

**Company Registration No. 10507202**

**LD International Holdings Limited**

**Annual Report and Financial Statements**

**For the year ended 31 December 2018**

# **LD International Holdings Limited**

## **Strategic report, directors' report and financial statements For the year ended 31 December 2018**

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# **LD International Holdings Limited**

**Report for the year ended 31 December 2018**

## **Officers and professional advisors**

### **Directors**

C. Weiler  
D. Wilson

### **Registered Office**

Nexus  
25 Farringdon Street  
London, England, EC4A 4AB

### **Company Registration No.**

010507202

### **Independent Auditors**

Ernst & Young LLP  
1 More London Place  
London, SE1 2AF  
United Kingdom

# **LD International Holdings Limited**

## **Strategic report for the year ended 31 December 2018**

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

### **Principal activities and review of the business**

The company is a wholly owned subsidiary of LD International Holdings SRL, an international society with restricted liability organized under the laws of Barbados.

The company's principal activity is a holding company and the directors expect this to continue for the foreseeable future. The company together with its wholly-owned subsidiaries provide technology-based litigation support solutions and data storage technologies services. Litigation support includes e-discovery, data hosting, and managed document review predominantly to top law firms and corporations. Data storage technologies services include data recovery and data management services.

### **Results and key performance indicators**

The company is a holding company and the directors do not believe there are any key performance indicators.

The statement of comprehensive income is set out on page 10 and shows the loss for the year.

The company currently has intercompany notes payable of £32m (principal amount) for which the interest is to be paid annually. The strategy of the entity is to be able to settle interest on the intercompany loan notes using dividends distributed from its subsidiaries.

### **Principal risks and uncertainties**

The company operates as an intermediary holding company within the LD Topco Inc. group of companies. All of its material transactions are with fellow group undertakings and as such its activities are dependent on the activities of the LD Topco Inc. group of companies as a whole.

The risks and uncertainties facing the company are linked to those of the group. A discussion of the group risks and uncertainties is contained in the annual report of LD Topco Inc, please see note 14 to the financial statements for the details of LD Topco Inc annual report accessibility.

We consider the principal risk of the company to be liquidity risk as we rely on dividends from our subsidiaries to enable payment of any interest due on intercompany loan. The risk will be mitigated by the parent company facilitating the payment of dividends from subsidiaries. Also, the loan issuing entity within the group would not call for interest payment until the company has sufficient funds available.

### **Directors**

The directors of the company were:

C. Weiler  
D. Wilson

On behalf of the board



D Wilson  
Director

Date: 31 October 2019

# **LD International Holdings Limited**

## **Directors' report for the year ended 31 December 2018**

The directors present their Directors' report together with the audited financial statements for the year ended 31 December 2018.

### **Proposed Dividends**

The directors do not recommend the payment of a dividend.

### **Future developments**

The directors expect the activity of the company to continue for the foreseeable future.

### **Events since the balance sheet date**

There are no post balance sheet events to report.

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

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

Company law requires directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

The directors 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.

### **Going concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out above in the Strategic Report under the sections principal activities and review of the business, and principal risks and uncertainties.

The financial statements have been prepared on a going concern basis. The company recorded a loss after tax of £3,311,475 for the year and had net assets of £4,068,977 at the balance sheet date.

The company currently has intercompany notes payable of £32m (principal amount) for which the interest is to be paid annually. The strategy of the entity is to be able to settle interest from the loan using dividends distributed from its subsidiaries, which is reliant on the operating performance of its subsidiaries as well as the decision to pay them up. The loan issuing entity will not request the repayment of interest until the company has the funds available.

The company is supported by its ultimate parent company, LD Topco Inc, which will also facilitate the decision of paying dividends from subsidiaries to the company. LD Topco Inc has confirmed that it will continue to support the company for a period of at least 12 months from the date of approval of these financial statements and has also confirmed that the interest will not be called until such time that the company has sufficient funds available.

# **LD International Holdings Limited**

## **Directors' report for the year ended 31 December 2018 (continued)**

### **Going concern (continued)**

On the basis of their assessment of the company's financial position the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

The directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

### **Independent Auditor**

Our auditors, Ernst & Young LLP have indicated their willingness to continue in office and a resolution to re-appoint Ernst & Young LLP will be put to the members of the Annual General Meeting.

On behalf of the Board



D Wilson  
Director

Date: 31 October 2019

# LD International Holdings Limited

## Independent auditor's report to the members of LD International Holdings Limited

### Opinion

We have audited the financial statements of LD International Holdings Limited for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"><li>• Risk of misstatement of the carrying value of investments of £41.7m, as a result of impairment.</li></ul>
Materiality	<ul style="list-style-type: none"><li>• Overall materiality of £637,000 which represents 1.5% of total assets.</li></ul>

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

# LD International Holdings Limited

## Independent auditor's report to the members of LD International Holdings Limited (continued)

Risk	Our response to the risk	Key observations communicated to those charged with governance
<p><b>Risk of misstatement of the carrying value of investments of £41.7m, as a result of impairment</b></p> <p><i>Refer to Note 2 and Note 7 of the Financial Statements</i></p> <p>The company operates as an intermediate holding company within the LD Topco Inc. group of companies. All of its material transactions are with fellow group undertakings and as such its activities are dependent on the activities of the LD Topco Inc. group of companies as a whole. The Company has wholly owned trading subsidiaries as listed in Note 7. The Company's directly held subsidiaries are classed as investments held as fixed assets and are stated at cost, less provision, if appropriate, for any impairment in value. The carrying value of investments is reviewed annually by management for indicators of impairment, which would trigger an impairment test to assess if the carrying value may not be recoverable. The recoverable amount is determined as the higher of an asset's fair value less costs of disposal, and its value in use. Significant judgement is required in determining both the forecasts of the trading performance of the underlying businesses and the multiples which are applied to the forecasts to derive a fair value for each investment.</p> <p>Due to the size and nature of the account and the subjectivity of estimates of fair value, we considered this account to have a higher inherent risk of material misstatement.</p>	<p>We obtained an understanding of management's annual impairment testing process to assess the appropriateness of the carrying value of investments.</p> <p>We ensured that the methodology of the impairment exercise is consistent with the requirements of FRS 102.</p> <p>We obtained supporting budgets/forecasts assessed by management for FY19-FY23 and assessed their reasonableness. We challenged the key judgments and assumptions in management's impairment model such as discount rate, terminal growth rate, growth rates for revenue and costs.</p> <p>We verified the arithmetic accuracy of management's calculations.</p> <p>We assessed the potential risk of impairment of entities performing below budget. We ensured that the impairment analysis was consistent to the one at the LD Topco Inc. group level.</p>	<p>We concurred with management's impairment assessment on the estimated recoverable amount and that there was no impairment of the carrying value of the investments.</p>



# **LD International Holdings Limited**

## **Independent auditor's report to the members of LD International Holdings Limited (continued)**

### **An overview of the scope of our audit**

#### **Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

#### **Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

##### **Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the company to be £637,000, which is 1.5% of total assets. We believe that total assets provide us with an appropriate basis for setting materiality because it is a non-trading holding company with an intercompany loan.

##### **Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £478,000. We have set performance materiality at this percentage reflecting the absence of audit differences identified in the prior year.

##### **Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with those charged with governance that we would report to them all uncorrected audit differences in excess of £32,000 which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial

# **LD International Holdings Limited**

## **Independent auditor's report to the members of LD International Holdings Limited (continued)**

### **Other information (continued)**

statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

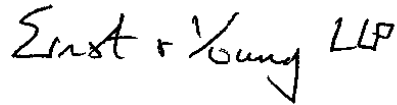
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **LD International Holdings Limited**

### **Independent auditor's report to the members of LD International Holdings Limited (continued)**

#### **Use of our report**

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.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Philip Young (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
31 October 2019

# LD International Holdings Limited

## Statement of comprehensive income for the year ended 31<sup>st</sup> December 2018

		Year to 31 December 2018 £	Period to 31 December 2017 £
	Note		
Interest charges	4	(4,096,242)	(2,088,467)
<b>Loss before taxation</b>		<u>(4,096,242)</u>	<u>(2,088,467)</u>
Tax on loss	6	784,767	-
<b>Loss for the financial year</b>		<u>(3,311,475)</u>	<u>(2,088,467)</u>
<b>Total comprehensive loss for the year</b>		<u>(3,311,475)</u>	<u>(2,088,467)</u>

The company has no other comprehensive income other than as stated above.

# LD International Holdings Limited

## Balance sheet at 31 December 2018

	Note	At 31 December 2018 £	At 31 December 2017 £
<b>Fixed assets</b>			
Investments	7	41,687,446	41,687,446
		<u>41,687,446</u>	<u>41,687,446</u>
<b>Current assets</b>			
<b>Debtors:</b> amounts falling due within one year	8	784,767	-
<b>Creditors:</b> amounts falling due within one year	9	(2,173,768)	(2,088,467)
Net current liabilities		<u>(1,389,001)</u>	<u>(2,088,467)</u>
Total assets less current liabilities		40,298,445	39,598,979
<b>Creditors:</b> amounts falling due after more than one year	10	(36,229,468)	(32,218,527)
<b>Net assets</b>		<u>4,068,977</u>	<u>7,380,452</u>
<b>Capital and reserves</b>			
Called up share capital	12	100	100
Other reserves	13	9,468,819	9,468,819
Profit and loss account		<u>(5,399,942)</u>	<u>(2,088,467)</u>
<b>Shareholders' funds</b>		<u>4,068,977</u>	<u>7,380,452</u>

The financial statements were approved by the Board of Directors on 31 October 2019 and were signed on its behalf by:



D Wilson

Director

Registered Number: 010507202

The notes on pages 13 to 22 are an integral part of these financial statements.

# LD International Holdings Limited

## Statement of changes in equity for year ended 31<sup>st</sup> December 2018

	Share capital £	Other reserves £	Profit and loss account £	Total equity £
<b>Balance as at 01 December 2016</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>
Capital contribution	-	9,468,819	-	9,468,819
Loss for the year	-	-	(2,088,467)	(2,088,467)
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>(2,088,467)</b>	<b>(2,088,467)</b>
<b>Balance as at 01 December 2017</b>	<b>100</b>	<b>9,468,819</b>	<b>(2,088,467)</b>	<b>7,380,452</b>
Loss for the year	-	-	(3,311,475)	(3,311,475)
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>(3,311,475)</b>	<b>(3,311,475)</b>
<b>Balance as at 31 December 2018</b>	<b>100</b>	<b>9,468,819</b>	<b>(5,399,942)</b>	<b>4,068,977</b>

# **LD International Holdings Limited**

## **Notes to financial statements for year ended 31<sup>st</sup> December 2018**

### **1. Accounting Policies**

#### **Statement of compliance**

LD International Holdings Ltd is a private company limited by shares and is incorporated and domiciled in the United Kingdom, England & Wales with registered business address at Nexus, 25 Farringdon Street London, England, EC4A 4AB, United Kingdom, registered with the Companies House UK under company no. 10507202. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

#### **Basis of preparation**

On October 21, 2016, LD Topco Inc entered into a definitive agreement to acquire Kroll Ontrack, LLC for a total purchase price of approximately \$410.0 million. LD International Holdings SRL was incorporated in conjunction with Topco's acquisition of LD International Holdings Limited.

LD International Holdings Limited was incorporated on 1 December 2016 with LD International Holdings SRL as its parent entity for the purpose of acquiring the foreign entities of Kroll Ontrack, including: Kroll Ontrack AS (Norway), KLDisccovery Ontrack GmbH (Germany), KLDisccovery Ontrack Limited (UK), and Kroll Ontrack Canada Co. (Canada).

LD International Holdings SRL contributed total amount of £41.6m to LD International Holdings Ltd. in exchange for shares of £9.4m and a GBP denominated note receivable of £32.2m, which was listed on the International Stock Exchange of the Channel Islands. LD International Holdings Limited acquired 100% shares of the foreign entities for consideration of £41.6m.

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The principal accounting policies have been applied consistently throughout the period.

The financial statements have been prepared in British Pounds which is the company's functional currency and rounded to the nearest pound.

#### **Judgement and key sources of estimation uncertainty**

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. Please see note 2.

#### **Consolidated financial statements**

The company is exempt under section 401 of the Companies Act 2006 for the requirement to prepare group financial statements as it is itself a subsidiary undertaking and is fully consolidated in the financial statements of the ultimate parent company. These financial statements therefore present information about the company as an individual undertaking and not about its group. Please see note 14.

#### **Going concern**

The financial statements have been prepared on a going concern basis. The company recorded a loss after tax of £3,311,475 for the year and had net assets of £4,068,977 at the balance sheet date.

The company currently has intercompany notes payable of £32m (principal amount) for which the interest is to be paid annually. The strategy of the entity is to be able to settle interest from the loan using dividends distributed from its subsidiaries, which is reliant on the operating performance of its subsidiaries as well as the decision to pay them up. The loan issuing entity within the group will not request the repayment of interest until the company has the funds are available.

The company is supported by its ultimate parent company, LD Topco Inc, which will also facilitate the decision of paying dividends from subsidiaries to the company. LD Topco Inc has confirmed that it will continue to support the company for a period of at least 12 months from the date of approval of these financial statements and has also confirmed that the interest will not be called until such time when the company has funds available.

# **LD International Holdings Limited**

## **Notes to financial statements (continued) for year ended 31<sup>st</sup> December 2018**

### **1. Accounting Policies (continued)**

#### **Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with.

The company has taken advantage of the following exemptions:

- (i) the requirement to prepare a statement of cash flows on the basis that it is part of a group where the ultimate parent company LD Topco Inc. prepares consolidated financial statements which are intended to give a true and fair view and LD International Holdings Limited is included in the consolidation.
- (ii) the requirement to disclose related party transactions with other wholly owned undertakings within the LD Topco Inc. group.
- (iii) the requirement to prepare disclosures for financial instruments in accordance with section 11 of FRS 102.

LD Topco Inc consolidated financial statements can be obtained from 251 Little Falls Drive, Wilmington, DE, 19808, United States of America.

#### **Investments**

Investments are held at cost less accumulated impairment losses. Initial cost of investment was determined as purchase price plus any relevant transaction costs. Investments are reviewed annually for impairments. Impairment losses are taken to the statement of comprehensive income as appropriate.

#### **Dividend income/Income from fixed asset investments**

Dividend income and income from fixed asset investments comprising dividends from subsidiary undertakings is recognised when the company's right to receive payment is established.

#### **Interest payable and similar charges**

Interest charges are accrued by reference to the amount outstanding and at the effective rate of interest applicable. Finance costs are charged to the statement of comprehensive income and are not capitalised.

#### **Interest bearing loans and borrowings**

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at their fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

#### **Operating loss**

Operating loss is stated after charging restructuring or other exceptional costs but before investment income, other finance income and finance costs.

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a reduction, net of tax, from the proceeds.

#### **Related party transactions**

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

#### **Current and deferred taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive or



# **LD International Holdings Limited**

## **Notes to financial statements (continued) for year ended 31<sup>st</sup> December 2018**

### **1. Accounting Policies (continued)**

#### **Current and deferred taxation (continued)**

directly in equity respectively. The company is part of a tax group for certain aspects of the tax legislation. One of these aspects relates to group relief whereby current tax liabilities can be offset by current tax losses arising in other companies within the same tax group. Payment for group relief is made equal to the tax benefit and amounts are included within the current tax disclosures.

Current or deferred taxation assets and liabilities are not discounted.

#### **(i) Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### **(ii) Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

### **2. Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the directors have made the following judgements:

*Investments* (see note 7): The most critical estimate, assumption and judgement relates to the determination of the carrying value of investments and whether there are indicators of impairment. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the subsidiaries. The key estimates in the impairment model include discount rate, terminal growth rate, growth rates for revenue and costs and the percentage of capital contribution to revenue.

### **3. Employees and Directors**

The company did not have any employees during the year.

No directors' remuneration was paid by LD International Holdings Ltd to the directors for their qualifying services. Directors' remuneration is borne by fellow group companies. Their services to LD International Holdings Ltd is inconsequential to attract a notional charge.

# LD International Holdings Limited

## Notes to financial statements (continued) for year ended 31<sup>st</sup> December 2018

### 4. Interest payable and similar charges

	Year to 31 December 2018 £	Period to 31 December 2017 £
Interest charges – group undertakings	(4,096,242)	(2,088,467)

In the period ended 31 December 2017 the Company has calculated the effective interest rate for the interest-bearing loan at inception based on the forecasted cash flows and contractual payment schedule at the time. The fixed rate loan carries an interest rate of 6% to be paid annually.

In the year ended 31 December 2018 the Company has revised the estimated future cash flows under the loan agreement.

The Company has recalculated the carrying amount of the loan by computing the present value of estimated future cash flows at the loan's original effective interest rate of 6%. The Company has recognised the adjustment as a part of interest charge in the period of revision – year to 31 December 2018 in the amount of £1,922,474 (2017: £0).

### 5. Auditors Remuneration

Auditor's remuneration of £20,000 (2017: £20,000) for the company are borne by KLDisccovery Limited, a subsidiary of LD International Holdings Limited.

# LD International Holdings Limited

## Notes to financial statements (continued) for year ended 31<sup>st</sup> December 2018

### 6. Taxation

	Year to 31 Dec 2018 £	Period to 31 Dec 2017 £
The tax charge comprises:		
<b>Current tax:</b>		
UK corporation tax charge for the year	(380,000)	-
Adjustments in respect of prior years	(404,767)	-
Total current tax	<u>(784,767)</u>	<u>-</u>
<b>Deferred tax</b>		
Timing differences, origination and reversal	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Total tax charge/(credit)	<u>(784,767)</u>	<u>-</u>

### Reconciliation of tax charge

The standard rate of tax for the year, based on the UK standard rate of corporation tax of 19.00% from 1 January 2018, is 19.00% (2017: 19.30%). The actual tax charge for the current year and previous year differs from the standard rate for the reasons set out in the following reconciliation:

	Year to 31 Dec 2018 £	Period to 31 Dec 2017 £
Loss before taxation	(4,096,242)	(2,088,467)
Tax on loss at effective rate of 19.00% (2017: 19.30%)	(778,286)	(403,074)
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	398,286	-
Movement in deferred tax not provided	-	403,074
Adjustments in respect of prior periods	(404,767)	-
Tax expense for the year	<u>(784,767)</u>	<u>-</u>

### Tax rate changes

Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 17% from 1 April 2020 were substantively enacted on 26 October 2015 and 7 December 2016.

The company recognised the prior year unrecognised losses of £2,088,466 this year through group relief to a subsidiary company per payment at the tax rate, the amount is included in adjustments in respect of prior period line above. The company has also surrendered the tax losses for the current year of £2,000,000 via group relief as other subsidiaries have sufficient tax profit to offset it against. The tax receivable in relation to the tax losses will be settled by cash via intercompany settlements. The amount of expenses not deductible for tax purposes relates to the disallowed portion of interest expense.

# LD International Holdings Limited

## Notes to financial statements (continued) for year ended 31<sup>st</sup> December 2018

### 7. Fixed asset investments

	Investments in subsidiary undertakings £
<b>Cost</b>	
At 1 December 2016	-
Additions	41,687,446
	<hr/>
At 31 December 2017 and 2018	41,687,446
<b>Provisions</b>	
At 31 December 2018	-
<b>Carrying amount</b>	
As at 31 December 2017	41,687,446
	<hr/>
As at 31 December 2018	41,687,446
	<hr/>

The list of subsidiary undertakings is as follows:

Name	Registered office address	Ordinary share capital %	Nature of business
Kroll Ontrack AS	[A]	100%	Holding company
KLDiscovery Ontrack GmbH	[B]	100%	Technology driven services and software
KLDiscovery Ontrack Limited	[C]	100%	Technology driven services and software
Kroll Ontrack Canada Co.	[D]	100%	Technology driven services and software

# LD International Holdings Limited

## Notes to financial statements (continued) for year ended 31<sup>st</sup> December 2018

### 7. Fixed asset investments (continued)

The indirect undertakings are as follows:

Name	Registered office address	Indirect Shareholdings	Nature of business
KLDiscovery AS*	[A]	[1]	Holding company
IBAS Ontrack AS*	[A]	[2]	Technology driven services and software
IBAS Ontrack ApS*	[E]	[3]	Technology driven services and software
IBAS Ontrack AB*	[F]	[3]	Technology driven services and software
IBAS Ontrack OY*	[G]	[3]	Technology driven services and software
KLDiscovery Ontrack BV*	[H]	[3]	Technology driven services and software
KLDiscovery Ontrack Pte. Ltd.*	[I]	[4]	Technology driven services and software
KLDiscovery Ontrack z.o.o.*	[J]	[5]	Technology driven services and software
KLDiscovery Limited (UK)*	[K]	[6]	Technology driven services and software
KLDiscovery Limited (Ireland)*	[L]	[7]	Technology driven services and software
KLDiscovery Ontrack Ltd. (UK) Ireland Branch*	[M]	[6]	Technology driven services and software

[A] Fjellgata 2, 2212 Kongsvinger, Norway

[B] Hanns-Klemm-Str. 5, 71034 Böblingen, Germany

[C] Global House, 1 Ashley Avenue, Epsom, Surrey, England, KT18 5AD

[D] 1871 Hollis Street, Suite 200 Halifax NS B3J 6C3, Canada

[E] Gammel Kongevej 1, 1610 Copenhagen, Denmark

[F] Kungälvsvägen 31B, 751 40 Uppsala, Sweden

[G] Lakkisepantie 11, 00620 Helsinki, Finland

[H] FOZ Building 4th Floor Unit 4, Gustav Mahlerlaan 310-d, 1082 ME Amsterdam, The Netherlands

[I] 10 Collyer Quay #10-01 Ocean Financial Centre, Singapore 049315

[J] Sobieskiego 11, 40-082 Katowice, Polska

[K] Nexus, 25 Farringdon Street, London, England EC4A 4AB

[L] Unit 719 Kilshane Drive, Northwest Business Park, Ballycoolin, Dublin 15 D15DX33

[M] March House 25-28 Adelaide Road, Dublin 2 D02RY98

[1] 100% held by Kroll Ontrack AS

[2] 100% held by Kroll Ontrack AS via KLDiscovery AS

[3] 100% held by KLDiscovery AS via IBAS Ontrack AS

[4] 99.99% held by KLDiscovery AS via IBAS Ontrack AS and 1 share held by IBAS Ontrack ApS

[5] 100% held by KLDiscovery Ontrack GmbH

[6] 100% held by KLDiscovery Ontrack Limited

[7] 100% held by KLDiscovery Ontrack Limited via KLDiscovery Limited (UK)

# LD International Holdings Limited

## Notes to financial statements (continued) for year ended 31<sup>st</sup> December 2018

### 8. Debtors: amounts falling due within one year

	At 31 December 2018 £	At 31 December 2017 £
Intercompany receivable from KLDisccovery Limited (UK subsidiary)	784,767	-

### 9. Creditors: amounts falling due within one year

	At 31 December 2018 £	At 31 December 2017 £
Interest payable	2,173,768	2,088,467

### 10. Creditors: amounts falling due after more than one year

	At 31 December 2018 £	At 31 December 2017 £
Loan notes payable	36,229,468	32,218,527

- The loan notes carry an interest rate of 6% accruing starting from 9 December 2016. In case of non-payment, an additional 2% is accrued from the due date and until such time it is paid. The loans are repayable in full in 2025.
- In the year ended 31 December 2018 the Company has revised the estimated future cash flows under the loan agreement.
- The Company has recalculated the carrying amount of the loan by computing the present value of new estimated future cash flows at the loan's original effective interest rate of 6%. The Company has presented the revised carrying value of £36,229,468 (2017: £32,218,527).

# LD International Holdings Limited

## Notes to financial statements (continued) for year ended 31<sup>st</sup> December 2018

### 11. Financial instruments

The company's financial instruments may be analysed as follows:

	At 31 December 2018 £	At 31 December 2017 £
<b>Financial liabilities</b>		
Fixed term intercompany loan note	<u>36,229,468</u>	<u>32,218,527</u>

LD International Holdings SRL contributed £32,218,527 in cash in exchange for a British Pounds denominated 6% note receivable to LD International Holdings Ltd. On 31 January 2017 these notes were listed on the International Stock Exchange of the Channel Islands.

The key terms of the loan note are as follows:

- Principal: £32,218,527
- Interest: payment due annually at the rate of 6%. In case of non-payment, an additional 2% is accrued from the due date and until such time it is paid.
- Currency: GBP
- Maturity: 9 year term
- Other terms: Unsecured, unguaranteed, redeemable at par plus any accrued and unpaid interest.

## LD International Holdings Limited

### Notes to financial statements (continued) for year ended 31<sup>st</sup> December 2018

#### 12. Share capital

	At 31 December 2018	At 31 December 2017
	£	£
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100

#### 13. Other reserves

On 9 December 2016 the immediate parent undertaking made a capital contribution to the company of £9,468,819 in cash, which has been credited to Other reserves account.

#### 14. Ultimate parent company and controlling party

The company's immediate parent undertaking is LD International Holdings SRL, an international society with restricted liability organised under the laws of Barbados. The company's ultimate parent undertaking and ultimate controlling party is LD Topco Inc, a company incorporated in the United States of America. LD Topco Inc consolidated financial statements can be obtained from 251 Little Falls Drive, Wilmington, DE, 19808, United States of America.