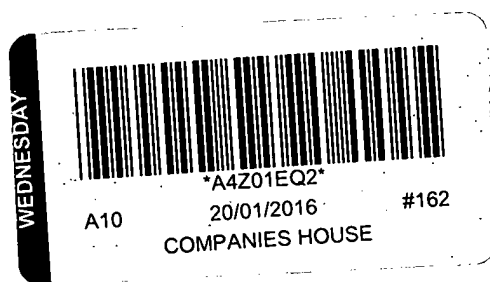


Company Registration No. 6330902

**Houlihan Lokey Capital (Holdings) Limited**

Directors' Report and Financial Statements

For the year ended 31 March 2015



**Houlihan Lokey Capital (Holdings) Limited**

**Directors' report and financial statements**

**31 March 2015**

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## Houlihan Lokey Capital (Holdings) Limited

### Strategic report

The directors present the strategic report for the year ended 31 March 2015.

#### 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 \$52,890 (31 March 2014 - \$285,376) 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 2014 - \$nil). During the year a dividend of \$nil was paid (31 March 2014 - \$nil).

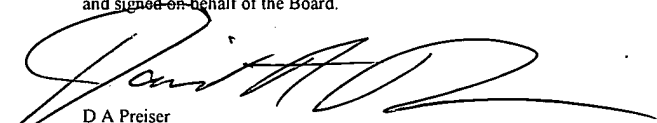
On 13 August 2015, Houlihan Lokey, Inc. (HLI) completed an initial public offering on the New York Stock Exchange. Following the offering, ORIX USA owned 23,185,331 shares of Class B common stock, representing 41.4% of the voting power and 35.4% of the economic interest in HLI. Accordingly, Houlihan Lokey, Inc. is now the ultimate holding Company of the Company.

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.



D A Preiser  
Director

11 December 2015

## Houlihan Lokey Capital (Holdings) Limited

### Directors' report

The directors submit their report and the audited financial statements for the year ended 31 March 2015.

#### Directors

The directors of the Company throughout the year were:

R Hotz (resigned November 2015)  
S Adelson (resigned November 2015)  
S L Beiser (resigned November 2015)  
D A Preiser (appointed November 2015)  
E W Purcell (appointed November 2015)  
J L Alley (appointed November 2015)

#### 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.

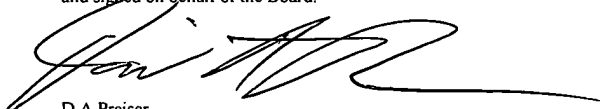
At year ended 31 March 2015, Houlihan Lokey, Inc. was the parent Company of Houlihan Lokey Capital (Holdings) Limited. ORIX Corporation - a publicly owned Tokyo based International financial services Company was the ultimate holding Company of Houlihan Lokey, Inc.

On 13 August 2015, Houlihan Lokey, Inc., the Company's parent entity, completed an initial public offering on the New York Stock Exchange. Following the offering, ORIX USA owned 23,185,331 shares of Class B common stock, representing 41.4% of the voting power and 35.4% of the economic interest in Houlihan Lokey, Inc. Accordingly, Houlihan Lokey, Inc. is now the ultimate parent of the Company.

#### 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.



D A Preiser  
Director

11 December 2015

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 2015 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](http://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 2015 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.



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

11 December 2015

## Houlihan Lokey Capital (Holdings) Limited

### Statement of financial position at 31 March 2015

		Year ended 31 March 2015	Year ended 31 March 2014
		\$	\$
<b>Assets</b>	<b>Notes</b>		
<b>Non-current assets</b>			
Available for sale asset	7	-	-
Deferred tax asset	6	1,742,694	-
Investment in subsidiaries	8	139,246,029	139,246,029
<b>Total non-current assets</b>		<u>140,988,723</u>	<u>139,246,029</u>
<b>Current assets</b>			
Loans owed by related parties, repayable on demand		81,205,269	60,403,064
Cash and cash equivalents	12	4,309	7,015
<b>Total current assets</b>		<u>81,209,578</u>	<u>60,410,079</u>
<b>Total assets</b>		<u>222,198,301</u>	<u>199,656,108</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts owed to related parties		-	2,340,300
Other interest bearing loans and borrowings	9	87,666,339	64,530,229
Current tax liabilities		1,799,273	-
<b>Total current liabilities</b>		<u>89,465,612</u>	<u>66,870,529</u>
<b>Net assets</b>		<u>132,732,689</u>	<u>132,785,579</u>
<b>Capital and reserves</b>			
Share capital	10	1,299,979	1,299,979
Share premium		24,696,534	24,696,534
Available-for-sale reserve		102,892,564	102,892,564
Retained earnings		3,843,612	3,896,502
<b>Total equity attributable to equity shareholders</b>	11	<u>132,732,689</u>	<u>132,785,579</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 11 December 2015 and were signed on its behalf by



D A Preiser  
Director

## Houlihan Lokey Capital (Holdings) Limited

### Statement of comprehensive income for the year ended 31 March 2015

	Notes	Year ended 31 March 2015 \$	Year ended 31 March 2014 \$
Finance income	4	1,471,441	431,966
Finance expense	4	(1,409,478)	(704,699)
Administrative expenses		(12,493)	(9,757)
<b>Operating profit/ (loss)</b>	5	<u>49,470</u>	<u>(282,490)</u>
Loss on disposal of investment		-	(2,886)
<b>Profit / (loss) on ordinary activities before taxation</b>	5	<u>49,470</u>	<u>(285,376)</u>
Taxation	6	(102,360)	-
<b>Profit/ (loss) after taxation</b>		<u>(52,890)</u>	<u>(285,376)</u>
<b>Other comprehensive income, net of income tax</b>			
Net change in fair value of available-for-sale financial asset		-	202,685
Change in fair value on transfer of partnership holding to Houlihan Lokey Capital (Asia) Limited		-	(10,429)
		-	<u>192,256</u>
<b>Total comprehensive income/ (loss) for the year</b>		<u>(52,890)</u>	<u>(93,120)</u>

The results for the year ended 31 March 2015 and 31 March 2014 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 2015

	Notes	Share capital	Share premium	Available-for-sale reserve	Retained profit	Total
		\$	\$	\$	\$	\$
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
<b>Balance at 31 March 2014</b>		<b>1,299,979</b>	<b>24,696,534</b>	<b>102,892,564</b>	<b>3,896,502</b>	<b>132,785,579</b>
Balance at 1 April 2014		1,299,979	24,696,534	102,892,564	3,896,502	132,785,579
<i>Comprehensive income:</i>						
Profit for the year		-	-	-	(52,890)	(52,890)
<i>Other comprehensive income:</i>						
Available for sale asset		-	-	-	-	-
<b>Balance at 31 March 2015</b>	<b>10,11</b>	<b>1,299,979</b>	<b>24,696,534</b>	<b>102,892,564</b>	<b>3,843,612</b>	<b>132,732,689</b>

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 2015

	Year ended 31 March 2015	Year ended 31 March 2014
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Operating profit/(loss)	49,470	(282,490)
<b>Changes in working capital</b>		
(Decrease)/Increase in amounts owed to group companies	(2,386,081)	208,884
Increase in loans from related parties	23,136,110	27,481,722
(Increase) in loans to related parties	(20,802,205)	(27,431,050)
	<u>(2,706)</u>	<u>(22,934)</u>
<b>Net cash (outflow) from operating activities</b>		
Effect of exchange rate changes on cash and cash equivalents		
<b>Net (decrease) in cash and cash equivalents</b>	<b>(2,706)</b>	<b>(22,934)</b>
Cash and cash equivalents at the beginning of the year	<u>7,015</u>	<u>29,949</u>
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b> <u><b>4,309</b></u>	<u><b>7,015</b></u>

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 2015

#### 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.

At 31 March 2015, there were no unendorsed standards effective for the year ended 31 March 2015 affecting these financial statements. The Company has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective. 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 2015 are prepared in accordance with IFRSs as issued by the IASB.

The financial statements were approved by the board on 11 December 2015.

##### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

##### 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 its impairment assessment of the investment in subsidiary.

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 parent Company, Houlihan Lokey, Inc. listed in New York prepares consolidated financial statements, see note 13 for further details. At 31 March 2015, ORIX Corporation - a publicly owned Tokyo based International financial service Company is listed in both Tokyo and New York also prepares consolidated group financial statements. The Company and all of its subsidiaries will be incorporated in the 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.

On 13 August 2015, Houlihan Lokey, Inc., the Company's parent entity, completed an initial public offering on the New York Stock Exchange. Following the offering, ORIX USA owned 23,185,331 shares of Class B common stock, representing 41.4% of the voting power and 35.4% of the economic interest in Houlihan Lokey, Inc. Accordingly, Houlihan Lokey, Inc is now the ultimate parent of the Company.

##### 3.2 Impairment of assets

###### *Investment in subsidiary*

The value in use of the investment in subsidiary 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 2015

#### 3.3 Financial instruments

The group classifies its financial assets into the following categories:

##### *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 category:

##### *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. The analysis is performed on a value in use basis. 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. Tax on the share of profit from the Company's partnership interest is accounted for once the Company's profit share is determined.

## Houlihan Lokey Capital (Holdings) Limited

### Notes to the financial statements for the year ended 31 March 2015

#### 4. Finance Income & Expense

##### Finance Expense

	Year ended 31 March 2015	Year ended 31 March 2014
	\$	\$
Interest paid on intercompany loan	1,409,478	505,722
Foreign exchange translation loss	-	198,977
	<u>1,409,478</u>	<u>704,699</u>

##### Finance Income

	Year ended 31 March 2015	Year ended 31 March 2014
	\$	\$
Bank interest	26	916
Interest received on intercompany loan	1,302,206	431,050
Foreign exchange translation gain	169,209	-
	<u>1,471,441</u>	<u>431,966</u>

#### 5. Profit on ordinary activities before taxation

	Year ended 31 March 2015	Year ended 31 March 2014
	\$	\$
The profit on ordinary activities before taxation is stated after charging:		
Foreign exchange translation gain/(loss)	169,209	(198,977)

Audit fees for the Company of \$34,125 (2014 - \$30,875) have been borne by Houlihan Lokey Inc, and are not recharged to its subsidiary companies.

## Houlihan Lokey Capital (Holdings) Limited

### Notes to the financial statements for the year ended 31 March 2015

#### 6. Taxation

	Year ended 31 March 2015	Year ended 31 March 2014
	\$	\$
<b>Tax expense</b>		
Current tax:		
Tax for the current year	1,840,217	-
Adjustment in respect of prior periods	4,837	-
Deferred tax:		
Origination and reversal of timing differences	(1,742,694)	-
Total tax charge / (credit) for the period	<u>102,360</u>	<u>-</u>

#### Factors affecting the tax charge for the current period

The tax charge for the period is higher than that resulting from applying the standard rate of corporation tax in the UK: 21% (31 March 2014 - 23%)

The differences are explained below:

Profit/(loss) on ordinary activities before tax	49,470	(285,376)
Income tax using group's domestic tax rate 21% (31 March 2014 - 23%)	<u>10,389</u>	<u>(65,636)</u>
Effects of:		
Group relief	-	65,636
Tax effect of share of partnership profits	1,829,828	-
Deferred tax temporary differences	<u>(1,742,694)</u>	<u>-</u>
Adjustments in respect of prior periods	4,837	-
Total tax charge / (credit) for the period	<u>102,360</u>	<u>-</u>

#### Deferred tax balance for the company is as follows:

Opening balance	-	-
Temporary differences	<u>1,742,694</u>	<u>-</u>
Closing balance	<u>1,742,694</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 tax losses have been transferred to Houlihan Lokey (Europe) Limited as group relief in the current financial year.

Houlihan Lokey Capital (Holdings) Limited is the general partner of HLHZ UK Holdings, LP and has control over the partnership. HLHZ UK Holdings, LP is considered as a transparent entity for tax purposes and that share of its profit is determined for corporation tax purposes in accordance with the partnership's profit-sharing arrangements.

A deferred tax asset has been recognised in respect of the share of partnership profits subject to current tax and expected to be recognised as income by Houlihan Lokey Capital (Holdings) Limited in future periods. Deferred tax is recognised at the substantively enacted tax rate effective in the period in which the timing difference is expected to reverse.

#### 7. Available for sale asset

	Year ended 31 March 2015	Year ended 31 March 2014
		\$
Ownership interest in HLHZ UK Holdings, LP at beginning of year	-	132,962,985
Change in fair value on transfer of partnership holding to Houlihan Lokey Capital (Asia) Limited	-	(13,316)
Transfer from available for sale asset to investment in subsidiary due to change of control (see note 8)	-	(133,152,354)
Foreign currency translation adjustment	-	202,685
Ownership interest in HLHZ UK Holdings, LP at end of year	<u>-</u>	<u>-</u>

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.

Houlihan Lokey Capital (Holdings) Limited is the general partner of HLHZ UK Holdings, LP and has control over the partnership. The investment is no longer recognised as an available for sale assets and is accounted as an investment in subsidiary.

## Houlihan Lokey Capital (Holdings) Limited

### Notes to the financial statements for the year ended 31 March 2015

#### 8. Investment in subsidiary undertakings

	Year ended 31 March 2015	Year ended 31 March 2014
	\$	\$
Carrying value of investments at the beginning of the year	139,246,029	6,093,675
Transfer from available for sale asset to investment in subsidiary due to change of control (see note 7)	-	133,152,354
Carrying value at the end of the year	<u>139,246,029</u>	<u>139,246,029</u>

Based on analysis performed on the investment in subsidiary, there has been no impairment.

The Company has holdings in group undertakings as follows:

Name of company	% holding	Country of incorporation	Principal activity
<i>Held directly</i>			
HLHZ UK Holdings, LP	* 99.99%	United States	Holding company
*General partnership holding Houlihan Lokey Capital (Asia) Limited	100%	United Kingdom	Holding company
<i>Held indirectly</i>			
Houlihan Lokey (China) Limited	100%	Hong Kong	Corporate finance advisory
Houlihan Lokey Investment Consulting (Beijing) Co. Limited	100%	Peoples Republic of China	Corporate finance advisory

#### 9. Other interest bearing loans and borrowings

	Year ended 31 March 2015	Year ended 31 March 2014
	\$	\$
<b>Current liability</b>		
Loan from HLHZ UK Holdings, LP, repayable on demand	81,577,552	59,824,046
Cumulative interest on loan at LIBOR plus 0.15% and rolled into the loan (31 March 2014 - 1.91%)	1,930,596	625,492
Loan from Houlihan Lokey (China) Limited, repayable on demand	4,000,000	4,000,000
Cumulative interest on loan at LIBOR plus 0.15% and rolled into the loan (31 March 2015 - 1.91%)	158,191	80,691
	<u>87,666,339</u>	<u>64,530,229</u>

While the loans held on 31 March 2015 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.

## Houlihan Lokey Capital (Holdings) Limited

### Notes to the financial statements for the year ended 31 March 2015

#### 10. Share capital

		Year ended 31 March 2015	Year ended 31 March 2014
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 2015	Year ended 31 March 2014
	\$	\$
Profit/(loss) for the period	(52,890)	(285,376)
Opening shareholder's funds	132,785,579	132,878,699
Available-for-sale reserve	-	192,256
Closing shareholder's funds	<u>132,732,689</u>	<u>132,785,579</u>

#### 12. Cash and cash equivalents

	Year ended 31 March 2015	Year ended 31 March 2014
	\$	\$
Bank balances	<u>4,309</u>	<u>7,015</u>

#### 13. Related parties

##### Parent and ultimate controlling party

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

At the year end, the ultimate parent and controlling party of the Company was 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.

On 13 August 2015, Houlihan Lokey, Inc., the Company's parent entity, completed an initial public offering on the New York Stock Exchange. Following the offering, ORIX USA owned 23,185,331 shares of Class B common stock, representing 41.4% of the voting power and 35.4% of the economic interest in Houlihan Lokey, Inc. Accordingly, Houlihan Lokey, Inc is now the ultimate holding Company of the Company.

##### Company balances and movements

###### Parent

At 31 March 2015, the Company was owed \$nil (31 March 2014 - \$nil) by immediate parent Company.

###### Affiliates

As at 31 March 2015, the Company owed \$6,467,071 (31 March 2014 - \$6,467,467) to affiliates, details as follow:

	Year ended 31 March 2015	Year ended 31 March 2014
Intercompany amounts owed to related parties	-	(2,340,300)
Interest bearing loans and borrowings owed to related parties	9 (87,666,339)	(64,530,229)
Loans owed by related parties, repayable on demand	<u>81,205,269</u>	<u>60,403,064</u>
	<u>(6,461,070)</u>	<u>(6,467,465)</u>



## **Houlihan Lokey Capital (Holdings) Limited**

### **Notes to the financial statements for the year ended 31 March 2015**

#### **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.

##### **Currency risk**

The Company does not have any material foreign currency exposures, other than its investments in Houlihan Lokey, UK, LP, which is managed in GBP. The partnership interest is exposed to the risk of fluctuations in the Euro : USD and GBP : USD Exchange Rate since Houlihan Lokey (Europe) Limited (wholly owned subsidiary of Houlihan Lokey, UK, LP), manages its business activities in Euros, GBP and USD. However these risks are not considered material for the business.

##### **Liquidity risk**

The Company 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.

#### **15. Subsequent events**

In conjunction with the Initial Public Offering of Houlihan Lokey, Inc., the loan agreement between the Company and OGC was matured as of 18 August 2015. A new note agreement between the parties was entered into as of that date with a maturity date of 18 August 2017. Interest is accrued daily and is due on the first business day of each calendar month, which is also the date that the rate resets. The rate is equal to LIBOR plus 165 basis points.

There are no other events between balance date and the authorisation of the financial statements requiring disclosure.