Company Registration No. 6330902

Houlihan Lokey Capital (Holdings) Limited

Directors' Report and Financial Statements

For the year ended 31 March 2013

Houlihan Lokey Capital (Holdings) Limited

Directors' report and financial statements

31 March 2013

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Houlihan Lokey Capital (Holdings) Limited

Directors' report

The directors submit their report and the audited financial statements for the year ended 31 March 2013

Principal activity

The company expanded its activities during this year and is an international treasury and cash management centre as well as an investment holding company whose operating subsidiaries provide corporate finance advisory services.

Review of the business and future prospects

During the year the company's business purpose changed from acting solely as an investment holding company Management's judgment is that changes in the business purpose of the company and the currency it transacts in supports the company changing its functional and presentational currency from Sterling to US Dollars from 1 April 2012 Comparative information has been restated in US Dollars to reflect this change

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

Results and dividends

The company made a loss of $23,659 (31 March 2012 - loss of $109 678) for the year The group made a profit after tax of $2 885 797 for the year (31 March 2012 - profit of $693,297) The profitability was higher in 2013 due to a higher level of financial advisory fees at the group s subsidiaries During this year neither the Company nor any of its subsidiaries made any political or charitable donations and did not incur any political expenditure (31 March 2012 - $nil) During the year a dividend of $nil was paid (31 March 2012 - $nil)

Policy and practice on payment of creditors

The group seeks to agree credit terms with suppliers and seeks to meet these payment terms provided there is no dispute on the costs or services provided If no payment terms are agreed the group seeks to pay for approved costs within 30 days of receipt of the invoice

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 group and how they are managed can be found in Note 20 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

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 or the group

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 group 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

Our auditors, KPMG Audit Plc has instigated an orderly wind down of business The Board has decided to put KPMG LLP forward to be appointed as auditors for the 31 March 2014 year-end

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

Scott L Beiser

S L Beiser
Director

12 December 2013

Company Registration No 6330902

Houlihan Lokey Capital (Holdings) Limited

Statement of directors' responsibilities in respect of the directors' report and financial statements

The directors are responsible for preparing the Directors Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year Under that law they have elected to prepare both the group and parent company financial statements in accordance with IFRSs, as adopted by the EU and applicable laws

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 group and parent company and of their profit or loss for that period In preparing each of the group and parent 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 group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 2013 set out on pages 5 to 19 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 3 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 group's and of the parent company's affairs as at 31 March 2013 and of the group's profit for the year then ended
  the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006 and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us or
- the parent company 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 Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

12 December 2013

Houlihan Lokey Capital (Holdings) Limited

Consolidated and parent company statement of financial position as at 31 March 2013

	Notes	Group 31 March 2013 $	Group Restated 31 March 2012 $	Group Restated 1 April 2011 $	Company 31 March 2013 $	Company Restated 31 March 2012 $	Company Restated 1 April 2011 $
Assets							
Non-current assets							
Property plant, and equipment	9	329,057	105,257	170 321	-	-	
Available for sale asset	10	132,962,985	112,843 935	111,945,263	132,962,985	112,843 935	111,945 263
Investment in subsidiary	11	-	-	-	6,093,675	6,093,675	6,093 675
Deferred tax asset	8	-	233,756	-	-	-	-
Total non-current assets		133,292,042	113,182,948	112,115,584	139,056,660	118,937,610	118,038,938
Current assets							
Loans owed by related parties, repayable on demand		32,972,013	-	-	32,972,013	-	-
Amounts owed from related parties		5,583,107	8,362 913	8,252,110	-	8,362 913	8,252,110
Trade and other receivables	12	439,466	3,039,544	1 799,333	-	-	-
Cash and cash equivalents	18	5,658,890	17,715,725	6,591,470	29,949	108,983	108,435
Total current assets		44,653,476	29,118,182	16,642,913	33,001,962	8,471,896	8,360,545
Total assets		177,945,518	142,301 130	128 758 497	172,058,622	127 409 506	126,399 483
Liabilities							
Current liabilities							
Amounts owed to related parties		4,980,754	23,564,024	11,851,875	2,131,416	10 556,028	10 390 322
Other interest bearing loans and borrowings	14	34,036,936	4 070 170	4,014,847	37,048,507	4,070,170	4,014 847
Trade and other payables	13	2,226,663	1 707,316	2,534,698	-	-	
Current tax liabilities		411,700	-	-	-	-	-
Total current liabilities		41,656,053	29,341,510	18,401,420	39,179,923	14,626,198	14,405,169
Net assets		136,289,465	112 959 620	110,357 077	132,878,699	112 783,308	111,994 314
Capital and reserves							
Share capital	15	1,299,979	1 299 979	1,299,979	1,299,979	1,299 979	1,299 979
Share premium		24,696,534	24 696,534	24 696,534	24,696,534	24,696,534	24 696,534
Fair value reserve		102,700,308	82,581,258	81,682,586	102,700,308	82,581,258	81 682,586
Capital contribution reserve		4,073,972	3,056,446	2,767 622	-	-	
Foreign currency translation reserve		(115,847)	576 681	(145 069)	-		
Retained earnings		3,634,519	748,722	55,425	4,181,878	4 205,537	4 315 215
Total equity attributable to equity shareholders	16	136,289,465	112,959,620	110,357 077	132,878,699	112,783,308	111 994,314

The notes on pages 10 to 19 form an integral part of these consolidated and parent company financial statements

These consolidated and parent company financial statements were approved by the Board of Directors on 12 December 2013 and were signed on its behalf by

S L Beiser

S L Beiser
Director

Houlihan Lokey Capital (Holdings) Limited

Consolidated statement of comprehensive income for the year ended 31 March 2013

	Notes	Year ended 31 March 2013 $	Restated Year ended 31 March 2012 $
Revenue	4	11,927 303	5,886,155
Finance income	4	246 841	115,588
Finance expense	4	(360,477)	(250 488)
Administrative expenses		(8,281,850)	(5 291,714)
Operating Profit on ordinary activities before taxation	5	3,531,817	459,541
Taxation	8	(646,020)	233,756
Profit after taxation		2,885,797	693,297
Other comprehensive income, net of income tax			
Net change in fair value on available-for-sale financial asset		20 119 050	898 672
Foreign currency translation differences for foreign operations		(692,528)	721 750
		19 426 522	1 620 422
Total comprehensive income for the year		22,312,319	2,313,719

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

The notes on pages 10 to 19 form an integral part of these consolidated and parent company financial statements

As permitted by Section 408 of the Companies Act 2006 the income statement of the parent company is not presented as part of these consolidated financial statements The parent company's loss after tax for the financial period was $23,659 (31 March 2012 loss of $109 678)

Houlihan Lokey Capital (Holdings) Limited

Consolidated statement of changes in equity for the year ended 31 March 2013

	Share capital $	Share premium $	Fair value reserve $	Capital Contribution Reserve $	Retained profit $	Foreign currency translation reserve $	Total $
Balance at 1 April 2011 Restated	1,299,979	24 696,534	81,682,586	2,767 622	55 425	(145,069)	110 357 077
Comprehensive income							
Profit for the year	-	-	-	-	693 297	-	693 297
Other comprehensive income							
Available for sale asset	-	-	898,672	-	-	-	898 672
Currency translation differences	-	-	-	-	-	721,750	721 750
Transactions with owners							
Capital contribution reserve	-	-	-	288,824	-	-	288,824
Balance at 31 March 2012 Restated	1,299,979	24,696,534	82,581,258	3,056,446	748,722	576,681	112,959,620
Balance at 1 April 2012 Restated	1,299,979	24,696,534	82,581,258	3,056,446	748,722	576,681	112,959,620
Comprehensive income							
Profit for the year	-	-	-	-	2,885,797	-	2,885,797
Other comprehensive income							
Available for sale asset	-	-	20,119,050	-	-	-	20,119,050
Currency translation differences	-	-	-	-		28,555	28,555
Transactions with owners							
Capital contribution reserve	-	-	-	296,443	-	-	296,443
Reclassification of capital contribution reserve	-	-	-	721,083	-	(721,083)	-
Balance at 31 March 2013	1,299,979	24,696,534	102,700,308	4,073,972	3,634,519	(115,847)	136,289,465

The notes on pages 10 to 19 form an integral part of these consolidated and parent company financial statements

Houlihan Lokey Capital (Holdings) Limited

Parent company statement of changes in equity for the year ended 31 March 2013

	Share capital $	Share premium $	Fair value reserve $	Capital Contribution Reserve $	Retained profit $	Foreign currency translation reserve $	Total $
Balance at 1 April 2011 Restated	1,299 979	24,696,534	81 682,586	-	4,315,215	-	111 994,314
Comprehensive income							
Loss for the year	-	-	-	-	(109,678)	-	(109,678)
Other comprehensive income							
Available for sale asset	-	-	898 672	-	-	-	898,672
Balance at 31 March 2012 Restated	1,299,979	24,696,534	82,581,258	-	4,205,537	-	112,783,308
Balance at 1 April 2012 Restated	1,299,979	24,696,534	82,581,258	-	4,205,537	-	112,783,308
Comprehensive income							
Loss for the year	-	-	-	-	(23,659)	-	(23,659)
Other comprehensive income							
Available for sale asset	-	-	20,119,050	-	-	-	20,119,050
Balance at 31 March 2013	1,299,979	24,696,534	102 700,308	-	4,181,878	-	132,878,699

The notes on pages 10 to 19 form an integral part of these consolidated and parent company financial statements

Houlihan Lokey Capital (Holdings) Limited

Consolidated and parent statement of cash flows as at 31 March 2013

		Group		Company	
			Restated		Restated
		Year ended 31 March 2013	Year ended 31 March 2012	Year ended 31 March 2013	Year ended 31 March 2012
	Note	$	$	$	$
Cash flows from operating activities					
Operating profit/(loss) for the period		3,531,817	459,541	(23,659)	(109,678)
Adjustments for					
Depreciation		66,035	91,014	-	-
Foreign exchange		23 200	720,787	5,175	-
Equity-settled share-based payment expenses	7	296,443	288 824	-	-
Loss on disposal of property, plant and equipment		-	25 875	-	-
Operating profit/(loss) before changes in working capital		3,917,495	1,586,041	(18,484)	(109,678)
(Decrease)/Increase in amounts owed to group companies		(15 803,464)	11,601,346	(61,699)	54 903
(Decrease)/Increase in related party loans		(3,005,247)	55,323	6 324	55,323
Decrease/(Increase) in trade and other receivables		2,600,078	(1 240,211)	-	
Increase/(Decrease) in trade and other payables		519,347	(827,382)		-
Net cash (outflow)/inflow from operating activities		(11,771,791)	11,175,117	(73,859)	548
Cash flows from investing activities					
Acquisition of property plant and equipment		(289,338)	(50,862)	-	-
Net cash used in investing activities		(289,338)	(50,862)	-	-
Effect of exchange rate changes on cash and cash equivalents		4 294		(5,175)	
Net (decrease) increase in cash and cash equivalents		(12,056,835)	11,124,255	(79,034)	548
Cash and cash equivalents at the beginning of the year		17,715 725	6,591,470	108 983	108 435
Cash and cash equivalents at the end of the year	18	5,658,890	17,715,725	29,949	108,983

The notes on pages 10 to 19 form an integral part of these consolidated and parent company financial statements.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2013

1 General Information

Houlihan Lokey Capital (Holdings) Limited is domiciled in the United Kingdom The company is a holding company whose business purpose changed on 1 April 2012 to an international treasury and cash management centre in addition to its previous purpose as a holding company to subsidiaries providing corporate finance advisory services The Group 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 the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective

Amendments to IAS1 Presentation of items of other comprehensive income - effective for annual periods beginning on or after 1 June 2012
IFRS 10 Consolidated Financial Statements effective for annual periods beginning on or after 1 January 2013
IFRS 11 Joint Arrangements - effective for annual periods beginning on or after 1 January 2013
IFRS 12 Disclosure of Interests in Other Entities - effective for annual periods beginning on or after 1 January 2013
IRFS 13 Fair Value Measurement - effective for annual periods beginning on or after 1 January 2013
IAS 32 Offsetting Financial Assets and Financial Liabilities - effective for annual periods beginning on or after 1 January 2013

The impact of these standards on the financial statements of the company is currently being assessed

The financial statements were approved by the board on 12 December 2013

2 2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the Available for Sale Asset which has been presented at fair value

2.3 Functional and presentation currency

Change in functional currency

IAS21 The Effects of Changes in Foreign Exchange Rates - states that an entity's functional currency reflects the underlying transactions events and conditions that are relevant to it and once determined, the functional currency is not changed unless there is a change in those underlying transactions, events and conditions. On 1 April 2012, the company changed its principal activity to international treasury and cash management, entering into intercompany loan agreements denominated in US Dollars Due to this significant change in activity which involves transactions in US Dollars, the functional currency of the company changed to US Dollars from 1 April 2012

Change in presentation currency

From 1 April 2012 the company also changed its presentation currency to US Dollars Comparative information has been restated in US Dollars in accordance with the guidance defined in IAS 21 The 2012 financial statements and associated notes have been retranslated into US Dollars at the exchange rate on the date of change in functional currency - 1 April 2012

In accordance with IAS 21 this change has been accounted for prospectively from this date

These consolidated financial statements are presented in 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 use estimates and apply judgment in determining the number of leavers from the share based payment awards scheme in order to calculate the value of share-based payment awards to be recognised in the financial statements, and the likelihood of certain performance targets to being met in order to determine the likelihood of the availability of future taxable profits becoming available in recognising deferred tax assets Management also use estimates and judgements in determining the fair value of Available for Sale Assets

As part of its normal course of business Houlihan Lokey Capital (Holdings) Limited group is exposed to credit risk from clients who are invoiced On a regular basis management assess whether there is objective evidence that a receivable balance is impaired. The estimation of impairment involves applying historical loss experience, adjusted to reflect current market condition, on a counter-party basis Losses are recognised as a provision for doubtful debts

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

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2013

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 group entities

3 1 Basis of consolidation

The consolidated accounts includes the results of subsidiaries as from the date that control over the entities commenced, being the date the group has power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities The accounting policies of all subsidiaries within the group have been aligned in preparing these financial statements

Intra-group balances and transactions, and any unrealised income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements

Houlihan Lokey UK Holdings LP is a limited partnership and is not consolidated within the Houlihan Lokey Capital (Holdings) Limited group At 31 March 2013, although Houlihan Lokey Capital (Holdings) Limited owned 99 997% limited partnership interest in Houlihan Lokey UK Holdings LP Houlihan Lokey Inc is the general partner and controls this entity See subsequent events note 21 for ownership change subsequent to 31 March 2013

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

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 group 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 group classifies its financial liabilities into the following categories

Trade and other payables

Trade payables comprise amounts outstanding for trade purchases and ongoing costs 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

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 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents fees from corporate finance advisory services under various fee arrangements, including contingent fee arrangements Revenue is measured net of discounts, VAT and any sales related taxes, where applicable Contingent fees are recognized when the contingent terms of the contract are substantially realized Revenue from fixed fee arrangements is recognized on completion of defined stages of work

3 7 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

3.8 Foreign currency transaction

Transactions in foreign currencies are translated to the functional currencies of the group 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

3.9 Property, plant and equipment

Plant, property and equipment are recorded at cost less accumulated depreciation and any impairment losses Depreciation is charged from the date the asset is brought into use and calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Short leasehold property	Straight line over the term of the lease
Computer equipment, software and systems	Three to five years straight line
Equipment, fixtures and fittings	Three to five years straight line

3 10 Operating Leases

Rentals under operating leases are recognised in the income statement on a straight line basis over the lease term Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease

3 11 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

3 12 Share based payments

The fair value of equity-settled share-based payments to employees is determined at the date of the award and measured by reference to the share price at the date of award The expected cost of the share based awards which the employees become entitled to is recognised in the income statement

The equity instruments awarded relate to another group company FRAM Holdings Inc Amounts awarded to Houlihan Lokey Capital (Holdings) Limited employees or its subsidiaries, are recognised in the income statement, with a corresponding increase in capital contribution reserve

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2013

4 Revenue

	Group Year ended 31 March 2013	Group Restated Year ended 31 March 2012
	$	$
Revenue derived from corporate finance advisory services	11,486 473	4 444 543
Group Revenue	440,830	1,441,612
	11,927,303	5,886,155

The company's subsidiary receives income from the Houlihan Lokey group to compensate for its contribution to and role in the group s worldwide marketing and client service delivery

Finance Expense

	Year ended 31 March 2013	Restated Year ended 31 March 2012
	$	$
Interest paid on intercompany loan	360,477	250,488

Finance Income

	Year ended 31 March 2013	Restated Year ended 31 March 2012
	$	$
Bank interest	3,021	4 786
Interest received on intercompany loan	243,820	110 802
	246,841	115,588

5 Profit on ordinary activities before taxation

	Year ended 31 March 2013	Restated Year ended 31 March 2012
	$	$
The profit on ordinary activities before taxation is stated after charging		
Foreign exchange translation gain	(76,110)	(104 563)
Depreciation	66 035	91 014
Operating lease charges		
Land & buildings	451,034	280,255

Audit fees for the group of $137,125 (2012 - $137 125) have been borne by Houlihan Lokey Inc and are not recharged to its subsidiary companies

6. Information about employees and directors

	Group Year ended 31 March 2013	Group Restated Year ended 31 March 2012
	No	No
The average number of staff employed by the group within each category of business was		
Directors and business executives	12	14
Support, secretarial and administration	3	3
	15	17

Employee remuneration and costs of the group

	Year ended 31 March 2013	Restated Year ended 31 March 2012
	$	$
Employees' remuneration	4,917 115	3 660 959
Social security costs	40 670	29 946
Other payroll costs	94 118	66,321
	5,051,903	3,757,226

The directors did not receive any remuneration in respect of their services as directors of the Company (2012 $nil). The directors are employees of its related companies and the Company does not reimburse its related companies for services rendered by the directors

7 Share based payments

Houlihan Lokey (China) Limited is part of an existing share award programme established by its ultimate parent, ORIX Corporation, whereby shares in Fram Holdings Inc, an unlisted group company, are conditionally awarded as a part of certain employees annual bonus arrangements Employees become entitled to these shares over a three year period after they are awarded One third of the shares awarded vest at the end of each year during the three year vesting period Employee ownership of the shares is conditional on continued employment at the time of vesting It is the intention of Fram Holdings Inc to equity settle these share-based payments Fram Holdings Inc may also issue shares in Fram Holdings Inc to the company s staff as a retention tool The shares thus granted typically vest over 3 years.

A charge of $296 443 (31 March 2012 $288,824) to the staff costs in the statement of comprehensive income has been made for shares which the employees became entitled to in December 2012 or will be entitled to in April 2013 provided they are in good standing with the company at that date The total number of shares that the employees became entitled to in December 2012 was 245 8 and the total number of shares the employees will be entitled to in April 2013 is 1,544 1 (30 April 2012 - 1,311)

The grant-date fair value of the shares awarded is subject to independent review and is approved by Fram Holdings Inc's board of directors In performing the valuation analysis both the income and market approaches were utilized The income approach uses the discounted cash flow method and the market approach uses the Guideline Company Method The Guideline Company Method involves comparing the business entity to guideline firms that are publicly traded on an organised exchange Multiples are calculated based on the guideline companies and are applied to the subject business entity in order to estimate its fair value, on a minority interest basis.

8. Taxation

	Group Year ended 31 March 2013 $	Group Restated Year ended 31 March 2012 $
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 24% (31 March 2012 - 26%)		
The differences are explained below		
Profit on ordinary activities before tax	3 531,817	459 541
Income tax using group's domestic tax rate 24% (31 March 2012 - 26%)	847,636	119,481
Effects of		
Tax rates in foreign jurisdictions	(267,237)	(66 080)
Temporary differences		28,542
Permanent differences	84 686	
Group relief	9 663	31,738
Utilisation of tax losses previously not recognised	(27,095)	(114,770)
Recognition of tax losses previously not recognised	-	(232,764)
Adjustment of deferred tax recognised in prior year	(592)	-
Others	(1,041)	97
Total tax debit / (credit) for the period	646,020	(233,756)

	Group Year ended 31 March 2013	Group Restated Year ended 31 March 2012
Analysis of tax charge on ordinary activities		
Current taxation		
Provision for the year	411 896	
Deferred taxation		
Reversal/(origination) of temporary differences	233 756	
Overprovision for deferred taxation in prior year	368	(233,756)
Total tax on profit on ordinary activities	646,020	(233,756)
Deferred tax balance for the company is as follows		
Opening balance	233 756	-
Temporary differences	(233 756)	233,756
Overprovision for deferred taxation in prior year	-	
Closing balance	-	233,756

In accordance with the accounting policy set out in note 3 11 for the year ended 31 March 2013 the company has recognised deferred tax assets in respect of tax losses of USD $nil (2012 USD $233 756) as it is considered that future taxable profits against the losses which can be utilised will be available in the relevant tax jurisdiction and entity The tax losses do not expire under current legislation. The deferred tax asset recognised in relation to these cumulative tax losses is USD $nil (2012 $233,756) There are currently no open tax queries with HMRC.

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011 and further reduction to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively

The March 2013 budget announced that the rate will further reduce to 20% by 1 April 2015 in addition to the planned reduction to 21% from April 2014 previously announced in the December 2012 autumn statement

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2013

9 Property, plant and equipment

Group

	Equipment	Computer equipment, software and systems	Furniture and Fittings	Leasehold Improvements	Total
	$	$	$	$	$
Cost					
At 31 March 2011 Restated	135,236	185,165	90,337	288 157	698 895
Additions in ordinary course of business	5 940	16 821	9 351	18 750	50 862
Disposals	(31,389)	(108 180)	(69 934)	-	(209 503)
Effect of movement in foreign exchange	1 022	3 522	2 052	2,292	8,888
As at 31 March 2012 Restated	110 809	97 328	31,806	309,199	549,142
Depreciation					
At 31 March 2011 Restated	78 268	166,447	43,597	240 262	528 574
Charge for the period	27 794	15 322	19,161	28 737	91 014
Disposals	(23,018)	(108,180)	(52,430)	-	(183 628)
Effect of movement in foreign exchange	367	3 326	1,304	2,928	7 925
As at 31 March 2012 Restated	83 411	76 915	11 632	271,927	443,885
Net book value					
As at 31 March 2012 Restated	27,398	20,413	20,174	37,272	105,257
At 31 March 2011 Restated	56 968	18,718	46 740	47,895	170 321

Group

	Equipment	Computer equipment, software and systems	Furniture and Fittings	Leasehold Improvements	Total
	$	$	$	$	$
Cost					
At 31 March 2012 Restated	110,809	97 328	31,806	309 199	549,142
Additions in ordinary course of business	58 365	89,026	6,839	135,108	289,338
Disposals	-	-	-	(205 149)	(205 149)
Effect of movement in foreign exchange	417	148	126	(28)	663
As at 31 March 2013	169,591	186,502	38 771	239,130	633,994
Depreciation					
At 31 March 2012 Restated	83,411	76,915	11 632	271 927	443 885
Charge for the period	19 416	16 801	6,822	22 996	66,035
Disposals	-	-	-	(205 149)	(205 149)
Effect of movement in foreign exchange	319	84	13	(250)	166
As at 31 March 2013	103,146	93,800	18,467	89,524	304 937
Net book value					
As at 31 March 2013	66,445	92,702	20,304	149,606	329,057
At 31 March 2012 Restated	27,398	20 413	20,174	37,272	105,257

The company does not currently hold any property plant and equipment.

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2013

10 Available for sale asset

	31 March 2013		Restated 31 March 2012	
	Group	Company	Group	Company
	$	$	$	$
Ownership interest in Houlihan Lokey UK Holdings, LP at beginning of year	112,843 935	112,843 935	111,945,263	111 945,263
Fair value adjustment	25,477 849	25,477,849	898 672	898,672
Foreign currency translation adjustment	(5,358,799)	(5,358,799)	-	-
Ownership interest in Houlihan Lokey UK Holdings, LP at end of year	132,962,985	132,962,985	112,843,935	112,843,935

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

The discount rate utilised in the discounted cash flow calculation is 13% which has been calculated using third party market estimates, market data and data derived from comparable companies A long-term growth rate of 2 5%, based on long-term inflationary growth rates, has been used Budgeted EBIT is based on company forecasts Assumptions based on market comparables have been utilised where appropriate These fair value measurements are categorised in level 3 of the fair value hierarchy

Changing one or more of the assumptions used would have the following effects on other comprehensive income (favourable / (unfavourable))

		Long term growth rate	
		2%	3%
Discount rate	12%	3 800,000	8 400,000
Discount rate	14%	(8 400,000)	(5,300,000)

11 Investment in subsidiary undertakings

	Company	Company
		Restated
	Year ended 31 March 2013	Year ended 31 March 2012
	$	$
Carrying value of investment in Houlihan Lokey Capital (Asia) Limited at the beginning of the year	6 093 675	6 093 675

The company has holdings in group undertakings as follows

Name of company	% holding	Type of share held	Country of incorporation	Principal activity
Held directly				
Houlihan Lokey Capital (Asia) Limited	100%	Ordinary shares	UK	Holding company
Held indirectly				
Houlihan Lokey (China) Limited	100%	Ordinary shares	Hong Kong	Corporate finance advisory
Houlihan Lokey Investment Consulting (Beijing) Co Limited	100%	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 2013

12 Trade and other receivables

	31 March 2013		Restated 31 March 2012	
	Group	Company	Group	Company
	$	$	$	$
Trade receivables	187,621	-	3 033,771	-
Other receivables	251,845	-	5 773	
	439,466	-	3,039,544	-

The group's credit risk is normally attributable to any trade receivables Credit risk is managed at the groups parent company level as well as at group level The main credit risk faced by the group is non-receipt of payment for fee invoices. The group manages its risk by monitoring any unpaid balances, assessing the credit worthiness of potential clients and liaising with clients to secure payment

At present management believe that an adequate provision for non payment of debtor balances has been made The amount of this provision is $948 424 (31 March 2012 - $124,888)

13 Trade and other payables

	31 March 2013		Restated 31 March 2012	
	Group	Company	Group	Company
	$	$	$	$
Trade payables	1,183	-	-	-
Non trade payables and accrued expenses	2 225,480		1 707,316	-
	2 226,663	-	1 707,316	-

Non trade payables and accrued expenses include accrued bonuses payable and the payroll taxes thereon, tax liabilities and accrued rent payable The group seeks to agree credit terms with suppliers and seeks to meet these payment terms provided there is no dispute on the costs or services provided If no payment terms are agreed, the group seeks to pay for approved costs within 30 days of receipt of the invoice Their carrying value approximates to their fair value All trade and other payables are contractually due within one year

14. Other interest bearing loans and borrowings

	31 March 2013		Restated 31 March 2012	
	Group	Company	Group	Company
	$	$	$	$
Current liability				
Loan from parent company, repayable on demand	-	-	3 989,246	3 989 246
Cumulative interest on loan at daily LIBOR rate plus 0 7% and rolled into the loan		-	80 924	80 924
Loan from HLHZ UK Holdings, LP repayable on demand	33 848,046	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 2013 - 1 65%)	188,890	188,890		
Loan from Houlihan Lokey (China) Limited, repayable on demand	-	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 2013 - 1 65%)	-	11,571	-	-
	34,036,936	37,048,507	4,070,170	4,070,170

While the loans held on 31 March 2013 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 the foreseeable future

15. Share capital

	31 March 2013		Restated 31 March 2012	
	Group and Company		Group and Company	
	Number	$	Number	$
Ordinary shares of £1 each				
Authorised	5,000,000	7,989,772	5,000,000	7,989,772
Issued and fully paid	813,527	1,299,979	813,527	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 2013

16. Reconciliation of movements in shareholders funds

	31 March 2013		Restated 31 March 2012	
	Group	Company	Group	Company
	$	$	$	$
Profit/(loss) for the period	2,885 797	(23,659)	693,297	(109,678)
Opening shareholder s funds	112 959,620	112,783,308	110,357 077	111,994,314
Dividend paid	-	-	-	-
Foreign currency translation reserve	28,555	-	721,750	-
Fair value reserve	20 119 050	20,119,050	898,672	898 672
Capital contribution reserve	296,443	-	288,824	-
Closing shareholder's funds	136,289,465	132,878,699	112,959,620	112,783,308

During the year, Houlihan Lokey Inc, a shareholder of the group, waived its right to the recovery of $296 443 (31 March 2012 - $288,824) of its intercompany balance due from the Houlihan Lokey China Limited This waiver of the intercompany balance has been treated as a capital contribution

17 Operating lease commitments	Land & Buildings 2013	Other 2013	Land & Buildings 2012	Other 2012
Group	$	$	$	$
The total future minimum lease payments due under non-cancellable operating leases are as follows				
Due				
Not later than one year	523 435	15,897	185 437	115,360
Later than one year and not later than five years	656,196	23 846		88,123
Later than five years	-	-		-
	1,179,631	39,743	185,437	203,483

18 Cash and cash equivalents

	31 March 2013		Restated 31 March 2012	
	Group	Company	Group	Company
	$	$	$	$
Bank balances	5,658,890	29,949	17,715,725	108,983

19 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

Group and parent company balances and movements

Parent
At 31 March 2013 the group was owed $5,583 107 by its immediate parent company (31 March 2012 - the group owed $7,315,381) to its immediate parent company

Affiliates
As at 31 March 2013, the group owed $6,045,677 (31 March 2012 - $11,955,900) to affiliates
Group revenue of $440,830 was accrued during the year ended 31 March 2013 (31 March 2012 - 1 441 612)

Company balances

Parent
At 31 March 2013, the company was owed $nil (31 March 2012 - $4,292 902) by immediate parent company

Affiliates
As at 31 March 2013, the company owed $6,207,909 (31 March 2012 - $10,556,187) to affiliates

20 Financial risk management

Capital management

The parent company manages its capital to ensure all the companies within the group and 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 parent company manages its share capital and reserves disclosed in notes 15 and 16 to meet the requirements of its operating subsidiaries

Credit risk

Other than credit risk that would be inherent in trade and other receivables, 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 (refer to note 12)

Currency risk

The group is exposed to the risk of fluctuations in Sterling ("GBP") due to some parent company assets and in the Hong Kong Dollar ("HKD") and the Chinese Renminbi ("RMB") due to its subsidiary operations in Hong Kong and China The company does not have any material foreign currency exposures other than its indirect investments in Houlihan Lokey (China) Limited and Houlihan Lokey Investment Consulting (Beijing) Co , Limited which are managed in Hong Kong Dollars and Chinese Renminbi s, respectively and its available for sale asset, the company s investment in Houlihan Lokey, UK, LP, which is denominated in GBP The Available for Sale Asset 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

Group currency exposure in US Dollars is as follows

	31 March 2013			Restated 31 March 2012		
		Group			Group	
	GBP	HKD	RMB	GBP	HKD	RMB
Trade and other receivables	-	211,235	212,215	-	2,992,580	46,961
Intercompany trade receivables / (payables)	(2,617 123)	402,609	(1 529 063)	(6 756 396)	(10,821,975)	(1,692,910)
Bank balances	5 241	1 119 613	464,711	108,983	16 904 935	701,807
Trade and other accrued payables	-	(2,520,820)	(114,137)	-	(1 397 032)	(76,528)
Net balance sheet exposure	(2,611,882)	(787,364)	(966,274)	(6,647 413)	7 678 508	(1 020,670)

The following significant exchange rates with respect to the US Dollars were applied during the year

	Average rate		Spot rate	
		Restated		Restated
Group	Year ended 31 March 2013	Year ended 31 March 2012	Year ended 31 March 2013	Year ended 31 March 2012
1 GBP	1 58	1 60	1 52	1 60
1 HKD	0 13	0 13	0 13	0 13
1 RMB	0 16	0 16	0 16	0 16

Liquidity risk

HL Capital Holdings manages the group's 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 group 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 group 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 group does not undertake securities trading and therefore does not run market risk, other than as disclosed in currency risk above

21 Subsequent events

On 28 June 2013 Houlihan Lokey, Inc assigned to Houlihan Lokey Capital (Holdings) Ltd 100% of its general partnership interest and its partnership holding of 0 003% in Houlihan Lokey UK Holdings, LP for the purchase price of $1 00 The fair value of the holding acquired was $3 896 Simultaneously Houlihan Lokey Capital (Holdings) Ltd assigned a limited partnership interest in Houlihan Lokey UK Holdings LP of 0 01% to Houlihan Lokey Capital (Asia) Limited for the purchase price of $1 00 Houlihan Lokey Capital (Holdings) Ltd made a loss of $3 412 on the sale of this partnership interest The company's resulting ownership interest in Houlihan Lokey UK Holdings, LP is 99 99% (31 March 2013 - 99 997%)

The change in ownership results in a change of control with the company as general partner gaining control of Houlihan Lokey UK Holdings, LP When consolidated accounts are prepared for the group in future periods UK Holdings LP and its subsidiaries will be included in the consolidation