CQS

CQS Management Limited

Report and financial statements
for the year ended
31 March 2023

Contents

Registered number

03691917

Registered office

4th Floor
One Strand
London
WC2N 5HR

Auditors

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Directors

Sir Michael Peat
Lord Hintze
Robert Castrignano
Soraya Chabarek

The directors present their report and the consolidated financial statements of CQS Management Limited (the "Company") and its subsidiary undertakings (together, the "Group") for the year ended 31 March 2023.

Principal activity and future developments

The Company acts as parent company to the CQS Group, which includes CQS Aiguille du Chardonnet S.à.r.l., CQS Directional Opportunities IA LP, CQS Investment Management (Australia) PTY LTD, CQS (Hong Kong) Limited, CQS IA General Partner, CQS (UK) LLP, CQS RCR Carry Partner LP, CQS RCR Fund I GP Limited, CQS US Feeder Fund (GP) LLC, and CQS (US), LLC. The principal activities of the Group 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 or Group's activities in the foreseeable future.

Directors

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

Sir Michael Peat
Lord Hintze
Robert Castrignano
Soraya Chabarek

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 Company declared and paid dividends totalling $nil (2022: $3,111k) to ordinary shareholders.

Charitable donations

During the year, the Group made charitable donations totalling $216k (2022: $532k).

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, RSM UK Audit LLP, has indicated its willingness to be reappointed.

Signed on behalf of the board of directors by:

Sir Michael Peat
Director
10 November 2023

Review of the business

The profit for the period, before partner profit shares and taxation, amounted to $6,429k (2022: $3,388) as detailed in the consolidated statement of profit or loss on page 9. The key financial and other performance indicators during the year were as follows:

	2023	2022
Revenuc ($'000s)	121,000	171,149
Profit before tax ($'000s)	6,429	3,388
Assets under management at 31 March ($ million)	15,312	20,674

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 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 challenges the Group's business model. The Group mitigates this risk through ongoing monitoring of current and proposed regulatory requirements along with engagement with industry bodies.

2. Market, credit and liquidity risks affect the Group's assets and liabilities, comprising investments, cash deposits, derivative financial instruments, 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. Monitoring and assessment is provided by the CQS Operating Committee and Senior Partners Group.

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.

Greenhouse gas emissions and energy consumption

The following information summarises the Group's global direct environmental performance:

Greenhouse gas emissions scope: tCO_2e	Year ended 31 March 2023	Year ended 31 March 2022
Scope 1: Direct emissions from fuel use for transport	20	18
Scope 2: Indirect emissions from purchased electricity	476	461
Scope 3: Indirect emissions from business travel	936	590
Total	1,432	1,069
Intensity measurement: tCO_2e per FTE *	7.9	5.0
Electricity Consumption: MWh	546	554

* The emissions intensity calculation is based on a figure of 181 (2022: 212) average total partners and employees.

The methodology used to calculate the Group's emissions is based on the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' (March 2021) issued by DEFRA and using the latest UK Government GHG Conversion Factors.

Section 172 (1) statement

The directors delegate authority for day-to-day management of the Group to the Senior Partners Group and the Operating 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 Operating Committee to ensure ongoing robust governance and oversight for the benefit of the Group's stakeholders.

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:

a) *The likely consequences of any decision in the long term*

Business decisions are made with the needs of key stakeholders in mind, in particular: the employees, clients, suppliers and regulators.

The directors are committed to effective engagement with stakeholders. Depending on the nature of the issue in question, the relevance, interests and priorities of each stakeholder group may differ, which the directors seek to understand and factor into their decision making. As such, not all decisions will necessarily result in a positive outcome for all stakeholders.

b) *Stakeholder engagement: Employees*

A key measure of the Group's success is the ability to recruit and retain talented people who are able to perform their roles effectively and support the culture of the firm. To meet this objective, the Group has implemented appropriate remuneration and incentive structures to hire and retain highly skilled professionals, with comprehensive benefits packages provided to invest in employee welfare.

CQS is committed to providing equal opportunities to all staff and building a culture that values meritocracy, openness, fairness and transparency. The Group operates a Diversity and Inclusion working group, which meets and provides regular updates to senior management.

Section 172 (1) statement (continued)

c) *Stakeholder engagement: Clients*

Helping clients to achieve their investment goals is fundamental to the Group's corporate purpose, with a range of investment solutions provided to investors across a variety of return objectives and risk appetites. CQS is focused on core credit asset classes, where specialist expertise has been built over a 20+ year history, and is committed to delivering high performance and levels of service to clients. The directors and senior management undertake frequent client engagement and this feedback is considered as part of strategy setting and long-term decision making.

d) *Stakeholder engagement: Regulators*

The Group is subject to financial regulation in a number of jurisdictions around the globe. CQS operates in a highly regulated industry, and we recognise that regulation is designed to protect both investors and market participants, creating a level playing field and confidence in financial markets. The firm is committed to following both the letter and the spirit of regulations and to engaging with regulators in an open and responsive manner.

e) *Stakeholder engagement: Suppliers*

The Group enters into a variety of agreements with service providers and suppliers and is committed to treating all suppliers fairly and with respect, ensuring that invoices are paid on time. Where there are concerns about the quality of a product or service that is being delivered, these are raised with the supplier in order to seek a resolution in an open and constructive manner. Senior management considers the Group's impact on its supply chain as part of its approval of the Modern Slavery Transparency Statement and publication of biannual payment practice reports.

f) *The impact of the Group's operations on the community and environment*

As an investment manager, CQS views Environmental, Social and Governance ("ESG") factors as significant drivers influencing financing costs, risk assessment, valuations and performance. The assessment, integration and engagement of ESG factors is a crucial part of the responsible investment commitment across the CQS investment platform, both in public and privately held companies.

CQS is a signatory of the Net Zero Asset Managers initiative. In doing so, the firm is part of the collective goal to engage and, through investment, achieve net zero greenhouse gas emissions by 2050 or sooner. The firm has partnered with Carbon Footprint to fully offset the Scope 1, 2 and 3 emissions (business travel) emitted by the Group globally.

The firm's commitment to responsible investing goes beyond integrating ESG factors into business and investment practices, and includes promoting and nurturing a conscientious mind-set and a commitment by all partners and employees to good global citizenship and stewardship. Our corporate social responsibility is focused on working with organisations who share our goals and values. We are passionate about supporting youth development and promoting opportunities to make the broader industry more accessible to diverse talent.

Signed on behalf of the board of directors by:

Sir Michael Peat
Director

10 November 2023

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 in conformity with the requirements of the Companies Act 2006.

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 2023 which comprise the Consolidated statement of profit or loss, Consolidated statement of other comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows, Company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards 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 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards 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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' 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 directors' responsibilities statement set out on page 5, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team and component auditors::

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;

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

- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are UK-adopted IAS and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to Financial Conduct Authority (FCA) regulation and compliance. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls and the risk of fraud in revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions, and the recalculation of fees using independently obtained confirmations.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the consolidated financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our group audit approach.

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 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.

Neil Griggs

Neil Griggs (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
London, UK

14 November 2023

Consolidated statement of profit or loss

	Notes	Year ended 31 March 2023 $'000	Year ended 31 March 2022 (restated) $'000
Revenue		121,000	171,149
Cost of sales		(8,095)	(10,029)
Gross profit		112,905	**161,120**
Administrative expenses	3	(97,773)	(157,921)
Other operating income		430	1,005
Operating profit		**15,562**	**4,204**
Finance income	4	1,580	428
Finance expense	5	(3,572)	(1,125)
Other net losses	6	(7,141)	(119)
Profit before tax		**6,429**	**3,388**
Tax expense	7	(2,746)	(760)
Profit for the year		**3,683**	**2,628**

The notes on pages 17 to 30 form part of these consolidated financial statements

Consolidated statement of other comprehensive income

	Year ended 31 March 2023 $'000	Year ended 31 March 2022 (restated) $'000
Profit for the year	**3,683**	**2,628**
Other comprehensive income		
Exchange differences on translation of foreign operations	(1,200)	(785)
Total other comprehensive (loss)/income	**(1,200)**	**(785)**
Total comprehensive income	**2,483**	**1,843**

The notes on pages 17 to 30 form part of these consolidated financial statements

Consolidated statement of financial position

Registered number: 03691917

	Notes	As at 31 March 2023 $'000	As at 31 March 2022 (restated) $'000
Non-current assets			
Property, plant and equipment	10	4,078	5,380
Right-of-use assets	11	12,306	16,632
Deferred tax assets	13	3,304	5,265
Investments in fund products	14	42,441	39,526
		62,129	66,803
Current assets			
Current tax assets		1,642	3,212
Investments in fund products	14	39,990	-
Trade and other receivables	15	23,362	34,351
Cash and cash equivalents	16	59,974	23,563
		124,968	61,126
Total assets		**187,097**	**127,929**
Non-current liabilities			
Lease liabilities	11	(11,315)	(14,906)
Borrowings	16	(36,518)	(32,238)
Provisions	17	(3,722)	(4,961)
		(51,555)	(52,105)
Current liabilities			
Lease liabilities	11	(3,573)	(4,831)
Borrowings	16	(66,191)	-
Provisions	17	(2,667)	(5,667)
Trade and other payables	18	(8,003)	(12,691)
Current tax liabilities		-	(4)
		(80,434)	(23,193)
Total liabilities		**(131,989)**	**(75,298)**
Net assets		**55,108**	**52,631**
Equity			
Share capital and capital reserves	19	30,001	30,001
Revaluation reserves and retained earnings	19	23,495	21,012
Capital and reserves attributable to owners		53,496	51,013
Non-controlling interests		1,612	1,618
Total equity		**55,108**	**52,631**

The financial statements were approved and authorised for issue by the board of directors on 10 November 2023 and signed on its behalf by:

Sir Michael Peat
Director

The notes on pages 17 to 30 form part of these consolidated financial statements

Company statement of financial position

Registered number: 03691917

	Notes	As at 31 March 2023 $'000	As at 31 March 2022 $'000
Non-current assets			
Investments in Group undertakings	12	35,731	35,724
Deferred tax assets	13	1,987	2,381
		37,718	38,105
Current assets			
Current tax assets		1,187	2,098
Trade and other receivables	15	612	104
Cash and cash equivalents	16	176	1,075
		1,975	3,277
Total assets		**39,693**	**41,382**
Non-current liabilities			
Provisions	17	(831)	(825)
		(831)	(825)
Current liabilities			
Provisions	17	(520)	(365)
Trade and other payables	18	(231)	(281)
		(751)	(646)
Total liabilities		**(1,582)**	**(1,471)**
Net assets		**38,111**	**39,911**
Equity			
Share capital and capital reserves	19	30,001	30,001
Retained earnings	19	8,110	9,910
Total equity		**38,111**	**39,911**

The financial statements were approved and authorised for issue by the board of directors on 10 November 2023 and signed on its behalf by:

Michael Peat

Sir Michael Peat
Director

The notes on pages 17 to 30 form part of these consolidated financial statements

Consolidated statement of changes in equity

	Notes	Attributable to owners of the Company				
		Share capital and capital reserves $'000	Revaluation reserves and retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
As at 31 March 2021(restated)		**30,001**	**27,480**	**57,481**	**176**	**57,657**
Profit for the year		-	2,628	2,628	-	2,628
Other comprehensive income		-	(785)	(785)	-	(785)
Total comprehensive income		**-**	**1,843**	**1,843**	**-**	**1,843**
Capital introduced		-	-	-	1,492	1,492
Capital repaid		-	-	-	(50)	(50)
Profit allocations		-	(5,200)	(5,200)	-	(5,200)
Distributions paid	9	-	(3,111)	(3,111)	-	(3,111)
Transactions with owners		**-**	**(8,311)**	**(8,311)**	**1,442**	**(1,669)**
As at 31 March 2022 (restated)		**30,001**	**21,012**	**51,013**	**1,618**	**52,631**
Profit for the year		-	3,683	3,683	-	3,683
Other comprehensive loss		-	(1,200)	(1,200)	-	(1,200)
Total comprehensive income		**-**	**2,483**	**2,483**	**-**	**2,483**
Capital introduced		-	-	-	6	6
Capital repaid		-	-	-	(12)	(12)
Transactions with owners		**-**	**-**	**-**	**(6)**	**(6)**
As at 31 March 2023		**30,001**	**23,495**	**53,496**	**1,612**	**55,108**

The notes on pages 17 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 31 March 2021		**30,001**	**14,139**	**44,140**
Loss for the year		-	(1,118)	(1,118)
Total comprehensive income		**-**	**(1,118)**	**(1,118)**
Distributions paid	9	-	(3,111)	(3,111)
Transactions with owners		**-**	**(3,111)**	**(3,111)**
As at 31 March 2022		**30,001**	**9,910**	**39,911**
Loss for the year		-	(1,800)	(1,800)
Total comprehensive income		**-**	**(1,800)**	**(1,800)**
Distributions paid	9	-	-	-
Transactions with owners		**-**	**-**	**-**
As at 31 March 2023		**30,001**	**8,110**	**38,111**

The notes on pages 17 to 30 form part of these consolidated financial statements

Consolidated statement of cash flows

	Notes	Year ended 31 March 2023 $'000	Year ended 31 March 2022 (restated) $'000
Cash flows from operating activities			
Profit for the year		3,683	2,628
Adjustments for:			
Depreciation and amortisation		5,256	6,115
Finance income		(1,580)	(428)
Finance expense		3,572	1,125
Other net losses		7,141	119
Tax expense		2,746	760
Net exchange differences		(2,818)	(92)
Changes in working capital:			
(Increase)/decrease in trade and other receivables		10,039	(3,033)
Decrease in trade and other payables		(4,733)	(30,368)
Decrease in provisions		(4,239)	(4,652)
Cash generated from operations		19,067	(27,826)
Unwind of discount on lease liabilities	11	(564)	(735)
Income taxes paid		779	181
Net cash inflow from operating activities		**19,282**	**(28,380)**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(48)	(654)
Payments for investments in fund products		(98,514)	(28,413)
Net payments on settlement of derivatives		(5,280)	(2,107)
Disposal/(acquisition) of intangible asset		-	2,100
Proceeds on disposal of investments in fund products		51,466	21,787
Interest received		1,580	428
Net cash (used in)/from investing activities		**(50,796)**	**(6,859)**
Cash flows from financing activities			
Principal elements of lease payments	11	(4,674)	(5,378)
Interest paid		(3,007)	(420)
Transactions with non-controlling interests		(6)	1,442
Profit allocations		-	(5,200)
Distributions paid	9	-	(3,111)
Proceeds from/(repayment of) borrowings		75,612	25,205
Net cash generated/(used) in financing activities		**67,925**	**12,838**
Net increase/(decrease) in cash and cash equivalents		**36,411**	**(22,401)**
Cash and cash equivalents at the beginning of the financial year		23,563	45,964
Cash and cash equivalents at the end of the financial year		**59,974**	**23,563**

The notes on pages 17 to 30 form part of these consolidated financial statements

Company statement of cash flows

	Notes	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
Cash flows from operating activities			
(Loss)/profit for the year		(1,800)	(1,118)
Adjustments for:			
Finance income		(3)	(2)
Tax expense		1,058	194
Net exchange differences		185	186
Changes in working capital:			
Increase in trade and other receivables		(507)	(4,485)
Decrease in trade and other payables		(51)	-
Decrease in provisions		161	(211)
Cash generated from operations		(957)	(5,436)
Income taxes paid		61	-
Net cash (outflow)/inflow from operating activities		**(896)**	**(5,436)**
Cash flows from investing activities			
Investments in subsidiary undertakings		(7)	(65)
Disposal of intangible asset		-	2,100
Interest received		3	2
Net cash from investing activities		**(4)**	**2,037**
Cash flows from financing activities			
Distributions paid	9	-	(3,111)
Net cash used in financing activities		-	**(3,111)**
Net (decrease)/increase in cash and cash equivalents		**(900)**	**(6,510)**
Cash and cash equivalents at the beginning of the financial year		1,075	7,585
Cash and cash equivalents at the end of the financial year		**175**	**1,075**

The notes on pages 17 to 30 form part of these consolidated financial statements

1 Accounting policies

(a) Basis of preparation

The financial statements for the Group and Company have been prepared in accordance with UK-adopted International Accounting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

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) Prior year adjustments

Given the 2021 Statement of Recommended Practice (SORP), effective 1 January 2022, the partnership has elected to follow the SORP guidance in order to maintain consistent and quality financial reporting. In reviewing the LLPA and the new guidance, it has been judged that the partnership does not have an unconditional right to avoid dividing profit each year and so profit division should be treated as being automatic. Amounts of members' remuneration charged as an expense in the subsidiary accounts payable to non-controlling members are an expense to the group and have been reclassified from the non-controlling interest to administrative expenses in the profit and loss account. There is no longer NCI in the group profit and loss account in respect of profits of the subsidiary that are automatically divided. The corresponding amounts have been restated accordingly. There is no corresponding adjustment in the consolidated balance sheet as amounts due to non-controlling members were already classified as a liability in the Group accounts.

(c) 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.

(d) Impact of new accounting standards

A number of new or amendments to existing accounting standards and interpretations have been issued by the International Accounting Standards Board (IASB). There are no new or revised standards or interpretations that have either been adopted or that are not yet adopted that have or are expected to have a material impact on the Group's financial statements.

(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.

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.

1 Accounting policies (continued)

(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 and accumulated in the translation reserve. On disposal of a foreign currency subsidiary, the cumulative amount in the translation reserve related to the entity is reclassified to profit or loss.

(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 external distribution costs, fund expense cap reimbursements and other fee-sharing arrangements.

(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.

(k) 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 factors, the satisfaction of vesting conditions by individual employees. Surpluses arising from forfeiture of awards are recognised as an asset of the Group and are credited against other long-term employee benefits within staff costs.

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 14(a)), the recognition of deferred tax assets (note 13), the valuation of investments at fair value through profit or loss (notes 14(b) and 20), the valuation of derivative assets and liabilities (notes 18 and 20), and the valuation of deferred compensation liabilities (note 17).

3 Administrative expenses

Staff costs:	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
Wages and salaries	36,620	44,806
Other long-term employee benefits	2,863	5,680
Social security costs	3,972	5,633
Pension contributions	1,190	1,609
Total staff costs	**44,645**	**57,728**

In addition to regular salary costs, wages and salaries include current variable compensation, employee benefits and termination payments.

The average number of partners and employees of the Group (including directors) during the year was as follows:

	Year ended 31 March 2023	Year ended 31 March 2022
Portfolio management	69	79
Distribution	26	31
Infrastructure	86	102
	181	**212**

The average number of directors during the year was 4 (2022: 4).

Directors' emoluments for the period totalled $12,782k (2022: $46,911k). The total amount payable to the highest paid director in respect of emoluments was $7,670k ($38,693k).

The aggregate amount of remuneration and profits ultimately attributable to members considered to be key management personnel was $22,316 (2022: $56,363k), comprising short-term benefits of $21,782 (2022: $49,992k) and other long-term benefits of $534k (2022: $6,371k).

Other administrative expenses include:	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
Depreciation of property, plant and equipment (note 10)	1,490	1,488
Depreciation of right-of-use assets (note 11)	3,935	4,627
Foreign exchange losses	232	224
Auditor's remuneration: audit services	146	144
Automatic division of profit allocated to members of CQS (UK) LLP	27,527	70,354

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 2023 $'000	Year ended 31 March 2022 $'000
Interest income on investments held at amortised cost	950	398
Interest income on cash deposits	630	30
	1,580	**428**

5 Finance expense

	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
Interest payable on borrowings	3,008	390
Unwind of discount on lease liabilities	564	735
	3,572	**1,125**

6 Other net losses

This note provides a breakdown of the items included in 'other net losses'. 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 2023 $'000	Year ended 31 March 2022 $'000
Net losses on financial assets/liabilities at fair value through profit or loss	(7,177)	(418)
Decrease in loss allowance for investments at amortised cost	34	383
Remeasurement of lease liability	-	(103)
Gain on disposal of property, plant and equipment	-	19
	(7,141)	**(119)**

7 Tax

	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
Current tax charge/(credit) on profits for the year	839	(952)
(Utilised)/Unutilised tax losses carried forwards	(889)	352
Adjustments to tax charge in respect of previous periods	835	(245)
Total current tax charge/(credit)	**785**	**(845)**
Reclassification from current to deferred tax asset (note 13)	-	534
Decrease in deferred tax assets (note 13)	1,961	1,071
Tax expense	**2,746**	**760**

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 2023 $'000	Year ended 31 March 2022 (restated) $'000
Profit before tax	6,429	3,388
Tax on ordinary activities at the standard rate of corporation tax in the UK of 19% (2022: 19%)	1,221	644
Effects of:		
Differences on consolidation	536	(170)
Depreciation in excess of capital allowances	81	73
Expenses not deductible for tax purposes	49	61
Tax effect of temporary differences	(1,241)	(1,531)
Partnership profits taxable on other members	-	-
Effect of tax rates in foreign jurisdictions	193	(29)
	839	(952)
(Utilised)/Unutilised tax losses carried forwards	(889)	352
Adjustments to tax charge in respect of previous periods	835	(245)
Origination and reversal of temporary differences	1,961	1,605
Tax expense	**2,746**	**760**

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 loss for the Company after tax of $1,800k (2022: loss after tax of $1,118k).

9 Distributions

	Year ended 31 March 2023 $'000	Year ended 31 March 2022 $'000
Dividends paid	-	3,111
	-	**3,111**

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

10 Property, plant and equipment

	Leasehold improvements $'000	Computers & communications equipment $'000	Office furniture, fittings & equipment $'000	Vehicles $'000	Total $'000
Cost:					
At 31 March 2021	7,136	3,529	845	437	11,947
Additions	-	526	-	147	673
Disposals	-	-	-	(112)	(112)
At 31 March 2022	7,136	4,055	845	472	12,508
Additions	-	-	190	-	190
At 31 March 2023	7,136	4,055	1,035	472	12,698
Depreciation:					
At 31 March 2021	2,901	2,057	648	146	5,752
Charge for the year	920	420	52	96	1,488
Disposals	-	-	-	(112)	(112)
At 31 March 2022	3,821	2,477	700	130	7,128
Charge for the year	760	450	177	103	1,490
At 31 March 2023	4,581	2,927	877	233	8,618
Net book value:					
At 31 March 2022	3,315	1,578	145	342	5,380
At 31 March 2023	**2,554**	**1,128**	**157**	**239**	**4,078**

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 $5,238k (2022: $6,113k) relating to leases are presented as unwind of discount on lease liabilities of $564k (2022: $735k) within operating activities and principal elements of lease payments of $4,674k (2022: $5,378) 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).

	2023 $'000	2022 $'000
Right-of-use assets		
Net book value at the beginning of the year	16,632	22,289
Termination of lease	-	(490)
Depreciation expense	(3,935)	(4,627)
Exchange differences	(391)	(540)
Net book value at year end	**12,306**	**16,632**
Lease liabilities		
Current	3,573	4,831
Non-current	11,315	14,906
	14,888	**19,737**

The maturity of contractual undiscounted cash flows for the lease liabilities are as follows:

	2023 $'000	2022 $'000
Within one year	4,347	5,400
Between one and five years	10,778	14,509
Between five and ten years	1,228	2,362
Undiscounted lease liabilities at year end	**16,353**	**22,271**
Discounted lease liabilities at year end	**14,888**	**19,737**

(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 $360k in 2023 (2022: $345k).

At 31 March 2023, the undiscounted operating lease payments receivable on an annual basis are as follows:

	2023 $'000	2022 $'000
Within one year	-	329
Between one and two years	-	-
	-	**329**

12 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 2023 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 Directional Opportunities IA, LP [2]	Cayman Islands	100%	Holding company
CQS Global Relative Value IA, LP [2]	Cayman Islands	100%	Holding company
CQS (Hong Kong) Limited [3]	Hong Kong	100%	Investment advisory
CQS IA General Partner [2]	Cayman Islands	100%	General partner
CQS Investment Management (Australia) PTY LTD [4]	Australia	100%	Sales agent and marketing
CQS RCR Carry Partner, LP [2]	Cayman Islands	100%	Holding company
CQS RCR Fund I GP Limited [2]	Cayman Islands	100%	General partner
CQS (UK) LLP [5]	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: PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
[3] The registered office is: 1308 One Exchange Square, 8 Connaught Place Central, Hong Kong
[4] The registered office is: Level 13, 1 Margaret Street, Sydney, NSW 2000, Australia
[5] The registered office is: 4th Floor, One Strand, London, WC2N 5HR, UK
[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 capital attributable due to the non-controlling members of CQS (UK) LLP are shown as non-controlling interests in the consolidated statement of financial position.

Rua Tierno Galvan (Investments Services) S.A. was dissolved in April 2023. CQS Global Relative Value IA, LP was dissolved in July 2023.

(b) Company

	Group entities $'000
Cost and net book value:	
At 31 March 2022	35,724
Additions	7
At 31 March 2023	**35,731**

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 12 (a).

13 Deferred tax assets

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

	Group	Group	Group	Company
	Employee benefits	Net operating losses	Total	Employee benefits
	$'000	$'000	$'000	$'000
At 31 March 2022	4,379	886	5,265	2,381
Charged to profit and loss	(1,471)	(490)	(1,961)	(394)
	2,908	**396**	**3,304**	**1,987**

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.

14 Investments in fund products

(a) Non-current asset investments in fund products

	As at 31 March 2023 $'000	As at 31 March 2022 $'000
Investments at amortised cost	42,441	39,275
Investments at fair value through other comprehensive income	-	251
	42,441	**39,526**

The investments at amortised cost comprised notes issued by two (2022: two) collateralised loan obligations ("CLO"), which are held by the Group to satisfy regulatory risk retention requirements, along with warehouse financing relating to a further CLO.

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, or where there is an intention or expectation to dispose of the assets within 12 months. These 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, and is determined with reference to market conditions and valuations provided by external sources. The loss allowance for investments at amortised cost as at the reporting date reconciles to the opening loss allowance as follows:

	$'000
Loss allowance at 31 March 2022	772
Decrease in the allowance recognised in profit or loss during the year	(35)
Loss allowance as at 31 March 2023	**737**

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 2023 was $41,308k (2022: $39,193k). Part of the investments held at amortised cost have been sold via sale and repurchase (repo) arrangements (note 16).

14 Investments in fund products (continued)

(b) Current asset investments in fund products

	As at 31 March 2023 $'000	As at 31 March 2022 $'000
Investments at amortised cost	10,608	-
Investments at fair value through profit or loss	26,936	-
Investments at fair value through other comprehensive income	2,446	-
	39,990	**-**

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 and at 31 March 2023 comprised a holding in a single fund (2022: no investments were held). A 10% increase/decrease in the reported net asset value of the underlying fund, with all other variables held constant, would have resulted in a gain/loss of $2,694K (2022: $Nil), with a corresponding impact on equity.

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. There is no exposure to price risk for investments held at amortised cost as the investments will be held to maturity.

15 Trade and other receivables

	Group	Group	Company	Company
	As at 31 March 2023 $'000	As at 31 March 2022 $'000	As at 31 March 2023 $'000	As at 31 March 2022 $'000
Due from related parties	-	459	597	83
Trade receivables	7,478	13,975	-	-
Prepayments and accrued income	14,935	17,149	-	-
Derivative financial instruments	-	949	-	-
Trust surpluses	4	575	-	-
Other receivables	945	1,244	15	21
	23,362	**34,351**	**612**	**104**

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 (measured at fair value through profit and loss) and prepayments.

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 and amounts billed in respect of recoverable costs from related parties (note 21). 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 by the independent administrators. The credit risk of fee receivables is considered minimal. No balances are overdue at year end.

Derivative financial instruments, which consist of foreign exchange and fund-linked 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 and market movements or as part of its fund seeding programme and not as speculative investments.

The notional value of all derivative financial assets and liabilities (note 18) at 31 March 2023 was $2,991k (2022: $75,000k). All derivatives are held with A1 rated financial institutions (2022: all A1) and mature within one year. During the year, there were net realised and unrealised losses arising from derivatives of $6,274K (2022: losses of $1,090k). Derivatives are classified as Level 2 under the Group's fair value hierarchy (note 20).

16 Cash, liquidity and borrowings

(a) Cash and liquidity

Total liquidity comprises cash and cash equivalents of $59,974k (2022: $23,563k) for the Group and $175k (2022: $1,075k) 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 2023, the Group's cash and cash equivalents balance is held with eight institutions (2022: seven institutions). The single largest counterparty exposure of $24,517k is held with an A1 rated institution (2022: $20,084k with an A1 rated institution). At 31 March 2023, balances with institutions in the Aa ratings band aggregate to $21,909k (2022: $3,318k), balances with institutions in the A ratings band aggregate to $13,299k (2022: $20,109k) and balances with unrated institutions aggregate to $57k (2022: $135k). The Company's total cash and cash equivalents balance was held with two A1 rated banks as at 31 March 2023 (2022: one A1 rated bank). Exposure to credit risk is managed in line with the CQS Group Treasury Policy.

(b) Borrowings

Group:	Nominal interest rate	Year of maturity	As at 31 March 2023 $'000	As at 31 March 2022 $'000
Non-current liabilities				
Sale and repurchase arrangements	0.50%	2029-2035	36,518	32,238
Current liabilities				
Sale and repurchase arrangements	0.50%	2023	9,941	-
Secured borrowings	SOFR + 2.875%	2023	56,250	-
Total borrowings			**102,709**	**32,238**

Under a sale and repurchase (repo) arrangement, the Group is committed to repurchase the underlying investments at maturity and pay an interest charge over the period, with the obligation to repurchase the assets and maturity recorded as a liability in the statement of financial position. Subsequent to year end the repo arrangement recorded under current liabilities was terminated following the repayment in full of the underlying assets.

Investments held at fair value through profit and loss and interest-bearing cash deposits totalling $51,166k (2022: $nil) were pledged as collateral against secured borrowings. Subsequent to year end these borrowings were repaid in full.

(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 $1,169k (2022: loss/gain of $3,025k), 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 2023 a 100bp increase/decrease in interest rates, with all other variables held constant, would result in a $30k increase or $29k decrease (2022: 100bp increase/decrease in interest rates resulted in a $750k increase or $720k decrease) in net interest income over the next financial period.

17 Provisions

Group: Non-current liabilities	Other long-term employee benefits $'000	Social security $'000	Total $'000
At 31 March 2021	5,794	796	6,590
Charge for the year	2,117	585	2,702
Movements in provisions	(493)	45	(448)
Transfer to current liabilities	(3,452)	(431)	(3,883)
At 31 March 2022	3,966	995	4,961
Charge for the year	1,295	204	1,499
Movements in provisions	(746)	(438)	(1,184)
Transfer to current liabilities	(1,495)	(59)	(1,554)
At 31 March 2023	**3,020**	**702**	**3,722**

17 Provisions (continued)

Current liabilities	Other long-term employee benefits $'000	Social security $'000	Total $'000
At 31 March 2021	7,584	1,106	8,690
Transfer from non-current liabilities	3,452	431	3,883
Charge for the year	423	117	540
Movements in provisions	(91)	(14)	(105)
Provisions used in the year	(6,291)	(1,050)	(7,341)
At 31 March 2022	5,077	590	5,667
Transfer from non-current liabilities	1,495	59	1,554
Charge for the year	259	41	300
Movements in provisions	(2,763)	272	(2,491)
Provisions used in the year	(1,918)	(445)	(2,363)
At 31 March 2023	**2,150**	**517**	**2,667**

Company: **Non-current liabilities**	Other long-term employee benefits $'000	Social security $'000	Total $'000
At 31 March 2021	488	67	555
Charge for the year	439	66	505
Movements in provisions	25	7	32
Transfer to current liabilities	(235)	(32)	(267)
At 31 March 2022	717	108	825
Charge for the year	361	49	410
Movements in provisions	(196)	(31)	(227)
Transfer to current liabilities	(154)	(23)	(177)
At 31 March 2023	**728**	**103**	**831**
Current liabilities			
At 31 March 2021	742	103	845
Transfer from non-current liabilities	235	30	265
Charge for the year	88	13	101
Movements in provisions	43	8	51
Provisions used in the year	(791)	(105)	(896)
At 31 March 2022	317	49	366
Transfer from non-current liabilities	154	23	177
Charge for the year	72	7	79
Movements in provisions	195	26	221
Provisions used in the year	(283)	(40)	(323)
At 31 March 2023	**455**	**65**	**520**

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.

18 Trade and other payables

	Group	Group	Company	Company
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
Current liabilities	$'000	$'000	$'000	$'000
Due to non-controlling interests	3,057	7,772	-	-
Trade payables	1,577	2,343	1	3
Other taxes and social security costs	1,320	818	27	28
Accruals and deferred income	1,594	721	50	52
Other payables	455	1,037	153	198
	8,003	**12,691**	**231**	**281**

Trade and other payables are measured at amortised cost, with the exception of derivative financial instruments which are measured at fair value through profit and loss. The carrying value of trade and other payables is consistent with fair value in the current and prior year due to its short term nature. All amounts within trade and other payables are expected to be settled within one year.

19 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

	Ordinary share capital	Capital reserve	Capital redemption reserve	Total
Group and Company:	$'000	$'000	$'000	$'000
At 31 March 2022 and 2023	25,857	3,741	403	30,001

Allotted, called up and fully paid:	No. of ordinary shares
At 31 March 2022 and 2023	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

	Translation reserve	Retained earnings	Total
Group:	$'000	$'000	$'000
At 31 March 2021 (restated)	(1,667)	29,147	27,480
Reclassification on dissolution of foreign currency subsidiary	(25)	25	-
Profit for the year	-	2,628	16,821
Other comprehensive loss	(785)	-	(785)
Profit allocations	-	(5,200)	(5,200)
Distributions	-	(3,111)	(3,111)
At 31 March 2022 (restated)	(2,477)	23,489	21,012
Profit for the year	-	3,683	3,683
Other comprehensive loss	(1,200)	-	(1,200)
Profit allocations	-	-	-
At 31 March 2023	**(3,677)**	**27,172**	**23,495**

19 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 (e) 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 2021	14,139
Total comprehensive income	(1,118)
Distributions	(3,111)
At 31 March 2022	9,910
Total comprehensive loss	(1,800)
At 31 March 2023	**8,110**

20 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, 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.

21 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 Lord Hintze.

21 Related party transactions

(a) Parent company

During the year, the Group was charged $217k (2022: $498k) by the immediate controlling party, CQS Jersey Limited, in respect of infrastructure and other administrative services. As at the year end, a balance of $nil (2022: $nil) was owed by the Group.

(b) Entities under common control

During the year, the Group was charged $5,067k (2022: $5,128k) by entities related to the Group through common control in respect of travel services. In turn, the Group charged $nil (2022: $428k) to entities related to the Group through common control in respect of personnel, infrastructure and other administrative services. As at the year end, a balance of $nil (2022: $424k) was owed to the Group.

21 Related party transactions (continued)

(c) Other

During the year, the Group paid charitable donations of $nil (2022: $342k) and charged $nil (2022: $31k) in respect of personnel, infrastructure and other administrative services to The Hintze Family Charitable Foundation, an entity under common control. As at the year end, a balance of $nil (2022: $31k) was owed to the Group.

22 Subsequent events

Subsequent to the year end date, the current asset investments in fund units were redeemed and used alongside cash holdings to repay the secured bank loan in full.

In addition, the CLO notes held for risk retention purposes recorded under current assets were repaid in full along with the termination of the associated sale and repurchase agreement.