

**CQS Asset Management Limited**

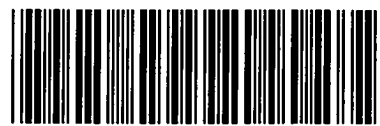
**Report and Financial Statements**

**Year Ended**

**31 December 2013**

Registered No: 4988116

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# **CQS Asset Management Limited**

## **Report and financial statements for year ended 31 December 2013**

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### **Directors**

Patrick Trew  
Martin Pabari

### **Secretary and registered office**

April Swain, 5<sup>th</sup> Floor, 33 Chester Street, London, SW1X 7BL

### **Company number - 4988116**

### **Authorised and Regulated by the FCA - 408091**

### **Auditors**

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

### **Principal activities, trading review and future developments**

CQS Asset Management Limited (the “company”) has been authorised and regulated by the Financial Conduct Authority (“FCA”) to provide investment management and advisory services since 4 October 2004.

The directors are satisfied with the results for the year. The profit and loss account is set out on page 7 and shows the profit for the year.

The company continues to provide investment management services to a CQS-branded UCITS platform. The directors are satisfied with the results of these funds.

### **Principal risks and uncertainties**

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

### **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 FCA guidelines has produced an Internal Capital Adequacy Assessment Process (ICAAP) from which risk management procedures are determined.

#### *Risk of poor investment performance*

In the event of poor investment performance, 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:

In addition to inherent controls from FCA authorisation and regulation, the firm manages portfolios in line with the investment guidelines and restrictions for each 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.

#### *Reputation risk*

To curb both the effect and occurrence of damage to reputation, the company invests resources into portfolio management, the infrastructure platform and in communication with the parties involved in the investment entities the company advises including investors, fund directors, third party service providers and counterparties, in addition to the media.

#### *Foreign currency risk*

The company is exposed to a degree of foreign exchange risk on a monthly basis as a proportion of income is earned in EUR and the primary expenses are in GBP. The company manages its foreign exchange exposures on an ongoing basis as necessary.

#### *Liquidity and interest rate risk*

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

## CQS Asset Management Limited

### Strategic Report for the year ended 31 December 2013 (*continued*)

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#### *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.

#### **Key performance indicators**

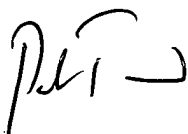
We measure a number of key performance indicators on an ongoing basis. The KPIs used by management in measuring the performance of the business.

Category Indicator	2013	2012
Turnover	7,390,480	8,628,547
Administrative expenses	(3,648,200)	(8,476,198)
Profit before taxation	3,783,883	192,319

#### **Financial Conduct Authority risk and remuneration policy**

The company is required by its regulator, the Financial Conduct Authority, to make its risk and remuneration policy publically available in accordance with Pillar 3 of the Capital Requirements Directive. This disclosure is publicly available on the New City Investment Managers website ([www.ncim.co.uk](http://www.ncim.co.uk)).

#### **On behalf of the board**



Patrick Trew  
Director

Date

24/4/14

## **CQS Asset Management Limited**

### **Report of the directors for the year ended 31 December 2013**

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The directors present their report together with the audited financial statements for the year ended 31 December 2013.

#### **Dividends**

Dividends were paid during the year of £3,673,950 (2012 – £nil). This constituted a dividend per share of £50 per share (2012- £nil).

#### **Risk management**

The risk management of the company is set out on page 2 and 3 within the Strategic Report.

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

During the year the company made nil charitable contributions (2012 - £3,893,446) and there were no political donations (2012 - nil).

#### **Directors and their interests**

The directors of the company for the reporting period and up to the date of this report were as follows:

Patrick Trew  
Martin Pabari

No director held an interest in ordinary share capital of the company during the year.

#### **Directors' responsibilities**

The directors are responsible for preparing the strategic report, 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 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 company and of the profit or loss of the 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**CQS Asset Management Limited**

**Report of the directors for the year ended 31 December 2013 (continued)**

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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**

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.

A resolution to re-appoint BDO LLP as auditors will be proposed at the next annual general meeting

**On behalf of the board**



**Patrick Trew**  
**Director**

24/4/14

**Date**

## **CQS Asset Management Limited**

### **Report of the independent auditors for the year ended 31 December 2013**

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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 (the "company") for the year ended 31 December 2013 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 Financial Reporting Council's (FRC'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 FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **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 2013 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.

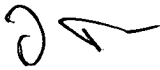
#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the strategic report and the directors' report for the financial year 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.



Daniel Taylor (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
55 Baker Street  
London  
W1U 7EU

24 April 2014

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 2013**

	Notes	2013 £	2012 £
<b>Turnover</b>	2	7,390,480	8,628,547
Administrative expenses		(3,648,200)	(8,476,198)
<b>Operating profit</b>	5	3,742,280	152,349
Interest receivable	6	41,603	39,970
<b>Profit on ordinary activities before taxation</b>		3,783,883	192,319
Tax on profit on ordinary activities	7	(879,747)	(47,632)
<b>Retained profit for the year</b>		2,904,136	144,687

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.

There is no difference between the profit on ordinary activities and its historical cost equivalent.

The notes on pages 11 to 16 form part of these financial statements.

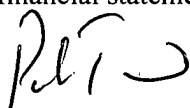
**CQS Asset Management Limited**

**Balance sheet at 31 December 2013**

**Company number: 4988116**

	Notes	2013 £	2013 £	2012 £	2012 £
<b>Current assets</b>					
Debtors	8	481,894		1,021,743	
Cash at bank		2,039,371		933,378	
		<u>2,521,265</u>		<u>1,955,121</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(1,756,423)</u>		<u>(420,465)</u>	
<b>Net current assets</b>			<u>764,842</u>		<u>1,534,656</u>
<b>Total assets less current liabilities</b>			<u><u>764,842</u></u>		<u><u>1,534,656</u></u>
<b>Capital and reserves</b>					
Called up share capital	10		73,479		73,479
Share premium	11		26,774		26,774
Profit and loss account	11		664,589		1,434,403
<b>Shareholders' funds</b>	12		<u><u>764,842</u></u>		<u><u>1,534,656</u></u>

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

  
**Director**  
**Patrick Trew**

**Date** 24/4/14

The notes on pages 11 to 16 form part of these financial statements.

**CQS Asset Management Limited****Cash flow statement for the year ended 31 December 2013**

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	Notes	2013 £	2012 £
<b>Net cash inflow/ (outflow) from operating activities</b>	15	4,785,638	(2,010,998)
<b>Returns on investments and servicing of finance</b>			
Interest received		41,603	39,970
<b>Taxation</b>			
Income taxes paid		(47,298)	(6,308)
<b>Dividends</b>			
Equity dividends paid		(3,673,950)	-
<b>Increase/ (Decrease) in Cash</b>	16	<u>1,105,993</u>	<u>(1,977,336)</u>

The notes on pages 11 to 16 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 this 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.

**Taxation**

Current tax is measured as 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 company 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.

**3 Employees**

	2013 £	2012 £
Staff costs consist of:		
Wages and salaries	2,329,104	3,924,539
Social security costs	316,102	454,616
Pension contributions	26,862	23,041
	<hr/>	<hr/>
	2,672,068	4,402,196
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The average number of employees (including directors) during the period was 9 (2012: 14).

**CQS Asset Management Limited**

**Notes forming part of the financial statements for the year ended 31 December 2013 (Continued)**

**4 Directors' remuneration**

	<b>2013</b> <b>£</b>	<b>2012</b> <b>£</b>
Directors' remuneration consists of:		
Emoluments	20,000	20,000
	<u>20,000</u>	<u>20,000</u>

**5 Operating profit**

	<b>2013</b> <b>£</b>	<b>2012</b> <b>£</b>
This has been arrived at after charging:		
Auditors' remuneration – audit services – current year	5,000	6,000
Foreign exchange loss	21,225	11,491
	<u>21,225</u>	<u>11,491</u>

**6 Interest received**

	<b>2013</b> <b>£</b>	<b>2012</b> <b>£</b>
Interest received	41,603	39,970
	<u>41,603</u>	<u>39,970</u>

**CQS Asset Management Limited**

**Notes forming part of the financial statements for the year ended 31 December 2013 (Continued)**

**7 Taxation on profit on ordinary activities**

	2013 £	2012 £
<i>UK Corporation tax</i>		
Current tax charge on profits of the year	879,753	47,300
Adjustment in respect of previous periods	(6)	332
	<u>879,747</u>	<u>47,632</u>

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

	2013 £	2012 £
Profit on ordinary activities before tax	3,783,883	192,319
Profit on ordinary activities at the main rate of corporation tax in the UK of 23.25% (2012 main rate of corporation tax – 24.5%)	879,753	47,118
<i>Effects of:</i>		
Expenses not deductible for tax purpose	-	182
Prior year adjustment	(6)	332
Current tax charge for year	<u>879,747</u>	<u>47,632</u>

**8 Debtors**

	2013 £	2012 £
Other debtors	175,119	-
Prepayments and accrued income	306,775	1,021,743
	<u>481,894</u>	<u>1,021,743</u>

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

**CQS Asset Management Limited**

**Notes forming part of the financial statements for the year ended 31 December 2013 (Continued)**

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

	2013 £	2012 £
Trade creditors	872,670	361,164
Accruals and deferred income	4,000	12,001
Corporation tax creditor	879,753	47,300
	<u>1,756,423</u>	<u>420,465</u>

**10 Share capital**

	Authorised			
	2013 Number	2012 Number	2013 £	2012 £
<i>Share capital</i>				
Authorised share capital				
Ordinary shares of £1 each	1,000,000	1,000,000	1,000,000	1,000,000
	<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	73,479	73,479	73,479	73,479
	<u>73,479</u>	<u>73,479</u>	<u>73,479</u>	<u>73,479</u>

**11 Reserves**

		Share premium account £	Profit and loss account £	Total reserves £
At 31 December 2012		26,774	1,434,403	1,461,177
Profit for the year		-	2,904,136	2,904,136
Dividend payment	14		(3,673,950)	(3,673,950)
		<u>26,774</u>	<u>664,589</u>	<u>691,363</u>
At 31 December 2013		26,774	664,589	691,363

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

	2013 £	2012 £
Profit for the year	2,904,136	144,686
Dividend paid	(3,673,950)	-
Opening shareholders' funds	1,534,656	1,389,970
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Closing shareholders' funds	764,842	1,534,656
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**13 Related party transactions**

During the period, management fees were received from CQS Cayman Limited Partnership, a company ultimately controlled by Sir Michael Hintze, amounting to £4,209,231 (2012: £5,375,713). Of this amount a balance of £300,020 (2012: £414,368) 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 controlled by Sir Michael Hintze, amounting to £953,896 (2012: £1,576,426) for the secondment of staff and other employment services. Of this amount a balance of £770,054 (2012: £351,293) was outstanding in respect of this charge at 31 December 2013 and is included in trade creditors.

During the year, the company made donations of £nil (2012: £3,893,446) to the Hintze Family Charitable Foundation, a registered charity of which Sir Michael Hintze is a trustee.

The company has taken advantage of the exemption available under Financial Reporting Standard 8 Related Party Disclosures, not to disclose transactions with wholly controlled subsidiaries included in the consolidated financial statements of its parent company, CQS Management Limited.

**14 Dividends**

A dividend of £3,673,950 (2012: nil) was paid during the year.

**15 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities**

	2013 £	2012 £
Operating profit	3,742,281	152,349
Decrease/(increase) in debtors	539,849	(390,796)
Increase/(decrease) in creditors	503,508	(1,772,551)
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Net cash inflow/(outflow) from operating activities	4,785,638	(2,010,998)
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**CQS Asset Management Limited****Notes forming part of the financial statements for the year ended 31 December 2013 (Continued)****16 Reconciliation of net cash flow to movement in net funds**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Increase/(decrease) in cash in the year	1,105,993	(1,977,336)
Movement in net funds	1,105,993	(1,977,336)
Opening net funds	933,378	2,910,714
Closing net funds	2,039,371	933,378

**17 Analysis of net funds**

	<b>At</b>	<b>Cash</b>	<b>At</b>
	<b>31 December</b>	<b>flow</b>	<b>31 December</b>
	<b>2012</b>	<b>£</b>	<b>2013</b>
	<b>£</b>		<b>£</b>
Cash at bank and in hand	933,378	1,105,993	2,039,371
Total	933,378	1,105,993	2,039,371

**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 2013 is Sir Michael Hintze.