being based as follows:

Europe – 10 employees
Middle East and Asia - 6 employees

## 4. The Group's business description

The Group's business comprises; operating through the acquired Starneth Group, a business specialising in providing a wide range of services to developers of giant observation wheels and structures worldwide and the Investment the Company made in the New York Wheel Investor LLC.

### 4.1 The Starneth Group's services, designs and projects

#### 4.1.1 Services

With the Starneth's team expertise in the sector, the Group offers a wide range of services to developers of giant observation wheels and structures worldwide, ranging from initial conceptual ideas, design only to the construction, engineering, fabrication, erection and testing phases. Depending on specifics of a project, these services can be packaged as follows:

**(i)** **Predevelopment services** – For projects that are being advanced by a local developer, the Starneth team provides initial conceptual ideas on the scope and requirements for a potential giant observation wheel. On this type of assignment, the Starneth team gets involved in discussions, meetings and presentations with the land owner or leaseholder on the site where the wheel would be located. In some cases engagement into discussions and meetings with local political leaders and special interest groups that have an interest in or may be impacted by the project is also required. At the special request by the developer the Starneth Group's representative might also be asked to attend meetings with potential funding sources.

**(ii)** **Technical and support services** – For fully funded projects with a qualified project manager in place to oversee them. On this type of project, the Starneth team is engaged to provide support to managers and subcontractors during the entire wheel construction process. Such services include providing technical expertise in relation to the design, engineering and procurement of a giant observation wheel or structure.

**(iii)** **Turnkey project management services** – For fully funded projects that do not have a qualified project manager in place to oversee them. On this type of project, the Starneth team is contracted to manage the entire construction of the project including all design, engineering, procurement, construction, testing and project management. In such a project, the Starneth team is compensated as the project manager with responsibility to hire and manage multiple subcontractors to assist in the construction of the project.

**(iv)** **Project manager plus equity owner in the project** – For projects where Starneth is appointed as the project manager and a participant in the equity financing for it. On this type of project, an opportunity arises for Challenger to participate as an equity owner. Starneth is compensated for its role as project manager as indicated in (ii) above whilst Challenger will be offered the opportunity to invest in these projects at various stages of development, from the start-up phase through to the construction phase.

#### 4.1.2 Designs

The Starneth Group's clients are wheel developers and municipalities interested in providing a first class attraction that gives a view of the community to visitors and residents. The Starneth Group has identified approximately 25 opportunities that either meet its criteria for a project or where a developer has contacted it with an interest in its designs. The full range of the Starneth Group designs are as follows:

- Iconic Wheel – is a design which includes a transparent structure with cable spokes and ovoid shaped, mechanically driven glass enclosed capsules. This type is the primary choice of most developers with sizes available from 100 metres and upward.

- Bravo Wheel – is a design which differs from the Iconic Wheel in that it includes structural tubular spokes and smaller, round mechanically driven capsules. Sizes available from 90 metres to 135 metres.
- Spider Wheel – is a novel design without a rim. It includes round mechanically driven capsules which are smaller than the Bravo Wheel capsules. Sizes are available from 80 metres and upwards.
- Free Form Wheels – is a concept design and can take the form of virtually any shape to meet the client's specific requirements. Sizes are similar to the sizes of the Iconic Wheel but with smaller capacity capsules.

It should be noted here that most of the Starneth Group's designs are not capable of being patented. The basic wheel form is a long-standing design and readily available in the public domain.

The standard warranty on the Starneth Group's products is one year, but it may vary depending on specific client requirements.

### *4.1.3 Projects*

***<u>Current projects</u>***

The Starneth Group is currently engaged on two principal projects:

***(i) Providing technical and support services to Starneth LLC in relation to the New York Wheel.***

Due to a requirement from the City of New York to provide a financial guarantee for the complete design, procurement, construction, testing and start-up of the New York Wheel, Starneth LLC, which was incorporated in March 2013 to undertake the Starneth Group's scope of works on the New York Wheel, entered into a joint venture with a larger and financially substantive company called Mammoet USA North Inc ("Mammoet USA").

Accordingly, the joint venture company Mammoet-Starneth LLC has been awarded the contract for the design, manufacture and construction of the New York Wheel (the "DBA") on the following basis:

- Starneth LLC would generally be responsible for the design of the wheel portion, including the supply of the drive system;
- Mammoet USA would generally undertake the erection of the New York Wheel; and
- all remaining activities, mainly management and all procurement, are to be undertaken by the joint venture, Mammoet-Starneth LLC.

Further details on the New York Wheel Project are set out in paragraph 4.2 below.

Due to contractual arrangements in the Mammoet-Starneth LLC joint venture, Challenger was not permitted to acquire Starneth LLC and, therefore Starneth LLC was excluded from the Acquisition. For that reason Challenger does not have access to the agreements between Mammoet and Starneth LLC regarding the joint venture, nor to the DBA; Challenger has requested permission to disclose the contents of these agreements but this access has been denied. However, from the Board's previous sight of such agreements it is satisfied that there is no information in them other than is disclosed in the Document that investors need to make an informed assessment of the financial position, profits and losses, and prospects of Challenger.

Although Starneth LLC has its own employees, until the Acquisition, Starneth LLC also enjoyed constant support from the employees in the other companies within the Pre-Acquisition Starneth Group, which was run as a single business under unified management. Consequently, following the Acquisition by Challenger of the Starneth Group, Starneth LLC no longer had access to certain technical and support expertise of those employees. The expertise of these employees, who are now with Challenger, is necessary to Starneth LLC in order to meet its own contractual obligations with respect to the New York Wheel. For that specific reason, Starneth LLC has entered into the Collaboration Agreement with Starneth America LLC, a subsidiary of the Company, under which Starneth America LLC provides procurement and project management services to Starneth LLC in relation to the New York Wheel Project, effectively continuing the support that Starneth LLC used to receive from the other parts of the Starneth Group prior to the Acquisition. As the majority of engineering and design work has already been completed and billed to the joint venture, which is reflected in the Pre-Acquisition Starneth Group's historic financial information set out in paragraphs (D) to (F) of Part IV of the Document, the ongoing work on the New York Wheel, which has a target opening date of early 2017, relates primarily to the procurement of certain key items such as the drive system and the capsules. To date the Group has received €1.3 million under the Collaboration Agreement and expects approximately €1.1 million in the three months to 31 December 2015 and less than €0.5 million in 2016 for providing support and project management services as well as technical expertise provided on a typical charge-out basis (being time-cost plus profit margin). Effectively therefore, under the Collaboration Agreement the amounts retained by Starneth LLC are those sufficient to cover the services and components from subcontractors plus the office overheads, including the engineer dedicated to the New York Wheel project, finance staff, a purchaser and support staff.

In accordance with the Collaboration Agreement, further details of which are set out in paragraph 24.8 of Part VIII of this Document, Starneth LLC will remain active only for as long as its commitments in relation to the work performed on the New York Wheel will require and will not be used for any current or future projects. The Collaboration Agreement further provides that future projects regarding large observation wheel projects in North America, Latin America and South America will be developed within Starneth America LLC, which is part of the Starneth Group and a number of projects are currently being worked on as set out below. It should be noted that neither Starneth America LLC nor any other part of the Challenger Group have assumed any of the contractual obligations under the Mammoet-Starneth LLC operating agreement or the DBA. The work undertaken by Starneth America LLC is undertaken solely by reference to the Collaboration Agreement, the principal terms and expected financial effects of which are set out above. It should also be noted that the form of the Collaboration Agreement is not intended to be the pattern for future projects, as it was solely to deal with the transitional arrangements which were necessary to effect the acquisition of the Starneth business for the reasons set out above.

***(ii) Turnkey project for an Iconic Wheel in a Southeast Asia city ("the Southeast Asia Wheel").***

Although the proposed land site and construction funding have not yet been secured, Starneth has signed an initial project contract with the developer, PT Cendana Emas Windu Investment, for turnkey project management services for the design, procurement, fabrication, assembly, erection and commissioning of a giant observation wheel in a Southeast Asia city being Jakarta.

This initial project contract, principal terms of which are summarised below, is subject to the fundamental preconditions relating to the developer's ability to secure land site, financing and obtaining a credit facility and therefore it should be noted that its material terms may have to change in order to facilitate the project moving forward. The Company's intention is to confirm the financial and other terms of this contract, including the location of the site, when funding arrangements are in place and Starneth has received its first payment, which is anticipated to occur by the end of this year or failing that early in 2016.

**Principal Terms**

(i) The initial project contract is signed for an Iconic Wheel design.

(ii) When built the Iconic Wheel will be 125 metres tall and it will comprise of 18 capsules, each carrying 40 passengers with a maximum capacity of 1440 customers per hour (on the assumption of carrying 40 passengers per capsule).

(iii) In terms of timeline, it is envisaged that it will take 24 months from the official commencement date for the Iconic Wheel component to be built. The timetable can be extended for a maximum of 90 days for Starneth caused delays.

(iv) Starneth, as the turnkey project manager, will be responsible for all the principal costs of the project relating to design, procurement, fabrication, assembly, erection and commissioning of the Iconic Wheel. The Contract Agreement envisages the payment of US$94 million over the life of the two year contract plus further amounts for specified items, based on actual cost plus a fixed profit margin of net 10 per cent., excluding VAT. These additional amounts are estimated with a total of US$27 million.

(v) In terms of the payment structure, the initial payment of 15 per cent. of the fixed sum of US$94 million will become payable under the current terms of the initial project agreement within 7 days of financial close, which is the date on which funding is officially secured by the developer. Thereafter, monthly invoices will be issued to the developer (payment within 7 days) for all remaining wheel expenditures and infrastructure expenditures. All expenditures by Starneth will be paid for in advance by the developer and built into the payment schedule that is agreed with the developer.

(vi) The two key condition precedents by the developer are:

- securing financing; and
- obtaining a credit facility to support the financing.

(vii) Project plan and related 24 month timeline: -

***Month 1-6***

- commencement date;
- pre-design phase;
- design start date;
- design;

***Month 6-12***

- authority approvals;
- preliminary material take off ("MTO") to book slot with steel manufacturing mill;
- MTO primary steel finalised;
- foundation design finalised;

***Month 12-18***

- supply of steel plates A-frame;
- supply of steel plates rim;
- supply of spoke cables;
- fabrication of wheel (A-frame);
- fabrication of wheel (rim);
- fabrication of capsules;
- fabrication of drive and control systems;

***Month 18-24***

- site preparations;
- foundation (wheel, buildings);
- erection of wheel;
- installation of drive & control systems as well as capsules;
- terminal building; and
- testing & commissioning.

***Future projects***

The focus of the Starneth Group is to work with the local developers on the approximate 25 opportunities in the project pipeline developed by the Starneth Group over recent years. Each project has its own unique set of circumstances regarding leasing of the site, political support, local support, environmental issues, start-up funding, construction funding, etc. Key Starneth personnel meet with the local developers to assist them in dealing with these circumstances as required. This initial phase is time consuming and may take several years.

In addition, a letter of intent or actual initial agreement between Starneth and the local developers may be quite valuable to accelerate this development process. This type of agreement has two purposes: it documents the potential terms on which Starneth may proceed, plus it provides the local developer with an important tool in order to finalise the land lease agreements, social commitments, funding requirements, etc. Starneth does not consider a project to be formally secured and started until the developer has its funding in place and the first scheduled payment has been received by Starneth.

Other potential projects in the mid-term based on geographical location are as follows:

***(i) Asia***

Due to increasing travel and tourism in Southeast Asia, there is substantial interest from local developers for Iconic Wheel projects. This has prompted Starneth to open an office in Singapore and to actively support these regional developers.

The Group is currently negotiating terms of a similar turnkey project management services contract to that described above which has been prepared for another city in the Southeast Asia region. The terms of the contract are intended to be broadly the same as the terms described for the Southeast Asia Wheel, however there are several key issues that need to be agreed upon before an initial letter of intent or an initial project contract can be signed. Starneth Pte Ltd, which has recently set up a regional office in Singapore, will likely manage the flow of all future potential projects in Southeast Asia.

*(ii)* ***Europe***

Starneth has been approached to provide turnkey project management services for a project in a European city including arranging financing for all the start-up costs for it. The project is still being developed and subject to negotiation prior to an initial agreement or contract being signed. Should it proceed, Challenger may be offered the opportunity to acquire a significant equity stake in the project.

*(iii)* ***Americas***

Starneth has recently commenced discussions with a developer who may require Starneth's turnkey project management services for a giant observation wheel. Another developer in the Americas has also approached Starneth with a proposal to provide turnkey project management services plus a portion of the start-up costs for his project. Both of these projects are in the early stages of development and Starneth's potential participation and its predevelopment services are being used to actively advance this process.

***Timeline for new projects***

As with any engineering contracting business working on major projects, the timing of projects is dependent on a series of external factors and cannot be predicted. However, the Directors confidently believe that of the approximate 25 opportunities available in Starneth's project pipeline, one or more of the 4 future projects referred to above should commence within the next nine months, in addition to the Southeast Asia Wheel contract referred to above.

### 4.2 The Investment

#### *4.2.1 Terms of the Investment*

On 26 May 2015 the Company announced its participation as an investor in the New York Wheel Project. Challenger has invested a total of US$3 million for a 2.463 per cent. interest in New York Wheel Investor LLC, the company setup to fund the equity component for the New York Wheel Project further details of which are set out below. In order to acquire that interest Challenger became a party to the New York Wheel Subscription Agreement further details of which are set out in paragraph 24.10 of Part VIII of this Document.

It should be noted that Challenger can be called upon to make further capital contributions to the project should additional funds be required to pay construction costs, operating deficits or satisfy other cash needs or funding obligations. If such cash needs arise, the managing member, New York Wheel LLC, will have the right to call on the Company as a unit owner and other unit owners to contribute additional capital to the New York Wheel Project. If the Company fails to make such capital contribution and other unit owners or the New York Wheel Investor LLC contribute the deficiency, such contribution would be treated as a loan to the Company bearing a compounded interest rate of 18 per cent. per annum until the loan is repaid by the Company or terminated, and any distributions that would otherwise be made to the Company, as the unit owner, will be used to repay such loan and the interest thereon. In the event such loan together with interest is not repaid within 180 days, the managing member, would, at the request of a majority of the contributing unit owners, terminate the loan and the Company's interest in the Investment would be diluted by the entire outstanding principal amount of the loan, together with accrued and unpaid interest thereon, and the ownership interests and capital accounts of the contributing unit owners and the Company would be adjusted accordingly.

The New York Wheel LLC also has the right, subject to pre-emptive rights in favour of the Company and other unit owners, to raise third-party capital to meet cash needs of New York Wheel Project. Such capital may be *pari passu* with, or senior to, the units, and may have a dilutive effect on the Company and other unit holders.

Should a situation arise where the Company is called upon to make further capital contributions towards the New York Wheel Project and it does not want to face dilution of its interest and/or take up a loan as described above, it will need to use the Group's cash resources or incur additional debt to cover the costs of the additional contribution.

### *4.2.2 Description of the New York Wheel Project*

The New York Wheel is intended to become one of New York City's great landmark attractions, alongside the Statue of Liberty and the Empire State Building. Located on eight acres on the northeastern side of Staten Island (St. George), the 630-foot attraction will be one of the tallest observation wheels in the world.

Key facts:

- The New York Wheel will stand more than 60 stories high. Its 36 capsules, each carrying 40 passengers, will offer views of New York Harbor, the Statue of Liberty and Lower Manhattan during the Wheel's 38-minute rotation.
- The New York Wheel will remain in constant motion, rotating approximately 10" every second – a speed that will allow passengers to board and disembark safely without the New York Wheel ever having to actually come to a stop.
- The New York Wheel will be powered by clean energy and will have a maximum capacity of up to 1,440 people per ride, approximately 30,000 visitors per day and 12 million visitors per year.
- The project features approximately 450,000 square feet of enclosed space and eight acres of outdoor space.
- The multi-purpose destination will include retail, exhibition and attractions enclosed under an expansive green roof space that not only provides a visual highlight of the St. George waterfront, but also important community and tourist open space.
- The project's "green" design is expected to achieve Silver/Gold LEED certification.
- There will also be a secondary attraction emphasizing the history and visual beauty of New York, a "5 borough" casual dining and bar, a rooftop beer garden, high-tech shopping kiosks, and a 950+ space, covered parking garage.

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

Another development near the ferry terminal is Empire Outlets: New York City's first and only outlet shopping mall with over 110 stores and a 198-room hotel planned in a US$350 million development.

### *4.2.3 Brief History of the New York Wheel Project*

- 2011 – 8 acre site on Staten Island identified and a request for expression of interest issued by New York City Economic Development Corporation and responded to by Plaza Capital with Rich Marin as President.
- July, 2012 – Pre-development agreement granting site control was given to New York Wheel LLC, a newly formed special purpose company set up and funded by three founding sponsor members to explore building the New York Wheel and seek approval to do so. Rich Marin hired as CEO of New York Wheel project.

- September, 2012 - New York City Mayor Michael Bloomberg announced the New York Wheel development project.
- October, 2013 - The New York City Council approved and ratified the project under the Unified Land Use Review Provisions of New York City. A 99 year site lease was signed.
- January to June, 2014 – Senior loan arranged and committed. Mezzanine debt negotiated and committed by CanAm Enterprises via an EB-5 Immigrant Investor Program fundraising effort. Application for EB-5 approval filed with U.S. Citizen and Immigration Services ("USCIS").
- March, 2014 – design and build contract signed between New York Wheel LLC and Mammoet-Starneth LLC. That contract can be terminated without cause at 15 days' notice by in which case New York Wheel LLC would become liable to pay 15 per cent. of the amounts remaining to be paid under the contract. All the remaining termination provisions are industry standard for that kind of agreement.
- July, 2014 – USCIS project approval obtained for up to US$208 million of EB-5 financing.
- October, 2014 – Site possession and temporary parking set-up initiated.
- Jan to May 2015 – Equity fundraising identifies an incremental US$83.5 million of equity investors to add to existing US$27.5 million of initial sponsor equity.
- April, 2015 – US$150 million of EB-5 mezzanine financing closed into escrow contingent on senior debt closing.
- May 21, 2015 – Senior debt financing for US$195 million closed and funded. US$150 million of EB-5 mezzanine debt released from escrow. US$83.5 million of new equity closed and funded.
- June, 2015 – Construction commenced on the project with full foundation permit in hand.
- Mid 2017 – Projected substantial completion of the project and launch of operations.

#### *4.2.4 Funding of the New York Wheel Project*

To date, the New York Wheel Project has secured funding of US$456 million with another US$20 million committed. Total equity raised to date is US$111 million plus total debt raised to date is US$345 million comprising a construction loan of US$195 million and mezzanine debt (EB-5) of US$150 million. An additional US$20 million in mezzanine debt is in the process of being secured (once complete then total funding would be US$476 million).This excludes significant funds expected to be received from a sponsorship marketing arrangement (naming rights for the wheel).

#### *4.2.5 Operations and Pricing*

- Operations: expected to be operational seven days a week, 330 days per year (closed for five weeks per year for maintenance) from 10:00 a.m. to 10:00 p.m. in fall, winter and spring. During the summer, the New York Wheel would remain open until midnight or possibly 2:00 a.m.
- Anticipated visits to the New York Wheel would be packaged with trips to the Statue of Liberty and/or Ellis Island.
- Pricing: the cost of a ticket is currently projected at approximately US$35 per ride. Pricing strategies would include a discount for seniors over age 65 and children from ages 4 to 12 (children under 4 ride free).
- With over 12 million annual waterborne visitors expected on New York Harbor and an average of 12,000 visitors per day (14,000 on peak days), annual visitation for the New York Wheel is estimated to exceed 3 million visitors per year.

## 5. The Group's trading, strategy and prospects

Before both making the Investment and completing the Acquisition, the Company was an investment vehicle with a cash balance of £1,079,621 as at 30 June 2015. Following the Acquisition the Group's main focus is on developing the acquired business of the Starneth Group, which is the design and engineering of giant observation wheels and structures.

For the year ended 31 December 2014, the Pre-Acquisition Starneth Group reported revenue of €11,420,000 which represents an increase of 160 per cent. compared to €4,393,000 generated in 2013. This significant increase was mainly due to the Dubai-I contract. For the six months ended 30 June 2015, the Pre-Acquisition Starneth Group reported unaudited revenue of €5,980,000 and profit on ordinary activities before taxation of €1,647,000. All revenue in this period have arisen in relation to the New York Wheel Project, on which a majority of the engineering and design work has already been completed and billed to the joint venture. For the remainder of the current year, it is expected that the Starneth Group revenue will be driven by the income from technical and support services performed under the Collaboration Agreement signed by Starneth America LLC in relation to the final procurement phase of the New York Wheel Project and will be €1.3 million received so far and approximately €1.1 million expected before the end of the year. Whilst the underlying design and build contract between New York Wheel, LLC and Mammoet-Starneth LLC can be terminated at 15 days' notice, the Directors believe that termination is highly unlikely at such an advanced stage of the project. In addition, if the Southeast Asia Wheel contract can reach its financial close by the end of the year, which the Directors still believe is possible, the Group could receive the first stage payment under this contract.

As described in more detail in paragraph 4.1.3 above, the Directors and senior management are currently reviewing and assessing for commercial viability the pipeline of potential giant observation wheel and structure projects that the Starneth Group has developed. The Starneth Group is actively working on securing at least one of the described contracts for a large observation wheel project in Southeast Asia, Europe or the Americas within the next six to nine months. This phase of negotiations is usually the most difficult one as both the developer and the funding source typically have a significant influence on it. In general these types of projects require substantial resources and complex funding structures such as performance bonds or some other financial guarantees in order to satisfy legal requirements for the contract award. Historically this had been a challenge because of the limited financial resources the Pre-Acquisition Starneth Group had when it first began operations. In each case the Pre-Acquisition Starneth had no other choice than to team up with a strong financial partner at the same time sacrificing the operational control over the project.

The Directors and senior management of the Group are of the opinion that as the business grows and the Challenger – Starneth Group brand becomes even more recognisable, the Company may be able to secure finances for the projects they will be competing for without the need of a joint-venture partner.

Going forward the Group's main objectives are: -

- to integrate the acquired business of Starneth and develop a globally recognisable brand in the attractions sector;
- to assess the pipeline of potential giant observation wheel projects that the Starneth Group has developed and secure contracts that would contribute positively to the Group's growth and revenues; and
- to evaluate other opportunities in the attractions sector that are either complementary to the Group's business or that may provide long term returns for its Shareholders.

Overall, the key factor in meeting the Group's objectives is the securing and implementation of these substantial projects which individually will have a significant impact on the Group's trading results.

The Starneth team is highly experienced in the specialised sector of giant observation wheels and structures. The two directors of the Starneth Group, who are the senior managers of the Group, were behind the design and construction of the two iconic projects commissioned prior to the Pre-Acquisition Starneth Group's formation, being the highly successful London Eye and the Singapore Flyer. The CEO of the Starneth Group, Chiel Smits, was the Project Manager for the London Eye project and several members of the former London Eye engineering, construction and erection team are either permanent employees of the Starneth Group or working as consultants on specific projects when required.

With a skilled team and a pipeline of projects, the Starneth Group possesses a unique capability and offers various services to developers of iconic giant observation wheels worldwide by offering both standard and special purpose structure designs to suit the specific requirements of the client and location. With the Challenger Directors' experience, the Group has the ability to assess each project critically from a commercial perspective and to actively assess the risk-return position in any project that involves funding guarantees and/or a larger joint venture partner to oversee the project.

The Board believes that there can be significant returns generated from the design and engineering of giant observation wheels worldwide, which are in demand since the opening of the London Eye in 2000 made it a very popular tourist attraction.

## *6.* Market overview

### *The Attractions Sector*

The key component of the entertainment and leisure industry is attractions – interactive, often educational and enjoyable experiences that offer visitors a chance to explore the facilities and wonders of their destination. Attractions play one of the most important roles in the tourism industry as they are the primary factor in determining tourists' destination choice.

The sector is fast growing and has a far-reaching economic impact on regions and countries. The United Nations World Tourism Organisation, UNWTO, estimated that in 2014 over 1.1 billion international tourists travelled the world in one single year, which had a positive impact on the attractions sector. D & J International Consulting & Morisetti Associates in their report on "European Amusement and Theme Park Industry" prepared for IAAPA Europe in February 2014, estimated that 149.5 million people visited European theme and amusement parks in 2012 generating approximately EUR 4.9 billion in revenue in Europe and contributing approximately EUR 1.2 billion to public finances.

### *Giant observation wheel industry*

The Starneth Group specialises in the design and engineering of giant observation wheels and structures. Although the concept of Ferris wheels has been well known around the world for more than a century, the giant observation wheel industry is approximately 15 years old, being the lifetime of the 135 metre high London Eye, the world's first iconic-style observation wheel. This specialty sector is different from the traditional Ferris Wheels primarily due to the use of mechanically driven capsules deployed in giant observation wheels such as the London Eye (2000), Singapore Flyer (2008), and Las Vegas High Roller (2014). The height of the wheel and the size of the capsules that hold revenue generating customers are also additional differentiators. For example the London Eye has 32 capsules, which hold up to 25 people in each capsule, whereas a traditional Ferris Wheel capsule may hold only up to 8 customers.

The work on the Dubai-I and the New York Wheel remain in progress (even though Starneth is no longer involved with Dubai-I) and both projects are scheduled to be operational in 2017. Historically, there has been, on average, completion of an iconic-type wheel project approximately every 2.5 years. It is important to note that the global financial crisis in 2008-2009 had an adverse impact on funding sources and therefore the development of some giant observation wheels were cancelled or delayed significantly.

The Starneth Group's executives do not foresee the total market size higher than 8-12 new iconic-type projects over the next 10 years. However, the Board believes that this market represents a potential value of at least US$1 billion.

## 7. Competition

There is limited competition in the speciality giant observation wheel market in which the Starneth Group operates that would offer the similar project management services as Starneth, principally as the number of individuals with the relevant knowledge and experience is limited.

However, the potential competition for the Starneth Group may arise from the following sources:

- Large corporations – there are several owners of the giant observation wheels that may attempt to add additional locations.
- State owned corporations – the owners of the Ferris wheels in China may decide to enter the giant observation wheel sector.
- Large engineering and/or contracting companies – some of the subcontractors for the giant observation wheel projects may decide to expand their involvement in these projects and attempt to provide the service and expertise similar to the Starneth Group.

As far as the Company is aware, the Starneth Group is the only provider that covers giant observation wheels on a lump sum turnkey basis operating in the attractions sector. Together with capabilities and possibilities that the listing of Challenger provides it is the Group's aim to become the leader not only in design and construction of the giant observation wheels and structures but also in providing financing for projects and operating giant observation wheels globally. As such, the Company would be a unique player. However, it is always possible that new competitors enter this sector or that independent companies join forces to offer a similar range of products at a lower cost or a superior products at a similar price.

## 8. Insurance

Challenger has professional indemnity insurance in place of £1 million for all losses including costs and expenses.

The Starneth Group has individual company insurance coverage in place, including employee benefits, travel insurance, general liability of €1 million, property and building, and inventory. For each giant observation wheel project, there is also specific professional indemnity insurance and extended liability insurance in place as per the requirements of each specific contract.

## 9. Taxation

Further information on taxation with regards to the Ordinary Shares and the effect on the Company's Guernsey domicile is set out in Part VII of this Document.

## 10. Admission to a Standard Listing on the Official List

The Company has now published the Prospectus, which has been approved by the UK Listing Authority and accordingly the applications have been made for the Issued Share Capital to be admitted to trading on the Official List of the London Stock Exchange by way of a Standard Listing. It is anticipated that the existing listing on the standard listing segment of the Official List and trading in the Ordinary Shares on the London Stock Exchange's main market, will be cancelled immediately before 8.00 a.m. on 8 December 2015 and the Admission and dealings in the Issued Share Capital are expected to commence at 8.00 a.m. on 8 December 2015.

Application for admission of the Second Tranche of Consideration Shares will be made in due course and it is expected that it will become effective, and that unconditional dealings in such Ordinary Shares will commence, at 8.00 a.m. on or around 15 July 2016.

In accordance with Listing Rule 14.2.2, the Company and the Directors have ensured that on Admission the Company shall have sufficient shares in public hands (25 per cent.) as defined in the Listing Rules.

## 11. Risk factors

Prior to investing in the Ordinary Shares, prospective investors should consider, together with the other information contained in this Prospectus, the factors and risks attaching to an investment in the Company including, in particular, the factors set out in the section entitled "Risk Factors" on pages 16 to 27 of this Prospectus.

## 12. Further information

The attention of prospective investors is also drawn to the remaining of this Document, which contains further information on the Group.

## PART II

## DETAILS OF THE ACQUISITION

### 1. The Acquisition

On 26 May 2015 the Company announced that on 24 May 2015 it had signed a letter of intent with the owners of Starneth Holding B.V. for the acquisition of the principal operating business of the Pre-Acquisition Starneth Group.

Following due diligence review, negotiation of the requisite documentation and approval of Challenger's Board, the Acquisition of the Starneth Group companies as listed in paragraph 2.3 below completed on 15 July 2015, in accordance with the terms of the Share Purchase Agreement, further details of which are set out in paragraph 24.6 of Part VIII of this Document.

The total consideration for the Starneth Group of companies under the Share Purchase Agreements amounts to €7.2 million (£5.18 million) plus a variable component equal to 30 per cent. of the amount by which the consolidated EBITDA of the acquired Starneth Group companies exceeds €1,267,000 in the next three financial years.

Of the consideration, €1,250,000 (£0.90 million) was paid to the Sellers in cash on completion, and two further cash payments of €1,250,000 will be made on the first and second anniversary of completion. The rest of the consideration is settled in Ordinary Shares. A total of 1,100,000 Ordinary Shares, constituting the First Tranche of Consideration Shares, were issued to the Sellers on completion. The Second Tranche of Consideration Shares totalling 1,100,000 Ordinary Shares will be issued on the first anniversary of completion that is on 15 July 2016 whilst the Third Tranche of Consideration Shares also totalling 1,100,000 Ordinary Shares will be issued on the second anniversary of completion that is on 15 July 2017. The variable component will be paid in Ordinary Shares after the end of the each financial year. All Ordinary Shares issued and to be issued to the Sellers under the Share Purchase Agreement are valued at £0.75 per share.

The Consideration Shares issued to the Vendors pursuant to the Acquisition are subject to restrictions whereby they cannot be disposed of (without the prior written consent of the Company) until 36 months after the date of the Share Purchase Agreement.

### 2. Background and history of the Starneth Group

#### *2.1 Ownership History*

(i) The first business carrying the name "Starneth" was Starneth Ltd[1] formed in 2007 to be the design and engineering firm for a wheel planned for Dubai Land. Starneth Ltd, was incorporated in Dubai as an offshore company, and registered in Jebel Ali Freezone. At that time, there were two owners, Theo Jansen and Chiel Smits, who then left the company in 2008, when it became clear that this project was not proceeding due to the global economic crash. Starneth Ltd, which ceased trading in 2008 and has remained dormant ever since, is still owned by Theo Jansen and it does not form part of the Pre-Acquisition Starneth Group of companies.

[1] This Dubai company is different from Starneth Ltd, a wholly-owned subsidiary of Starneth Holding B.V. incorporated in Hong Kong

(ii) In December 2008, an existing dormant company called Hydrospex Engineering B.V., owned by Dutch entity Shining Star B.V., was renamed Starneth B.V. At that time, all shares were owned by Shining Star B.V. with the ultimate beneficial owner being Mr. Tjerko Jurgens, a Dutch national. Hydrospex Engineering B.V. was originally incorporated on 17 July 2006 in Netherlands.

(iii) Starneth B.V. engaged in the giant wheel business and identified a new project in Dubai aiming to build a giant wheel on the Bluewaters Island ("Dubai-I") for which project agreements were eventually signed in 2013.

(iv) Tjerko Jurgens continued to fund Starneth B.V. through Shining Star B.V. until 2012. On the 27 April 2012, the remaining shares owned by Shining Star B.V. were exchanged for debt and equally distributed to the other 3 shareholders, bringing the equity participation to 60 per cent. (Smits International B.V.), 20 per cent. (Mr. Rijnders) and 20 per cent. (Mr. Karssen).

(v) On 20 December 2012, out of the 20 per cent. shareholding owned by Mr. Rijnders 15 per cent. was transferred to Smits International B.V. with the remaining 5 per cent. transferred to Karppa B.V., a company owned by Mr. Karssen. At this point Mr Rijnders left Starneth B.V. and its subsidiaries.

(vi) In February 2014, Karppa B.V. was acquired and its shares taken over by Sungailiat B.V., a family business owned by the Smits family. The remaining 25per cent. of Starneth B.V. shares were subsequently transferred to Smits International B.V. from Sungailiat B.V. on 25 November 2014 and since then all the Starneth B.V. shares were controlled and owned by Smits International B.V.

### *2.2 The Pre-Acquisition Starneth Group and significant changes to the structure*

Historically, the Pre-Acquisition Starneth Group comprised the following companies:

- Starneth B.V., which conducted operations of the Pre-Acquisition Starneth Group in the Netherlands and which also undertook the work on the Dubai-I. Starneth B.V. had only one operating subsidiary, being:

  - ✓ Banka B.V. (99 per cent. owned)

- Starneth Holding B.V., which was the holding company for among others Starneth LLC, a company formed to undertake the Pre-Acquisition Starneth Group's portion of the work in relation to the New York Wheel Project, and SME Engineering Services JLT, a company incorporated to trade in the Middle East and India. Starneth Holding B.V. had the following subsidiaries:

  - ✓ Starneth LLC (wholly owned and trading);
  - ✓ SME Engineering Services JLT (wholly owned and trading);
  - ✓ Starneth Ltd (wholly owned and dormant);
  - ✓ Starneth Pte Ltd (wholly owned and trading);
  - ✓ Starneth Engineering LLC (30 per cent. owned and dormant); and
  - ✓ Cendana Starneth Indonesia (10 per cent. owned and dormant).

- Starneth Construction B.V., which was a party to Cooperation Agreement and is currently being wound-up.

Prior to the Acquisition by Challenger of the Starneth Group companies on 15 July 2015, two significant changes to the Pre-Acquisition Starneth Group structure took place, being:

(i) the Demerger under Dutch law of Starneth B.V. into two separate legal entities being; Starneth B.V., the entity that retains all legal benefits and liabilities associated with the Dubai-I arbitration proceedings and Starneth Europe B.V., a new company incorporated in the Demerger process, which continues the business of Starneth B.V. that is the design and engineering of giant observation wheels and structures; and

(ii) incorporation of Starneth America LLC, a US entity set up to; (i) provide technical and support services to Starneth LLC, one of the Pre-Acquisition Starneth Group of companies that was excluded from the Acquisition, in relation to the New York Wheel Project and (ii) to continue the business of the Pre-Acquisition Starneth Group, that is the development of new giant observation wheel projects in North, Central and South America. These arrangements are set out in the Collaboration Agreement as summarised in paragraph 24.8 of Part VIII of this Document.

***2.3 The Starneth Group as acquired by the Company***

On 15 July 2015 Challenger acquired the following companies out of the Pre-Acquisition Starneth Group of companies which are together referred to in this Document as the Starneth Group:

- **Starneth Europe B.V. together with:**
  - ✓ Banka B.V. (100 per cent. owned)
- **Starneth Holding B.V. together with:**
  - ✓ Starneth America LLC (100 per cent. owned)
  - ✓ SME Engineering Services JLT (100 per cent. owned)
  - ✓ Starneth Ltd (100 per cent. owned)
  - ✓ Starneth Pte Ltd (100 per cent. owned)
  - ✓ Starneth Engineering LLC (30 per cent. owned)
  - ✓ Cendana Starneth Indonesia (10 per cent. owned)

*It should be noted here that Starneth B.V., Starneth Construction B.V. and Starneth LLC were all excluded from the Acquisition and do not form part of the Group.*

*Along with the exclusion of Starneth B.V. from the Acquisition, certain contingent assets and liabilities in Starneth B.V., in particular all of those relating to Dubai-I, remained with Starneth B.V. and accordingly have been excluded from the Starneth Group's historical financial information contained in Part IV of this Document. Starneth B.V. was a subcontractor in accordance with an agreement between Hyundai Engineering and Construction and Starneth B.V. for the design of a wheel and supply of a drive-system for the Dubai-I at Bluewaters Island, UAE, which resulted in arbitration proceedings between Hyundai Engineering and Construction and Starneth B.V. The acquired Starneth Group has no ongoing work commitments in respect of the Dubai-I.*

*Starneth LLC, the company created to undertake the Pre-Acquisition Starneth Group's work on the New York Wheel, was excluded from the Acquisition solely by reason of the technicalities involving the joint venture with Mammoet USA. Mammoet-Starneth, LLC is solely responsible for the design and manufacturing of the New York Wheel. Starneth*

*LLC, the company that was excluded from the Acquisition, requires the continued access to the expertise of certain members of the Starneth Group in order to complete Starneth LLC's work on the project. Accordingly, Starneth LLC has entered into the Collaboration Agreement with Starneth America LLC, a subsidiary of the Company. Under this Collaboration Agreement, further details of which are set out in paragraph 24.8 of Part VIII of this Document, Starneth America LLC provides additional technical and support services, such as procurement and project management, to Starneth LLC in order to meet Starneth LLC's own contractual obligations with respect to the New York Wheel. Starneth America LLC was also set up to continue the trade of the Pre-Acquisition Starneth Group in the Americas.*

# PART III

# DIRECTORS, CONSULTANTS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

## 1. Directors

Details of the Directors and their backgrounds are as follows:

**Mark Garland Gustafson (Chairman, born 23 November 1959 aged 56)**

Mr Gustafson is a Canadian based Chartered Accountant with over 30 years of experience in building public and private companies and arranging financing either as a senior executive or through his personal consulting company, M.G.G. Consulting. Over the span of his career he has been actively involved in numerous corporate acquisitions directly participating in debt and equity fundings totalling over 200 million Canadian dollars ("CAD").

After qualifying as a Chartered Accountant with Price Waterhouse, Mr Gustafson joined EnServ Corporation where he spent 6 years helping to build the company through various acquisitions into a sizable energy services company, which in 1996 was acquired for CAD 229 million by Precision Drilling Corporation. Mr Gustafson then served as President and CEO of Total Energy Services Ltd, a Toronto Stock Exchange listed company providing oilfield rental services, for which he raised CAD 25 million. He also served as Chairman and Chief Executive Officer of Triangle Petroleum Corporation where he helped to lead active exploration shale plays in North America and to raise over USD 84 million in convertible and equity instruments. More recently, Mr Gustafson held the position of President and Chief Executive Officer of Euromax Resources Ltd. where he was responsible for securing funding of CAD 18 million to advance gold and base metal projects in Serbia, Macedonia and Bulgaria. Previously Mr Gustafson served as Chairman of Tuzo Energy Corporation, overseeing an unconventional oil and gas company and helping to raise CAD 50 million in private equity funding to advance this project. Mr Gustafson is experienced in successfully developing and growing start-up businesses through focused acquisitions into commercially viable companies.

**Markus Dieter Kameisis (Chief Financial Officer, born 24 November 1978 aged 37)**

Mr Kameisis is a Swiss-based German finance executive with over 10 years of experience in the banking and financial industry. After graduating with a "Diplom-Kaufmann" in Auditing and Controlling from the University of Trier, Germany, Mr Kameisis joined UBS in Luxembourg and following promotion to Associate Director, he moved to UBS in Switzerland where he worked on a finance IT platform project of UBS across Europe. Afterwards, Mr Kameisis took over as Head of Accounting of UBS Leasing AG where he was responsible for implementation of the Basel II internal rating based approach. He was then promoted to the CFO role within UBS Swiss Financial Advisers AG, a FINMA and SEC regulated broker serving US clients in Switzerland where he was, amongst other things, responsible for the implementation of a new software system, the regulatory reporting and all corporate tax filings.

In 2013 Mr Kameisis was recruited by Gutenberg Group AG, a FINMA regulated financial services group with a banking license, specifically to oversee the Group's finance and reporting function. Shortly after his assignment Gutenberg Group AG decided to give back its banking license and Mr Kameisis agreed to support the Group during this transition as the CFO.

In August 2014, Mr Kameisis founded an outsourcing and advisory firm for SME companies called Icelia AG, for which Mr. Kameisis is the CEO and a director. He also serves as a senior finance executive at a Swiss based oil and gas company with a portfolio of oil and gas assets in Africa and Europe. Icelia AG provides accounting services to the Starneth Group.

**Gert Rieder (Non-Executive Director, born 2 June 1962 aged 53)**

Mr Rieder has over 20 years of experience as senior executive and consultant building companies, markets and revenues globally while heading up start-ups, advising on board positions, and leading business development and growth for companies and customers in Scandinavia, Europe and the Middle East. After graduating from Aarthus School of Business, Mr Rieder joined leading telecom provider Tele Danmark where he took on a series of commercial roles finally becoming a Product Director. He then moved to a telecom start-up Sunrise Communications in Switzerland where he joined as Chief Commercial Officer and was later promoted to COO, leading the product roadmap activities and successfully developing the initial product launch plan. At Danish TDC Fixnet Nordic he served as Executive Vice President and Member of Executive Board focusing on restructuring the organisation with emphasis on strengthening customer service and sales operation. He was also responsible for optimisation of distribution channels by redefining a nationwide chain of retail shops and call centres. He was also a Deputy CEO of Vopium, a global VOIP player, helping to prepare the company for listing on Euronext Paris. Mr Rieder also served as CEO of Batelco in Bahrain, one of the leading telecom providers in the MEA region, and as CEO for Comendo Group, the leading provider of cloud-based IT-security solutions in Scandinavia - both publicly listed companies that focus on growing through extensive M&A activities. Mr Rieder is highly experienced in consumer marketing having built his career creating and selling products and services.

## 2. Senior Managers and Consultants

***CEO of Starneth Group** - Machiel ("Chiel") Smits*

Chiel Smits, aged 57, is a native Dutchman with an engineering degree from Dordrecht Hogere Techniche School. Before founding Starneth in 2007, he was a core founder and board member of the Great Wheel Corporation acting as the Chief Technical Officer and working on start-up development of wheels in Beijing, Orlando and Berlin. His experience in the construction of observation wheels stemmed from having been the lead designer and project manager of the British Airways "London Eye" for Hollandia B.V. Chiel is acting as Chief Executive Officer of the Starneth Group and is the Managing Director of Starneth Europe B.V. and Starneth Holding B.V. with particular focus on new developments, both in market size and technology.

***Senior Manager** – Leonardus ("Leon") Heijkoop*

Leon Heijkoop, aged 49, a native Dutchman with engineering background, has been based in the Middle East since early 2005. Prior to joining Starneth in 2013 he worked as regional manager in the Middle East for Great Wheel Corporation and as a project manager on various construction and fabrication contracts for amongst others Hollandia B.V., the steel construction company, and Lamprell Energy Ltd. Leon has more than 20 years of experience in project management and construction services in the oil and gas industry as well as leisure and entertainment. At Starneth Group, he is the Managing Director of SME Engineering JLT with regional office in Dubai. Under Leon's leadership, the Starneth Middle East's project management team worked as a subcontractor on the Dubai-I, the giant observation wheel which if completed will be the largest observation wheel development in the world. Leon's main focus is now on expanding the Starneth Group's business in the Middle East and India.

***Consultant** – John Le Poidevin*

John Le Poidevin, aged 45, is an experienced independent consultant and non-executive who sits on several company and fund boards and advises companies across the leisure, hospitality and entertainment sector. Now Guernsey-based, he was a Partner at BDO LLP in

London for many years, where he was Head of Consumer Markets, transforming BDO's practice into being a significant market player with a leading position in the leisure sector. John has significant experience of working with leisure and hospitality businesses in relation to their overall strategy, investment and financing decisions, M&A matters, corporate governance, risk and financial reporting. He has been involved in the successful flotations of a number of major leisure businesses, including 888 Holdings and Carluccios. John is a Fellow of the Institute of Chartered Accountants in England and Wales.

## 3. Corporate Governance

The Board is committed to the highest standards of corporate governance and so far as appropriate given the Company's size and the constitution of the Board, complies and intends to comply with the UK Corporate Governance Code.

As prescribed by the UK Corporate Governance Code, the Board has established two committees: an Audit and Risk Committee and a Remuneration Committee.

***Audit and Risk Committee***

The Audit and Risk Committee comprises Mark Gustafson and Gert Rieder and is responsible, amongst other things, for monitoring the Group's financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of the Group's annual and half-yearly financial statements, reviewing and monitoring the extent of non-audit work undertaken by external auditors, advising on the appointment of external auditors, overseeing the Group's relationship with its external auditors, reviewing the effectiveness of the external audit process and reviewing the effectiveness of the Group's internal control review function. The ultimate responsibility for the reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit and Risk Committee gives due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules. The Audit and Risk Committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

***Remuneration Committee***

The Remuneration Committee comprises Mark Gustafson and Gert Rieder and is responsible, amongst other things, for assisting the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, including setting the parameters and governance framework of the Group's remuneration policy and determining the individual remuneration and benefits package of each of the Company's Executive Directors and the Group. It is also responsible for approving the rules and basis for participation in any performance related pay-schemes, share incentive schemes and obtaining reliable and up-to-date information about remuneration in other companies. The Remuneration Committee shall meet at least two times a year.

## 4. Model Code

As at the date of this Document, 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.

## 5. Dividend policy

The objective of the Directors is the achievement of substantial capital growth. In the short term they do not intend to declare a dividend.

# PART IV
# SELECTED FINANCIAL INFORMATION

## (A) ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

Crowe Clark Whitehill LLP
*Chartered Accountants*
Member of Crowe Horwath International
St Bride's House
10 Salisbury Square
London EC4Y 8EH, UK
Tel +44 (0)20 7842 7100
Fax +44 (0)20 7583 1720
DX: 0014 London Chancery Lane
www.croweclarkwhitehill.co.uk

2 December 2015

The Directors
Challenger Acquisitions Limited
55 Mount Row
St Peter Port
Guernsey
GY1 1NU
Channel Islands

The Directors
Beaumont Cornish Limited
29 Wilson Street
London
EC2M 2SJ

Dear Sirs

**Introduction**

We report on the financial information for the period from the date of incorporation on 24 November 2014 to 31 March 2015 set out in this Part IV (B) of the prospectus (the "Prospectus") dated 2 December 2015 of Challenger Acquisitions Limited (the "Company"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 2 of the financial information. This report is required by Annex 1 item 20.1 of Commission Regulation (EC) No. 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

**Responsibilities**

The directors of the Company (the "Directors") are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information underlying the financial statements and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company as at the periods stated and of its profits/losses, cash flows and changes in equity for the periods stated in accordance with IFRS.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Annex I item 1.2 of the Prospectus Regulation.

Yours faithfully,

**Crowe Clark Whitehill LLP**
*Chartered Accountants*

## (B) HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

### Statement of Financial Position

The audited statement of financial position of the Company as at 31 March 2015 is set out below:

| | Note | Audited as at 31 March 2015 £ |
|---|---|---|
| **Assets** | | |
| *Current assets* | | |
| Cash and cash equivalents | | 748,570 |
| **Total assets** | | **748,570** |
| | | |
| **Equity and liabilities** | | |
| *Capital and reserves* | | |
| Share capital | 4 | 110,001 |
| Share premium | | 910,000 |
| Accumulated deficit | | (285,652) |
| **Total equity attributable to equity holders** | | **734,349** |
| | | |
| *Current liabilities* | | |
| Accounts payable and accrued liabilities | 5 | 14,221 |
| **Total liabilities** | | **14,221** |
| | | |
| **Total equity and liabilities** | | **748,570** |

**Statement of Comprehensive Income**

The audited statement of comprehensive income of the Company from the date of incorporation on 24 November 2014 to 31 March 2015 is set out below:

| | Note | Audited 5 months ended 31 March 2015 £ |
|---|---|---|
| **Revenue** | | - |
| Administrative expenses | | (285,652) |
| **Operating loss and loss on ordinary activities before taxation** | | (285,652) |
| Income tax expense | 7 | - |
| Loss after taxation | | (285,652) |
| **Loss for the period** | | (285,652) |
| Other comprehensive income | | - |
| **Total comprehensive loss attributable to owners of the parent** | | (285,652) |
| Loss per share: | | - |
| Basic and diluted | 8 | (0.05) |

**Statement of Changes in Equity**

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

| | **Share capital £** | **Share Premium £** | **Accumulated deficit £** | **Total £** |
|---|---|---|---|---|
| **On incorporation on 24 November 2014** | 1 | - | - | 1 |
| *Comprehensive income* | | | | |
| Loss for the period | - | - | (285,652) | (285,652) |
| **Total comprehensive income for the period** | **-** | **-** | **(285,652)** | **(285,652)** |
| *Transaction with owners* | 110,001 | 910,000 | - | 1,020,001 |
| **Total transaction with owners** | **110,001** | **910,000** | **-** | **1,020,001** |
| **As at 31 March 2015** | **110,001** | **910,000** | **(285,652)** | **734,349** |

Share capital comprises the Founder Shares issued by the Company.

Retained earnings represent the aggregate retained earnings of the Company.

**Statement of Cash Flows**

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

| | Audited 5 months ended 31 March 2015 £ |
|---|---|
| **Cash flow from operating activities** | |
| Loss for the period before taxation | (285,652) |
| **Operating cash flows before movements in working capital** | **(285,652)** |
| Increase in receivables | - |
| Increase in accounts payable and accrued liabilities | 14,221 |
| **Net cash generated from operating activities** | **(271,431)** |
| | |
| Issue of Common Shares | 1,020,001 |
| **Net cash inflow from financing activities** | **748,570** |
| | |
| **Net increase in cash and cash equivalents** | **748,570** |
| | |
| Cash and cash equivalent at beginning of period | - |
| **Cash and cash equivalent at end of period** | **748,570** |

## NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation**

The principal accounting policies adopted by the Company in the preparation of the financial information are set out below.

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

The financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), including interpretations made by the International Financial Reporting Interpretations Committee (IFRIC) issued by the International Accounting Standards Board (IASB). The standards have been applied consistently.

**Comparative figures**

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

**Standards and interpretations issued but not yet applied**

Certain changes to IFRS will be applicable for the Company's financial information in future periods. These new standards, interpretations and amendments, which are not yet effective and have not been adopted early in this financial information, are not expected to have a material effect on the Company's future financial information.

As at the date of approval of this financial information, the following standards and interpretations were in issue but not yet effective:

IFRS 14 Regulatory Deferral Accounts
IFRS 15 Revenue from Contracts with Customers
IFRS 9 Financial Instruments
IFRS 11 Amendments: Accounting for Acquisitions of Interests in Joint Operations
IAS 16 and IAS 38 Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 Amendments: Agriculture: Bearer Plants
IAS 27 Amendment – Equity Method in Separate Financial Statements
IFRS 10 and IAS 28 Amendments: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

**Financial assets**

The Directors determine the classification of the Company's financial assets at initial recognition. The financial assets held comprise cash and cash equivalents and other receivables. These are classified as loans and receivables.

**Financial liabilities**

The Directors determine the classification of the Company's financial liabilities at initial recognition. The financial liabilities held comprise other payables and accrued liabilities and these are classified as loans and receivables.

**Revenue recognition**

Revenue represents the gross amounts billed to clients net of discounts, sales taxes, accrued and deferred amounts.

**Cash and cash equivalents**

The Company considers any cash on short-term deposits and other short term investments to be cash equivalents.

**Share capital**

Founder Shares are recorded at nominal value and proceeds received in excess of nominal value of Founder Shares issued, if any, are accounted for as share premium. Both share capital and share premium are classified as equity. Costs incurred directly to the issue of Founder Shares are accounted for as a deduction from share premium, otherwise they are charged to the income statement.

**Going concern**

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

Following the review of ongoing performance and cash flows, the Directors have a reasonable expectation that the Company has adequate resources to continue operational existence for the foreseeable future.

## 3. 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 a single activity, being the identification and acquisition of target companies or businesses in the entertainment and leisure sectors.

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:

| | Audited 5 months ended 31 March 2015 £ |
|---|---|
| Revenue | - |
| Operating loss | (285,652) |
| Carrying amount of assets | 748,570 |
| Carrying amount of liabilities | (14,221) |

## 4. SHARE CAPITAL

| | Audited as at 31 March 2015 £ |
|---|---|
| 11,000,100 Ordinary shares of £0.01 | 110,001 |

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

On 5 December 2014, a further 40,000 Founder 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 31 March 2015, the number of Ordinary Shares authorised for issue was unlimited. All Ordinary Shares have equal voting rights and rank equally on a winding up.

## 5. TRADE AND OTHER PAYABLES

As at 31 March 2015, the Company had £14,221 of other payables measured at fair value through profit or loss. A maturity analysis of these payables due in less than one year is as follows:

| | Audited as at 31 March 2015 £ |
|---|---|

| | |
|---|---|
| 0 to 3 months | 14,221 |
| 3 to 6 months | - |
| 6 months + | - |
| Total | 14,221 |

**6. DIRECTORS' EMOLUMENTS**

The three Directors were paid emoluments totaling £10,300 during the period under review. The Directors were the key management personnel.

**7. TAXATION**

The Company is a Guernsey incorporated company subject to corporate tax rate of nil, as at 31 March 2015.

**8. LOSS PER SHARE**

The calculation for earnings per Ordinary Share (basic and diluted) for the relevant period is based on the profit after income tax attributable to equity Shareholder for the period from incorporation on 24 November 2014 to 31 March 2015 and is as follows:

| | **Audited 5 months ended 31 March 2015 £** |
|---|---|
| Loss attributable to equity Shareholders (£) | (285,652) |
| Weighted average number of Ordinary Shares | 5,779,777 |
| Loss per Ordinary Share (£) | (0.05) |

Loss per share are calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential Ordinary Shares.

The Company has no potentially dilutive shares.

**9. RELATED PARTY TRANSACTIONS**

There were no related party transactions during the period under review.

**10. COMMITMENTS**

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

**11 FINANCIAL INSTRUMENTS – RISK MANAGEMENT**

The Company is exposed through its operations to credit risk and liquidity risk. In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this financial information.

**Financial instruments**

The financial instruments used by the Company, from which financial instrument risk arises, are cash and cash equivalents of £748,570 and accounts payable of £14,221.

The risk associated with the cash and cash equivalents is that the Company's bank will enter financial distress and be unable to repay the Company its cash on deposit. To mitigate this risk, cash and cash equivalents are only lodged with independent financial institutions designated with minimum rating "A".

The risk associated with the other payables is that the Company will not have sufficient funds to settle the liability when it falls due. The Directors seek to maintain a cash balance sufficient to meet expected requirements for a period of at least 45 days.

**General objectives, policies and processes**

The Directors have overall responsibility for the determination of the Company's risk management objectives and policies. Further details regarding these policies are set out below:

**Credit risk**

The Company's credit risk arises from cash and cash equivalents with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

**Liquidity risk**

Liquidity risk arises from the Directors' management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Directors' policy is to ensure that the Company will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Directors seek to maintain a cash balance sufficient to meet expected requirements for a period of at least 45 days.

The Directors have prepared cash flow projections on a monthly basis through to 30 June 2016. At the end of the period under review, these projections indicated that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

## 12 CAPITAL RISK MANAGEMENT

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

## 13 SUBSEQUENT EVENTS

Between 28 April 2015 and 30 July 2015, the Company issued £3,067,200 of convertible loan notes. The loan notes are unlisted, unsecured, transferable and convertible with a twelve month maturity date. Interest is accrued at 12per cent. per annum and payable quarterly, or upon conversion, in cash or in Ordinary Shares at the Company's discretion. The loan notes can be converted into Ordinary Shares at a price per Ordinary Share equal to the lower of £0.50 and 7.5per cent. 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 loan notes that may be converted in any 30-day period by a noteholder is 10per cent. of the total amount of any loan notes subscribed by that noteholder. The Company can redeem the loan notes at a 10per cent. premium anytime the market price is lower than £0.50.

On 20 May 2015, the Company invested a total of US$3,000,000 for a 2.463per cent. 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 70,000 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 other funding obligations arise, or face potential dilution of its interest should it choose not to invest further cash sums.

On 3 July 2015, the Company issued 109,789 Ordinary Shares at a price of £0.37 per Ordinary Share, to the holders of the convertible loan notes in payment of £40,622 of interest due in the period ending 30 June 2015.

On 3 July 2015, the Company issued 240,000 Ordinary Shares at a price of £0.40 per Ordinary Share, as a fee to the introducer of the New York Wheel investment.

On 15 July 2015, the Company entered into a Share Purchase Agreement with Smits International B.V., Yamapro Trading - F.Z.E. and Systems Engineering International, Inc. (the "Sellers"), for the acquisition of all shares in Starneth Holding B.V. and in Starneth Europe B.V. with immediate effect. Starneth Holding B.V. and Starneth Europe B.V. own all the shares in SME Engineering Services JLT (“SME Engineering”), Starneth Ltd, Starneth Pte Ltd, and Starneth America LLC, and 99 per cent. in Banka B.V. The total consideration under the Share Purchase Agreement amounted to €7,200,000, plus a variable component equal to 30 per cent. of the consolidated EBITDA of the acquired companies in excess of €1,267,000 for the next three financial years. Of the consideration, €1,250,000 was paid in cash at closing, and two further cash payments of €1,250,000 will be made on the first and second anniversary of closing. The rest of the consideration will be settled in Ordinary Shares. A total of 1,100,000 Ordinary Shares were issued to the Sellers at closing (the "Starneth Shares"). Two additional instalments of 1,100,000 Ordinary Shares will be made on the first and second anniversary of closing, and the variable component will also be paid in Ordinary Shares after the end of each financial year. All Ordinary Shares issued and to be issued to the Sellers under the Share Purchase Agreement are valued at £0.75 per Ordinary Share.

On 28 July 2015, the Company issued 630,000 Ordinary Shares at a price of £0.40 per Ordinary Share, as a fee to the introducer of the Starneth acquisition.

On 29 July 2015, options to acquire 615,000 Ordinary Shares (“Options”) were granted to employees and consultants of the Company. These Options have an exercise price of £0.40 and are exercisable in the following tranches; 25 per cent. as from the date of grant and 25 per cent. every twelve months thereafter. They cannot be exercised after the fifth anniversary of grant.

## 14 CONTINGENCIES

Due to the Company'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 Company.

## 15 ULTIMATE CONTROLLING PARTY

As at 31 March 2015, no one entity owns greater than 50 per cent. of the Issued Share Capital. Therefore the Company does not have an ultimate controlling party.

## 16 NATURE OF FINANCIAL INFORMATION

The financial information presented above does not constitute statutory financial statements for the period under review.

## (C) UNAUDITED INTERIM FINANCIAL INFORMATION OF THE COMPANY

### Condensed Statement of Comprehensive Income

The unaudited condensed statement of comprehensive income of the Company from the date of incorporation on 24 November 2014 to 30 June 2015 is set out below:

| | Note | Unaudited 8 months ended 30 June 2015 £ |
|---|---|---|
| **Revenue** | | - |
| Personnel expenses | 8 | (17,800) |
| Administrative expenses | | (668,946) |
| **Operating loss and loss on ordinary activities before taxation** | | (686,746) |
| Finance costs | | (67,585) |
| **Profit before income taxes** | | (754,331) |
| Income tax expense | 9 | - |
| Loss after taxation | | (754,331) |
| **Loss for the period** | | (754,331) |
| Other comprehensive income | | - |
| **Total comprehensive loss attributable to owners of the parent** | | (754,331) |
| Loss per share: | | - |
| Basic and diluted | 10 | (0.09) |

## Condensed Statement of Financial Position

The unaudited condensed statement of financial position of the Company as at 30 June 2015 is set out below:

| | Note | Unaudited as at 30 June 2015 £ |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | | 1,079,621 |
| Prepaid expenses | | 4,500 |
| **Total current assets** | | **1,084,121** |
| | | |
| Non-current assets | | |
| Available-for-sale financial assets | 5 | 1,976,400 |
| **Total non-current assets** | | **1,976,400** |
| | | |
| **Total assets** | | **3,060,521** |
| | | |
| **Equity and liabilities** | | |
| Capital and reserves | | |
| Share capital | 4 | 110,001 |
| Share premium | | 910,000 |
| Accumulated deficit | | (754,331) |
| **Total equity attributable to equity holders** | | **265,670** |
| | | |
| Current liabilities | | |
| Borrowings | 6 | 2,531,617 |
| Accounts payable and accrued liabilities | 7 | 263,234 |
| **Total current liabilities** | | **2,794,851** |
| | | |
| **Total equity and liabilities** | | **3,060,521** |

**Condensed Statement of Changes in Equity**

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

| | Share capital £ | Share Premium £ | Accumulated deficit £ | Total £ |
|---|---|---|---|---|
| **On incorporation on 24 November 2014** | 1 | - | - | 1 |
| Comprehensive income | | | | |
| Loss for the period | - | - | (754,331) | (754,331) |
| **Total comprehensive income for the period** | **-** | **-** | **(754,331)** | **(754,331)** |
| Transaction with owners | | | | |
| Issue of shares | 110,000 | 910,000 | - | 1,020,000 |
| **Total transaction with owners** | **110,000** | **910,000** | **-** | **1,020,000** |
| **As at 30 June 2015** | **110,000** | **910,000** | **(754,331)** | **265,670** |

Share capital comprises the Ordinary Shares issued by the Company.

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

**Condensed Statement of Cash Flows**

The unaudited condensed cash flow statement of the Company from the date of incorporation on 24 November 2014 to 30 June 2015 is set out below:

| | **Unaudited 8 months ended 30 June 2015 £** |
|---|---|
| **Cash flow from operating activities** | |
| Loss for the period before taxation | (754,331) |
| **Operating cash flows before movements in working capital** | **(754,331)** |
| Increase in receivables | (4,500) |
| Increase in accounts payable and accrued liabilities | 263,235 |
| **Net cash generated from operating activities** | **(495,596)** |
| | |
| Investments | (1,976,400) |
| **Net cash outflow from investing activities** | **(1,976,400)** |
| | |
| Issue of Common Shares | 1,020,001 |
| Issue of Convertible Notes | 2,531,617 |
| **Net cash inflow from financing activities** | **3,551,618** |
| | |
| **Net increase in cash and cash equivalents** | **1,079,621** |
| | |
| Cash and cash equivalent at beginning of period | - |
| **Cash and cash equivalent at end of period** | **1,079,621** |

Notes to the financial information

## 1. GENERAL INFORMATION

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

The Company seeks to make one or more acquisitions of companies or businesses with a focus on opportunities in the entertainment and leisure sectors.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation**

The interim condensed unaudited financial statements for the period ended 30 June 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting. The results for the period ended 30 June 2015 are unaudited.

The condensed unaudited consolidated financial statements for the period ended 30 June 2015 has been prepared on a basis consistent with, and on the basis of, the accounting policies set out in the financial information on the Company set out in Part 3 (A) of the Company's Prospectus for admission to the Standard Listing segment of the Official List for the period from incorporation to 5 December 2014. The condensed unaudited interim financial statements of the Company have been prepared on the basis of the accounting policies, presentation, methods of computation and estimation techniques expected to be adopted in the financial information by the Company in preparing its annual report for the period ending 31 December 2015.

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

**Comparative figures**

No comparative figures have been presented as the financial information covers the period from incorporation on 24 November 2014 to 30 June 2015.

**Standards and interpretations issued but not yet applied**

At the date of authorisation of this financial information, the directors have reviewed the Standards in issue by the International Accounting Standards Board ("IASB") and IFRIC, which are effective for annual accounting periods ending on or after the stated effective date. In their view, none of these standards would have a material impact on the financial reporting of the company.

**Financial assets**

The Directors determine the classification of the Company's financial assets at initial recognition. The financial assets held comprise cash and cash equivalents and these are classified as loans and receivables.

**Financial liabilities**

The Directors determine the classification of the Company's financial liabilities at initial recognition. The financial liabilities held comprise accounts payable and accrued liabilities and these are classified as loans and receivables at fair value through profit or loss.

**Revenue recognition**

The Company generated no revenue during the period since incorporation.

**Cash and cash equivalents**

The Company considers any cash on short-term deposits and other short term investments to be cash equivalents.

**Share capital**

Founder Shares are recorded at nominal value and proceeds received in excess of nominal value of Founder Shares issued, if any, are accounted for as share premium. Both share capital and share premium are classified as equity. Costs incurred directly to the issue of Founder Shares are accounted for as a deduction from share premium, otherwise they are charged to the income statement.

**Going concern**

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

Following the review of ongoing performance and cash flows, the Directors have a reasonable expectation that the Company has adequate resources to continue operational existence for the foreseeable future.

## 3. 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 a single activity, being the identification and acquisition of target companies or businesses in the entertainment and leisure sectors.

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:

| | **Unaudited 8 months ended 30 June 2015 £** |
|---|---|
| Revenue | - |
| Operating loss | (754,331) |

| | |
|---|---|
| Carrying amount of assets | 3,060,521 |
| Carrying amount of liabilities | (2,794,851) |

## 4. SHARE CAPITAL

| | **Unaudited as at 30 June 2015 £** |
|---|---|
| 411,000,100 Ordinary shares of £0.01 | 4,110,001 |
| Total share capital | 4,110,001 |

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

On 5 December 2014, a further 40,000 Founder 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 30 June 2015, the number of Ordinary Shares authorised for issue was unlimited. All Ordinary Shares have equal voting rights and rank equally on a winding up.

## 5. ASSETS

On 20 May 2015, the Company invested a total of £1,976,400 (US$3,000,000) for a 2.463per cent. 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 70,000 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 other funding obligations arise, or face potential dilution of its interest should it choose not to invest further cash sums.

## 6. BORROWINGS

Between 6 May 2015 and 30 July 2015, the Company issued £3,067,200 of convertible loan notes. On 30 June 2015 £2,667,200 of these loan notes were issued. The loan notes are unlisted, unsecured, transferable and convertible with a twelve month maturity date. Interest is accrued at 12 per cent. per annum and payable quarterly, or upon conversion, in cash or in Ordinary Shares at the Company's discretion. The loan notes can be converted into Ordinary Shares at a price per Ordinary Share equal to the lower of £0.50 and 7.5per cent. 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 loan notes that may be converted in any 30-day period by a noteholder is 10 per cent. of the total amount of any loan notes subscribed by that noteholder. The Company can redeem the loan notes at a 10 per cent. premium anytime the market price is lower than £0.50.

The convertible loan has been recognised as a liability in accordance with IAS 32 - Financial Instruments as the instrument provides an obligation on 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.

## 7. TRADE AND OTHER PAYABLES

As at 30 June 2015, the Company had £263,234 of trade payables measured at fair value through profit or loss. A maturity analysis of the Company's trade payables due in less than one year is as follows:

| | **Unaudited as at 30 June 2015 £** |
|---|---|
| 0 to 3 months | 263,234 |
| 3 to 6 months | - |
| 6 months + | - |
| Total | 263,234 |

## 8. DIRECTOR'S EMOLUMENTS

The three Directors were paid emoluments totaling £17,800 during the period under review. The Directors were the key management personnel.

## 9. TAXATION

The Company is a Guernsey incorporated company subject to a corporate tax rate of nil, as at 30 June 2015.

## 10. LOSS PER SHARE

The calculation for loss per share (basic and diluted) for the relevant period is based on the loss after income tax attributable to equity holder for the period from incorporation on 24 November 2014 to 30 June 2015 and is as follows:

| | **Unaudited 8 months ended 30 June 2015 £** |
|---|---|

| | |
|---|---|
| Loss attributable to equity holders (£) | (754,331) |
| Weighted average number of shares | 8,004,687 |
| Loss per share (£) | (0.09) |

Loss per share are calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential Ordinary Shares.

Due to the issuance of the Convertible Note, the existing shares might be diluted if investors decide to convert or if the Company decides to make quarterly interest payments by issuing Ordinary Shares.

## 11. RELATED PARTY TRANSACTIONS

There were no related party transactions during the period under review.

## 12. COMMITMENTS

The Company had not entered into any material capital commitments as at 30 June 2015.

## 13. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Company is exposed through its operations to credit risk and liquidity risk. In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this financial information.

### Financial instruments

The financial instruments used by the Company, from which financial instrument risk arises, are cash and cash equivalents of £1,079,621 and accounts payable of £263,234.

The risk associated with the cash and cash equivalents is that the Company's bank will enter financial distress and be unable to repay the Company its cash on deposit. To mitigate this risk, cash and cash equivalents are only lodged with reputable financial institutions with sound balance sheets.

The risk associated with the accounts payable is that the Company will not have sufficient funds to settle the liability when it falls due. The Directors seek to maintain a cash balance sufficient to meet expected requirements for a period of at least 45 days.

### General objectives, policies and processes

The Directors have overall responsibility for the determination of the Company's risk management objectives and policies. Further details regarding these policies are set out below:

### Credit risk

The Company's credit risk arises from cash and cash equivalents with banks and financial institutions. For banks and financial institutions, only reputable institutions with sound balance sheets are accepted.

### Liquidity risk

Liquidity risk arises from the Directors' management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Directors' policy is to ensure that the Company will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Directors seek to maintain a cash balance sufficient to meet expected requirements for a period of at least 45 days.

The Directors have prepared cash flow projections on a monthly basis through to 31 December 2016. At the end of the period under review, these projections indicated that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

## 14 CAPITAL RISK MANAGEMENT

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

## 15. SUBSEQUENT EVENTS

On 3 July 2015, the Company issued 109,789 Ordinary Shares at a price of £0.37 per Ordinary Share, to the holders of the convertible loan notes in payment of £40,951 of interest due in the period ending 30 June 2015.

On 3 July 2015, the Company issued 240,000 Ordinary Shares at a price of £0.40 per Ordinary Share, as a fee to the introducer of the New York Wheel investment.

On 15 July 2015, the Company entered into a Share Purchase Agreement with Smits International B.V., Yamapro Trading - F.Z.E. and Systems Engineering International, Inc. (the "Sellers"), for the acquisition of all shares in Starneth Holding B.V. and in Starneth Europe B.V. with immediate effect. Starneth Holding B.V. and Starneth Europe B.V. own all the shares in Banka B.V., SME Engineering Services JLT, Starneth Ltd, Starneth Pte Ltd, and Starneth America LLC. The total consideration under the Share Purchase Agreement amounted to €7,200,000, plus a variable component equal to 30 per cent. of the consolidated EBITDA of the acquired companies in excess of €1,267,000 for the next three financial years. Of the consideration, €1,250,000 was paid in cash at closing, and two further cash payments of €1,250,000 will be made on the first and second anniversary of closing. The rest of the consideration will be settled in Ordinary Shares. A total of 1,100,000 Ordinary Shares were issued to the Sellers at closing (the "Starneth Shares"). Two additional instalments of 1,100,000 Ordinary Shares will be made on the first and second anniversary of closing, and the variable component will also be paid in Ordinary Shares after the end of each financial year. All Ordinary Shares issued and to be issued to the Sellers under the Share Purchase Agreement are valued at £0.75 per Ordinary Share.

On 28 July 2015, the Company issued 630,000 Ordinary Shares at a price of £0.40 per Ordinary Share, as a fee to the introducer of the Starneth acquisition.

On 29 July 2015, options to acquire 615,000 Ordinary Shares ("Options") were granted to employees and consultants of the Company. These Options have an exercise price of 40 pence, and are exercisable in the following tranches; 25 per cent. as from the date of grant and 25 per cent. every twelve months thereafter (and are therefore fully vested after three years). They cannot be exercised after the 5th anniversary of grant

**16. ULTIMATE CONTROLLING PARTY**

As at 30 June 2015, no one entity owns greater than 50 per cent. of the issued share capital. Therefore the Company does not have an ultimate controlling party.

**17. NATURE OF FINANCIAL INFORMATION**

The financial information presented above does not constitute statutory financial statements for the period under review.

## (D) ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE PRE-ACQUISITION STARNETH GROUP

Crowe Clark Whitehill

Crowe Clark Whitehill LLP
*Chartered Accountants*
Member of Crowe Horwath International
St Bride's House
10 Salisbury Square
London EC4Y 8EH, UK
Tel +44 (0)20 7842 7100
Fax +44 (0)20 7583 1720
DX: 0014 London Chancery Lane
www.croweclarkwhitehill.co.uk

2 December 2015

The Directors
Challenger Acquisitions Limited
55 Mount Row
St Peter Port
Guernsey
GY1 1NU
Channel Islands

The Directors
Beaumont Cornish Limited
29 Wilson Street
London
EC2M 2SJ

Dear Sirs

**Introduction**

We report on the combined financial information for Starneth Ltd, Starneth Pte Ltd, Cendana Starneth Indonesia, Starneth Engineering LLC, Starneth B.V., Starneth Holding B.V., Banka B.V., SME Engineering JLT and Starneth LLC (together the "Pre-Acquisition Starneth Group"), set out in Part IV (E) of the prospectus (the "Prospectus") dated 2 December 2015 of Challenger Acquisitions Limited (the "Company"). This combined financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 2 of the combined financial information. This report is required by Annex 1 item 20.1 of Commission Regulation (EC) No. 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

**Responsibilities**

The directors of the Company (the "Directors") are responsible for preparing the combined financial information in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion on the combined financial information and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the combined financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the combined financial information underlying the financial statements and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the combined financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the combined financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Starneth Group as at the periods stated and of its results, cash flows and changes in equity for the periods stated in accordance with IFRS.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully,

**Crowe Clark Whitehill LLP**
*Chartered Accountants*

## (E) HISTORICAL FINANCIAL INFORMATION OF THE PRE-ACQUISITION STARNETH GROUP

## STATEMENTS OF COMBINED FINANCIAL POSITION

The audited statements of combined financial position of the Pre-Acquisition Starneth Group as at each of 31 December 2012, 2013 and 2014, are set out below:

| | Note | Audited as at 31 December 2012 €'000 | Audited as at 31 December 2013 €'000 | Audited as at 31 December 2014 €'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | 4 | - | 124 | 97 |
| Property and equipment | 5 | 10 | 285 | 247 |
| | | 10 | 409 | 344 |
| **Current assets** | | | | |
| Trade and other receivables | 6 | 1 | 906 | 312 |
| Cash and bank balances | 8 | 12 | 402 | 737 |
| | | 13 | 1,308 | 1,049 |
| **Total Assets** | | **23** | **1,717** | **1,393** |
| **Equity and liabilities** | | | | |
| Share capital | 11 | 18 | 69 | 65 |
| Translation reserve | | - | - | (1) |
| Accumulated deficit | | (160) | (158) | (224) |
| **Equity** | | (142) | (89) | (160) |
| **Current liabilities** | | | | |
| Trade and other payables | 9 | 165 | 1,806 | 1,553 |
| | | 165 | 1,806 | 1,553 |
| **Total equity and liabilities** | | **23** | **1,717** | **1,393** |

**STATEMENTS OF COMBINED COMPREHENSIVE INCOME**

The audited statements of combined comprehensive income of the Pre-Acquisition Starneth Group for each of the three years ended 31 December 2014 are set out below:

| Continuing operations | Note | Audited year ended 31 December 2012 €'000 | Audited year ended 31 December 2013 €'000 | Audited year ended 31 December 2014 €'000 |
|---|---|---|---|---|
| **Revenue** | | 60 | 4,393 | 11,420 |
| Cost of sales | | - | (3,059) | (7,291) |
| **Gross profit** | | 60 | 1,334 | 4,129 |
| Administrative expenses | | (87) | (1,284) | (3,043) |
| **Operating (loss)/profit** | | (27) | 50 | 1,086 |
| Finance income | | - | 3 | 29 |
| Finance costs | | - | (51) | (6) |
| **(Loss)/profit on ordinary activities before taxation** | | (27) | 2 | 1,109 |
| Income tax expense | 11 | - | - | - |
| **(Loss)/profit after taxation** | | **(27)** | **2** | **1,109** |
| Other comprehensive income | | **-** | **-** | **(1)** |
| **Total comprehensive (loss)/income attributable to equity shareholders of the Starneth Group** | | **(27)** | **2** | **1,108** |
| Pro forma loss/earnings per share attributable to owners of the Parent: Basic and diluted (cents) | 12 | 0.21 | 0.02 | 8.48 |

## STATEMENTS OF COMBINED CHANGES IN EQUITY

The audited statements of combined changes in equity of the Pre-Acquisition Starneth Group for each of the three years ended 31 December 2014 are set out below:

| | Share capital €'000 | Accumulated deficit €'000 | Translation reserve €'000 | Total €'000 |
|---|---|---|---|---|
| **Balance as at 1 January 2012** | **18** | **(133)** | **-** | **(115)** |
| Loss for the year | - | (27) | - | (27) |
| Other comprehensive income for the year | - | - | - | - |
| Total comprehensive loss for the year | - | (27) | - | (27) |
| **Balance as at 31 December 2012** | **18** | **(160)** | **-** | **(142)** |
| Profit for the year | - | 2 | - | 2 |
| Other comprehensive income for the year | - | - | - | - |
| Total comprehensive income for the year | - | 2 | - | 2 |
| Shares issued by Starneth LLC | 1 | - | - | 1 |
| Shares issued by SME Engineering | 50 | - | - | 50 |
| Total transactions with owners, recognised directly in equity | 51 | - | - | 51 |
| **Balance as at 31 December 2013** | **69** | **(158)** | **-** | **(89)** |
| Profit for the year | - | 1,109 | - | 1,109 |
| Other comprehensive income for the year: | | | | |
| Foreign exchange reserve from FX translation | - | - | (1) | (1) |
| Total comprehensive income for the year | - | 1,109 | (1) | 1,108 |
| Purchase of own share capital | (4) | (975) | - | (979) |
| Dividends payable | - | (200) | - | (200) |
| Total transactions with owners, recognised directly in equity | (4) | (1,175) | - | (1,179) |
| **Balance as at 31 December 2014** | **65** | **(224)** | **(1)** | **(160)** |

The combined share capital and shareholders' equity represents the aggregate of the issued share capital and shareholders' equity of the entities comprising the Pre-Acquisition Starneth Group in the three years ended 31 December 2014 as set out in note 1.1 and on the basis of combination set out in note 2.1.

## COMBINED STATEMENTS OF CASH FLOWS

The audited combined statements of cash flow for the Pre-Acquisition Starneth Group for each of the three years ended 31 December 2014 are set out below:

| | **Audited year ended 31 December 2012 €'000** | **Audited year ended 31 December 2013 €'000** | **Audited year ended 31 December 2014 €'000** |
|---|---|---|---|
| ***Cash Flow from operating activities*** | | | |
| (Loss)/profit before tax for the period | (27) | 2 | 1,109 |
| *Adjustment for:* | | | |
| Amortisation of intangible fixed assets | - | 14 | 27 |
| Depreciation of property and equipment | - | 32 | 67 |
| Finance income | - | (3) | (29) |
| Finance expense | - | 51 | 6 |
| ***Operating cash flows before movements in working capital*** | (27) | 96 | 1,180 |
| (Increase)/decease in trade and other receivables | 18 | (905) | 594 |
| Increase/(decrease) in trade and other payables | 30 | 1,641 | (253) |
| ***Net cash generated from/(used in) operating activities*** | **21** | **832** | **1,521** |
| ***Cash flow from investing activities*** | | | |
| Development of intangible assets | - | (138) | - |
| Purchase of property, plant and equipment | (10) | (307) | (28) |
| ***Net cash used in investing activities*** | **(10)** | **(445)** | **(28)** |
| ***Cash flow from financing activities*** | | | |
| Repurchase of share capital | - | - | (975) |
| Payment of dividend | - | - | (200) |
| Interest received | - | - | 29 |
| Interest paid | - | - | (6) |
| ***Net cash used in financing activities*** | **-** | **-** | **(1,152)** |
| ***Net increase (decrease) in cash & cash equivalents*** | **11** | **387** | **341** |
| Cash and equivalent at beginning of period | 1 | 12 | 402 |
| Effect of changes in exchange rates on cash | - | 3 | (6) |
| ***Cash and equivalent at end of period*** | **12** | **402** | **737** |

## NOTES TO THE FINANCIAL INFORMATION

### 1. General Information

The financial information presents the combined results of the Pre-Acquisition Starneth Group for each of the three years ended 31 December 2014. The combined financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs), issues by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Committee (IFRIC).

### 1.1. The Pre-Acquisition Starneth Group

The financial information of the Pre-Acquisition Starneth Group includes the financial information of entities with common direct or indirect shareholders.

Starneth B.V. is a company incorporated in the Netherlands on 17 July 2006. It is registered in the trade register of the Chamber of Commerce with number 08149266. Starneth B.V. is an engineering company specialising in the design and construction of giant observation wheels and structures. It is also the designated holding company for the following entity:

| Entity | County of registration or incorporation | Principal activity |
|---|---|---|
| Banka B.V. | The Netherlands | Treasury entity of Starneth companies in the Netherlands. |

Starneth B.V.'s registered office is located at Hengelosestraat, 201 7521 AC Enschede, Netherlands.

Banka B.V.'s registered office is located at Archimedesstraat 12, 3316 AB Dordrecht, Netherlands.

Starneth Holding B.V. is a company incorporated in the Netherlands on 7 October 2014. It is registered in the trade register of the Chamber of Commerce with number 61615978. Starneth Holding B.V. has not traded and acts as the designated holding company for the following entities:

| Entity | County of registration or incorporation | Principal activity |
|---|---|---|
| SME Engineering Services JLT | Dubai | Design and engineering services |
| Starneth LLC | USA | Design and engineering services |

The registered offices for the companies within the Pre-Acquisition Starneth Group are as follows:

Starneth Holding B.V.'s registered office is located at Hengelosestraat, 201 7521 AC Enschede, Netherlands.

SME Engineering Services JLT's registered office is located at HDS Tower, Cluster F, 26th floor, office unit 2609, Jumeirah Lake Towers, Dubai, United Arab Emirates.

Starneth LLC's registered office is located at 201 West Canton Avenue, Suite 100, Winter Park, FL 32789, USA.

The entities included in the combined financial information are:

- Starneth Ltd (Hong Kong) – dormant
- Starneth Pte Ltd (Singapore) – dormant
- Cendana Starneth Indonesia – dormant
- Starneth Engineering Services LLC – dormant
- Starneth B.V.
- Starneth Holding B.V.
- Banka B.V.
- SME Engineering JLT
- Starneth LLC

### 1.2. Primary activity

The principal activity of the Pre-Acquisition Starneth Group is the design, engineering and construction of giant observation wheels and structures.

## 2. Summary of significant accounting policies

### 2.1. Basis of combination

The combined financial information comprises the financial information of Starneth Europe, Starneth Holding and its subsidiaries at the end of each reporting period and includes its share of associates and their results using the equity method. Subsidiaries are entities controlled by Starneth. Starneth controls an entity when it is exposed to, or has rights to, variable returns through its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial information of subsidiaries is included in the combined financial information from the date that control commences until the date that control ceases. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated.

**Adoption of new and revised International Financial Reporting Standards**

None of the new and revised Standards and Interpretations that were adopted in the current year were considered to have had a material effect to the presentation or disclosures reported in this Financial Information.

(i) Standards, amendments and interpretations to published standards not yet effective

The Directors have considered those Standards and Interpretations, which have not been applied in the Financial Information but are relevant to the Group's operations, that are in issue but not yet effective, and do not consider that any will have a material impact on the future results of the Group.

### 2.2. Judgements and estimates

The preparation of financial information requires the Starneth Directors to exercise judgement in applying Starneth's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In making its judgement as to the amounts recoverable on contracts management considers estimates of anticipated revenues and costs from each contract and monitors the need for any provisions for losses arising from adjustments arising to underlying assumptions if this indicates it is appropriate. The amount of profit or loss recognised on a contract has a direct impact on the financial information. Management is satisfied that their judgement is based on a reasonable assessment of the future prospects for each contract.

### 2.3. Foreign currency translation

*Functional and presentation currency*
Items included in the financial information of each of the Pre-Acquisition Starneth Group's entities are measured using the primary economic environment in which the entity operates (the "functional currency"). The combined financial information is presented in €, which is the Pre-Acquisition Starneth Group's presentation currency, and rounded to the nearest thousand unless otherwise stated.

### 2.4. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or costs". All other foreign exchange gains and losses are presented in the income statement within "other (losses)/gains – net".

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit and loss, are recognised in profit or loss as part of the fair value gain or loss.

### 2.5 Group companies

The results and financial position of all Pre-Acquisition Starneth Group entities (none of which has the currency of a hyper-inflationary 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 expense for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange rate differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

### 2.6 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Pre-Acquisition Starneth Group and the cost of the item can be measured reliably. The carrying amount of replaced part is derecognised.

All other repair and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocated their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- buildings: 25 years
- vehicles: 5 years
- furniture, fittings and equipment 5-8 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains –net" in the income statement.

### 2.7 Intangible assets

*Software licenses*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The costs are amortised over their estimated useful lives of 3 to 5 years.

### 2.8 Financial instruments

*Classification and measurement*

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "loans and receivables", "available for sale", "held to maturity", or "financial liabilities measured at amortised cost" as defined by IAS39, "Financial Instruments: Recognition and Measurement".

Financial assets and financial liabilities at "fair value through profit or loss" are either classified as "held for trading" or "designed at fair value though profit or loss" and are measured at fair value with changes in fair value recognised in the statement of income/(loss).

Financial assets and financial liabilities classified as "loans and receivables", "held to maturity", or "financial liabilities measured at amortised cost" are measured at amortised cost using the effective interest method of amortisation. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held to maturity" financial assets are non-derivative investments that an entity has the positive intention and liability to hold to maturity. "Financial liabilities measured at amortised cost" are those financial liabilities that are not designated as "fair value through profit or loss" and that are not derivatives. The Pre-Acquisition Starneth Group has designated accounts receivable as "loans and receivables" and accounts payable and accrued liabilities as "financial liabilities measured at amortised cost". Financial assets classified as "available for sale" are measured at fair value, with changes in fair value recognised in other comprehensive income/(loss). Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

**2.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash-on-hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**2.10 Determination of fair values**

A number of the Pre-Acquisition Starneth Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions in determining fair values is disclosed in the notes specific to that asset or liability.

**2.11 Business combinations**

The fair value of property and equipment recognised in a business combination, is based on market values. The market value of property & equipment is the estimated amount for which property & equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**2.12 Financial instruments**

The fair value of accounts receivable, deposits and accounts payable accrued liabilities approximates their respective carrying values due to their short-term maturity.

**2.13 Provisions and contingent liabilities**

Provisions are recognised when the Pre-Acquisition Starneth Group has legal or constructive obligations as a result of past events and it is probable that expenditure will be required to settle those obligations. They are measured at the Starneth Directors' best estimates, after taking account of information available and different possible outcomes.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**2.14 Revenue recognition**

Interest income is recognised on an accruals basis.

Revenue is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case contract revenue is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion of contract costs incurred compared to total estimated contract costs.

The costs associated with delivery of the services, including operating and maintenance costs, transportation and all other related costs are recognised in the same period in which the related revenue is recorded.

### 2.15 Income taxes

Income tax expense is comprised of current and deferred income taxes. Income tax expense is recognised in the statement of income/(loss) except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income for the period and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits to the extent that is probable that taxable profits will be available against which those deductible temporary differences, carry-forward of unused tax and used tax credit can be utilised.

Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination, and at a time of the transaction affects neither the accounting profit nor taxable profit or loss. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

### 2.16 Revenue/loss per share

Revenue/loss per share is calculated by dividing net and comprehensive income or loss by the weighted average number of common shares outstanding during the period. Pre-Acquisition Starneth Group computes that there were no dilutive instruments in issue during the year.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Pre-Acquisition Starneth Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1 Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial information.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year / period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Amount recoverable on contracts

In making its judgements as to the amounts recoverable on contracts management considers estimates of anticipated revenues and costs from each contract and monitors the need for any provisions for losses arising from adjustments arising to underlying assumptions if this indicates it is appropriate. The amount of profit or loss recognised on a contract has a direct impact on the financial information. Management are satisfied that their judgement is based on a reasonable assessment of the future prospects for each contract.

Allowance for trade and other receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

The allowance policy for doubtful debts of the Group is based on the ageing analysis and management's on-going evaluation of the recoverability of the outstanding receivables. Once debtors have been identified as having evidence of impairment, it is regularly reviewed and appropriate impairment position applied.

Provision for income taxes

The amount of income tax is being calculated on estimated assessable profits based on the completed contract method which is in accordance with the tax rules and regulations applicable in the operating countries. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax payables as at 31 December 2014 were €Nil (2013: €Nil, 2012: €Nil).

## 4. Intangible assets – software

| | Software €'000 |
|---|---|
| **Cost** | |
| As at 1 January 2012 | - |
| Additions | - |
| As at 31 December 2012 | - |
| Additions | 138 |
| As at 31 December 2013 | 138 |
| Additions | - |
| As at 31 December 2014 | 138 |
| **Accumulated amortisation** | |
| As at 1 January 2012 | - |
| Charge for the year | - |
| As at 31 December 2012 | - |
| Charge for the year | (14) |
| As at 31 December 2013 | (14) |
| Charge for the year | (27) |
| As at 31 December 2014 | (27) |
| **Net book value** | |
| As at 31 December 2012 | - |
| As at 31 December 2013 | 124 |
| As at 31 December 2014 | 97 |

Software principally comprises computer licenses acquired by the Pre-Acquisition Starneth Group.

Software is amortised on a straight line basis over 5 years. The amortisation charge is recognised within administrative expenses.

## 5. Property and equipment

| | Office equipment €'000 | Leasehold Improvements €'000 | Total €'000 |
|---|---|---|---|
| **Cost** | | | |
| As at 1 January 2012 | - | - | - |
| Additions | 10 | - | 10 |
| As at 31 December 2012 | 10 | - | 10 |
| Additions | 252 | 55 | 307 |
| As at 31 December 2013 | 262 | 55 | 317 |
| Foreign exchange movements | 1 | - | 1 |
| Additions | 19 | 9 | 28 |
| As at 31 December 2014 | 282 | 64 | 346 |
| **Accumulated depreciation** | | | |
| As at 1 January 2012 | - | - | - |
| Charge for the year | - | - | - |
| As at 31 December 2012 | - | - | - |

| | | | |
|---|---|---|---|
| Charge for the year | (27) | (5) | (32) |
| As at 31 December 2013 | (27) | (5) | (32) |
| Charge for the year | (55) | (12) | (67) |
| As at 31 December 2014 | (82) | (17) | (99) |
| | | | |
| **Net book value** | | | |
| As at 31 December 2012 | 10 | - | 10 |
| As at 31 December 2013 | 235 | 50 | 285 |
| As at 31 December 2014 | 200 | 47 | 247 |

## 6. Trade and other receivables

| | **Audited as at 31 December 2012 €'000** | **Audited as at 31 December 2013 €'000** | **Audited as at 31 December 2014 €'000** |
|---|---|---|---|
| Trade receivables | - | 73 | - |
| Related party receivables* | 1 | 297 | 26 |
| VAT receivables | - | 317 | 161 |
| Other receivables | - | 219 | 125 |
| | **1** | **906** | **312** |

* Please see also note 14

The carrying amounts of trade and other receivables approximate their fair values.

## 8. Cash and cash equivalents

| | **Audited as at 31 December 2012 €'000** | **Audited as at 31 December 2013 €'000** | **Audited as at 31 December 2014 €'000** |
|---|---|---|---|
| Cash at bank | 12 | 365 | 728 |
| Cash in hand | - | 37 | 9 |
| | **12** | **402** | **737** |

## 9. Trade and other payables

| | **Audited as at 31 December 2012 €'000** | **Audited as at 31 December 2013 €'000** | **Audited as at 31 December 2014 €'000** |
|---|---|---|---|
| Trade payables | 2 | 1,158 | 1,008 |
| Other payables | 163 | 99 | 85 |
| Social security payables | - | 36 | 28 |
| Related party payables* | - | 32 | 432 |
| Work in progress | - | 481 | - |
| | **165** | **1,806** | **1,553** |

* Please see also note 14

The amounts due to a shareholder are non-trade, unsecured, non-interest bearing and repayable on demand

The carrying amounts of trade and other payables approximate their fair values.

## 10. Share capital

### Analysis of combined share capital:

| | Audited as at 31 December 2012 | Audited as at 31 December 2013 | Audited as at 31 December 2014 |
|---|---|---|---|
| **Issued and fully paid:** | **€'000** | **€'000** | **€'000** |
| *Starneth B.V.:* Ordinary shares of € 100.00 each (180 shares / 135 shares) | 18 | 18 | 14 |
| *SME Engineering:* Ordinary shares of AED 1,000.00 each (250 shares) | - | 50 | 50 |
| *Starneth LLC:* Ordinary shares of $ 1.00 each (1,000 shares) | - | 1 | 1 |
| Issued and fully paid | **18** | **69** | **65** |

## 11. Income tax expense

| | Audited Years ended 31 December | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | **€'000** | **€'000** | **€'000** |
| Current income tax | - | - | - |

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to the income tax expense/(release) at the effective tax rate of the Group is as follows:

| | Audited Years ended 31 December | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | **€'000** | **€'000** | **€'000** |
| Loss/profit before taxation | (27) | 2 | 1,109 |
| Tax calculated at the weighted average tax rate (25%) | (7) | 1 | 277 |
| Allowable expenses for tax purposes | - | - | (298) |
| Trading losses carried forward | 7 | - | 21 |
| Loss relief | - | 1 | -. |
| Income tax expense | - | - | - |

## 12. Pro Forma (Loss)/Earnings per share

It is of limited significance to calculate earnings per share on the historical equity of the companies included in this combined financial information. Accordingly, a pro forma (loss)/earnings per share has been included based on the number of shares in the Group in issue as at the date of this Document being 13,079,889. The calculation of earnings per share is based on the following earnings and number of shares:

| | Audited<br>Years ended 31 December | | |
|---|---|---|---|
| | **2012**<br>**€'000** | **2013**<br>**€'000** | **2014**<br>**€'000** |
| (Loss)/profit attributable to equity holders | (27) | 2 | 1,109 |
| Weighted average number of shares | 13,079,889. | 13,079,889 | 13,079,889 |
| Earnings/(loss) per share (basic and diluted) (cents) | 0.21 | 0.02 | 8.48 |

There were no dilutive or potential equity instruments in issue at the year end.

The earnings used in the above calculation relate only to the Pre-Acquisition Starneth Group and do not represent the total earnings of the Group.

## 13. Operating lease commitments

As at each of the balance sheet dates, the future aggregated minimum lease payments under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

| | Audited<br>As at 31 December | | |
|---|---|---|---|
| | **2012**<br>**€'000** | **2013**<br>**€'000** | **2014**<br>**€'000** |
| Within one year | - | 157 | 354 |
| After one year but before five years | - | 284 | 227 |
| After five years | - | - | - |
| | - | 441 | 581 |

Operating lease payments represent rent payable.

## 14. Significant related party transactions

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party in making financial and operating decisions.

Some of the Pre-Acquisition Starneth Group's transactions and arrangements are with related parties and the effect of these, on the basis determined between the parties, is reflected in this combined financial information. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the period under review the following significant transactions took place at terms agreed between the parties:

- Smits International B.V. represented by Mr. M. Smits has performed work for Starneth B.V. M. Smits worked via a Management agreement for Starneth B.V. as the CEO, he was also a 75 per cent. shareholder. In addition to the Management Agreement, Smits International was also engaged in building up a network of prospects and in the development and onboarding of concrete projects for which Smits International got a development fee in 2014 of € 400,000.

- Karppa B.V. represented by Mr. C. Karssen has performed engineering services for Starneth B.V. in the pre contract period of the Dubai I and the New York Wheel and received a development fee of € 50,000. Mr. C. Karssen worked via a Management agreement for Starneth B.V. as CTO he was also a 25 per cent. shareholder of the company. Starneth B.V. bought the shares back from Mr. C. Karssen via an intermediate entity in 2014. These shares have been cancelled by the way of a share capital reduction.

- Mr. L. Heijkoop, a shareholder in Starneth Holding B.V. through Yamapro Trading JLT, worked for the Group from mid-2013 and has been employed by SME Engineering Services JLT in the roll of a Project Director for the Dubai I and Managing Director of the Dubai entity. SME Engineering Services JLT has a loan commitment to Mr. Leon Heijkoop. The loan is paid back by monthly deductions from his salary. Per 31 December 2014 the loan amount was € 25,092 (2013: nil).

- Mr. W. Armstrong shareholder of Starneth Holding B.V. through System Engineering International Ltd. has been employed by Starneth LLC acting as President in 2013, 2014 & 2015. There was no transaction with Mr. W. Armstrong that is not disclosed elsewhere in this note.

**a) Remuneration of controlling Shareholders**

Shareholders'* employed by the Pre-Acquisition Starneth Group compensation is analysed as follows:

| | Audited Years ended 31 December | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | **€'000** | **€'000** | **€'000** |
| Salaries and other short-term employee benefits M. Smits* | - | 120 | 235 |
| Salaries and other long-term employee benefits L. Heijkoop* | - | 34 | 233 |
| Salaries and other short-term employee benefits C. Karssen* | - | 76 | 154 |
| Salaries and other short-term employee benefits W. Armstrong* | - | 58 | 115 |
| | - | 288 | 737 |

* Shareholders serving as Board members and/or Executives.

**b) Balances with controlling shareholders**

Balances with shareholders employed by the Pre-Acquisition Starneth Group are analysed as follows:

| | Audited | | |
|---|---|---|---|
| | Years ended 31 December | | |
| | **2012** | **2013** | **2014** |
| | **€'000** | **€'000** | **€'000** |
| Accounts Receivables | - | 297 | 26 |
| Accounts Payables | (1) | - | (1) |
| | (1) | 297 | 25 |

At the time of writing all commitments related to controlling shareholders are fulfilled.

Ax II (2)
Ax III (10.2)
Ax I (20.1)
Ax I (3.1)

### c) Intercompany balances with controlling related parties

Related parties balances are analysed as follows:

| | Audited | | |
|---|---|---|---|
| | Years ended 31 December | | |
| | **2012** | **2013** | **2014** |
| | **€'000** | **€'000** | **€'000** |
| Sungailiat B.V. | - | - | (1) |
| Karppa B.V. | - | 50 | - |
| Leon Heijkoop | - | - | 25 |
| Smits International B.V. | 1 | 247 | 1 |
| | 1 | 297 | 25 |

## 15. Key management remuneration

Ax I (15.1)

Details of the nature and amount of each element of the emoluments of each member of Key Management for the three years ended 31 December 2014 were as follows:

| | Audited | | |
|---|---|---|---|
| | Years ended 31 December | | |
| **Director** | **2012** | **2013** | **2014** |
| | **€'000** | **€'000** | **€'000** |
| **Machiel Smits** | | | |
| Wages and salaries | - | 120 | 235 |
| Post-employment benefits | - | - | - |
| Other long term benefits | - | - | - |
| | **-** | **120** | **235** |
| **Wil Armstrong** | | | |
| Wages and salaries | - | 58 | 115 |
| Post-employment benefits | - | - | - |
| Other long term benefits | - | - | - |
| | **-** | **58** | **115** |
| **Leon Heijkoop** | | | |
| Wages and salaries | - | 34 | 233 |
| Post-employment benefits | - | - | - |
| Other long term benefits | - | - | - |
| | **-** | **34** | **233** |
| **C. Karssen** | | | |
| Wages and salaries | - | 76 | 154 |

| | | | |
|---|---|---|---|
| Post-employment benefits | - | - | - |
| Other long term benefits | - | - | - |
| | **-** | **76** | **154** |
| **Total** | **-** | **288** | **737** |

## 16. Financial risk management

The Pre-Acquisition Starneth Group is exposed to credit risk, currency risk, liquidity risk and compliance risk arising from the financial instruments it holds. The risk management policies employed by the Pre-Acquisition Starneth Group to manage these risks are discussed below:

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the Pre-Acquisition Starneth Group. The Pre-Acquisition Starneth Group performs ongoing credit evaluation of its counterparties' financial condition. The Pre-Acquisition Starneth Group's major classes of financial assets are cash and bank balances, trade receivables, prepayments and amounts due to shareholders.

As at the end of each financial year, the Pre-Acquisition Starneth Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets ecognized in the consolidated statements of financial position.

As at 31 December 2012, 2013, and 2014, substantially all the cash and bank balances as detailed in Note 8 to the consolidated financial information are held in major financial institutions which are regulated and located in the Netherlands, the United States of America and Dubai, which management believes are of high credit quality. Management does not expect any losses arising from non-performance by these counterparties.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date of the Pre-Acquisition Starneth Group is as follows:

| | **Audited as at 31 December** | | |
|---|---|---|---|
| | **2012 €'000** | **2013 €'000** | **2014 €'000** |
| Cash and cash equivalents | 12 | 402 | 737 |
| Trade and other receivables | - | 659 | 311 |
| Amounts due from a shareholder | 1 | 247 | 1 |
| | **13** | **1,308** | **1,049** |

The Pre-Acquisition Starneth Group has no significant concentrations of credit risk. Cash is placed with established financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

<u>Trade receivables and related party receivables that are past due but not impaired.</u>

The Pre-Acquisition Starneth Group's trade receivables that are not impaired are as follows:

| | Audited as at 31 December | | |
|---|---|---|---|
| | 2012 €'000 | 2013 €'000 | 2014 €'000 |
| Current | 1 | 906 | 312 |
| 31 – 60 days | - | - | - |
| 61 – 90 days | - | - | - |
| 91 to 120 days | - | - | - |
| | **1** | **906** | **312** |

**Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Pre-Acquisition Starneth Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US-Dollar and the UAE-Dirham. The Pre-Acquisition Starneth Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Pre-Acquisition Starneth Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | €'000 | €'000 | €'000 | €'000 |
| **$** | - | - | 482 | 35 |
| **AED** | - | - | 41 | 88 |

The following table details the Pre-Acquisition Starneth Group's sensitivity to a 10 per cent. weakening in EUR against the respective foreign currencies, which represents management's assessment of a reasonable change in foreign exchange rates.

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | €'000 | €'000 | €'000 | €'000 |
| **$** | - | - | 48.2 | 3.5 |
| **AED** | - | - | 4.1 | 8.8 |

A 10 per cent. strengthening of the EUR against the currencies above would have had an equal but opposite effect on the amounts shown above, assuming all other variables remained constant.

**Liquidity risk**

Liquidity risk arises from the Pre-Acquisition Starneth Group's management of working capital. It is the risk that the Pre-Acquisition Starneth Group will encounter difficulty in meeting its financial obligations as they fall due.

The Pre-Acquisition Starneth Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Pre-Acquisition Starneth Group arise in respect of the on-going research and development programs and trade and other payables. Trade and other payables are all payable within 12 months.

The Board receives cash flow projections on a regular basis as well as information on cash balances.

**Capital risk management**

The primary objective of the Pre-Acquisition Starneth Group's capital management is to ensure a healthy balance sheet and capital structure in order to support its business and maximise shareholder value.

The Pre-Acquisition Starneth Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Pre-Acquisition Starneth Group may adjust the capital return to shareholders or issue new shares. No changes were made in the objectives, policies or processes during each of the three years ended 31 December 2014.

Trade payables

The Pre-Acquisition Starneth Group's trade payables (including related party payables) that are not impaired are as follows:

| | **Audited as at 31 December 2012 €'000** | **Audited as at 31 December 2013 €'000** | **Audited as at 31 December 2014 €'000** |
|---|---|---|---|
| Current | 2 | 527 | 667 |
| 31 – 60 days | - | 649 | 434 |
| 61 – 90 days | - | 8 | 218 |
| Over 90 days | - | 6 | 121 |
| | **2** | **1,190** | **1,440** |

Concentration and country risk

The revenue over three years was earned with two customers. Both of which are responsible for more than 10 per cent. of the revenue earned in the years 2012, 2013 and 2014.

| | **Audited year ended 31 December 2012 €'000** | **Audited year ended 31 December 2013 €'000** | **Audited year ended 31 December 2014 €'000** |
|---|---|---|---|
| New York Wheel (USA) | - | 239 | 3,657 |
| Dubai-I (UAE) | 60 | 4,154 | 7,763 |
| | **60** | **4,393** | **11,420** |

There no non-current assets related to the customers. The Pre-Acquisition Starneth Group's non-current assets are located in the Netherlands (2014: €331k, 2013: €401k, 2012: €10k) and in the USA (2014: €13k, 2013: €8k, 2012: nil).

## 17. Fair value of financial instruments

The carrying amount of the financial assets and financial liabilities in the financial information approximate their fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial information.

## 18. Segment Information

Business segment

The Pre-Acquisition Starneth Group's primary format for reporting segment information is business segments, with each segment representing a product category. So far the Pre-Acquisition Starneth Group is only engaged with one product and a very limited number of customers / projects. The Pre-Acquisition Starneth Group therefore has only one business segment. The numbers of the segment reporting are equal to the numbers of the Pre-Acquisition Starneth Group.

## 19. Commitments

The Pre-Acquisition Starneth Group had no capital or other commitments as at 31 December 2014.

## 20. Contingencies

In June 2013, the Pre-Acquisition Starneth Group signed a contract in respect of the Dubai-I contract, with Hyundai as principal contractor and performance bond guarantor. Starneth B.V. was appointed as a subcontractor to Hyundai for the design of the Dubai-I for a fixed fee of $40 million. A separate purchase order was given to Starneth B.V. for the provision of the drive-system for $5.6 million.

Significant delays and disputes with Hyundai in relation to the design and construction of the Dubai-I have resulted in legal arbitration between Starneth B.V. and Hyundai which remain ongoing as at the date of this report. Furthermore, the $5.6 million purchase order for the drive-system was cancelled by Hyundai and all payments and activity in relation to the principal $40 million design contract were terminated during the year ended 31 December 2014.

The arbitration procedure is ongoing in Singapore and the Starneth Directors are of the opinion that it may take until the end of 2016 before the legal arbitration process is concluded, no further details of the claim are given, as to do so could seriously prejudice the position of the Group.

Subsequent to the year end in June 2015, a Demerger of the trade and assets of Starneth B.V. took place between Starneth B.V. and Starneth Europe B.V.. Following the Demerger, the contingent liabilities described above, as well as any gains arising from the legal arbitration involving Hyundai, have become part of Starneth B.V., which does not form part of the Group.

There was no accrued income, deferred income or trade receivables recognised at 31 December 2014 in relation to this contract.

## 21. Subsequent events

Subsequent to the year end, a corporate restructuring took place which resulted in Starneth Holding B.V. becoming the legal parent of the group as well as a Demerger under Dutch law of Starneth B.V. into two entities being Starneth B.V. and Starneth Europe B.V. as described further below.
Starneth Europe B.V. will continue the trade of Starneth B.V. (excluding the contingent gains and liabilities relating to the Dubai-I arbitration) and come into the Group, whereas Starneth B.V. will remain outside of the Group. A new entity, Starneth America

LLC, was created to join the Group. Starneth America LLC will pursue all new projects in North America, Latin America and South America. Starneth LLC will remain outside of the Group.

## 22. Ultimate controlling party

As at 31 December 2014, Chiel Smits was the ultimate controlling party of the Pre-Acquisition Starneth Group. On 15 July 2015, Challenger Acquisitions Limited acquired the Pre-Acquisition Starneth Group.

## 23. Nature of financial information

The financial information presented above does not constitute statutory financial statements for the period under review.

## (F) UNAUDITED INTERIM FINANCIAL INFORMATION OF THE PRE-ACQUISITION STARNETH GROUP

### STATEMENT OF COMBINED FINANCIAL POSITION

The unaudited statement of combined financial position of the Pre-Acquisition Starneth Group as at 30 June 2015 is set out below:

| | Note | Audited as at 31 December 2014 €'000 | Unaudited as at 30 June 2015 €'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 4 | 97 | 83 |
| Property, plant and equipment | 5 | 247 | 215 |
| | | 344 | 298 |
| **Current assets** | | | |
| Trade and other receivables | 6 | 312 | 1,646 |
| Cash and bank balances | 8 | 737 | 710 |
| | | 1,049 | 2,356 |
| **Total assets** | | **1,393** | **2,654** |
| **Equity and liabilities** | | | |
| Share capital | 10 | 65 | 65 |
| Translation reserve | | (1) | (8) |
| Accumulated (deficit)/profit | | (224) | 1,423 |
| **Total equity** | | (160) | 1,480 |
| **Current liabilities** | | | |
| Trade and other payables | 9 | 1,553 | 1,174 |
| | | 1,553 | 1,174 |
| **Total equity and liabilities** | | **1,393** | **2,654** |

## STATEMENT OF COMBINED COMPREHENSIVE INCOME

The unaudited statement of combined comprehensive income of the Pre-Acquisition Starneth Group for the 6-month period ended 30 June 2015 is set out below:

| Continuing operations | Note | Unaudited 6 months ended 30 June 2014 €'000 | Unaudited 6 months ended 30 June 2015 €'000 |
|---|---|---|---|
| **Revenue** | | 5,986 | 5,980 |
| Cost of sales | | (2,859) | (2,588) |
| **Gross profit** | | 3,127 | 3,392 |
| Administrative expenses | | (1,448) | (1,754) |
| **Operating profit** | | 1,679 | 1,638 |
| Finance income | | 9 | 22 |
| Finance costs | | 4 | (13) |
| **Profit on ordinary activities before taxation** | | 1,684 | 1,647 |
| Income tax expense | 11 | - | - |
| **Profit after taxation** | | **1,684** | **1,647** |
| Other comprehensive income | | **-** | **(7)** |
| **Total comprehensive income attributable to equity shareholders of the Starneth Group** | | **1,684** | **1,640** |
| *Pro forma earnings per share attributable to owners of the Parent:* | | | |
| Basic and diluted (cents) | 12 | 12.87 | 12.59 |

## STATEMENT OF COMBINED CHANGES IN EQUITY

The unaudited statement of combined changes in equity of the Pre-Acquisition Starneth Group for the 6-month period ended 30 June 2015 is set out below:

| | Share capital €'000 | Accumulated (deficit) /profit €'000 | Translation Reserve €'000 | Total €'000 |
|---|---|---|---|---|
| **Balance as at 1 January 2012** | **18** | **(133)** | **-** | **(115)** |
| Total comprehensive loss for the year | - | (27) | - | (27) |
| **Balance as at 31 December 2012** | **18** | **(160)** | **-** | **(142)** |
| Total comprehensive income for the year | - | 2 | - | 2 |
| Shares acquired with Starneth LLC | 1 | - | - | 1 |
| Shares acquired with SME Engineering | 50 | - | - | 50 |
| **Balance as at 31 December 2013** | **69** | **(158)** | **-** | **(89)** |
| Total comprehensive income for the year | - | 1,109 | - | 1,109 |
| Purchase of own share capital | (4) | (975) | - | (979) |
| Dividends payable | - | (200) | - | (200) |
| Foreign exchange reserve from FX translation | - | - | (1) | (1) |
| **Balance as at 31 December 2014** | **65** | **(224)** | **(1)** | **(160)** |
| Total comprehensive income for the period | - | 1,647 | - | 1,647 |
| Foreign exchange reserve from FX translation | - | - | (7) | (7) |
| **Balance as at 30 June 2015** | **65** | **1,423** | **(8)** | **(1,480)** |

**COMBINED STATEMENTS OF CASH FLOWS**

The unaudited combined statement of cash flows for the Pre-Acquisition Starneth Group for the 6-month period ended 30 June 2015 is set out below:

| | Unaudited 6 months ended 30 June 2014 €'000 | Unaudited 6 months ended 30 June 2015 €'000 |
|---|---|---|
| ***Cash flow from operating activities*** | | |
| Profit before tax for the period | 1,684 | 1,647 |
| *Adjustment for:* | | |
| Amortisation of intangible fixed assets | 14 | 14 |
| Depreciation of property and equipment | 31 | 35 |
| Finance income | (9) | (22) |
| Finance expense | 4 | 13 |
| ***Operating cash flows before movements in working capital*** | 1,724 | 1,687 |
| (Increase)/decrease in trade and other receivables | (1,315) | (1,334) |
| Increase/(decrease) in trade and other payables | 162 | (379) |
| ***Net cash generated from/(used in) operating activities*** | **571** | **(26)** |
| ***Cash flow from investing activities*** | | |
| Purchase of property, plant and equipment | (12) | - |
| ***Net cash used in investing activities*** | **(12)** | **-** |
| ***Cash flow from financing activities*** | | |
| Payment of dividend | (200) | - |
| Interest received | 9 | - |
| Interest paid | - | (13) |
| ***Net cash used in financing activities*** | **(191)** | **(13)** |
| ***Net increase (decrease) in cash & cash equivalents*** | **368** | **(39)** |
| Cash and equivalent at beginning of period | 402 | 737 |
| Effect of changes in exchange rates on cash | (10) | 12 |
| ***Cash and equivalent at end of period*** | **760** | **710** |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

### 1. General information

The unaudited interim financial information presents the combined results of the Pre-Acquisition Starneth Group for the 6-month period ended 30 June 2015. The unaudited combined interim financial information has been prepared in accordance with IFRS, issues by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Committee (IFRIC) and the Companies Act 2006 applicable to companies reporting under IFRS.

### 1.1 The Pre-Acquisition Starneth Group

The unaudited interim financial information of the Pre-Acquisition Starneth Group includes the financial information of entities with common direct or indirect shareholders.

Starneth BV is a company incorporated in the Netherlands on 17.07.2006. It is registered in the trade register of the Chamber of Commerce with number 08149266. Starneth BV is an engineering company specialising in the design and construction of giant observation wheels and structures. It is also the designated holding company for the following entity:

| Entity | County of registration or incorporation | Principal activity |
|---|---|---|
| Banka BV | The Netherlands | Treasury entity of Starneth companies in the Netherlands. |

Starneth BV's registered office is located at Hengelosestraat, 201 7521 AC Enschede, Netherlands.

Banka BV's registered office is located at Archimedesstraat 12, 3316 AB Dordrecht, Netherlands.

Starneth Holding BV is a company incorporated in the Netherlands on 7 October 2014. It is registered in the trade register of the Chamber of Commerce with number 61615978. Starneth Holding has not traded and acts as the designated holding company for the following entities:

| Entity | County of registration or incorporation | Principal activity |
|---|---|---|
| SME Engineering JLT | Dubai | Design and engineering services |
| Starneth LLC | USA | Design and engineering services |

The registered offices for the companies within the Starneth Group are as follows:

Starneth Holding's registered office is located at Hengelosestraat, 201 7521 AC Enschede, Netherlands.

SME Engineering JLT's registered office is located at HDS Tower, Cluster F, 26th floor, office unit 2609, Jumeirah Lake Towers, Dubai, United Arab Emirates.

Starneth LLC's registered office is located at 201 West Canton Avenue, Suite 100, Winter Park, FL 32790, USA.

## 1.2 Primary activity

The principal activity of the Pre-Acquisition Starneth Group is the design, engineering and construction of giant observation wheels and structures.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The unaudited interim combined unaudited financial information for the period ended 30 June 2015 has been prepared in accordance with IAS 34 Interim Financial Reporting.

### 2.2 Basis of combination

The unaudited combined interim financial information comprises the financial information of Starneth Europe, Starneth Holding and its subsidiaries at the end of each reporting period and includes its share of associates and their results using the equity method. Subsidiaries are entities controlled by Starneth. Starneth controls an entity when it is exposed to, or has rights to, variable returns through its involvement with the entity and has the ability to affect those returns through its power over the entity. The unaudited interim financial information of subsidiaries is included in the unaudited combined interim financial information from the date that control commences until the date that control ceases. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated.

### 2.3 Judgments and estimates

The preparation of unaudited combined interim financial information requires the Starneth Directors to exercise judgment in applying Starneth's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In making its judgment as to the amounts recoverable on contracts management considers estimates of anticipated revenues and costs from each contract and monitors the need for any provisions for losses arising from adjustments arising to underlying assumptions if this indicates it is appropriate. The amount of profit or loss recognised on a contract has a direct impact on the financial information. The Starneth Directors are satisfied that their judgment is based on a reasonable assessment of the future prospects for each contract.

### 2.4 Foreign currency translation

Functional and presentation currency

Items included in the unaudited interim financial information of each of the Starneth Group's entities are measured using the primary economic environment in which the entity operates (the "functional currency"). The combined financial information is presented in €, which is the Pre-Acquisition Starneth Group's presentation currency, and rounded to the nearest thousand unless otherwise stated.

### 2.5 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income

statement.
Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within “finance income or costs”. All other foreign exchange gains and losses are presented in the income statement within “other (losses)/gains – net”.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit and loss, are recognised in profit or loss as part of the fair value gain or loss.

**2.6 Group companies**

The results and financial position of all Pre-Acquisition Starneth Group entities (none of which has the currency of a hyper-inflationary 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 expense for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange rate differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

**2.7 Property, plant and equipment**

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Pre-Acquisition Starneth Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocated their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- buildings: 25 years
- vehicles: 5 years
- furniture, fittings and equipment 5-8 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains –net" in the income statement.

## 2.8 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair-value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGU's, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit, or group of units, to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Software licenses

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The costs are amortised over their estimated useful lives of 3 to 5 years.

## 2.9 Financial instruments

Classification and measurement

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "loans and receivables", "available for sale", "held to maturity", or "financial liabilities measured at amortised cost" as defined by IAS39, "Financial Instruments: Recognition and Measurement".

Financial assets and financial liabilities at "fair value through profit or loss" are either classified as "held for trading" or "designed at fair value though profit or loss" and are measured at fair value with changes in fair value recognised in the statement of income/(loss). The Pre-Acquisition Starneth Group has designated cash and cash equivalents and deposits as "held for trading".

Financial assets and financial liabilities classified as "loans and receivables", "held to maturity", or "financial liabilities measured at amortised cost" are measured at amortised cost using the effective interest method of amortisation. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held to maturity" financial assets are non-derivative investments that an entity has the positive intention and liability to hold to maturity. "Financial liabilities measured at amortised cost" are those financial liabilities that are not designated as "fair value through profit or loss" and that are not derivatives. The Pre-Acquisition Starneth Group has designated accounts receivable as "loans and receivables" and accounts payable and accrued liabilities as "financial liabilities measured at amortised cost". Financial assets classified as "available for sale" are measured at fair value, with changes in fair value recognised in other comprehensive income/(loss). Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

**2.10 Cash and cash equivalents**

Cash and cash equivalents comprise cash-on-hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**2.11 Determination of fair values**

A number of the Pre-Acquisition Starneth Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions in determining fair values is disclosed in the notes specific to that asset or liability.

**2.12 Business combinations**

The fair value of property and equipment recognised in a business combination, is based on market values. The market value of property & equipment is the estimated amount for which property & equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**2.13 Financial instruments**

The fair value of cash and cash equivalents, accounts receivable, deposits and accounts payable accrued liabilities approximates their respective carrying values due to their short-term maturity.

The significance of inputs used in making fair value measurements for financial instruments are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and cash equivalents and deposits are measured at fair value based on a Level 1 designation.

**2.14 Provisions and contingent liabilities**

Provisions are recognised when the Pre-Acquisition Starneth Group has legal or constructive obligations as a result of past events and it is probable that expenditure will be required to settle those obligations. They are measured at the Starneth Directors' best estimates, after taking account of information available and different possible outcomes.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**2.15 Revenue recognition**

Interest income is recognised on an accruals basis.

Revenue from services is recorded on the basis of progress in the projects.

The costs associated with delivery of the services, including operating and maintenance costs, transportation and all other related costs are recognised in the same period in which the related revenue is recorded.

**2.16 Income taxes**

Income tax expense is comprised of current and deferred income taxes. Income tax expense is recognised in the statement of income/(loss) except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income for the period and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits to the extent that is probable that taxable profits will be available against which those deductible temporary differences, carry-forward of unused tax and used tax credit can be utilised.

Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination, and at a time of the transaction affects neither the accounting profit nor taxable profit or loss. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

### 2.17 Earnings per share

Earnings per share is calculated by dividing net and comprehensive income or loss by the weighted average number of common shares outstanding during the period. The Pre-Acquisition Starneth Group computes the dilutive impact of capital stock assuming the proceeds received from the pro forma exercise of in-the-money stock options and warrants plus the unamortised portion of stock-based compensation are used to purchase capital stock at average market prices during the period.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Pre-Acquisition Starneth Group's accounting policies, which are described in Note 2, the Starneth Directors' made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1 Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial information.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year / period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

<u>Impairment of intangible assets</u>

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units (CGU) to which intangible assets have been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. No impairment loss was recognised during the financial year as operations have not commenced.

<u>Allowance for trade and other receivables</u>

The Starneth Directors review loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, the Starneth Directors make judgments as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

The allowance policy for doubtful debts of the Pre-Acquisition Starneth Group is based on the ageing analysis and the Starneth Directors' on-going evaluation of the recoverability of the outstanding receivables. Once debtors have been identified as having evidence of impairment, it is regularly reviewed and appropriate impairment position applied.

Provision for income taxes

The amount of income tax is being calculated on estimated assessable profits based on the completed contract method which is in accordance with the tax rules and regulations applicable in the operating countries. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Pre-Acquisition Starneth Group's income tax payables as at 30 June 2015 were €Nil (2014: €Nil).

## 4. Intangible assets – software

| | Software €'000 |
|---|---|
| **Cost** | |
| As at 31 December 2012 | - |
| Additions | 138 |
| As at 31 December 2013 | 138 |
| Additions | - |
| As at 31 December 2014 | 138 |
| Additions | - |
| As at 30 June 2015 | 138 |
| | |
| **Accumulated amortisation** | |
| **As at 31 December 2012** | |
| Charge for the year | (14) |
| As at 31 December 2013 | (14) |
| Charge for the year | (27) |
| As at 31 December 2014 | (41) |
| Charge for the period | (14) |
| As at 30 June 2015 | (55) |
| | |
| **Net book value** | |
| As at 31 December 2013 | 124 |
| As at 31 December 2014 | 97 |
| As at 30 June 2015 | 83 |

Software principally comprises computer licenses acquired by the Pre-Acquisition Starneth Group.

Software is amortised on a straight line basis over 5 years. The amortisation charge is recognised within administrative expenses.

## 5. Property and equipment

| | Office equipment €'000 | Leasehold improvements €'000 | Total €'000 |
|---|---|---|---|
| **Cost** | | | |
| As at 1 January 2012 | - | - | - |
| Additions | 10 | - | 10 |
| As at 31 December 2012 | 10 | - | 10 |
| Additions | 252 | 55 | 307 |
| As at 31 December 2013 | 262 | 55 | 317 |
| Foreign exchange movements | 1 | - | 1 |
| Additions | 19 | 9 | 28 |
| As at 31 December 2014 | 282 | 64 | 346 |
| Foreign exchange movements | 1 | - | 1 |
| Additions | 5 | - | 5 |
| As at 30 June 2015 | 288 | 64 | 352 |
| **Accumulated depreciation** | | | |
| As at 1 January 2012 | - | - | - |
| Charge for the year | - | - | - |
| As at 31 December 2012 | - | - | - |
| Charge for the year | (27) | (5) | (32) |
| As at 31 December 2013 | (27) | (5) | (32) |
| Charge for the year | (55) | (12) | (67) |
| As at 31 December 2014 | (82) | (17) | (99) |
| Charge for the period | (35) | (3) | (38) |
| As at 30 June 2015 | (117) | (20) | (137) |
| **Net book value** | | | |
| As at 31 December 2012 | 10 | - | 10 |
| As at 31 December 2013 | 235 | 50 | 285 |
| As at 31 December 2014 | 200 | 47 | 247 |
| As at 30 June 2015 | 171 | 44 | 215 |

## 6. Trade and other receivables

| | Audited as at 31 December 2014 €'000 | Unaudited as at 30 June 2015 €'000 |
|---|---|---|
| Trade receivables | - | 1,325 |
| Related party receivables* | 26 | 7 |
| VAT receivables | 161 | 101 |
| Other receivables | 125 | 213 |
| | **312** | **1,646** |

* Please see note 14

The carrying amounts of trade and other receivables approximate their fair values.

## 8. Cash and cash equivalents

| | Audited | Unaudited |
|---|---|---|

| | as at 31 December 2014 €'000 | as at 30 June 2015 €'000 |
|---|---|---|
| Cash at bank | 728 | 699 |
| Cash in hand | 9 | 11 |
| | **737** | **710** |

## 9. Trade and other payables

| | Audited as at 31 December 2014 €'000 | Unaudited as at 30 June 2015 €'000 |
|---|---|---|
| Trade payables | 1,008 | 998 |
| Other payables | 85 | 171 |
| Social security payables | 28 | 2 |
| Related party payables* | 432 | 3 |
| | **1,553** | **1,174** |

* Please see also note 14

The amounts due to a shareholder are non-trade, unsecured, non-interest bearing and repayable on demand

The carrying amounts of trade and other payables approximate their fair values.

## 10. Share capital

| **Issued and fully paid:** | Audited as at 31 December 2014 €'000 | Unaudited as at 30 June 2015 €'000 |
|---|---|---|
| *Starneth BV:* | | |
| Ordinary shares of € 100.00 each (135 shares) | 14 | 14 |
| *SME Engineering:* | | |
| Ordinary shares of AED 1,000.00 each (250 shares) | 50 | 50 |
| *Starneth LLC:* | | |
| Ordinary shares of $ 1.00 each (1,000 shares) | 1 | 1 |
| Issued and fully paid | **65** | **65** |

## 11. Income tax expense

| | Unaudited 6 months ended 30 June 2014 €'000 | Unaudited 6 months ended 30 June 2015 €'000 |
|---|---|---|
| Current income tax | - | - |

## 12. Pro Forma (loss)/earnings per share

It is of limited significance to calculate earnings per share on the historical equity of the Pre-Acquisition Starneth Group. Accordingly, a pro forma earnings per share has been included based on the number of shares in the Group in issue as at the date of this Document, being 13,079,889. The calculation of earnings per share is based on the following earnings and number of shares:

| | Unaudited 6 months ended 30 June 2014 | Unaudited 6 months ended 30 June 2015 |
|---|---|---|
| | **€'000** | **€'000** |
| (Loss)/profit attributable to equity holders | 1,684 | 1,647 |
| | **#** | **#** |
| Weighted average number of shares | 13,079,889 | 13,079,889 |
| | **€ cents** | **€ cents** |
| Earnings/(loss) per share (basic and diluted) | 12.87 | 12.59 |

There were no dilutive or potential equity instruments in issue at the period end.

The earnings used in the above calculation relate only to the Pre-Acquisition Starneth Group and do not represent the total earnings of the Group.

## 13. Operating lease commitments

As at each of the balance sheet dates, the future aggregated minimum lease payments under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

| | Audited as at 31 December 2014 | Unaudited as at 30 June 2015 |
|---|---|---|
| | **€'000** | **€'000** |
| Within one year | 329 | 283 |
| After one year but before five years | 352 | 199 |
| After five years | - | - |
| | 682 | 482 |

Operating lease payments represent rent payable.

## 14. Significant related party transactions

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party in making financial and operating decisions.

Some of the Pre-Acquisition Starneth Group's transactions and arrangements are with related parties and the effect of these, on the basis determined between the parties, is reflected in this combined financial information. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the period under review, in addition to those disclosed elsewhere in this combined financial information, the following significant transactions took place at terms agreed between the parties:

- Smits International BV represented by Mr. M. Smits has performed work for Starneth BV. M. Smits worked via a management agreement for Starneth B.V. as a CEO, he was also a 75% shareholder. In addition to the management agreement, Smits International was also engaged in building up a network of prospects and in the development and onboarding of concrete projects for which Smits International received a development fee in 2014 of € 400,000.

- Karppa B.V. represented by Mr. C. Karssen has performed engineering services for Starneth .B.V. in the pre contract period of the Dubai I and the New York Wheel. Mr. C. Karssen worked via a Management agreement for Starneth B.V. as CTO he was also a 25% shareholder of the company. Starneth BV bought the shares back from Mr. C. Karssen via an intermediate entity in 2014. These shares have been destroyed by the way of a share capital reduction.

- Mr. L. Heijkoop, a shareholder in Starneth Holding BV through Jamapro Trading JLT, worked for the Group from mid-2013 and has been employed by SME Engineering Services JLT in the roll of a Project Director for the Dubai-I and Managing Director of the Dubai entity. SME Engineering Services JLT has a loan commitment to Mr. Leon Heijkoop. The loan is paid back by monthly deductions from his salary. As at 30 June 2015 the loan amount was €54,982 (2014: €25,092).

- Mr. W. Armstrong, shareholder of Starneth Holding BV through System Engineering International Ltd., has been employed by Starneth LLC acting as President in 2013, 2014 & 2015. There were no transactions with Mr. W. Armstrong that are not disclosed elsewhere in this Document.

Remuneration of controlling Shareholders

Shareholders'* employed by the Group compensation is analysed as follows:

| | **Unaudited 6 months ended 30 June 2014** | **Unaudited 6 months ended 30 June 2015** |
|---|---|---|
| | **€'000** | **€'000** |
| Salaries and other short-term employee benefits M. Smits* | 118 | 120 |
| Salaries and other long-term employee benefits L. Heijkoop* | 132 | 132 |
| Salaries and other short-term employee benefits C. Karsson* | 102 | - |
| Salaries and other short-term employee benefits W. Armstrong* | 58 | 58 |
| | 410 | 310 |

* Shareholders serving as Board members and/or Executives.

Balances with controlling shareholders

Balances with shareholders employed by the Pre-Acquisition Starneth Group are analysed as follows:

| | Audited as at 31 December 2014 | Unaudited as at 30 June 2015 |
|---|---|---|
| | €'000 | €'000 |
| Accounts receivable | 26 | 7 |
| Accounts payable | (432) | (3) |
| | (406) | 4 |

At the time of writing all commitments related to controlling shareholders are fulfilled.

Intercompany balances with controlling related parties

Related parties balances are analysed as follows:

| | Audited as at 31 December 2014 | Unaudited as at 30 June 2015 |
|---|---|---|
| | €'000 | €'000 |
| Sungailiat BV | (1) | (1) |
| Karppa BV | - | - |
| Leon Heijkoop | (6) | 55 |
| Smits International BV | (399) | 1 |
| | (406) | 55 |

## 15. Key management remuneration

Details of the nature and amount of each element of the emoluments of each member of key management for the 6-month period ended 30 June 2015 were as follows:

| | Unaudited 6 months ended 30 June 2014 | Unaudited 6 months ended 30 June 2015 |
|---|---|---|
| **Director** | **€'000** | **€'000** |
| **Machiel Smits** | | |
| Wages and salaries | 118 | 120 |
| Post-employment benefits | - | - |
| Other long term benefits | - | - |
| | **118** | **120** |
| **Wil Armstrong** | | |
| Wages and salaries | 58 | 58 |
| Post-employment benefits | - | - |
| Other long term benefits | - | - |
| | **58** | **58** |
| **Leon Heijkoop** | | |
| Wages and salaries | 132 | 132 |
| Post-employment benefits | - | - |
| Other long term benefits | - | - |
| | **132** | **132** |
| **C. Karsson** | | |
| Wages and salaries | 102 | - |

| | | |
|---|---|---|
| Post-employment benefits | - | - |
| Other long term benefits | - | - |
| | **102** | **-** |
| | **410** | **310** |

## 16. Financial risk management

The Pre-Acquisition Starneth Group is exposed to credit risk, currency risk, liquidity risk and compliance risk arising from the financial instruments it holds. The risk management policies employed by the Pre-Acquisition Starneth Group to manage these risks are discussed below:

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the Pre-Acquisition Starneth Group. The Pre-Acquisition Starneth Group performs ongoing credit evaluation of its counterparties' financial condition. The Pre-Acquisition Starneth Group's major classes of financial assets are cash and bank balances, trade receivables, prepayments and amounts due to shareholders.

As at the end of each financial year, the Pre-Acquisition Starneth Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the consolidated statements of financial position.

As at 30 June 2015 and 31 December 2014, substantially all the cash and bank balances as detailed in Note 8 to the unaudited consolidated interim financial information are held in major financial institutions which are regulated and located in the Netherlands, the United States of America and Dubai, which the Starneth Directors believe are of high credit quality. The Starneth Directors do not expect any losses arising from non-performance by these counterparties.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date of the Pre-Acquisition Starneth Group is as follows:

| | **Audited as at 31 December 2014** | **Unaudited as at 30 June 2015** |
|---|---|---|
| | **€'000** | **€'000** |
| Cash and cash equivalents | 737 | 710 |
| Trade and other receivables | 311 | 1,646 |
| Amounts due from a shareholder | 1 | 56 |
| | **1,049** | **2,412** |

The Pre-Acquisition Starneth Group has no significant concentrations of credit risk. Cash is placed with established financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Trade receivables that are past due but not impaired

The Pre-Acquisition Starneth Group's trade receivables that are not impaired are as follows:

| | **Audited as at 31 December** | **Unaudited as at 30 June** |
|---|---|---|

| | 2014 | 2015 |
|---|---|---|
| | €'000 | €'000 |
| Current | - | 1,325 |
| 31 – 60 days | - | - |
| 61 – 90 days | - | - |
| 91 to 120 days | - | - |
| | **-** | **1,325** |

**Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Pre-Acquisition Starneth Group's measurement currency. The Pre-Acquisition Starneth Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US-Dollar and the UAE-Dirham. The Starneth Directors monitor the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Pre-Acquisition Starneth Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | Audited liabilities as at 31 December 2014 | Unaudited liabilities as at 30 June 2015 | Audited assets as at 31 December 2014 | Unaudited assets as at 30 June 2015 |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| $ | 571 | 523 | 484 | 1,773 |
| AED | 13 | 21 | 112 | 164 |

The following table details the Pre-Acquisition Starneth Group's sensitivity to a 10% weakening in € against the respective foreign currencies, which represents the Starneth Directors' assessment of a reasonable change in foreign exchange rates.

| | Audited liabilities as at 31 December 2014 | Unaudited liabilities as at 30 June 2015 | Audited assets as at 31 December 2014 | Unaudited assets as at 30 June 2015 |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| $ | 57.1 | 52.3 | (48.2) | (177.3) |
| AED | 1.3 | 2.1 | (11.2) | (16.4) |

A 10% strengthening of the € against the currencies above would have had an equal but opposite effect on the amounts shown above, assuming all other variables remained constant.

**Liquidity risk**

Liquidity risk arises from the Starneth Directors' management of working capital. It is the risk that the Pre-Acquisition Starneth Group will encounter difficulty in meeting its financial obligations as they fall due.

The Pre-Acquisition Starneth Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Pre-Acquisition Starneth Group arise in respect of the on-going research and development programs and trade and other payables. Trade and other payables are all payable within 12 months.

The Starneth Directors receive cash flow projections on a regular basis as well as information on cash balances.

**Capital risk management**

The primary objective of the Starneth Directors' capital management is to ensure a healthy balance sheet and capital structure in order to support its business and maximise shareholder value.

The Starneth Directors manage the Pre-Acquisition Starneth Group's capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Starneth Directors may adjust the capital return to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period under review.

Trade payables

The Pre-Acquisition Starneth Group's trade payables (including related party payables) that are not impaired are as follows:

| | **Audited as at 31 December 2014** | **Unaudited as at 30 June 2015** |
|---|---|---|
| | **€'000** | **€'000** |
| Current | 667 | 593 |
| 31 – 60 days | 434 | 39 |
| 61 – 90 days | 218 | 84 |
| 91 to 120 days | 121 | 282 |
| | **1,440** | **998** |

Concentration and country risk

The revenue was earned with two customers during the 6-month period ended 30 June 2014. Both customers are responsible for more than 10% of the revenue earned during the 6-month period ended 30 June 2015. One customer is responsible for all revenue earned during the 6-month period ended 30 June 2015.

| | **Audited year ended 31 December 2014** | **Unaudited 6 months ended 30 June 2015** |
|---|---|---|
| | **€'000** | **€'000** |
| New York Wheel (USA) | 3,657 | 5,980 |
| Dubai-I (UAE) | 7,763 | - |
| | **11,420** | **5,980** |

There no non-current assets related to the customers. The Pre-Acquisition Starneth Group's non-current assets are located in the Netherlands (31 December 2014: €331,000, 30 June 2015: €280,000) and in the USA (31 December 2014: €13,000, 30 June 2015: €nil).

## 17. Fair value of financial instruments

The carrying amount of the financial assets and financial liabilities in the financial information approximate their fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial information.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow; and

- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

## 18. Segment Information

Business segment

The Pre-Acquisition Starneth Group's primary format for reporting segment information is business segments, with each segment representing a product category. So far the Pre-Acquisition Starneth Group is only engaged with one product and a very limited number of customers / projects. The Pre-Acquisition Starneth Group therefore has only one business segment. The numbers of the segment reporting are equal to the numbers of the Pre-Acquisition Starneth Group.

## 19. Commitments

The Pre-Acquisition Starneth Group had no capital or other commitments as at 30 June 2015 (2014: €nil).

## 20. Contingencies

The Pre-Acquisition Starneth Group had no contingencies as at 30 June 2015.

## 21. Subsequent events

` Subsequent to 30 June 2015, a corporate restructuring took place which resulted in Starneth Holding B.V. becoming the legal parent of the group as well as a Demerger under Dutch law of Starneth B.V. into two entities being Starneth B.V. and Starneth Europe B.V. as described further below.

Starneth Europe B.V. will continue the trade of Starneth B.V. (excluding the contingent gains and liabilities relating to the Dubai-I arbitration) and come into the Group, whereas Starneth B.V. will remain outside of the Group. A new entity, Starneth America LLC, was created to join the Group. Starneth America LLC will pursue all new projects in North America, Latin America and South America. Starneth LLC will remain outside of the Group.

## 22. Ultimate controlling party

As at 30 June 2015, Chiel Smits was the ultimate controlling party of the Pre-Acquisition Starneth Group.

## 23. Nature of financial information

The unaudited combined interim financial information presented above does not constitute statutory financial statements for the period under review.

# PART V
# OPERATING AND FINANCIAL REVIEW OF THE GROUP

## (A) OPERATING AND FINANCIAL REVIEW OF THE COMPANY

*The following operating and financial review contains financial information that has been extracted or derived without material adjustment from the Company's audited financial information for the period from incorporation to 31 March 2015 and from the unaudited financial statements for the six months ended 30 June 2015, which are the only relevant periods, included in Parts (B) and (C) of "Part IV - Historical Financial Information" prepared in accordance with IFRS.*

*The following discussion should be read in conjunction with the other information in this Document, in particular with the entire "Part IV – Selected Financial Information and "Part VI – Unaudited Pro Forma Financial Information". This discussion contains forward-looking statements, which, although based on assumptions that the Directors consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. Investors should read the notice in relation to forward looking statements contained on page 32.*

*The key risks and uncertainties, include, but are not limited to those described in the section of this Document entitled "Risk Factors" on pages 16 to 27.*

### Overview

The Company was formed as an investment vehicle to undertake one or more acquisitions of target companies in the entertainment and leisure sectors with a particular focus on the attractions sector. The Ordinary Shares of the Company were admitted to the Official List by way of a Standard Listing and to trading on the London Stock Exchange's main market for listed securities on 19 February 2015, simultaneously with which the Company raised approximately £1.1m before expenses through the Subscription.

Following the Acquisition on 15 July 2015 and with effect from that date, the Company will reflect the acquisition of the Starneth Group in the Group's consolidated financial statements prepared in accordance with IFRS. The Acquisition will be accounted for in the Group's consolidated financial statements using the purchase method as required by IFRS 3 "Business Combinations". The net assets of the Starneth Group will be adjusted to fair value as of the date when control of the Starneth Group passed to the Company. The excess of the costs of acquisition over the fair value of the assets and liabilities of the Starneth Group will be recorded as goodwill.

### Results for the period

For the six months ended 30 June 2015 and for the first audited period since its incorporation to 31 March 2015, the Company recorded losses before tax of £754,331 and a loss before tax of £285,652, respectively. During these periods the cash balances were £1,079,621 and £748,570 respectively.

## (B) OPERATING AND FINANCIAL REVIEW OF THE PRE-ACQUISITION STARNETH GROUP

*The following operating and financial review contains financial information that has been extracted or derived without material adjustment from the Pre-Acquisition Starneth Group's audited financial information for the financial years ended 31 December 2014, 2013 and 2012, the unaudited interim financial information for the 6-months ended 30 June 2015, the detailed information included in Parts (D), (E) and (F) of "Part IV - Historical Financial Information" prepared in accordance with IFRS.*

*The following discussion should be read in conjunction with the other information in this Document, in particular with the entire "Part IV – Selected Financial Information" and "Part V – Unaudited Pro Forma Financial Information". This discussion contains forward-looking statements, which, although based on assumptions that the Directors consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. Investors should read the notice in relation to forward looking statements contained on page 32.*

*The key risks and uncertainties, include, but are not limited to those described in the section of this Document entitled "Risk Factors" on pages 16 to 27.*

**Inclusion of the historical financial information of Starneth B.V. and Starneth LLC**

Following the guidance set out in paragraphs 27 to 49 of the Annexure to Standards for Investment Reporting 2000 *(Revised) "Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information"*, the historical financial information of the Pre-Acquisition Starneth Group set out in this report includes the assets, liabilities and trading results of both Starneth B.V. and Starneth LLC on the basis that:

- Starneth Europe B.V. continues the trade of Starneth B.V. following the Acquisition;
- Starneth America continues the trade of Starneth LLC following the Acquisition, being set up to continue the Pre-Acquisition Starneth Group's business, that is the development of future giant observation wheel projects in North, Central and South America and to provide technical and support services to Starneth LLC in relation to the existing New York Wheel Project, as set out the Collaboration Agreement; and
- the ultimate controlling party of Starneth B.V. and Starneth LLC has been Chiel Smits throughout the Review Period and that Chiel Smits is the ultimate controlling party of Starneth Europe B.V. and Starneth America.

**Exclusion of contingent assets and liabilities remaining with Starneth B.V.**

Certain of the contingent assets and liabilities in Starneth B.V. have been excluded from the Pre-Acquisition Starneth Group historical financial information on the basis that the Demerger, which allocated certain assets and liabilities of Starneth B.V. to Starneth Europe B.V., resulted in these contingent assets and liabilities remaining with Starneth B.V., and hence being excluded from the Group going forward.

***Summary income statements***

Set out below are the income statements of the Pre-Acquisition Starneth Group for the Review Period:

| **€'000** | **Audited year ended 31 December 2012** | **Audited year ended 31 December 2013** | **Audited year ended 31 December 2014** | **Unaudited 6 months ended 30 June 2015** |
|---|---|---|---|---|
| Revenue | 60 | 4,393 | 11,420 | 5,980 |
| Cost of sales | - | (3,059) | (7,291) | (2,588) |
| Gross profit | 60 | 1,334 | 4,129 | 3,392 |
| Administrative expenses | (87) | (1,284) | (3,043) | (1,754) |
| (Loss)/profit before tax and interest | (27) | 50 | 1,086 | 1,638 |
| Finance income | - | 3 | 29 | 22 |
| Finance costs | - | (51) | (6) | (13) |
| (Loss)/profit before tax | (27) | 2 | 1,109 | 1,647 |
| Taxation | - | - | - | - |
| **(Loss)/profit for the year/period** | **(27)** | **2** | **1,109** | **1,647** |
| Other comprehensive income | - | - | (1) | (7) |
| **Total comprehensive (loss)/income for the period** | **(27)** | **2** | **1,108** | **1,640** |

Source: *Audited financial statements and unaudited interim financial information*

***Balance sheet***

Summarised below are the audited, combined balance sheets of the Pre-Acquisition Starneth Group during the Review Period:

| **€'000** | **Audited as at 31 December 2012** | **Audited as at 31 December 2013** | **Audited as at 31 December 2014** | **Unaudited as at 30 June 2015** |
|---|---|---|---|---|
| Intangible fixed assets | - | 124 | 97 | 83 |
| Tangibles fixed assets | 10 | 285 | 247 | 215 |
| Non-current assets | 10 | 409 | 344 | 298 |
| Receivables | 1 | 906 | 312 | 1,646 |
| Cash and cash equivalents | 12 | 402 | 737 | 710 |
| Current assets | 13 | 1,308 | 1,049 | 2,356 |
| Total assets | 23 | 1,717 | 1,393 | 2,654 |
| Share capital | 18 | 69 | 65 | 65 |
| Translation reserve | - | - | (1) | (8) |
| Retained (deficit)/earnings | (160) | (158) | (224) | 1,423 |
| Total equity | (142) | (89) | (160) | 1,480 |
| Trade and other payables | 165 | 1,806 | 1,553 | 1,174 |
| Current liabilities | 165 | 1,806 | 1,553 | 1,174 |
| Total equity and liabilities | 23 | 1,717 | 1,393 | 2,654 |

*Source: Audited financial statements and unaudited interim financial information*

***Cash flow statements***

Set out below are the cash flow statements of the Pre-Acquisition Starneth Group for the Review Period:

| €'000 | Audited year ended 31 December 2012 | Audited year ended 31 December 2013 | Audited year ended 31 December 2014 | Unaudited 6 months ended 30 June 2014 |
|---|---|---|---|---|
| Operating (loss)/profit | (27) | 82 | 1,109 | 1,647 |
| Amortisation | - | 14 | 27 | 14 |
| Depreciation | - | 32 | 67 | 35 |
| Finance income | - | (3) | (29) | (22) |
| Finance cost | - | 51 | 6 | 13 |
| Operating cash-flow before changes in working capital | (27) | 96 | 1,180 | 1,687 |
| Decrease/(increase) in receivables | 18 | (905) | 594 | (1,334) |
| Increase/(decrease) in payables | 30 | 1,641 | (253) | (379) |
| Net cash from operating activities | 21 | 832 | 1,521 | (33) |
| Purchase of intangible assets | - | (138) | - | - |
| Purchase of property, plant and equipment | (10) | (307) | (28) | - |
| Net cash used in investing activities | (10) | (445) | (28) | - |
| Repurchase of own shares | - | - | (975) | - |
| Dividend paid | - | - | (200) | - |
| Finance income | - | - | 29 | - |
| Finance cost | - | - | (6) | (13) |
| Net cash used in financing activities | - | - | (1,152) | (13) |
| Net increase in cash and cash equivalents | 11 | 387 | 341 | (39) |
| Net cash and cash equivalents at start of period | 1 | 12 | 402 | 737 |
| Foreign exchange movement | - | 3 | (6) | 12 |
| Net cash and cash equivalents at end of period | 12 | 402 | 737 | 710 |

*Source: Audited financial statements and unaudited interim financial information*

***Operating and financial review***

During the Review Period, the Pre-Acquisition Starneth Group commenced work on two Iconic Wheel projects, being the Dubai-I in Dubai and the New York Wheel on Staten Island, New York. The first of these projects, the Dubai-I was entered into by Starneth B.V. on a sub-contractor basis with Hyundai in May 2013. Prior to this date, commercial activities undertaken by the Pre-Acquisition Starneth Group were minimal, with only €60,000 of revenues being recorded during the year ended 31 December 2012 and a net cash inflow of €11,000 during the same period.

**The Dubai-I contract**

With the signing of the Dubai-I contract in May 2013, the Pre-Acquisition Starneth Group effectively commenced its design and construction activities from its headquarters in Enschede in the Netherlands. Local support on the ground in Dubai was added with the incorporation of SME Engineering in October 2013. In addition to its role of supporting Starneth B.V. on the Dubai-I, SME Engineering JLT's role continues to be that of expanding the Pre-Acquisition Starneth Group's operations throughout the Middle East and India.

Due to the financial position of the Pre-Acquisition Starneth Group when negotiating the Dubai-I contract and the size of the required performance guarantees on the project, the Dubai-I promoters appointed Hyundai as principal contractor and performance bond guarantor. Starneth B.V. was appointed as a subcontractor to Hyundai for the design of the Dubai-I for a fixed fee of US$40,000,000. A separate purchase order was given to Starneth B.V. for the provision of the drive-system for US$5,600,000.

During the year ended 31 December 2013, the Pre-Acquisition Starneth Group recorded revenues of €4,153,000 in relation to the Dubai-I, representing 94.5 per cent. of total Pre-Acquisition Starneth Group revenues during that year. Associated costs of the Dubai-I were €3,009,000, generating gross profits of €1,144,000 during the year ended 31 December 2013, equating to 84.8 per cent. of total Pre-Acquisition Starneth Group gross profit during that year.

During the year ended 31 December 2014, the Pre-Acquisition Starneth Group recorded revenues of €7,763,000 in relation to the Dubai-I, representing 68.0 per cent. of total Pre-Acquisition Starneth Group revenues during that year. Associated costs of the Dubai-I were €4,877,000, generating gross profits of €2,886,000 during the year ended 31 December 2014, equating to 69.9 per cent. of total Pre-Acquisition Starneth Group gross profit during that year.

As at 31 December 2014, Starneth B.V. had €nil trade receivables and €875,000 of trade payables in respect of the Dubai-I.

During the 6-month period ended 30 June 2015, the Pre-Acquisition Starneth Group recorded revenues of €nil in relation to the Dubai-I. Associated costs of the Dubai-I were €274,000, generating gross losses of €274,000 during the 6-month period ended 30 June 2015.

As at 30 June 2015, Starneth B.V. had €nil trade receivables and €nil of trade payables in respect of the Dubai-I.

However, following design difficulties, budget issues and management issues at Hyundai, the Pre-Acquisition Starneth Group experienced significant delays and disputes with Hyundai in relation to the design and construction of the Dubai-I. These difficulties have resulted in legal arbitration between Starneth B.V. and Hyundai which remain ongoing as at the date of this Document. Furthermore, the US$5,600,000 purchase order for the drive-system was cancelled by Hyundai and all payments in relation to the principal US$40,000,000 design contract were terminated during the year ended 31 December 2014.

No further work will be performed by the Starneth Group on the Dubai-I, and no further revenues, costs or cash flows will be either received or paid by the Starneth Group from this date. In addition, any contingent assets or liabilities resulting from the arbitration proceedings will not become assets or liabilities of the Group following the Demerger in July 2015.

**The New York Wheel contract**

In August 2012, Starneth B.V. entered into a letter of intent with the promoters of the New York Wheel for the supply of an approximate 630 foot high observation wheel on Staten Island, New York. The scale of the New York Wheel required a partner for the Pre-Acquisition Starneth Group which was of a sufficient size to be able to provide the required completion guarantees to build the New York Wheel. Initially, the Pre-Acquisition Starneth Group partnered with Hyundai on the project. However, as relations with Hyundai deteriorated in Dubai, considerable delays in the awarding of the contract were experienced. To remedy the situation, Starneth B.V. put forward an alternative partner, Mammoet USA, in January 2014.

During the year ended 31 December 2012, no revenue was recorded by the Pre-Acquisition Starneth Group with respect to the New York Wheel Project.

During the year ended 31 December 2013, the Pre-Acquisition Starneth Group recorded revenues of €240,000 in relation to the New York Wheel, representing 5.5 per cent. of total Pre-Acquisition Starneth Group revenues during that year. Associated costs of the New York Wheel were €35,000, generating gross profits of €205,000 during the year ended 31 December 2013, equating to 15.2 per cent. of total Pre-Acquisition Starneth Group gross profit during that year.

During the year ended 31 December 2014, the Pre-Acquisition Starneth Group recorded revenues of €3,657,000 in relation to the New York Wheel Project, representing 32.0 per cent. of total Pre-Acquisition Starneth Group revenues during that year. Associated costs of the New York Wheel were €2,314,000, generating gross profits of €1,343,000 during the year ended 31 December 2014, equating to 32.5 per cent. of total Pre-Acquisition Starneth Group gross profit during that year.

As at 31 December 2014, Starneth LLC had €nil trade receivables and €565,000 of trade payables in respect of the New York Wheel Project.

During the 6-month period ended 30 June 2015, the Pre-Acquisition Starneth Group recorded revenues of €5,980,000 in relation to the New York Wheel Project, representing 100 per cent. of total Pre-Acquisition Starneth Group revenues during that period. Associated costs of the New York Wheel were €716,000, generating gross profits of €5,264,000 during the 6-month period ended 30 June 2015, equating to 155 per cent. of total Pre-Acquisition Starneth Group gross profit during that period.

As at 30 June 2015, Starneth LLC had €1,325,000 trade receivables and €510,000 of trade payables in respect of the New York Wheel Project.

## PART VI

## (A) UNAUDITED PRO FORMA FINANCIAL INFORMATION

Set out below are the unaudited pro forma balance sheet of the Group as at 30 June 2015 together with the pro forma unaudited statement of combined comprehensive income for the 6-month period ended 30 June 2015 (the "Pro Forma Financial Information"). The Pro Forma Financial Information has been prepared on the basis set out in the notes below to illustrate the effects of:

- the Admission;
- the issue of the remaining £535,000 convertible loans; and
- the €7,200,000 acquisition of the Starneth Group,

on the net assets of the Group had the Acquisition occurred on 30 June 2015 and on the earning of the Group had the Acquisition occurred on 1 January 2015. It has been prepared for illustrative purposes only. Because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position. It is based on the schedules used in preparing the unaudited balance sheet and results of the Company as at 30 June 2015 and for the 6-month period then ended, which is reproduced in Part IV (C) *"Unaudited Interim Financial Information of the Company"* of this Document, and the unaudited interim balance sheet and results of the Pre-Acquisition Starneth Group as at 30 June 2015 and the 6-month period then ended, which is reproduced in Part III (F) *"Unaudited Interim Financial Information of the Pre-Acquisition Starneth Group"* of this Document.

Although Challenger has not acquired Starneth B.V. and Starneth LLC, the Pro Forma Financial Information, which is based on the Unaudited Interim Financial Information of the Pre-Acquisition Starneth Group and which includes the assets, liabilities and the trading results of both Starneth B.V. and Starneth LLC, is considered representative of the trade being undertaken by the Group post Acquisition on the basis that:

- Starneth Europe B.V. continues the trade of Starneth B.V. following the Acquisition;
- Starneth America continues the trade of Starneth LLC following the Acquisition, being set up to continue the Pre-Acquisition Starneth Group's business, that is the development of future giant observation wheel projects in North, Central and South America and to provide technical and support services to Starneth LLC in relation to the existing New York Wheel Project, as set out the Collaboration Agreement; and
- the ultimate controlling party of Starneth B.V. and Starneth LLC has been Chiel Smits throughout the Review Period and that Chiel Smits is the ultimate controlling party of Starneth Europe B.V. and Starneth America.

Users should read the whole of this Document and not rely solely on the summarised financial information contained in this Part VI "*Unaudited Pro-Forma Financial Information*".

The report on the Pro Forma Financial Information is set out in Part VI (B) "Accountant's Report on the Unaudited Pro Forma Financial Information" of this Document.

## Unaudited pro forma balance sheet

| | Company balance sheet as at 30 June 2015 (Note 1) | *Adjustment* Pre-Acquisition Starneth Group balance sheet as at 30 June 2015 (Note 2) | *Adjustment* Issue of the Convertible Notes (Note 3) | *Adjustment* Acquisition of the Starneth Group (Note 4) | *Adjustment* Consolidation adjustments (Note 5) | *Adjustment* Admission costs (Note 6) | Unaudited pro-forma balance sheet of the Group |
|---|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Intangible assets | - | 60 | - | - | - | - | 60 |
| Property, plant and equipment | - | 154 | - | - | - | - | 154 |
| Goodwill and other related intangible assets | - | - | - | - | 3,377 | - | 3,377 |
| Investments | 1,976 | - | - | 4,439 | (4,439) | - | 1,976 |
| **Non-current assets** | **1,976** | **214** | **-** | **4,439** | **(1,062)** | **-** | **5,567** |
| Trade and other receivables | 5 | 1,181 | - | - | - | - | 1,186 |
| Cash at bank and at hand | 1,080 | 509 | 535 | (897) | - | (416) | 811 |
| **Current assets** | **1,085** | **1,690** | **535** | **(897)** | **-** | **(416)** | **1,997** |
| **Total assets** | **3,061** | **1,904** | **535** | **3,542** | **(1,062)** | **(416)** | **7,564** |
| Share capital and premium | 1,020 | 47 | 215 | 825 | (47) | - | 2,060 |
| Translation reserve | - | (6)) | - | - | 6 | - | - |
| Accumulated deficit | (754) | 1,021 | (215) | - | (1,021) | (416) | (1,385) |
| **Equity** | **266** | **1,062** | **-** | **825** | **(1,062)** | **(416)** | **675** |
| Related party payables | - | - | - | 1,277 | - | - | 1,277 |
| **Non-current liabilities** | **-** | **-** | **-** | **1,277** | **-** | **-** | **1,277** |
| Trade and other payables | 263 | 842 | - | - | - | - | 1,105 |
| Convertible loan notes | 2,532 | - | 535 | - | - | - | 3,067 |
| Related party payables | - | - | - | 1,440 | - | - | 1,440 |
| **Current liabilities** | **2,795** | **842** | **535** | **1,440** | **-** | **-** | **5,612** |
| **Total liabilities** | **2,795** | **842** | **535** | **2,717** | **-** | **-** | **6,889** |
| **Total equity and liabilities** | **3,061** | **1,904** | **535** | **3,542** | **(1,062)** | **(416)** | **7,564** |

## Unaudited pro forma statement of combined comprehensive income

| | Company results for the period ended 30 June 2015 (Note 1) | *Adjustment* Pre-Acquisition Starneth Group results for the period ended 30 June 2015 (Note 2) | *Adjustment* Issue of the Convertible Notes (Note 3) | *Adjustment* Acquisition of the Starneth Group (Note 4) | *Adjustment* Consolidation adjustments (Note 5) | *Adjustment* Admission costs (Note 6) | Unaudited results net assets of the Group |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue | - | 4,290 | - | - | - | - | 4,290 |
| Cost of sales | - | (1,857) | - | - | - | - | (1,857) |
| **Gross profit** | **-** | **2,433** | **-** | **-** | **-** | **-** | **2,433** |
| Administrative expenses | (686) | (1,258) | - | - | - | (416) | (2,360) |
| **Operating (loss)/profit** | **(686)** | **1,175** | **-** | **-** | **-** | **(416)** | **73** |
| Finance income | - | 16 | - | - | - | - | 16 |
| Finance costs | (68) | (9) | (215) | - | - | - | (292) |
| **(Loss)/profit before tax** | **(754)** | **1,182** | **(215)** | **-** | **-** | **(416)** | **(203)** |
| Income tax expense | - | - | - | - | - | - | - |
| **(Loss)/profit after tax** | **(754)** | **1,182** | **(215)** | **-** | **-** | **(416)** | **(203)** |
| Other comprehensive income | - | (5) | - | - | - | - | (5) |
| **Total comprehensive (loss)/income attributable to equity shareholders of the Company** | **(754)** | **1,177** | **(215)** | **-** | **-** | **(416)** | **(208)** |

### Notes:

1. The financial information relating to the Company has been extracted without adjustment from the unaudited interim financial information set out in Part IV (C) *"Unaudited Interim Financial Information of the Company"* of this Document.

2. The financial information relating to the Pre-Acquisition Starneth Group has been extracted without adjustment from the unaudited interim financial information set out in Part IV (F) *"Unaudited Interim Financial Information of the Pre-Acquisition Starneth Group"* of this Document, translated from € to £ at the rate of €1.39 to £1.

3. The £535,000 adjustment represents the issue by the Company of the remaining 12 per cent. coupon, 12-month convertible loan notes. The adjustment of £215,000 represents the associated interest charges applicable for the 7-month period ended 30 June 2015, settled by the issue of Ordinary Shares in the Company.

4. The adjustment reflects the €7,200,000 acquisition of the Starneth Group by the Company on 15 July 2015. Of the consideration, €1,250,000 was paid in cash at closing, together with the issue of 1,100,000 Ordinary Shares at £0.75 per Ordinary Share. Two further instalments, each comprising €1,250,000 in cash and the issue of 1,100,000 Ordinary Shares at £0.75 per Ordinary Share, will be made on the first and second anniversary of closing. In accordance with the Company's accounting policies, the future consideration payable on the first and second anniversaries of closing has been discounted at the Company's weighted average cost of capital, being 12 per cent. The € consideration has been translated from € to £ at the rate of €1.39 to £1.

5. The Directors consider that the substance of the Acquisition of the Starneth Group by the Company is an acquisition under IFRS 3 'Business combinations'. This will be adopted as the basis for consolidation in the first published accounts of the Company following completion of the Acquisition. Goodwill and other related intangible assets

arising are estimated to be approximately £3,377,000 on consolidation, comprising the discounted acquisition cost of £4,439,000, less the accumulated earnings of £1,016,000, plus the translation reserve of £1,000, less share capital and premium of £47,000.

6. The adjustment of £416,000 reflects the associated costs of the Admission of the Group and its securities to trading on the standard segment of the Official List of the UK Listing Authority.

7. The Pro Forma Financial Information does not reflect any changes in the trading position of the Company, or any other changes arising from other transactions, since 30 June 2015.

8. The Pro Forma Financial Information does not reflect any changes in the trading position of the Starneth Group, or any other changes arising from other transactions, since 30 June 2015.

## (B) REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

Crowe Clark Whitehill

Crowe Clark Whitehill LLP
*Chartered Accountants*
Member of Crowe Horwath International
St Bride's House
10 Salisbury Square
London EC4Y 8EH, UK
Tel +44 (0)20 7842 7100
Fax +44 (0)20 7583 1720
DX: 0014 London Chancery Lane
www.croweclarkwhitehill.co.uk

2 December 2015

The Directors
Challenger Acquisitions Limited
55 Mount Row
St Peter Port
Guernsey
GY1 1NU
Channel Islands

The Directors
Beaumont Cornish Limited
29 Wilson Street
London
EC2M 2SJ

Dear Sirs

**Introduction**

We report on the unaudited pro forma statement of net assets as at 30 June 2015 and on the unaudited pro forma statement of earnings for the period then ended (the "Pro Forma Financial Information") set out in Part VI (A) *"Unaudited Pro-Forma Financial Information"* of Challenger Acquisitions Limited's (the "Company") prospectus (the "Document") dated 2 December 2015, which has been prepared on the basis described, for illustrative purposes only, to provide information about how the Admission of the Company and its securities to trading on the standard segment of the Official List of the UK Listing Authority and:

- the issue of the remaining £535,000 convertible loans; and
- the €7,200,000 acquisition of the Starneth Group,

might have affected the net assets and earnings presented on the basis of the accounting policies adopted by the Company in preparing the audited financial information for the period ended 30 June 2015. This report is required by Annex I, item 20.2 of Commission Regulation (EC) N 809/2004 and is given for the purpose of complying with that requirement and for no other purpose.

**Responsibilities**

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro-Forma Financial Information in accordance with Annex I, item 20.2 and Annex II, items 1 to 6 of Commission Regulation (EC) N 809/2004.

It is our responsibility to form an opinion, in accordance with Annex I, item 20.2 of Commission Regulation (EC) N 809/2004, as to the proper compilation of the Pro-Forma Financial Information and to report that opinion to you in accordance with Annex II, item 7 of Commission Regulation (EC) N 809/2004.

**Basis of opinion**

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro-Forma Financial Information with the Directors.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro-Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

(a) the Pro-Forma Financial Information has been properly complied on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purpose of Prospectus Rule 5.5.3R, we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Annex I, item 1.2 of Commission Regulation (EC) N 809/2004.

Yours faithfully,

**Crowe Clark Whitehill LLP**
*Chartered Accountants*

# PART VII

# TAXATION

The following section is a summary guide only to certain aspects of tax in the UK and Guernsey. This is not a complete analysis of all the potential tax effects of acquiring, holding and disposing of Ordinary Shares in the Company, nor will it relate to the specific tax position of all Shareholders in all jurisdictions. This summary is not a legal opinion. Shareholders are advised to consult their own tax advisers.

## TAXATION IN THE UK

The following summary is intended as a general guide only and relates only to certain limited aspects of UK tax consequences of holding and disposing of Ordinary Shares in the Company. It is based on current UK tax law and the current practice of HMRC, both of which are subject to change, possibly with retrospective effect.

Any person who is in any doubt as to his or her tax position, or who is resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult his or her tax advisers immediately.

### *Taxation of dividends*

Any UK resident and domiciled Shareholder who receives a dividend paid by the Company will be liable to UK income tax on the gross amount of any such dividend. Dividend income from the Company will be treated as forming the highest part of a Shareholder's income.

For dividend income up until 6 April 2016 the income tax rates are 10%, 32.5% or 37.5% of the gross dividend received depending on the taxable income of the individual. A deemed tax credit of 10% of the gross dividend is deemed to arise, the effect of which is to reduce the effective tax rates to 0%, 25% and approximately 30.6% of the actual dividend received respectively. Individual Shareholders will be able to claim credit for withholding tax suffered on dividends paid to them. However at present commentaries indicate that no withholding tax is levied on any dividend payments from Guernsey tax resident companies, but would suggest that local advice is sought.

The taxation of dividend income will be reformed from 6 April 2016. The 10% deemed tax credit is abolished. In its place, individuals will have a £5,000 dividend tax allowance. It is expected that dividend receipts in excess of £5,000 will be taxed 7.5%, (previously 0%), 32.5% (previously 25%), and 38.1% (previously 30.6%). The legislation confirming the change has yet to be published.

UK resident individuals who are not domiciled in the UK and currently pay tax on a remittance basis, will be taxed on dividends paid by the Company, but only if they are remitted to the UK. A UK-tax resident corporate Shareholder of non-redeemable Ordinary Shares in the Company that receives a dividend paid by the Company will not be subject to tax in respect of that dividend subject to certain exceptions.

Trustees of discretionary trusts receiving dividends from Ordinary Shares are also liable to account for income tax at the dividend trust rate, currently 30.6% of the net dividend. UK pension funds and charities are generally exempt from tax on dividends that they receive.

### *Anti-avoidance*

A UK resident corporate Shareholder who, together with connected or associated persons, control the Company should note the provisions of the Controlled Foreign Companies legislation, pursuant to which income profits accruing to the Company may be apportioned to the UK resident corporate Shareholder and liable to UK corporation tax.

***Taxation of chargeable gains***

(a) A UK resident and domiciled individual Shareholder who disposes (or is deemed to dispose) of all or any of the Ordinary Shares acquired by they may be liable to capital gains tax in relation thereto at rates up to 28%, subject to any available exemptions or reliefs in accordance with Taxation of Chargeable Gains Act 1992 s.126. In addition, an individual UK Shareholder who ceases to be resident in the UK for a period of less than five years and who disposes of the Ordinary Shares held prior to departure during that period of temporary non residence may, under anti-avoidance legislation, be liable to capital gains tax on his or her return to the UK.

(b) UK resident individuals who are not domiciled in the UK and pay tax on a remittance basis, will be taxed on any capital gains made by them on the disposal of Ordinary Shares in the Company, but only if the proceeds are remitted to the UK.

(c) Subject to exemptions a UK resident corporate Shareholder disposing of its Ordinary Shares in the Company may be liable to corporation tax on chargeable gains arising on the disposal at the corporation tax rate applicable to its taxable profits.The rate is 20% until 31 March 2016 and, subject to Royal assent of the Finance Act 2015, is reduced to 19% from 1 April 2016 and 18% from 1 April 2020.

In computing the chargeable gain liable to corporation tax the corporate Shareholder is entitled to deduct from the disposal proceeds the cost to it of the Ordinary Shares together with incidental costs of acquisition, as increased by an indexation allowance to adjust for inflation, and disposal costs.

The UK operates a substantial shareholding exemption regime which may apply to the disposal of Ordinary Shares in the Company subject to certain conditions being met.

### ***Stamp duty and stamp duty reserve tax***

No UK stamp duty will be payable on the issue of Ordinary Shares. In practice, UK stamp duty should generally not need to be paid on an instrument transferring Ordinary Shares, provided that such transfer instruments are executed and retained outside of the UK. Whether or not an instrument is stamped, however, will not affect the registration of the transfer in the Company's registers of Ordinary Shares so long as that register is kept outside of the UK.

No stamp duty reserve tax will be chargeable on the issue or transfer of the Ordinary Shares where the Company's registers of Ordinary Shares is kept outside of the UK.

**TAXATION IN GUERNSEY**

The Directors intend to conduct the Company's affairs such that, based on current law and practice of the relevant tax authorities, the Company will not become resident for tax purposes in any other territory other than Guernsey. It is assumed that the Company does not become resident in a territory other than Guernsey.

***(a) General***

Under current Guernsey law, there are no capital gains, capital transfer, gift, wealth or inheritance taxes or any death or estate duties. No stamp duty is levied in Guernsey on the issue, conversion, redemption or transfer of Ordinary Shares.

***(b) Income tax - the Company***

Under the Income Tax (Guernsey) Law 1975, as amended from 1 January 2008, the standard rate of income tax on the profits of companies regarded as resident in Guernsey or having a permanent establishment in Guernsey is 0% ("zero tax rating"). Certain exceptions from zero tax rating apply, namely:

(i) company income received from banking business as defined under section 2(2)(a) and Fourth Schedule to the Income Tax (Guernsey) Law 1975; and since 1 January 2013, income from domestic insurance business, fiduciary business (in respect of regulated activities), insurance intermediary business and insurance manager business are subject to tax at 10%;

(ii) company income from trading activities regulated by the Office of the Director General of Utility Regulation (which broadly equates to companies engaged in the provision of utility services in Guernsey) is subject to tax at 20%; and

(iii) any income derived from the ownership of land and buildings in Guernsey is subject to income tax at a rate of 20%.

It is anticipated that the Company will be subject to a zero tax rating.

***(c) Income tax – Shareholders***

Shareholders who are not resident for income tax purposes in Guernsey are not subject to taxation in Guernsey in respect of any income or gains arising in respect of Ordinary Shares held by them.

Shareholders who are resident for income tax purposes in Guernsey will be subject to income tax in Guernsey at the standard rate of 20% on any dividends paid on Ordinary Shares held by them or on their behalf, and income tax will be deducted by the Company on payment of any such dividends.

In certain circumstances, Shareholders who are resident in Guernsey may be liable to income tax on the undistributed income of the Company.

***(d) Withholding tax - the Company***

For so long as the Company holds zero tax rating, no withholding in respect of Guernsey taxation will be required on payments in respect of the Ordinary Shares to any holder of the Ordinary Shares not resident in Guernsey.

***(e) European Union Saving Tax Directive***

Guernsey is not subject to the European Union, or EU, Council Directive (2003/48) on the Taxation of Savings Income, or the EU Savings Tax Directive. However, in keeping with Guernsey's policy of constructive international engagement and in line with steps taken by other relevant third countries, the States of Guernsey (the government of Guernsey) exchanges limited information with relevant EU Member States in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU

Member State by a paying agent established in Guernsey (the terms “beneficial owner” and “paying agent” are defined in the EU Savings Tax Directive).

These disclosure arrangements are implemented in Guernsey by means of bilateral agreements with each of the EU Member States and Guidance Notes issued by the States of Guernsey.

Based on these provisions and the current practice of the Guernsey tax authorities, distributions to Shareholders in respect of Ordinary Shares in the Company and income realised by Shareholders upon the sale, or redemption of Ordinary Shares in the Company do not constitute interest payments for the purposes of the information exchange definitions and therefore neither the Company nor any paying agent appointed by it in Guernsey will be obliged to disclose information to any tax authority under these provisions in respect of such payments.

***(f) Identification of Shareholders***

The Company can be required to make a return to the Guernsey Income Tax authority, on request, of the names, addresses and shareholdings of Guernsey resident shareholders (in practice this return is not required at more frequent intervals than once a year).

**This summary of UK and Guernsey taxation issues can only provide a general overview of these areas and it is not a description of all the tax considerations that may be relevant to a decision to invest in the Company. The summary of certain UK and Guernsey tax issues is based on the laws and regulations in force as of the date of this Document and may be subject to any changes in UK and Guernsey laws occurring after such date. Legal advice should be taken with regard to individual circumstances. Any person who is in any doubt as to his tax position or where he is resident, or otherwise subject to taxation, in a jurisdiction other than the UK and Guernsey, should consult his professional adviser.**

# PART VIII

# ADDITIONAL INFORMATION

## 1. Directors

The Directors, whose names appear on pages 35, and the Company accept responsibility for the information contained in this Document. To the best of the knowledge of the Directors and the Company (who have each taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and contains no omission likely to affect its import.

## 2. The Company and its share capital

***2.1 The Company***

The Company was incorporated and registered in Guernsey as a company limited by shares on 24 November 2014 under the Companies (Guernsey) Law, 2008, as amended, with the name Challenger Acquisitions Limited and with a registered number 59383.

The registered office, telephone number and principal place of business of the Company are set out on page 35 of this Document.

The Company is subject to the Listing Rules and the Disclosure and Transparency Rules (and the resulting jurisdiction of the UK Listing Authority) to the extent such rules apply to companies with a Standard Listing pursuant to Chapter 14 of the Listing Rules.

The principal legislation under which the Company operates, and pursuant to which the Ordinary Shares were created is the Companies (Guernsey) Law, 2008, as amended. The Company operates in conformity with its constitution.

The liability of the members of the Company is limited.

***2.2 Share Capital***

2.2.1 The following table shows the issued and fully paid share capital of the Company on Admission:

| | *Issued (Fully paid) Number* | *Share capital* |
|---|---|---|
| Ordinary Shares of £0.01 | 13,325,681 | £133,256.81 |

2.2.2 The following is a summary of the changes in the issued share capital of the Company from incorporation:

(a) On incorporation, the Company issued one Founder Share of £1 to the Founder.
(b) On 5 December 2014 the Company issued and allotted to the Founder 40,000 additional Founder Shares of £1 each for a subscription price of £8 per share,

such that the average subscription price paid by the Founder for the 40,001 Founder Shares then held by it was £7.9998 per share.

(c) On 10 December 2014 the Company subdivided each Founder Share into 100 Ordinary Shares of £0.01 each. Following that subdivision the aggregate average subscription price paid by the Founder for the 4,000,100 shares then held by it was £0.079998 per Ordinary Share.

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

(e) On 5 May 2015, the Board approved the issue of up to £3 million unlisted unsecured transferable 12 per cent. convertible notes 2016, with nominal value of £1.00 per note, to fund an acquisition or investment

(f) On 30 June 2015 the Board approved an increase in the amount of Convertible Notes that could be issued under the program to £3.5 million.

(g) On 3 July 2015, 109,789 Ordinary Shares were allotted at a price of £0.37 per Ordinary Share, to the holders of the Convertible Loan Notes in payment of interest to 30 June 2015. Applications to the UK Listing Authority and the London Stock Exchange were made and accordingly these shares were admitted to the Official List, on 8 July 2015, however, due to the suspension at the time, trading in the new shares will not recommence until Admission of the Issued Share Capital.

(h) On 3 July 2015, 240,000 Ordinary Shares were allotted at a price of £0.40 per Ordinary Share, as a fee to the introducer of the Investment. Applications to the UK Listing Authority and the London Stock Exchange were made and accordingly these shares were admitted to the Official List on 8 July 2015, however, due to the suspension at the time, trading in the new shares will not recommence until after Admission of the Issued Share Capital.

(i) On 15 July 2015, the Company issued 1,100,000 Ordinary Shares comprising the First Tranche of the Consideration Shares to the Vendors in connection with the Acquisition. Applications to the UK Listing Authority and the London Stock Exchange for the First Tranche of the Consideration Shares are being made in connection with the Admission.

(j) On 28 July 2015, 630,000 Ordinary Shares were allotted at a price of £0.40 per Ordinary Shares, as a fee to the introducer of the Acquisition. Applications to the UK Listing Authority and the London Stock Exchange were made and accordingly these shares were admitted to the Official List on 3 August 2015, however, due to the suspension at the time, trading in the new shares will not recommence until Admission of the Issued Share Capital.

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

(l) On 6 October 2015, the Company issued 235,792 Ordinary Shares at a price of £0.37 per Ordinary Share, to the holders of the Convertible Loan Notes in payment of interest to 30 September 2015.

(m) On 16 October 2015, the Company issued 10,000 new Ordinary Shares pursuant to exercise of 10,000 Options at the Exercise Price (as defined in paragraph 4 below) by an employee.

2.2.3 All the issued Ordinary Shares are in registered form, and capable of being held in certificated or uncertificated form. The Registrar is responsible for maintaining the share register. The ISIN of the Ordinary Shares is GG00BV0LCK35. The SEDOL number of the Ordinary Shares is BV0LCK3.

2.2.4 The rights attaching to the issued Ordinary Shares are uniform in all respects and all of the Ordinary Shares form a single class for all purposes. All the issued

Ordinary Shares will rank in full for all dividends or other distributions hereafter declared.

2.2.5 The Directors are authorised under the Articles to issue an unlimited number of Ordinary Shares, subject to the rights of pre-emption and other rights set out in the Articles.

2.2.6 There are no restrictions on transfer of the Ordinary Shares.

2.2.7 Except as stated in this Part VIII:

(a) the Company does not have in issue any securities not representing share capital;

(b) there are £3,067,200 outstanding convertible securities issued by the Company;

(c) no person has any preferential subscription rights for any share capital of the Company; and

(d) no share or loan capital of the Company is currently under option, other than described in paragraph 4 of this Part VIII below, or agreed conditionally or unconditionally to be put under option.

## 3. Substantial Shareholders

Save for the interests of the Directors, which are set out in paragraph 5 below, as at 1 December 2015, being the latest practicable date prior to publication of this Document, the Directors are aware of the following holdings of Ordinary Shares which on Admission will represent more than 5 per cent. of the nominal value of the Company's share capital:

| *Shareholder* | *Number of Ordinary Shares* | *Percentage of Issued Share Capital* |
|---|---:|---:|
| Founder | 3,700,100 | 27.77% |
| YA Global Master SPV Ltd* | 1,330,730 | 9.99% |
| Smits International B. V.** | 880,000 | 6.60% |
| Quadrum Strategic AG*** | 870,000 | 6.53% |

* YA Global Master SPV Ltd holds £1,100,000 in nominal amount of the Convertible Notes which are convertible into Ordinary Shares on the terms described in paragraph 24.2 below.
**Smits International B.V. is the family holding company of Chiel Smits, CEO of Starneth.
*** See paragraph 24.4 below.

Except for the holdings of the Directors and the holdings stated above, the Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

Any person who is directly or indirectly interested in 5 per cent. or more of the Company's issued share capital, will be required to notify such interests to the Company in accordance with the provisions of Chapter 5 of the Disclosure and Transparency Rules, and such interests will be notified by the Company to the public.

Those interested, directly or indirectly, in 5 per cent. or more of the issued share capital of the Company do not now, and, following the Admission, will not, have different voting rights from other holders of Ordinary Shares.

## 4. Options

As indicated in the Company's prospectus published on 13 February 2015, it was the Company's intention to grant stock options for up to 10 per cent. of the Ordinary Shares then outstanding at the then prevailing market price to the Directors and senior management as an incentive following completion of an acquisition. Accordingly, following completion of the Acquisition on 28 July 215 the Company has granted non-tax advantaged options (the "Options") to purchase a total of 615,000 Ordinary Shares (the "Option Shares") at the price of £0.40 per Ordinary Share (the "Exercise Price") to the senior management and certain employees and consultants of the Group. All options granted by the Company have been issued under individual option letters.

The holders of the Options may exercise them at any time up to 28 July 2020 provided that the holder is an employee, or consultant to the Company or any subsidiary undertaking of the Company (and has not given or been given notice to terminate such status) on the applicable "vesting date". The Options will vest and become exercisable as follows:

| Vesting Date | Option Shares |
|---|---|
| Grant Date | 25% of the Option Shares |
| 1st anniversary | 50% of the Option Shares |
| 2nd anniversary | 75% of the Option Shares |
| 3rd anniversary | 100% of the Option Shares |

On 8 September the Company received notice from an employee of the Company to exercise Options to acquire 10,000 Ordinary Shares at the Exercise Price. Applications for these shares are being made in conjunction with the Admission.

In addition, on 8 September 2015 the Company granted Options to acquire a total of 730,000 Ordinary Shares to the Directors as an incentive. The Options were granted pursuant to individual option letters and have an exercise price of £0.40. Similarly as the Options summarised above, these Options are exercisable in the following tranches; 25 per cent. as from the date of grant and 25 per cent. every twelve months thereafter (and are therefore fully vested after three years). The Options cannot be exercised after 8 September 2020 (the 5th anniversary of grant).

The total of 730,000 Options were allocated as follows:

| **Name** | **Position** | **Number of shares under Options** |
|---|---|---:|
| Mark Gustafson | Chairman | 280,000 |
| Markus Kameisis | CFO | 250,000 |
| Gert Rieder | Non-Executive Director | 200,000 |

The Options granted on the 28 July 2015 and 8 September 2015 entitle holders to subscribe for a total of 1,345,000 Ordinary Shares.

Following the exercise of 10,000 Options by an employee and allotment of the 10,000 Ordinary Shares on 16 October 2015, the total number of Ordinary Shares under option as at the date of this Document is 1,335,000 representing 9.11 per cent. of the fully diluted Issued Share Capital of the Company assuming full exercise of all Options granted to management and certain employees and consultants of the Starneth Group and the Directors.

## 5. Directors' and Senior Management Interests

The interests of the Directors and senior management their connected persons in the share capital of the Company, on Admission, all of which are beneficial, are as follows:

| *Name* | *Number of Ordinary Shares beneficially owned, controlled or directed directly or indirectly* | *Percentage of Issued Share Capital on Admission* | *No of Ordinary Shares under option beneficially owned, controlled or directed, directly or indirectly**** | *Percentage of diluted Issued Share Capital assuming full exercise of Options* |
|---|---|---|---|---|
| ***Directors*** | | | | |
| Mark Gustafson | 500,000 | 3.75% | 280,000 | 5.32% |
| Markus Kameisis | 100,000 | 0.75% | 250,000 | 2.39% |
| Gert Rieder | 100,000 | 0.75% | 200,000 | 2.05% |
| ***Senior Management*** | | | | |
| Chiel Smits | 880,000* | 6.60% | 40,000 | 6.28% |
| Leon Heijkoop | 66,000** | 0.05% | 40,000 | 0.72% |

*Smits International B.V. was issued 880,000 Consideration Shares in connection with the Acquisition. Smits International is controlled by Mr Smits.

**Yamapro Trading F.Z.E., owned by Mr Heijkoop, was issued 66,000 Consideration Shares in connection with the Acquisition.

***The Options issued to the senior managers were issued under individual agreements with the holder on 28 July 2015, whilst the Options issued to Directors were issued under individual agreements with each Director on 8 September 2015. The terms of the Options are described in paragraph 4 above.

## 6. Memorandum of Incorporation

The Company's Memorandum of Incorporation is silent on its objects. Accordingly the Company's objects are unlimited.

## 7. Articles of Incorporation

The Articles contain, *inter alia,* the following provisions;

7.1 Share Capital, modification of rights and transferability

i. there are no rights of pre-emption in respect of transfers of issued Ordinary Shares;

ii. in order to transfer Ordinary Shares, the instrument of transfer of any such shares must be in any usual or common form or in such other form as may be approved by the Directors and must be executed by or on behalf of the transferor and, if the shares are not fully paid, by or on behalf of the transferee. The Articles contain no restrictions on the free transferability of fully paid shares, provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with;

iii. there are no statutory rights of pre-emption in respect of the allotment of new shares in the Company. However certain pre-emption rights have been incorporated into the Articles. These rights have been disapplied;

(i) in respect of any allotment of equity securities which are, or are to be wholly or partly paid up otherwise than in cash or, to be made for non-cash consideration to facilitate the making of acquisitions by the Company of any interest in a company or business whereby the consideration for such acquisition includes or comprises the issue of equity securities;

(ii) generally for such purposes as the Directors may think fit, for the issuance of Ordinary Shares in an aggregate nominal amount not exceeding £5,000,000;

(iii) for the purposes of the issue of securities offered (by way of a rights issue, open offer or otherwise) to existing holders of Ordinary Shares, in proportion (as nearly as may be) to their existing holdings of Ordinary Shares up to an amount equal to one-third of the aggregate value of the Ordinary Shares in issue as at the close of the first business day following Admission but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient:

(A) to deal with equity securities representing fractional entitlements and
(B) to deal with legal or practical problems in the laws of any territory, or the requirements of any regulatory body,

on the basis that the above authorities shall expire at the conclusion of the next annual general meeting of the Company, save that the Company shall be entitled to make an offer or agreement which would or might require equity securities to be issued pursuant to those authorities before the expiry of its power to do so, and the Directors shall be entitled to issue or sell from treasury the equity securities pursuant to any such offer or agreement after that expiry date and provided further that the Directors may sell, as they think fit, any equity securities from treasury.

iv. the Ordinary Shares confer upon their holders the right to participate in any profits which the Company may from time to time determine to distribute in respect of any financial period;

v. subject to the provisions of the Act, the Company may purchase any of its own shares, provided that the terms of any contract under which the Company will or may become entitled or obliged to purchase its own shares are authorised by special resolution of the Company in a General Meeting before the Company enters into such a contract;

vi. all or any of the rights or privileges attached to any class or shares in the Company may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting the quorum is two persons holding or representing by proxy one-tenth of the issued shares of that class; and

vii. the Company may make arrangements for any class of its shares to be issued in uncertificated form and in accordance with and subject as provided in The Uncertificated Securities Regulations 2001 and transfer of title of those shares shall be effected by means of a relevant system in the manner provided for and subject as provided for in the CREST Regulations. Shares held in certificated form may be changed to uncertificated form and those held in uncertificated form may be changed to certificated form.

7.2 Voting

Each Ordinary Share confers the rights to receive notice of and attend all meetings of Shareholders. Each holder of Ordinary Shares present at a general meeting in person or by proxy or by its authorised corporate representative has one vote, and, on a poll, one vote for each Ordinary Share of which he is a holder.

7.3 Dividends

Subject to the Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board.

Subject to the provisions of the Act and if the profits of the Company justify such payments, the Directors may declare and pay interim dividends on shares of any class of such amounts as and when they think fit. All dividends are apportioned and paid *pro-rata* according to the amounts paid on the shares. No dividend or other monies payable on or in respect of a share will bear interest as against the Company. The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien, and may apply them towards the satisfaction of the debts, liability or engagements in respect of a lien. A dividend may be retained if a shareholder has failed to comply with the disclosure requirements under the Articles. Any dividend unclaimed for 6 years will be forfeited and revert to the Company.

7.4 Distribution of assets on liquidation

On a voluntary winding-up of the Company, the liquidator may, with the sanction of a special resolution of the Company and subject to the Act, having realised the Company's assets and discharged the Company's liabilities, divide amongst the Shareholders *in specie* the whole or any part of the assets of the Company, or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the member(s) as the liquidator shall determine.

7.5 Indemnity

To the extent permitted by the Act, the Articles permit the Company to indemnify any Director or other officer of the Company against any liability which is incurred or suffered by him by or by reason of any act done, concurred in or omitted in the conduct of the Company's business or in the discharge of his duties.

7.6 General meetings

The Company must hold an annual general meeting each year in addition to any other general meetings held in the year. The Directors can call a general meeting at any time. All members who are entitled to receive notice under the Articles must be given notice.

7.7 Directors

*Number of Directors*
Unless otherwise determined by ordinary resolution the number of Directors shall not be subject to any maximum but shall not be less than three.

*Power of Directors to appoint Directors*
The Directors shall have power at any time to appoint any person as a Director to fill any casual vacancy.

*Annual election*
At each annual general meeting of the Company, one third of all Directors shall retire by rotation and may stand for re-election.

*Removal of Directors*
The Company may by ordinary resolution remove any Director before the expiry of his period of office.

A Director may also be removed if:

a) he ceases to be a Director by virtue of any provision of the Act or he becomes prohibited by law from or disqualified from being a Director; or
b) he becomes bankrupt, suspends payment or compounds with his creditors, or is adjudged insolvent or any analogous event occurs under the laws of any jurisdiction; or
c) he resigns from office by written notice to the Company; or
d) he shall, for more than 6 consecutive months, have been absent without permission of the Board from meetings of the Board, and/or of any committee of which he is a member, held during that period and the Board resolve that his office be vacated.

*Directors' fees*
The amount of any fees payable to Directors shall be determined by the Board unless otherwise determined by the Company by ordinary resolution. The Directors are also entitled to be repaid all expenses properly and reasonably incurred by them respectively in the conduct of the Company's business or in the discharge of their duties as Directors.

*Directors' additional benefits*
The Board may provide additional benefits to any past or present Director and for any member of his family and any person who is or was dependent on him.

*Borrowing powers*
The Board may exercise all powers of the Company to borrow money and to mortgage or charge or otherwise grant a security interest in its undertaking, property and assets (present or future) and uncalled capital, or any part thereof, and to issue debentures and other securities, whether outright or as security for debt, liability or obligation of the Company or any third party.

*Meetings of Directors*
The Directors may meet together as a Board for the transaction of business, and adjourn and otherwise regulate their meetings as they see fit.
A Director may, and the Secretary on the request of a Director shall, at any time summon a meeting of the Board.
The quorum for a Board meeting shall be fixed by the Board and unless determined at any other number shall be two Directors.

*Chairman*
The Board may appoint one of their number to be the chairman of the Board and may at any time remove him from that office. Unless he is unwilling to do so, the Director so appointed shall preside as chairman at every meeting of the Board at which he is present. If there is no Director holding that office, or if the Director holding it is unwilling to preside or is not present within five minutes after the time appointed for the meeting or is unable to attend a meeting, the Directors present may appoint one of their number to be chairman of that meeting.

*Voting*
Questions arising at any meeting of the Board shall be decided by a majority of votes and, in case of any equality of votes, the chairman shall have a second or casting vote.

*Disclosure of interests*
Any Director must immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the Company disclose the nature and extent of his interest to the Board at the first opportunity.

An interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

A general notice given to the Board that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified.

An interested Director may not vote or be counted in a quorum in respect of any resolution of the Board or committee of the Board relating to any contract, transaction, arrangement or proposal in which he has an interest which is material interest, other than in respect of the following permitted matters:

a) the giving of any guarantee, security or indemnity in respect of:
   i. money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries; or
   ii. any obligation of the Company or any of its subsidiaries for which he has assumed responsibility under a guarantee or indemnity or by the giving of security;

b) where the Company (or any of its subsidiaries) is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to or may participate;

c) any contract, transaction, arrangement or proposal affecting any other body corporate in which he is interested (directly or indirectly and whether as an officer, shareholder, creditor or otherwise), provided that he does not to his knowledge hold an interest representing 1 per cent. or more of any class of the equity share capital of such body corporate (or through any third party body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate;

d) any act or thing done or to be done in respect of any arrangement for the benefit of the employees of the Company (or any of its subsidiaries) under which he is not accorded as a Director any privilege or advantage not generally accorded to the employees to whom such arrangement relates; or

e) any matter connected with the purchase or maintenance for any Director of insurance against any liability.

A Director may vote (in the capacity of Director) and be counted in the quorum in respect of any resolution of the Board or a committee of the Board relating to any contract, transaction, arrangement or proposal in which he has an interest which is not a material interest or which falls within paragraph a) to e) above.

For the purpose of the Articles, an interest of a person who is connected with the Director shall be treated as an interest of the Director.

## 8. Working capital

The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for at least 12 months from the date of this Document.

## 9. Liquidity and Capital Resources

The Group's ability to finance its strategy in the 12 months following Admission and to meet the Group's obligations as they become due (including the deferred cash consideration under the Acquisition Agreement and any future capital contributions which may be required in relation to the investment) will be fulfilled by cash currently held by the Company and the Starneth Group and cash flows generated from operations.

The Company has historically generated its cash resources from capital contributions from Shareholders, in the form of Ordinary Shares and convertible instruments.

The Company raised approximately £1.02 million before expenses on its admission to the main market of the London Stock Exchange on 19 February 2015 through the Subscription. The Company's Investment and the cash consideration for the Acquisition was financed through a combination of available funds from the Subscription and the issue of Convertible Notes from which the Company received £3.07 million.

The Starneth Group has historically generated its cash resources from operations. The Pre-Acquisition Starneth Group had net cash inflows for the years ended 31 December 2012, 2013 and 2014 of €0.11 million, €0.39 million and €0.34 million, respectively. In the year ended 31 December 2014, the Pre-Acquisition Starneth Group repurchased shares in Starneth B.V. for €0.98 million.

As with any engineering contracting business working on major projects, the timing of projects is dependent on a series of external factors and cannot be predicted. However, the Directors confidently believe that of the approximate 25 opportunities available in the Starneth's project pipeline, one or more of the five currently being either negotiated or discussed will commence by the end of this year or failing that early in 2016. Due to the Group's business model, all pipeline projects will be cash-generative to the Group immediately on financial close.

As at the date of this Document, the Group has cash resources of £509,000.

## 10. Capitalisation and Indebtedness

The Company's capitalisation and indebtedness, as at the date of the last published financial information (being 30 June 2015 for the Company) is summarised in the table below:

| | **Unaudited 30 June 2015** |
|---|---|
| | **£'000** |
| **Total Current Debt** | |
| - Guaranteed | - |

| | |
|---|---|
| - Secured | - |
| - Unguaranteed/Unsecured | 2,532 |
| | |
| **Total Non-Current Debt (excluding current portion of long-term debt)** | |
| - Guaranteed | - |
| - Secured | - |
| - Unguaranteed/Unsecured | - |
| **Total debt** | |
| | |
| **Shareholder's Equity** | |
| a) Share Capital | 110 |
| b) Share premium | 910 |
| c) Accumulated deficit | (754) |
| | |
| **Total capitalisation** | **2,798** |

## Statement of material change

Since 30 June 2015 the following have led to material changes in the capitalisation and indebtedness of the Company:

Between 30 June 2015 and 30 July 2015, the Company issued the remaining £0.4 million of Convertible Notes. The Convertible Notes are unlisted, unsecured, transferable and convertible with a twelve month maturity date. Interest is accrued at 12 per cent. per annum and payable quarterly, or upon conversion, in cash or in Ordinary Shares at the Company's discretion. The loan notes can be converted, subject to certain conditions, into Ordinary Shares at a price per Ordinary Share equal to the lower of £0.50 and 7.5 per cent. 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 maximum amount of loan notes that may be converted in any 30-day period by a noteholder is 10 per cent. of the total amount of any loan notes subscribed by that noteholder. The Company can redeem the loan notes at a 10 per cent. premium anytime the market price is lower than £0.50. As a result of the issue of the convertible loan notes the Unguaranteed/Unsecured current debt of the Company has increased from £nil to £3 million.

On 15 July 2015 the Company acquired the Starneth Group for total consideration of £5.18 million (€7.20 million) comprising £0.90 million (€1.25 million) in cash and the issue of 1,100,000 Ordinary Shares at £0.75 per Ordinary Share at completion, with the balance comprising further two cash payments of £0.95 million (€1.25 million) and two further tranches of share issues on the first and second anniversary of the Acquisition. As a result of the issue of the consideration shares at completion, the Company's Share Capital and Legal Reserves have increased by £0.01 million and £0.81 million respectively.

The Pre-Acquisition Starneth Group's capitalisation and indebtedness, as at the date of the latest unaudited interim financial information (being 30 June 2015 for the Pre-Acquisition Starneth Group) are summarised in the table below:

| | **Unaudited 30 June 2015** |
|---|---|
| | **€'000** |
| **Total Current Debt** | |
| - Guaranteed | - |
| - Secured | - |
| - Unguaranteed/Unsecured | - |

| | |
|---|---|
| **Total Non-Current Debt (excluding current portion of long-term debt)** | |
| - Guaranteed | - |
| - Secured | - |
| - Unguaranteed/Unsecured | - |
| **Total debt** | |
| | |
| **Shareholder's Equity** | |
| d) Share capital | 65 |
| e) Transaction reserve | (1) |
| f) Retained earnings | 1,416 |
| | |
| **Total capitalisation** | **1,480** |

As described in paragraph 25 (b) of Part VIII of this Document Starneth B.V., one of the Excluded Starneth Group Companies, is engaged in arbitration proceedings with Hyundai in relation to the Dubai-I contract. In July 2015, a legal split of the trade and assets of Starneth B.V. took place between Starneth B.V. and Starneth Europe. Following the legal split, both the contingent liabilities and any gains arising from claims in the legal arbitration involving Hyundai, have become part of Starneth B.V., which does not form part of the Group.

**Statement of material change**

Since 30 June 2015 there have been no events that have led to material changes in the capitalisation and indebtedness of the Starneth Group.

## 11. Further Disclosures on Directors and Senior Managers

11.1 The Directors and Senior Managers currently are, and have during the five years preceding the date of this Document been, members of the administrative, management or supervisory bodies ("directorships") or partners of the following companies or partnerships:

**Mark Gustafson,** *Chairman*

| *Current Directorships* | *Past Directorships* |
|---|---|
| Icelia AG | Euromax Resources Ltd |
| Falcon Acquisitions Limited | Triangle Petroleum Corporation |
| GSC SICAV p.l.c. | Tuzo Energy Corporation |
| Challenger Holdings (NY) Limited | Esrey Energy Ltd |
| Starneth Europe B.V. | South Danube Metals Doo Beograd |
| Starneth Holding B.V. | Van Zur Limited |

**Markus Kameisis,** *Chief Financial Officer*

| *Current Directorships* | *Past Directorships* |
|---|---|
| Icelia AG Zurich | None |

**Gert Rieder,** *Non-Executive Director*

| *Current Directorships* | *Past Directorships* |
|---|---|
| Energi Danmark A/S | Comendo A/S |
| Neustring Holdings (BVI) Limited | Comendo Consisto A/S |
| Falcon Acquisitions Limited | Comendo Network |

Comendo Telecom
Comendo Hosting
Comendo Norway
Batelco
CIG Wireless Corporation
Umniah
Sunrise Communications AG
AKA Consulting
Van Zur Limited

**Chiel Smits, CEO Starneth Group**

| *Current Directorships* | *Past Directorships* |
|---|---|
| Starneth B.V. | None |
| Starneth Construction B.V. | |
| Smits International B.V. | |
| Starneth Europe B.V. | |
| Starneth Holding B.V. | |
| Starneth Ltd | |
| Starneth Pte Ltd. | |
| Railneth Holding B.V. | |

**Leon Heijkoop,** *Senior Manager*

| *Current Directorships* | *Past Directorships* |
|---|---|
| SME Engineering Services JLT | Heijkoop Consultancy Ltd |
| Yamapro Trading FZE | |

11.2 Receiverships and liquidations

None

11.3 Save as set out in paragraph 11.2 above, as at the date of this Document, none of the Directors and Senior Managers:

(a) has any unspent convictions;

(b) has been bankrupt;

(c) has been a director of any company which, at that time or within 12 months after his ceasing to be a director, became bankrupt, had a receiver appointed or was liquidated (other than solvent liquidations);

(d) has been a partner of any partnership which, at that time or within 12 months after his ceasing to be a partner, became bankrupt, had a receiver appointed or was liquidated (other than solvent liquidations);

(e) has any public criticism against him by statutory or regulatory authority (including recognised professional bodies);

(f) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company; or

(g) has any conflict of interest in performing his duties as Director and Senior Manager of the Company.

## 12. Directors' and Senior Managers' terms of employment

Mark Gustafson has been appointed by the Company to act as an Executive Director under a service agreement dated 17 December 2014. His appointment commenced on 24 November 2014, is for an initial term of 12 months and is terminable on three months' written notice on either side. He is entitled to a fee of £10,000 per annum. Commencing 23 February 2015 Mr Gustafson also receives £7,500 per month for his duties and responsibilities as Executive Chairman of the Company.

Markus Kameisis has been appointed by the Company to act as an Executive Director under a service agreement dated 17 December 2014. His appointment commenced on 24 November 2014, is for an initial term of 12 months and is terminable on three months' written notice on either side. He is entitled to a fee of £10,000 per annum.

Gert Rieder has entered into a letter of appointment with the Company dated 17 December 2014 to act as Non-Executive Director of the Company. His appointment commenced on 5 December 2014 for a term which expires on 24 November 2015, subject to renewal, and is terminable at any time on three months' written notice on either side. Mr Rieder is entitled to a fee of £10,000 per annum.

Chiel Smits provides services to the Company in accordance with a Management Agreement between Starneth Holding BC and Smits International B.V., which is Mr Smit's personal holding company. A summary of this agreement is included in paragraph 24.9 of this Part VIII.

Leonardus Heijkoop has entered into a contract of employment with SME Engineering Services JLT ("SME") dated March 9, 2015 as the Managing Director of SME. His contract is for an unlimited term, provides a monthly compensation of AED 86,700 (United Arab Emirates Dirham), a monthly transportation allowance of AED 4,500, medical coverage, and annual leave entitlement. This contract may be terminated by mutual consent of both parties, with 30 days notice by either party for a valid reason or immediately by SME if certain offences have been committed by the employee. This contract is governed by the UAE Federal Law in the Emirate of Dubai. There is also an undertaking for non-competition, non-solicitation and non-disclosure of confidential information for 24 months following expiration or termination of the contract of employment.

Save as disclosed above, there are no existing or proposed service agreements between any of the Directors and Senior Managers and the Company providing for benefits upon termination of employment.

## 13. Directors' lock-ins

Each of the Directors has agreed that he shall not, for a period of 12 months from 19 February 2015, the date on which the Ordinary Shares were first admitted to the Official List and trading on the London Stock Exchange's main market for listed securities, without the prior written consent of the Company and Beaumont, dispose of any Ordinary Shares he holds.

## 14. Pension arrangements and bonus plan

### *Pension arrangements*

Starneth Group participates in a defined benefits pension scheme based on the Dutch Metalworkers' Collective Labor Agreement. This pension scheme is managed by PMT, a Dutch pension fund that manages all pensions covered by the Metalworkers' Collective Labor Agreement. All employees of Starneth Group in the Netherlands are obliged to participate in this pension plan. Starneth Group's liability for the pension scheme is limited to the payment of the premiums.

The premiums for the pension are paid partly by the employer and partly by the employee. The employer contributes 54.7 per cent. of the premiums charged on the pensionable pay up to EUR 70,000 and 53.2 per cent. of on the premiums charged on the pensionable pay over EUR 70,000 but below EUR 100,000. When the pensionable pay exceeds EUR 100,000, no premiums are charged for the excess. The rest of the premiums is deducted from the employee's salary. The pensionable pay is calculated as an employee's monthly gross salary multiplied by 12.96 added with all bonuses and salary increases paid during the calendar year.

PMT calculates and collects the pension premiums from the employer. The employee contributions are deducted from the employer's payroll payments.

The pension premiums are set annually by PMT. The 2015 premiums amount to (i) 24 per cent. of the pensionable pay up to EUR 70,000; and (ii) 19.2 per cent. of the pensionable pay over EUR 70.000 but below EUR 100.000. A specified amount for the state pension offset is deducted from premiums. This amount is determined by the Dutch government annually. The state pension offset is for the year 2015 is EUR 15,304 for each employee.

In addition, the employer pays for early retirement benefit. The employees do not contribute to the premiums for this benefit. For the year 2015, the premiums for early retirement benefit amount to 6.26 per cent. of the employee's pensionable pay.

### *Bonus plan*

Below are set out details of the bonus plan for eligible Starneth Group's employees as at the time of publication of this Document.

Three per cent. of profits earned on completed projects will be allocated for bonuses for certain employees of the Starneth Group (whether employed individually or through their management companies).

The bonus amount will be determined on the basis that all eligible employees are entitled to receive the same amount irrespective of the employee's position in the company, taking into account an eligible employee's length of service to the Starneth Group and award amounts will be pro-rated for part time employees.

A condition to receiving a bonus is that eligible employees at the time the bonuses are determined must be employed by the Starneth Group, however management may, in its discretion, depending on the financial condition of the Group and other factors, decide to pay an advance bonus to an employee that is leaving the Starneth Group.

## 15. Employees and Premises

The Company has not had any employees since incorporation. Following the Acquisition, there are 16 employees of the Group excluding Directors.

The Group does not own any premises. Starneth Group leases facilities in the Netherlands and Dubai. Consent to the assignment or transfer of the leases are in the process of being obtained.

## 16. Subsidiaries and investments

The business of the Company and its principal activity is to act as the holding company of the Group. The Group's activities and operations are carried on by the Company's subsidiaries. The Group includes the following principal subsidiaries and significant investments:

***Subsidiaries***

| *Name of company* | *Country of incorporation* | *Proportion of ownership interest shares and voting rights held* | *Principal activity* |
|---|---|---|---|
| Starneth Holding B.V. | The Netherlands | 100% | *Holding company* |
| Starneth Europe B.V. | The Netherlands | 100% | *Trading company* |
| Starneth America LLC | USA (Florida) | 100% | *Trading company, North America, South America, Latin America* |
| Starneth Pte Ltd | Singapore | 100% | *Trading company* |
| SME Engineering Services JLT | Dubai (Multi Commodities Centre) | 100% | *Middle East trading company* |
| Banka B.V. | The Netherlands | 100% | *Finance* |
| Challenger Holdings (NY) Limited | Guernsey | 100% | *Dormant* |
| Starneth Ltd | Hong Kong | 100% | *Dormant* |

***Investments***

| *Investment* | *Country of Incorporation* | *Proportion of ownership interest shares and voting rights held* | *Description* |
|---|---|---|---|
| New York Wheel LLC | USA (Delaware) | 2.46% | New York Wheel Project |
| Starneth Engineering LLC | USA (Florida) | 30% | Dormant |
| Cendana Starneth Indonesia | Indonesia | 10% | Dormant |

At the completion date of the Acquisition the shares of Cendana Starneth Indonesia were held by Machiel Smits. Under the Cooperation Agreement dated 15 July 2015 (further details of which are set out in paragraph 24.7 of this Part VIII) Mr Smits agreed to transfer his holding in Starneth Indonesia as soon as possible after completion.

## 17. Dilution of Ordinary Share Capital

The issue of the further two tranches of the Consideration Shares constituting the Second Tranche of Consideration Shares due to be issued on or around 15 July 2016 and the Third Tranche of Consideration Shares due to be issued on or around 15 July 2017 being the first and second anniversary of the completion of the Acquisition and totalling 2,200,000 new Ordinary Shares as well as the shares that will be issued to the Vendors in accordance with the Acquisition Agreement as a variable component based on the future performance of the Starneth Group, will dilute the interest of Shareholders. The issue of the Second and Third Tranche of Consideration Shares will represent 14.17 per cent. of the Issued Share Capital on Admission diluted by the issue of those shares. The variable component amount cannot be determined at this time but it is likely to further dilute the interest of Shareholders.

It should be noted that the Shareholders interest will be diluted at the time holders of Convertible Notes elect to convert their Notes into Ordinary Shares and/or when the Ordinary Shares are issued in payment of interest accrued quarterly on the Convertible Notes. It is expected that 6,134,400 new Ordinary Shares may be issued, representing 31.52 per cent. of the Issued Share Capital on Admission diluted by the issue of those shares only, assuming the full nominal amount of £3,067,200 of Convertible Notes is converted into Ordinary Shares at the fixed conversion price of 50p on maturity. The number of further new shares that may be issued in payment of accrued interest cannot be determined at this time.

Assuming the 2,200,000 and 6,134,400 new Ordinary Shares described above are issued, the combined amount would represent 38.48 per cent. of the fully diluted issued share capital.

## 18. Related Party Transactions

Icelia AG, a company of which Mr. Kameisis is a director and in which he has an interest, provides accounting, administrative and consultancy services to the Company on a contractual basis. The contract is at arm’s length and can be terminated with a notice period of 60 days.

Smits International B.V. represented by Mr. M. Smits has performed work for Starneth B.V.. M. Smits worked via a Management agreement for Starneth B.V. as the CEO, he was also a 75 per cent. shareholder. In addition to the Management Agreement, Smits International was also engaged in building up a network of prospects and in the development and onboarding of concrete projects for which Smits International got a development fee in 2014 of € 400,000.

Mr. L. Heijkoop, a shareholder in Starneth Holding B.V. through Yamapro Trading JLT, worked for the Group from mid-2013 and has been employed by SME Engineering Services JLT in the roll of a Project Director for the Dubai I and Managing Director of the Dubai entity. SME Engineering Services JLT has a loan commitment to Mr. Leon Heijkoop. The loan, which is an advance for annual rent, is paid back by monthly deductions from his salary. At 31 December 2014 the loan amount was € 25,092.

## 19. Statutory auditor

The auditor of the Company is Crowe Clark Whitehill LLP, whose registered address is at St Bride’s House, 10 Salisbury Square, London. Crowe Clark Whitehill LLP was the auditor of the Group for the whole period covered by the financial information set out in Part IV (“Selected Financial Information”). Crowe Clark Whitehill LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

## 20. Accounts and annual general meetings

The accounting reference date of the Company is 31 December and the current accounting period will end on 31 December 2015. It is expected that the Company will make public its annual financial report within four months of each financial year end (or earlier if possible). The Company has published its first unaudited half-yearly financial report to 30 June 2015 on 28 August 2015. It is expected that the Company will make public its unaudited half-yearly financial reports within two months of the end of each interim period.

## 21. Significant Change

***The Company***

Subsequent to 30 June 2015, being the date to which the unaudited interim financial information in respect of the Company in Section C of Part IV was prepared the Company has:

i. Issued a further £535,000 of Convertible Notes.
ii. On 3 July 2015, issued 109,789 Ordinary Shares at a price of £0.37 per Ordinary Share, to the holders of the Convertible Notes in payment of £40,622 of interest due for the period ending 30 June 2015.
iii. On 3 July 2015, issued 240,000 Ordinary Shares at a price of £0.40 per Ordinary Share, as a fee to the introducer of the New York Wheel investment.
iv. On 15 July 2015, completed the Acquisition.
v. On 28 July 2015, issued 630,000 Ordinary Shares at a price of £0.40 per Ordinary Share, as a fee to the introducer of the Starneth Acquisition.
vi. On 29 July 2015, granted options to acquire 615,000 Ordinary Shares to employees and consultants of the Company. These options have an exercise price of £0.40 and are exercisable in the following tranches; 25 per cent. as from the date of grant and 25 per cent. every twelve months thereafter. They cannot be exercised after the 5th anniversary of grant.
vii. On 10 September 2015, granted options to acquire 730,000 Ordinary Shares to the Directors of the Company. These options have an exercise price of £0.40 and are exercisable in the following trances; 25 per cent. as from the date of grant, and 25 per cent. every twelve months thereafter. These options cannot be exercised after the 5th anniversary of grant.
viii. On 6 October 2015, the Company issued 235,792 Ordinary Shares at a price of £0.37 per Ordinary Share, to the holders of the Convertible Notes in payment of interest to 30 September 2015.
ix. On 16 October 2015, the Company issued 10,000 new Ordinary Shares pursuant to exercise of 10,000 Options at the Exercise Price (as defined in paragraph 4 above) by an employee.

Other than described above, there has been no significant change in the financial or trading position of the Company since 30 June 2015.

***The Starneth Group***

Save for the Demerger and incorporation of Starneth America LLC as described in paragraph 2.2 of Part II, there has been no significant change in the financial or trading position of the Starneth Group since 30 June 2015, being the date to which the unaudited interim financial information in respect of the Pre-Acquisition Starneth Group in Section F of Part IV was prepared.

## 22. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Shares under the CREST system. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST if any Shareholder so wishes. However, CREST is a voluntary system and Shareholders who wish to receive and retain share certificates are able to do so.

**23. City Code**

The City Code applies to the Company.

The City Code is issued and administered by the Takeover Panel. The Takeover Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive on Takeover Bids (2004/25/EC) (the "Directive"). Following the implementation of the Directive by the Takeovers Directive (Interim Implementation) Regulations 2006, the rules in the City Code which are derived from the Directive now have a statutory basis.

The City Code applies to all takeovers and merger transactions, however effected, where, *inter alia*, the offeree company is a public company which has its registered office in the United Kingdom, the Isle of Man or the Channel Islands, if the company has its securities admitted to trading on a regulated market or a multilateral trading facility in the United Kingdom or on any stock exchange in the Channel Islands or the Isle of Man. The City Code will therefore apply to the Company from Admission and its Shareholders will be entitled to the protection afforded by the City Code.

Under Rule 9 of the City Code, where: (i) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons in which he is already interested and in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company subject to the City Code; or (ii) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of such a company, if such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then, except with the consent of the Takeover Panel, he, and any person acting in concert with him, must make a general offer in cash to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights to acquire the balance of the shares not held by him and his concert party.

Save where the Takeover Panel permits otherwise, an offer under Rule 9 of the City Code must be in cash and at the highest price paid within the 12 months prior to the announcement of the offer for any shares in the company by the person required to make the offer or any person acting in concert with him. Offers for different classes of equity share capital must be comparable; the Takeover Panel should be consulted in advance in such cases.

The Act provides that if an offer is made in respect of the issued share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has received acceptances amounting to 90 per cent. in value of the shares to which the offer relates, subject to the rights of any shareholders who have not accepted the offer to apply to the Court for relief. Certain time limits apply.

**24. Material contracts**

Other than reference to material contracts discussed elsewhere in this document, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by a member of the Group within the two years immediately preceding the date of this Prospectus and are, or may be, material or have been entered into at any time by any member of the Group and contain provisions under which any member of the Group has an obligation or entitlement which is, or may be, material to the Group as at the date of this Prospectus.

### *24.1 Convertible Notes*

On 5 May 2015, the Board approved the issue of up to £3 million Convertible Notes, with nominal value of £1.00 per note, to fund the Investment and a portion of the cash consideration for the Acquisition. Further details of the terms of the Convertible Notes are summarised below.

(i) The Convertible Notes are unlisted, unsecured, transferable and convertible and mature with a twelve-month maturity date.

(ii) Interest is accrued at 12 per cent. per annum and payable quarterly, or upon conversion, in cash or in Ordinary Shares of the Company at the Company's discretion.

(iii) The Convertible Notes can be converted into Ordinary Shares at a price per Ordinary Share equal to the lower of:

(A) 50p ("Fixed Conversion Price") per Ordinary Share; and

(B) market price ("Market Conversion Price") less 7.5 per cent.

Market Conversion Price is defined as the average of the lowest 3 VWAP (Volume Weighted Average Price) as quoted by Bloomberg for the period of 10 trading days (on the LSE) ending on the trading day immediately prior to the conversion date' provided that if the VWAP is at any time less than 25p for 3 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.

(iv) A noteholder may convert all or part of its Convertible Notes at any time at the conversion price by submitting a conversion notice to the company provided that (i) the maximum amount of Notes that may be converted in any 30 day period by a noteholder is 10 per cent. of the total amount of any Notes subscribed by that noteholder and (ii) if the VWAP is less than 25p for three consecutive trading days, then for the next 30 days then no conversion notice may be submitted for the next 30 calendar days without the prior written consent of the Company. This provision is only applicable once in respect of the conversion rights under the Notes.

(v) The Company can redeem all or any part of the outstanding Notes at a 10 per cent. premium anytime the Market Conversion Price is lower than the Fixed Conversion Price.

(vi) The Convertible Notes rank *pari passu*, equally and ratably, among themselves as unsecured obligations of the Company.

(vii) The Convertible Notes may be redeemed by the noteholder following certain noteholder redemption events, which include: payment default; material breach by the Company not cured within ten trading days; the Company or any of its subsidiaries suffer an insolvency event; the Company's shares are delisted from the LSE or cease to trade on the LSE save for a suspension of trading of the Company's share capital on LSE which is due to a transaction being undertaken or under consideration by the Company or in relation to the Company or any other that lasts for less than 20 trading days; cross defaults to indebtedness of £25,000 or more of the Company and its subsidiaries; and material adverse change of the Company.

(viii) The Convertible Notes and related documentation are governed under the laws of England.

On 30 June the Company sought and received approval by way of written resolution of holders of the Convertible Notes to amend and restate the Convertible Note Instrument to increase the maximum amount of Notes that may be issued under the Instrument to £3,500,000.

The proceeds were used to fund the Company's equity participation in the Investment, and to provide the initial cash consideration for the Acquisition. The Company issued £3,067,200 in nominal amount of Convertible Notes.

### *24.2 Yorkville Fee Letters*

On 7 May 2015, the Company entered into a fee letter with YA Global Master SPV Limited (YA Global) in connection with the Convertible Notes program. The Company agreed to pay YA Global a non-refundable arrangement fee of 6.0 per cent. of the total amount paid to the Company by YA Global Master SPV, Ltd, or any other person or persons introduced by YA Global that subscribes for the Convertible Notes.

On 15 May 2015 YA Global Master SPV, Ltd. subscribed for £650,000 in nominal amount of the Convertible Notes. YA Global II SPV LLC received an arrangement fee of £39,000.

On 8 June 2015, YA Global Master SPV Ltd subscribed for £450,000 in nominal amount of the Convertible Notes. YA Global II SPV LLC received an arrangement fee of £27,000.

### *24.3 Lock In Deeds*

On 15 July 2015, the Company entered into Lock in deeds with Yamapro Trading F.Z.E, Systems Engineering International, Inc and Smits International B.V., each a Vendor, in connection with the Acquisition. The Consideration Shares issued to each Vendor pursuant to the Share Purchase Agreement are subject to restrictions whereby they cannot be disposed of (without the prior written consent of the Company) until 36 months after the date of the Share Purchase Agreement (15 July 2018).

### *24.4 QSL Services Agreement*

On 23 February 2015, the Company entered into a Services Agreement with Quadrum Strategic Limited in Switzerland ("QSL"). Under the terms of this agreement, QSL agreed to provide certain capital market, project generation and other services for the Company, including the introduction of funding sources, the introduction of projects in the attractions sector and assisting in the acquisition process of such projects. The fees payable to QSL for such services are subject to separate agreement in each case. The agreement remains in force until terminated by either party with 90 days' notice.

On 3 July 2015, the Company issued 240,000 Ordinary Shares to QSL at a price of £0.40 per Ordinary Share, as a fee to the introducer of the New York Wheel investment.

On 28 July 2015, the Company issued 630,000 Ordinary Shares to QSL at a price of £0.40 per Ordinary Share, as a fee to the introducer of the Starneth acquisition.

### *24.5 Notarial Deed of Demerger*

On 7 July 2015, Starneth B.V. entered into a Notarial Deed of Demerger (akte van afsplitsing) before Rob Peter Mollema, a notary in Enschede, The Netherlands. By this Notarial Deed, Starneth B.V. incorporated a new company called Starneth Europe B.V. and transferred certain assets to the newly incorporated company in exchange for the issue of one new share with a nominal value of EUR 100. The transfer of assets took effect on 8 July 2015. The following assets were transferred to Starneth Europe B.V.: memoranda of understanding and non-disclosure agreements with customers regarding the Great Wheel of Toronto, agreements relating to overhead services with affiliated companies and service providers, lease agreements for offices in Rotterdam, Oldenzaal and Enschede, the Netherlands, (temporary) employment agreements and services agreements, agreements relating to pension arrangements, certain agreements for utilities and insurances, maintenance agreements, car leases and agreements regarding IT services.

### *24.6 Share Purchase Agreement*

On 15 July 2015, the Company entered into a Share Purchase Agreement with Smits International B.V., Yamapro Trading- F.Z.E. and Systems Engineering International (the "Sellers"), for the acquisition of all shares in Starneth Holding B.V. and Starneth Europe B.V. The transaction was completed immediately thereafter. Starneth Holding B.V. and Starneth Europe B.V. own all the shares in SME Engineering Services JLT, Starneth Ltd, Starneth Pte Ltd, and Starneth America LLC, and 99 per cent. in Banka B.V..

Starneth LLC in the United States as well as Starneth B.V. and Starneth Construction B.V. in The Netherlands were excluded from the Acquisition. Prior to the signing of the Share Purchase Agreement, the assets and operations of Starneth B.V. were transferred into Starneth Europe B.V. Any future profits and liabilities arising from the Dubai-I wheel project under the Dubai-I contract were retained by the Sellers. Starneth LLC has entered into a Collaboration Agreement with Starneth America LLC under which Starneth America will provide technical and support services to Starneth LLC for an agreed upon fee, described in more detail in paragraph 24.9 below. Future projects in North America, Latin America and South America will be developed in Starneth America LLC.

The total consideration for the Starneth Group of companies under the Share Purchase Agreements amounts to €7.2 million (£5.18 million) plus a variable component equal to 30 per cent. of the amount by which the consolidated EBITDA of the acquired Starneth Group companies exceeds €1,267,000 in the next three financial years.

Of the consideration, €1,250,000 (£0.90 million) was paid to the Sellers in cash on completion, and two further cash payments of €1,250,000 will be made on the first and second anniversary of completion. The rest of the consideration is settled in Ordinary Shares. A total of 1,100,000 Ordinary Shares, constituting the First Tranche of Consideration Shares, were issued to the Sellers on completion. The Second Tranche of Consideration Shares totalling 1,100,000 Ordinary Shares will be issued on the first anniversary of completion that is on 15 July 2016 whilst the Third Tranche of Consideration Shares also totalling 1,100,000 Ordinary Shares will be issued on the second anniversary of completion that is on 15 July 2017. The variable component will be paid in Ordinary Shares after the end of the each financial year. All Ordinary Shares issued and to be issued to the Sellers under the Share Purchase Agreement are valued at £0.75 per share.

The Consideration Shares issued to the Sellers pursuant to the Acquisition are subject to restrictions whereby they cannot be disposed of (without prior written consent of the Company) until 36 months after the date of the Share Purchase Agreement.

### *24.7 Cooperation Agreement*

On 15 July 2015, Starneth Europe B.V. entered into a Cooperation Agreement with Starneth Construction B.V. (an Excluded Starneth Group Company) and Starneth Holding B.V., subsequently amended on 10 September 2015. The cooperation agreement provides for the completion of the transfer of assets from Starneth B.V. to Starneth Europe B.V. pursuant to the Deed of Demerger dated 7 July 2015, including the transfer of the lease of the property at Multatulistraat 6 in Oldenzaal, the Netherlands and the 10 per cent interest in Cendana Starneth Indonesia to Starneth Europe B.V., without interruption to the business of Starneth Europe B.V. The parties agreed that all amounts and liabilities in connection with or resulting from the Dubai--I Project will remain for the risk and account of Starneth B.V., except that Starneth Europe B.V. will reimburse Starneth B.V. for certain outstanding invoices for an amount of AED 221,666.33 and provide a one-time payment of EUR 200,000. In addition, Starneth Europe B.V. agreed to make a payment of $1 million on behalf of Starneth B.V. to BNP Solutions Limited pursuant to a New York Final Settlement Agreement dated 11 June 2015 among Starneth B.V., Starneth LLC and BNP Solutions Limited relating to a dispute between Starneth B.V. and BNP Solutions Limited.

### 24.8 Collaboration Agreement

On 10 July 2015, Starneth America LLC entered into a Services Agreement with Starneth LLC, which was terminated by mutual consent and replaced on 31 July 2015 with a Collaboration Agreement whereby Starneth America LLC will provide any technical and support services as requested by Starneth LLC for a fee to be agreed separately and the reimbursement of out of pocket expenses. Starneth LLC will remain solely responsible for fulfilling contractual requirements for the New York Wheel Project. Future projects regarding giant observation wheel projects in North America, Latin America and South America will be developed within Starneth America LLC. After the initial term of six months, the Services Agreement can be terminated at any time with 180 days' notice or immediately for cause, such as a material breach of the agreement.

### 24.9 Management Agreement

On 15 July 2015, Starneth Holding BV entered into a Management Agreement with Smits International B.V. regarding services of Mr Machiel Smits, the majority shareholder of Smits International B.V., as the Chief Executive Officer of the Starneth Group under a commission contract (overeenkomst van opdracht). In consideration Starneth Holding B.V. agreed to pay Smits International B.V. a fixed annual fee of EUR 240,000 paid in 12 equal monthly instalments, plus reimbursement of reasonable business expenses and participation in the Starneth Group's employee bonus plan. The term of the agreement is until 30 June 2018, and can be extended annually thereafter by mutual agreement. Starneth Holding B.V. may terminate the agreement early with cause, such as a material breach of the agreement. Smits International B.V. and Mr Smits are bound to non-competition covenants for the term of the agreement and 12 months thereafter, and to confidentiality covenants for the term of the agreement and two years thereafter.

### 24.10 New York Wheel Subscription Agreement

Effective April 10, 2015, the Company subscribed for three membership units in New York Wheel Investor LLC ("NY Wheel") for US$3 million, representing a 2.463 per cent. membership interest in the NY Wheel. Acceptance of the subscription funds was conditional upon satisfaction of a variety of closing conditions including, but not limited to, the NY Wheel receiving subscriptions for at least US$125 million, entering into senior debt financing agreements for a minimum of US$345 million, and completion guarantees being in effect. The financing for the NY Wheel closed on May 21, 2015. In connection with the investment, the Company became a party to the amended and restated operating agreement of NY Wheel, which governs the rights of NY Wheel, including allocation of profits, distributions to members, and rights and restrictions on the transfer and/or sale of the membership units.

### 24.11 Southeast Asia Contract

On 19 June 2015 Starneth Pte Ltd entered into a conditional Contract Agreement with Pt. Cendana Emas Windu (project developer) and Pt. Cendana Starneth Indonesia regarding turnkey project management services for the design, procurement, fabrication, assembly erection and commissioning of an observation wheel to be built in Jakarta. This project involves the design and construction of a 24-capsule Observation Wheel with a diameter of 120 meters and total height of 125 meters. The original terms of the Contract Agreement envisaged the payment of $89 million over the life of the two year contract plus further amounts for specified items, based on actual cost plus a fixed profit margin of nett 10 per cent, excluding VAT.

The Contract Agreement is still subject to financing, which the Board believes should occur before the end of 2015. The project developer is directly responsible for securing the financing, and Starneth Group has no control over the financing or its timetable. The first payment to Starneth Group under the Contract Agreement will be due 7 days after financial closing. This first payment will amount to 15 per cent. of the fixed element of the contract price of $94 million, with the subsequent payments being tied to the progress of the project. The financing may also necessitate changes to the terms of the Contract Agreement.

Should the project company be unable to raise financing within 75 days of the signing, either party is entitled to terminate the Contract Agreement, unless extended by mutual consent. On 2 September 2015, the parties agreed to amend the Contract Agreement by increasing the fixed element of the contract price from $89 million to $94 million and extending the period for raising financing for the project until 15 November 2015. On 15 November 2015, the parties agreed further to amend the Contract Agreement by replacing the planned 24 capsules (with a maximum capacity of 25 people each) in the Observation Wheel with 18 larger capsules (with a maximum capacity of 40 people each) and extending the period for raising financing initially until 15 December 2015. In the event that the project company is unable to raise financing by 15 December 2015, the Contract Agreement extends automatically until 29 January 2016, and the fixed element of the contract price is increased by 5 per cent.

## 25. Other Information

(a) Madison Capital Markets LLC Lawsuit

Madison Capital Markets LLC (”Madison”), a U.S. registered SEC and FINRA broker dealer filed a complaint on September, 11 2015 against Challenger Acquisitions Limited (the “Company”), Starneth Europe B.V. (“Starneth Europe”), Starneth Holding B.V. (“Starneth Holding”), and Mark Gustafson, Marchiel Smits and Wil Armstrong, demanding compensation for alleged services for advising and facilitating the Acquisition and the Investment. The complaint requested an unquantified amount of monetary damages, including attorney fees and costs, as well as a request for equitable relief. In pre-litigation correspondence, Madison requested approximately EUR375,000 in cash, 330,000 Ordinary Shares and 10 per cent. of the EBITDA of Starneth in excess of EUR1,267,000 for the three financial years. Madison claims that the Acquisition and the Investment breached the confidentiality and non-circumvention agreement between Starneth LLC and Madison dated 16 June 2014, in which Starneth LLC had agreed not to engage in business with its contacts without a written consent of Madison. The complaint was filed in the United States District Court for the Southern District of New York (Case 1:15-cv-07213).

On 17 November 2015, the defendants filed their response to the complaint, in which the defendants denied all of the claims made by Madison and moved to have the complaint dismissed for lack of personal jurisdiction and failure to state a claim upon which relief can be granted. The court will hear the motion to dismiss on January 28, 2016, although the decision of the court will likely take several months.

(b) Arbitration between Starneth B.V. and Hyundai Engineering and Construction Company Limited (“Hyundai”)

Starneth B.V., one of the Excluded Starneth Group Companies, is engaged in arbitration proceedings with Hyundai in a dispute relating to the Dubai-I project, where Hyundai acted as the principal contractor and performance bond guarantor and Starneth B.V. was a subcontractor to Hyundai for the design of the Dubai-I and the supplier of a drive-system. The arbitration procedure is ongoing in Singapore. Following the Demerger, all liabilities and gains arising from the arbitration with Hyundai remain with Starneth B.V., which does not form part of the Starneth Group and the Group is not involved in these proceedings.

(c) Other than the dispute with Madison Capital referred to above, there are no governmental, legal or arbitration proceedings (including any such proceedings, which are pending or threatened, of which the Company is aware) since the Company’s incorporation which may have, or have had in the recent past, significant effects on the Company’s financial position or profitability.

(d) The Group does not have any registered patents or other intellectual property rights, licences or particular contracts.

(e) Other than the Investment in the New York Wheel Project further details of which are set out in paragraph 4.2 of Part I there are no significant investments in progress.

(f) No exceptional factors have influenced the Company's activities.

(g) The estimated costs of Admission to Official List are £416,000, including VAT and are payable by the Company.

(h) Crowe Clark Whitehill LLP has given and not withdrawn its consent to the inclusion in this Document of its accountant's reports and report on the unaudited pro forma financial information in Parts IV and VI respectively in the form and context in which it is included and has authorised the contents of that report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

(i) Beaumont Cornish is acting as financial adviser to the Company in relation to Admission and has given and not withdrawn its consent to the inclusion in this Document with the inclusion of the name and references to it in the form and context in which they appear.

(j) Where information contained in this Document has been sourced from a third party, the Company and the Directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information has not been audited or independently verified. Where third party data has been used in this Document, the source of such information has been identified.

(k) Copies of this Document and the following documents: the Memorandum of Incorporation and Articles, all reports, letters and other documents referred to in this Document will be available for inspection from the registered office of the Company during normal office hours on any day, Saturdays, Sundays and public holidays excepted. In addition, this Document will be published in electronic form and be available on the Company's website www.challengeracquisitions.com.

# PART IX

## NOTICE TO INVESTORS

The distribution of this Document may be restricted by law in certain jurisdictions and therefore persons into whose possession this Document comes should inform themselves about and observe any restrictions, including those set out below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

**General**
No action has been or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this Document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this Document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Document does not constitute an offer to subscribe for any of the Ordinary Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This Document has been approved by the FCA as a prospectus which may be used to offer securities to the public for the purposes of section 85 of the FSMA and of the Prospectus Directive. No arrangement has however been made with the competent authority in any other EEA State (or any other jurisdiction) for the use of this Document as an approved prospectus in such jurisdiction and accordingly no public offer is to be made in such jurisdiction. Issue or circulation of this Document may be prohibited in countries other than those in relation to which notices are given below. This Document does not constitute an offer to sell, or the solicitation of an offer to subscribe for, or buy, shares in any jurisdiction in which such offer or solicitation is unlawful.

This Document has not been approved by the Guernsey Financial Services Commission as the Company is not subject to regulation in Guernsey. The provisions of the Prospectus Rules 2008 of Guernsey do not apply to the Company.

**For the Attention of European Economic Area Investors**
In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a **"Relevant Member State"**), an offer to the public of the Ordinary Shares may only be made once the prospectus has been passported in such Relevant Member State in accordance with the Prospectus Directive as implemented by such Relevant Member State. For the other Relevant Member States an offer to the public in that Relevant Member State of any Ordinary Shares may only be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Relevant Member State; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Ordinary Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any offer of ordinary shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any ordinary shares to be offered so as to enable an investor to decide to purchase or subscribe for the ordinary shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" includes any relevant implementing measure in each Relevant Member State.

During the period up to but excluding the date on which the Prospectus Directive is implemented in member states of the European Economic Area, this prospectus may not be used for, or in connection with, and does not constitute, any offer of Ordinary Shares or an invitation to purchase or subscribe for any Ordinary Shares in any member state of the European Economic Area in which such offer or invitation would be unlawful.

The distribution of this prospectus in other jurisdictions may be restricted by law and therefore persons into whose possession this prospectus comes should inform themselves about and observe any such restrictions.

**For the Attention of UK Investors**
This Document comprises a prospectus relating to the Company prepared in accordance with the Prospectus Rules and approved by the FCA under section 87A of FSMA. This Document has been filed with the FCA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

2 December 2015

## DEFINITIONS

The following definitions apply throughout this Document, unless the context requires otherwise.

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| "Act" | the Companies (Guernsey) Law 2008 (as amended, extended or replaced from time to time and any ordinance, statutory instrument, rule or regulation made thereunder) |
| "Acquisition" | the acquisition by the Company of the Starneth Group |
| "Acquisition Agreement" or "Share Purchase Agreement" | the acquisition agreement dated 15 July 2015 between the Company and the Vendors in relation to the sale and purchase of the Starneth Group further details of which are set out in paragraph 24.6 of Part VIII of this Document |
| "admission" | the admission to the Official List and to trading on the London Stock Exchange's main market for listed securities |
| "Admission" | the admission of the Issued Share Capital to the standard listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities |
| "Adviser" or "Beaumont" | Beaumont Cornish Limited, a member of the London Stock Exchange and authorised and regulated in the conduct of investment business by the Financial Conduct Authority |
| "Articles" | the articles of incorporation of the Company for the time being |
| "Banka B.V." | Banka B.V., a company formed in the Netherlands, and a part of the Group |
| "Board" or "Directors" | the directors of the Company being Mark Gustafson, Markus Kameisis and Gert Rieder |
| "Cendana Starneth" | Cendana Starneth Indonesia, a dormant company formed in Indonesia and a part of the Group |
| "Change of Control" | following the Acquisition, the acquisition of Control of the Company by any person or party (or any group of persons or parties who are acting in concert) |
| "City Code" | the UK City Code on Takeovers and Mergers |
| "Company" or "Challenger" | Challenger Acquisitions Limited |
| "Connected Persons" | has the meaning attributable to it in section 252 of the Act |
| "Consideration Shares" | the new Ordinary Shares issued and to be issued pursuant to the Acquisition Agreement, further details of which are set out in paragraph 24.6 of Part VIII of this Document |
| "Control" | an interest, or interests, in Ordinary Shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest |

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| | or interests give de facto control |
| "Convertible Note Instrument" | the convertible note instrument dated 5 May 2015 constituting the Convertible Notes, as amended and restated by the Deed of Amendment and Restatement effective on 30 June 2015 |
| "Convertible Notes" | the unlisted unsecured transferable 12 per cent. convertible notes 2016 issued by the Company in the amount of £3,067,200 with nominal value £1.00 per note constituted by the Convertible Note Instrument |
| "Costs" | total expenses incurred (or to be incurred) by the Company in connection with the Acquisition, Investment and the Admission equalling approximately £416,000 |
| "CREST" | the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and holding shares in uncertificated form which is administered by Euroclear |
| "CREST Regulations" | the Uncertificated Securities Regulations 2001 of the UK (SI 2001/3755) (as amended) |
| "Demerger" | the demerger (afsplitsing) under Dutch Civil Code effected by Starneth on 7 July 2015 in a new company, Starneth Europe B.V, was incorporated and certain assets were transferred to such company, further details of which are set out in paragraph 24.5 of Part VIII of this Document |
| "Directors' Letters of Appointment" | the letters of appointment for each of the Directors, details of which are set out in paragraph 12 of Part VIII of this Document |
| "Disclosure and Transparency Rules" or "DTR" | the Disclosure Rules and Transparency Rules made by the FCA pursuant to section 73A of the FSMA, as amended from time to time |
| "Document" or "Prospectus" | this prospectus |
| "dormant" | a company which does not engage in trade or otherwise carry on ordinary business |
| "Dubai-I" | the iconic wheel project in Dubai for which Starneth B.V., the operating company of the Pre-Acquisition Starneth Group excluded from the Acquisition, was supposed to provide certain services as a subcontractor |
| "EB-5" | EB-5 Immigrant Investor Program is a program for entrepreneurs (and their spouses and unmarried children under 21) who are eligible to apply for a green card (permanent residence) in the US if they: (i) make the necessary investment in a commercial enterprise in the US and (ii) plan to create or preserve 10 permanent full-time jobs for qualified US workers. This program is administered by United States Citizenship and Immigration Services (USCIS) |
| "Euroclear" | Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales |

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| “Excluded Starneth Group Companies” | the companies that were excluded from the Acquisition being Starneth LLC, Starneth B.V. and Starneth Construction B.V. |
| “Executive Directors” | Mark Gustafson and Markus Kameisis |
| “FCA” | the UK Financial Conduct Authority |
| “First Tranche of Consideration Shares” | 1,100,000 new Ordinary Shares issued on 15 July 2015 pursuant to the Acquisition Agreement further details of which are set out in paragraph 1 of Part II of this Document |
| “Founder” | GSC SICAV p.l.c. is an open-end fund incorporated in Malta |
| “Founder Shares” | the one ordinary share of £1 subscribed in full by the Founder on incorporation of the Company together with the 40,000 ordinary shares of £1 each subscribed for by the Founder on 5 December 2014 each of which was subsequently subdivided into 100 Ordinary Shares as set out in paragraph 2.2.2 of Part VIII of this Document |
| “FSMA” | the Financial Services and Markets Act 2000 |
| “Group” | the Company and the Starneth Group together with their respective consolidated subsidiaries and subsidiary undertakings from time to time |
| “IFRS” | International Financial Reporting Standards as adopted by the European Union |
| “Investment” | the investment of US$3m representing a 2.463 per cent. interest in New York Wheel Investor LLC in the New York Wheel Project further details of which are set out in paragraph 24.10 of Part VIII of this Document |
| “Issued Share Capital” | the issued ordinary share capital of the Company comprising 13,325,681 Ordinary Shares |
| “LEED Certification” | the Leadership in Energy and Design Green Building Certification system |
| “Listing Rules” | the listing rules made by the FCA pursuant to section 73A of FSMA, as amended from time to time |
| “Lock-in Deeds” | the conditional lock-in deeds dated 15 July 2015, further details of which are contained in paragraph 24.3 of Part VIII of this Document |
| “Locked-in Persons” | the Directors and the Vendors, further details of which are set out in paragraphs 13 and 24.3 of Part VIII of this Document |
| “London Stock Exchange” or “LSE” | London Stock Exchange plc |
| “Letter of Intent" or “LOI” | the letter of intent dated 26 May 2015 entered into by the Company in connection with the Acquisition |
| “Model Code” | the Model Code on directors’ dealings in securities set out in Annex 1 to Chapter 9 of the Listing Rules |
| “New York Wheel Project” or “New York Wheel” | the project to build a New York Wheel, which includes an approximate 630 foot high observation wheel with 36 capsules in which the Company has a |

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| | 2.463 per cent. interest |
| "New York Wheel Subscription Agreement" | the amended and restated subscription agreement entered into between the Company and New York Wheel Investor LLC on 10 April 2015, further details of which are set out in paragraph 24.10 of Part VIII of this Document |
| "Official List" | the Official List of the UK Listing Authority |
| "Ordinary Shares" | ordinary shares of £0.01 each in the Company |
| "Pre-Acquisition Starneth Group" | the pre-acquisition Starneth group of companies comprising Starneth B.V. with its only subsidiary Banka B.V. together with Starneth Holding B.V., which acted as the holding company for; Starneth LLC, SME Engineering Services JLT, Starneth Ltd, Starneth Pte Ltd, Starneth Construction B.V., Starneth Engineering LLC and Cendana Starneth Indonesia |
| "Premium Listing" | a Premium Listing under Chapter 6 of the Listing Rules |
| "Pro Forma Financial Information" | the unaudited pro forma financial information on the Group as set out in Part VI of this Document |
| "Prospectus Rules" | the prospectus rules made by the FCA pursuant to section 73A of the FSMA, as amended from time to time |
| "Registrar" | Neville Registrars Limited |
| "Reverse Takeover" | a transaction defined as a reverse takeover under Listing Rule 5.6.4 (1) and (2) |
| "Second Tranche of Consideration Shares" | 1,100,000 new Ordinary Shares to be issued on the first anniversary of the Acquisition that is on or around 15 July 2016 in accordance with the Acquisition Agreement further details of which are set out in paragraph 1 of Part II of this Document |
| "Sellers" or "Vendors" | Smits International B.V., Yamapro Trading FZE and Systems Engineering International Inc |
| "Shareholders" | holders of Ordinary Shares |
| "SME Engineering" | SME Engineering Services JLT, a company formed in Dubai, and a part of the Group |
| "Standard Listing" | a Standard Listing under Chapter 14 of the Listing Rules |
| "Southeast Asia Wheel" | a 125 metres tall iconic type observation wheel to be built in a Southeast Asia city being Jakarta |
| "Starneth America" | Starneth America LLC, a limited liability company formed in Florida, USA, and a part of the Group |
| "Starneth Engineering" | Starneth Engineering LLC, a dormant limited liability company formed in Florida, and a part of the Group |
| "the Starneth Group" or "Starneth" | selected companies from the Pre-Acquisition Starneth Group acquired by Challenger in the Acquisition, comprising Starneth Europe B.V. with its only subsidiary Banka B.V. together with Starneth |

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| | Holding B.V. with its respective subsidiaries namely Starneth America LLC, SME Engineering Services JLT, Starneth Ltd, Starneth Pte Ltd, Starneth Engineering LLC and Cendana Starneth Indonesia |
| "Starneth Ltd" | Starneth Ltd, a dormant company incorporated in Hong Kong, and a part of the Group |
| "Starneth Pte Ltd" | Starneth Pte Ltd, a limited liability company incorporated in Singapore, and a part of the Group |
| "Subscription" | the initial subscription by the Founder together with the subscription for 7,000,000 Ordinary Shares in the Company by investors on 12 February 2015 |
| "Subsidiary" or "Subsidiaries" | a subsidiary undertaking shall have the meaning given in Schedule 2 of the Banking Supervision (Bailiwick of Guernsey) Law, 1994 and "Subsidiaries" should be constructed accordingly |
| "Suspension" | at the request of the Company, the suspension of trading in the Company's Ordinary Shares effective as of 9:10 a.m. on 26 May 2015 pending publication of a prospectus relating to the Reverse Takeover |
| "Suspension Price" | middle market price of 38 pence for Ordinary Share on Suspension |
| "Third Tranche of Consideration Shares" | 1,100,000 new Ordinary Shares to be issued on the second anniversary of the Acquisition that is on or around 15 July 2017 in accordance with the Acquisition Agreement further details of which are set out in paragraph 1 of Part II of this Document |
| "UK Corporate Governance Code" | the UK Corporate Governance Code issued by the Financial Reporting Council in the UK from time to time |
| "UK Listing Authority" or "UKLA" | the FCA in its capacity as the competent authority for listing in the UK pursuant to Part VI of FSMA |
| "Voting Rights" | all the voting rights attributable to the capital of a company which are currently exercisable at a general meeting |
| "AED" | Emirati Dirham, the lawful currency of the United Arab Emirates |
| "€" or "Euro" or "EUR" | Euro, the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended |
| "$" or "US Dollar" or "USD" | US Dollar, the lawful currency of the United States |
| "£" or "UK Sterling" or "GBP" | Pound Sterling, the lawful currency of the United Kingdom |