

Registered number: SC 081648

**Houlihan Lokey (Corporate Finance) Limited**

Directors' Report and Financial Statements

For the Year Ended 31 March 2020



## **Houlihan Lokey (Corporate Finance) Limited**

### **Company information**

#### **Directors**

Andrew Adams

John Cowan

Simon Woolton (appointed 16 March 2020)

Robert Hotz (removed 4 October 2019)

#### **Company secretary**

John Cowan

#### **Company number**

SC 081648

#### **Registered office**

C/O Pinsent Masons LLP

13 Queen's Road

Aberdeen

United Kingdom

AB15 4YL

#### **Independent auditor**

KPMG LLP

15 Canada Square

London

E14 5GL

## **Houlihan Lokey (Corporate Finance) Limited**

<b>Contents</b>	<b>Page</b>
Company strategic report	4 - 5
Directors' report	6
Statement of directors' responsibilities	7
Independent auditor's report	8 - 9
Statement of profit and loss and other comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Notes to the financial statements	13 - 20

## **Houlihan Lokey (Corporate Finance) Limited**

### **Strategic Report**

**For the year ended 31 March 2020**

#### **Introduction and principal activities**

The directors present their strategic report for the year ended 31 March 2020.

The principal activity of the Company is to provide corporate finance advisory services to an international client base across various sectors. The Company is regulated by the Financial Conduct Authority (FCA).

#### **Business review and outlook**

Revenues were £29.62m for the year ended 31 March 2020 (2019: £48.08m for the 18-months). The Company made an operating profit of £7.98m (31 March 2019: £8.59m). No dividends were declared during the year (31 March 2019: £5.74m). Future revenues and transaction volumes are expected to decrease in the short term, as the global pandemic impacts the M&A sector. The Company, as a member of the wider Houlihan Lokey Group, believes that it remains well placed to manage the economic impact of the pandemic.

Since acquisition of the Company by Houlihan Lokey, it has continued to operate as a separate legal entity, and will do so until such point as it can be merged fully with the existing Houlihan Lokey entities operating in the United Kingdom and Europe. The Company therefore continues to sign engagements with clients, and employees are seconded back to the Company on a full time basis from other Houlihan Lokey entities. This structure has allowed the Company to enjoy the synergies of being part of the wider Houlihan Lokey Group.

#### **Principal risks and uncertainties**

The Company's risk management process reviews risk within the constraints of the Company's risk appetite and is consistent with the prudent management inherent in the organisation. The risk management framework is based on the following principles:

- Risk management: Primary responsibility for strategy, performance and risk management lies with the Board.
- Risk oversight: Is provided by the centralised Houlihan Lokey finance, regulatory and compliance teams, with specific consideration for the Company.

There are clear reporting lines and defined areas of responsibility at Board and business level. This structure is designed to ensure, amongst other things, that key issues and developments are escalated on a timely basis. The Board considers the principal risks facing the Company are as follows:

##### *Reputational risk*

Loss of reputation is the most significant risk to a business operating in the professional services sector. This is mitigated by the Company's rigorous internal controls and operating policies, including those specific to client dealings and staff.

##### *Strategic risk*

Strategic risk could lead to a failure of the effectiveness of strategy of the Company. This is mitigated by an established reporting structure for agreeing strategy, risk appetite, planning and budgets.

##### *Liquidity risk*

All short term financing is provided by an affiliated entity in the Houlihan group as required so the Company is not exposed to material liquidity risk.

##### *Interest rate Risk*

The Company is not exposed to interest rate risk as it holds no bank financing. Intercompany balances earn interest at an arm's length floating rate.

##### *Exchange rate risk*

The Company is not exposed to any exchange rate risk on advisory fees as the currency risk is taken by an affiliate entity in the group and transferred to sterling for the Company when the revenue is booked.

##### *Credit risk*

Individual exposures are monitored by management and historical exposure to bad debts has not been significant. The Company manages its risk by monitoring any unpaid balances, assessing the credit worthiness of potential clients and liaising with clients to secure payment. As short term financing is now handled by group affiliates, the Company does not consider any material credit risk on these balances as both entities are wholly owned within the same group.

##### *Regulatory compliance risk*

Any regulated business is monitored by the centralised Houlihan Lokey finance, regulatory and compliance teams, with specific consideration for the Company.

## Houlihan Lokey (Corporate Finance) Limited

### Strategic Report (continued)

For the year ended 31 March 2020

#### Going concern

These financial statements have been prepared on a going concern basis. Management are comfortable that the Company can continue to operate for the foreseeable future, and specific consideration has been given to the going concern assumption in regards to the following:

##### *UK Exit from the European Union ("Brexit")*

Management does not consider that the UK's scheduled exit from the European Union ("Brexit") following the end of the current transitional period, on 1 January 2021 will have a material impact on the Company's ability to remain a going concern. Due to the Company's corporate finance specialisation and focus toward M&A, a large majority of the Company's business will continue to operate as normal despite the changes in the regulatory environment. While the exact provisions and any transitional arrangements are still to be finalised, at this time the Company is in a strong position to continue operating post-Brexit.

##### *Economic Impact of Global Pandemic ("Covid-19")*

Management has considered the impact of the ongoing pandemic and has determined that it will not have a material impact on the Company's ability to remain a going concern. While the impact of the pandemic is being felt in the M&A sector and both transaction volumes and revenues are expected to decrease in the shorter term, management's internal forecasts continue to show the Company as profitable for the foreseeable future demonstrating that the Company will be able to operate at adequate levels of both liquidity and capital for the next 12 months and the current balance sheet provides the Company with sufficient liquid assets with which to continue settle its obligations as they fall due. The Company also benefits from being part of the wider Houlihan Lokey Group which is well placed to deal with the challenges of the current economic environment due to its strong financial restructuring practice and global footprint.

This report was approved by the board on 23 July 2020 and signed on its behalf:



John Cowan  
Director  
23 July 2020

## **Houlihan Lokey (Corporate Finance) Limited**

### **Directors' Report**

**For the year ended 31 March 2020**

The directors present their report and the financial statements for the year ended 31 March 2020.

#### **Going concern**

These financial statements have been prepared on a going concern basis. Management are comfortable that the Company can continue to operate for the foreseeable future, and specific consideration has been given to going concern given current market conditions. Please refer to the strategic report on page 5 for specific details.

#### **Directors**

The directors who served during the period were:

- Andrew Adams
- John Cowan
- Simon Woolton (appointed 16 March 2020)
- Robert Hotz (removed 4 October 2019)

#### **Disclosure of information to auditors**

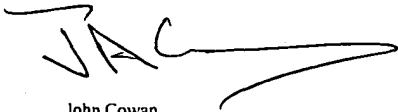
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Auditor**

KPMG LLP have indicated their willingness to continue in office and, pursuant to s487 of the Companies Act 2006, the auditor will be deemed to be reappointed.

This report was approved by the board on 23 July 2020 and signed on its behalf:



John Cowan  
Director  
23 July 2020

## **Houlihan Lokey (Corporate Finance) Limited**

### **Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and Financial Statements**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having made enquiries of fellow Directors, each of these Directors confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all steps that they ought to have taken as a Director, including making appropriate enquiries of fellow Directors and the company's that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOULIHAN LOKEY (CORPORATE FINANCE) LIMITED**

### **Opinion**

We have audited the financial statements of Houlihan Lokey (Corporate Finance) Limited ("the company") for the year ended 31 March 2020 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. 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. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **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 7, 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.



**Richard Rawstron (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
Canary Wharf  
London  
E14 5GL  
24 July 2020

**Houlihan Lokey (Corporate Finance) Limited**

**Statement of Profit and Loss and Other Comprehensive Income**  
**For the year ended 31 March 2020**

	Notes	For the year ended 31 March 2020 £'000	For the period from 1 October 2017 to 31 March 2019 £'000
Revenue	3	29,620	48,085
Administrative expenses		(21,219)	(39,070)
Other operating expenses	4	(424)	(425)
Operating profit		7,977	8,590
Interest receivable and similar income		140	154
Profit before taxation		8,117	8,744
Tax expense	7	(1,308)	(1,923)
Profit for the financial year / period		6,809	6,821
Other comprehensive income		-	-
Total comprehensive income for the financial year / period		6,809	6,821

There were no recognised gains or losses for the period ended 31 March 2020 or 31 March 2019 other than those included in the statement of profit and loss and other comprehensive income.

The notes on pages 13 to 20 form an integral part of these financial statements.

# Houlihan Lokey (Corporate Finance) Limited

## Statement of Financial Position As at 31 March 2020

	Notes	As at 31 March 2020 £'000	As at 31 March 2019 £'000
<b>Current assets</b>			
Trade and other receivables	9	29,447	22,900
Cash and cash equivalents		8	209
Tangible assets	8	-	433
		<u>29,455</u>	<u>23,542</u>
<b>Trade and other payables: amounts falling due within one year</b>	10	(7,406)	(9,022)
<b>Net current assets</b>		<u>22,049</u>	<u>14,520</u>
<b>Total assets less current liabilities</b>		<u>22,049</u>	<u>14,520</u>
<b>Net assets excluding deferred tax</b>		<u>22,049</u>	<u>14,520</u>
Deferred tax provision	7	-	720
<b>Net assets including deferred tax</b>		<u>22,049</u>	<u>15,240</u>
<b>Capital and reserves</b>			
Called up share capital	13	276	276
Share premium reserve		20	20
Other reserves		4,198	4,198
Profit and loss account		17,555	10,746
<b>Total Shareholder's Funds</b>		<u>22,049</u>	<u>15,240</u>

The notes on pages 13 to 20 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board and we signed on its behalf on 23 July 2020.



John Cowan  
Director  
23 July 2020

Company Registration No. SC 081648

**Houlihan Lokey (Corporate Finance) Limited**

**Statement of Changes in Equity**  
**For the year ended 31 March 2020**

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 30 September 2017		276	20	4,198	9,664	14,158
Comprehensive income						
Profit for the period		-	-	-	6,821	6,821
Total comprehensive income		-	-	-	6,821	6,821
Dividends		-	-	-	(5,739)	(5,739)
Balance at 31 March 2019		276	20	4,198	10,746	15,240
Comprehensive income						
Profit for the period		-	-	-	6,809	6,809
Total comprehensive income		-	-	-	6,809	6,809
Dividends		-	-	-	-	-
Balance at 31 March 2020		276	20	4,198	17,555	22,049

The notes on pages 13 to 20 form an integral part of these financial statements.

## Houlihan Lokey (Corporate Finance) Limited

### Notes to the Financial Statements For the year ended 31 March 2020

#### 1. Basis of preparation of financial statements

##### 1.1 Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, as issued in August 2014.

##### 1.2 Going concern

The financial statements have been prepared on a going concern going basis. The directors have made an assessment covering a period of at least 12 months from the date of signing these financial statements ("the going concern period") which indicates that taking into account reasonably possible downsides, the company has adequate resources to meet its liabilities as they fall due over that period. In preparing that assessment the directors have given specific consideration to the following:

###### *Potential transfer to affiliate company*

The financial statements for the period ended 31 March 2019 were prepared on a break-up basis as the Company was not considered to be a going concern going forward. Management were considering the transfer of the business into Houlihan Lokey EMEA, LLP (an affiliated entity of the Company). Management have since decided that the transfer of business will not occur in the foreseeable future and the Company is therefore considered a going concern for the current year. There was no impact on the presentation of the financial statements by changing the preparation of the financial statements from break-up basis to going concern basis due to the nature of all assets and liabilities.

###### *UK Exit from the European Union ("Brexit")*

Management does not consider that the UK's scheduled exit from the European Union ("Brexit") following the end of the current transitional period, on 1 January 2021 will have a material impact on the Company's ability to remain a going concern. Due to the Company's corporate finance specialisation and focus toward M&A, a large majority of the Company's business will continue to operate as normal despite the changes in the regulatory environment. While the exact provisions and any transitional arrangements are still to be finalised, at this time the Company is in a strong position to continue operating post-Brexit.

###### *Economic Impact of Global Pandemic ("Covid-19")*

Management has considered the impact of the ongoing pandemic and has determined that it will not have a material impact on the Company's ability to remain a going concern. While the impact of the pandemic is being felt in the M&A sector and both transaction volumes and revenues are expected to decrease in the shorter term, management's internal forecasts continue to show the Company as profitable for the foreseeable future demonstrating that the Company will be able to operate at adequate levels of both liquidity and capital for the next 12 months, and the current balance sheet provides the Company with sufficient liquid assets with which to continue settle its obligations as they fall due. The Company also benefits from being part of the wider Houlihan Lokey Group which is well placed to deal with the challenges of the current economic environment due to its strong financial restructuring practice and global footprint.

As at 31 March 2020 the Company held on-demand receivables from group entities of £23.57 million. The Company's current liabilities totalled £7.41 million.

##### 1.3 Statement of cash flows

The Company's ultimate parent undertaking, Houlihan Lokey Inc. includes the Company in its consolidated financial statements. Accordingly, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the cash flow statement and related notes disclosure. 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.

##### 1.4 Basis of measurement

These financial statements have been prepared under historical cost conventions for all amounts.

##### 1.5 Functional and presentation currency

These financial statements are presented in Great British pound sterling, which is the Company's functional currency. Except as indicated, financial information presented in sterling has been rounded to the nearest thousand (£'000). Monetary assets and liabilities are translated to the Company's presentation currency at foreign exchange rates ruling at the balance sheet date. Foreign currency transactions are translated at the dates of the transactions.

##### 1.6 Use of estimates and judgements

The preparation of the financial statements in conformity with FRS 102 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 believes the following items in these financial statements contain material estimates:

###### *Trade and other receivables*

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

###### *Deferred tax assets*

Management estimates the likelihood of certain performance targets being met in order to determine the likelihood of the availability of future taxable profits becoming available in recognising deferred tax assets.

In the opinion of the members, the use of estimates does not present a significant risk of material adjustments to the carrying amounts of assets and liabilities in these financial statements.

## Houlihan Lokey (Corporate Finance) Limited

### Notes to the Financial Statements (continued)

For the year ended 31 March 2020

#### 2. Significant accounting policies

The principal accounting policies, which have been applied consistently throughout the period presented unless otherwise stated, are set out below.

##### 2.1 Financial instruments

Financial instruments are recognised in the Company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially recognised at transaction price (including transaction costs), except for those financial assets measured at fair value through profit or loss, which are initially recognised at fair value (which is normally the transaction price excluding transactions costs), unless where the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instruments.

Financial assets and liabilities are only offset in the statement of financial position when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to a unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired.

There are no complex financial instruments as per section 12 of FRS 102.

##### 2.2 Debtors

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are recognised at the undiscounted amount of cash receivable, which is normally the invoice price, less any allowances for doubtful debts. Short term debtors are measured at transaction price, less any impairment. Other receivables are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.3 Creditors

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as creditors falling due within one year if payment is due within one year or less. Trade payable are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price. Short term creditors are measured at the transaction price. Other financial liabilities, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### 2.4 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand.

##### 2.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents fees from corporate financial advisory services under various fee arrangements, including contingent fee arrangements. Revenue is measured net of discounts, VAT and any sales-related taxes, where applicable. Revenue is recognized when the performance obligation is satisfied. Depending on the type of service provided, this could be at a point in time or over time.

##### 2.6 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit and loss and comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it would be recognised directly in equity or other comprehensive income. There were no such items.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Houlihan Lokey (Corporate Finance) Limited

### Notes to the Financial Statements (continued)

For the year ended 31 March 2020

#### 2.7 Tangible assets

Tangible assets are recorded at cost less accumulated depreciation and any impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Land and buildings	10 years
Office equipment	3 to 5 years
Furniture and fittings	5 to 10 years

Management reviews assets, including property, plant and equipment, for indications of impairment regularly. 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. Property disposals are recognised by reference to the date of sale which is taken as the date of exchanging legally binding missives.

#### 2.8 Operating leases

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

#### 2.9 Transfer pricing

The Company is included within the Houlihan Lokey group's transfer pricing policy which serves to ensure all wholly owned subsidiaries within the group are fully compensated for their contribution to the group's global business.

#### 2.10 Deferred income

Deferred income represents amounts invoiced to clients in respect of fees where there the Company believes it has not earned the income normally due to contingent events that have not been determined at the balance sheet date.

#### 2.11 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### 2.12 Foreign currency transactions

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

## Houlihan Lokey (Corporate Finance) Limited

### Notes to the Financial Statements (continued)

For the year ended 31 March 2020

	For the year ended 31 March 2020 £'000	For the period from 1 October 2017 to 31 March 2019 £'000
<b>3. Revenue</b>		
Revenue derived from financial advisory services	19,754	46,797
Group revenue	9,866	1,288
<b>Total revenue</b>	<b>29,620</b>	<b>48,085</b>

During the year, the Company received income from Houlihan Lokey, Inc. The income was received in satisfaction of the Company's obligations pursuant to an agreement between the Company and the parent entity.

Revenue has not been disclosed by business unit or geographical market as the Directors consider that the provision of this information would be detrimental to the interests of the Company.

	For the year ended 31 March 2020 £'000	For the period from 1 October 2017 to 31 March 2019 £'000
<b>4. Administrative expenses and other operating expenses</b>		
Administrative expenses include:		
Operating lease rentals	29	736
Auditors' remuneration - audit of the financial statements	48	45
Auditors' remuneration - CASS audit	25	21
Tax fees	6	10
Foreign exchange losses / (gains)	159	21
Other operating expenses include:		
Depreciation	424	425

	For the year ended 31 March 2020 £'000	For the period from 1 October 2017 to 31 March 2019 £'000
<b>5. Directors' remuneration</b>		
Emoluments	-	261
Emoluments, excluding pension contributions, of the highest paid director	-	105
	-	366

There was no directors remuneration paid by the Company during the year.

	For the year ended 31 March 2020 £'000	For the period from 1 October 2017 to 31 March 2019 £'000
<b>6. Staff costs</b>		
Wages, salaries and bonuses	-	5,912
Social security costs	-	362
Other pension costs	-	14
Add: employee remuneration and costs recharged from affiliate	15,590	26,980
	<b>15,590</b>	<b>33,268</b>

Employees are seconded back to the Company from an affiliate, Houlihan Lokey EMEA, LLP. All costs relating to the staff are recharged on a cost basis with no margin. As staff are seconded there were no staff directly employed by the Company at any point during the year making the average number of staff zero (31 March 2019: 19, of whom 16 were advisory staff and 3 administrative staff). The average number of employees seconded back to the Company from an affiliate, Houlihan Lokey EMEA, LLP was 61, of whom 48 were advisory staff and 14 were administrative staff (31 March 2019: 62, of whom 47 were advisory staff and 15 were administrative staff).



## Houlihan Lokey (Corporate Finance) Limited

### Notes to the Financial Statements (continued) For the year ended 31 March 2020

	For the year ended 31 March 2020 £'000	For the period from 1 October 2017 to 31 March 2019 £'000
<b>7. Taxation</b>		
<b>a) Tax on profit on ordinary activities</b>		
Current income tax:		
UK corporation tax	1,581	2,643
Adjustment in respect of prior years	(993)	-
Total current income tax	<u>588</u>	<u>2,643</u>
Deferred tax:		
Origination and reversal of temporary differences	-	(720)
Adjustment in respect of prior years	720	-
Total deferred tax	<u>720</u>	<u>(720)</u>
<b>Total charge to the income statement</b>	<u><b>1,308</b></u>	<u><b>1,923</b></u>
The effective tax rate in the statement of comprehensive income for the period is lower than the corporation tax rate in the UK of 19% (31 March 2019: 19%).		
<b>b) Reconciliation of the total tax credit</b>		
Accounting profit before tax	8,117	8,744
Accounting profit multiplied by the UK corporate tax rate (19%)	1,542	1,661
Adjustments to tax charge:		
Depreciation less capital allowances	13	39
Expenses not deductible for tax purposes	25	138
Deferred tax	-	85
Adjustment in respect of prior years	(273)	-
<b>Total tax expense in the statement of profit and loss and other comprehensive income</b>	<u><b>1,308</b></u>	<u><b>1,923</b></u>
<b>c) Reconciliation of the deferred tax</b>		
Opening balance	720	(83)
Adjustment in respect of prior years	(720)	83
Charged during period	-	720
Closing balance	<u>-</u>	<u>720</u>
<b>d) Deferred tax asset</b>		
Share-based payments	-	720
	<u>-</u>	<u>720</u>

## Houlihan Lokey (Corporate Finance) Limited

### Notes to the Financial Statements (continued)

For the year ended 31 March 2020

#### 8. Tangible assets

	Land and buildings £'000	Office equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2019	28	1,510	1,538
Disposals	(28)	(1,510)	(1,538)
As at 31 March 2020	-	-	-
<b>Depreciation</b>			
At 1 April 2019	(28)	(1,077)	(1,105)
Provided during the period	-	(425)	(425)
Disposals	28	1,502	1,530
As at 31 March 2020	-	-	-
<b>Net book value at 31 March 2020</b>	-	-	-
Net book value at 31 March 2019	-	433	433

During the year the Company vacated its office premises, 77 Shaftesbury Avenue, London, and assigned its interest in the office premises to a third-party.

Tangible assets with a net book value of £9,000 (2019: nil) were disposed of during the year resulting in a loss on sale of £4,500 (2019: nil)

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
<b>9. Trade and other receivables</b>		
Amounts owing from group entities	23,570	13,528
Corporation tax	1,465	-
Other receivables	232	586
Prepayments and accrued income	2,421	8,046
Trade receivables	1,759	740
<b>Total trade and other receivables</b>	<b>29,447</b>	<b>22,900</b>

Trade receivables are due within 12 months. Trade receivables and accrued income are shown net of provisions for impairment amounting to £153,293 (31 March 2019: nil).

Other receivables include unbilled out of pocket expenditure (2019: also included rental deposits & VAT recoverable).

Amounts owing from group entities include amounts loaned in the ordinary course of business totalling £23,570,053 (31 March 2019: £13,527,856). The balances are unsecured and repayable on demand, with an interest rate equivalent to the return on the investment made by HL EMEA, LLP or with an interest rate of LIBOR plus 0.7% if the receivable is from an entity other than HL EMEA, LLP.

A summary of balances by related party is provided in note 12.

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
<b>10. Trade and other payables</b>		
Accruals and deferred income	1,291	573
Amounts owed to group entities	6,016	7,812
Corporation tax	-	572
Other payables	94	36
Trade payables	5	29
<b>Total trade and other payables</b>	<b>7,406</b>	<b>9,022</b>

The Company seeks to agree credit terms with suppliers and seeks to meet these payment terms provided there is no dispute on the costs or services provided. If no payment terms are agreed, the Company seeks to pay for approved costs within 30 days of receipt of the invoice. Their carrying value approximates their fair value. All trade and other payables are contractually due within one year.

Other payables includes VAT payable.

Amounts owing to group entities include amounts loaned to the Company in the ordinary course of business totalling £6,016,197 (31 March 2019: £7,811,943). The balances are unsecured and repayable on demand, with an interest rate of LIBOR plus 0.7%.

A summary of balances by related party is provided in note 12.

## Houlihan Lokey (Corporate Finance) Limited

### Notes to the Financial Statements (continued)

For the year ended 31 March 2020

#### 11. Operating lease commitments

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
The total future minimum lease payments due under non-cancellable operating leases are as follows:		
Not later than one year	-	521
Later than one year and not later than five years	-	766
Later than five years	-	-
	<u>-</u>	<u>1,287</u>

During the year the Company vacated its office premises, 77 Shaftesbury Avenue, London, and assigned its interest in the office premises to a third-party.

#### 12. Related party transactions

The Company, in the normal course of business, enters into various transactions with related parties including key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any director, executive or otherwise, of the Company. The terms and conditions of these transactions have been agreed between the Company and the related parties.

##### *Ultimate parent company and parent company of larger group*

The immediate parent Company is Houlihan Lokey, Inc. a publicly owned United States based international financial services Company listed on the New York Stock Exchange. The ultimate holding company represents the smallest and largest group in which the results of the Company are consolidated. 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.

The Company was a party to various related party transactions throughout the year. These parties are related because they are members of the same group, in that they all have the same ultimate parent company.

As at the year end, there was a total interest bearing amount owed by related parties of £23,570,053 (31 March 2019: £13,527,856). The balance is unsecured and repayable on demand with an interest rate equivalent to the return on the investment made by HL EMEA, LLP or with an interest rate of LIBOR plus 0.7% if the receivable is from an entity other than HL EMEA, LLP. An amount of £7,811,943 (31 March 2019: £7,811,943) was owed to related parties as at the same date and under the same conditions. These balances were split between entities as follows:

	Amounts owed from group entities		Amounts owed to group entities	
	As at 31 March 2020 £'000	As at 31 March 2019 £'000	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Houlihan Lokey EMEA, LLP	23,516	13,528	-	-
Houlihan Lokey (MEA Financial Advisory) Limited (Dubai)	35	-	-	-
Houlihan Lokey (Australia) Pty Limited	19	-	-	-
Houlihan Lokey, Inc.	-	-	(6,016)	(7,812)
	<u>23,570</u>	<u>13,528</u>	<u>(6,016)</u>	<u>(7,812)</u>

There are no provisions for doubtful debts relating to any of the outstanding balances above.

Costs recharged to the Company in the ordinary course of business from related parties for the year amounted to £18,295,748 (31 March 2019: £28,257,631). £1,101,327 (31 March 2019: £917,314) of these recharged costs included a mark up and have been credited against administrative expenses. £17,194,421 (31 March 2019: £27,340,317) of these costs specifically related to recharges from Houlihan Lokey EMEA, LLP in relation to staff costs, depreciation and leases and had no mark-up.

Group revenue received by the Company from related parties under group transfer pricing arrangements amounted to £9,866,381 (31 March 2019: £1,287,195).

## Houlihan Lokey (Corporate Finance) Limited

### Notes to the Financial Statements (continued)

For the year ended 31 March 2020

#### 13. Called up share capital and dividends

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Allotted and fully paid		
276,000 (31 March 2019: 276,000) Ordinary shares of £1 each	<u>276</u>	<u>276</u>

No dividends were declared during the year (31 March 2019: £5,788,717).

#### 14. Financial instruments

Financial instruments are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provision of the instrument. Financial instruments are initially measured at transaction price. Subsequent to initial recognition, they are measured at amortised cost.

The Company's financial assets and liabilities mainly comprise of cash, trade and other receivables, amounts owed by group undertakings, other debtors and trade and other payables.

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
<b>Financial assets</b>		
Cash and cash equivalents	8	209
Trade other receivables	<u>27,927</u>	<u>14,854</u>
	<u>27,935</u>	<u>15,063</u>
<b>Financial liabilities</b>		
Trade and other payables	<u>6,027</u>	<u>638</u>
	<u>6,027</u>	<u>638</u>

##### *Policy on managing liquidity risk:*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The liquidity risk within the Company is managed centrally in conjunction with the Houlihan Group entities. The Company's obligations are met by an affiliated entity, Houlihan Lokey EMEA, LLP and recharged through an intercompany loan which results in the Company holding minimal cash and cash equivalents. The Company's approach to managing liquidity is to ensure, as far as possible, that the group will always have sufficient cash on demand to meet its liabilities when due under both normal and stressed conditions. The Company has no external loans and overdrafts, and should any short term funding needs arise, the Houlihan Lokey Group will be sought to provide assistance. On this basis the liquidity risk is low.

#### 15. Subsequent events

There were no events subsequent to balance sheet date that require disclosure.