

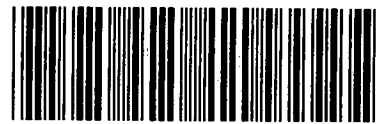
Company Registration No. 6330902

Houlihan Lokey Capital (Holdings) Limited

Directors' Report and Financial Statements

For the year ended 31 March 2014

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Houlihan Lokey Capital (Holdings) Limited

Directors' report and financial statements

31 March 2014

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Houlihan Lokey Capital (Holdings) Limited

Strategic report

The directors present the strategic report for the year ended 31 March 2014.

Principal activity

The company is an international treasury and cash management centre and investment holding company whose operating subsidiaries provide corporate finance advisory services.

Review of the business and future prospects

The company has continued to invest in its activities throughout the year and the directors are confident about its future prospects and, as such, consider it is appropriate to prepare these financial statements on an ongoing basis.

There has been no significant change in the Company's principal activities compared to the previous year. There are no significant development or factors which will have a major impact on the continued success or operation of the business in future.

The company made a loss of \$285,376 (31 March 2013 - loss of \$23,659) for the year. This is in line with the director expectations. During this year, the Company made no political or charitable donations and did not incur any political expenditure (31 March 2013 - \$nil). During the year a dividend of \$nil was paid (31 March 2013 - \$nil).

On 28 June 2013 Houlihan Lokey, Inc. sold to Houlihan Lokey Capital (Holdings) Limited 100% of its rights, title and interest in and to the general partnership interests of HLHZ UK Holdings, LP. Simultaneously, Houlihan Lokey Capital (Holdings) Limited sold a limited partnership interest in HLHZ UK Holdings, LP of 0.01% to Houlihan Lokey Capital (Asia) Limited. Please refer to Note 15 for further details.

The company's profitability is as disclosed above, given the straight forward nature of the business, the Directors do not consider any other KPI's are needed to understanding of the development, performance or position of the business.

Risk management and management of business

The risks of, and funding to support the business and operations of the subsidiaries are monitored on an ongoing basis. More information about risks facing the company and how they are managed can be found in Note 14 to the annual financial statements. In its treasury and cash management function, the company monitors cash needs as well as excess cash balances and sends or requests cash as needed via its related party loans. Its subsidiaries and investments are managed by maximising revenue generation and associated profitability. Capital requirements are monitored in relation to the external requirements of its subsidiaries and investments and any working capital needs they may have.

Approved by the Board of Directors
and signed on behalf of the Board.



S L Beiser
Director

15 December 2014

Houlihan Lokey Capital (Holdings) Limited

Directors' report

The directors submit their report and the audited financial statements for the year ended 31 March 2014.

Directors

The directors of the company throughout the year were:

R Hotz
S Adelson
S L Beiser

Directors interests

The directors do not have any shareholding in the company.

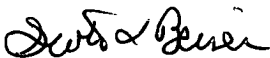
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information 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 to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors
and signed on behalf of the Board.



S L Beiser
Director

15 December 2014

Company Registration No. 6330902

Houlihan Lokey Capital (Holdings) Limited

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements

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

Company law requires the directors to prepare company financial statements for each financial year. Under that law they have elected to prepare the company financial statements in accordance with IFRS, as adopted by the EU 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 their profit or loss for that period. In preparing the company 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 they have been prepared in accordance with IFRSs as adopted by the EU; 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 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOULIHAN LOKEY CAPITAL (HOLDINGS)LIMITED

We have audited the financial statements of Houlihan Lokey Capital (Holdings) Limited for the year ended 31 March 2014 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 web-site at www.frc.co.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 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006 and under the terms of our engagement

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are presented 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 by the company, 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.



Karyn Nicoll, (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants,
15 Canada Square, Canary Wharf E14 5GL

15 December 2014


Houlihan Lokey Capital (Holdings) Limited

Statement of financial position at 31 March 2014

		Year ended 31 March 2014 \$	Year ended 31 March 2013 \$
Assets	Notes		
Non-current assets			
Available for sale asset	7	-	132,962,985
Investment in subsidiaries	8	<u>139,246,029</u>	<u>6,093,675</u>
Total non-current assets		<u>139,246,029</u>	<u>139,056,660</u>
Current assets			
Loans owed by related parties, repayable on demand		<u>60,403,063</u>	32,972,013
Cash and cash equivalents	12	<u>7,015</u>	<u>29,949</u>
Total current assets		<u>60,410,078</u>	<u>33,001,962</u>
Total assets		<u>199,656,108</u>	<u>172,058,622</u>
Liabilities			
Current liabilities			
Amounts owed to related parties		<u>2,340,300</u>	2,131,416
Other interest bearing loans and borrowings	9	<u>64,530,229</u>	<u>37,048,507</u>
Total current liabilities		<u>66,870,529</u>	<u>39,179,923</u>
Net assets		<u>132,785,578</u>	<u>132,878,699</u>
Capital and reserves			
Share capital	10	<u>1,299,979</u>	1,299,979
Share premium		<u>24,696,534</u>	24,696,534
Available-for-sale reserve		<u>102,892,564</u>	102,700,308
Retained earnings		<u>3,896,502</u>	4,181,878
Total equity attributable to equity shareholders	11	<u>132,785,578</u>	<u>132,878,699</u>

The notes on pages 10 to 16 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 15 December 2014 and were signed on its behalf by



S L Beiser
Director

Houlihan Lokey Capital (Holdings) Limited

Statement of comprehensive income for the year ended 31 March 2014

	Notes	Year ended 31 March 2014 \$	Year ended 31 March 2013 \$
Finance income	4	431,966	244,236
Finance expense	4	(505,722)	(342,605)
Administrative expenses		<u>(208,733)</u>	<u>74,710</u>
Operating loss	5	(282,490)	(23,659)
Loss on disposal of investment	6	<u>(2,886)</u>	<u>-</u>
Loss on ordinary activities before taxation	5	(285,376)	(23,659)
Taxation	6	<u>-</u>	<u>-</u>
Loss after taxation		<u>(285,376)</u>	<u>(23,659)</u>
Other comprehensive income, net of income tax			
Net change in fair value of available-for-sale financial asset		202,685	20,119,050
Change in fair value on transfer of partnership holding to Houlihan Lokey Capital (Asia) Limited		(10,429)	-
		<u>192,256</u>	<u>20,119,050</u>
Total comprehensive income for the year		<u>(93,120)</u>	<u>20,095,391</u>

The results for the year ended 31 March 2014 and 31 March 2013 are derived from continuing operations.

The notes on pages 10 to 16 form an integral part of these financial statements.

Houlihan Lokey Capital (Holdings) Limited

Statement of changes in equity for the year ended 31 March 2014

	Notes	Share capital \$	Share premium \$	Available-for- sale reserve \$	Retained profit \$	Total \$
Balance at 1 April 2012 Restated		1,299,979	24,696,534	82,581,258	4,205,537	112,783,308
<i>Comprehensive income:</i>						
Loss for the year		-	-	-	(23,659)	(23,659)
<i>Other comprehensive income:</i>						
Available for sale asset		-	-	20,119,050	-	20,119,050
Balance at 31 March 2013		<u>1,299,979</u>	<u>24,696,534</u>	<u>102,700,308</u>	<u>4,181,878</u>	<u>132,878,699</u>
Balance at 1 April 2013		1,299,979	24,696,534	102,700,308	4,181,878	132,878,699
<i>Comprehensive income:</i>						
Loss for the year		-	-	-	(285,376)	(285,376)
<i>Other comprehensive income:</i>						
Available for sale asset		-	-	192,256	-	192,256
Balance at 31 March 2014	10,11	<u>1,299,979</u>	<u>24,696,534</u>	<u>102,892,564</u>	<u>3,896,502</u>	<u>132,785,578</u>

The notes on pages 10 to 16 form an integral part of these financial statements.

Houlihan Lokey Capital (Holdings) Limited

Statement of cash flows for the year ended 31 March 2014

	Year ended 31 March 2014	Year ended 31 March 2013
Notes	\$	\$
Cash flows from operating activities		
Operating profit/(loss) for the period	(285,376)	(23,659)
Adjustments for:		
Loss on disposal of part of partnership interest in HLHZ UK Holdings, LP	2,886	
Foreign exchange	-	5,175
Operating profit/(loss) before changes in working capital	(282,490)	(18,484)
Increase/(Decrease) in amounts owed to group companies	208,883	(61,699)
Increase in loans from related parties	27,481,722	6,324
(Increase) in loans to related parties	(27,431,050)	-
Net cash (outflow)/inflow from operating activities	(22,934)	(73,859)
Net cash used in investing activities	-	-
Effect of exchange rate changes on cash and cash equivalents		(5,175)
Net (decrease) in cash and cash equivalents	(22,934)	(79,034)
Cash and cash equivalents at the beginning of the year	29,949	108,983
Cash and cash equivalents at the end of the year	7,015	29,949

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The notes on pages 10 to 16 form an integral part of these financial statements.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2014

1. General Information

Houlihan Lokey Capital (Holdings) Limited is domiciled in the United Kingdom. The Company is a holding company and the Company's registered office is at 83 Pall Mall, London, SW1Y 5ES.

2. Basis of preparation

2.1 Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the European Union ('EU') at the balance sheet date, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis.

The directors are confident about its future prospects and expect the company to continue as a going concern into the foreseeable future.

In December 2011, the IASB issued amendments 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)' which clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted and are required to be applied retrospectively.

Based on the assessment performed to date, management do not expect the amendments to IAS 32 to have a material effect on the Company's financial statements.

At 31 March 2014, there were no unendorsed standards effective for the year ended 31 March 2014 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the Company's financial statements for the year ended 31 March 2014 are prepared in accordance with IFRSs as issued by the IASB.

The financial statements were approved by the board on 15 December 2014

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the Available for Sale Asset which was presented at fair value in the prior year.

2.3 Functional and presentation currency

These consolidated financial statements are presented in US Dollars and the functional currency is US Dollars. Except as indicated, financial information presented in US Dollars has been rounded to the nearest dollar.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management also uses estimates and judgements in determining the fair value of Available for Sale Assets.

In the opinion of the directors, the use of estimates does not present a significant risk of material adjustments to the carrying amounts of assets and liabilities in these financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The accounting policies have been applied consistently by the company.

3.1 Basis of exemption from consolidation

Houlihan Lokey Capital (Holdings) Limited is exempt from the obligation to prepare consolidated financial statements as its ultimate parent company, ORIX Corporation - a publicly owned Tokyo based International financial services company, listed in both Tokyo and New York prepares consolidated financial statements, see note 13 for further details. The company and all of its subsidiaries will be incorporated in the ultimate parent company's consolidated group financial statements. The financial statements present information about the Company as an individual undertaking. All requirements for exemption as per Section 400 of the Companies Act 2006 have been met.

3.2 Determination of fair values

Available for sale asset

The fair value of the available for sale asset is determined using the discounted cash flows valuation method. Assumptions based on market comparables are utilised where appropriate.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2014

3.3 Financial instruments

The group classifies its financial assets into the following categories:

Available for sale asset

Available for sale investments represent an investment in a fellow company. The investment is not held for short term trading, and is valued at fair value. Subsequent measurement is at fair value if the fair value can be reliably measured, if not it is measured at cost. Any changes in fair value are reported in other comprehensive income. The available for sale asset is reviewed at each balance sheet date for impairment. Any impairment or reversal of impairment is recognised in profit or loss. Dividends received related to the available for sale asset are presented within finance income.

Loans and receivables

Trade receivables arise mainly from advisory services. They are measured initially at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method, which in itself is an approximation of fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand.

The company classifies its financial liabilities into the following categories:

Other interest bearing loans and borrowings

Loans and borrowings are measured initially at fair value plus incremental direct transaction costs, and subsequently measured at amortised cost using the effective interest rate method, which in itself is an approximation of fair value.

3.4 Investment in subsidiaries

Investments in subsidiaries are measured at cost less any impairment loss. The investments in subsidiaries are reviewed for impairment as discussed below.

3.5 Impairment

Management reviews its investments and its loans to related parties for indications of impairment regularly. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. Any impairment is recognised immediately in the income statement.

3.6 Finance income

Interest income and expense are recognised in the income statement using the effective interest rate method. Dividend income is recognised in the income statement when the right to receive income is established.

3.7 Foreign currency transaction

Transactions in foreign currencies are translated to the functional currencies of the company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies, that are measured at fair value, are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation in the consolidated financial statements shall be recognised in other comprehensive income.

3.8 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2014

4. Finance Expense

	Year ended 31 March 2014	Year ended 31 March 2013
	\$	\$
Interest paid on intercompany loan	<u>505,722</u>	<u>342,605</u>

Finance Income

	Year ended 31 March 2014	Year ended 31 March 2013
	\$	\$
Bank interest	916	416
Interest received on intercompany loan	<u>431,050</u>	<u>243,821</u>
	<u>431,966</u>	<u>244,236</u>

5. Profit on ordinary activities before taxation

	Year ended 31 March 2014	Year ended 31 March 2013
	\$	\$
The profit on ordinary activities before taxation is stated after charging:		
Foreign exchange translation gain/(loss)	<u>198,977</u>	<u>(83,609)</u>

Audit fees for the company of \$30,875 (2013 - \$30,875) have been borne by Houlihan Lokey Inc, and are not recharged to its subsidiary companies.

6. Taxation

	Year ended 31 March 2014	Year ended 31 March 2013
	\$	\$
Factors affecting the tax debit / (credit) for the current period		
The tax credit for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 23% (31 March 2013 - 24%)		
The differences are explained below:		
Profit on ordinary activities before tax	(285,376)	(23,659)
Income tax using group's domestic tax rate 23% (31 March 2012 - 24%)	<u>(65,636)</u>	<u>(5,678)</u>
Effects of:		
Group relief	65,636	5,678
Total tax debit / (credit) for the period	<u>-</u>	<u>-</u>

On March 2012 the UK Government announced that the UK corporation tax rate applicable from 1 April 2013 would be 23%. This was substantively enacted on 3 July 2012. The Finance Act 2013, which passed into law on 17 July 2013, included further rate reductions in the UK corporation tax rate from 23% to 21% with effect from 1 April 2014 and 21% to 20% with effect from 1 April 2015

No consideration was received when the tax loss was transferred to Houlihan Lokey (Europe) Limited as group relief.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2014

7. Available for sale asset

	Year ended 31 March 2014	Year ended 31 March 2013 \$
Ownership interest in HLHZ UK Holdings, LP at beginning of year	132,962,985	112,843,935
Net change in fair value of available-for-sale financial asset	-	25,477,849
Change in fair value on transfer of partnership holding to Houlihan Lokey Capital (Asia) Limited	(13,317)	-
Transfer from available for sale asset to investment in subsidiary due to change of control (see note 15)	(133,152,354)	
Foreign currency translation adjustment	202,685	(5,358,799)
Ownership interest in HLHZ UK Holdings, LP at end of year	<u>-</u>	<u>132,962,985</u>

In the prior year the fair value of the ownership interest in HLHZ UK Holdings, LP has been calculated using discounted cash flows. The available for sale asset was presented at fair value as management believe that a reliable valuation can be made. Any changes in fair value were reported in other comprehensive income.

On 28 June 2013 Houlihan Lokey, Inc. sold to Houlihan Lokey Capital (Holdings) Limited 100% of its rights, title and interest in and to the general partnership interests of HLHZ UK Holdings, LP. Simultaneously, Houlihan Lokey Capital (Holdings) Limited sold a limited partnership interest in HLHZ UK Holdings, LP of 0.01% to Houlihan Lokey Capital (Asia) Limited. Please refer to Note 15 for further details.

8. Investment in subsidiary undertakings

	Year ended 31 March 2014 31 March \$	Year ended 31 March 2013 31 March \$
Carrying value of investments at the beginning of the year	6,093,675	6,093,675
Transfer from available for sale asset to investment in subsidiary due to change of control (see note 15)	133,152,354	-
Carrying value at the end of the year	<u>139,246,029</u>	<u>6,093,675</u>

The company has holdings in group undertakings as follows:

HLHZ UK Holdings, LP *General partnership holding	*	Partnership interest	United States	Holding company
Houlihan Lokey Capital (Asia) Limited		Ordinary shares	UK	Holding company
<i>Held indirectly</i>				
Houlihan Lokey (China) Limited		Ordinary shares	Hong Kong	Corporate finance advisory
Houlihan Lokey Howard & Zukin Investment Consulting (Beijing) Co., Limited		Ordinary shares	Peoples Republic of China	Corporate finance advisory

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2014

9. Other interest bearing loans and borrowings

	Year ended 31 March 2014	Year ended 31 March 2013
	\$	\$
Current liability		
Loan from HLHZ UK Holdings, LP, repayable on demand	59,824,046	33,848,046
Cumulative interest on loan at daily ORIX USA Corporation cost of funds plus 0.15% and rolled into the loan (31 March 2014 - 1.74%)	625,493	188,890
Loan from Houlihan Lokey (China) Limited, repayable on demand	4,000,000	3,000,000
Cumulative interest on loan at daily ORIX USA Corporation cost of funds plus 0.15% and rolled into the loan (31 March 2014 - 1.74%)	80,691	11,571
	<u>64,530,229</u>	<u>37,048,507</u>

While the loans held on 31 March 2014 are repayable on demand, they are intended to be long term lending structures to be utilized in accordance with the company's treasury function. The balances can fluctuate based on the lenders' cash availability or needs, but there is no intention that the loans be repaid in full in the foreseeable future.

10. Share capital

		31 March 2014	31 March 2013
Ordinary shares of £1 each:	Number	\$	\$
Authorised	<u>5,000,000</u>	<u>7,989,772</u>	<u>7,989,772</u>
Issued and fully paid	<u>813,527</u>	<u>1,299,979</u>	<u>1,299,979</u>

The ordinary share capital of the company is designated in Sterling.

11. Reconciliation of movements in shareholders funds

	Year ended 31 March 2014	Year ended 31 March 2013
	\$	\$
Profit/(loss) for the period	(285,376)	(23,659)
Opening shareholder's funds	132,878,699	112,783,308
Available-for-sale reserve	192,256	20,119,050
Closing shareholder's funds	<u>132,785,578</u>	<u>132,878,699</u>

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2014

12. Cash and cash equivalents

	Year ended 31 March 2014	Year ended 31 March 2013
Bank balances	\$ 7,015	\$ 29,949

13. Related parties

Parent and ultimate controlling party

At the year end, Houlihan Lokey, Inc, a company incorporated in the United States, was the Company's immediate parent.

The ultimate parent and controlling party of the Company is ORIX Corporation, a publicly owned Tokyo based international financial services company, listed in both Tokyo and New York.

Copies of the financial statements of the parent companies may be obtained from ORIX Corporation, World Trading Center Bldg., 2-4-1 Hamamatsu-cho, Minato-ku, Tokyo 105-6190, Japan.

Company balances and movements

Parent

At 31 March 2014, the company was owed \$nil (31 March 2013 - \$nil) by immediate parent company.

Affiliates

As at 31 March 2013, the company owed \$6,467,467 (31 March 2012 - \$6,207,909) to affiliates, details as follow:

	Year ended 31 March 2014	Year ended 31 March 2013
Intercompany amounts owed to related parties	(2,340,300)	(2,131,416)
Interest bearing loans and borrowings owed to related parties	9 (64,530,229)	(37,048,507)
Loans owed by related parties, repayable on demand	60,403,063	32,972,013
	<u>(6,467,467)</u>	<u>(6,207,910)</u>

14. Financial risk management

Capital management

The company manages its capital to ensure its investments will be able to continue as a going concern and to comply with externally imposed capital requirements. This involves an assessment of the risks inherent in its subsidiaries and investments business models and a calculation of capital charges against each identified risk to ensure adequate capitalisation. The company manages its share capital and reserves disclosed in notes 10 and 11 to meet the requirements of its operating subsidiaries.

Credit risk

The credit risk on liquid funds is considered by management to be limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Houlihan Lokey Capital (Holdings) Limited manages its liquidity risk. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash on demand to meet its liabilities when due under both normal and stressed conditions. The type of cash instrument used and its maturity will depend on the company's forecasted cash requirements.

In fulfilling its function as an international treasury and cash management centre, the company collects and distributes cash to and from its subsidiaries and investments and makes loans to a related party. The interest on the loans is rolled into the loan and becomes payable on demand with the loan. The company therefore monitors these funding needs and should any short term funding be required, it may demand repayment on its loan or request cash from a parent company.

Market risk

The company does not undertake securities trading and therefore does not run market risk, other than as disclosed in currency risk above.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2014

15. Change in ownership of HLHZ UK Holdings, LP

On 28 June 2013 Houlihan Lokey, Inc. sold to Houlihan Lokey Capital (Holdings) Limited 100% of its rights, title and interest in and to the general partnership interests of HLHZ UK Holdings, LP for the purchase price of \$1.00. The fair value of the holding acquired was \$3,995. Simultaneously, Houlihan Lokey Capital (Holdings) Limited sold a limited partnership interest in HLHZ UK Holdings, LP of 0.01% to Houlihan Lokey Capital (Asia) Limited for the purchase price of \$1.00. Houlihan Lokey Capital (Holdings) Limited made a loss of \$2,886 on the sale of this partnership interest. The company's resulting ownership interest in HLHZ UK Holdings, LP is 99.99% (31 March 2013 - 99.997%)

This transaction resulted in Houlihan Lokey Capital (Holdings) Limited becoming the general partner of HLHZ UK Holdings, LP. As general partner Houlihan Lokey Capital (Holdings) Limited now controls HLHZ UK Holdings, LP and the investment is accounted for as an investment in subsidiary. The investment in HLHZ UK Holdings, LP has been recognised as the carrying value of the available for sale investment as at 28 June 2013 adjusted for the carrying value of the share transferred to Houlihan Lokey Capital (Asia) Limited and the cost of the partnership interest acquired from Houlihan Lokey, Inc.