

**CQS Asset Management Limited**

**Report and Financial Statements**

**Year Ended**

**31 December 2010**

**Registered No: 4988116**

**WEDNESDAY**



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**CQS Asset Management Limited**

**Report and financial statements for year ended 31 December 2010**

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**Directors**

Richard Lockwood  
Patrick Trew  
Martin Pabari

**Secretary and registered office**

Scott Carpenter, 5<sup>th</sup> 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 2010**

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The directors present their report together with the audited financial statements for the year ended 31 December 2010

#### **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](http://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 began the management of a new UCITS platform with the successful launch of an index tracking fund

The Directors are confident that additional UCITS-compliant funds will be launched under the Company's management during 2011

#### **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	2010	2009
Turnover	6,346,232	3,246,464
Administrative Expenses	5,959,775	2,916,929
Profit before taxation	390,201	343,172

#### **Charitable and political contributions**

During the year the company made charitable contributions of £4,120,000 (2009 - £468,852) and there were no political donations (2009 - nil)

## CQS Asset Management Limited

### Report of the directors for the year ended 31 December 2010 (*continued*)

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#### 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	
	2010	2009
Richard Lockwood	-	-
Patrick Trew	-	-
Martin Pabari	-	-
Neil Gregson (resigned 31 <sup>st</sup> July 2010)	-	-

#### 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.

##### *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.

## **CQS Asset Management Limited**

### **Report of the directors for the year ended 31 December 2010 (*continued*)**

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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

#### **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.

**CQS Asset Management Limited**

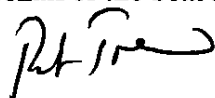
**Report of the directors for the year ended 31 December 2010 (continued)**

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**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**

2<sup>nd</sup> March 2011

**Date**

## **CQS Asset Management Limited**

### **Report of the independent auditors for the year ended 31 December 2010**

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#### **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 2010 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](http://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 2010 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 2010 for which the financial statements are prepared is consistent with the financial statements.

**CQS Asset Management Limited**

**Report of the independent auditors for the year ended 31 December 2010 (continued)**

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**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 *2 March 2011*

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 2010**

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	Notes	2010 £	2009 £
<b>Turnover</b>	2	<b>6,346,232</b>	3,246,464
Administrative expenses		<b>(5,959,775)</b>	(2,916,929)
<b>Operating profit</b>	5	<b>386,457</b>	329,535
Interest receivable	6	<b>3,744</b>	13,637
<b>Profit on ordinary activities before taxation</b>		<b>390,201</b>	343,172
Tax on profit on ordinary activities	7	<b>(32,784)</b>	-
<b>Retained profit for the year</b>		<b>357,417</b>	343,172

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 17 form part of these financial statements.

**CQS Asset Management Limited**

**Balance sheet at 31 December 2010**

	Notes	2010 £	2010 £	2009 £	2009 £
<b>Current assets</b>					
Investments	8	300,000		-	
Debtors	9	922,470		357,626	
Cash at bank		268,262		666,269	
		<u>1,490,732</u>		<u>1,023,895</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(118,004)</u>		<u>(8,584)</u>	
<b>Net current assets</b>			<u>1,372,728</u>		<u>1,015,311</u>
<b>Total assets less current liabilities</b>			<u>1,372,728</u>		<u>1,015,311</u>
<b>Capital and reserves</b>					
Called up share capital	11		73,479		73,479
Share premium	12		26,774		26,774
Profit and loss account	12		1,272,475		915,058
<b>Shareholders' funds</b>	13		<u>1,372,728</u>		<u>1,015,311</u>

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

Director  
Pat Trew

Date

2nd March 2011

The notes on pages 10 to 17 form part of these financial statements

**CQS Asset Management Limited****Cash flow statement for the year ended 31 December 2010**

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	<b>Notes</b>	<b>2010 £</b>	<b>2009 £</b>
<b>Net cash (outflow)/inflow from operating activities</b>	15	<b>(101,751)</b>	<b>395,893</b>
<b>Management of Liquid resources</b> (Acquisition) of current asset investments		<b>(300,000)</b>	-
<b>Returns on investments and servicing of finance</b> Interest received		<b>3,744</b>	<b>13,637</b>
<b>(Decrease)/ Increase in Cash</b>	16, 17	<b><u>(398,007)</u></b>	<b><u>409,530</u></b>

The notes on pages 10 to 17 form part of these financial statements

**CQS Asset Management Limited****Notes forming part of the financial statements for the year ended 31 December 2010****3 Employees**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Staff costs consist of		
Wages and salaries	<b>594,808</b>	<b>462,083</b>
Social security costs	<b>72,086</b>	<b>55,509</b>
Pension Contributions	<b>17,500</b>	<b>-</b>
Healthcare Cover	<b>10,873</b>	<b>-</b>
	<b>695,267</b>	<b>517,592</b>

The average number of employees (including directors) during the period was 8 (2009 – 9)

**4 Directors' remuneration**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Directors' remuneration consists of		
Emoluments	<b>112,500</b>	<b>155,000</b>
Social security costs	<b>13,852</b>	<b>18,752</b>
	<b>126,352</b>	<b>173,752</b>

**5 Operating profit**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
This has been arrived at after charging/ (crediting)		
Auditors' remuneration – audit fees	<b>6,000</b>	<b>4,500</b>
Foreign exchange loss/ (profit)	<b>(235)</b>	<b>1,091</b>

**CQS Asset Management Limited**

**Notes forming part of the financial statements for the year ended 31 December 2009**

**6 Interest received**

	<b>2010</b> <b>£</b>	<b>2009</b> <b>£</b>
Interest received	3,744	13,637
	<u>          </u>	<u>          </u>

**7 Taxation on profit on ordinary activities**

	<b>2010</b> <b>£</b>	<b>2009</b> <b>£</b>
<i>UK Corporation tax</i>		
Current tax charge on profits of the year	32,784	-
Adjustment in respect of previous periods	-	-
	<u>          </u>	<u>          </u>
	<b>32,784</b>	-
	<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

	<b>2010</b> <b>£</b>	<b>2009</b> <b>£</b>
Profit on ordinary activities before tax	390,201	343,172
	<u>          </u>	<u>          </u>
Profit on ordinary activities at the main rate of corporation tax in the UK of 28% (2009 main rate of corporation tax – 21% less upper marginal relief)	109,256	75,843
<i>Effects of</i>		
Expenses not deductible for tax purposes/other timing differences	164	-
Group relief utilised	(76,636)	(75,843)
	<u>          </u>	<u>          </u>
Current tax charge for year	<b>32,784</b>	-
	<u>          </u>	<u>          </u>

**CQS Asset Management Limited**

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

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**8 Investments**

Investments wholly comprise of unused seed capital for the launch of a fund and will be refunded in early 2011

**9 Debtors**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Prepayments and accrued income	<b>922,470</b>	357,514
Other debtors	-	112
	<b>922,470</b>	<b>357,626</b>

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

**10 Creditors: amounts falling due within one year**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Trade creditors	<b>56,008</b>	2,584
Accruals and deferred income	<b>29,212</b>	6,000
Corporation tax creditor	<b>32,784</b>	-
	<b>118,004</b>	<b>8,584</b>

**CQS Asset Management Limited**

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

**11 Share capital**

	<b>Authorised</b>			
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>	<b>£</b>	<b>£</b>
<i>Share capital</i>				
Authorised share capital				
Ordinary shares of £1 each	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
Allotted, called up & fully paid				
Ordinary shares of £1 each	<b>73,479</b>	73,479	<b>73,479</b>	73,479

**12 Reserves**

	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total reserves</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 31 December 2009	26,774	915,058	941,832
Profit for the year	-	357,417	357,417
At 31 December 2010	<b>26,774</b>	<b>1,272,475</b>	<b>1,299,249</b>

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

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Profit for the year	<b>357,417</b>	343,172
Opening shareholders' funds	<b>1,015,311</b>	672,139
Closing shareholders' funds	<b>1,372,728</b>	1,015,311

## CQS Asset Management Limited

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

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#### 14 Related party transactions

During the period, management fees were received from CQS Cayman Limited Partnership, amounting to £6,346,232 (2009 £3,246,464). Of this amount a balance of £866,066 (2009 £352,000) 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 secondment of staff amounting to £1,607 (2009: £1,370,149). Of this amount a balance of £nil (2009: £nil) was outstanding in respect of this charge at 31 December 2010. In addition, charges totalling £57,860 (2009 £26,434), were invoiced by CQS Management Limited, a company ultimately owned by Michael Hintze, for provision of infrastructure services of which £4,440 (2009 £2,380) was outstanding at year end and is included within trade creditors.

During the year, the group made a donations totalling £4,120,000 (2009 £568,852) to the Hintze Family Charitable Foundation, a registered charity of which Michael Hintze is a trustee.

#### 15 Reconciliation of operating loss to net cash outflow/inflow from operating activities

	2010 £	2009 £
Operating profit	386,457	329,535
(Increase)/Decrease in debtors	(564,844)	262,940
Increase/(Decrease) in creditors	76,636	(196,582)
Net cash (outflow)/inflow from operating activities	(101,751)	395,893

#### 16 Reconciliation of net cash flow to movement in net funds

	2010 £	2009 £
Increase/ (decrease) in cash in the year	(398,007)	409,530
Movement in net funds	(398,007)	409,530
Opening net funds	666,269	256,739
Closing net funds	268,262	666,269

**CQS Asset Management Limited****Notes forming part of the financial statements for the year ended 31 December 2010****17 Analysis of net funds**

	<b>At 31 December 2009 £</b>	<b>Cash flow £</b>	<b>At 31 December 2010 £</b>
Cash at bank and in hand	<b>666,269</b>	<b>(398,007)</b>	<b>268,262</b>
Total	<b>666,269</b>	<b>(398,007)</b>	<b>268,262</b>

**18 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 2010 is Michael Hintze.