CQS Management Limited

Report and financial statements
for the year ended
31 March 2020

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Registered number

03691917

Registered office

4th Floor
One Strand
London
WC2N 5HR

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Directors

Adrian Collins (resigned 14 June 2019)
Catherine Cripps
Alexander Downer (resigned 31 July 2019)
Charles Eve (appointed 1 March 2020)
Richard Hayden (resigned 17 April 2019)
Mina Gerowin Herrmann (appointed 1 June 2019)
Sir Michael Hintze
Reuben Jeffery III (resigned 31 May 2020)
The Lord Myners of Truro
Sir Michael Peat
The Lord Richards of Herstmonceux (resigned 30 June 2019)
Xavier Rolet KBE (resigned 31 January 2020)
James Shinn (resigned 18 May 2020)

The directors present their report and the consolidated financial statements of CQS Management Limited (the "Company"), its subsidiary undertakings and its associated undertaking (together, the "Group") for the year ended 31 March 2020.

Principal activity and likely future developments

The Company serves as holding company to CQS Aiguille du Chardonnet S.à.r.l., CQS Investment Management (Australia) PTY LTD, CQS (Hong Kong) Limited, CQS Investment Management Limited, CQS (UK) LLP, CQS RCR Fund I GP Limited, CQS US Feeder Funds (GP) LLC, CQS (US), LLC and Rua Tierno Galvan (Investments Services) S.A., the principal activities of which are the provision of investment management and advisory services, sales agent and marketing services and infrastructure services. The directors do not expect any change in the Company's activities in the foreseeable future.

Directors

The directors during the year and up to the date of this report, except as indicated, were:

Adrian Collins (resigned 14 June 2019)
Catherine Cripps
Alexander Downer (resigned 31 July 2019)
Charles Eve (appointed 1 March 2020)
Richard Hayden (resigned 17 April 2019)
Mina Gerowin Herrmann (appointed 1 June 2019)
Sir Michael Hintze
Reuben Jeffery III (resigned 31 May 2020)
The Lord Myners of Truro
Sir Michael Peat
The Lord Richards of Herstmonceux (resigned 30 June 2019)
Xavier Rolet KBE (resigned 31 January 2020)
James Shinn (resigned 18 May 2020)

Financial risk management objectives and policies

CQS (UK) LLP is authorised and regulated by the Financial Conduct Authority. As part of this authorisation, this firm is required to make disclosures regarding its risk management objectives and policies. These disclosures, which are unaudited, can be found on the Group's website, www.cqs.com.

Information regarding the Group's principal risks, uncertainties and risk management policies is disclosed in the strategic report on page 2.

Distributions

During the year, the directors declared and paid dividends totalling $nil (2019: $nil) to ordinary shareholders, along with other distributions relating to payments in accordance with s850E of the Income Tax (Trading and Other Income) Act 2005 totalling $26,960 thousand (2019: $46,244 thousand).

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 independent auditor, BDO LLP, has indicated its willingness to be reappointed.

Signed on behalf of the board of directors by:

Michael Peat

Sir Michael Peat
Director
3 November 2020

Review of the business

The profit for the period, before partner profit shares and taxation, amounted to $131,044 thousand (2019: $89,692 thousand) as detailed in the consolidated statement of profit or loss on page 8. As at the year end, the Group acted as investment manager or investment advisor to 39 (2019: 34) funds and other investment vehicles. The key financial and other performance indicators during the year were as follows:

	2020	2019
Revenue ($'000s)	268,960	200,827
Profit before income tax ($'000s)	131,044	89,692
Assets under management at 31 March ($ million)	14,987	18,026

The Group includes two limited liability partnerships, the profits of which are taxable on individual members. As such, some of the Group's profit before tax is not subject to corporation tax, but is instead subject to tax in the hands of the individual members, as detailed in note 7 to the financial statements. This split is presented below:

	2020	2019
Profits subject to corporation tax ($'000s)	11,413	2,192
Profits taxable on individual partners ($'000s)	119,631	87,500
Group profit before income tax ($'000s)	131,044	89,692

During the year, the Group completed the acquisition of CQS (Hong Kong) Limited, details of which are included in note 12.

Principal risks and uncertainties

The management of risk is the responsibility of the board of directors. The Group maintains a risk management structure designed to manage known risks effectively and react to emerging risks. The three main categories of risk to which the Group is exposed are as follows:

1. Business risk, being the risk of a substantial decline in assets under management and, therefore, fee income. This is principally driven by the risk of poor investment performance, whether due to internal decision making, errors or external market conditions. The Group mitigates this risk through close monitoring of investment performance, implementing appropriate remuneration and incentive structures to hire and retain highly skilled professionals, and through maintaining robust procedures for identifying, measuring and managing portfolio risk.

   The Group's business model is also at risk from reputational factors, as reputational damage could result in a significant decrease in assets under management and impairment of future business development. To curb both the effect and occurrence of damage to reputation, the Group invests resources into governance, portfolio management, the infrastructure platform and communications with relevant parties, including investors, regulators, third party service providers and counterparties.

   Regulatory factors also give rise to business risk; the Group operates within a highly regulated environment and laws and regulations may evolve in a manner that negatively impacts upon the Group's business model, including changes as a result of "Brexit". The Group mitigates this risk through ongoing monitoring of current and proposed regulatory requirements along with engagement with industry bodies.

Principal risks and uncertainties (continued)

2. Market, credit and liquidity risks affect the Group's assets and liabilities, comprising investments, cash deposits, receivables and payables:

    - Market risk: The Group holds investment in fund products that are exposed to possible impairment due to market performance. These investments are held by a subsidiary undertaking, which holds specific capital and reserves in consideration of market risk as part of its capital planning process to mitigate the impact of this exposure.

    - Credit risk: The Group is exposed to the risk of loss should any of the Group's counterparties fail to fulfil their contractual obligations. This risk is managed through the establishment of short settlement terms with the Group's counterparties, primarily the funds managed by the Group, with billing for management and performance fees settled within one month. The Group's exposure to credit risk is managed in line with the CQS Group Treasury Policy.

    - Liquidity and cash flow risk: Exposure to the risk that the Group will be unable to meet its financial obligations as they fall due. To mitigate this risk, the Group's working capital requirements are regularly reviewed and managed in line with the CQS Group Treasury Policy, with sufficient cash and interest bearing deposits maintained to meet short term liabilities.

3. Operational risk, being the risk resulting from inadequate or failed internal processes, systems or outsourced functions. Each business function is responsible for the identification, assessment and management of operational risk within their area, including that associated with third-party service providers. Oversight is provided by the CQS Board Engagement Committee and Executive Committee, with independent challenge provided by the Audit Committee and Internal Audit function.

Going concern

The directors believe that the Group is well placed to manage its business risks successfully and to continue to be profitable for the foreseeable future. Therefore, the going concern basis has been adopted in preparing these financial statements.

In considering the financial and operational impacts of COVID-19, forecasts and stress tests have been used to assess the Group's ability to continue as a going concern. Whilst uncertain, the impact of the worldwide response to the COVID-19 pandemic is not expected to have a material adverse effect on the financial condition or liquidity of the Group.

Greenhouse gas emissions and energy consumption

The following information summarises the Group's direct environmental performance in the UK over the year ended 31 March 2020.

Greenhouse gas emissions scope: tCO_2e	Year ended 31 March 2020
Scope 1: Direct emissions from fuel use for transport	13
Scope 2: Indirect emissions from purchased electricity	513
Scope 3: Indirect emissions from business travel	2,366
Total	2,892
Intensity measurement: tCO_2e per FTE *	14.0
Electricity Consumption: MWh	421

* The emissions intensity calculation is based on a figure of 207 average total UK partners and employees in 2020.

The methodology used to calculate the Group's emissions is based on the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' (March 2019) issued by DEFRA and using the latest UK Government GHG Conversion Factors.

Section 172 (1) statement

The directors act in good faith to promote the success of the Group for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to the following factors:

- the likely consequences of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Group.

The directors delegate authority for day-to-day management of the Group to the Board Engagement Committee and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held periodically, at which the directors consider the Group's activities and performance against strategic objectives. The board of directors is supported by the Audit & Risk Committee and Remuneration Committee to ensure ongoing robust governance and oversight for the benefit of the Group's stakeholders.

Signed on behalf of the board of directors by:

Sir Michael Peat
Director

3 November 2020

Directors' responsibilities

The directors are responsible for preparing the directors' report, the strategic 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 financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

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 estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that show and explain the Group's transactions, disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion

We have audited the financial statements of CQS Management Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2020 which comprise the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated and Company statements of financial position, the consolidated and Company statements of changes in equity, the consolidated and Company statements of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Justin Chait (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

12 November 2020

Consolidated statement of profit or loss

	Notes	Year ended 31 March 2020 $'000	Year ended 31 March 2019 $'000
Revenue		268,960	200,827
Cost of sales		(9,711)	(9,117)
Gross profit		**259,249**	**191,710**
Administrative expenses	3	(131,033)	(108,847)
Other operating income		439	537
Operating profit		**128,655**	**83,400**
Finance income	4	1,310	1,683
Finance expense	5	(1,306)	(19)
Other net gains	6	2,385	4,628
Profit before income tax		**131,044**	**89,692**
Income tax (expense)/credit	7	(4,901)	498
Profit for the year		**126,143**	**90,190**
Profit for the year attributable to:			
Owners of the parent		43,845	30,573
Non-controlling interests		82,298	59,617
		126,143	**90,190**

Consolidated statement of other comprehensive income

	Year ended 31 March 2020 $'000	Year ended 31 March 2019 $'000
Profit for the year	**126,143**	**90,190**
Other comprehensive income		
Exchange differences on translation of foreign operations	(100)	(3,874)
Total other comprehensive income	**(100)**	**(3,874)**
Total comprehensive income	**126,043**	**86,316**
Total comprehensive income attributable to:		
Owners of the parent	43,745	26,699
Non-controlling interests	82,298	59,617
	126,043	**86,316**

Consolidated statement of financial position — Registered number: 03691917

	Notes	As at 31 March 2020 $'000	As at 31 March 2019 $'000
Non-current assets			
Property, plant and equipment	10	7,259	5,282
Right-of-use assets	11	25,485	-
Deferred tax assets	14	9,804	7,942
Investments in fund products	15	18,806	20,096
		61,354	33,320
Current assets			
Current tax assets		2	2,911
Investments in fund products	15	33,481	9,319
Trade and other receivables	16	39,683	34,253
Cash and cash equivalents	17	43,526	24,574
		116,692	71,057
Total assets		**178,046**	**104,377**
Non-current liabilities			
Lease liabilities	11	(21,648)	-
Provisions	18	(18,563)	(19,342)
		(40,211)	(19,342)
Current liabilities			
Lease liabilities	11	(7,596)	-
Borrowings	17	(15,000)	-
Provisions	18	(12,025)	(5,853)
Trade and other payables	19	(11,391)	(11,246)
Current tax liabilities		(965)	-
		(46,977)	(17,099)
Total liabilities		**(87,188)**	**(36,441)**
Net assets		**90,858**	**67,936**
Equity			
Share capital and capital reserves	20	30,001	30,001
Revaluation reserves and retained earnings	20	54,452	37,667
Capital and reserves attributable to owners		84,453	67,668
Non-controlling interests		6,405	268
Total equity		**90,858**	**67,936**

The financial statements were approved and authorised for issue by the board of directors on 3 November 2020 and signed on its behalf by:

Sir Michael Peat
Director

The notes on pages 16 to 30 form part of these consolidated financial statements

Company statement of financial position

Registered number: 03691917

	Notes	As at 31 March 2020 $'000	As at 31 March 2019 $'000
Non-current assets			
Investments in Group undertakings	13	38,873	29,696
Deferred tax assets	14	4,259	3,505
		43,132	33,201
Current assets			
Current tax assets		-	603
Trade and other receivables	16	4,183	875
Cash and cash equivalents	17	1,448	4,351
		5,631	5,829
Total assets		**48,763**	**39,030**
Non-current liabilities			
Provisions	18	(5,936)	(3,456)
		(5,936)	(3,456)
Current liabilities			
Provisions	18	(1,499)	(767)
Trade and other payables	19	(1,341)	(510)
Current tax liabilities		(671)	-
		(3,511)	(1,277)
Total liabilities		**(9,447)**	**(4,733)**
Net assets		**39,316**	**34,297**
Equity			
Share capital and capital reserves	20	30,001	30,001
Revaluation reserves and retained earnings	20	9,315	4,296
Total equity		**39,316**	**34,297**

The financial statements were approved and authorised for issue by the board of directors on 3 November 2020 and signed on its behalf by:

Sir Michael Peat
Director

The notes on pages 16 to 30 form part of these consolidated financial statements

		Attributable to owners of the Company				
	Notes	Share capital and capital reserves $'000	Revaluation reserves and retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
As at 1 April 2018		**30,001**	**57,212**	**87,213**	**223**	**87,436**
Profit for the year		-	30,573	30,573	59,617	90,190
Other comprehensive income		-	(3,874)	(3,874)	-	(3,874)
Total comprehensive income		**-**	**26,699**	**26,699**	**59,617**	**86,316**
Capital introduced by NCI		-	-	-	14	14
Capital repaid to NCI		-	-	-	(13)	(13)
Profit allocations to NCI		-	-	-	(59,573)	(59,573)
Distributions paid	9	-	(46,244)	(46,244)	-	(46,244)
Transactions with owners		**-**	**(46,244)**	**(46,244)**	**(59,572)**	**(105,816)**
As at 31 March 2019		**30,001**	**37,667**	**67,668**	**268**	**67,936**
Profit for the year		-	43,845	43,845	82,298	126,143
Other comprehensive loss		-	(100)	(100)	-	(100)
Total comprehensive income		**-**	**43,745**	**43,745**	**82,298**	**126,043**
Capital introduced by NCI		-	-	-	38	38
Capital repaid to NCI		-	-	-	(51)	(51)
Profit allocations to NCI		-	-	-	(76,148)	(76,148)
Distributions paid	9	-	(26,960)	(26,960)	-	(26,960)
Transactions with owners		**-**	**(26,960)**	**(26,960)**	**(76,161)**	**(103,121)**
As at 31 March 2020		**30,001**	**54,452**	**84,453**	**6,405**	**90,858**

The notes on pages 16 to 30 form part of these consolidated financial statements

Company statement of changes in equity

	Notes	Share capital and capital reserves $'000	Revaluation reserves and retained earnings $'000	Total equity $'000
As at 1 April 2018		**30,001**	**1,224**	**31,225**
Profit for the year		-	49,316	49,316
Total comprehensive income		**-**	**49,316**	**49,316**
Distributions paid	9	-	(46,244)	(46,244)
Transactions with owners		**-**	**(46,244)**	**(46,244)**
As at 31 March 2019		**30,001**	**4,296**	**34,297**
Profit for the year		-	31,979	31,979
Total comprehensive income		**-**	**31,979**	**31,979**
Distributions paid	9	-	(26,960)	(26,960)
Transactions with owners		**-**	**(26,960)**	**(26,960)**
As at 31 March 2020		**30,001**	**9,315**	**39,316**

	Notes	Year ended 31 March 2020 $'000	Year ended 31 March 2019 $'000
Cash flows from operating activities			
Profit for the year		126,143	90,190
Adjustments for:			
Depreciation and amortisation		4,875	949
Finance income		(1,310)	(1,683)
Finance expense		1,306	19
Other net gains		(2,385)	(4,628)
Income tax expense/(credit)		4,901	(498)
Non cash revenue		(4,487)	-
Net exchange differences		(800)	(1,975)
Changes in working capital:			
Decrease/(increase) in trade and other receivables		4,884	(4,315)
Increase in trade and other payables		4,784	1,634
Increase in provisions		5,394	3,634
Cash generated from operations		143,305	83,327
Unwind of discount on lease liabilities	11	(910)	-
Income taxes paid		(133)	(5,564)
Net cash inflow from operating activities		**142,262**	**77,763**
Cash flows from investing activities			
Payments for acquisitions of subsidiaries, net of cash acquired	12	(6,000)	(6)
Purchase of property, plant and equipment	10	(2,906)	(74)
Payments for investments in fund products		(47,725)	(29,106)
Proceeds on disposal of investments in fund products		24,351	20,342
Net (payments)/proceeds on settlement of derivatives		(1,036)	4,082
Interest received		1,310	1,701
Net cash used in investing activities		**(32,006)**	**(3,061)**
Cash flows from financing activities			
Principal elements of lease payments	11	(2,877)	-
Interest paid		(306)	(59)
Transactions with non-controlling interests		(13)	1
Distributions paid to non-controlling interests in subsidiaries		(76,148)	(59,573)
Distributions paid	9	(26,960)	(46,244)
Proceeds from/(repayment of) borrowings		15,000	(13,065)
Net cash used in financing activities		**(91,304)**	**(118,940)**
Net increase/(decrease) in cash and cash equivalents		**18,952**	**(44,238)**
Cash and cash equivalents at the beginning of the financial year		24,574	68,812
Cash and cash equivalents at the end of the financial year		**43,526**	**24,574**

The notes on pages 16 to 30 form part of these consolidated financial statements

Company statement of cash flows

	Notes	Year ended 31 March 2020 $'000	Year ended 31 March 2019 $'000
Cash flows from operating activities			
Profit for the year		31,979	49,316
Adjustments for:			
Dividend income		(6,013)	(16,034)
Profit allocation income		(26,961)	(46,484)
Finance income		(55)	(141)
Other net losses		-	13,005
Income tax expense		826	70
Net exchange losses		-	122
Changes in working capital:			
Increase in trade and other receivables		(3,309)	(497)
Increase/(decrease) in trade and other payables		831	(183)
Increase in provisions		3,213	820
Cash generated from/(used in) operations		511	(6)
Income taxes paid		(307)	(3,494)
Net cash inflow/(outflow) from operating activities		**204**	**(3,500)**
Cash flows from investing activities			
Investments in subsidiary undertakings		(9,176)	(13,215)
Disposal of subsidiary undertakings		-	1,538
Proceeds on settlement of derivatives		-	1,163
Dividends received		6,013	16,034
Profit allocations received		26,961	46,484
Interest received		55	141
Net cash from investing activities		**23,853**	**52,145**
Cash flows from financing activities			
Distributions paid	9	(26,960)	(46,244)
Net cash used in financing activities		**(26,960)**	**(46,244)**
Net (decrease)/increase in cash and cash equivalents		**(2,903)**	**2,401**
Cash and cash equivalents at the beginning of the financial year		4,351	1,950
Cash and cash equivalents at the end of the financial year		**1,448**	**4,351**

1 Accounting policies

(a) Basis of preparation

The financial statements for the Group and Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretation Committee ("IFRS IC") interpretations, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis under the historical cost convention, except as otherwise described in the accounting policies.

Accounting policies that relate to the financial statements as a whole are set out below, while those that relate to specific areas of the financial statements are shown in the corresponding note. All accounting policies have been consistently applied to all the years presented except where otherwise stated.

(b) Going concern

The directors believe that the Group is well placed to manage its business risks successfully and to continue to be profitable for the foreseeable future. Therefore, the going concern basis has been adopted in preparing these financial statements.

In considering the financial and operational impacts of COVID-19, forecasts and stress tests have been used to assess the Group's ability to continue as a going concern. Whilst uncertain, the impact of the worldwide response to the COVID-19 pandemic is not expected to have a material adverse effect on the financial condition of liquidity of the Group.

(c) New standards and interpretations adopted by the Group

The Group has adopted IFRS 16 'Leases' from 1 April 2019. The Group's lease arrangements relate to business property leases. For arrangements where the Group is the lessee, the Group has recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 'Leases'. The assets will be depreciated over their useful lives whilst the lease payments will be apportioned between capital repayments of the lease liabilities and finance charges.

Where the Group acts as a lessor, it has been determined that these arrangements are classified as operating leases in accordance with IFRS 16. Sub-lease rental income is recognised on an accruals basis within the statement or profit or loss.

IFRS 16 has been adopted using the modified retrospective approach outlined in IFRS 16.C8(b)(ii), with the cumulative effect of initial application recognised on adoption without restatement of prior year comparatives. When applying the modified retrospective approach, the Group has measured the right-of-use assets at amounts equal to the lease liabilities, adjusted by the amounts of any prepaid or accrued lease benefits relating to those leases immediately before application.

The impact on transition is summarised below:

	As presented at 31 March 2019 $'000	Adjustment for IFRS 16 adoption $'000	As at 1 April 2019 $'000
Lease incentives, included in trade and other payables	(4,794)	4,794	-
Prepaid lease costs, included in trade and other receivables	729	(729)	-
Right-of-use assets	-	25,493	25,493
Lease liabilities	-	(29,559)	(29,559)

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as at 31 March 2019 as follows:

	$'000
Operating lease commitments as at 31 March 2019	36,601
Exclude service charges, short-term and low value leases not in scope for IFRS 16	(3,354)
Effect of discounting at the Group's incremental borrowing rate	(3,688)
Lease liabilities as at 1 April 2019	**29,559**

There are no other new or revised standards or interpretations that have been adopted that have had a material impact on the Group's financial statements.

(d) New standards, amendments and interpretations not yet adopted

There are no new or revised standards or interpretations that are not yet adopted that are expected to have a material impact on the Group's financial statements.

1 Accounting policies (continued)

(e) Basis of consolidation

Subsidiary undertakings are entities over which the Group has the power to govern the financial and operating policies and are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary undertaking is the fair values of the assets transferred and the liabilities incurred by the Group, including those from any contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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 Group's share of the identifiable net assets acquired is recorded as goodwill.

Acquisitions made by the Group of entities under common control are accounted for using predecessor accounting. Under predecessor accounting, the acquired net assets are recognised at their carrying amounts in the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared, or, if unavailable, their carrying amounts in the financial statements of the entities transferred. The difference between the consideration transferred and the net assets acquired is recognised directly in equity in retained earnings.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(f) Foreign currency translation

The financial statements are presented in US Dollars ($), which is the Group's functional and presentation currency. Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

The assets and liabilities of the Group's foreign currency subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the exchange rates at the dates of the transactions. Exchange differences arising on consolidation on the retranslation of foreign currency subsidiaries are recognised in other comprehensive income.

(g) Revenue recognition

Revenue, which is stated net of value added tax, is wholly attributable to the principal activity of the Group and arises from continuing activities in Australia, Hong Kong, the United Kingdom and the United States of America. Management fees are recognised net of rebates on an accruals basis over the period in which services are provided, whilst performance fees are recognised at the point at which they crystallise, either at the end of a defined performance period or upon investor redemption. Fees in respect of infrastructure services and the secondment of personnel are recognised on an accruals basis as services are rendered.

(h) Cost of sales

Cost of sales consists of charges arising under an investment advisory agreement with a related party and external distribution costs.

(i) Other operating income

Other operating income represents rental income from sub-letting land and buildings to third parties along with related property recharges and recharged personnel costs that do not strictly fall into the category of revenue.

(j) Retirement benefits

The Group contributed to a defined contribution scheme during the year. Contributions to the scheme are charged to profit and loss as they fall due.

1 Accounting policies (continued)

(k) Income tax

Provision is made for corporation tax at the rates that have been enacted or substantively enacted by the reporting date. Provision is made for deferred tax on all material timing differences arising from the different treatment of items for accounting and tax purposes. A deferred tax asset is only recognised to the extent that it is more likely than not that there will be taxable profits in the future against which the asset can be offset.

(l) Other long-term employee benefits – contributions made to employee benefit trusts

Contributions made to employee benefit trusts to fund deferred compensation awards are accounted for as a defined contribution scheme and charged to profit and loss in the year to which they relate.

Any incentivisation ultimately awarded and paid by employee benefit trusts will depend on, amongst other things, the satisfaction of vesting conditions by individual employees. Surpluses arising from revocations of awards are recognised as an asset of the Group and are credited against other long-term employee benefits within staff costs.

(m) Executive ownership plan

Certain individuals are entitled to participate in the CQS Executive Ownership Plan, under which Points are awarded that provide individuals with entitlements to future compensation awards or allocations of profits payable by the Group for a period of up to four financial years.

Any benefits arising from the CQS Executive Ownership Plan to individuals are accounted for in the period in which services are rendered and can be reliably estimated.

Furthermore, there is an entitlement for certain individuals to participate in Partnership Interests in CQS Cayman Limited Partnership. The fair value of the financial liability associated with this entitlement is assessed at each report date.

2 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to estimates recognised prospectively where required. The principal areas involving significant estimates or judgements are the assessment of expected credit losses on investments held at amortised cost (note 15(a)), the recognition of deferred tax assets (note 14), the valuation of investments at fair value through profit or loss (notes 15(b) and 21), the valuation of derivative assets and liabilities (notes 19 and 21), and the valuation of deferred compensation liabilities (note 18).

3 Administrative expenses

Staff costs:	Year ended 31 March 2020 $'000	Period ended 31 March 2019 $'000
Wages and salaries	69,395	56,639
Other long-term employee benefits	21,194	19,008
Social security costs	7,518	6,879
Pension contributions	1,594	1,350
Total staff costs	**99,701**	**83,876**

3 Administrative expenses (continued)

In addition to regular salary costs, wages and salaries include current variable compensation, employee benefits and termination payments. Partner profit allocations are presented as *non-controlling interests* (note 13(a)).

The average number of partners and employees of the Group (including directors) during the year was 252 (2019: 209), of which 13 (2019: 14) were employed by the Company.

Directors' emoluments for the period totalled $42,954 thousand (2019: $17,077 thousand). The total amount payable to the highest paid director in respect of emoluments was $34,619 thousand (2019: $14,355 thousand).

The Board, the Board Engagement Committee and the Executive Committee represent key management personnel for the purposes of these financial statements. The aggregate amount of remuneration, including partner profit allocations, attributable to members of the Board, the Board Engagement Committee and the Executive Committee was $78,466 thousand (2019: $46,006 thousand), comprising short-term benefits of $43,803 thousand (2019: $35,560 thousand), post-employment benefits of $49 thousand (2019: $4 thousand), termination benefits of $1,983 thousand (2019: $nil) and other long-term benefits of $32,631 thousand (2019: $10,442 thousand).

Other administrative expenses include:	Year ended 31 March 2020 $'000	Period ended 31 March 2019 $'000
Depreciation of property, plant and equipment (note 10)	1,266	1,185
Depreciation of right-of-use assets (note 11)	3,609	-
Foreign exchange losses	165	19
Operating leases: land and buildings	-	3,973
Auditor's remuneration: audit services	127	113
Auditor's remuneration: tax services	12	8
Auditor's remuneration: other services	-	2

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental payments made under operating leases are charged to profit and loss on a straight-line basis over the period of the lease. Lease incentives are recognised on a straight-line basis over the lease term as a reduction of rental expense.

4 Finance income

	Year ended 31 March 2020 $'000	Year ended 31 March 2019 $'000
Interest income on investments held at amortised cost	663	703
Interest income on cash deposits	647	980
	1,310	**1,683**

5 Finance expense

	Year ended 31 March 2020 $'000	Year ended 31 March 2019 $'000
Interest payable on borrowings	396	18
Unwind of discount on lease liabilities	910	-
Interest payable on bank overdrafts	-	1
	1,306	**19**

6 Other net gains

This note provides a breakdown of the items included in 'other net gains'. Information about specific profit and loss items (such as gains and losses in relation to financial instruments) is disclosed in the related statement of financial position notes.

	Year ended 31 March 2020 $'000	Year ended 31 March 2019 $'000
Net gains on financial assets at fair value through profit or loss	3,540	4,628
Impairment loss on investments at amortised cost	(1,155)	-
	2,385	**4,628**

7 Income tax expense

	Year ended 31 March 2020 $'000	Year ended 31 March 2019 $'000
Current tax charge/(credit) on profits for the year	4,174	(104)
Withholding taxes on distributions paid	293	-
Adjustments to tax charge in respect of previous periods	1,464	89
Total current tax expense/(credit)	**5,931**	**(15)**
Increase in deferred tax assets (note 14)	(1,030)	(483)
Income tax expense/(credit)	**4,901**	**(498)**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	Year ended 31 March 2020 $'000	Period ended 31 March 2019 $'000
Profit before income tax	131,044	89,692
Tax on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019: 19%)	24,898	17,041
Effects of:		
Differences on consolidation	(183)	675
Depreciation in excess of capital allowances	89	57
Expenses not deductible for tax purposes	418	204
Income not assessable for tax purposes	-	(204)
Tax effect of temporary differences	1,197	(539)
Partnership profits taxable on other members	(22,730)	(17,337)
Effect of tax rates in foreign jurisdictions	485	(1)
	4,174	(104)
Withholding taxes on distributions paid	293	-
Adjustments to tax charge in respect of previous periods	1,464	89
Origination and reversal of temporary differences	(1,030)	(483)
Income tax expense/(credit)	**4,901**	**(498)**

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 statement of profit or loss in these financial statements. The Group profit for the period includes a profit for the Company after tax of $31,979 thousand (2019: profit after tax of $49,316 thousand).

9 Distributions

	Year ended 31 March 2020 $'000	Year ended 31 March 2019 $'000
Other distributions	26,960	46,244
	26,960	**46,244**

Dividend distributions to the Company's shareholders are recognised directly in equity in the period in which the dividend is declared.

Other distributions represent payments in accordance with s850E of the Income Tax (Trading and Other Income) Act 2005.

10 Property, plant and equipment

	Leasehold improvements $'000	Computers & communications equipment $'000	Office furniture, fittings & equipment $'000	Vehicles $'000	Total $'000
Cost:					
At 1 April 2019	5,716	1,510	708	136	8,070
Acquisition of subsidiary	270	260	-	-	530
Additions	1,049	1,507	122	228	2,906
At 31 March 2020	7,035	3,277	830	364	11,506
Depreciation:					
At 1 April 2019	1,422	887	374	105	2,788
Acquisition of subsidiary	-	193	-	-	193
Charge for the period	582	523	122	39	1,266
At 31 March 2020	2,004	1,603	496	144	4,247
Net book value:					
At 31 March 2019	4,294	623	334	31	5,282
At 31 March 2020	**5,031**	**1,674**	**334**	**220**	**7,259**

Property, plant and equipment is measured at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided on a straight-line basis from the point the asset is available for use over the following estimated useful lives:

Leasehold improvements	Over the term of the lease
Computers & communications equipment	1 – 5 years
Office furniture, fittings & equipment	5 years
Vehicles	4 years

11 Leases

(a) Lessee arrangements

The Group assesses whether a contract is or contains a lease at the inception of the contract. Right-of-use assets are recorded at cost less depreciation and impairment. Depreciation is calculated on a straight line basis over the lease term and is included within administrative expenses.

In accordance with IFRS 16, cash payments of $3,787 thousand relating to leases are presented as unwind of discount on lease liabilities of $910 thousand (within operating activities) and principal elements of lease payments of $2,877 thousand (within financing activities) in the statement of cash flows.

All lease liabilities are discounted using the interest rate implicit in the lease. If this rate cannot be determined, the Group's incremental cost of borrowing on the lease commencement date is used to discount the lease liability. For those leases which existed prior to the IFRS 16 transition date on 1 April 2019, discount rates of 3%-4% were used in calculating the lease liability on transition. The unwind of discount on lease liabilities is included within finance expense (note 5).

	2020 $'000
Right-of-use assets	
Net book value on transition at 1 April 2019 (note 1(b))	25,493
Additions	4,492
Depreciation expense	(3,609)
Exchange differences	(891)
Net book value at year end	**25,485**
Lease liabilities	
Current	7,596
Non-current	21,648
	29,244

The Group's operating lease commitments at 31 March 2019, together with the obligations by maturity, were as follows:

	2019 $'000
Within one year	4,561
Between one and five years	22,385
More than five years	9,655
	36,601

(b) Lessor arrangements

The Group acts as lessor in respect of sub-leased business premises arrangements, which are classified as operating leases under IFRS 16. Sub-lease rental income totalled $324 thousand in 2020 (2019: $452 thousand).

At 31 March 2020, the undiscounted operating lease payments receivable on an annual basis are as follows:

	2020 $'000
Within one year	312
Between one and two years	312
Between two and three years	312
	936

12 *Business combinations*

CQS (Hong Kong) Limited

On 30 November 2019, the Group acquired the entire issued share capital of CQS (Hong Kong) Limited ("CQS HK") from the ultimate controlling party for a total consideration of $9,122 thousand. The consideration was satisfied fully in cash, with cash acquired totalling $3,122 thousand. The carrying value of the net assets of CQS HK as at the acquisition date was $9,122 thousand.

13 Investments in Group entities

(a) Group

Details of the Group's subsidiaries, which have been consolidated into the Group's results, are provided below. The country of operation is the same as the country of registration, the year end is 31 March and Group interest represents both the percentage held and voting rights, unless otherwise stated.

Name	Country of registration	Group interest	Principal activity
CQS Aiguille du Chardonnet S.à.r.l. [1]	Luxembourg	100%	General partner
CQS DeepBlue Limited[2]	Hong Kong	51%	Inactive
CQS DeepBlue HoldCo Limited[2]	Hong Kong	51%	Inactive
CQS (Hong Kong) Limited[2]	Hong Kong	100%	Investment advisory
CQS Investment Management (Australia) PTY LTD[3]	Australia	100%	Sales agent and marketing
CQS Investment Management Limited[4]	United Kingdom	100%	Inactive
CQS RCR Fund I GP Limited[5]	Cayman Islands	100%	General partner
CQS (UK) LLP[4]	United Kingdom	99%	Investment management and advisory
CQS (US), LLC[6]	United States	100%	Investment management and advisory
CQS US Feeder Fund (GP) LLC[7]	United States	100%	General partner
Rua Tierno Galvan (Investments Services) S.A. [8]	Portugal	100%	Sales agent and marketing

1 The registered office is: Carré Bonn, 20, rue de la Poste, L-2346 Luxembourg, Grand Duchy of Luxembourg
2 The registered office is: 1308 One Exchange Square, 8 Connaught Place Central, Hong Kong
3 The registered office is: Level 13, 1 Margaret Street, Sydney, NSW 2000, Australia
4 The registered office is: 4th Floor, One Strand, London, WC2N 5HR, UK
5 The registered office is: PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
6 The registered office is: 152 West 57th St., 40th Floor, New York, NY, 10019, USA
7 The registered office is: 4001 Kennett Pike, Suite 302, Wilmington, DE, 19807, USA
8 The registered office is: Rua Tierno Galvan, no.10, Almoreiras – Torre 3, Piso 6, Sala 602, 1070-274, Lisbon, Portugal

The Group holds 100% of the voting rights of CQS (Grosvenor) LLP and owns 50% of the partnership capital.

The profits allocated to the non-controlling members of CQS (Grosvenor) LLP and CQS (UK) LLP are shown as profits attributable to non-controlling interests in the consolidated statement of profit or loss. The capital attributable and net amounts due to the non-controlling members of CQS (Grosvenor) LLP and CQS (UK) LLP are shown as non-controlling interests in the consolidated statement of financial position.

(b) Company

	Group entities $'000
Cost and net book value:	
At 31 March 2019	29,696
Additions	9,185
Disposals	(8)
At 31 March 2020	**38,873**

Investments in Group entities are carried in the Company's statement of financial position at the lower of cost and recoverable amount. The carrying value is assessed by the Company at each reporting date to determine whether there is objective evidence of impairment, with identified impairment losses recognised in profit and loss.

The Group entities are listed in note 13 (a). In addition to the business combination described in note 12, during the year the Company injected $55 thousand of capital into Rua Tierno Galvan (Investments Services) S.A., made additional capital contributions totalling $6 thousand into CQS (UK) LLP and received $8 thousand in respect of its investment in CQS (Grosvenor) LLP, which was dissolved during the year.

14 Deferred tax assets

The Group's and Company's deferred tax asset balances comprises temporary differences attributable to long-term employee benefits.

	Group	Company
Non-current assets	Employee benefits $'000	Employee benefits $'000
At 31 March 2019	7,942	3,505
Acquisition of subsidiary	832	-
Credited to profit and loss	1,030	754
At 31 March 2020	**9,804**	**4,259**

The deferred tax assets recognised by the Group and Company represent amounts which can be offset against probable future taxable profits that are expected to arise over the next three years only. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred tax asset is realised.

15 Investments in fund products

(a) Non-current asset investments in fund products

	As at 31 March 2020 $'000	As at 31 March 2019 $'000
Investments at amortised cost	18,571	20,084
Investments at fair value through other comprehensive income	235	12
	18,806	**20,096**

The investments at amortised cost comprised notes held in one (2018: nil) collateralised loan obligation ("CLO"), which is held by the Group to satisfy risk retention requirements.

Investments at amortised cost are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified within current assets.

None of the investments at amortised cost were past due or credit-impaired. The loss allowance for the Group's investments at amortised cost is measured at an amount equal to lifetime expected credit losses (2019: 12 month expected credit losses). The loss allowance for investments at amortised cost as at the reporting date reconciles to the opening loss allowance as follows:

	$'000
Loss allowance as at 1 April 2019	-
Increase in the allowance recognised in profit or loss during the year	1,155
Loss allowance as at 31 March 2020	**1,155**

The investments at amortised cost are substantially denominated in Euros, giving rise to exposure to foreign exchange risk (note 17 (c)). There is no exposure to price risk as the investments will be held to maturity. The total market value of the investments at amortised cost at 31 March 2020 was $18,571 thousand (2019: $20,187).

Non-current asset investments designated at fair value through other comprehensive income on initial recognition comprise investments in fund units that are not held for trading and represent strategic investments in management interests of certain investment funds. On disposal of these investments, any related balance within the fair value through other comprehensive income reserve is reclassified to retained earnings.

(b) Current asset investments in fund products

	As at 31 March 2020 $'000	As at 31 March 2019 $'000
Investments at fair value through profit or loss	33,481	9,319
	33,481	**9,319**

15 Investments in fund products (continued)

(b) Current asset investments in fund products (continued)

Investments at fair value through profit or loss comprise investments in fund units that are held for trading and are classified as Level 2 under the Group's fair value hierarchy (note 20). Mark to market movements are recognised in net gains or losses on financial assets at fair value through profit or loss. Purchases and sales of investments are recognised on trade dates.

Investments at fair value through profit or loss expose the Group to market risk. At 31 March 2020 the balance comprised investments held in two funds (2019: one). A 10% increase/decrease in the reported NAVs of the underlying funds, with all other variables held constant, would have resulted in a gain/loss $932 thousand (2018: $nil), with a corresponding impact on equity.

16 Trade and other receivables

	Group	Group	Company	Company
	As at 31 March 2020 $'000	As at 31 March 2019 $'000	As at 31 March 2020 $'000	As at 31 March 2019 $'000
Amounts due from related parties	449	620	4,179	851
Trade receivables	13,544	15,490	-	-
Prepayments and accrued income	15,241	16,216	-	-
Derivative financial instruments	8,643	572	-	-
Trust surpluses	49	53	-	-
Other receivables	1,757	1,302	4	24
	39,683	**34,253**	**4,183**	**875**

Trade and other receivables are measured initially at fair value and held at amortised cost less any expected credit losses, with the exception of derivative financial instruments.

Amounts due from related parties represent fees receivable in respect of investment management and advisory services, fees receivable in respect of infrastructure services and the secondment of personnel, amounts billed in respect of recoverable costs and loans due from related parties (note 23). No balances are overdue at year end.

Trade receivables and accrued income predominantly represent management fees from fund products and are received in cash on a monthly basis when the funds' net asset values are determined. All fees are deducted from the NAV of the respective funds by the independent administrators and therefore the credit risk of fee receivables is minimal. No balances are overdue at year end.

Derivative financial instruments, which consist of foreign exchange contracts, are classified as held for trading and measured at fair value through profit or loss. Derivatives are used by the Group to hedge its risk associated with foreign exchange movements and not as speculative investments.

The notional value of all derivative financial assets at 31 March 2020 is $110,224 thousand (2019: $27,576 thousand). All derivatives are held with A1 rated financial institutions (2019: all A1) and mature within one year. During the year, there were net realised and unrealised gains arising from derivatives of $7,035 thousand (2019: $4,497 thousand). Derivatives are classified as Level 2 under the Group's fair value hierarchy (note 21).

17 Cash, liquidity and borrowings

(a) Cash and liquidity

Total liquidity comprises cash and cash equivalents of $43,526 thousand (2019: $24,574 thousand) for the Group and $1,448 thousand (2019: $4,351 thousand) for the Company, made up entirely of cash at bank. The Group's and Company's working capital requirements are regularly reviewed and managed in line with the CQS Group Treasury Policy, with sufficient cash and interest bearing deposits maintained to meet short term liabilities.

At 31 March 2020, the Group's cash and cash equivalents balance is held with seven institutions (2019: six institutions). The single largest counterparty exposure of $28,287 thousand is held with an A1 rated institution (2019: $21,573 thousand with an A1 rated institution). At 31 March 2020, balances with institutions in the Aa ratings band aggregate to $9,318 thousand (2019: $423 thousand), balances with institutions in the A ratings band aggregate to $34,204 thousand (2019: $24,543 thousand) and balances with unrated institutions aggregate to $4 thousand (2019: $29 thousand). The Company's total cash and cash equivalents balance was held with one A1 rated bank as at 31 March 2020 (2019: one A1 rated bank). Exposure to credit risk is managed in line with the CQS Group Treasury Policy.

17 Cash, liquidity and borrowings (continued)

(b) Borrowings

	Nominal interest rate	Year of maturity	As at 31 March 2020 $'000	As at 31 March 2019 $'000
Current liabilities				
Secured bank loan	LIBOR + 1.80%	2021	15,000	-
Total borrowings			**15,000**	**-**

Investments at fair value through profit or loss totalling $33,481 thousand (2019: $nil) have been pledged as collateral against the borrowings. The pledge requires that the total outstanding loan amount does not exceed the total value of collateral, with a haircut of 77% applied to the value of the pledged units in determining the collateral value.

The fair value of the Group's borrowings is not materially different to the carrying amount.

(c) Foreign exchange and interest rate risk

The Group is subject to risk from changes in foreign exchange rates and interest rates on monetary assets and liabilities. A 10% strengthening/weakening of the US Dollar against all other currencies, with all other variables held constant, would have resulted in a foreign exchange loss/gain of $2,544 thousand (2019: loss/gain of $87 thousand), with a corresponding impact on equity.

In respect of the Group's monetary assets and liabilities which earn/incur interest indexed to floating rates, as at 31 March 2020 a 50bp increase/decrease in interest rates, with all other variables held constant, would result in a $15 thousand increase or $72 thousand decrease (2019: $100 thousand increase or $nil decrease) in net interest income over the next financial period.

18 Provisions

Group:	Claims $'000	Other long-term employee benefits $'000	Social security $'000	Total $'000
Non-current liabilities				
At 31 March 2018	-	13,490	1,729	15,219
Charge for the year	-	8,244	1,085	9,329
Movements in provisions	-	119	(32)	87
Transfer to current liabilities	-	(4,501)	(792)	(5,293)
At 31 March 2019	-	17,352	1,990	19,342
Charge for the year	-	12,131	984	13,115
Movements in provisions	-	(3,281)	(336)	(3,617)
Transfer to current liabilities	-	(9,357)	(920)	(10,277)
At 31 March 2020	**-**	**16,845**	**1,718**	**18,563**
Current liabilities				
At 31 March 2018	-	5,163	1,179	6,342
Transfer from non-current liabilities	-	4,501	792	5,293
Charge for the year	411	-	-	411
Movements in provisions	-	113	(179)	(65)
Provisions used in the year	-	(5,106)	(1,022)	(6,128)
At 31 March 2019	411	4,672	770	5,853
Transfer from non-current liabilities	-	9,357	920	10,277
Charge for the year	-	5,573	485	6,058
Movements in provisions	-	(4,019)	(351)	(4,370)
Provisions used in the year	(411)	(4,607)	(775)	(5,793)
At 31 March 2020	**-**	**10,976**	**1,049**	**12,025**

18 Provisions (continued)

Company:	Other long-term employee benefits $'000	Social security $'000	Total $'000
Non-current liabilities			
At 31 March 2018	1,076	148	1,224
Charge for the year	2,637	364	3,001
Movements in provisions	22	3	25
Transfer to current liabilities	(698)	(96)	(794)
At 31 March 2019	3,037	419	3,456
Charge for the year	2,205	304	2,509
Movements in provisions	347	48	395
Transfer to current liabilities	(373)	(51)	(424)
At 31 March 2020	**5,216**	**720**	**5,936**
Current liabilities			
At 31 March 2018	1,915	264	2,179
Transfer from non-current liabilities	698	96	794
Movements in provisions	(124)	(16)	(140)
Provisions used in the year	(1,815)	(251)	(2,066)
At 31 March 2019	674	93	767
Transfer from non-current liabilities	373	51	424
Charge for the year	1,103	152	1,255
Movements in provisions	(186)	(26)	(212)
Provisions used in the year	(646)	(89)	(735)
At 31 March 2020	**1,318**	**181**	**1,499**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Non-current provisions are measured at their present value.

Other long-term employee benefits

Provisions are recognised for other long-term employee benefits in respect of variable compensation awards linked to the performance of certain fund products. These provisions are expected to be utilised within the next three years.

Social security

Social security provisions are recognised in respect of employer's national insurance contributions that are expected to arise on vesting to beneficiaries of amounts held in an employee benefit trust and other direct deferred compensation awards. These provisions are expected to be utilised within the next three years.

Claims

In common with comparable businesses, the Group is periodically involved in disputes in the ordinary course of business, which may give rise to claims. The claims provision relates to the estimated cost, where appropriate, of settling claims against the Group. Outstanding claims are reviewed each year and adjustments to provisions are made as appropriate in the current year. No separate disclosure is made of the detail of such claims, as to do so could seriously prejudice the position of the Group. These provisions have been fully utilised as at the year end.

19 Trade and other payables

Current liabilities	Group As at 31 March 2020 $'000	Group As at 31 March 2019 $'000	Company As at 31 March 2020 $'000	Company As at 31 March 2019 $'000
Amounts due to related parties	185	1,383	-	-
Trade payables	2,929	2,481	-	158
Other taxes and social security costs	1,574	46	141	-
Accruals and deferred income	2,552	7,228	15	350
Other payables	4,151	108	1,185	2
	11,391	**11,246**	**1,341**	**510**

Trade and other payables are measured at amortised cost, with the exception of derivative financial instruments. The carrying value of trade and other payables is consistent with fair value in the current and prior year.

20 Capital management

(a) Objectives, policies and processes

The primary objective of the Group's capital management is to ensure compliance with regulatory capital requirements, whilst also providing a suitable base to support the future development of the business and launch of new fund products.

The Group's capital consists of share capital, capital reserves, revaluation reserves and retained earnings. The Group's capital position is monitored on an ongoing basis through reviews of regulatory and working capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders or issue new shares.

(b) Share capital and capital reserves

Group and Company:	Ordinary share capital $'000	Capital reserve $'000	Capital redemption reserve $'000	Total $'000
At 31 March 2019 and 2020	25,857	3,741	403	30,001

Allotted, called up and fully paid:	Number of ordinary shares
At 31 March 2019 and 2020	18,522,000

Ordinary shares, which have a nominal value of £1 each, have attached to them full voting and dividend rights.

(c) Revaluation reserves and retained earnings

Group:	Translation reserve $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
At 1 April 2018	445	204	56,563	57,212
Transfer to retained earnings	-	(204)	204	-
Profit for the year	-	-	30,573	30,573
Other comprehensive income	(3,874)	-	-	(3,874)
Distributions	-	-	(46,244)	(46,244)
At 31 March 2019	(3,429)	-	41,096	37,667
Profit for the year	-	-	43,845	43,845
Other comprehensive income	(100)	-	-	(100)
Distributions	-	-	(26,960)	(26,960)
At 31 March 2020	**(3,529)**	**-**	**57,981**	**54,452**

20 Capital management (continued)

(c) Revaluation reserves and retained earnings (continued)

Exchange differences arising on translation of foreign currency subsidiaries are recognised in other comprehensive income as described in note 1 (f) and accumulated in a separate translation reserve. The cumulative amount is reclassified to retained earnings when the net investment is disposed of.

Company:	Retained earnings $'000
At 31 March 2018	1,224
Total comprehensive income	49,316
Distributions	(46,244)
At 31 March 2019	4,296
Total comprehensive income	31,979
Distributions	(26,960)
At 31 March 2020	**9,315**

21 Fair value of financial assets and liabilities

The Group and Company disclose the fair value measurement of financial assets and liabilities using three levels, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data.

All financial assets measured at fair value through profit or loss, comprising units in unlisted funds and derivative financial instruments in the form of foreign exchange contracts, are classified as Level 2. There have been no transfers between Level 1, 2 or 3 in the current year or prior period.

The units in unlisted funds are not actively traded and the valuation at the fund level cannot be determined by reference to other available prices. The fair values of units held in unlisted funds are derived from the reported NAVs of each of the fund products, which in turn are based upon the value of the underlying assets held within each of the fund products. The valuation of the underlying assets within each fund product is determined by external valuation providers based on an agreed valuation policy and methodology using observable inputs.

The Group's derivative financial instruments are valued using forward exchange rates at the reporting date.

22 Immediate and ultimate controlling party

The immediate controlling party of the Group is CQS Jersey Limited, a company incorporated in Jersey. The ultimate controlling party of the Group is Sir Michael Hintze.

23 Related party transactions

During the course of the current and prior period, the Group entered into transactions with CQS Cayman Limited Partnership, CQS Holdings (Jersey) Limited, CQS Jersey Limited, MHPF Holdings Pty Ltd, MHPF (UK) Limited, Dikler Farming Company Limited, SMH Aviation LP, SMH Bravo LP, SMH Investments Limited, Our Place Sustainable Development Limited, The Hintze Family Charitable Foundation and Architekton Limited, all of which are related to the Group through common control. The Group also entered into transactions with CQS (Hong Kong) Limited, which was classified as a related party prior to its acquisition by the Group during the year (note 12). As such, the charges disclosed in relation to this entity in the current year relate to the period pre-acquisition only.

(a) Investment advisory, sales agent and marketing services

The total net amounts charged by/(to) the Group during the period and the total amounts outstanding as receivable/(payable) at the period end in respect of investment advisory, sales agent and marketing services were as follows:

	Charges for the year		**Balance outstanding**	
	Year ended 31 March 2020 $'000	Year ended 31 March 2019 $'000	As at 31 March 2020 $'000	As at 31 March 2019 $'000
CQS Cayman Limited Partnership	-	49,096	-	620
CQS (Hong Kong) Limited	(3,393)	(5,350)	-	(1,383)

(b) Personnel, infrastructure and other administrative services

The total net amounts charged by/(to) the Group during the period and the total amounts outstanding as receivable/(payable) at the period end in respect of personnel, infrastructure and other administrative services were as follows:

	Charges for the year		**Balance outstanding**	
	Year ended 31 March 2020 $'000	Year ended 31 March 2019 $'000	As at 31 March 2020 $'000	As at 31 March 2019 $'000
Architekton Limited	-	36	-	36
CQS Holdings (Jersey) Limited	-	-	5	-
CQS Jersey Limited	(728)	(553)	(185)	-
CQS Cayman Limited Partnership	-	(555)	18	-
Dikler Farming Company Limited	-	23	-	23
MHPF (UK) Limited	143	120	143	120
Our Place Sustainable Development Limited	29	-	29	-
SMH Aviation LP	110	139	110	139
SMH Bravo LP	31	-	31	-
SMH Investments Limited	29	-	29	-
The Hintze Family Charitable Foundation	82	-	82	-

(c) Other

During the year, the Group paid charges to MHPF Holdings Pty Ltd totalling $138 thousand (2018: $166 thousand) in respect of property and other administration services, of which $nil was owed to the Group as at the period end in respect of prepaid charges (2018: $12 thousand owed by the Group).

During the year, an amount of $nil (2019: $313 thousand) was charged to the Group by CQS Cayman Limited Partnership for the use of a private jet, of which $nil (2019: $94 thousand) was outstanding as at the period end.

24 Subsequent events

The worldwide response to the COVID-19 pandemic has affected financial markets and resulted in operational challenges for the Group. There are no matters requiring recognition or disclosure subsequent to the year end.