CSTI Investments Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2017

Company Registration No. 06680187

CSTI Investments Limited
COMPANY INFORMATION

DIRECTOR	Michael Watson
SECRETARY	Jamie 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 2017

The Director presents his report and financial statements for the year ended 31 May 2017.

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 loss for the year was £14,562 (2016: profit of £52,077) 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 2016:

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.

Michael Watson
Director

7th February 2018

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 2017

	Notes	2017 £	2016 £
Share of partnership (loss)/gain	1	(237,672)	960,787
Other operating income/(expenses) (net)	2	218,022	(4,433)
OPERATING (LOSS)/GAIN		(19,650)	956,354
Unrealised investment fund losses		(101)	(1,013,431)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(19,751)	(57,077)
Taxation	4	5,189	109,154
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(14,562)	52,077
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(14,562)	52,077

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 2017 (Company registration No. 06680187)

	Notes	2017	2016
		£	£
FIXED ASSETS			
Investments	5	3,737,686	3,686,152
CURRENT ASSETS			
Debtors due within one year	6	4,347	8,784
Cash at bank and in hand		319,621	200,123
NET CURRENT ASSETS		323,968	208,907
TOTAL ASSETS LESS CURRENT LIABILITIES		4,061,654	3,895,059
CREDITORS: Amounts falling due after more than one year	7	(2,134,693)	(1,952,594)
PROVISIONS FOR LIABILITIES	8	(412,280)	(413,222)
NET ASSETS		1,514,681	1,529,243
CAPITAL AND RESERVES			
Called up share capital	9	100	100
Revaluation reserve		2,425,176	2,066,112
Profit and loss account		(910,595)	(536,969)
TOTAL EQUITY		1,514,681	1,529,243

The Company was entitled to exemption under Section 477 of the Companies Act 2006 for the year ended 31 May 2017. 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:

a. ensuring the Company keeps accounting records that comply with Section 386 of the Companies Act 2006;

b. 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 profited 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 7th February 2018 and are signed on its behalf by:

Michael Watson

Michael Watson
Director

CSTI Investments Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2017

	Share capital £	Revaluation Reserve £	Profit & loss £	Total £
Balance 1 June 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
Loss for the year	-	(101)	(14,461)	(14,562)
Total comprehensive income for the year	-	(101)	(14,461)	(14,562)
Reserves transfers	-	359,165	(359,165)	-
Balance 31 May 2017	100	2,425,176	(910,595)	1,514,681

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.

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.

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.

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.

1 SHARE OF PARTNERSHIP (LOSS)/GAIN

	2017	2016
	£	£
Share of realised (loss)/gain generated by the fixed asset investment	(236,672)	960,787

2 OTHER OPERATING INCOME/(EXPENSES) (NET)

	2017	2016
	£	£
Bank charges	(48)	(67)
Exchange gains/(losses)	218,070	(4,284)
Interest payable	-	(150)
Interest receivable	-	68
	218,022	(4,433)

3 EMPLOYEES

There were no employees during the year apart from the director, who received no emoluments.

4 TAXATION

	2017	2016
	£	£
Current tax:		
UK corporation tax charge	-	72,487
Prior year tax credit	(4,247)	(8,616)
Total current tax	(4,247)	63,871
Deferred tax:		
Origination and reversal of timing differences	(61,983)	(173,025)
Effect of decreased tax rate on opening liability	61,041	-
Total deferred tax	(942)	(173,025)
Total tax on profit	(5,189)	(109,154)
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(19,751)	(57,077)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19.00% (2016: 20.00%)	(3,753)	(11,415)
Effects of:		
Non taxable foreign currency (gain)/loss	(72,944)	4,676
Share of partnership loss/(gain)	45,158	(192,157)
Share of partnership interest income	440	457
Reserve transfer	68,241	29,661
Management expenses	(4,448)	(6,402)
Miscellaneous income	-	185
Chargeable gains	17,001	74,457
Tax losses carried forward not recognised as a deferred tax asset	14,492	-
Amounts relating to changes in tax rates	(65,129)	-
Adjustment to tax charge in respect of previous year	(4,247)	(8,616)
	(1,436)	(97,739)
Tax expense	(5,189)	(109,154)

5 FIXED ASSET INVESTMENTS

	Unlisted Investments £
Cost or valuation	
At 1 June 2016	3,686,152
Additions	30,735
Distributions in year	(125,346)
Unrealised losses	(101)
Realised loss for the year	(237,672)
Foreign exchange translation	383,918
At 31 May 2017	3,737,686
At 31 May 2016	3,686,152

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 2017 its capital contribution represented 46.09% (2016: 46.09%) of the members' capital of one of the sub-funds.

6 DEBTORS

	2017 £	2016 £
Amounts falling due within one year:		
Amounts owed by group undertakings	100	100
Corporation tax	4,247	8,684
	4,347	8,784

7 CREDITORS: Amounts falling due after more than one year

	2017 £	2016 £
Corporation tax	-	72,487
Other creditors	2,134,693	1,880,107
	2,134,693	1,952,594

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.

8 PROVISIONS FOR LIABILITIES

	Deferred tax
	£
At 1 June 2016	413,222
Statement of comprehensive income for year	(942)
At 31 May 2017	412,280

Provision for deferred tax has been made as follows:	2017	2016
	£	£
Unrealised gain on investment funds	412,280	413,222

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

9 SHARE CAPITAL

	2017	2016
	£	£
Allotted and issued		
Equity Shares		
100 Ordinary shares of £1 each	100	100

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 2017 the company was committed to further investments in the iNovia II-A, Limited Partnership of CAD Nil (2016: CAD 50,000). 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 (2016: CAD 3,374,243) and £184,150 (2016: £111,631) 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.