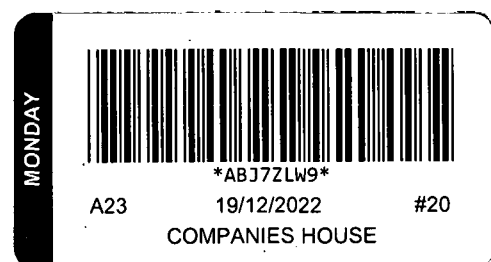


Company Registration No. 06330902

**Houlihan Lokey Capital (Holdings) Limited**

Strategic Report, Directors' Report and Financial Statements

For the year ended 31 March 2022



**Houlihan Lokey Capital (Holdings) Limited**

**Strategic report, Directors' report and financial statements**

**31 March 2022**

<b>Contents</b>	<b>Page</b>
Strategic report	3
Directors' report	4
Statement of Directors' responsibilities	5
Independent auditor's report to the shareholders of Houlihan Lokey Capital (Holdings) Limited	6 to 8
Statement of profit or loss and other comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13 to 21

## Houlihan Lokey Capital (Holdings) Limited

### Strategic report

The directors present the strategic report for the year ended 31 March 2022.

#### Principal activity

Houlihan Lokey Capital (Holdings) Limited ("the company") is an investment holding company whose operating subsidiaries provide corporate financial advisory services in Europe, the Middle East and Asia.

#### Review of the business and future prospects

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

The company made a profit of \$451,984,650 (31 March 2021: \$8,676,526) for the year. During the year, the company made no political or charitable donations (31 March 2021: nil). During the year, the company did not receive any dividends in regards to its shareholdings (31 March 2021: \$9,711,112), and received a profit share of \$96,696,247 in relation to its partnership holding in the entity HLHZ UK Holdings, LP (31 March 2021: nil). The company also declared and paid a dividend of \$96,696,247 to its ultimate parent Houlihan Lokey, Inc.

Given the straight forward nature of the business, and with the performance of the company as disclosed above, the directors do not consider any other KPIs are needed to understand the development, performance or position of the business.

#### Going concern

Notwithstanding net current liabilities of \$43,345,950 as at 31 March 2022 (31 March 2021: \$30,537,579), the financial statements have been prepared on a going concern basis. Management are comfortable that the company can continue to operate at a minimum period of at least 12 months from the date of approval of these financial statements, and specific consideration has been given to the going concern assumption in regards to the following:

##### *Group liabilities*

Management consider that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period. This is dependent on the company's subsidiary HLHZ UK Holdings, LP, not seeking repayment of the amount currently due from Houlihan Lokey Capital (Holdings) Limited, which at 31 March 2022 amounted to \$35,250,998 (31 March 2021: \$35,175,968). As the company's ultimate parent Houlihan Lokey, Inc is the general partner of this subsidiary, and therefore controlling the loan and its repayments. The loan is not expected to be recalled for a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, management acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, the company has obtained a formal letter of financial support from its ultimate parent (Houlihan Lokey, Inc) to meet any anticipated financial liabilities as they fall due and allow it to continue to operate as a going concern. This formal letter of support covers a period of at least 12 months from the date of approval of these financial statements.

##### *Economic Outlook*

Management does not consider that the ongoing pandemic nor the Ukraine crisis will have a material impact on the company's ability to remain a going concern. Given the diversified business models of the company's operating subsidiaries across various business lines, along with the spread of its subsidiaries over different parts of the globe, the company is able to remain profitable in most economic environments. The company has also considered the impact of increased market volatility, rising interest rates and the recent weakening of GBP and EUR against trading partners and does not anticipate that this will have an impact on the company's ability to continue as a going concern due to the company not holding any external debt and its operating subsidiaries dealing in various currencies. Management's expectations and internal forecasts continue to show the operating subsidiaries as profitable, demonstrating that the company will be able to draw on adequate levels of both liquidity and capital for a period of at least 12 months from the signing of these financial statements.

#### Risk management and management of business

The risks of, and funding to support the business and operations of the subsidiaries are monitored on an ongoing basis. More information about risks facing the company and how they are managed can be found in note 15 to the annual financial statements. In its treasury and cash management function, the company monitors cash needs as well as excess cash balances and sends or requests cash as needed via its related party loans. Its subsidiaries and investments are managed by maximising revenue generation and associated profitability. Capital requirements are monitored in relation to the external requirements of its subsidiaries and investments and any working capital needs they may have.

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



L. Alley  
Director  
30 November 2022

**Houlihan Lokey Capital (Holdings) Limited**

**Directors' report**

The directors submit their report and the audited financial statements for the year ended 31 March 2022.

**Directors**

The directors of the company throughout the year and as at the date of this report were:

J A Cowan (resigned 5 September 2022)

D A Preiser

J L Alley

D W A Williams (appointed 19 August 2022)

**Going concern**

These financial statements have been prepared on a going concern basis. Management are comfortable that the company can continue to operate for a period of at least 12 months, and specific consideration has been given to going concern given current market conditions. Please refer to the Strategic report on page 2 for specific details.

**Directors' interests**

The directors do not have any shareholding in the company.

**Directors' insurance and indemnities**

The directors have the benefit of the indemnity provisions contained in the company's Articles of Association ('Articles'), and the company has maintained throughout the year directors' liability insurance for the benefit of the company and the directors. The company has entered into *qualifying third party indemnity arrangements for the benefit of all its directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.*

**Registered Office**

1 Curzon Street

London

W1J 5HD

**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 information of which the company's auditor is 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 information and to establish that the company's auditor is aware of that information.

**Auditors**

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

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



L Alley

Director

30 November 2022

Company Registration No. 06330902

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

### **Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom ("UK") (IFRSs as adopted by the UK) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF HOULIHAN LOKEY CAPITAL (HOLDINGS) LIMITED**

### **Opinion**

We have audited the financial statements of Houlihan Lokey Capital (Holdings) Limited ("the Company") for the year ended 31 March 2022 which comprise the Statement of profit or loss and other comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of senior management and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that the management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition as the only income is in relation to the shares of parentship interest from investments in subsidiaries.

We did not identify any additional fraud risks.

We performed procedures including, identifying journal entries to test based on risk-based criteria and comparing the identified entries to supporting documentation. This included those posted on specific dates, such as holidays, and those posted related to employee expenses.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and operational managers (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence and discussed with the directors and operational managers the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including relating companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Amanda Long (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

**15 Canada Square**

**Canary Wharf**

**London**

**E14 5GL**

**01 December 2022**



**Houlihan Lokey Capital (Holdings) Limited**

**Statement of profit or loss and other comprehensive income for the year ended 31 March 2022**

	Notes	Year ended 31 March 2022 \$	Year ended 31 March 2021 \$
Share of profit from partnership interest	4	96,696,247	-
Dividend income	5	-	9,711,122
<b>Income from subsidiaries</b>		<b>96,696,247</b>	<b>9,711,122</b>
Administrative expenses		(65,478)	(74,661)
Finance income	6	76,890	208,735
Finance expenses	6	(417,404)	(521,686)
Gain in fair value on loss of control of investment in subsidiary	7	355,729,533	-
<b>Profit before taxation</b>		<b>452,019,788</b>	<b>9,323,510</b>
Taxation	8	(35,138)	(646,984)
<b>Profit after taxation</b>		<b>451,984,650</b>	<b>8,676,526</b>
<b>Other comprehensive income, net of income tax</b>			
Total other comprehensive income, net of tax		841,303	-
<b>Total comprehensive profit for the year</b>		<b>452,825,953</b>	<b>8,676,526</b>

The results for the year ended 31 March 2022 and 31 March 2021 are derived from continuing operations.

The notes on pages 13 to 21 form an integral part of these financial statements.

**Houlihan Lokey Capital (Holdings) Limited**

**Statement of financial position as at 31 March 2022**

		As at 31 March 2022	As at 31 March 2021
	Notes	\$	\$
<b>Assets</b>			
<b>Non-current assets</b>			
Equity investments at fair value through other comprehensive income	7	489,723,190	-
Investment in subsidiaries	9	60,638,676	181,625,138
<b>Total non-current assets</b>		<b>550,361,866</b>	<b>181,625,138</b>
<b>Current assets</b>			
Cash and cash equivalents	10	527	2,073
Other current assets	11	1,762,374	-
Amounts owed by related parties, repayable on demand	12	1	253,346
Loans owed by related parties, repayable on demand	12	-	11,602,459
Current tax assets		-	257,969
<b>Total current assets</b>		<b>1,762,902</b>	<b>12,115,847</b>
<b>Total assets</b>		<b>552,124,768</b>	<b>193,740,985</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts owed to related parties, repayable on demand	12	4,901,270	2,769,780
Loans owed to related parties, repayable on demand	12	39,954,939	39,834,977
Current tax liabilities		202,217	-
Other current liabilities	13	50,427	48,669
<b>Total current liabilities</b>		<b>45,108,853</b>	<b>42,653,426</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	8	429,147	630,497
<b>Total non-current liabilities</b>		<b>429,147</b>	<b>630,497</b>
<b>Total liabilities</b>		<b>45,538,000</b>	<b>43,283,923</b>
<b>Net assets</b>		<b>506,586,768</b>	<b>150,457,062</b>
<b>Capital and reserves</b>			
Share capital	14	1,299,979	1,299,979
Share premium		24,696,534	24,696,534
Fair value reserve	7	841,303	102,892,564
Retained earnings		479,748,952	21,567,985
<b>Total equity attributable to shareholders</b>	15	<b>506,586,768</b>	<b>150,457,062</b>

The notes on pages 13 to 21 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 30 November 2022 and were signed on its behalf by:



L. Alley  
Director

Company Registration No. 06330902

**Houlihan Lokey Capital (Holdings) Limited**

**Statement of changes in equity for the year ended 31 March 2022**

	Notes	Share capital \$	Share premium \$	Fair value reserve \$	Retained earnings \$	Total \$
Balance at 1 April 2020		1,299,979	24,696,534	102,892,564	12,891,459	141,780,536
<i>Comprehensive income:</i>						
Profit for the year		-	-	-	8,676,526	8,676,526
<b>Balance at 31 March 2021</b>	14,15	<u>1,299,979</u>	<u>24,696,534</u>	<u>102,892,564</u>	<u>21,567,985</u>	<u>150,457,062</u>
Balance at 1 April 2021		1,299,979	24,696,534	102,892,564	21,567,985	150,457,062
<i>Comprehensive income:</i>						
Profit for the year		-	-	-	451,984,650	451,984,650
<i>Other comprehensive income:</i>						
Reclassification of reserve on loss of control of subsidiary		-	-	(102,892,564)	102,892,564	-
Fair value changes in equity investments		-	-	841,303	-	841,303
Dividends paid		-	-	-	(96,696,247)	(96,696,247)
<b>Balance at 31 March 2022</b>	14,15	<u>1,299,979</u>	<u>24,696,534</u>	<u>841,303</u>	<u>479,748,952</u>	<u>506,586,768</u>

The notes on pages 13 to 21 form an integral part of these financial statements.

**Houlihan Lokey Capital (Holdings) Limited**

**Statement of cash flows for the year ended 31 March 2022**

	Notes	Year ended 31 March 2022 \$	Year ended 31 March 2021 \$
<b>Cash flows from operating activities</b>			
Operating profit before taxation		452,019,788	9,323,510
Adjustments for non-cash movements:			
Fair value movements in financial assets		(355,729,533)	-
Foreign currency movements		(39,300)	27,111
<b>Operating profit before changes in working capital</b>		<b>96,250,955</b>	<b>9,350,621</b>
<b>Changes in working capital</b>			
Increase in other current liabilities		1,758	10,555
Decrease in amounts owed by related parties		253,345	-
Increase in amounts owed to related parties		369,117	1,285,938
Increase / (decrease) in loans made to related parties		119,962	(5,167,973)
Decrease / (increase) in loans received by related parties		11,602,461	(885,454)
Decrease in other interest bearings loans and liabilities		-	(3,282,929)
Tax paid / (refunded)		262,996	(17,802)
<b>Net cash inflow from operating activities</b>		<b>108,860,594</b>	<b>1,292,956</b>
<b>Cash flows from investing activities</b>			
Acquisitions of investments in subsidiaries		(17,895,140)	(1,348,286)
Disposals of investments in subsidiaries		5,729,247	56,851
<b>Net cash outflow from investing activities</b>		<b>(12,165,893)</b>	<b>(1,291,435)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(96,696,247)	-
<b>Net cash outflow from financing activities</b>		<b>(96,696,247)</b>	<b>-</b>
Effect of exchange rate changes on cash and cash equivalents		-	-
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(1,546)</b>	<b>1,521</b>
Cash and cash equivalents at the beginning of the year		2,073	552
<b>Cash and cash equivalents at the end of the year</b>	10	<b>527</b>	<b>2,073</b>

The notes on pages 13 to 21 form an integral part of these financial statements.

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

### **Notes to the financial statements for the year ended 31 March 2022**

#### **1. General information**

Houlihan Lokey Capital (Holdings) Limited is a private limited company domiciled in the United Kingdom. The company is an investment holding company and the company's registered office is at 1 Curzon Street, London, W1J 5HD.

#### **2. Basis of preparation**

##### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom ("UK") at the balance sheet date, and with those parts of the Companies Act 2006 for companies reporting under IFRS. At 31 March 2022, there are no differences between IFRS adopted by the UK and IFRS issued by the International Accounting Standards Board ("IASB") in terms of their application to the company. Accordingly, the company's financial statements for the year ended 31 March 2022 are prepared in accordance with IFRS as issued by the IASB.

Notwithstanding net current liabilities of \$43,345,950 as at 31 March 2022 (31 March 2021: \$30,537,579), the financial statements have been prepared on a going concern basis. Management are comfortable that the company can continue to operate at a minimum period of at least 12 months from the date of approval of these financial statements, and specific consideration has been given to the going concern assumption in regards to the following:

##### *Group Liabilities*

Management consider that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period. This is dependent on the company's subsidiary HLHZ UK Holdings, LP, not seeking repayment of the amount currently due from Houlihan Lokey Capital (Holdings) Limited, which at 31 March 2022 amounted to \$35,250,998 (31 March 2021: \$35,175,968). As the company's ultimate parent Houlihan Lokey, Inc is the general partner of this subsidiary, and therefore controlling the loan and its repayments. The loan is not expected to be recalled for a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, management acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, the company has obtained a formal letter of financial support from its ultimate parent (Houlihan Lokey, Inc) to meet any anticipated financial liabilities as they fall due and allow it to continue to operate as a going concern. This formal letter of support covers a period of at least 12 months from the date of approval of these financial statements.

##### *Economic Outlook*

Management does not consider that the ongoing pandemic nor the Ukraine crisis will have a material impact on the company's ability to remain a going concern. Given the diversified business models of the company's operating subsidiaries across various business lines, along with the spread of its subsidiaries over different parts of the globe, the company is able to remain profitable in most economic environments. The company has also considered the impact of increased market volatility, rising interest rates and the recent weakening of GBP and EUR against trading partners and does not anticipate that this will have an impact on the company's ability to continue as a going concern due to the company not holding any external debt and its operating subsidiaries dealing in various currencies. Management's expectations and internal forecasts continue to show the operating subsidiaries as profitable, demonstrating that the company will be able to draw on adequate levels of both liquidity and capital for a period of at least 12 months from the signing of these financial statements.

The financial statements were approved by the board on 30 November 2022.

##### **2.2 Basis of exemption from consolidation**

Houlihan Lokey Capital (Holdings) Limited is exempt from the obligation to prepare consolidated financial statements as its ultimate parent company, Houlihan Lokey, Inc. (listed in New York) prepares consolidated financial statements. The company and all of its subsidiaries are incorporated in the parent company's consolidated group financial statements. The financial statements present information about the company as an individual undertaking. All requirements for exemption as per Section 401 of the Companies Act 2006 have been met. See note 12 for further details.

##### **2.3 Basis of measurement**

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

##### **2.4 Functional and presentation currency**

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

## Houlihan Lokey Capital (Holdings) Limited

### Notes to the financial statements for the year ended 31 March 2022

#### 2.5 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management uses estimates and applies judgement in determining the discount rate and forecasted cash flow inputs to the value in use method that is used in the impairment assessment of its investment in subsidiaries, and in determining the fair value of its partnership interest in HLHZ UK Holdings, LP, and the likelihood of available future taxable profits necessary for the recognition of deferred tax assets. Refer to note 3.3 and 3.6 respectively for more information. There are no other material estimates applied in the company's financial statements. In the opinion of the directors, the use of estimates does not present a significant risk of material misstatement to the carrying amounts of assets and liabilities in these financial statements.

#### 2.6 Future developments in accounting standard

There are a number of standards, interpretations and amendments issued by the IASB that are effective for financial statements after this reporting period. However, no standards and interpretations effective after this reporting date are expected to have a significant impact on the company's financial statements.

### 3. Significant accounting policies

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

#### 3.1 Financial assets and liabilities

##### (a) Recognition and initial measurement

Trade receivables are initially recognised when they originate. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit and Loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. The only exception to this is a trade receivable without a significant financing component which is initially measured at the transaction price.

##### (b) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; *Fair Value through Other Comprehensive Income* ("FVOCI") or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions: it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. This category includes amounts owed from related parties.

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income ("OCI"). This election is made on an investment-by-investment basis. Equity investments at FVOCI are subsequently measured at fair value. Dividends or profit shares are recognised as income in profit or loss unless the dividend or profit share clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never recycled to the profit or loss. This category includes the ownership interest in HLHZ UK Holdings, LP which is an equity investment measured at FVOCI.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets if any. These assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. The company does not have any assets in this category.

Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### (c) Impairment of financial assets

The company recognises loss allowances for Expected Credit Losses ("ECLs") on financial assets measured at amortised cost. The company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which is measured as 12-month ECLs. The material financial assets of the company measured at amortised cost are amounts owed from related parties. The risk of default is extremely low in the case of amounts owed from related parties as the balances are with related parties and there has been no history of default. These balances are also of short term nature, therefore, no loss allowance for ECLs are recognised as they are nil.

## Houlihan Lokey Capital (Holdings) Limited

### Notes to the financial statements for the year ended 31 March 2022

#### 3. Significant accounting policies (continued)

##### 3.2 Investments in other entities

###### *Investments in subsidiaries*

Investments in subsidiaries are those entities that are controlled by the company. Investments are measured at cost less any impairment loss. The investments in subsidiaries are reviewed for impairment as discussed below. Dividends received from subsidiaries are recognised in the profit or loss under dividend income when the right to receive income is established.

###### *Changes in ownership interest and loss of control*

Under IFRS 10, if a parent loses control of a subsidiary, the parent must recognise any investment retained in the former subsidiary when control is lost and subsequently accounts for it in accordance with relevant IFRS standards. Any retained interest is remeasured to fair value on initial recognition in accordance with IFRS 9 and is recognised as a gain or loss associated with the loss of control attributable to the former controlling interest. Refer to accounting policy 3.1(b) for further information in regards to equity investments classified as financial assets.

##### 3.3 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. Refer to note 3.1 for further information in regards to the impairment of financial assets.

##### 3.4 Finance income and expenses

Financing income includes interest receivable on intercompany receivables, and net foreign exchange gains. Financing expenses include interest payable on intercompany payables and net foreign exchange losses. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest rate method. Foreign currency gains and losses are reported on a net basis.

##### 3.5 Foreign currency transactions

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

##### 3.6 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. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised. Tax on the share of profit from the Company's partnership interest is accounted for once the Company's profit share is determined. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is not probable they will reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## Houlihan Lokey Capital (Holdings) Limited

### Notes to the financial statements for the year ended 31 March 2022

#### 4. Share of profit from partnership interest

The company holds a partnership interest in HLHZ UK Holdings, LP. During the year the company received a discretionary profit share of £96,696,247 (31 March 2021: £nil) in regards to its partnership interest.

#### 5. Dividend income

The company received the following dividends during the year:

Houlihan Lokey (Netherlands) B.V.

Houlihan Lokey GmbH

**Total dividend income**

	As at 31 March 2022	As at 31 March 2021
	£	£
	-	2,341,198
	-	7,369,924
	-	9,711,122

#### 6. Finance income and expenses

Interest received on related party loans

Foreign exchange gain

Other interest received

**Total finance income**

Interest paid on related party loans

Other interest paid

Foreign exchange loss

**Total finance expenses**

	Year ended 31 March 2022	Year ended 31 March 2021
	\$	\$
	76,890	167,479
	-	40,411
	-	845
	76,890	208,735
	(417,402)	(491,505)
	-	(30,181)
	(2)	-
	(417,404)	(521,686)

#### 7. Equity investments at fair value through other comprehensive income

##### Roll forward of balances

Ownership interest at beginning of year

Remeasurement on initial recognition of equity investment at FVOCI

Subsequent changes in fair value

**Fair value at end of the year**

	As at 31 March 2022	As at 31 March 2021
	\$	\$
	-	-
	488,881,887	-
	841,303	-
	489,723,190	-

##### HLHZ UK Holdings, LP

On 31 January 2022, the company transferred its General Partnership ("GP") rights in HLHZ UK Holdings, LP to its ultimate parent, Houlihan Lokey, Inc for \$1, but retained its Limited Partnership ("LP") stake and rights entitling it to retain 99.99% of the economic benefits of the partnership. The transfer of the GP interests resulted in a loss of control in the investment in subsidiary under IFRS 10. Due to the loss of control, the investment in subsidiary was derecognised and the retained interest was subsequently remeasured as a financial asset at FVOCI. On derecognition, the cumulative fair value gains attributable to the former controlling interest in HLHZ UK Holdings, LP of \$102,894,564 were transferred from reserves to equity (fair value reserve to retained earnings).

The fair value of the residual interest in HLHZ UK Holdings, LP was calculated using a value in use based on discounted cash flows of the entity and its indirect subsidiaries. The equity investment is not held for trading under IFRS 9 at the date of initial application and the company elected, at the date of initial application, to present changes in the fair value of the equity instrument in other comprehensive income. The fair value of the retained interest was calculated to be \$488,881,886. At 31 March 2022, a further fair value gain on the equity investment of £841,303 was recorded in the fair value reserve to reflect changes in the fair value of the ownership interest between the recognition date and balance sheet date.

The discount rates utilised in the value in use calculation were between 10.5% and 11.5%, which was calculated using third party market estimates, market data and data derived from comparable companies. A long-term growth rate of 3% (31 March 2021: 3%), based on long-term inflationary growth rates, has been used. Budgeted earnings before interest and tax (EBIT) are based on company forecasts. Assumptions based on market comparables have been utilised where appropriate. The fair value measurements are all categorised in level 3 of the fair value hierarchy.



# Houlihan Lokey Capital (Holdings) Limited

## Notes to the financial statements for the year ended 31 March 2022

	Year ended 31 March 2022	Year ended 31 March 2021
	£	£
<b>8. Taxation</b>		
<b>Tax expense</b>		
Current tax:		
Tax (refund) / expense for the current year	211,138	-
Deferred tax:		
Origination and reversal of timing differences	(276,095)	646,984
Deferred tax expense (income) resulting from increase in tax rate	103,010	-
Effects of foreign exchange	(2,915)	-
Total tax expense for the period	<u>35,138</u>	<u>646,984</u>

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

The tax charge for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 19% (31 March 2021: 19%). The differences are explained below:

Profit / (loss) before tax	452,019,788	9,323,510
Income tax using group's domestic tax rate 19% (31 March 2021: 19%)	<u>85,883,760</u>	<u>1,771,467</u>
Effects of:		
Group relief	-	-
Tax effect of share of partnership profits	288,277	(634,222)
Tax effect of exempt items	(85,960,898)	(1,845,113)
Tax effect of tax losses transferred as group relief	-	707,868
Change in opening deferred taxes resulting from increase in tax rate	103,010	-
Temporary differences	(276,095)	646,984
Foreign exchange	(2,915)	-
Total tax credit for the period	<u>35,138</u>	<u>646,984</u>

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

Opening balance	(630,497)	29,541
Temporary differences	276,095	(646,984)
Effect on opening deferred taxes of increase in tax rate	(103,010)	-
Foreign exchange movement in deferred tax balances held in foreign currencies	28,265	(13,054)
Closing balance	<u>(429,147)</u>	<u>(630,497)</u>

On 24 May 2021 the Finance No.2 Bill 2021 was substantially enacted resulting in an increase of the corporate tax rate from 19% to 25% effective 1 April 2023. All temporary differences are expected to be utilised after 1 April 2023 and have therefore been remeasured to 25% in line with the tax rate increase.

The company is a limited partner of HLHZ UK Holdings, LP. HLHZ UK Holdings, LP is considered a transparent entity and that share of its profit is determined for corporation tax purposes in accordance with the partnership's profit-sharing arrangements.

A deferred tax liability (2021: liability) has been recognised in respect of the share of partnership profits subject to current tax and is expected to be recognised by the company in future periods.

# Houlihan Lokey Capital (Holdings) Limited

## Notes to the financial statements for the year ended 31 March 2022

	As at 31 March 2022	As at 31 March 2021
	\$	\$
<b>9. Investments in subsidiaries</b>		
<i>Roll forward of balances</i>		
Carrying value at the beginning of the year	181,625,138	180,333,703
Derecognition on reclassification to financial asset at FVOCI	(133,152,355)	-
Additions	17,895,140	1,348,286
Disposals	(5,729,247)	(56,851)
Impairment charge	-	-
<b>Carrying value at the end of the year</b>	<b>60,638,676</b>	<b>181,625,138</b>

### *Derecognition on reclassification to financial asset at FVOCI*

In January 2022, the company transferred its general partner interest in HLHZ UK Holdings, LP to Houlihan Lokey, Inc., resulting in a loss of control of the subsidiary. Refer note 7 for further details.

### *Additions and disposals*

During the year, the company commenced dissolution proceedings in regards to its subsidiary Lara (Italy Holdco) Limited, recording a partial disposal of investment of \$5,729,247, by way of final settlement of all assets and liabilities and a capital reduction. As part of the final distribution received, the company received 100% of the shares in Houlihan Lokey S.p.A, at a value of \$17,895,140. The company retained a residual \$1 of capital (100% share) in Lara (Italy Holdco) Limited at the balance sheet date, which passed to the Crown when the subsidiary was formally dissolved on 30 August 2022. During the prior year, the company disposed of its 100% shareholding in its subsidiary Houlihan Lokey (Europe) GmbH for \$56,852. The company was also still party to notes issued whereby certain managers and employees of operating subsidiaries were entitled to redeem a portion of these notes in the stock of the ultimate parent company Houlihan Lokey, Inc. The value of these notes increased and these accretions were reflected as additional contributions to the investment in subsidiaries totalling \$1,348,286.

### *Impairment charges*

The company performed impairment testing on its investments in subsidiaries as at the balance sheet date given there were deemed to be potential indicators of impairment due to current global macro-economic conditions, higher market interest rates and the ongoing impact of Covid-19. Based on analysis performed on the investments in subsidiaries, the company did not identify any impairment charges where the carrying value of investments exceeded the recoverable amount (31 March 2021: nil).

The discount rates utilised in the value in use calculations on the investments in subsidiaries at 31 March 2022 were between 11.5% and 15.0% (31 March 2021: between 11.5% and 15.5%). These were calculated using third party market estimates, market data and data derived from comparable companies. A long-term growth rate of 3% (31 March 2021: 3%), based on long-term inflationary growth rates, has been used. Budgeted Earnings Before Interest and Tax ("EBIT") are based on company forecasts. Assumptions based on market comparables have been utilised where appropriate. These fair value measurements are all categorised in level 3 of the fair value hierarchy.

The value in use calculations include a sensitivity analysis of the key variables and it was determined no specific sensitivity analysis disclosure was required in the financial statements. As of the measurement date, the recoverable amounts of the investments, based on their value in use, are higher than the carrying amounts relevant for the impairment tests and management believes none of the anticipated changes in key assumptions which can rationally be expected to occur would cause the carrying amount of the investments to exceed the recoverable amounts.

The company has direct holdings in subsidiary undertakings as follows:

Name of company	% holding 2022	% holding 2021	Country of incorporation	Principal activity
<b><i>Held directly</i></b>				
Houlihan Lokey Capital (Asia) Limited	100%	100%	United Kingdom	Holding company
Houlihan Lokey GmbH	100%	100%	Germany	Corporate finance advisory
Houlihan Lokey (Netherlands) B.V.	100%	100%	The Netherlands	Corporate finance advisory
Houlihan Lokey (MEA Financial Advisory) Limited	100%	100%	U.A.E	Corporate finance advisory
Lara (Italy Holdco) Limited	100%	100%	United Kingdom	Holding company
Houlihan Lokey S.p.A	100%	100%	Italy	Corporate finance advisory
<b><i>Held indirectly</i></b>				
HLHZ UK Holdings, LP	0.00%	0.01%*	United States	Holding company
<i>*Limited partnership holding via Houlihan Lokey Capital (Asia) Limited was transferred to Houlihan Lokey Inc.,</i>				
Houlihan Lokey (China) Limited	100%	100%	Hong Kong	Corporate finance advisory
Houlihan Lokey (Singapore) Private Limited	100%	100%	Singapore	Corporate finance advisory
Houlihan Lokey Investment Consulting (Beijing) Co. Limited	100%	100%	China	Corporate finance advisory

## Houlihan Lokey Capital (Holdings) Limited

### Notes to the financial statements for the year ended 31 March 2022

#### 9. Investments in subsidiaries (continued)

##### Non-controlling interests

HLHZ UK Holdings, LP	99.99%**	99.99%	United States	Holding company
<b>**General Partner interests in limited partnership transferred to Houlihan Lokey, Inc.</b>				
Houlihan Lokey (Europe) Limited	99.99%	100%	United Kingdom	Holding company
Houlihan Lokey EMEA, LLP	99.99%	100%	United Kingdom	Corporate finance advisory
Houlihan Lokey (España) S.A.	99.99%	100%	Spain	Corporate finance advisory
Houlihan Lokey (Corporate Finance) Limited	99.99%	100%	United Kingdom	Corporate finance advisory
Baylor Klein Limited	99.99%	0%	United Kingdom	Corporate finance advisory
Houlihan Lokey Corporate Finance, S.A.U.	99.99%	100%	Spain	Corporate finance advisory
Houlihan Lokey (Europe) GmbH	99.99%	100%	Germany	Corporate finance advisory

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

	As at 31 March 2022	As at 31 March 2021
<b>10. Cash and cash equivalents</b>	\$	\$
Cash at bank	527	2,073
<b>Total cash and cash equivalents</b>	<b>527</b>	<b>2,073</b>

##### 11. Other current assets

Other current assets relates to withholding tax receivable of \$1,762,374 on dividends received from subsidiary Houlihan Lokey GmbH.

##### 12. Related parties

###### Parent and ultimate controlling party

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

During the year, a dividend of \$96,696,247 was declared and paid to the company's parent Houlihan Lokey, Inc. (2021: \$nil). The company also transferred its General Partnership rights in HLHZ UK Holdings, LP to its ultimate parent, Houlihan Lokey, Inc for \$1, but retained its Limited Partnership rights entitling it to retain 99.99% of the economic benefits of the partnership.

###### Related party transactions and balances

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

	As at 31 March 2022	As at 31 March 2021
<b>Intercompany amounts with related parties</b>	\$	\$
Intercompany amounts owed from related parties	1	253,346
Intercompany amounts owed to related parties	(4,901,270)	(2,769,780)
	<b>(4,901,269)</b>	<b>(2,516,434)</b>

At 31 March 2022, the company owes \$4,901,269 to Houlihan Lokey EMEA, LLP and \$1 to Lara (Italy Holdco) Limited (31 March 2021: Houlihan Lokey GmbH \$2,200,918 and Houlihan Lokey (Netherlands) B.V. \$568,863). At the reporting date, the company is also owed \$1 from Houlihan Lokey, Inc (2021: Houlihan Lokey EMEA, LLP \$253,345). The applicable interest rates for related party balances is the USD, GBP or EUR LIBOR (depending on currency of balance) plus a margin of 2% (2021: 2%) accrued daily from date of issue.

##### Loans owed to related parties, repayable on demand

Loan from HLHZ UK Holdings, LP	(35,250,999)	(35,175,969)
Loan from Houlihan Lokey (China) Limited	(4,703,940)	(4,659,008)
	<b>(39,954,939)</b>	<b>(39,834,977)</b>

While the above loans owed to HLHZ UK Holdings, LP and Houlihan Lokey (China) Limited are both disclosed as repayable on demand, they are intended to be long term lending structures to be utilized in accordance with the company's treasury function. The balances can fluctuate based on the lenders' cash availability or needs, but there is no intention that the loans be repaid in full in the foreseeable future. Both loans are disclosed inclusive of accrued interest. The applicable interest rates for related party loan balances is the USD LIBOR plus a margin of 1%, accrued daily from date of issue. At 31 March 2022, loans owed by related parties were nil. In the prior period, a loan balance of \$11,602,459 was due from the company's subsidiary, Lara (Italy Holdco) Limited, which was settled by waiver of the outstanding balance in lieu of distributing capital as part of the partial disposal of that entity.

## Houlihan Lokey Capital (Holdings) Limited

### Notes to the financial statements for the year ended 31 March 2022

#### 12. Related parties (continued)

##### *Dividend and discretionary partnership profit shares*

During the year, the company received a profit share, but did not receive any dividends from related parties. Refer to notes 4 and 5 for more details.

	As at 31 March 2022	As at 31 March 2021
	\$	\$
13. Other current liabilities		
Other current liabilities	50,427	48,669
<b>Total other current liabilities</b>	<b>50,427</b>	<b>48,669</b>

Other current liabilities represent accrued statutory audit fees as at 31 March 2022. The comparative figures include the same.

		As at 31 March 2022	As at 31 March 2021
	Number	\$	\$
14. Share capital			
Ordinary shares of £1 each:			
Issued and fully paid	813,527	1,299,979	1,299,979

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

	As at 31 March 2022	As at 31 March 2021
	\$	\$
15. Reconciliation of movements in shareholders' funds		
Opening shareholder's funds	150,457,062	141,780,536
Profit / (loss) for the year	451,984,650	8,676,526
Dividends paid	(96,696,247)	-
Closing shareholder's funds	<b>506,586,768</b>	<b>150,457,062</b>

#### 16. Financial risk management

##### Capital management

The company manages its capital to ensure its investments will be able to continue as a going concern and to comply with externally imposed capital requirements. This involves an assessment of the risks inherent in its subsidiaries and investments business models and a calculation of capital charges against each identified risk to ensure adequate capitalisation. The company manages its share capital and reserves disclosed in notes 14 and 15 to meet the requirements of its operating subsidiaries. The company relies on its affiliates to help support its investment activities.

##### Credit risk

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

##### Currency risk

The company has indirect material foreign currency exposures, including with regards to its direct and indirect investments in other entities. Its subsidiaries in the UK and Europe are exposed to risk of fluctuations in exchange rates between EUR, GBP and USD, as these entities manage their business activities in a combination of EUR, GBP and USD. The company's Asia-based subsidiaries are generally exposed to the risk of fluctuations in currency pairings including RMB, SGD, HKD and USD since these entities manage their business activities in RMB, SGD, HKD and USD. The exposure between USD and HKD is limited as the two currencies are pegged. The company does not consider it has material foreign currency exposure on its Middle East-based subsidiary Houlihan Lokey (MEA Financial Advisory) Limited because the entity manages its business in USD and AED, and the exposure limited as the two currencies are pegged. This is not a comprehensive list of currencies the company and its affiliates operate in, but does cover all material exposures. The company has direct foreign currency exposures through its foreign currency designated assets and liabilities with related and other parties, as follows:

	As at 31 March 2022	
	EURO	GBP
	\$	\$
Intercompany amounts owed to related parties	(1,582,500)	440,742
Other assets and liabilities	1,582,500	(440,742)
<b>Net balance sheet exposure</b>	<b>-</b>	<b>-</b>
	As at 31 March 2021	
	EURO	GBP
	\$	\$
Intercompany amounts owed to related parties	(9,884,237)	-
Loans owed by related parties, repayable on demand	9,884,237	306,363
Other assets and liabilities	-	(306,363)
<b>Net balance sheet exposure</b>	<b>-</b>	<b>-</b>

# Houlihan Lokey Capital (Holdings) Limited

## Notes to the financial statements for the year ended 31 March 2022

### 16. Financial risk management (continued)

#### Currency risk (continued)

The following average exchange rates applied during the year:

USD	Average rates	
	Year ended 31 March 2022	Year ended 31 March 2021
	\$	\$
1 EURO	1.16	1.17
1 GBP	1.36	1.31

#### Sensitivity Analysis

A 10% strengthening of the USD against the above currencies at 31 March 2022 would have no impact on reserves on the net balance sheet exposure as there is no net foreign currency exposure. There is also no impact on reserves if there was a 10% weakening of the USD against the above currencies.

#### Liquidity risk

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash on demand to meet its liabilities when due under both normal and stressed conditions. The type of cash instrument used and its maturity will depend on the company's forecasted cash requirements. In fulfilling its function as an investment holding company, the company collects and distributes cash to and from its subsidiaries and investments and makes loans to related parties. The interest on the loans is rolled into the loan and becomes payable on demand with the loan. The company therefore monitors these funding needs and should any short term funding be required, it may demand repayment on its loan or request cash from its parent company.

#### Maturity analysis

The maturity on the company's contractual cash flows on financial assets and liabilities as at 31 March 2022 were as follows:

	Total	On Demand	0-3 months	3-12 months	12 months +
<i>Financial assets</i>	\$	\$	\$	\$	\$
Cash and cash equivalents	527	527	-	-	-
Amounts owed by related parties, repayable on demand	1	-	1	-	-
Equity investments at fair value through other comprehensive income	489,723,190	-	-	-	489,723,190
	<b>489,723,718</b>	<b>527</b>	<b>1</b>	<b>-</b>	<b>489,723,190</b>
<i>Financial liabilities</i>					
Amounts owed to related parties, repayable on demand	(4,901,270)	-	(4,901,270)	-	-
Loans owed to related parties, repayable on demand	(39,954,939)	(39,954,939)	-	-	-
Other current liabilities	(50,427)	-	-	(50,427)	-
	<b>(44,906,636)</b>	<b>(39,954,939)</b>	<b>(4,901,270)</b>	<b>(50,427)</b>	<b>-</b>
<b>Net contractual cashflows</b>	<b>444,817,082</b>	<b>(39,954,412)</b>	<b>(4,901,269)</b>	<b>(50,427)</b>	<b>489,723,190</b>

#### Maturity analysis

The maturity on the company's contractual cash flows on financial assets and liabilities as at 31 March 2021 were as follows:

	Total	On Demand	0-3 months	3-12 months	12 months +
<i>Financial assets</i>	\$	\$	\$	\$	\$
Cash and cash equivalents	2,073	2,073	-	-	-
Amounts owed by related parties, repayable on demand	253,346	-	253,346	-	-
Loans owed from related parties, repayable on demand	11,602,459	11,602,459	-	-	-
	<b>11,857,878</b>	<b>11,604,532</b>	<b>253,346</b>	<b>-</b>	<b>-</b>
<i>Financial liabilities</i>					
Amounts owed to related parties, repayable on demand	(2,769,780)	-	(2,769,780)	-	-
Loans owed to related parties, repayable on demand	(39,834,977)	(39,834,977)	-	-	-
Other current liabilities	(48,669)	-	-	(48,669)	-
	<b>(42,653,426)</b>	<b>(39,834,977)</b>	<b>(2,769,780)</b>	<b>(48,669)</b>	<b>-</b>
<b>Net contractual cashflows</b>	<b>(30,795,548)</b>	<b>(28,230,445)</b>	<b>(2,516,434)</b>	<b>(48,669)</b>	<b>-</b>

#### Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. As the company does not undertake securities trading and has no external loans and overdrafts, market risk is limited to currency risk as disclosed above.

#### 16. Subsequent events

There were no subsequent events between balance date and the date of authorisation of these financial statements requiring disclosure.