



CQS Asset Management Limited

Report and financial statements
for the year ended
31 December 2014

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Contents

Page:

1	Report of the directors
2	Strategic report
4	Statement of directors' responsibilities in respect of the financial statements
5	Report of the independent auditor
7	Profit and loss account
8	Balance sheet
9	Cash flow statement
10	Notes forming part of the financial statements

Registered number

04988116

Registered office

5th Floor
33 Chester Street
London
SW1X 7BL

Directors

Martin Pabari
Patrick Trew

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

CQS Asset Management Limited

Report of the directors for the year ended 31 December 2014

The directors present their report and the financial statements of CQS Asset Management Limited (the "Company") for the year ended 31 December 2014.

Principal activity and likely future developments

The principal activity of the Company is the provision of investment management and advisory services. The directors do not expect any change in the Company's activities in the foreseeable future.

Directors

The directors during the year and up to the date of this report were:

Martin Pabari
Patrick Trew

Financial risk management objectives and policies

The Company is authorised and regulated by the Financial Conduct Authority. As part of its authorisation, the Company is required to make disclosures regarding its risk management objectives and policies. These disclosures, which are unaudited, can be found on the Company's website, www.cqscapital.com.

Information regarding the Company's principal risks, uncertainties and risk management policies is disclosed in the strategic report on page 2.

Dividends

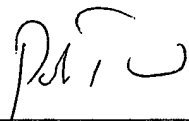
During the year, the directors declared and paid an interim dividend of £Nil (2013: £3,673,950) to ordinary shareholders.

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 reappoint BDO LLP as auditors will be put to the members at the Annual General Meeting.

Signed on behalf of the board of directors by:



Patrick Trew
Director



23rd April 2015

Review of the business

The profit for the year after taxation amounted to £379,129 (2013: £2,904,136) as detailed in the profit and loss account on page 7. The key financial and other performance indicators during the year were as follows:

	2014	2013
Turnover (£)	4,111,353	7,390,480
Profit on ordinary activities after taxation (£)	379,129	2,904,136
Assets under management at 31 December (£ million)	315.4	576.4

The decrease in turnover has been driven by the reduction in total assets under management during the year. As at the year end, the Company was investment advisor to five (2013: seven) funds.

During the year, the Company became authorised as an Alternative Investment Fund Manager (AIFM) following the implementation of the Alternative Investment Fund Managers Directive (AIFMD) in the UK.

Principal risks and uncertainties

The management of risk is the responsibility of the board of directors. The Company maintains a risk management structure designed to manage known risks effectively and react to emerging risks. The two main categories of risk to which the Company is exposed are as follows:

1. Business risk, being the risk of a substantial decline in assets under management and fee income. This is principally driven by the risk of poor investment performance, whether due to internal decision making, errors or external market conditions. The Company 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 Company'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 Company invests resources into portfolio management, the infrastructure platform and communications with relevant parties, including investors, independent directors, regulators, third party service providers, counterparties and the media.

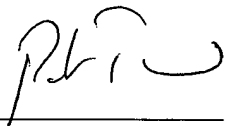
Regulatory factors also give rise to business risk; the Company operates within a highly regulated environment and laws and regulations may evolve in a manner that negatively impacts upon the Company's business model. The Company mitigates this risk through ongoing monitoring of current and proposed regulatory requirements along with engagement with industry bodies.

2. The risk to the assets and liabilities on the Company's balance sheet, which comprise cash deposits, debtors and creditors. The primary risks to which the Company's assets and liabilities are exposed are:
 - Credit risk: The Company is exposed to the risk of loss should any of the Company's counterparties fail to fulfil their contractual obligations. This risk is significantly reduced by virtue of the fact that most of the Company's counterparties are related parties of the Company, with the exception of the cash held at bank.
 - Liquidity and cash flow risk: Exposure to the risk that the Company will be unable to meet its financial obligations as they fall due. To mitigate this risk, the Company's working capital requirements are regularly reviewed, with sufficient cash and interest bearing deposits maintained to meet short term liabilities.

Going concern

The directors believe that the Company 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.

Signed on behalf of the board of directors by:



Patrick Trew
Director

23rd
April 2015

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 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 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 adequate accounting records that show and explain the Company's transactions, 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.

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 2014 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.

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 2014 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.

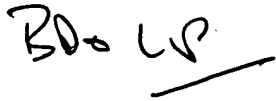
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year 31 December 2014 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.

Handwritten signature of Neil Griggs in black ink, consisting of the letters 'BDO' followed by 'LLP' and a long horizontal stroke.

Neil Griggs (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
W1U 7EU
23 April 2015

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

Profit and loss account

		Year ended 31 December 2014 £	Year ended 31 December 2013 £
	Notes		
Turnover		4,111,353	7,390,480
Administrative expenses		(3,628,369)	(3,648,200)
Operating profit	2	482,984	3,742,280
Interest receivable and similar income		2,692	41,603
Interest payable and similar charges		(2,709)	-
Profit on ordinary activities before taxation		482,967	3,783,883
Tax on profit on ordinary activities	4	(103,838)	(879,747)
Profit on ordinary activities after taxation	9	379,129	2,904,136

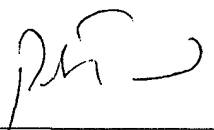
There are no recognised gains or losses in the year other than those reported in the profit and loss account.

All amounts relate to continuing activities.

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

	Notes	As at 31 December 2014 £	As at 31 December 2013 £
Current assets			
Debtors	6	883,008	481,894
Cash at bank and in hand		2,585,675	2,039,371
		<u>3,468,683</u>	<u>2,521,265</u>
Creditors: amounts falling due within one year	7	<u>(2,324,712)</u>	<u>(1,756,423)</u>
Net current assets		1,143,971	764,842
Net assets		<u>1,143,971</u>	<u>764,842</u>
Capital and reserves			
Called up share capital	8	73,479	73,479
Share premium account	9	26,774	26,774
Profit and loss account	9	<u>1,043,718</u>	<u>664,589</u>
Shareholders' funds		<u>1,143,971</u>	<u>764,842</u>

The financial statements were approved and authorised for issue by the board of directors on ^{20th} April 2015 and signed its behalf by:



Patrick Trew
Director

23rd April 2015

Cash flow statement

		Year ended 31 December 2014 £	Year ended 31 December 2013 £
	Notes		
Net cash flow from operating activities	10	1,574,580	4,785,638
Returns on investments and servicing of finance	11	(17)	41,603
Taxation	11	(1,028,259)	(47,298)
Equity dividends paid	5	-	(3,673,950)
Increase in cash in the financial year		546,304	1,105,993

Reconciliation of net cash inflow to movements in net funds

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Increase in cash and movement in net funds	546,304	1,105,993
Opening net funds	2,039,371	933,378
Closing net funds	2,585,675	2,039,371

1 Accounting policies*Basis of accounting*

The financial statements have been prepared on an ongoing basis under the historical cost convention and in accordance with applicable accounting standards. The financial statements are prepared on a going concern basis and the accounting policies are consistently applied.

Foreign currencies

The functional currency for accounting and reporting purposes is Pounds sterling. Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses on translation are included in the profit and loss account.

Turnover

Turnover, which is stated net of value added tax, is wholly attributable to the principal activity of the Company and arises solely from continuing activities in the United Kingdom. Management fees are recognised 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.

Taxation

Provision is made for corporation tax at the rates that have been enacted or substantively enacted by the balance sheet 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.

2 Operating profit

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Operating profit is stated after charging/(crediting):		
Foreign exchange (gains)/losses	(101,812)	21,224
Auditor's remuneration:		
Audit services – current year audit	5,100	5,000

3 Employees and directors

The average number of persons employed by the Company (including directors) during the year was 2 (2013: 9).

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Staff costs consist of:		
Wages and salaries	37,500	2,329,104
Social security costs	3,476	316,102
Pension contributions	-	26,862
	40,976	2,672,068

Included in the above are directors' emoluments totalling £15,000 (2013: £20,000).

4 Taxation on profit on ordinary activities

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
UK corporation tax		
Current tax charge on profits for the year	103,838	879,753
Adjustment in respect of prior periods	-	(6)
Taxation on profit on ordinary activities	103,838	879,747

The tax assessed for the year is the same as (2013: higher than) the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Profit on ordinary activities before taxation	482,967	3,783,883
Tax on ordinary activities at the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	103,838	879,753
Effect of:		
Adjustment in respect of prior period	-	(6)
Current tax charge for the year	103,838	879,747

5 Dividends

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Ordinary shares:		
Interim dividend paid of £Nil (2013: £50) per share	-	3,673,950
	-	3,673,950

6 Debtors

	As at 31 December 2014 £	As at 31 December 2013 £
Trade debtors	276,766	300,020
Corporation tax	44,668	-
Prepayments and accrued income	70,294	6,755
Other debtors	491,280	175,119
	883,008	481,894

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

7 Creditors: amounts falling due within one year

	As at 31 December 2014 £	As at 31 December 2013 £
Trade creditors	2,319,212	872,870
Corporation tax	-	879,753
Accruals and deferred income	5,500	4,000
	2,324,712	1,756,423

8 Share capital

	As at 31 December 2014 £	As at 31 December 2013 £
Allotted, called up and fully paid: 73,479 (2013: 73,479) ordinary shares of £1 each	73,479	73,479
	73,479	73,479

9 Reserves

	Share premium account £	Profit and loss account £
At 1 January 2014	26,774	664,589
Profit for the year	-	379,129
At 31 December 2014	26,774	1,043,718

10 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Operating profit	482,984	3,742,280
(Increase)/decrease in debtors	(356,446)	539,849
Increase in creditors	1,448,042	503,509
Net cash inflow from operating activities	1,574,580	4,785,638

11 Analysis of cash flows

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Returns on investments and servicing of finance		
Interest received	2,692	41,603
Interest paid	(2,709)	-
	(17)	41,603
Taxation		
Corporation tax paid	(1,028,259)	(47,298)
	(1,028,259)	(47,298)

12 Analysis of change in net funds

	1 January 2014 £	Cash flows £	31 December 2014 £
Cash at bank	2,039,371	546,304	2,585,675
Total	2,039,371	546,304	2,585,675

13 Immediate and ultimate controlling party

The immediate controlling party of the Company is CQS Management Limited, a company incorporated in England and Wales. The ultimate controlling party of the Company is Sir Michael Hintze.

14 Related party transactions

During the year, the Company charged £3,500,268 (2013: £4,209,231) to CQS Cayman LP, an entity related through common control, in respect of investment advisory services. As at the year end, an amount of £276,766 (2013: £300,020) was owed to the Company, which is included within trade debtors.

The Company previously paid charges to CQS (Global Services) Limited, an entity related through common control, for the secondment of staff and other employment services. During the year, an amount of £Nil (2013: £953,896) was charged to the Company, whilst an amount of £486,611 was owed to the Company in respect of overpaid charges and is included in other debtors (2013: £102,652 owed by the Company).

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.