

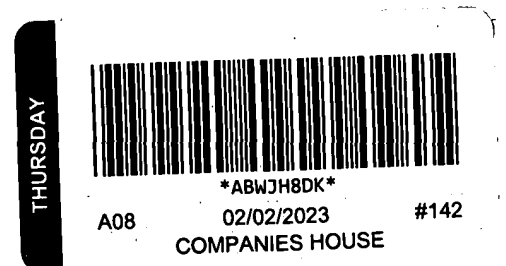
AMENDED

Registered number: 06670548

Baylor Klein Limited

Revised Strategic Report, Directors' Report and
Revised Financial Statements

For the Fifteen Months Ended 31 March 2022



Baylor Klein Limited

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Baylor Klein Limited

Company information

Directors

Timothy Leach

John Cowan (Appointed 7 February 2022)

Simon Woolton (Appointed 14 September 2021)

Company number

06670548

Registered office

1 Curzon Street

London

United Kingdom

W1J 5HD

Independent auditor

KPMG LLP

15 Canada Square

London

E14 5GL

Baylor Klein Limited

Company revised strategic report

For the fifteen months ended 31 March 2022

This revised strategic report for the fifteen month period ended 31 March 2022 replaces the original strategic report for that period, which had been approved on 21 July 2022.

The strategic report has been prepared as at the date on which the original strategic report was approved by the board of directors and not as at the date of the revision and accordingly does not deal with events between those dates.

The original strategic report was prepared attached to original financial statements which incorrectly referred to an audit exemption under sections 479A. As the financial statements required an audit this reference in the financial statements has now been removed. As a result consequential changes are now needed to this strategic report and so this revised strategic report has been prepared.

Introduction and principal activities

The directors present their revised strategic report for the fifteen month period ended 31 March 2022. The comparative figures are for the year ended 31 December 2020 and are not entirely comparable.

The principal activity of the Company is to provide corporate finance advisory services to an international client base with a focus in the beauty and cosmetics industry. The Company is regulated by the Financial Conduct Authority (FCA).

Business review and outlook

Revenues were £5.6m for the fifteen months ended 31 March 2022 (31 December 2020: £4.6m). The Company made an operating profit of £4.7m (31 December 2020: £3.7m). No dividend was declared or paid during the period (31 December 2020: £0). Since acquisition of the Company by its parent Houlihan Lokey (Europe) Limited, all operations and employees have been transferred to other subsidiaries of the parent with the exception of some contracts on which the company is still due to collect fees in subsequent years.

Going concern

These financial statements have been prepared on a going concern basis. The Directors have made an assessment covering a period of at least 12 months from the date of signing the original 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. Reasonable possible downsides included assessing situations whereby the Company generated no revenue for the going concern period. Given the current cash position and on-demand facility from affiliated entity HL EMEA, LLP, it is anticipated that even in this scenario the Company would have sufficient resources to cover its current liabilities and fixed operating costs over the going concern period. In preparing that assessment the directors considered the specific situation of the Company which is that the only activity is ongoing administrative fees for regulatory, tax and audit compliance while the Company is left open pending collection of fees on engagements where the work is complete and only a second-stage fee is due. Other than this the Company does not have any other operations.

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 of Directors.
- Risk oversight: 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.

Baylor Klein Limited

Company revised strategic report (continued)
For the fifteen months ended 31 March 2022

Principal risks and uncertainties (continued)

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

The Company does not have any material ongoing costs, and all short term financing is provided by an affiliated entity in the Houlihan group as required. Consequently, 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 on by an affiliate entity in the group and transferred to sterling for the Company when the revenue is booked.

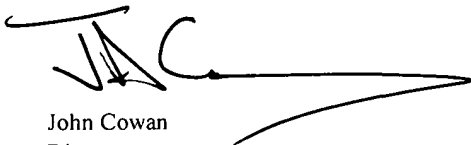
Credit risk

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

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

This revised report was approved by the board on 31 January 2023 and signed on its behalf:

A handwritten signature in dark ink, appearing to be 'JAC', followed by a long horizontal line extending to the right.

John Cowan
Director
31 January 2023

Baylor Klein Limited

Directors' report

For the fifteen months ended 31 March 2022

The directors present their report and the financial statements for the fifteen month period ended 31 March 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 twelve months. Please refer to the strategic report on page 5 for specific details.

Directors

The directors who served during the period were:

- Timothy Leach
- John Cowan
- Simon Woolton

Disclosure of information to auditors

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

- As far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- The 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 ensure 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 21 July 2022 and signed on its behalf:

A handwritten signature in black ink, appearing to be 'JAC' followed by a long, sweeping horizontal line that curves upwards at the end.

John Cowan
Director
21 July 2022

Baylor Klein Limited

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

The Directors are responsible for preparing the revised Strategic report, Directors' report and the revised 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;
- 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.

Under section 454 of the Companies Act 2006 the directors have the authority to revise financial statements, the strategic report, or the directors' report if they do not comply with the Act. The revised financial statements must be amended in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 2008. These require that the revised financial statements show a true and fair view as if they were prepared and approved by the directors as at the date of the original financial statements and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAYLOR KLEIN LIMITED

Opinion

We have audited the revised financial statements of Baylor Klein Limited ("the Company") for the fifteen month period ended 31 March 2022 which comprise the Statement of 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 revised financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of the Company's affairs as at 31 March 2022 and of its profit for the fifteen month period then ended;
- the revised financial statements 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* seen as at the date the original financial statements were approved;
- the revised financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as it has effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 ("the Regulations"); and
- the original financial statements for the fifteen month period ended 31 March 2022 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in the statement contained in note 1 to these revised financial statements.

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.

Emphasis of matter – revision of financial statements

We draw attention to the disclosures made in note 1 to these revised financial statements concerning the need to revise the financial statements. They had incorrectly referred to in the original financial statements to an audit exemption under sections 479A. As the financial statements required an audit this reference in the revised financial statements has now been removed. The revised financial statements replace the original financial statements approved by the directors on 21 July 2022. They have been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 ("the Regulations") and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved on 21 July 2022. Our previous report was signed on that date. We have not performed a subsequent events review for the period from the date of our previous report to the date of this report. Our opinion is not modified in respect of this matter.

Going concern

The directors have prepared the revised 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 original 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 revised 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, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls. As the revenue is recognised on the basis of cash receipt of fee with no judgement involved, we have not identified revenue recognition as a fraud risk.

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 by unauthorised users.

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 senior management (as required by auditing standards), and from inspection of the company’s regulatory and legal correspondence and discussed with the senior management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

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 revised 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 revised 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 revised financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the revised strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the revised 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 revised 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.

Other matter – prior period financial statements

We note that the prior period financial statements were not audited. Consequently ISAs (UK) require the auditor to state that the corresponding figures contained within these financial statements are not audited. Our opinion is not further modified in respect of this matter.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the revised 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 revised 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 revised 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.

The audit of revised financial statements also includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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 and as required by paragraph 7 of the Regulations. 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.

A. Long

Amanda Long (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL
31 January 2023

Baylor Klein Limited**Statement of comprehensive income****For the fifteen months ended 31 March 2022**

	Notes	For the fifteen months ended 31 March 2022 £'000	For the twelve months ended 31 December 2020 £'000
Revenue	3	5,636	4,632
Administrative expenses	4	<u>(884)</u>	<u>(871)</u>
Operating profit		4,752	3,761
Interest receivable and similar income	11	<u>124</u>	<u>2</u>
Profit before taxation		4,877	3,763
Income tax expense	6	<u>(930)</u>	<u>(715)</u>
Profit for the period		<u>3,947</u>	<u>3,048</u>

There were no recognised gains or losses for the fifteen months ended 31 March 2022 or year ended 31 December 2020 other than those included in the Statement of comprehensive income


The above Statement of comprehensive income should be read in conjunction with the accompanying notes. The notes on pages 14 to 21 form an integral part of these revised financial statements.

Baylor Klein Limited**Statement of financial position
As at 31 March 2022**

	Notes	As at 31 March 2022 £'000	As at 31 December 2020 £'000
Current assets			
Tangible assets	7	-	11
Trade and other receivables	9	-	19
Cash and cash equivalents	10	9	6,409
Loans owed by related parties, repayable on demand	11	9,985	-
Total current assets		<u>9,994</u>	<u>6,439</u>
Current liabilities			
Trade and other payables	12	56	319
Current tax payable		159	285
Deferred tax liability	6	-	2
Total current liabilities		<u>215</u>	<u>606</u>
Net assets		<u>9,779</u>	<u>5,833</u>
Equity			
Share capital	13	50	50
Retained earnings		9,729	5,783
Total shareholder's funds		<u>9,779</u>	<u>5,833</u>

The above Statement of financial position should be read in conjunction with the accompanying notes. The notes on pages 14 to 21 form an integral part of these revised financial statements.

These revised financial statements were approved by the board of directors on and were signed on its behalf by:


John Cowan
Director
31 January 2023

Company Registration No. 6670548

Baylor Klein Limited**Statement of changes in equity****For the fifteen months ended 31 March 2022**

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020	50	2,735	2,785
Profit for the period	-	3,048	3,048
Balance at 31 December 2020	50	5,783	5,833
Balance at 1 January 2021	50	5,783	5,833
Profit for the period	-	3,947	3,947
Balance at 31 March 2022	50	9,729	9,779

The above Statement of changes in equity should be read in conjunction with the accompanying notes. The notes on pages 14 to 21 form an integral part of these revised financial statements.

Baylor Klein Limited

Notes to the revised financial statements

For the fifteen months ended 31 March 2022

1. Basis of preparation of financial statements

1.1 Revision of financial statements

These revised financial statements for the fifteen month period ended 31 March 2022 replace those originally financial statements for that period which had been approved on 21 July 2022. These revised financial statements are now the statutory accounts for the fifteen month period ended 31 March 2022.

The revised financial statements have been prepared as at the date of approval of the original financial statements were approved by the board of directors and not as at the date of revision, and accordingly do not deal with any events between those dates.

The original financial statements failed to comply with the requirements of the Companies Act 2006 in the following way. They had incorrectly referred to an audit exemption under sections 479A. As the financial statements required an audit this reference in the financial statements has now been removed.

1.2 Statement of compliance

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

1.3 Going concern

These financial statements have been prepared on a going concern basis. The Directors have made an assessment covering a period of at least 12 months from the date of signing the original 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. Reasonable possible downsides included assessing situations whereby the Company generated no revenue for the going concern period. Given the current cash position and on-demand facility from affiliated entity HL EMEA, LLP, it is anticipated that even in this scenario the Company would have sufficient resources to cover its current liabilities and fixed operating costs over the going concern period. In preparing that assessment the directors considered the specific situation of the Company which is that the only activity is ongoing administrative fees for regulatory, tax and audit compliance while the Company is left open pending collection of fees on engagements where the work is complete and only a second-stage fee is due. Other than this the Company does not have any other operations.

1.4 Statement of cash flows and key personnel compensation

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 and key management personnel compensation. 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, USA.

1.5 Basis of measurement

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

1.6 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.

1.7 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

Baylor Klein Limited

Notes to the revised financial statements (continued) For the fifteen months ended 31 March 2022

1.7 Use of estimates and judgements (continued)

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 the current market condition, on a counter-party basis. Losses are recognised as a provision for doubtful debts.

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

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 Reporting period

The Company has changed its financial year-end from 31 December to 31 March and this is the first financial reporting period adopting the new year-end date. Therefore, the financial statements are for the fifteen month period ended 31 March 2022 and the comparative figures for the year ended 31 December 2020 are not entirely comparable. The financial year-end was changed to align the Company's year-end with the rest of the Houlihan Lokey group.

2.2 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 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 an 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.

2.3 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.

Baylor Klein Limited

Notes to the revised financial statements (continued)

For the fifteen months ended 31 March 2022

2.4 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.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand.

2.6 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 as the 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.

2.7 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of 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.

2.8 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.

2.9 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Company at the exchange rate at the date 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.

Baylor Klein Limited**Notes to the revised financial statements (continued)****For the fifteen months ended 31 March 2022****3. Revenue**

All revenue was derived from financial advisory services in the same business unit or geographical market, therefore no further disaggregation or segment reporting is available.

4. Administrative expenses and other operating expenses

	For the fifteen months ended 31 March 2022 £'000	For the twelve months ended 31 March 2020 £'000
Administrative expenses include:		
Employee compensation and benefits	483	726
Audit fees	61	29
Professional fees	125	-
Operating lease costs	27	53
Foreign exchange losses / (gains)	52	(77)
Other administrative expenses	136	134
Depreciation	-	6
	884	871

5. Employees

The average number of persons (including directors) employed by the Company during the period was 5 (2020: 6). All employees were transferred to HL EMEA, LLP after acquisition in July 2021.

Baylor Klein Limited
Notes to the revised financial statements (continued)
For the fifteen months ended 31 March 2022

6. Taxation

a) Tax on profit on ordinary activities

	For the fifteen months ended 31 March 2022 £'000	For the twelve months ended 31 March 2020 £'000
Accounting profit before tax	4,877	3,763
Accounting profit multiplied by the UK corporate tax rate (19%)	927	715
Adjustments to tax charge:		
Expenses not deductible for tax purposes	2	-
Adjustment in respect of prior years	1	-
Total tax expense in the statement of comprehensive income	930	715

c) Reconciliation of the deferred tax

Opening balance	(2)	
Adjustment in respect of prior years	2	
Charged during period	-	(2)
Deferred tax asset/(liability)	-	(2)

Baylor Klein Limited**Notes to the revised financial statements (continued)**
For the fifteen months ended 31 March 2022**7. Tangible Assets**

	As at 31 March 2022	As at 31 December 2020
	£'000	£'000
Cost		
Opening balance	75	65
Additions	-	10
Disposals	(75)	
Closing balance	-	75
Depreciation		
Opening balance	64	58
Charge for the period	-	6
Disposal	(64)	
Closing balance	-	64
Net book value	-	11

During the period, there was a loss on disposal of assets recognised in administrative expenses in the Statement of comprehensive income of £11,015 (2020: £0)

8. Operating lease

During the reporting period, the Company made lease payments of £4,226. The Company no longer holds leases for its office premises. Therefore, the Company has no outstanding commitments for future minimum lease payments under non-cancellable operating leases as at 31 March 2022 (2020: £25,767.).

9. Trade and other receivables

	As at 31 March 2022	As at 31 December 2020
	£'000	£'000
Trade receivables	-	5
Other receivables	-	14
Total trade and other receivables	-	19

In the prior year, trade receivables represent out-of-pockets billed to customers, and were all due within 12 months. Other receivables included prepayments, accrued income and VAT receivables.

10. Cash and cash equivalents

	As at 31 March 2022	As at 31 December 2020
	£'000	£'000
Cash at bank	9	6,409

Baylor Klein Limited

Notes to the revised financial statements (continued) For the fifteen months ended 31 March 2022

11. Related party transactions

Ultimate parent company and parent company of larger group

Houlihan Lokey (Europe) Limited acquired 100% of the share capital of the Company on 8 July 2021, making it the immediate parent company. The ultimate 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 parent company represents both 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, USA.

Related party transactions and balances

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 Company also entered transactions with related parties who are members of the same group, in that they all have the same ultimate parent company. Including transferring the majority of its cash to an affiliate post acquisition.

As at the year end, there was a total interest bearing amount owing by related parties of £9,985,005 (31 December 2020: £0). The balance is unsecured and repayable on demand with an interest rate equivalent to the return on the investment made by HL EMEA, LLP, otherwise an interest rate of GBP LIBOR plus 2%. Interest income on the related party loan with HL EMEA LLP totalled £124,469 (31 December 2020: £0).

	Amounts owed from group entities		Amounts owed to group entities	
	As at 31 March 2022	As at 31 December 2020	As at 31 March 2022	As at 31 December 2020
	£'000	£'000	£'000	£'000
Houlihan Lokey EMEA, LLP	9,985	-	-	-
	<u>9,985</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

12. Trade and other payables

	As at 31 March 2022	As at 31 December 2020
	£'000	£'000
Trade payables	-	10
Other payables	56	309
Total trade and other payables	<u>56</u>	<u>319</u>

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 include accruals for professional services, including audit fees. In the comparatives, this figure also includes employee related liabilities and other accruals.

Baylor Klein Limited

Notes to the revised financial statements (continued) For the fifteen months ended 31 March 2022

13. Called up share capital and dividends

	As at 31 March 2022 £'000	As at 31 December 2020 £'000
Allotted and fully paid 50,000 (31 December 2020: 50,000) Ordinary shares of £1 each	<u>50</u>	<u>50</u>

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 2022 £'000	As at 31 December 2020 £'000
Financial assets		
Cash and cash equivalents	9	6,409
Trade and other receivables	-	19
Amounts owing from Group entities	<u>9,985</u>	<u>-</u>
	<u>9,994</u>	<u>6,428</u>
Financial liabilities		
Trade and other payables	<u>56</u>	<u>319</u>
	<u>56</u>	<u>319</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.