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**CQS Management Limited**

Report and Financial Statements

Year Ended

31 December 2000



**BDO Stoy Hayward**  
Chartered Accountants



# **CQS Management Limited**

## **Annual report and financial statements for the year ended 31 December 2000**

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### **Directors**

M Hintze  
P N Barbour  
N Buhl

### **Secretary and registered office**

P N Barbour, 20 Columbus Courtyard, Canary Wharf, London, E14 4DA

### **Company number**

3691917

### **Auditors**

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL

## **CQS Management Limited**

### **Report of the directors for the year ended 31 December 2000**

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The directors present their report together with the audited financial statements for the year ended 31 December 2000.

#### **Results and dividends**

The profit and loss account is set out on page 5 and shows the loss for the year.

The directors do not recommend the payment of a dividend.

#### **Principal activities, review of business and future developments**

The company's principal activity during the year was the management of third party monies using a broad range of financial instruments.

The directors are satisfied with the results for the year.

There have been no events since the balance sheet date which materially affect the position of the company.

#### **Directors**

The directors of the company during the year and their interests in the ordinary share capital of the company were:

		<b>Ordinary shares of £1 each</b>	
		<b>31 December</b>	<b>31 December</b>
		<b>2000</b>	<b>1999</b>
M Hintze		170	1
P N Barbour		-	-
N Buhl	(appointed 31 July 2000)	-	-

At 31 December 2000, M Hintze also had an interest in the entire preference share capital of the company of £250,000.

## CQS Management Limited

### Report of the directors for the year ended 31 December 2000 (*Continued*)

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#### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

#### By order of the board



P N Barbour

#### Secretary

Date

30 March 2001

## CQS Management Limited

### Report of the auditors

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#### To the shareholders of CQS Management Limited

We have audited the financial statements on pages 5 to 16 which have been prepared under the accounting policies set out on page 8.

#### *Respective responsibilities of directors and auditors*

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

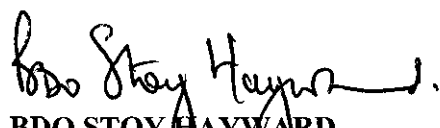
#### *Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### *Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**BDO STOY HAYWARD**  
*Chartered Accountants  
and Registered Auditors*  
London

30 March 2001

**CQS Management Limited****Profit and loss account for the year ended 31 December 2000**

	Note	2000 £	1999 £
<b>Turnover</b>	2	9,349,468	-
Administrative expenses		9,503,372	1,334,177
		<u>          </u>	<u>          </u>
<b>Operating loss</b>	3	(153,904)	(1,334,177)
Interest receivable		42,859	-
Interest payable and similar charges	6	(28,257)	-
		<u>          </u>	<u>          </u>
<b>Loss on ordinary activities before and after taxation</b>		(139,302)	(1,334,177)
Accumulated loss brought forward		(1,334,177)	-
		<u>          </u>	<u>          </u>
<b>Accumulated loss carried forward</b>		(1,473,479)	(1,334,177)
		<u>          </u>	<u>          </u>

All amounts relate to continuing activities.

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

The notes on pages 8 to 16 form part of these financial statements.

**CQS Management Limited**

**Balance sheet at 31 December 2000**

	Note	2000 £	2000 £	1999 £	1999 £
<b>Fixed assets</b>					
Tangible assets	7		275,896		269,221
<b>Current assets</b>					
Debtors	8	5,495,391		425,711	
Cash at bank and in hand		1,609,916		101,731	
		<u>7,105,307</u>		<u>527,442</u>	
<b>Creditors: amounts falling due within one year</b>	9	5,780,698		429,826	
<b>Net current assets</b>			<u>1,324,609</u>		<u>97,616</u>
<b>Total assets less current liabilities</b>			<u>1,600,505</u>		<u>366,837</u>
<b>Creditors: amounts falling due after more than one year</b>	10		<u>500,000</u>		<u>-</u>
			<u>1,100,505</u>		<u>366,837</u>
<b>Capital and reserves</b>					
Called up share capital	11		250,200		1
Other reserves - capital reserve	12		2,323,784		1,701,013
Profit and loss account	12		(1,473,479)		(1,334,177)
<b>Shareholders' funds</b>			<u>1,100,505</u>		<u>366,837</u>

Included within shareholders' funds is an amount of £250,000 (1999 - £NIL) in respect of non-equity interests.

The financial statements were approved by the Board on 30 March 2001

P N Barbour

Director

*Paul Barbour*

The notes on pages 8 to 16 form part of these financial statements.

**CQS Management Limited****Cash flow statement for the year ended 31 December 2000**

	Note	2000 £	1999 £
Net cash inflow/(outflow) from operating activities	17	405,670	(1,261,933)
Returns on investment and servicing of finance	18	15,585	-
Capital expenditure and financial investment	18	(286,040)	(337,350)
Cash inflow/(outflow) before financing		135,215	(1,599,283)
Financing	18	1,372,970	1,701,014
Increase in cash	19	1,508,185	101,731

The notes on pages 8 to 16 form part of these financial statements.



## **1 Accounting policies**

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

### *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

### *Depreciation*

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rate:

Computer equipment	- 2 years straight line
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### *Foreign currency*

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

### *Deferred taxation*

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

### *Leased assets*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

### *Pensions*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

## **2 Turnover**

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

**3 Operating loss**

This is arrived at after charging:

	2000 £	1999 £
Depreciation of tangible fixed assets	279,365	-
Auditors' remuneration - audit services	9,083	10,000
Operating lease rentals	55,000	-
	<u>          </u>	<u>          </u>

**4 Employees**

Staff costs (including directors) consist of:

	2000 £	1999 £
Wages and salaries	7,701,198	490,265
Social security costs	164,901	57,700
Other pension costs	80,101	26,030
	<u>          </u>	<u>          </u>
	7,946,200	573,995
	<u>          </u>	<u>          </u>

The average number of employees (including directors) during the year was 11 (1999 - 4).

**5 Directors' remuneration**

	2000 £	1999 £
Directors' emoluments	738,480	55,411
	<u>          </u>	<u>          </u>

The total amount payable to the highest paid director in respect of emoluments was £412,159 (1999 - £30,000).

**6 Interest payable and similar charges**

	2000 £	1999 £
Bank loans and overdrafts	50	-
Other loans	28,207	-
	<u>          </u>	<u>          </u>
	28,257	-
	<u>          </u>	<u>          </u>

**CQS Management Limited**

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

**7 Tangible fixed assets**

	Computer equipment £
<i>Cost</i>	
At 1 January 2000	337,350
Additions	286,040
	<hr/>
At 31 December 2000	<b>623,390</b>
	<hr/>
<i>Depreciation</i>	
At 1 January 2000	68,129
Provided for the year	279,365
	<hr/>
At 31 December 2000	<b>347,494</b>
	<hr/>
<i>Net book value</i>	
At 31 December 2000	<b>275,896</b>
	<hr/> <hr/>
At 31 December 1999	269,221
	<hr/> <hr/>

**8 Debtors**

	2000 £	1999 £
Other debtors	5,307,405	72,296
Prepayments and accrued income	187,986	353,415
	<hr/>	<hr/>
	<b>5,495,391</b>	<b>425,711</b>
	<hr/> <hr/>	<hr/> <hr/>

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

**CQS Management Limited**Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)**9 Creditors: amounts falling due within one year**

	2000 £	1999 £
Trade creditors	31,548	5,333
Taxation and social security	33,167	10,546
Other creditors	5,156,247	-
Accruals and deferred income	559,736	413,947
	<u>5,780,698</u>	<u>429,826</u>

**10 Creditors: amounts falling due after more than one year**

	2000 £	1999 £
Subordinated loan	500,000	-
	<u>500,000</u>	<u>-</u>

## Maturity of debt:

	Other debt 2000 £	1999 £
In more than two years but not more than five years	500,000	-
	<u>500,000</u>	<u>-</u>

The loan is from Credit Suisse First Boston (Europe) Limited. The loan is unsecured and interest is payable at a rate of LIBOR plus 1% per annum. The loan is repayable, with the prior consent of the Securities and Futures Authority Limited, on or after 23 March 2005.

**11 Share capital**

	2000 £	1999 £	Authorised 2000 £	Allotted, called up and fully paid 1999 £
<i>Equity share capital</i>				
Ordinary 'A' shares of £1 each	400,000	400,000	200	1
Ordinary 'B' shares of £1 each	600,000	600,000	-	-
<i>Non-equity share capital</i>				
Preference shares of £1 each	500,000	-	250,000	-
	<u>1,500,000</u>	<u>1,000,000</u>	<u>250,200</u>	<u>1</u>

The preference shares carry no voting rights and, in the event of the company being wound up, the assets remaining after payment of all debts and liabilities of the company and the costs of the liquidation shall be applied first in repaying the amounts paid up on the preference shares and any arrears on preferential dividends.

**12 Reserves**

	Capital reserve £	Profit and loss account £
At 1 January 2000	1,701,013	(1,334,177)
Loss for the year	-	(139,302)
Movement during the year	622,771	-
<b>At 31 December 2000</b>	<u><b>2,323,784</b></u>	<u><b>(1,473,479)</b></u>

The capital contribution was received from Credit Suisse First Boston (Europe) Limited.

**13 Reconciliation of movements in shareholders' funds**

	2000 £	1999 £
Loss for the year	(139,302)	(1,334,177)
New share capital subscribed	250,199	1
Capital contribution	622,771	1,701,013
Net additions to shareholders' funds	<u>733,668</u>	<u>366,837</u>
Opening shareholders' funds	366,837	-
Closing shareholders' funds	<u><b>1,100,505</b></u>	<u><b>366,837</b></u>

**14 Pensions**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £80,101 (1999 - £26,030). Contributions amounting to £6,374 (1999 - £14,789) were payable to the fund and are included in creditors.

**15 Commitments under operating leases**

As at 31 December 2000, the company had annual commitments under non-cancellable operating leases as set out below:

	<b>2000</b>	<b>1999</b>
	<b>Land and</b>	<b>Land and</b>
	<b>buildings</b>	<b>buildings</b>
	<b>£</b>	<b>£</b>
Operating leases which expire:		
Within one year	<b>65,625</b>	<b>-</b>

**16 Related party disclosures***Related party transactions and balances*

During the year a loan was made to CQS International Limited, a company owned by M Hintze, amounting to £3,000 (1999 - £nil). This is included within other debtors.

*Loans and transactions concerning directors and officers of the company*

During the year a loan was made to N Buhl, a director, amounting to £7,000 (1999 - £nil). This is included within other debtors at 31 December 2000. The balance was fully repaid by 22 February 2001.

At 31 December 2000 an amount of £3,981 (1999 - £nil) was payable to M Hintze for reimbursable travel expenses. This is included within trade creditors.

**17 Reconciliation of operating loss before exceptional items to net cash inflow from operating activities**

	2000 £	1999 £
Operating loss	(153,904)	(1,334,177)
Depreciation of tangible fixed assets	279,365	68,129
Increase in debtors	(5,069,680)	(425,711)
Increase in creditors	5,349,889	429,826
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	405,670	(1,261,933)
	<hr/>	<hr/>

**18 Analysis of cash flows for headings netted in the cash flow statement**

	2000 £	1999 £
<b>Returns on investment and servicing of finance</b>		
Interest received	42,859	-
Interest paid	(27,274)	-
	<u>15,585</u>	<u>-</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(286,040)	(337,350)
	<u>(286,040)</u>	<u>(337,350)</u>
<b>Financing</b>		
Share capital issued	250,199	1
New loans	500,000	-
Capital contribution received	622,771	1,701,013
	<u>1,372,970</u>	<u>1,701,014</u>

**19 Reconciliation of net cash flow to movement in net funds**

	2000 £	1999 £
Increase in cash	1,508,185	101,731
Cash inflow from changes in debt	(500,000)	-
	<u>1,008,185</u>	<u>101,731</u>
Movement in net funds	1,008,185	101,731
Opening net funds	101,731	-
	<u>1,109,916</u>	<u>101,731</u>



**20 Analysis of net funds**

	At 31 December 1999 £	Cash flow £	At 31 December 2000 £
Cash at bank and in hand	101,731	1,508,185	1,609,916
Debt due after one year	-	(500,000)	(500,000)
	<hr/>	<hr/>	<hr/>
Total	101,731	1,008,185	1,109,916
	<hr/>	<hr/>	<hr/>

**21 Ultimate controlling party**

The ultimate controlling party is M Hintze a director and majority shareholder of the company.