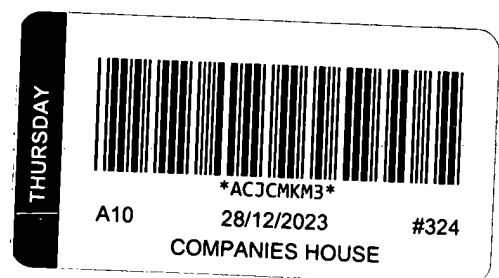


**Company Registration No. 10507202**

**LD International Holdings Limited**

**Annual Report and Financial Statements**

**For the year ended 31 December 2022**



## **LD International Holdings Limited**

### **Strategic report, directors' report and financial statements For the year ended 31 December 2022**

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## **LD International Holdings Limited**

### **Report for the year ended 31 December 2022**

#### **Officers and professional advisors**

##### **Directors**

C. Weiler  
D. Wilson  
J. Sheppard

##### **Registered Office**

Nexus  
25 Farringdon Street  
London, England, EC4A 4AB

##### **Company Registration No.**

010507202

##### **Independent Auditor**

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

## **LD International Holdings Limited**

### **Strategic report for the year ended 31 December 2022**

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2022.

#### **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 15 and shows the loss for the year.

The company currently has intercompany notes payable of £48.6m. The strategy of the entity is to be able to settle interest on the intercompany loan notes using dividends distributed from its subsidiaries.

During the year, an impairment loss of £18,303,884 in relation to the investment in subsidiary undertakings KLDDiscovery Ontrack Limited and KLDDiscovery Ontrack GmbH has been identified and recognised in the statement of comprehensive income.

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

The company operates as an intermediary holding company within the KLDDiscovery 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 KLDDiscovery 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 KLDDiscovery Inc., please see note 15 to the financial statements for the details of KLDDiscovery 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.

#### **Climate Change risks**

The Directors have considered the principal climate change risks of relevance to the business. Climate-related issues are considered in terms of potential for contribution to these principal risks. The issues considered include both the risk of physical disruption to the business from climate change, and the risks and opportunities as the global economy transitions to significantly lower carbon emissions. In the current period, the Directors concluded that climate-related risks did not rise to the level of a principal risk, except as part of Legal and Regulatory Compliance.

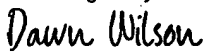
#### **Brexit**

The company has experienced minimal impact as a result of the UK's withdrawal from the EU. Management will continue to assess the situation and address any issues that should arise.

## **LD International Holdings Limited**

### **Strategic report for the year ended 31 December 2022 (continued)**

The Strategic report was approved by the Board of directors on 21 December 2023 and signed on its behalf by

DocuSigned by:  
  
6D783D81576F480...  
D Wilson  
Director

Date: 21 December 2023

## **LD International Holdings Limited**

### **Directors' report for the year ended 31 December 2022**

The directors present their Directors' report together with the audited financial statements for the year ended 31 December 2022.

#### **Insurance of Directors**

Throughout the period, Directors' and Officers' liability insurance has been maintained by the company.

#### **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.

#### **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 £21,540,353 for the year and had net liabilities of £24,545,484 at the balance sheet date.

The company currently has intercompany notes payable of £48.6m. 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 available.

The company has received a letter of support from its ultimate parent company, KLDDiscovery, Inc., which will also facilitate the decision of paying dividends from subsidiaries to the company. KLDDiscovery, Inc. has confirmed that the loan interest will not be called until such time that the company has sufficient funds available. Taking into account the support from KLDDiscovery Inc., the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the going concern period to 31 December 2024.

Notwithstanding the above, the directors are aware that KLDDiscovery Inc., the company's ultimate parent company, has historically incurred losses and in certain years cash flows have been negative. As of 30 September 2023, the parent company's cash balance was \$25.4 million and the debt balance was \$544.8 million, including a balance of \$252.3 million under the Convertible Debentures and a balance of \$292.5 million in Initial Term Loans. As of September 30, 2023, the Company does not anticipate repaying the Convertible Debentures by June 19, 2024 and as such, the Initial Term Loans debt of \$292.5 million is included in the current portion of long-term debt in the Condensed Consolidated Balance Sheet at September 30, 2023. As of September 30, 2023, the Company does not have sufficient cash on hand, and does not expect to generate sufficient liquidity from forecasted future cash flows to repay its current obligations including the Initial Term Loans, at the accelerated maturity date.

The parent company is reviewing potential alternatives, including renegotiating the terms of the Convertible Debentures and/or the Amended 2021 Credit Agreement and identifying alternative sources for cash or additional financing. The parent company's current debt structure, however, raises substantial doubt regarding the parent company's ability to continue as a going concern because these or other alternatives may not be achievable on favourable terms and conditions or at all.

The directors are satisfied that the company's financial statements are prepared on a going concern basis, however, they recognise that, given the position described above, should the Parent Company not be able to continue as a going concern, the Parent Company would not be able to provide the support necessary to the company and this represents a material uncertainty related to events or conditions that may cast significant doubt over the company's ability to continue as a going concern. No adjustments have been made to the company's financial statements that would arise if the company was unable to continue as a going concern.

## **LD International Holdings Limited**

### **Directors' report for the year ended 31 December 2022 (continued)**

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

There are no other events to report between the statement of financial position date and the date of this report.

#### **s172 statement – stakeholder engagement**

The following disclosures describe how the directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 when performing their duties under section 172 and form part of the Directors' Statement required under Section 414CZA(1) of the Companies Act 2006.

##### **(a) Decision making**

The directors recognise the importance of good governance to the success of the company. The Board determines the strategic objectives and strategies of the company to best support the delivery of long-term value providing overall strategic direction, having regard to the overall strategic direction of the KLDisccovery Inc. group. The Board takes decisions that affect the success of the company after appropriate review and consideration.

##### **(b) Employees**

The company itself has no employees as it is an intermediate holding company within the KLDisccovery Inc. group. The Board ensures that employees of the company's subsidiaries operate in an environment where they can contribute productively to the success of the business.

##### **(c) Customers and Suppliers**

The company itself has no customers or suppliers. The Board ensures that the customers and suppliers of the company's subsidiaries are treated responsibly in accordance with the KLDisccovery Inc. group policies.

##### **(d) Community and Environment**

The company's subsidiaries are committed to the wider social and economic impact of their operations.

##### **(e) Company and high standards of Conduct**

The company and its subsidiaries maintain high ethical standards and follows a strict policy of maintaining integrity in line with the policies of the KLDisccovery Inc. group.

##### **(f) Members**

The company has one shareholder and is indirectly 100% owned by the ultimate parent KLDisccovery Inc. The Directors on the Board are the nominees of the shareholder and ultimate parent.

#### **Directors**

All of the directors serving during the year and up to the date of signing the financial statements are listed below:

C. Weiler  
D. Wilson  
J. Sheppard

#### **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.

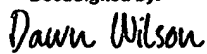
#### **Independent Auditor**

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.

## **LD International Holdings Limited**

### **Directors' report for the year ended 31 December 2022 (continued)**

On behalf of the Board

DocuSigned by:  
  
6D783D81576F480...

D Wilson  
Director

Date: 21 December 2023



## **LD International Holdings Limited**

### **Directors' Responsibilities Statement**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in conformity with the Companies Act 2006, including Financial Reporting Standard 102 (FRS 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information.
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the company's financial position and financial performance.
- in respect of the financial statements, state whether FRS 102 has 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 appropriate to presume that the company will not 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 to 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

## **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 (the 'company') for the year ended 31 December 2022 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 15 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 2022 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. 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.

#### **Material uncertainty related to going concern**

We draw attention to note 1 in the financial statements, which describes the areas of significant uncertainty relating to the ability of the parent company, KLDisccovery Inc., to provide financial support to LD International Holdings Limited for a period of 12 months up to 31 December 2024. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- We obtained a letter of support from KLDisccovery Inc. pledging to provide financial support to the company to assist in meeting its liabilities to the extent that funds are not otherwise available and confirming that they have the ability to provide such support and will provide this support for a period to 31 December 2024. In addition, the letter of support confirms that the interest on the fixed term intercompany loan note will not be called until such time when the company has funds available.
- We obtained the KLDisccovery Inc. Group's going concern assessment which shows ongoing cash, facilities available during the period to 31 December 2024 and an assessment of the material

## LD International Holdings Limited

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

uncertainty relating to going concern associated with the parent company's debt structure and an evaluation of the likelihood of the entity being able to continue as a going concern in light of this matter.

- We obtained the Group going concern assessment prepared by the group audit team of the KLDDiscovery Inc. Group covering the review period. Our audit procedures included, obtaining an understanding of the Group management's process of its going concern assessment, review of the Group management's going concern assessment of the KLDDiscovery Inc. Group to assess the Group's ability to support the Company, and assessing the material uncertainty regarding the ability of Group to continue as a going concern due to the current debt structure.
- We considered the evidence supporting the potential strategic alternatives the Group is evaluating in light of the material uncertainty related to the current debt structure.
- We assessed the going concern disclosure in Note 1 to the financial statements to ensure they were appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

#### 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 £1.3m which represents 3% of total assets.</li> </ul>

#### 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, the potential impact of climate change 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.

##### Climate change

There has been increasing interest from stakeholders as to how climate change will impact Company. The company has determined that there are no future impacts from climate change on its operations. This is explained on page 2 in the principal risks and uncertainties which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on evaluating management's assessment that there is no impact of climate change risk, the adequacy of the company disclosures in the financial statements and the conclusion that no issues were identified that would impact the carrying values of assets or have any other impact on the financial statements as disclosed on page 18. We also

## LD International Holdings Limited

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

challenged the Directors' considerations of climate change in their assessment of going concern and associated disclosures.

#### 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.

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 (2021: £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 KLDISCOVERY 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 KLDISCOVERY Inc. group of companies as a whole. The company has wholly owned trading subsidiaries as listed in Note 7.</p> <p>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.</p> <p>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</p>	<p>We obtained an understanding of management's annual impairment testing process. To assess the appropriateness of the carrying value of investments, we performed the following procedures:</p> <p>We evaluated the Investment in subsidiaries with the book value of net assets of each subsidiary.</p> <p>We checked that the methodology of the impairment exercise is consistent with the requirements of FRS 102.</p> <p>We obtained supporting budgets/ forecasts prepared by group management for FY23-FY27 and assessed the reasonableness of the key judgments and assumptions in management's impairment model such as discount rate, terminal growth rate, growth rates for revenue and costs based on the comparison of actual results of current year and prior year as compared to projected results. We challenged key assumptions applied by management, including considering contradictory evidence, and performed sensitivity analysis over the key assumptions to consider the impact of the</p>	<p>We consider management's assessment appropriately reflects the requirements of FRS 102 and captures the risks to future cash flows.</p> <p>As a result of our audit procedures, an impairment loss of £18.3m in relation to the investment in subsidiary undertakings KLDISCOVERY Ontrack Limited and KLDISCOVERY Ontrack GmbH was recognised. This has been properly disclosed in the financial statements to show the cost of £41.7m being reduced by the impairment provision of £18.3m and the revised carrying value of investments of £23.4m.</p>

## LD International Holdings Limited

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

<p>asset's fair value less costs of disposal, and its value in use.</p> <p>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>changes on the recoverable amount.</p> <p>We engaged EY Valuations specialists to assess the discount rate and terminal growth rate derived by management in line with the requirements of FRS 102.</p> <p>We agreed the arithmetic accuracy of management's calculations.</p> <p>We read the investment disclosures included in the financial statements.</p>	
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In the prior year, our auditor's report included a key audit matter in relation to risk of misstatement of the carrying value of investments. In the current year, this is also considered as a key audit matter.

#### 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 £1.26 million (2021: £0.42 million), which is 3% (2021: 1%) of total assets (prior to the impairment charge). We believe that total assets provide us with an appropriate basis for setting our 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% (2021: 50%) of our planning materiality, namely £0.95m (2021: £0.21m). We have set performance materiality at this percentage since the audit is not designated as close monitoring, there are no significant changes in accounting staff and accounting framework, and there are no events outside the normal course of business. We believe that it is appropriate to change the basis of performance materiality from 50% in the prior year to 75% in the current year as there had been no material misstatements identified in the prior year.

##### Reporting threshold

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

## **LD International Holdings Limited**

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

We agreed with those charged with governance that we would report to them all uncorrected audit differences in excess of £63,000 (2021: £21,000), 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 contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 financial 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 7, 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 control 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

## **LD International Holdings Limited**

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

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.

#### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Due to the simplicity of the Company and the small number of transactions our procedures focused on the following:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant direct tax compliance regulation in the United Kingdom.
- We understood how LD International Holdings is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities, where applicable, and read board minutes.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls environment established to address the identified risks by the company, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of management and those responsible for legal and compliance matters, as well as testing of journal entries identified by specific risk criteria and reviewing board minutes.

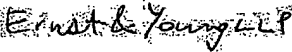
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **LD International Holdings Limited**

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

#### **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.

DocuSigned by:  
  
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Naresh Alimchandani (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

22 December 2023



## LD International Holdings Limited

### Statement of comprehensive income for the year ended 31<sup>st</sup> December 2022

	Note	Year to 31 December 2022 £	Year to 31 December 2021 £
Interest expenses	4	(3,613,980)	(2,506,925)
Impairment of investments	7	(18,303,884)	-
<b>Loss before taxation</b>		<b>(21,917,864)</b>	<b>(2,506,925)</b>
Tax on loss	6	377,511	378,266
<b>Loss for the financial year</b>		<b>(21,540,353)</b>	<b>(2,128,659)</b>
<b>Total comprehensive loss for the year</b>		<b>(21,540,353)</b>	<b>(2,128,659)</b>

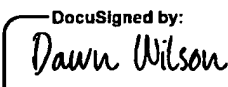
The company has no other comprehensive loss other than as stated above.

# LD International Holdings Limited

## Statement of financial position As at 31 December 2022

	Note	At 31 December 2022 £	At 31 December 2021 £
<b>Fixed assets</b>			
Investments	7	23,383,562	41,687,446
		<u>23,383,562</u>	<u>41,687,446</u>
<b>Current assets</b>			
<b>Debtors:</b> amounts falling due within one year	8	859,690	482,179
<b>Creditors:</b> amounts falling due within one year	9	(234,166)	(216,821)
Net current assets		<u>625,524</u>	<u>265,358</u>
Total assets less current liabilities		24,009,086	41,952,804
<b>Creditors:</b> amounts falling due after more than one year	10	(48,554,570)	(44,957,935)
<b>Net liabilities</b>		<u>(24,545,484)</u>	<u>(3,005,131)</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>(34,014,403)</u>	<u>(12,474,050)</u>
<b>Shareholders' deficit</b>		<u>(24,545,484)</u>	<u>(3,005,131)</u>

The financial statements were approved by the Board of Directors on 21 December 2023 and were signed on its behalf by:

DocuSigned by:  
  
 6D783D81576F480...

D Wilson

Director

Registered Number: 010507202

The notes on pages 18 to 26 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 2022

	Share capital £	Other reserves £	Profit and loss account £	Total equity £
<b>Balance as at 01 January 2021</b>	<b>100</b>	<b>9,468,819</b>	<b>(10,345,392)</b>	<b>(876,473)</b>
Loss for the year	-	-	(2,128,659)	(2,128,659)
Total comprehensive loss for the year	-	-	(2,128,659)	(2,128,659)
<b>Balance as at 31 December 2021</b>	<b>100</b>	<b>9,468,819</b>	<b>(12,474,050)</b>	<b>(3,005,131)</b>
Loss for the year	-	-	(21,540,353)	(21,540,353)
Total comprehensive loss for the year	-	-	(21,540,353)	(21,540,353)
<b>Balance as at 31 December 2022</b>	<b>100</b>	<b>9,468,819</b>	<b>(34,014,403)</b>	<b>(24,545,484)</b>

# **LD International Holdings Limited**

## **Notes to financial statements for year ended 31<sup>st</sup> December 2022**

### **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**

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 year.

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

In preparing the financial statements, the Directors considered the impact of the physical and transition risks of climate change and concluded that it does not have a material impact on the carrying values of investments or the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2022.

#### **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 15.

#### **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 £21,540,353 for the year and had net liabilities of £24,545,484 at the balance sheet date.

The company currently has intercompany notes payable of £48.6m. 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 available.

The company has received a letter of support from its ultimate parent company, KLDDiscovery, Inc., which will also facilitate the decision of paying dividends from subsidiaries to the company. KLDDiscovery, Inc. has confirmed that the loan interest will not be called until such time that the company has sufficient funds available. Taking into account the support from KLDDiscovery Inc., the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the going concern period to 31 December 2024.

Notwithstanding the above, the directors are aware that KLDDiscovery Inc., the company's ultimate parent company, has historically incurred losses and in certain years cash flows have been negative. As of 30 September 2023, the parent company's cash balance was \$25.4 million and the debt balance was \$544.8 million, including a balance of \$252.3 million under the Convertible Debentures and a balance of \$292.5 million in Initial Term

## LD International Holdings Limited

### Notes to financial statements for year ended 31<sup>st</sup> December 2022 (continued)

#### Going concern (continued)

Loans. As of September 30, 2023, the Company does not anticipate repaying the Convertible Debentures by June 19, 2024 and as such, the Initial Term Loans debt of \$292.5 million is included in the current portion of long-term debt in the Condensed Consolidated Balance Sheet at September 30, 2023. As of September 30, 2023, the Company does not have sufficient cash on hand, and does not expect to generate sufficient liquidity from forecasted future cash flows to repay its current obligations including the Initial Term Loans, at the accelerated maturity date.

The parent company is reviewing potential alternatives, including renegotiating the terms of the Convertible Debentures and/or the Amended 2021 Credit Agreement and identifying alternative sources for cash or additional financing. The parent company's current debt structure, however, raises substantial doubt regarding the parent company's ability to continue as a going concern because these or other alternatives may not be achievable on favourable terms and conditions or at all.

The directors are satisfied that the company's financial statements are prepared on a going concern basis, however, they recognise that, given the position described above, should the Parent Company not be able to continue as a going concern, the Parent Company would not be able to provide the support necessary to the company and this represents a material uncertainty related to events or conditions that may cast significant doubt over the company's ability to continue as a going concern. No adjustments have been made to the company's financial statements that would arise if the company was unable to continue as a going concern.

#### Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the following disclosure exemptions presented in Section 1.12 in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- (i) the requirements of Section 7 Statement of Cash Flows;
- (ii) the requirements of Section 9.3 for preparation of Consolidated financial statements (see below);
- (iii) the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- (iv) the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41©, 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- (v) the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- (vi) the requirements of Section 26 paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- (vii) the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of ultimate parent company, KLDDiscovery, Inc., which are publicly available and can be obtained from 9023 Columbine Road, Eden Prairie, MN 55347.

#### Investments

Investments are held at cost less accumulated impairment losses. Initial cost of investment was determined as purchase price plus any relevant transaction costs. The Company assesses at each reporting date whether there is an indication that an investment may be impaired. If any such indication exists, the Company makes an estimate of the investment's recoverable amount and such losses are taken to the statement of comprehensive income as appropriate.

#### 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.

## **LD International Holdings Limited**

### **Notes to financial statements for year ended 31<sup>st</sup> December 2022 (continued)**

#### **Interest bearing loans and borrowings (continued)**

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

When the cash flows of a financial liability are modified, but do not meet the definition of a substantial modification, the carrying amount of the financial liability is adjusted to reflect the modified cash flows, discounted at the original effective interest rate.

#### **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 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.

## LD International Holdings Limited

### Notes to financial statements for year ended 31<sup>st</sup> December 2022 (continued)

#### 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.

#### 4. Interest expense

	Year to 31 December 2022 £	Year to 31 December 2021 £
Interest expense – group undertakings	<u>(3,613,980)</u>	<u>(2,506,925)</u>

#### 5. Auditors Remuneration

Auditor's remuneration of £25,000 (2021: £22,995) for the company are borne by KLDDiscovery Limited, a subsidiary of LD International Holdings Limited. There were no non audit fees (2021: none).

#### 6. Taxation

	Year to 31 Dec 2022 £	Year to 31 Dec 2021 £
The tax charge comprises:		
<b>Current tax:</b>		
UK corporation tax charge for the year	(377,511)	(375,023)
Adjustments in respect of prior years	-	(3,243)
Total current tax	<u>(377,511)</u>	<u>(378,266)</u>
<b>Deferred tax</b>		
Timing differences, origination and reversal	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Total tax charge/(credit)	<u>(377,511)</u>	<u>(378,266)</u>

## LD International Holdings Limited

### Notes to financial statements for year ended 31<sup>st</sup> December 2022 (continued)

#### 6. Taxation (continued)

##### Reconciliation of tax charge

The standard rate of tax is 19.00% (2021: 19.00 %). The actual tax charge for the current period and previous year differs from the standard rate for the reasons set out in the following reconciliation:

	Year to 31 Dec 2022 £	Year to 31 Dec 2021 £
Loss before taxation	(21,917,864)	(2,506,925)
Tax on loss at effective rate of 19.00% (2021: 19.00%)	(4,164,394)	(476,316)
Factors affecting charge for the year:		
Impairment Expense not deductible for tax purposes	3,477,738	-
Expenses not deductible for tax purposes	309,145	101,293
Adjustments in respect of prior periods	-	(3,243)
Tax expense for the year	<u>(377,511)</u>	<u>(378,266)</u>

##### Tax rate changes

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted on 24 May 2021. The unrecognised deferred taxes have been measured at 25% (2021 – 25%) which represents the future corporation tax rate that was enacted at the balance sheet date.

There are unrecognised deferred tax assets of £6,075,136 (2021: £4,454,607) relating to disallowed interest deductions which may be deductible in a future period where there is excess net interest capacity.

#### 7. Investments

	Investments in subsidiary undertakings	
	At 31 Dec 2022 £	At 31 Dec 2021 £
Cost	41,687,446	41,687,446
Impairment loss recognised in profit or loss	(18,303,884)	-
Carrying amount	<u>23,383,562</u>	<u>41,687,446</u>

The Company evaluates its investment in subsidiary undertaking annually for any indicators of impairment. Subsidiary's turnover growth/decline trend is considered among other factors, when reviewing for indicators of impairment.

As at 31st December 2022, the value in use of the subsidiary undertakings was below the carrying value of its investment in KLDDiscovery Ontrack Limited and KDiscovery Ontrack GmbH indicating an impairment of £18,303,884.



## LD International Holdings Limited

### Notes to financial statements for year ended 31<sup>st</sup> December 2022 (continued)

#### 7. Investments (continued)

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

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

[D] 1871 Hollis Street, Suite 200 Halifax NS B3J 0C3, Canada

[E] Gammel Kongevej 1, 1610 Copenhagen, Denmark

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

[G] Lakkisepäntie 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

## LD International Holdings Limited

### Notes to financial statements for year ended 31<sup>st</sup> December 2022 (continued)

#### 7. Investments (continued)

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

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

[L] 25/28 North Wall Quay, Dublin 1

[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 KLDDiscovery AS

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

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

[5] 100% held by KLDDiscovery Ontrack GmbH

[6] 100% held by KLDDiscovery Ontrack Limited

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

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

	At 31 December 2022 £	At 31 December 2021 £
Intercompany receivable	859,690	482,179

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

	At 31 December 2022 £	At 31 December 2021 £
Interest payable	234,166	216,821

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

	At 31 December 2022 £	At 31 December 2021 £
Loan notes wholly repayable within 5 years	44,957,935	42,460,344
Interest wholly repayable within 5 years	3,596,635	2,497,591
Total	<u>48,554,570</u>	<u>44,957,935</u>

## LD International Holdings Limited

### Notes to financial statements for year ended 31<sup>st</sup> December 2022 (continued)

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

- 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 2021 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 £48,554,570 (2021: £44,957,935).

#### 11. Financial instruments

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

	At 31 December 2022 £	At 31 December 2021 £
<b>Financial liabilities</b>		
Fixed term intercompany loan note	48,554,570	44,957,935

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.

#### 12. Share capital

	At 31 December 2022 £	At 31 December 2021 £
<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. Events after the reporting period

There are no events to report between the statement of financial position date and the date of this report.

## **LD International Holdings Limited**

### **Notes to financial statements for year ended 31<sup>st</sup> December 2022 (continued)**

#### **15. Ultimate parent company and controlling party**

The company is a wholly owned subsidiary of LD International Holdings SRL, an international society with restricted liability organised under the laws of Barbados and of its ultimate parent, KLDDiscovery, Inc. It is included in the consolidated financial statements of KLDDiscovery, Inc., which are publicly available from the address below. The company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is KLDDiscovery, Inc. The address of the parent's registered office is 9023 Columbine Road, Eden Prairie, MN 55347, United States of America.