Company Registration No. 6330902

Houlihan Lokey Capital (Holdings) Limited

Directors' Report and Financial Statements

For the year ended 31 March 2012

Houlihan Lokey Capital (Holdings) Limited

Directors' report and financial statements

31 March 2012

Contents

Houlihan Lokey Capital (Holdings) Limited

Directors' report

The directors submit their report and the audited financial statements for the year ended 31 March 2012

Principal activity

The principal activity of the company is that as an investment holding company Its operating subsidiaries provide corporate finance advisory services

Review of the business and future prospects

The group has continued to invest in its activities throughout the year and the directors are confident about its future prospects

Results and dividends

The company made a loss of (£68,636) (31 March 2011 - profit of £15,072,855) for the year The group made a profit after tax of £435 866 for the year (31 March 2011 - profit of £13,611,182) The profitability was lower in 2012 due to a lower level of financial advisory fees at the group's subsidiaries and no dividends were declared by the company's investments 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 2011 - £nil) During the year a dividend of £nil was paid (31 March 2011 - £10,521,352)

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 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

EW Purcell (appointed 25th July 2012 and resigned 30th November 2012)
DA Preiser (appointed 25th July 2012 and resigned 30th November 2012)
R Hotz (appointed 25th July 2012)
S Adelson (resigned 26th July 2012)
S L Beiser (resigned 26th July 2012)
J H Zukin (resigned 26th July 2012)
S Adelson (appointed 30th November 2012)
S L Beiser (appointed 30th November 2012)

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

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

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

Scott S Beiser

S L Beiser
Director

18 December 2012

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 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

In preparing each of the group and parent 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 group and parent company financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and 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 parent company 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 2012 set out on pages 6 to 20 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 auditors

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 (APB'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 APB's web site at www.frc.org.uk/apb/scope/private.cfm.

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 2012 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 presented is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report which we were engaged to audit 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

K.Nicoll, (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants,
15 Canada Square, Canary Wharf, E14 5GL

18 December 2012

Houlihan Lokey Capital (Holdings) Limited

Consolidated and parent company statement of financial position as at 31 March 2012

		Group		Company	
	Notes	31 March 2012 £	31 March 2011 £	31 March 2012 £	31 March 2011 £
Assets					
Non-current assets					
Property, plant, and equipment	9	66,704	105,173	-	-
Available for sale asset	10	70,617,735	70,055,346	70,617,735	70,055 346
Investment in subsidiary	11	-	-	3,813,422	3,813,422
Deferred tax asset	8	146,278	-	-	-
Total non-current assets		70,830,717	70,160,519	74,431,157	73,868,768
Current assets					
Amounts owed from group undertakings		5,233,512	5,164,171	5,233,512	5,164,171
Trade and other receivables	12	1,903,106	1,111,294	-	-
Cash and cash equivalents	18	11,101,520	4,081,825	68,202	67,861
Total current assets		18,238,138	10,357,290	5,301,714	5,232,032
Total assets		89,068,855	80,517,809	79,732,871	79,100,800
Liabilities					
Current liabilities					
Amounts owed to group undertakings		14,778,132	7,398,256	6,605,964	6,502,267
Other interest bearing loans and borrowings	14	2,547,112	2 512,491	2,547,112	2 512,491
Trade and other payables	13	1,070,081	1,566,093	-	-
Total current liabilities		18,395,325	11,476,840	9,153,076	9,014,758
Net assets		70,673,530	69,040,969	70,579,795	70,086,042
Capital and reserves					
Share capital	15	813,527	813,527	813,527	813,527
Share premium		15,455,091	15,455,091	15,455,091	15,455,091
Fair value reserve		51,679,352	51,116,963	51,679,352	51,116 963
Capital contribution reserve		1,912,655	1,714,992	-	-
Foreign currency translation reserve		248,799	(187,844)	-	-
Retained earnings		564,106	128,240	2,631,825	2,700,461
Total equity attributable to equity shareholders	16	70,673,530	69,040,969	70,579,795	70,086,042

The notes on pages 11 to 20 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 18 December 2012 and were signed on its behalf by

Scott L Beiser

S L Beiser
Director

Houlihan Lokey Capital (Holdings) Limited

Consolidated company statement of comprehensive income for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Revenue	4	3,665,914	5,100,019
Administrative expenses		(3,292,102)	(4 948,073)
Operating profit/(loss)	5	373 812	151 946
Finance income	4	2,930	13,502,021
Finance expense	4	(87,154)	(42,785)
Profit/(loss) on ordinary activities before taxation		289,588	13,611,182
Taxation	8	146,278	-
Profit/(loss) after taxation		435,866	13,611,182
Other comprehensive income, net of income tax			
Net change in fair value on available-for-sale financial asset		562,389	51,116,963
Foreign currency translation differences for foreign operations		436,643	(140,721)
		999,032	50,976,242
Total comprehensive income for the year		1,434,898	64,587,424

The results for the year ended 31 March 2012 are derived from continuing operations

The notes on pages 11 to 20 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 £68,636 (31 March 2011 profit of £15 072 855)

Houlihan Lokey Capital (Holdings) Limited

Consolidated statement of changes in equity for the year ended 31 March 2012

	Share capital £	Share premium £	Fair value reserve £	Capital Contribution Reserve £	Retained profit £	Foreign currency translation reserve £	Total £
Balance at 1 April 2010	813,527	15 455,091	-	-	(2,961,590)	(47,123)	13 259 905
Comprehensive income							
Profit for the year	-	-	-	-	13 611,182	-	13,611,182
Other comprehensive income							
Available for sale asset	-	-	51,116 963	-	-	-	51,116,963
Currency translation differences	-	-	-	-	-	(140,721)	(140 721)
Transactions with owners							
Capital contribution reserve	-	-	-	1,714,992	-	-	1,714,992
Dividend paid	-	-	-	-	(10,521,352)	-	(10,521,352)
Balance at 31 March 2011	813,527	15,455,091	51,116,963	1,714,992	128,240	(187,844)	69,040,969
Balance at 1 April 2011	813,527	15,455,091	51,116,963	1,714,992	128,240	(187,844)	69,040,969
Comprehensive income							
Profit for the year	-	-	-	-	435,866	-	435,866
Other comprehensive income							
Available for sale asset	-	-	562,389	-	-	-	562,389
Currency translation differences	-	-	-	-		436,643	436,643
Transactions with owners							
Capital contribution reserve	-	-	-	197,663	-	-	197,663
Dividend paid	-	-	-	-		-	-
Balance at 31 March 2012	813,527	15,455,091	51,679,352	1,912,655	564,106	248,799	70,673,530

The notes on pages 11 to 20 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 2012

	Share capital £	Share premium £	Fair value reserve £	Retained profit £	Total £
Balance at 1 April 2010	813,527	15,455,091	-	(1,851,042)	14,417,576
Comprehensive income					
Profit for the year	-	-	-	15,072,855	15,072,855
Other comprehensive income					
Available for sale asset	-	-	51 116,963	-	51,116,963
Transactions with owners					
Dividend paid	-	-	-	(10,521,352)	(10,521,352)
Balance at 31 March 2011	813,527	15,455,091	51,116,963	2,700,461	70,086,042
Balance at 1 April 2011	813 527	15,455,091	51,116,963	2,700,461	70,086,042
Comprehensive income					
Loss for the year	-	-	-	(68,636)	(68,636)
Other comprehensive income					
Available for sale asset	-	-	562,389	-	562,389
Balance at 31 March 2012	813,527	15,455,091	51,679,352	2,631,825	70,579,795

The notes on pages 11 to 20 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 2012

	Note	Group Year ended 31 March 2012 £	Group Year ended 31 March 2011 £	Company Year ended 31 March 2012 £	Company Year ended 31 March 2011 £
Cash flows from operating activities					
Operating profit/loss for the period		373,812	151,946	(68,636)	1,614,308
Adjustments for					
Depreciation		56,955	148 778	-	-
Foreign exchange		433,793	(143,703)	-	-
Equity-settled share based payment expenses	7	197,663	-	-	-
Loss on disposal of property, plant and equipment		16,192	1,037	-	-
Impairment loss reversed/recognised during the year		-	-	-	(1,616,897)
Operating loss before changes in working capital		1,078,415	158,058	(68,636)	(2,589)
Increase/(Decrease) in amounts owed to group companies		7,310 535	(649 891)	34 356	(1,716 690)
(Decrease) in trade and other receivables		(791 812)	(789 943)	-	-
(Decrease)/Increase in trade and other payables		(496,012)	948,253	-	-
Net cash outflow from operating activities		7,101,126	(333,523)	(34,280)	(1,719,279)
Cash flows from investing activities					
Interest received		2 930	2,417	-	1 728
Dividend received		-	13,499,604	-	13,499,604
Increase in investment in subsidiary		-	-	-	(956 602)
Acquisition of property, plant and equipment		(31 829)	(8,394)	-	-
Net cash used in investing activities		(28,899)	13,493,627	-	12,544,730
Cash flows from financing activities					
Proceeds/(Repayment of) from holding company loan		(52,532)	(259,375)	34,621	(259 375)
Interest earned on loans from group companies		69,341	63,831	69 341	63,831
Interest on loan to holding company		(69,341)	(63,831)	(69,341)	(63,831)
Dividend paid		-	(10 521 352)	-	(10,521,352)
Net cash from financing activities		(52,532)	(10,780,727)	34,621	(10,780,727)
Net increase in cash and cash equivalents		7,019,695	2,379,377	341	44,724
Cash and cash equivalents at the beginning of the year		4,081 825	1,702,448	67,861	23,137
Cash and cash equivalents at the end of the year	18	11,101,520	4,081,825	68,202	67,861

The notes on pages 11 to 20 form an integral part of these consolidated and parent company financial statements

Notes to the financial statements for the year ended 31 March 2012

1. General Information

Houlihan Lokey Capital (Holdings) Limited is domiciled in the United Kingdom The company is 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

IFRS 9 Financial instruments - Effective for annual periods beginning on or after 1 January 2013

Amendments to IAS1 Presentation of items of other comprehensive income - effective for annual periods beginning on or after 1 June 2012

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 18 December 2012

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

These consolidated financial statements are presented in sterling which is the group's functional currency Except as indicated financial information presented in sterling has been rounded to the nearest pound

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 2012

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 as Houlihan Lokey Inc is the general partner and controls this entity

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 The 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 and money market deposits

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 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

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2012

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 2012

4 Revenue

	Group Year ended 31 March 2012 £	Group Year ended 31 March 2011 £
Revenue derived from corporate finance advisory services	2,769 248	3,669,599
Group Revenue	896,666	1,430,420
	3,665,914	5,100,019

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 2012 £	Year ended 31 March 2011 £
Interest on intercompany loan	87,154	42,785

Finance Income

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Bank interest	2 930	2 417
Dividend Received	-	13,499,604
	2,930	13,502,021

5 Profit/(loss) on ordinary activities before taxation

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
The loss on ordinary activities before taxation is stated after charging		
Foreign exchange translation profit	(60 357)	(1,931)
Depreciation	55,395	148 778
Operating lease charges		
Land & buildings	173,915	273,239

Audit fees for the group of £82,127 (2011 - £82,127) 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 2012 No	Group Year ended 31 March 2011 No
The average number of staff employed by the company within each category of business was		
Directors and business executives	14	14
Support, secretarial and administration	3	1
	17	15

No costs were incurred by the group in respect of these employees

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 £193,663 (31 March 2011 - £nil) to the staff costs in the income statement has been made for shares which the employees become entitled to in April 2012 The total number of shares that the employees become entitled to during the current year is 2,439 5 (31 March 2011 - nil)

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 2012 £	Group Year ended 31 March 2011 £
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 26% (31 March 2011 - 28%)		
The differences are explained below		
Profit/(loss) on ordinary activities before tax	289,588	13,611,182
Income tax using group's domestic tax rate 26% (31 March 2011 - 28%)	75,293	3 811,131
Effects of		
Tax rates in foreign jurisdictions	(41,353)	(44,010)
Non taxable dividend income	-	(3,779,889)
Temporary differences	17,862	(12 131)
Permanent differences	-	(13,730)
Group relief	19 862	26,674
Utilisation of tax losses previously not recognised	(71,823)	(63,145)
Recognition of tax losses previously not recognised	(146 278)	-
Deferred tax asset not recognised	-	75,100
Total tax debit / (credit) for the period	(146,437)	-

	Group Year ended 31 March 2012	Group Year ended 31 March 2011
Analysis of tax charge on ordinary activities		
Current taxation	-	-
Deferred taxation	(146,278)	-
Total tax on profit on ordinary activities	(146,278)	-

At 31 March 2012 a deferred tax asset has been recognised in respect of cumulative tax losses in Houlihan (China) Limited, as it is considered that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity The deferred tax asset recognised in relation to these cumulative tax losses is £146,278 (2011 nil) There are currently no open tax enquiries with HMRC

The Finance Act 2011 which was passed into law on 19 July 2011, announced a reduction in the UK coporation tax rate from 26% to 25% with effect from 1 April 2012

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2012

9 Property, plant and equipment

Group

	Equipment £	Computer equipment, software and systems £	Furniture and Fittings £	Leasehold Improvements £	Total £
Cost					
At 31 March 2010	87,221	112,927	51,902	343,780	595,830
Additions in ordinary course of business	-	-	2 195	6,199	8,394
Disposals	(2,304)	-	-	(167,221)	(169 525)
Effect of movement in foreign exchange	(1,446)	1,224	1,501	(2,722)	(1,443)
As at 31 March 2011	83,471	114 151	55,598	180,035	433,255
Depreciation					
At 31 March 2010	33,482	75,108	14,543	229,086	352,219
Charge for the period	16,732	28,056	11,504	92,486	148,778
Disposals	(1,267)	-	-	(167,221)	(168,489)
Effect of movement in foreign exchange	(633)	(558)	760	(3,994)	(4,425)
As at 31 March 2011	48,314	102,606	26,807	150,357	328 083
Net book value					
As at 31 March 2011	35,157	11,545	28,791	29,680	105,173
At 31 March 2010	53 739	37,819	37,359	114,694	243,611

Group

	Equipment	Computer equipment, software and systems £	Furniture and Fittings	Leasehold Improvements £	Total £
Cost					
At 31 March 2011	83,471	114,151	55,598	180 035	433,255
Additions in ordinary course of business	3,716	10,527	5,852	11,734	31,829
Disposals	(19,643)	(67,699)	(43,765)	-	(131,107)
Effect of movement in foreign exchange	2,445	4,016	2,417	1,777	10 655
As at 31 March 2012	69 989	60,995	20,102	193,546	344,632
Depreciation					
At 31 March 2011	48,314	102 606	26,807	150,357	328,083
Charge for the period	17,393	9 588	11,991	17,983	56 955
Disposals	(14,405)	(67,699)	(32,811)	-	(114,915)
Effect of movement in foreign exchange	1,393	3,635	1,292	1,485	7,805
As at 31 March 2012	52 695	48,130	7,279	169,825	277,928
Net book value					
As at 31 March 2012	17,294	12,865	12,823	23,721	66,704
At 31 March 2011	35,157	11 545	28,791	29,680	105,173

The company does not currently hold any property plant and equipment

10 Available for sale asset

	31 March 2012 Group £	31 March 2012 Company £	31 March 2011 Group £	31 March 2011 Company £
Ownership interest in Houlihan Lokey UK Holdings, LP at beginning of year	70,055,346	70 055,346	18,938,383	18,938 383
Fair value adjustment	562,389	562,389	51 116,963	51,116,963
Ownership interest in Houlihan Lokey UK Holdings, LP at end of year	70,617,735	70,617,735	70,055 346	70,055,346

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 now be made Any changes in fair value are reported in other comprehensive income In prior periods the ownership interest in Houlihan Lokey UK Holdings, LP was held at cost

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%	Long term growth rate 3%
Discount rate	12%	2,700,000	6,200,000
Discount rate	14%	(4,700,000)	(2,400,000)

11 Investment in subsidiary undertakings

	Company Year ended 31 March 2012 £	Company Year ended 31 March 2011 £
Carrying value of investment in Houlihan Lokey Capital (Asia) Limited at the beginning of the year	3,813,422	1,239,923
Additional investment	-	956,602
Impairment loss reversed/recognised during the year	-	1,616,897
Carrying value at the end of the year	3,813,422	3,813,422

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 UK Holdings LP *Limited partnership holding only	* 99 997%	Partnership	United States	Holding company
Houlihan Lokey Capital (Asia) Limited	100%	Ordinary shares	England	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	China	Corporate finance advisory

12 Trade and other receivables

	31 March 2012 Group	31 March 2012 Company	31 March 2011 Group	31 March 2011 Company
	£	£	£	£
Trade receivables	1,898,936	-	969,932	-
Other receivables	4,170	-	141 362	-
	1,903,106	-	1,111,294	-

The Group's credit risk is normally attributable to any trade receivables Credit risk is managed at the group's parent company level as well as at group level The main credit risk faced by Houlihan Lokey is non-receipt of payment for fee invoices The Firm 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 £78,152

13 Trade and other payables

	31 March 2012 Group	31 March 2012 Company	31 March 2011 Group	31 March 2011 Company
	£	£	£	£
Trade payables	-	-	419,136	-
Non trade payables and accrued expenses	1,070,081	-	1,146 957	-
	1,070,081	-	1,566,093	-

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 2012 Group	31 March 2012 Company	31 March 2011 Group	31 March 2011 Company
	£	£	£	£
Loan from parent company				
Loan from parent company, repayable on demand	2,496,470	2 496,470	2 496,470	2 496 470
Cumulative interest on loan at daily LIBOR rate plus 0 7% and rolled into the loan	50,642	50,642	16,021	16 021
	2,547,112	2,547,112	2,512,491	2,512,491

The loan from the parent company was granted to the company upon formation of the group

15 Share capital

	31 March 2012 Group	31 March 2012 Company	31 March 2011 Group	31 March 2011 Company
	£	£	£	£
Ordinary shares of £1 each				
Authorised	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid	813,527	813,527	813,527	813,527

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2012

16 Reconciliation of movements in shareholders funds

	31 March 2012 Group	31 March 2012 Company	31 March 2011 Group	31 March 2011 Company
	£	£	£	£
Profit/(loss) for the period	435,866	(68,636)	13 611,182	15,072,855
Opening shareholder s funds	69,040 969	70 086,042	13 259,905	14,417,576
Dividend paid	-	-	(10 521 352)	(10 521,352)
Foreign currency translation reserve	436,643	-	(140,721)	-
Fair value reserve	562,389	562,389	51,116 963	51,116,963
Capital contribution reserve	197,663	-	1,714,992	-
Closing shareholder's funds	70,673,530	70,579,795	69,040,969	70,086,042

During the year, Houlihan Lokey Inc, a shareholder of the group waived its right to the recovery of £197,663 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 2012	Other 2012	Land & Buildings 2011	Other 2011
Group	£	£	£	£
The total future minimum lease payments due under non-cancellable operating leases are as follows				
Due				
Not later than one year	115 898	72 100	196,584	6,718
Later than one year and not later than five years	-	55 077	135,123	6,159
Later than five years	-	-	-	-
	115,898	127,177	331,707	12,877

18 Cash and cash equivalents

	31 March 2012 Group	31 March 2012 Company	31 March 2011 Group	31 March 2011 Company
	£	£	£	£
Bank balances	11,101,520	68,202	4,081,825	67,861

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

Particulars of transactions, arrangements and agreements involving related parties are as follows

Group and parent company balances and movements

Parent
At 31 March 2012, the group owed £4,581,872 to its immediate parent company (31 March 2011 - the group was owed £2,220,169 from its immediate parent company)

Houlihan Lokey group entities
As at 31 March 2012, the group owed £7,515,115 (31 March 2011 - £6 966,746) to Houlihan Lokey group entities
Group revenue of £896,666 was accrued during the year ended 31 March 2012 (31 March 2011 - 1,430,420)

Company balances

Parent
At 31 March 2012, the company was owed £2 686,498 (31 March 2011 - £2,651 780) from its immediate parent company

Houlihan Lokey group entities
As at 31 March 2012, the company owed £6 606 062 (31 March 2011 - £6 502,366) to Houlihan Lokey group entities

Houlihan Lokey Capital (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2012

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 note 15 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 11)

Currency risk

The group is exposed to the risk of fluctuations in the Hong Kong Dollar and the Chinese Renminbi due to its subsidiary operations in Hong Kong and China The company does not have any material foreign currency exposures, other than its 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

The Available for Sale Asset, the company's investment in Houlihan Lokey, UK, LP, is exposed to the risk of fluctuations in the Euro GBP Exchange Rate since Houlihan Lokey (Europe) Limited (wholly owned subsidiary of Houlihan Lokey, UK, LP), manages part of its business activities in Euros

Group currency exposure is as follows

	31 March 2012 Group		31 March 2011 Group	
	HKD	RMB	HKD	RMB
Trade and other receivables	1,872,689	30,419	709,077	402,218
Intercompany trade receivables / (payables)	(6,767,005)	(1,096,575)	782,795	(1,377,950)
Bank balances	10,578,726	454,592	3,650 723	363,241
Trade and other accrued payables	(874,231)	(49,571)	(1,067,755)	(498,336)
Net balance sheet exposure	4,810,179	(661,135)	4 074,840	(1,110,827)

The following significant exchange rates were applied during the year

	Average rate	
Group	Year ended 31 March 2012	Year ended 31 March 2011
1 RMB	10 36	10 44
1 HKD	12 47	12 11

Liquidity risk

The liquidity risk within the group is managed centrally in conjunction with the company's parent entities 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

The group has a loan relating to reorganisation activities undertaken within the larger group of companies, to which Houlihan Lokey Capital (Holdings) Limited is a member The interest on that loan is capitalised and becomes payable on demand with the loan The group therefore monitors this funding need and should any short term funding be required, a parent company will be able to provide the necessary assistance

Market risk

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

Other risks

The other risks that could potentially affect the group are mainly business and operational in nature Management are confident that these are mitigated through effective policies and processes and a business model which is designed to operate in all economic environments

21 Subsequent events

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