

OS AA01

Statement of details of parent law and other
information for an overseas company



☒ What this form is for
You may use this form to
accompany your accounts
disclosed under parent law

☐ What this form is for
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#85

COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of
overseas company ①

Wilshire Associates Incorporated

UK establishment
number

B R 0 0 4 1 0 3

→ Filling in this form
Please complete in typescript or in
bold black capitals

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state

**Part 2 Statement of details of parent law and other
information for an overseas company**

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited

Legislation ①

U S generally accepted accounting principles

① This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box

☐ No Go to Section A3

☒ Yes Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3

① Please insert the name of the
appropriate accounting organisation
or body

Name of organisation
or body ①

Federal Accounting Standards Advisory Board (FASAB)

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ No. Go to Section A5

☒ Yes Go to Section A4

OS AA01

Statement of details of parent law and other information for an overseas company

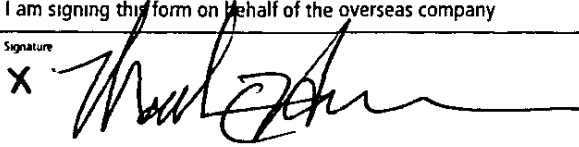
A4**Audited accounts**

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box <input type="checkbox"/> No Go to Part 3 'Signature' <input checked="" type="checkbox"/> Yes Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'	● Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ●	Federal Accounting Standards Advisory Board (FASAB)	

A5**Unaudited accounts**

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes.
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Part 3**Signature**

I am signing this form on behalf of the overseas company	
Signature	<div style="text-align: center;">X  X</div>
This form may be signed by Director, Secretary, Permanent representative	

OS AA01

Statement of details of parent law and other information for an overseas company



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name **Nancy van Rooy**

Company name **Wilshire Associates Incorporated**

Address **1299 Ocean Avenue, Suite 700**

Post town **Santa Monica**

County/Region **California**

Postcode **9 0 4 0 1**

Country **United States of America**

DX

Telephone **1 (310) 260-6663**



Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form



Important information

Please note that all this information will appear on the public record



Where to send

You may return this form to any Companies House address

England and Wales

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ
DX 33050 Cardiff

Scotland

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1



Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk



WILSHIRE ASSOCIATES INCORPORATED

Financial Statements

December 31, 2009

(With Independent Auditors' Report Thereon)

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COMPANIES HOUSE

WILSHIRE ASSOCIATES INCORPORATED

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KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles CA 90071 1568

Independent Auditors' Report

The Board of Directors
Wilshire Associates Incorporated

We have audited the accompanying statement of financial condition of Wilshire Associates Incorporated (the Company) as of December 31, 2009, and the related statements of income, changes in stockholders equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wilshire Associates Incorporated as of December 31, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

March 30, 2010

WILSHIRE ASSOCIATES INCORPORATED

Statement of Financial Condition

December 31, 2009

Assets

Cash	\$ 9,203,358
Investments in affiliated funds	2,559,646
Receivables from	
Customers (net of allowances of \$280,000)	16,213,406
Related parties	547,581
Other	189,786
Property and equipment (net of accumulated depreciation of \$19,842,660)	6,514,179
Prepaid expenses and other assets	1,675,689
Total assets	<u>\$ 36,903,645</u>

Liabilities and Stockholders' Equity

Liabilities	
Accounts payable and accrued expenses	\$ 3,089,695
Drafts payable	692,770
Accrued compensation	5,140,932
Deferred rent	2,458,194
Payable to related parties	1,188,543
Deferred revenue	3,719,534
Total liabilities	<u>16,289,668</u>
Stockholders' equity	
Common stock, no par value. Authorized 1,000,000,000 shares, issued and outstanding 11,459,291 shares	32,070,906
Payments in excess of basis	(12,651,088)
Retained earnings	1,387,279
Accumulated stock option liability	(193,120)
Total stockholders' equity	<u>20,613,977</u>
Total liabilities and stockholders' equity	<u>\$ 36,903,645</u>

See accompanying notes to financial statements

WILSHIRE ASSOCIATES INCORPORATED

Statement of Income

Year ended December 31, 2009

Revenues		
Fees		\$ 113,740,344
Interest and dividends		75,313
Net losses on investments		(531,949)
Other		3,137,310
Total revenues		<u>116,421,018</u>
Expenses		
Employee compensation and benefits		57,747,108
Professional service fees		9,759,397
Rent		5,893,135
Communications and data processing		5,270,045
Travel promotional and entertainment		2,863,142
Subadvisory fees		7,444,381
Depreciation and amortization		1,637,115
Insurance		488,790
Other		2,457,000
Total expenses		<u>93,560,113</u>
Income before income taxes		22,860,905
Income taxes		<u>500,106</u>
Net income		<u><u>\$ 22,360,799</u></u>

See accompanying notes to financial statements

WILSHIRE ASSOCIATES INCORPORATED

Statement of Changes in Stockholders' Equity

Year ended December 31, 2009

	Number of shares issued and outstanding	Common stock	Payments in excess of basis	Retained earnings	Accumulated stock option liability	Total
Balances at December 31, 2008	10,777,771	\$ 25,596,210	\$ (12,151,990)	\$ 2,507,051	\$ (31,621)	\$ 15,919,650
Net income	—	—	—	22,360,799	—	22,360,799
Dividends paid	—	—	—	(21,507,316)	—	(21,507,316)
Issuance of common stock	1,020,000	9,139,200	—	—	—	9,139,200
Stock acquired from departing stockholders	(338,480)	(2,664,504)	(499,098)	—	—	(3,163,602)
Payments to departed stockholders	—	—	—	(1,973,255)	—	(1,973,255)
Reduction in deemed dividend for option holders	—	—	—	—	(161,499)	(161,499)
Balances at December 31, 2009	<u>11,459,291</u>	<u>\$ 32,070,906</u>	<u>\$ (12,651,088)</u>	<u>\$ 1,387,279</u>	<u>\$ (193,120)</u>	<u>\$ 20,613,977</u>

See accompanying notes to financial statements

WILSHIRE ASSOCIATES INCORPORATED

Statement of Cash Flows

Year ended December 31, 2009

Cash flows from operating activities	
Net income	\$ 22 360,799
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	1 637,115
Deferred rent	(496,702)
Deferred revenue	2,719 156
Provision for doubtful accounts	250 000
Realized gains on investments	(85,709)
Unrealized losses on investments	617 658
Option liability	(161,499)
Decrease (increase) in operating assets	
Receivables from	
Customers	(3,094,553)
Related parties	584 352
Other	560 369
Prepaid expenses and other assets	(653,950)
Increase (decrease) in operating liabilities	
Payables to related parties	845 637
Accounts payable and accrued expenses	(1 629 575)
Accrued compensation	1 457,675
Net cash provided by operating activities	<u>24 910 773</u>
Cash flows from investing activities	
Purchase of property and equipment	(1 862 652)
Investments acquired	(76,731)
Distributions received from investments	132 919
Net cash used in investing activities	<u>(1,806 464)</u>
Cash flows from financing activities	
Dividends paid	(21 507 316)
Stock issuance	9 139,200
Payments to departed stockholders	(1 973,255)
Stock acquired from departing stockholders	(3 163 602)
Net change in drafts payable	(417,609)
Net cash used in financing activities	<u>(17 922,582)</u>
Net increase in cash	5 181 727
Cash at beginning of year	4 021,631
Cash at end of year	<u>\$ 9 203,358</u>
Noncash financing activity	
Reduction in deemed dividends for option holders	\$ 161 499
Supplemental disclosure	
Income taxes paid	\$ 529,422
Interest paid on letter of credit	\$ 2,936

See accompanying notes to financial statements

WILSHIRE ASSOCIATES INCORPORATED

Notes to Financial Statements

December 31 2009

(1) Organization and Nature of Business

Wilshire Associates Incorporated (the Company) is a registered investment advisor that provides investment products and services including investment consulting asset management, mutual fund management and analytical tools

(2) Summary of Significant Accounting Policies

(a) Investments

Investments consist of investments in affiliated private investment funds While not readily marketable, the private investment funds carry their investments at fair value As the Company initially records its investments at cost and subsequently adjusts for the Company's proportionate share of earnings within the respective funds, the investments recorded by the Company are in turn at fair value

(b) Allowance for Doubtful Accounts

Anticipated uncollectible accounts are provided for on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable

(c) Property and Equipment

Additions to property and equipment are stated at cost Depreciation is computed using straight-line and accelerated methods at rates calculated to amortize cost over the estimated useful lives of the respective assets Upon sale or retirement of such assets the related cost and accumulated depreciation are eliminated from the accounts, and gains or losses are reflected in income Repair and maintenance expenditures not anticipated to extend asset lives are charged to income as incurred

The estimated useful life of computers and equipment is five years, while furniture is seven years Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease

(d) Fair Value of Financial Instruments

Cash and certain receivables are carried at cost or contracted amounts which approximate fair value due to the short period of maturity Similarly liabilities, including certain payables, are carried at cost which approximates fair value

(e) Fees

Fee revenue originates from investment advisory fees investment consulting, and for a variety of analytical and research products provided to institutional clients These products are provided to clients on a fee-for-access or fee-per-use basis Fee revenue is either recognized on a pro rata basis over the access period or when the service is utilized Investment advisory fees may also be based on assets under management or committed investment capital to the relevant investment fund to which the advisory services are provided

The Company may also generate fees based on investment performance, which are recognized at the end if the measurement period of the prescribed performance hurdles have been achieved

WILSHIRE ASSOCIATES INCORPORATED

Notes to Financial Statements

December 31, 2009

(f) Income Taxes

The Company has elected S Corporation status for federal tax purposes whereby the Company's taxable income is reported by the Company's stockholders. Where permitted the Company has elected S Corporation status for state purposes. Nonetheless, the Company is subject to various state and local income and franchise tax jurisdictions. Income taxes consist of state and local income taxes.

On January 1, 2009, the Company elected a new policy for accounting for uncertainties in income taxes. The new policy defines the threshold for recognizing the benefits of tax return positions in the financial statements as 'more-likely than-not' to be sustained upon challenge by the taxing authority and requires measurement of a tax position meeting the more-likely than-not criterion, based on the largest benefit that is more than 50% likely to be realized. In adopting this policy, management analyzed the tax positions of the Company and identified no uncertain tax positions that met the more-likely than-not standard. As such, the adoption of the new policy had no impact on the Company's financial position or results from its operations.

The Company's major tax jurisdictions are federal, New York and California. The earliest year that remains subject to examination by these jurisdictions is 2004.

The Company expenses interest and penalties associated with its tax liabilities as incurred, with such expenses included in income tax expense.

(g) Equity Based Compensation

The Company has the ability to grant to its employees as well as employees of affiliated entities. To the extent the options granted will be settled in cash, the Company accounts for the awards under the liability method, which requires the Company to measure the liability associated with the options grants at each reporting date until the awards are actually settled.

(h) Other Compensation

With the exception of shareholders, the Company's employees earn vacation as part of their compensation. The liability for employee vacation is included in accounts payable and accrued expenses.

(i) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

WILSHIRE ASSOCIATES INCORPORATED

Notes to Financial Statements

December 31, 2009

(3) Property and Equipment

At December 31, 2009, property and equipment consisted of the following:

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Furniture, computers, and equipment	\$ 16,515,772	14,031,534	2,484,238
Leasehold improvements	9,841,067	5,811,126	4,029,941
Total	<u>\$ 26,356,839</u>	<u>19,842,660</u>	<u>6,514,179</u>

(4) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

The Company applies a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The hierarchy level assigned to each investment is based on the assessment of the transparency and reliability of the inputs used in the valuation of such security at the measurement date. The three hierarchy levels are defined as follows:

- Level 1 – Valuations based on unadjusted quoted market prices in active markets for identical securities.
- Level 2 – Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment.

The Company applies the equity method in accounting for its investments in affiliated funds. If these were accounted for at fair value, they would be classified as Level 3.

(5) Related-Party Transactions

In the course of its business, the Company receives advisory service fees from related parties including the Wilshire Mutual Funds and Wilshire Public Market Funds. Income earned from these funds during the year ended December 31, 2009, amounted to \$1,390,378 and \$1,196,018, respectively, and is included in fee revenue.

As of December 31, 2009, the Company had recorded investments of \$2,559,646 in Wilshire Private Market Funds for which the Company serves as investment advisor. Advisory service income earned from the funds amounted to \$20,625,531 for the year ended December 31, 2009, and is included in fee revenue.

WILSHIRE ASSOCIATES INCORPORATED

Notes to Financial Statements

December 31 2009

The Company provides various administrative support services to Wilshire Global Advisors Inc , Wilshire Japan K K , Wilshire Associates Europe B V and Wilshire Australia Pty Ltd . Income earned from these entities totaled \$3 429 373 for the year ended December 31, 2009 and is included in other revenue

Wilshire Japan K K Wilshire Associates Europe B V and Wilshire Australia Pty Ltd provide various marketing client servicing and investment advisory services within their respective locales, for Wilshire Private Market Funds . Fees incurred for these services totaled \$7 841 172 for the year ended December 31 2009 and are included in professional service fees

(6) Line of Credit

As of December 31 2009 the Company maintains a line of credit (the Line) available under which it may borrow up to \$5 000 000 . \$144,381 of the Line is dedicated as a letter of credit to provide a security deposit on one of the Company's leased office spaces resulting in \$4,855 619 available for withdrawal at December 31 2009 . The conditions of the Line require the Company to maintain certain financial ratios and covenants including maintaining tangible net worth of at least \$15,500 000 as well as generating net income of at least \$2 500 000 over any fiscal quarter and an annual commitment fee of \$12 500 . Interest paid related to the letter of credit was \$2,936 . No amounts were drawn in 2009

(7) Commitments and Contingencies

(a) General Contingencies

The Company is or may be subject to claims related to potential litigation taxes and other matters in the normal course of business . The dispositions of such claims are not readily determinable but in the opinion of management, the claims are not thought to have a material adverse effect on the Company's financial position or results of operation . Legal costs are expensed as incurred

(b) Distributions to Former Shareholders

In prior years, upon the withdrawal of a shareholder the Company remitted capital to the departing shareholder in an amount equal to their original equity contribution . In subsequent periods the departing shareholder was entitled to receive additional distributions up to the cumulative value of their shares upon their withdrawal . Such distributions are made if and only when the Company elects to make distributions to its shareholders . As of December 31 2009, there was \$246,994 to be allocated to departed shareholders from future distributions to shareholders who departed in prior years . Currently any departing shareholder is paid in full for the value of their equity at the time of departure

(c) Lease Commitments

The Company is obligated under various operating leases for office space and equipment

WILSHIRE ASSOCIATES INCORPORATED

Notes to Financial Statements

December 31, 2009

Future minimum annual lease payments under these agreements are as follows

2010	\$ 5,115,340
2011	5,240,706
2012	4,711,354
2013	1,368,281
2014	1,263,350
Thereafter	<u>1,236,418</u>
Total lease commitments	<u>\$ 18,935,449</u>

(d) Commitments to Affiliated Companies

Wilshire Global Advisors, Inc. (Global) and its subsidiaries are affiliates of the Company. The Company has provided indirect guarantees to fund any operating cash deficiencies that these affiliates incur. The guarantees are not limited in their term and future amounts to be funded under the guarantees are wholly dependent on the future operating results of such affiliates. Amounts advanced to the affiliates are included in amounts due from related parties in the accompanying financial statements.

(e) Other Commitments

The Company may serve in the role of guarantor in relation to certain shareholder loans which have been collateralized by related shareholder capital balances. As guarantor, the Company is obligated to fund any difference between the loan obligation and the related shareholder balance in the event of a loan default. As of December 31, 2009, there was \$3,330,239 in outstanding shareholder loans held by a financial institution, which accrue interest at a rate of prime plus 1.75% and on which principal is paid annually according to a schedule through February 2, 2016. The related collateral for the borrowings are investments in the Company and Global which had a combined value at December 31, 2009 of \$5,562,913. In the event the Company is required to perform under the guaranty, remuneration can be sought from the borrowing party.

(8) Stock Options

In 2007, management approved the Wilshire Associates Incorporated and Wilshire Global Advisors Inc. 2007 Stock Option Plan (the Plan), which provides for the grant of up to 3,500,000 shares of the Company and 3,500,000 shares of Global. Under the terms of the Plan, options granted vest immediately and may be exercised following the employee's termination. Upon exercise, the Company has the right to elect to pay the optionholder the difference between the exercise price on the date of grant and the value on the date of exercise. To date, all options have been granted to employees of Global. As management of the Company has indicated, they intend to have the Company cash settle all of the option awards related to Wilshire Associates shares upon exercise; the resulting liability and corresponding equity contribution to Global for the cash settlement amount outstanding as of December 31, 2009 have been recorded to the Company's financial statements.

WILSHIRE ASSOCIATES INCORPORATED

Notes to Financial Statements

December 31, 2009

Option activity was as follows for the year ended December 31, 2009

	Wilshire Associates options
Options outstanding as of December 31, 2008	\$ 250 227
Granted	—
Forfeited	—
Exercised	—
Options outstanding as of December 31, 2009	\$ <u>250 227</u>
Options are scheduled to expire as follows	
2017	\$ 25 708
2018	224 519
	\$ <u>250,227</u>
Options available for grant as of December 31 2009	\$ 3 249 773

The exercise price is determined by management as of each grant date as well as on December 31 2009 and upon settlement of the award based on a formula price, which references the book value per share of the Company along with the respective previous twelve months earnings

(9) Employee Benefit Plan

The Company maintains the Wilshire Associates Incorporated 401(k) Employee Savings Plan pursuant to Section 401(k) of the Internal Revenue Code (the Code) covering most of its employees. Participants may contribute a percentage of compensation each year not to exceed the maximum allowed under the Code.

(10) Reclassification of Amounts Comprising Stockholders' Equity

The Company has reclassified amounts within the components of stockholders' equity as of December 31 2008 to more accurately reflect the components of reported equity. The Company has reclassified \$7,211,038 from retained earnings to common stock so that common stock reflects capital contributed to date by existing shareholders as well as capitalized historical earnings not subject to distribution. The Company has also reclassified (\$12,151,990) from retained earnings to payments in excess of basis. Payments in excess of basis represents the cumulative excess of amounts paid to shareholders over their original capital contributed upon the shareholders' sale of shares back to the Company.

(11) Credit Risk and Off-Balance-Sheet Risk

The Company maintains cash in several banks in excess of the amount guaranteed by the Federal Deposit Insurance Corporation.

WILSHIRE ASSOCIATES INCORPORATED

Notes to Financial Statements

December 31, 2009

(12) Subsequent Event

In January 2010, the Company paid dividends of \$1,387,279 which related to 2009 operations.

The Company has evaluated significant events occurring after December 31, 2009 and through March 30, 2010, the date the financial statements were available to be issued, to determine if any matters necessitated adjustment to or disclosure in the financial statements.