

CSTI Investments Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2016



Company Registration No. 06680187

CSTI Investments Limited

COMPANY INFORMATION

DIRECTOR	Michael Watson
SECRETARY	Jamic Drinnan
COMPANY NUMBER	06680187 (England & Wales)
REGISTERED OFFICE	5th Floor Leconfield House Curzon Street London W1J 5JA

CSTI Investments Limited

DIRECTOR'S REPORT

For the year ended 31 May 2016

The Director presents his report and financial statements for the year ended 31 May 2016.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company was that of making investments which qualify for unwinding offset obligations. During the year the Company invested further in the iNovia II-a Limited Partnership, a Canadian Limited partnership.

The Company's profit for the year was £52,077 (2015: £642,497) and the Director is satisfied with the Company's position given the support of its ultimate shareholder.

DIRECTOR

The following director has held office since 1 June 2015:

Michael Watson

AUDITORS

In accordance with the provision of Section 382 of the Companies Act 2006, the Company being a small company within the meaning of the said section, Section 477 of the Companies Act 2006 shall apply and accordingly no auditors have been appointed.

On behalf of the board



Michael Watson
Director

27th February 2017

CSTI Investments Limited

DIRECTOR'S RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The Director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Director is required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CSTI Investments Limited
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 May 2016

	Notes	2016 £	2015 £
Share of partnership gain/(loss)	1	960,787	(21,547)
Other operating (expenses)/income (net)	2	(4,433)	(63,075)
OPERATING GAIN/(LOSS)		956,354	(84,622)
Unrealised investment fund (losses)/gains		(1,013,431)	926,930
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(57,077)	842,308
Taxation	4	109,154	(199,811)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		52,077	642,497
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		52,077	642,497

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing.

CSTI Investments Limited

STATEMENT OF FINANCIAL POSITION

As at 31 May 2016

(Company registration No. 06680187)

	Notes	2016 £	2015 £
FIXED ASSETS			
Investments	5	3,686,152	4,352,155
CURRENT ASSETS			
Debtors due within one year	6	8,784	100
Cash at bank and in hand		200,123	1,552
NET CURRENT ASSETS		208,907	1,652
TOTAL ASSETS LESS CURRENT LIABILITIES		3,895,059	4,353,807
CREDITORS: Amounts falling due after more than one year	7	(1,952,594)	(2,290,394)
PROVISIONS FOR LIABILITIES	8	(413,222)	(586,247)
NET ASSETS		1,529,243	1,477,166
CAPITAL AND RESERVES			
Called up share capital	9	100	100
Revaluation reserve		2,066,112	2,931,237
Profit and loss account		(536,969)	(1,454,171)
TOTAL EQUITY		1,529,243	1,477,166

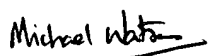
The Company was entitled to exemption under Section 477 of the Companies Act 2006 for the year ended 31 May 2016. No members have required the Company to obtain an audit of its financial statements for the year in question in accordance with Section 476.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The Director acknowledges his responsibility for:

- ensuring the Company keeps accounting records that comply with Section 386 of the Companies Act 2006;
- preparing financial statements that give a true and fair view of the state of affairs of the Company as at the end of its financial year and of its profit or loss for the financial year in accordance with Section 393 and which otherwise comply with the provisions of the Companies Act relating to financial statements in so far as they are applicable to the company.

The financial statements on pages 3 to 12 were approved by the board of directors and authorised for issue on 27th February 2017 and are signed on its behalf by:



Michael Watson
Director

CSTI Investments Limited
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 May 2016

	Share capital £	Revaluation Reserve £	Profit & loss £	Total £
Balance 1 June 2014	100	2,042,496	(1,207,927)	834,669
Profit for the year	-	926,930	(284,433)	642,497
Total comprehensive income for the year	-	926,930	(284,433)	642,497
Reserves transfers	-	(38,189)	38,189	-
Balance 31 May 2015	100	2,931,237	(1,454,171)	1,477,166
Profit for the year	-	(1,013,431)	1,065,508	52,077
Total comprehensive income for the year	-	(1,013,431)	1,065,508	52,077
Reserves transfers	-	148,306	(148,306)	-
Balance 31 May 2016	100	2,066,112	(536,969)	1,529,243

CSTI Investments Limited

ACCOUNTING POLICIES

GENERAL INFORMATION

CSTI Investments Limited ("the Company") is a limited company domiciled and incorporated in England and Wales, registration number 06680187. The address of the Company's registered office and principal place of business is 5th Floor, Leconfield House, Curzon Street, London W1J 5JA.

The Company's principal activities are shown in the Directors' Report.

BASIS OF ACCOUNTING

Accounting convention and first time adoption of FRS 102

These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are presented in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, adjusted for unrealised investment fund gains. The principal accounting policies are set out below.

These financial statements are the first financial statements of CSTI Investments Limited prepared in accordance with FRS 102. The financial statements of CSTI Investments Limited for the year ended 31 May 2015 were prepared in accordance with previous UK GAAP. The date of transition was 1 June 2014.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Director has amended certain accounting policies to comply with FRS 102. The Director has not taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the Director has taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS102 Chapter 35 'Transition to this FRS'.

Reconciliations and descriptions of the effect of the transition to FRS 102 on: (i) equity at the date of transition to FRS 102; (ii) equity at the end of the comparative period; and (iii) profit or loss for the comparative period reported under previous UK GAAP are given in note 12.

STATEMENT OF CASH FLOWS

The Company has taken advantage of the exemption in FRS 102 Chapter 7 "Statement of Cash Flows" from the requirement to prepare a cash flow statement on the grounds that it is a small company.

GOING CONCERN

The Director has assessed the continuation and availability of support being provided by Mr V. Tchenguiz, a related party, and have determined that the company has, or can expect to have, sufficient working capital for its needs for at least 12 months from the signing of the accounts. In view of this the Director considers it appropriate to prepare the accounts on the going concern basis.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Comprehensive Income.

Fixed asset investments financed by foreign currency loans are retranslated into sterling at the rate of exchange ruling at the balance sheet date.

CSTI Investments Limited

ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Fixed asset investments in partnerships are stated at the cost of the Company's capital investment, adjusted for any unrealised fair value gains or losses. The Company's share of the profits and losses realised by the partnership is recognised within operating profit in the Statement of Comprehensive Income. The Company's share of any unrealised fair value gains or losses is also taken to the Statement of Comprehensive Income.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

FINANCIAL INSTRUMENTS

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which comprise loans to group companies, other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

CSTI Investments Limited

ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (continued)

Basic financial liabilities

Basic financial liabilities, which comprise loans from related companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of the proceeds received, net of direct issue costs. The Company has only basic financial instruments and has not chosen to designate financial instruments as at fair value through profit or loss. Accordingly, the Company has taken advantage of the financial instrument disclosure exemptions provided by FRS 102 Chapter 11 'Basic Financial Instruments'.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The estimates and assumptions 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.

Fixed asset investments: in unlisted investment funds are recorded at fair values in the Statement of Financial Position, based on audited returns from the respective fund managers.

Critical areas of judgement

The Director does not consider there are critical areas of judgement that have a significant effect on the amounts recognised in the financial statements.

CSTI Investments Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2016

1	SHARE OF PARTNERSHIP GAIN/(LOSS)	2016 £	2015 £
	Share of realised gain/(loss) generated by the fixed asset investment	960,787	(21,547)
2	OTHER OPERATING (EXPENSES)/INCOME (NET)	2016 £	2015 £
	Administrative expenses	(67)	(53)
	Exchange losses	(4,284)	(62,391)
	Interest payable	(150)	(631)
	Interest receivable	68	-
		(4,433)	(63,075)
3	EMPLOYEES		
	There were no employees during the year apart from the director, who received no emoluments.		
4	TAXATION	2016 £	2015 £
	Tax charge:		
	UK corporation tax charge	72,487	22,063
	Prior year tax credit	(8,616)	-
	Deferred tax (credit)/charge	(173,025)	177,748
		(109,154)	199,811
	Factors affecting the tax charge for the year		
	(Loss)/Profit on ordinary activities before taxation	(57,077)	842,308
	(Loss)/Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2015: 20.00%)	(11,415)	167,757
	Effects of:		
	Non taxable foreign currency loss	4,676	34,976
	Share of partnership (gain) /loss	(192,157)	4,489
	Share of partnership interest income	457	227
	Reserve transfer	29,661	(7,638)
	Management expenses	(6,402)	-
	Miscellaneous income	185	-
	Chargeable gains	74,457	-
	Adjustment in respect of prior years	(8,616)	-
		(97,739)	32,054
	Current tax (credit)/charge	(109,154)	199,811

CSTI Investments Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2016

5 FIXED ASSET INVESTMENTS

	Unlisted Investments £
Cost or valuation	
At 1 June 2015	4,352,155
Additions	115,826
Distributions in year	(705,801)
Unrealised losses	(1,013,431)
Realised gain for the year	960,787
Foreign exchange translation	(23,384)
	<hr/>
At 31 May 2016	3,686,152
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At 31 May 2015	4,352,155
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The unlisted investment represents an investment in a Canadian Limited Partnership. The entire fund is split into three sub-funds. The Company is a limited partner and at 31 May 2016 its capital contribution represented 46.09% (2015: 46.09%) of the members' capital of one of the sub-funds.

6 DEBTORS	2016 £	2015 £
Amounts falling due within one year:		
Amounts owed by group undertakings	100	100
Corporation tax	8,684	-
	<hr/>	<hr/>
	8,784	100
	<hr/>	<hr/>

7 CREDITORS: amounts falling due after more than one year	2016 £	2015 £
Corporation tax	72,487	22,063
Other creditors	1,880,107	2,268,331
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	1,952,594	2,290,394
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Other creditors represent amounts due to V Tchenguiz, a related party, which are interest free, unsecured and have no set repayment date. V Tchenguiz has confirmed that he will not request repayment of this funding within 12 months of the signing of these accounts except on an earlier realisation of the company's investment, therefore it has been treated as falling due after more than one year.

CSTI Investments Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2016

8	PROVISIONS FOR LIABILITIES	Deferred tax
		£
	At 1 June 2015	586,247
	Statement of comprehensive income for year	(173,025)
	At 31 May 2016	<u>413,222</u>

Provision for deferred tax has been made as follows:	2016	2015
	£	£
Unrealised gain on investment funds	<u>413,222</u>	<u>586,247</u>

The deferred tax balance is not expected to reverse within 12 months.

9	SHARE CAPITAL	2016	2015
		£	£
	Allotted and issued		
	Equity Shares		
	100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Reserves

Reserves of the Company represent the following:

Retained earnings

Cumulative profit and loss net of distributions to owners.

Revaluation reserve

Cumulative surplus arising on the revaluation of interests in investment funds.

10 CAPITAL COMMITMENTS

At 31 May 2016 the company was committed to further investments in the iNovia II-A, Limited Partnership of CAD 50,000 (2015: CAD 275,000). These committed amounts must be paid by the Company at such times and in such amounts as the Partnership may determine.

11 CONTROL

The Company's immediate and ultimate holding company is Consensus Science, Technology and Innovation Limited, a company incorporated in England and Wales. The ultimate controlling party is Mr V. Tchenguiz.

12 RELATED PARTY TRANSACTIONS

At the balance sheet date, and included within other creditors are interest free loans of CAD 3,374,243 (2015: CAD 4,149,243) and £111,631 (2015: £89,450) owed to Mr V Tchenguiz, the company's ultimate controlling party. Mr V Tchenguiz has confirmed that his funding will not be withdrawn for a period of at least 12 months after the signing of these accounts except on an earlier realisation of the company's investment. Mr V Tchenguiz has also confirmed that should the Company be unable to meet its capital commitments (see note 10) from its own resources or from external funding that he will provide the required funding.

The Company has taken advantage of the exemptions provided by Chapter 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

CSTI Investments Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2016

12. FIRST TIME ADOPTION OF FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on: (i) equity at the date of transition to FRS 102; (ii) equity at the end of the comparative period; and (iii) profit for the comparative period reported under previous UK GAAP are given below.

RECONCILIATION OF EQUITY	1 June 2014 £	31 May 2015 £
Equity as previously reported under UK GAAP	1,243,168	2,063,413
Unrealised investment fund gains recognised in Statement of Comprehensive Income previously reported in the Statement of Total Recognised Gains and Losses	-	-
Related deferred tax	(408,499)	(586,247)
Equity reported under FRS 102	<u>834,669</u>	<u>1,477,166</u>

RECONCILIATION OF PROFIT	31 May 2015 £
Loss for the year as previously reported under UK GAAP	(106,685)
Unrealised investment fund gains recognised in Statement of Comprehensive Income previously reported in the Statement of Total Recognised Gains and Losses	926,930
Related deferred tax	(177,748)
Profit for the year under FRS 102	<u>642,497</u>

NOTES TO RECONCILIATIONS

Unrealised investment fund gains

Prior to the adoption of FRS 102, the Company recognised unrealised investment fund gains in the Statement of Total Recognised Gains and Losses, without deducting deferred tax. Under FRS 102, unrealised investment fund gains are required to be recognised as income in the Statement of Comprehensive Income, net of deferred tax.

Consequently, net equity at 1 June 2014 and 31 May 2015 has been reduced by deferred tax of £408,499 and £586,247 respectively on the unrealised revaluation surpluses on those dates. The previously reported loss for the year ended 31 May 2015 under UK GAAP of £106,685 has been increased by unrealised investment fund gains of £926,930, less deferred tax of £177,748, resulting in profit for the year under FRS 102 of £642,497.