



CQS Management Limited

Report and Consolidated Financial Statements

Year Ended

31 December 2013

MONDAY



LD2 *L3GXXWH5* 22/09/2014 #86
COMPANIES HOUSE

CQS Management Limited

Report and consolidated financial statements for the year ended 31 December 2013

Contents

Page:

2	Strategic report
4	Report of the directors
5	Statement of directors' responsibilities
6	Report of the independent auditors
8	Consolidated profit and loss account
9	Consolidated balance sheet
10	Company balance sheet
11	Consolidated cash flow statement
12	Notes forming part of the financial statements

Directors

Sir Michael Peat (appointed 12 July 2013)
Kevin Jones (appointed 12 July 2013)
Robyn Young (appointed 20 September 2013, resigned 18 February 2014)
David Thomson (resigned 12 July 2013)
Brian Hannon (resigned 4 October 2013)

Secretary and registered office

April Swain, 5th Floor, 33 Chester Street, London, SW1X 7BL

Company number

3691917

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

CQS Management Limited

Strategic report for the year ended 31 December 2013

The directors present the strategic report, the directors' report and the financial statements of CQS Management Limited (the "company"), its associated undertaking CQS (UK) LLP and its subsidiary undertakings CQS (Grosvenor) LLP and CQS Asset Management Limited (together, the "group").

Principal activities, trading review and future developments

The principal activity of the company in the year under review was that of acting as a holding company to the entities in the group.

The company is a corporate member of CQS (UK) LLP and the parent company of CQS Asset Management Limited, the principal activities of both being the provision of investment management and advisory services. Both CQS (UK) LLP and CQS Asset Management Limited are regulated by the Financial Conduct Authority (the "FCA").

The company is the managing member of CQS (Grosvenor) LLP, the principal activity of which is the provision of infrastructure services and the secondment of personnel.

The consolidated profit for the financial year of the group is set out on page 8 and included in the KPIs on page 3.

The group's overall net income, measured as sum of turnover and the group's share of operating profit in its associated undertaking, CQS (UK) LLP, fell from \$231.1 million in 2012 to \$218.9 million in 2013 due to a decrease in performance fee income generated. However, partly due to non-recurring expenditure incurred during 2012 totalling \$59.8 million, the group's total retained profit for the year has increased from \$21.0 million in 2012 to \$44.2 million in 2013. The directors are satisfied with the results for the year.

Following changes made to the operating structure of the group in the prior year, the group's administrative expenses are now predominantly incurred by CQS (Grosvenor) LLP. In addition, the group has minority interests arising in the form of profit allocations to the other members of CQS (Grosvenor) LLP.

The directors do not expect any change in the business activity of the group in the foreseeable future.

Principal risks and uncertainties

The principal risk is the risk of poor investment performance. In addition, the group is exposed to reputation risk, liquidity and interest rate risk and credit risk.

Risk management

The board of directors is responsible for determining the level of risk acceptable to the group and company, which is subject to regular review. The company has regular board meetings which include discussion of the management of risk.

Group risk of poor investment performance

For the entities in the group that are regulated by the FCA, poor investment performance, whether due to internal decision making, errors or external market conditions could lead to loss of advisory contracts. To mitigate or lessen the impact of this risk, the group has the following controls in place:

In addition to inherent controls from FCA authorisation and regulation, the group manages portfolios in line with the investment guidelines and restrictions for each of the investment entities to which it acts as adviser.

CQS Management Limited

Strategic Report for the year ended 31 December 2013 (*continued*)

The group maintains robust procedures for identifying, measuring and managing portfolio risk, together with segregation of duties of staff.

Group reputation risk

To curb both the effect and occurrence of damage to reputation, the group invests resources into portfolio management, the infrastructure platform and communications with relevant parties, including investors, fund directors, regulators, third party service providers, counterparties and the media.

Group liquidity and interest rate risk

The group finances its operations through operating activities. Surplus funds are placed on deposit with banks for periods of up to six months. The group earns interest on its cash deposits on what is effectively a floating rate basis.

Group credit risk

The group will be subject to the risk of the inability of any counterparty to perform with respect to transactions whether due to insolvency, bankruptcy or other causes. However, due to internal control procedures, including due diligence undertaken on counterparties, the directors consider this to be an acceptable risk.

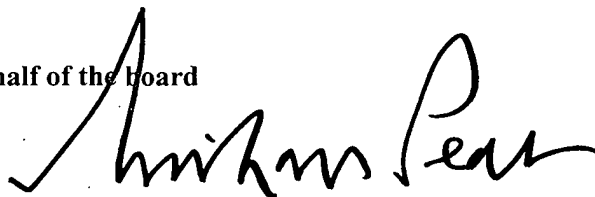
Key performance indicators ("KPIs")

Profitability is the group's main KPI, as measured below:

	2013	2012
	\$	\$
Turnover	159,974,900	108,759,001
Share of operating profit in associated undertaking	58,912,636	122,314,118
Gross income	218,887,536	231,073,119
Administrative expenses	(101,669,450)	(195,157,475)
Minority interests	(57,978,886)	-
Gross costs	(159,648,336)	(195,157,475)
Retained profit	44,204,391	20,965,027

Analysis of the group's KPI is set out in the trading review on page 2.

On behalf of the board



Sir Michael Peat
Director

16 September 2014

CQS Management Limited

Report of the directors for the year ended 31 December 2013

The directors present their report together with the audited financial statements for the year ended 31 December 2013.

Dividends

Dividends were paid during the year of \$14,999,323 (2012: \$15,002,027). This constituted a dividend per share of \$96.64 per share (2012: \$96.66).

Charitable and political contributions

During the year the group made charitable contributions of \$56,099 (2012: \$6,244,425) and there were no political donations (2012: \$nil).

Directors and their interests

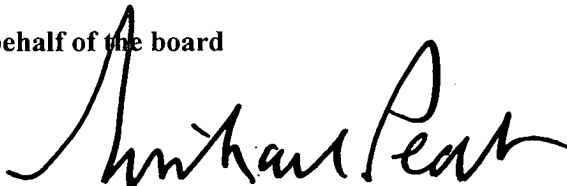
No director held any interests in the company's shares during the current and previous year.

Auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The auditors, BDO LLP, have indicated their willingness to continue in office and are deemed to be re-appointed in accordance with s487 (2) of the Companies Act 2006.

On behalf of the board



Sir Michael Peat
Director

16 September 2014

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are 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 them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

CQS Management Limited

Report of the independent auditors for the year ended 31 December 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CQS MANAGEMENT LIMITED

We have audited the financial statements of CQS Management Limited for the year ended 31 December 2013 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

CQS Management Limited

Report of the independent auditors for the year ended 31 December 2013 (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

B. Taylor

*Daniel Taylor - Senior statutory auditor
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
W1U 7EU*

16... September 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CQS Management Limited

Consolidated profit and loss account for the year ended 31 December 2013

	Notes	2013 \$	2012 \$
Turnover	2	159,974,900	108,759,001
Administrative expenses		(101,669,450)	(195,157,475)
Rental income		1,173,069	1,303,346
Operating profit/(loss)	5	59,478,519	(85,095,128)
Share of operating profit in associated undertaking	11	58,912,636	122,314,118
Interest receivable	6	663,192	33,891
Interest payable		(186,976)	-
Profit on ordinary activities before taxation		118,867,371	37,252,881
Taxation on ordinary activities	7	(16,684,094)	(16,287,854)
Profit on ordinary activities After taxation		102,183,277	20,965,027
Minority interests	17	(57,978,886)	-
Profit for the financial year	16	44,204,391	20,965,027

All recognised gains and losses in the current and prior year are included in the profit and loss account.

All operations are continuing operations.

There is no difference between the profit on ordinary activities and its historical cost equivalent.

The notes on pages 12 to 22 form part of these financial statements.

CQS Management Limited
Consolidated balance sheet as at 31 December 2013
Company number: 3691917

	Notes	2013 \$	2013 \$	2012 \$	2012 \$
Fixed assets					
Intangible assets	9	8,199,346		11,694,040	
Tangible assets	10	786,828		1,127,597	
Investment in associated undertaking	11	12,490,000		10,490,000	
			21,476,174		23,311,637
Current assets					
Debtors	12	53,555,530		41,140,299	
Cash at bank and in hand	21	27,683,796		13,450,730	
		81,239,326		54,591,029	
Creditors: amounts falling due within one year	13	(15,200,248)		(22,218,409)	
Net current assets			66,039,078		32,372,620
Total assets less current liabilities			87,515,252		55,684,257
Net assets			87,515,252		55,684,257
Capital and reserves					
Called up share capital	14		612,112		612,112
Capital reserve	15		3,741,292		3,741,292
Capital redemption reserve	15		402,500		402,500
Profit and loss account	15		80,365,914		50,911,546
Shareholders' funds	16		85,121,818		55,667,450
Minority interests	17		2,393,434		16,807
Shareholders' funds			87,515,252		55,684,257

The financial statements were approved by the board of directors and authorised for issue on 16 September 2014.


Sir Michael Peat
Director

The notes on pages 12 to 22 form part of these financial statements.

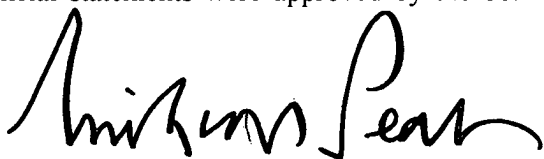
CQS Management Limited

Company balance sheet as at 31 December 2013

Company number: 3691917

	Notes	2013 \$	2013 \$	2012 \$	2012 \$
Fixed assets					
Fixed asset investments	11		52,222,709		50,222,709
			<u>52,222,709</u>		<u>50,222,709</u>
Current assets					
Debtors	12	52,577,673		38,473,161	
Cash at bank and in hand		22,276,004		8,663,655	
		<u>74,853,677</u>		<u>47,136,816</u>	
Creditors: amounts falling due within one year	13	(11,712,825)		(16,156,735)	
		<u></u>		<u></u>	
Net current assets			63,140,852		30,980,081
			<u></u>		<u></u>
Total assets less current liabilities			115,363,561		81,202,790
			<u></u>		<u></u>
Net assets			115,363,561		81,202,790
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	14		612,112		612,112
Capital reserve	15		3,741,292		3,741,292
Capital redemption reserve	15		402,500		402,500
Profit and loss account	15		110,607,657		76,446,886
			<u></u>		<u></u>
Shareholders' funds	16		115,363,561		81,202,790
			<u></u>		<u></u>

The financial statements were approved by the board of directors and authorised for issue on 16 September 2014.



Sir Michael Peat
Director

The notes on pages 12 to 22 form part of these financial statements.

CQS Management Limited

Consolidated cash flow statement for the year ended 31 December 2013

	Note	2013 \$	2013 \$	2012 \$	2012 \$
Net cash inflow/(outflow) from operating activities	20		74,579,093		(84,021,217)
Profit allocations received from associated undertaking			25,000,000		86,500,856
Returns on investments and servicing of finance					
Interest received		663,192		33,891	
Interest paid		(186,976)		-	
Net cash inflow from returns on investments and servicing of finance			476,216		33,891
Taxation					
Income taxes paid		(12,762,930)		(7,047,596)	
			(12,762,930)		(7,047,596)
Equity dividends paid			(14,999,323)		(15,002,027)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		-		(117,186)	
Receipts from sale of tangible fixed assets		-		81,177	
			-		(36,009)
Financing					
Capital contributions by minority interests		169,646		-	
Issue of ordinary shares		-		24,505,500	
Distributions to minority interests		(58,229,636)		(138,352)	
			(58,059,990)		24,367,148
Increase in cash	21, 22		14,233,066		4,795,046

The notes on pages 12 to 22 form part of these financial statements

1 Accounting policies

The financial statements have been prepared on the going concern basis under the historical cost convention and are in accordance with applicable United Kingdom accounting standards which have been applied consistently through the report.

Basis of consolidation

The consolidated financial statements incorporate the results of CQS Management Limited and its subsidiary undertakings, CQS Asset Management Limited and CQS (Grosvenor) LLP, for the year ended 31st December 2013. The subsidiary undertakings are entities over which the company has control over operating and financial policies with a view to gaining economic benefits from their activities.

In preparing the consolidated financial statements, transactions, balances and unrealised gains and losses on transactions between group entities are eliminated. The entitlements of minority interests to the group's profit for the financial year and net assets are presented separately on the consolidated profit and loss account and the consolidated balance sheet respectively.

The results of operations with a different functional currency are translated at the average rates of exchange during the year and the balance sheet translated into US dollars at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets are taken to reserves. All other differences are taken to the profit and loss account.

Functional currency

The group's functional currency for accounting and reporting purposes is the US Dollar.

Intangible assets - Goodwill

Goodwill arising on the acquisition of the subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' initial estimate of its useful economic life (10 years). Impairment tests on the carrying value of goodwill are undertaken:

- At the end of the first full financial year following acquisition;
- In other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Fixed asset investments

Fixed asset investments represent investments in subsidiary undertakings and other fixed asset investments. Fixed asset investments are stated at cost less provision for impairment.

Impairment reviews are conducted when there is an indication of a permanent impairment.

Associates

An entity is treated as an associated undertaking where the group has a participating interest and exercises significant influence over its operating and financial policy decisions.

In the group financial statements, interests in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the group's share of the operating results of such undertakings. In the consolidated balance sheet, the interests in associated undertakings are shown as the group's share of the identifiable net assets.

1 Accounting policies *(continued)*

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful economic lives. It is reviewed at the end of each accounting period and revised if expectations are significantly different from previous estimates. It is calculated at the following rates:

Vehicles	3 years straight line
Fixtures and fittings	3 years straight line
Computer equipment	1 year straight line
Leasehold improvements	Over the term of the lease

Residual value is estimated to be nil for all assets.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Foreign currencies

Transactions and balances in foreign currencies are translated into the functional currency of each entity at the rate ruling on the date of the transaction. Foreign currency balances are translated into functional currency at the period end exchange rates. Exchange gains and losses on such balances are taken to the profit and loss account.

Where entity based currencies are different from the group functional currency, the assets and liabilities are translated at the closing rate. Items of income and expense are translated at the average rate of exchange.

Leased assets

Operating lease charges are charged to the profit and loss account on a straight line basis over the period of the lease.

2 Turnover

Turnover, which is stated net of value added tax, is wholly attributable to the principal activities of the group and arises solely within the United Kingdom.

Turnover is recognised on an accruals basis in respect of investment management fees and fees generated for the provision of infrastructure services and the secondment of personnel. Performance fee income is recognised once entitlement has arisen.

CQS Management Limited**Notes forming part of the financial statements for the year ended 31 December 2013 (continued)****3 Employees**

	Group 2013 \$	Group 2012 \$	Company 2013 \$	Company 2012 \$
Staff costs consist of:				
Wages and salaries	11,531,045	6,540,073	37,605	31,643
Social security costs	1,626,069	1,598,195	58,342	-
Pension contributions	574,309	258,345	-	-
Benefits	-	41,399	-	-
Other payroll costs	-	59,770,890	-	59,770,890
	13,731,423	68,208,902	95,947	59,802,533

The average number of employees (including directors) during the year for the group was 81 (2012: 65) and for the company was 3 (2012: 2).

4 Directors

	2013 \$	2012 \$
Directors' remuneration consists of:		
Emoluments	37,605	31,643

5 Operating profit

	2013 \$	2012 \$
This has been arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	340,769	455,630
Amortisation of positive goodwill	3,494,694	3,494,694
Auditors' remuneration - audit services – current year audit	48,574	71,005
Operating lease rental - land and buildings	3,000,704	3,039,254
Currency translation loss/(profit)	1,101,499	(95,283)
Secondment fees (note 19)	64,605,347	91,569,761

6 Interest receivable

	2013 \$	2012 \$
Interest receivable	663,192	33,891

CQS Management Limited**Notes forming part of the financial statements for the year ended 31 December 2013 (continued)****7 Taxation on ordinary activities**

	2013	2012
	\$	\$
<i>UK Corporation tax</i>		
Current tax charge on profits of the year	16,591,270	16,287,854
Adjustment in respect of previous periods	92,824	-
	<u>16,684,094</u>	<u>16,287,854</u>
Taxation on ordinary activities	<u>16,684,094</u>	<u>16,287,854</u>

The tax assessed for 2013 is lower than the standard rate of corporation tax in the UK.

The differences are explained below:

	2013	2012
	\$	\$
Profit on ordinary activities before tax	<u>118,867,371</u>	<u>37,252,881</u>
Tax on ordinary activities at the main rate of corporation tax in the UK of 23.25% (2012: 24.5%)	27,636,664	9,126,956
Effects of:		
Consolidation adjustments	812,474	654,199
Translation adjustment on corporation tax creditor	182,140	-
Partnership profits taxable on other members	(12,966,429)	-
Adjustments to partnership profit share	836,279	-
Expenses not deductible for tax purposes	67,327	8,251,428
Depreciation for year in excess of capital allowances	22,815	35,840
Tax losses (utilised)	-	(1,780,569)
Adjustment in respect of prior period	92,824	-
	<u>16,684,094</u>	<u>16,287,854</u>
Current tax charge for year	<u>16,684,094</u>	<u>16,287,854</u>

8 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group profit for the year, approved by the board of directors, includes a profit for the company after tax of \$49,160,093 (2012: \$23,381,439).

CQS Management Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (continued)

9 Intangible assets	Goodwill on consolidation
Group	\$
<i>Initial valuation</i>	
At 31 December 2012	34,946,958
At 31 December 2013	34,946,958
<i>Amortisation</i>	
At 31 December 2012	23,252,918
Provided for during the year	3,494,694
At 31 December 2013	26,747,612
<i>Net book value</i>	
At 31 December 2013	8,199,346
At 31 December 2012	11,694,040

The goodwill recognised by the group arose following the acquisition of CQS Asset Management Limited. Goodwill is amortised over 10 years (2012: 10 years), on a straight line basis, based on the directors' estimate of its useful economic life. Given the continued consistent performance of CQS Asset Management Limited, the amortisation period of 10 years is considered to be a fair reflection of the period over which economic benefits will accrue to the group as a result of the acquisition.

Impairment tests on the carrying value of goodwill will be undertaken in future periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

10 Tangible fixed assets

Group and company	Vehicles	Fixtures and fittings	Leasehold improvements	Total
	\$	\$	\$	\$
<i>Cost</i>				
At 31 December 2012	117,186	1,661,197	4,530,517	6,308,900
At 31 December 2013	117,186	1,661,197	4,530,517	6,308,900
<i>Depreciation</i>				
At 31 December 2012	13,022	1,661,197	3,507,084	5,181,303
Charge for the year	39,062	-	301,707	340,769
At 31 December 2013	52,084	1,661,197	3,808,791	5,522,072
<i>Net book value</i>				
At 31 December 2013	65,102	-	721,726	786,828
At 31 December 2012	104,164	-	1,023,433	1,127,597

CQS Management Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (*continued*)

11 Fixed asset investments

Group	Associated undertaking		
	\$		
<i>Cost</i>			
At 1 January 2013			490,000
			<u> </u>
At 31 December 2013			490,000
			<u> </u>
<i>Share of retained profits</i>			
At 1 January 2013			10,000,000
Profit for the year			58,912,636
Profit allocations received			(56,912,636)
			<u> </u>
At 31 December 2013			12,000,000
			<u> </u>
<i>Net book value</i>			
At 31 December 2013			12,490,000
			<u> </u>
At 31 December 2012			10,490,000
			<u> </u>
			<u> </u>
Company	Group undertakings	Associated undertaking	Total
	\$	\$	\$
<i>Cost or valuation</i>			
At 1 January 2013	39,732,709	10,490,000	50,222,709
Additions	-	2,000,000	2,000,000
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2013	39,732,709	12,490,000	52,222,709
	<u> </u>	<u> </u>	<u> </u>

CQS Management Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (continued)

11 Fixed asset investments (continued)

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

Name	incorporation	Proportion of voting rights held	Nature of business
CQS Asset Management Limited	England	100%	Investment manager/ advisor
CQS Grosvenor LLP	England	100%	Service entity
CQS (UK) LLP	England	33%	Investment manager/ advisor

In the current year, the group's investment in CQS (UK) LLP has been reclassified as an investment in an associated undertaking following a review of the voting rights held. This adjustment does not impact the results for the current or preceding period.

12 Debtors

	Group 2013 \$	Group 2012 \$	Company 2013 \$	Company 2012 \$
Trade debtors	29,017,133	38,555,300	31,991,608	38,473,161
Prepayments and accrued income	1,615,814	1,898,766	3,968	-
Other debtors	22,922,583	686,233	20,582,097	-
	<u>53,555,530</u>	<u>41,140,299</u>	<u>52,577,673</u>	<u>38,473,161</u>

All amounts shown under debtors fall due for payment within one year.

Included within other debtors is a loan to CQS Cayman Limited Partnership (see note 19).

13 Creditors: amounts falling due within one year

	Group 2013 \$	Group 2012 \$	Company 2013 \$	Company 2012 \$
Trade creditors	985,773	2,619,367	-	-
Other creditors	66,602	9,605,312	-	6,984,093
Corporation tax payable	13,170,711	9,249,547	11,712,825	9,172,642
Accruals and deferred income	733,347	744,183	-	-
Other taxes and social security	243,815	-	-	-
	<u>15,200,248</u>	<u>22,218,409</u>	<u>11,712,825</u>	<u>16,156,735</u>

CQS Management Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (*continued*)

14 Share capital

	Authorised			
	2013 Number	2012 Number	2013 \$	2012 \$
<i>Equity share capital</i>				
Ordinary shares of £1 each	1,000,000	1,000,000	1,610,000	1,610,000
<i>Non-equity share capital</i>				
Preference shares of £1 each	250,000	250,000	402,500	402,500
	<u>1,250,000</u>	<u>1,250,000</u>	<u>2,012,500</u>	<u>2,012,500</u>
Allotted, called up and fully paid				
	2013 Number	2012 Number	2013 \$	2012 \$
<i>Equity share capital</i>				
Ordinary shares of £1 each	155,200	155,200	245,377	245,377
<i>Non-equity share capital</i>				
Preference shares of £1 each	190,000	190,000	366,735	366,735
	<u>345,200</u>	<u>345,200</u>	<u>612,112</u>	<u>612,112</u>

15 Reserves

Group	Capital reserve \$	Capital redemption reserve \$	Profit and loss account \$	Total reserves \$
At 1 January 2013	3,741,292	402,500	50,911,546	55,055,338
Profit for the year	-	-	44,204,391	44,204,391
Dividend paid	-	-	(14,999,323)	(14,999,323)
Currency translation differences	-	-	249,300	249,300
At 31 December 2013	<u>3,741,292</u>	<u>402,500</u>	<u>80,365,914</u>	<u>84,509,706</u>
Company	Capital reserve \$	Capital redemption reserve \$	Profit and loss account \$	Total reserves \$
At 1 January 2013	3,741,292	402,500	76,446,886	80,590,679
Profit for the year	-	-	49,160,093	49,160,093
Dividend paid	-	-	(14,999,323)	(14,999,323)
At 31 December 2013	<u>3,741,292</u>	<u>402,500</u>	<u>110,607,657</u>	<u>114,751,449</u>

CQS Management Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (continued)

16 Reconciliation of movement in shareholders' funds

	Group 2013 \$	Group 2012 \$	Company 2013 \$	Company 2012 \$
Profit for the year	44,204,391	20,965,027	49,160,094	23,381,440
Currency translation differences	249,300	6,486	-	-
Dividends paid	(14,999,323)	(15,002,027)	(14,999,323)	(15,002,027)
Distribution to non-controlling interests	-	(750,000)	-	-
Shares issued	-	24,505,500	-	24,505,500
Opening shareholders' funds	55,667,450	25,942,464	81,202,790	48,317,877
Closing shareholders' funds	85,121,818	55,667,450	115,363,561	81,202,790

17 Minority interests

Minority interests disclosed in the balance sheet represent the capital invested in CQS (Grosvenor) LLP by the individual minority members and their entitlement to the profits of CQS (Grosvenor) LLP.

	\$
At 1 January 2013	16,807
Capital introduced during the year	169,646
Prior year allocations of profits to minority interests	2,459,871
Currency translation differences	(2,140)
Profits attributable to minority interests	57,978,886
Drawings paid to minority interests	(58,229,636)
At 31 December 2013	2,393,434

As at the year end, the 2013 profit allocation entitlements had yet to be finalised.

18 Commitments under operating leases

The group and company had annual commitments under non-cancellable operating leases as set out below:

	2013 Land and buildings \$	2012 Land and buildings \$
Operating leases which expire:		
Between one and five years	3,028,967	3,079,219
	<u>3,028,967</u>	<u>3,079,219</u>
	2013 Other \$	2012 Other \$
Operating leases which expire:		
Within one year	185,489	131,522
Between one and five years	-	17,272
	<u>185,489</u>	<u>148,794</u>

CQS Management Limited

Notes forming part of the financial statements for the year ended 31 December 2013 (*continued*)

19 Related party transactions

During the year, management charges were payable to CQS (Global Services) Limited, a company ultimately controlled by Sir Michael Hintze, the ultimate controlling party of the group (note 23), amounting to \$64,605,347 (2012: \$91,569,761) for the secondment of staff and other employment services. Of this amount, a balance of \$159,659 (2012: \$2,974,887) was outstanding at 31 December 2013.

An amount of \$22,000,000 (2012: \$nil) was loaned by the company to CQS (Global Services) Limited during the year. The principal amount of this loan was repaid during the year. Interest accrued on this loan and was still outstanding as a debtor at year end of \$581,335 (2012: \$nil).

During the year, income of \$1,763,121 (2012: \$214,268) was received from CQS Investment Management Limited, a company ultimately controlled by Sir Michael Hintze, for the provision of infrastructure and administrative services by the group.

During the year, profits of \$58,912,636 (2012: \$122,314,118) were allocated from CQS (UK) LLP, a partnership of which the company is a corporate member. Of this amount, \$2,000,000 (2012: \$nil) was retained by CQS (UK) LLP. Also, during the year costs of \$146,628,778 (2012: \$95,245,299) were charged to CQS (UK) LLP by the group. A balance of \$31,912,636 (2012: \$35,813,262) was outstanding at 31 December 2013 in respect of unsettled profit allocations, whilst the group owed an amount of \$4,774,478 (2012: \$nil) in respect of payments made by CQS (UK) LLP to the group to fund working capital requirements. The net amount due from CQS (UK) LLP of \$27,138,158 (2012: \$35,813,262) is shown within trade debtors. During the year, CQS (UK) LLP provided a loan of \$16,000,000 (2012: \$nil) to the group, which was repaid prior to the year end.

During the year, the group made donations of \$nil (2012: \$6,201,870) to the Hintze Family Charitable Foundation, a registered charity of which Sir Michael Hintze is a trustee and \$nil (2012: \$42,555) to the National Gallery, a registered charity of which Sir Michael Hintze is a trustee.

During the year, the company paid out a dividend to its immediate parent company, CQS Luxembourg Global Sarl, of \$14,999,323 (2012: \$15,002,027).

At the year end, the company had a loan of \$20,000,000 (2012: \$nil) due from CQS Cayman Limited Partnership, an entity ultimately controlled by Sir Michael Hintze, which is included within other debtors. The loan had accrued interest receivable at 31 December 2013 of \$8,182 (2012: \$nil). The loan was provided at normal commercial terms and is repayable on demand.

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8: Related Party Disclosures, not to disclose transactions with wholly controlled group companies.

20 Reconciliation of operating profit to net cash outflow from operating activities

	2013	2012
	\$	\$
Operating profit/(loss)	59,478,519	(85,095,128)
Depreciation of tangible fixed assets	340,769	455,630
Amortisation of goodwill	3,494,694	3,494,694
Decrease in debtors	19,497,405	10,748,590
(Decrease) in creditors	(8,479,454)	(13,631,489)
Currency translation differences	247,160	6,486
Net cash inflow/(outflow) from operating activities	<u>74,579,093</u>	<u>84,021,217</u>

CQS Management Limited**Notes forming part of the financial statements for the year ended 31 December 2013 (continued)****21 Reconciliation of net cash flow to movement in net funds**

	2013	2012
	\$	\$
Increase in cash in the year	14,233,066	4,795,046
Movement in net funds	14,233,066	4,795,046
Opening net funds	13,450,730	8,655,684
Closing net funds	27,683,796	13,450,730

22 Analysis of net funds

	At 31 December 2012 \$	Cash flow \$	At 31 December 2013 \$
Cash at bank and in hand	13,450,730	14,233,066	27,683,796
Total	13,450,730	14,233,066	27,683,796

23 Ultimate controlling party

The company's immediate parent company is CQS Luxembourg Global Sarl, a company incorporated in Luxembourg. The ultimate parent company is CQS Cayman Limited Partnership, an entity incorporated in the Cayman Islands. The ultimate controlling party as at 31 December 2013 is Sir Michael Hintze.