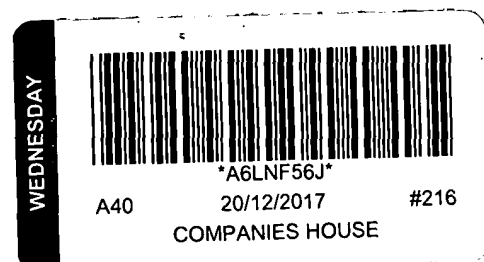


Company Registration No. 06330902

Houlihan Lokey Capital (Holdings) Limited

Directors' Report and Financial Statements

For the year ended 31 March 2017



Houlihan Lokey Capital (Holdings) Limited

Directors' report and financial statements

31 March 2017

Contents	Page
Strategic report	3
Directors' report	4
Statement of Directors' responsibilities	5
Independent auditor's report to the shareholders of Houlihan Lokey Capital (Holdings) Limited	6
Statement of financial position	7
Statement of comprehensive income	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 to 20

Houlihan Lokey Capital (Holdings) Limited

Strategic report

The Directors present the strategic report for the year ended 31 March 2017.

Principal activity

The Company is an investment holding Company whose operating subsidiaries provide corporate financial advisory services in Europe and Asia.

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 a going concern basis.

The Company made a loss of \$838,763 (31 March 2016: \$2,063,341 loss) for the year. During the year, the Company made no political or charitable donations (31 March 2016: nil) and did not incur any political expenditure (31 March 2016: nil). During the year no dividend was paid (31 March 2016: nil).

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.

Subsequent to year end the Company incorporated a new subsidiary, Houlihan Lokey (MEA Financial Advisory) Limited, in Dubai. This entity was incorporated with the intention to extend the group's corporate finance and advisory presence into the Middle East. The entity received regulatory approval from the Dubai Financial Services Authority (DFSA) on 25 September 2017.

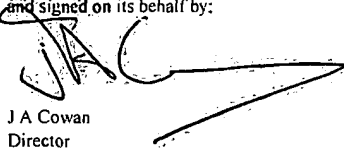
There were no other significant developments or factors which will have a major impact on the continued success or operation of the business in future.

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 16 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 its behalf by:

J A Cowan
Director



13 December 2017

Houlihan Lokey Capital (Holdings) Limited

Directors' report

The Directors submit their report and the audited financial statements for the year ended 31 March 2017.

Directors

The Directors of the Company throughout the year were:

J A Cowan
D A Preiser
E W Purcell (resigned on 23 August 2017)
J L Alley

Going concern

The company's business activities together with information on its risk management is described in the Strategic Report on page 3. The company has considerable financial resources, and together with its business model which is designed for the company to be profitable in most economic environments, the directors believe that the company is well placed to manage its business risks into the future. Accordingly, the directors have adopted the going concern basis in preparing the annual report and accounts.

Directors interests

The Directors do not have any shareholding in the Company.

Registered Office

83 Pall Mall
London
SW1Y 5ES

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 Company'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 its behalf by:


J A Cowan
Director

13 December 2017

Company Registration No. 06330902

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 shareholders of Houlihan Lokey (Europe) Limited

We have audited the financial statements of Houlihan Lokey (Europe) Limited for the year ended 31 March 2017 set out on pages 7 to 23. 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 shareholders, 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 shareholders 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 shareholders, 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 5, 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 Financial Reporting Council'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 March 2017 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

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

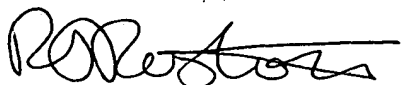
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.



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

13 December 2017

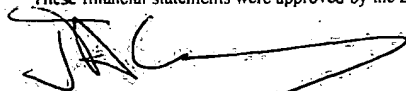
Houlihan Lokey Capital (Holdings) Limited

Statement of financial position as at 31 March 2017

		As at 31 March 2017 \$	As at 31 March 2016 \$
Assets	Notes		
Non-current assets			
Deferred tax asset	6	1,914,687	1,671,347
Investment in subsidiaries and associates	7	173,696,653	172,742,577
Other financial assets	8	777,821	389,167
Total non-current assets		<u>176,389,161</u>	<u>174,803,091</u>
Current assets			
Loans owed by related parties, repayable on demand	14	5,936,696	25,972,593
Cash and cash equivalents	9	126	2,383
Current tax assets		-	164,421
Total current assets		<u>5,936,822</u>	<u>26,139,397</u>
Total assets		<u>182,325,983</u>	<u>200,942,488</u>
Liabilities			
Current liabilities			
Amounts owed to related parties	14	6,585,664	3,014,960
Loans owed to related parties, repayable on demand	10, 14	32,484,783	52,140,514
Current tax liabilities		84,694	-
Other current liabilities	15	406,132	-
Total current liabilities		<u>39,561,273</u>	<u>55,155,474</u>
Non-current liabilities			
Other interest bearing loans and borrowings	10	12,080,304	14,881,747
Share-based payment liabilities	11	853,821	235,919
Total non-current liabilities		<u>12,934,125</u>	<u>15,117,666</u>
Total liabilities		<u>52,495,398</u>	<u>70,273,140</u>
Net assets		<u>129,830,585</u>	<u>130,669,348</u>
Capital and reserves			
Share capital	12	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		941,508	1,780,271
Total equity attributable to shareholders	13	<u>129,830,585</u>	<u>130,669,348</u>

The notes on pages 11 to 20 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 13 December 2017 and were signed on its behalf by



J A Cowan
Director

Company Registration No. 06330902

Houlihan Lokey Capital (Holdings) Limited

Statement of comprehensive income for the year ended 31 March 2017

	Notes	Year ended 31 March 2017 \$	Year ended 31 March 2016 \$
Finance income	4	874,978	964,797
Finance expenses	4	(778,326)	(1,894,581)
Administrative expenses		<u>(483,988)</u>	<u>(1,267,366)</u>
Loss on ordinary activities before taxation	5	(387,336)	(2,197,150)
Taxation	6	<u>(451,427)</u>	<u>133,809</u>
Loss after taxation		<u>(838,763)</u>	<u>(2,063,341)</u>
Other comprehensive income, net of income tax			
Total other comprehensive income, net of tax			
Total comprehensive loss for the year		<u>(838,763)</u>	<u>(2,063,341)</u>

The results for the year ended 31 March 2017 and 31 March 2016 are derived from continuing operations.

The notes on pages 11 to 20 form an integral part of these financial statements.

Houlihan Lokey Capital (Holdings) Limited

Statement of changes in equity for the year ended 31 March 2017

	Notes	Share capital \$	Share premium \$	Available-for-sale reserve \$	Retained profit \$	Total \$
Balance at 1 April 2015		1,299,979	24,696,534	102,892,564	3,843,612	132,732,689
<i>Comprehensive income:</i>						
Loss for the year		-	-	-	(2,063,341)	(2,063,341)
Balance at 31 March 2016		<u>1,299,979</u>	<u>24,696,534</u>	<u>102,892,564</u>	<u>1,780,271</u>	<u>130,669,348</u>
Balance at 1 April 2016		1,299,979	24,696,534	102,892,564	1,780,271	130,669,348
<i>Comprehensive income:</i>						
Loss for the year		-	-	-	(838,763)	(838,763)
Balance at 31 March 2017	12,13	<u>1,299,979</u>	<u>24,696,534</u>	<u>102,892,564</u>	<u>941,508</u>	<u>129,830,585</u>

The notes on pages 11 to 20 form an integral part of these financial statements.

Houlihan Lokey Capital (Holdings) Limited

Statement of cash flows for the year ended 31 March 2017

	Year ended 31 March 2017	Year ended 31 March 2016
Notes	\$	\$
Cash flows from operating activities		
Operating (loss) before taxation	(387,336)	(2,197,150)
<i>Adjustments for non-cash movements:</i>		
Fair value movements in financial assets	(413,417)	172,626
Foreign currency movements	(337,790)	-
Changes in working capital		
Increase/(Decrease) in provisions and other liabilities	406,132	-
Increase/(Decrease) in amounts owed to related parties	127,574	3,014,960
(Increase)/Decrease in loans made to related parties	20,046,094	55,232,676
Increase/(Decrease) in loans received from related parties	(19,443,514)	(35,525,825)
Tax Paid	-	(1,758,539)
Net cash (outflow) from operating activities	<u>(2,257)</u>	<u>18,938,748</u>
Cash flows from Investing activities		
Acquisition of investments in subsidiaries	-	(18,378,881)
Acquisition of other financial instruments	-	(561,793)
Net cash used in investing activities	<u>-</u>	<u>(18,940,674)</u>
Effect of exchange rate changes on cash and cash equivalents	-	-
Net (decrease) in cash and cash equivalents	<u>(2,257)</u>	<u>(1,926)</u>
Cash and cash equivalents at the beginning of the year	<u>2,383</u>	<u>4,309</u>
Cash and cash equivalents at the end of the year	<u>9 126</u>	<u>2,383</u>

The notes on pages 11 to 20 form an integral part of these financial statements.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2017

1. General information

Houlihan Lokey Capital (Holdings) Limited is a private limited company domiciled in the United Kingdom. The Company is an investment 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.

At 31 March 2017, 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 2017 are prepared in accordance with IFRSs as issued by the IASB.

The financial statements were approved by the board on 13 December 2017.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These 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 judgements, 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 uses estimates and applies judgements in determining the discount rate and forecasted cash flow inputs to the value in use method that is used in the impairment assessment of its investment in subsidiaries, and in determining the likelihood of available future taxable profits necessary for the recognition of deferred tax assets. Refer to note 3.4 and 3.7 respectively for more information. There are no other material estimates applied in the Company's financial statements.

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.

2.5 Newly effective and forthcoming standards

In May 2014, the IASB issued amendments to IFRS 15 *Revenue from Contracts with Customers* (2014). This provides guidance on revenue recognition and further required disclosures. This has not been early adopted by the Company, and is not applicable until our financial statements for the year ended 31 March 2019. As the Company does not generate revenue from contracts, it is expected that the new standard will have no material impact on the financial statements when it is adopted.

In July 2014, the IASB issued amendments to IFRS 9 *Financial Instruments* (2014). This standard contains requirements on the classification and measurement of financial assets and liabilities. This standard has not been early adopted by the company, and will not be applicable until the financial statements for the year ended 31 March 2019. While the Company has financial instruments, it is expected that the new standard will have no material impact on the financial statements when it is adopted.

In January 2016, the IASB issued IFRS 16 *Leases* (2016). For lessees, this specifies the recognition, measurement and disclosure of leases, and requires all leases to be recognised as assets or liabilities unless the term is 12 months or less. This has not been early adopted by the Company, and is not applicable until our financial statements for the year ended 31 March 2020. As the Company does not have any relationships as either a lessor or lessee, it is expected that the new standard will have no material impact on the financial statements when it is adopted.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2017

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, Houlihan Lokey, Inc. (listed in New York) prepares consolidated 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 401 of the Companies Act 2006 have been met. See note 14 for further details.

3.2 Financial assets and liabilities

The company classifies its financial assets into the following categories:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on-demand deposits.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than held for trading or designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. This category consists of loan notes receivable from related and other parties. 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.

Financial assets designated as fair value through profit and loss

This category includes any financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss. The only asset designated as such is the call option outlined in note 8.

Financial assets designated as available-for-sale assets

Available for sale assets are not held for short term trading, and are valued at cost on initial recognition. Subsequent measurement is at fair value if the fair value can be reliably measured, with any changes in fair value reported in other comprehensive income. Available for sale assets are reviewed at each balance sheet date for impairment. Any impairment or reversal of impairment is recognised in profit or loss. Any dividends received related to the available for sale asset are presented within finance income. The Company does not currently hold any available for sale investments, however retains an available for sale reserve in relation to the investment in HLHZ UK Holdings LP, which was reclassified from an available for sale asset to an investment in subsidiary in the year ended 31 March 2014.

The company classifies its financial liabilities into the following categories:

Financial liabilities measured at amortised cost

This category consists of interest bearing loans and borrowings with related parties and others. These financial liabilities 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.

3.3 Investments in other entities

Investments in subsidiaries

Investments in subsidiaries are those entities that are controlled by the Company. Investments are measured at cost less any impairment loss. The investments in subsidiaries are reviewed for impairment as discussed below.

Investments in associates

Investments in associates are those entities over which the Company has significant influence over, but not control. Investments in associates are measured at cost less any impairment loss. The investments in associates and joint ventures are reviewed for impairment as discussed below.

3.4 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.

3.5 Finance income and expenses

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.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2017

3.6 Foreign currency transactions

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 financial statements shall be recognised in profit and loss.

3.7 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 calculated 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 it is not probable they will 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.

3.8 Share-based payments

The Company has applied IFRS 2 in accounting for any share-based payments. In all share-based payment transactions entered by the Company, the parties receiving the share-based payments are employees of subsidiaries or other related parties, and settles in the shares of its immediate parent Houlihan Lokey, Inc.. As the Company is not receiving services directly and not settling in its own shares, it therefore treats all transactions as cash-settled. A liability spread is recognized over the vesting period each year such that as each award settles, the accrual of the net value transferred to the employee is reversed. A corresponding cost of investment in the relevant subsidiary is recognized to reflect that fact the entities are increasing in value due to the employment services being delivered by the employees.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2017

4. Finance income & expenses

	Year ended 31 March 2017	Year ended 31 March 2016
Finance income	\$	\$
Interest received on related party loans	123,771	964,797
Foreign exchange translation gain	337,790	-
Fair value gains on call option	413,417	-
	<u>874,978</u>	<u>964,797</u>
Finance expenses		
Interest paid on related party loans	559,621	1,270,183
Interest paid on other interest bearing loans and borrowings	213,217	86,266
Foreign exchange translation loss	-	365,503
Fair value losses on call option	-	172,626
Other interest paid	5,488	3
	<u>778,326</u>	<u>1,894,581</u>

5. Profit on ordinary activities before taxation

	Year ended 31 March 2017	Year ended 31 March 2016
The profit on ordinary activities before taxation is stated after charging:	\$	\$
Foreign exchange translation gain/(loss)	<u>337,790</u>	<u>(365,503)</u>
The following fees have been borne by Houlihan Lokey, Inc. and will be recharged to its subsidiary companies:		
Fees for the Houlihan Lokey Capital (Holdings) Ltd statutory audit	<u>35,000</u>	<u>35,490</u>

Other than the fees paid for the audit of the Company's statutory financial statements, no other fees were paid to the auditor.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2017

6. Taxation

	Year ended 31 March 2017	Year ended 31 March 2016
	\$	\$
Tax expense		
Current tax:		
Tax expense/(refund) for the current year	694,767	(206,634)
Adjustment in respect of prior periods	-	1,478
Deferred tax:		
Origination and reversal of timing differences	(485,415)	71,347
Adjustment in respect of prior periods	242,075	-
Total tax charge / (credit) for the period	451,427	(133,809)

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: 20% (31 March 2016 - 20%)

The differences are explained below:

Profit/(loss) on ordinary activities before tax	(387,336)	(2,197,150)
Income tax using group's domestic tax rate 20% (31 March 2016 - 20%)	(77,467)	(439,430)
Effects of:		
Tax effect of share of partnership profits	779,231	(18,810)
Tax effect of exempt items	75,687	251,606
Temporary differences and FX movements	(568,099)	71,347
Adjustments in respect of prior periods	242,075	1,478
Total tax charge / (credit) for the period	451,427	(133,809)

Deferred tax balance for the company is as follows:

Opening balance	1,671,347	1,742,694
Temporary differences	696,546	(18,810)
Adjustments in relation to prior periods	(242,075)	-
FX movement in deferred tax balances held in foreign currencies	(211,131)	(52,537)
Closing balance	1,914,687	1,671,347

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 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 also recognised in relation to the FX movements in other financial assets. Deferred tax balances as at 31 March 2017 have been recognised at a rate of 20% (2016: 20%) being the rate at which these balances are expected to unwind.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2017

7. Investments in subsidiaries and associates

	As at 31 March 2017	As at 31 March 2016
	\$	\$
<i>Investments in subsidiaries and associates</i>		
Carrying value at the beginning of the year	172,742,577	139,246,029
Additions - purchase price	96,898	33,260,629
Additions - share based payment contributions	857,178	235,919
Carrying value at the end of the year	<u>173,696,653</u>	<u>172,742,577</u>

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

The Company has holdings in subsidiary undertakings as follows:

Name of company	% holding 2017	% holding 2016	Country of incorporation	Principal activity
Held directly				
HLHZ UK Holdings, LP	* 99.99%	* 99.99%	United States	Holding company
*General partnership holding				
Houlihan Lokey Capital (Asia) Limited	100%	100%	United Kingdom	Holding company
Houlihan Lokey GmbH	100%	100%	Germany	Corporate finance advisory
Houlihan Lokey (Netherlands) B.V.	100%	100%	The Netherlands	Corporate finance advisory
Held indirectly				
Houlihan Lokey (Europe) Limited	100%	100%	United Kingdom	Holding company
Houlihan Lokey EMEA, Limited Liability Partnership (LLP)	100%	N/a	United Kingdom	Corporate finance advisory
HLHZ UK Holdings, LP	** 0.01%	** 0.01%	United States	Holding company
**Limited partnership holding via Houlihan Lokey Capital (Asia) Limited)				
Houlihan Lokey (China) Limited	100%	100%	Hong Kong	Corporate finance advisory
Houlihan Lokey (Singapore) Private Limited	100%	N/a	Singapore	Corporate finance advisory
Houlihan Lokey Investment Consulting (Beijing) Co. Limited	100%	100%	Peoples Republic of China	Corporate finance advisory
McQueen Holdings Limited	100%	100%	United Kingdom	Holding company
Houlihan Lokey (Financial Advisory) Limited	100%	100%	United Kingdom	Corporate finance advisory
Houlihan Lokey (España) S.A.	100%	100%	Spain	Corporate finance advisory

The Company's subsidiary, Houlihan Lokey (Europe) Limited, holds a direct membership in the entity Houlihan Lokey EMEA, LLP. The membership interest gives Houlihan Lokey (Europe) Limited rights to 100% of the partnership assets of that entity, with the exception of the individual capital contributions made by other members to the partnership. Similarly, the other members of the partnership do not hold any rights to the partnership assets, other than for their own capital contributions and any amount owing to them as designated under profit shares. Given this, the ownership of Houlihan Lokey EMEA, LLP is considered to be held 100% by Houlihan Lokey (Europe) Limited, and thus held 100% indirectly by the Company.

The Company has holdings in the following associate entities:

Name of company	% holding 2017	% holding 2016	Country of incorporation	Principal activity
Lara (Italy Holdco) Limited	49%	49%	United Kingdom	Holding company
Leonardo & Co. S.p.A	49%	49%	Italy	Corporate finance advisory

The investment in Lara (Italy Holdco) Limited and its 100% owned subsidiary Leonardo & Co. S.p.A had previously been considered to be investments in subsidiaries under IFRS 10. During the current year these were reclassified to associates due to the determination that the Company did not have control over the investment in Lara (Italy Holdco) Limited. The change in classification has had no impact on the carrying value of the investments which are held at cost.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2017

8. Other financial assets

During November 2015, the Company acquired a 10 year call option to acquire the remaining 51% stake of the associate Lara (Italy Holdco) Limited. The call option is designated as a financial asset measured at fair value through profit and loss and is not held for trading. The fair value of this financial instrument is \$777,821 (31 March 2016: \$389,167).

9. Cash and cash equivalents

	As at 31 March 2017	As at 31 March 2016
	\$	\$

Bank balances

	126	2,383
--	-----	-------

10. Interest bearing loans and borrowings

	As at 31 March 2017	As at 31 March 2016
	\$	\$

Loans owed to related parties, repayable on demand

Loan from HLHZ UK Holdings, LP, repayable on demand and inclusive of accrued interest

	28,182,663	47,901,545
--	------------	------------

Loan from Houlihan Lokey (China) Limited, repayable on demand and inclusive of accrued interest

	4,302,120	4,238,969
--	-----------	-----------

	32,484,783	52,140,514
--	------------	------------

While the above loans owed to HLHZ UK Holdings, LP and Houlihan Lokey (China) Limited are disclosed as 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. The applicable interest rates for related party loan balances is the GBP LIBOR plus a margin of 1%, accrued daily from date of issue.

Other interest bearing loans and borrowings

Long term loan notes issued

	12,080,304	14,881,747
	12,080,304	14,881,747

On 16 November 2015 the company issued loan notes for a total of €14m, with a repayment date on the 25th anniversary of issue date, and an interest rate of 1.5% p.a. accrued daily from the date of issue. During the year, €2.842m of these notes were redeemed early by the recipients, inclusive of interest. Refer to note 11 for further information with regards to the embedded share based payment in the notes.

11. Share-based payment liabilities

As part of the issue of loan notes made in November 2015, there was an embedded share-based payment transaction in both the Company (as the entity with the obligation to settle) and subsidiaries; which employed the individual recipients of the notes (so receive the services from employees). The recipients of the notes may elect to have 20% of the outstanding principal balance of the redeemed annually. 50% of this principal balance will be paid in cash and the remaining 50% will be paid in the stock of the Company's ultimate parent, Houlihan Lokey Inc. (HLI). The number of shares issued will be based on the average price per share of HLI stock for the 20 days ending on the grant date. Because the Company is not receiving services and not settling in its own shares, it has recognised this as a cash-settled share based payment liability. A corresponding cost of investment in the relevant subsidiary is recognized to reflect that fact the entities are increasing in value due to the employment services being delivered by the employees. There is no impact to the Company's profit and loss as a result of this transaction. The fair value of the liability and the effect of any share-based payment transactions during the year were not considered material to the Company's financial position.

12. Share capital

	As at 31 March 2017	As at 31 March 2016
--	------------------------	------------------------

Ordinary shares of £1 each:

Number	\$	\$
--------	----	----

Issued and fully paid

	813,527	1,299,979	1,299,979
--	---------	-----------	-----------

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

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2017

13. Reconciliation of movements in shareholders' funds

	As at 31 March 2017	As at 31 March 2016
	\$	\$
Opening shareholder's funds	130,669,348	132,732,689
Loss for the period	(838,763)	(2,063,341)
Closing shareholder's funds	<u>129,830,585</u>	<u>130,669,348</u>

14. Related parties

Parent and ultimate controlling party

Houlihan Lokey, Inc., a publicly owned United States based international financial services company listed in New York is the immediate and ultimate parent company of the Company. Copies of the financial statements of the parent company may be obtained from Houlihan Lokey, Inc., 10250 Constellation Blvd., 5th Floor Los Angeles, CA 90067.

Company balances and movements

Parent

At 31 March 2017, the Company owed \$1,223,577 (31 March 2016: nil) to its immediate parent company.

During the year the Company paid a dividend of nil to its immediate parent, Houlihan Lokey, Inc (31 March 2016: nil).

Related Party Transactions

The company was a party to various related party transactions throughout the year. As per IAS 24 - Related Party Disclosures - these parties are related because they are members of the same group, in that they all have the same ultimate parent company - Houlihan Lokey, Inc.

A list of Related Parties which the company had transactions with during the period is as follows:

- Houlihan Lokey, Inc
- HLHZ UK Holdings, LP
- Houlihan Lokey (Europe) Limited
- Houlihan Lokey EMEA, LLP
- Houlihan Lokey Capital (Asia) Limited
- Houlihan Lokey (China) Limited
- Houlihan Lokey (Netherlands) B.V. formerly Leonardo & Co. B.V.
- Houlihan Lokey GmbH formerly Leonardo & Co. GmbH
- Houlihan Lokey (España) S.A. formerly Leonardo Asesores Financieros S.A.
- Leonardo & Co. S.p.A
- Lara (Italy Holdco) Limited

Affiliates

As at 31 March 2017, the Company owed a net amount of \$33,133,751 (31 March 2016: \$29,182,881) to affiliates, details as follows:

	As at 31 March 2017	As at 31 March 2016
	\$	\$
Intercompany amounts owed to related parties	(6,585,664)	(3,014,960)
Loans owed to related parties, repayable on demand	(32,484,783)	(52,140,514)
Loans owed by related parties, repayable on demand	5,936,696	25,972,593
	<u>(33,133,751)</u>	<u>(29,182,881)</u>

Intercompany accounts owed to related parties are held with the following entities: Houlihan Lokey EMEA, LLP \$3,998,248 (2016: \$3,014,960), Houlihan Lokey GmbH \$19,171 (2016: nil), Houlihan Lokey (Netherlands) B.V. \$279,849 (2016: nil), Houlihan Lokey Inc \$1,223,577 (2016: nil) and Leonardo & Co. S.p.A \$1,064,818 (2016: nil). The applicable interest rates for related party balances is the GBP LIBOR plus a margin of 1%, accrued daily from date of issue.

The balance of loans owed by related parties, repayable on demand, of \$5,936,696 (2016: \$5,846,401) is with the Company's associate Lara (Italy Holdco) Limited. The applicable interest rate is 1.5% per annum. The prior year balance also included \$20,136,175 owed to the Company by ORIX Corporation, this balance was fully repaid during the year and the outstanding balance is nil.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2017

15. Other current liabilities

	As at 31 March 2017	As at 31 March 2016
	\$	\$
Other current liabilities are as follows:		
Provision for legal fees	379,000	-
Other accrued expenses	27,132	-
	<u>406,132</u>	<u>-</u>

16. 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 12 and 13 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 company holds limited liquid funds, and the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Currency risk

The Company has indirect material foreign currency exposures, including with regards to its investment in Houlihan Lokey, UK, LP. The partnership interest is exposed to the risk of fluctuations in the Euro : USD and GBP : USD Exchange Rate since Houlihan Lokey (Europe) Limited and Houlihan Lokey EMEA, LLP (wholly owned subsidiaries of Houlihan Lokey, UK, LP), manage their business activities in Euros, GBP and USD.

The Company also has indirect material foreign currency exposure with regards to its other European investments, including Houlihan Lokey GmbH, Houlihan Lokey B.V., and Lara Italy (Holdco) Limited. The Company's interest is exposed to the risk of fluctuations in the Euro:USD exchange rate since these entities manage their business activities in Euros.

The Company also has indirect material foreign currency exposures in Asia through its subsidiary Houlihan Lokey Capital (Asia) Limited and its subsidiaries. The Company's interest is exposed to the risk of fluctuations in the RMB : USD, SGD : USD, HKD : USD and GBP : USD exchange rates since these entities manage their business activities in Chinese Renminbi, Singapore Dollars, and Sterling. The exposure to HKD : USD is limited as the two currencies are pegged.

The Company has direct foreign currency exposures through its foreign currency designated assets and liabilities with related and other parties. Most notably the Euro denominated notes in relation to the acquisition of Houlihan Lokey GmbH and Houlihan Lokey (Netherlands) B.V. for a total of €14.0 million. These notes are offset by Euro denominated notes obtained as part of the acquisition of Lara Italy (Holdco) Limited totaling €5.8 million. These notes are exposed to fluctuations in the Euro: USD Exchange Rates,

The company's exposure to currency risk is as follows:

	As at 31 March 2017	
	GBP	EURO
	\$	\$
Cash and cash equivalents	-	-
Amounts owed to related parties	-	(2,346,247)
Loans owed by related parties	-	5,936,696
Other interest bearing loans and borrowings	-	(12,080,304)
Other assets and liabilities	1,817,442	777,821
Net balance sheet exposure	<u>1,817,442</u>	<u>(7,712,034)</u>
	As at 31 March 2016	
	GBP	EURO
	\$	\$
Cash and cash equivalents	2,224	-
Amounts owed to related parties	(3,024,944)	-
Loans owed by related parties	-	5,846,401
Other interest bearing loans and borrowings	-	(14,881,747)
Other assets and liabilities	1,835,767	389,167
Net balance sheet exposure	<u>(1,186,953)</u>	<u>(8,646,179)</u>

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2017

16. Financial risk management (cont.)

Currency risk (cont.)

The following average exchange rates applied during the year:

USD	Average rates	
	Year ended 31 March 2017	Year ended 31 March 2016
	\$	\$
1 EURO	1.09	1.10
1 GBP	1.30	1.50

Sensitivity Analysis

A 10% strengthening of the USD against the following currencies at 31 March 2017 would decrease/(increase) reserves on the net balance sheet exposure by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2016.

	As at	As at
	31 March 2017	31 March 2016
	\$	\$
EURO	771,203	864,618
GBP	(181,744)	118,695

A 10% weakening of the USD against the above currencies at 31 March 2017 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Management continues to monitor the decision of the UK to leave the European Union and the potential impact on the Company's operating subsidiaries based in Europe; namely the UK, Germany, Spain, Italy and the Netherlands. At this time there has not been a material impact to the business.

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 investment holding company, the Company collects and distributes cash to and from its subsidiaries and investments and makes loans to related parties. 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 its parent Company.

Market risk

The Company does not undertake securities trading and therefore does not run market risk.

17. Subsequent events

Subsequent to year end the Company incorporated a new subsidiary, Houlihan Lokey (MEA Financial Advisory) Limited, in Dubai. This entity was incorporated with the intention to extend the group's corporate finance and advisory presence into the Middle East. The entity received regulatory approval from the Dubai Financial Services Authority (DFSA) on 25 September 2017.

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