

CQS Asset Management Limited

Report and Financial Statements

Year Ended

31 December 2011

Registered No: 4988116



CQS Asset Management Limited

Report and financial statements for year ended 31 December 2011

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Directors

Richard Lockwood (non-executive, resigned Jan 2012)
Patrick Trew
Martin Pabari

Secretary and registered office

Scott Carpenter (resigned Jan 2012)
April Swain, 5th Floor, 33 Chester Street, London, SW1X 7BL

Company number - 4988116

Authorised and Regulated by the FSA - 408091

Auditors

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

CQS Asset Management Limited

Report of the directors for the year ended 31 December 2011

The directors present their report together with the audited financial statements for the year ended 31 December 2011

Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year

The directors do not recommend the payment of a dividend for the year

Principal activities, trading review and future developments

CQS Asset Management Limited has been authorised and regulated by the Financial Services Authority ("FSA") to provide investment management and advisory services since 4 October 2004. The Pillar 3 disclosures as required within BIPRU 11 of the FSA's Handbook are provided on the New City website (www.ncim.co.uk)

The directors are satisfied with the results for the year with all five closed end funds growing over the year and performing well

The company continues to provide investment management services to a CQS-branded UCITS platform. In addition, it worked with a third party to launch an additional UCITS fund during the year on their platform. The directors are again satisfied with the results of both of these funds

Key performance indicators

We measure a number of key performance indicators on an ongoing basis. The KPIs used by management in measuring the performance of the business

Category Indicator	2011	2010
Turnover	8,024,638	6,346,232
Administrative Expenses	8,004,931	5,959,775
Profit before taxation	23,434	390,201

Charitable and political contributions

During the year the company made charitable contributions of £3,631,332 (2010 - £4,120,000) and there were no political donations (2010 - nil)

CQS Asset Management Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Directors and their interests

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

	Ordinary shares of £1 each	
	2011	2010
Richard Lockwood (resigned Jan 2012)	-	-
Patrick Trew	-	-
Martin Pabari	-	-

Principal risks and uncertainties

The principal risks the company faces are reputation risk and risk of poor investment performance

Risk management

The board of directors is responsible for determining the level of risk acceptable to the company. This is subject to a regular review. The company has regular board meetings to manage all risks and in line with FSA guidelines has produced an Internal Capital Adequacy Assessment Process (ICAAP) from which risk management procedures are determined.

Reputation risk

To curb both the effect and occurrence of damage to reputation the company employs extensive investment of resources in portfolio management, infrastructure platform and in communication with fund directors, managers, counterparties and the media.

Risk of poor investment performance

As a result of a poor investment showing, whether due to internal decision making, errors or external market conditions, the company would be exposed to financial risk, which could consequently lead to loss of advisory contracts.

To mitigate or lessen the impact of this type of risk the company has the following controls in place:

There are ongoing strategic efforts to invest in portfolio management and infrastructure to monitor compliance.

In addition to inherent controls from FSA authorisation and regulation, the firm adheres to investment guidelines and restrictions as set out in prospectuses/placing documents of the investment entities to which it acts as adviser.

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

Report of the directors for the year ended 31 December 2011 (continued)

Liquidity and interest rate risk

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

Credit risk

The company will be subject to the risk of the inability of any counterparty to perform with respect to transactions whether due to insolvency, bankruptcy or other causes. However, the directors consider this to be a negligible risk.

Directors' responsibilities

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

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

In preparing these financial statements, the directors are required to

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

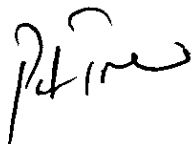
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

On behalf of the board

**Pat Trew
Director**



16th April 2012

Date

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

We have audited the financial statements of CQS Asset Management Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year ending 31 December 2011 for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Brown

Daniel Taylor (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London

United Kingdom

Date *16 April 2012*

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

CQS Asset Management Limited

Profit and loss account for the year ended 31 December 2011

	Notes	2011 £	2010 £
Turnover	2	8,024,638	6,346,232
Administrative expenses		(8,004,931)	(5,959,775)
Operating profit	5	19,707	386,457
Interest receivable	6	3,727	3,744
Profit on ordinary activities before taxation		23,424	390,201
Tax on profit on ordinary activities	7	(6,192)	(32,784)
Retained profit for the year		17,242	357,417

The company has no recognised gains or losses other than as set out above

All of the activities of the company are classified as continuing

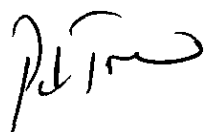
The notes on pages 10 to 15 form part of these financial statements

CQS Asset Management Limited**Balance sheet at 31 December 2011**

	Notes	2011 £	2011 £	2010 £	2010 £
Current assets					
Investments		-		300,000	
Debtors	8	630,947		922,470	
Cash at bank		2,910,714		268,262	
		<u>3,541,661</u>		<u>1,490,732</u>	
Creditors: amounts falling due within one year	9	<u>(2,151,691)</u>		<u>(118,004)</u>	
Net current assets			<u>1,389,970</u>		<u>1,372,728</u>
Total assets less current liabilities			<u>1,389,970</u>		<u>1,372,728</u>
Capital and reserves					
Called up share capital	10		73,479		73,479
Share premium	11		26,774		26,774
Profit and loss account	11		1,289,717		1,272,475
Shareholders' funds	12		<u>1,389,970</u>		<u>1,372,728</u>

The financial statements were approved by the Board and signed on its behalf by

Director
Pat Trew



Date

16th April 2012

The notes on pages 10 to 15 form part of these financial statements

CQS Asset Management Limited**Cash flow statement for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Net cash inflow/(outflow) from operating activities	14	2,371,725	(101,751)
Management of Liquid resources			
Disposal/(Acquisition) of current asset investments		300,000	(300,000)
Returns on investments and servicing of finance			
Interest received		3,727	3,744
Taxation			
Income Taxes		(33,000)	-
Increase/(Decrease) in Cash	15, 16	<u>2,642,452</u>	<u>(398,007)</u>

The notes on pages 10 to 15 form part of these financial statements

1 Accounting policies

Basis of preparation

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

Turnover

Turnover (stated net of value added tax) represents income in the form of management and performance fees (where applicable) Management fees are accrued on a monthly basis and performance fees recognised once entitlement has arisen

Investment Policy

Current Asset Investments represent unused seed capital in a fund at year end These are stated at cost less any relevant impairment

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred

Current tax is measured at amounts expected to be paid using the tax rates that have been enacted or substantively enacted by the balance sheet date

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

Foreign currencies

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

2 Turnover

The turnover shown in the profit and loss account represents management and performance fees for the period stated net of value added tax Turnover is wholly attributable to the principal activities of the company and arises solely within the United Kingdom

CQS Asset Management Limited**Notes forming part of the financial statements for the year ended 31 December 2011****3 Employees**

	2011	2010
	£	£
Staff costs consist of		
Wages and salaries	1,189,450	594,808
Social security costs	142,639	72,086
Pension Contributions	9,000	17,500
Other staff benefits	2,696	10,873
	1,343,785	695,267

The average number of employees (including directors) during the period was 13 (2010 – 8)

4 Directors' remuneration

	2011	2010
	£	£
Directors' remuneration consists of		
Emoluments	105,000	112,500
Social security costs	-	13,852
	105,000	126,352

5 Operating profit

	2011	2010
	£	£
This has been arrived at after charging/ (crediting)		
Auditors' remuneration – audit fees	6,000	6,000
Foreign exchange loss/ (profit)	16,018	(235)

CQS Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2010

6 Interest received

	2011	2010
	£	£
Interest received	3,727	3,744
	<u> </u>	<u> </u>

7 Taxation on profit on ordinary activities

	2011	2010
	£	£
<i>UK Corporation tax</i>		
Current tax charge on profits of the year	6,208	32,784
Adjustment in respect of previous periods	(16)	-
	<u> </u>	<u> </u>
	6,192	32,784
	<u> </u>	<u> </u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2011	2010
	£	£
Profit on ordinary activities before tax	23,434	390,201
	<u> </u>	<u> </u>
Profit on ordinary activities at the main rate of corporation tax in the UK of 26.5% (2010 main rate of corporation tax – 28%)	6,208	109,256
<i>Effects of</i>		
Expenses not deductible for tax purposes/other timing differences	-	164
Group relief utilised	-	(76,636)
Prior Year Adjustment	(16)	-
	<u> </u>	<u> </u>
Current tax charge for year	6,192	32,784
	<u> </u>	<u> </u>

CQS Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2011

8 Debtors

	2011	2010
	£	£
Prepayments and accrued income	630,947	922,470
	<u>630,947</u>	<u>922,470</u>

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

9 Creditors: amounts falling due within one year

	2011	2010
	£	£
Trade creditors	2,126,380	56,008
Accruals and deferred income	19,335	29,212
Corporation tax creditor	5,976	32,784
	<u>2,151,691</u>	<u>118,004</u>

10 Share capital

	Authorised			
	2011	2010	2011	2010
	Number	Number	£	£
<i>Share capital</i>				
Authorised share capital				
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up & fully paid				
Ordinary shares of £1 each	<u>73,479</u>	<u>73,479</u>	<u>73,479</u>	<u>73,479</u>

CQS Asset Management Limited

Notes forming part of the financial statements for the year ended 31 December 2011

11 Reserves

	Share premium account £	Profit and loss account £	Total reserves £
At 31 December 2010	26,774	1,272,475	1,299,249
Profit for the year	-	17,242	17,242
	<hr/>	<hr/>	<hr/>
At 31 December 2011	26,774	1,289,717	1,316,491
	<hr/>	<hr/>	<hr/>

12 Reconciliation of movement in shareholders' funds

	2011 £	2010 £
Profit for the year	17,242	357,417
Opening shareholders' funds	1,372,728	1,015,311
	<hr/>	<hr/>
Closing shareholders' funds	1,389,970	1,372,728
	<hr/>	<hr/>

13 Related party transactions

During the period, management fees were received from CQS Cayman Limited Partnership, amounting to £6,793,083 (2010 £6,346,232). Of this amount a balance of £492,794 (2010 £866,066) was owed at the year end and is included within trade debtors.

During the year, management charges were payable to CQS (Global Services) Limited, a company ultimately owned by Michael Hintze, for expenses of staff amounting to £10,098 (2010 £1,607). Of this amount a balance of £200 (2010 £nil) was outstanding in respect of this charge at 31 December 2011. In addition, charges totalling £57,688 (2010 £57,860), were invoiced by CQS Management Limited, a company ultimately owned by Michael Hintze, for provision of infrastructure services of which £19,807 (2010 £4,440) was outstanding at year end and is included within trade creditors.

During the year, the group made donations totalling £3,631,332 (2010 £4,120,000) to the Hintze Family Charitable Foundation, a registered charity of which Michael Hintze is a trustee of which £2,106,374 (2010 nil) was outstanding at year end and is included within trade creditors.

CQS Asset Management Limited**Notes forming part of the financial statements for the year ended 31 December 2011****14 Reconciliation of operating loss to net cash outflow/inflow from operating activities**

	2011 £	2010 £
Operating profit	19,707	386,457
Decrease/(Increase) in debtors	291,523	(564,844)
Increase in creditors	2,060,495	76,636
	<u>2,371,725</u>	<u>(101,751)</u>
Net cash inflow/(outflow) from operating activities	<u>2,371,725</u>	<u>(101,751)</u>

15 Reconciliation of net cash flow to movement in net funds

	2011 £	2010 £
Increase/ (decrease) in cash in the year	2,642,452	(398,007)
Movement in net funds	2,642,452	(398,007)
Opening net funds	268,262	666,269
	<u>2,910,714</u>	<u>268,262</u>
Closing net funds	<u>2,910,714</u>	<u>268,262</u>

16 Analysis of net funds

	At 31 December 2010 £	Cash flow £	At 31 December 2011 £
Cash at bank and in hand	268,262	2,642,452	2,910,714
	<u>268,262</u>	<u>2,642,452</u>	<u>2,910,714</u>
Total	<u>268,262</u>	<u>2,642,452</u>	<u>2,910,714</u>

17 Ultimate controlling party

The company's immediate parent company is CQS Management Limited, a company incorporated in England and Wales. The ultimate parent company is CQS Cayman Limited Partnership, an entity incorporated in the Cayman Islands. The ultimate controlling party as at 31 December 2011 is Michael Hintze.