

## **Clever Digit Media Ltd**

### **Directors' report and financial statements**

for the year ended 31 December 2022

Company Number: 04381547

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Clever Digit Media Ltd

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**Directors' report and financial statements**  
**for the year ended 31 December 2022**

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Clever Digit Media Ltd

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## Company information

### Directors

Howard Hochhauser (American)  
Helen Giddings (British)  
Susan Moncur (British)  
Gregory Packer (American)

### Secretary

Helen Giddings (British)

### Registered number of incorporations

04381547

### Solicitors

Stephenson Harwood LLP  
1 Finsbury Circus  
London  
EC2M 7SH  
United Kingdom

### Auditor

Ernst & Young  
Chartered Accountants  
Ernst & Young Building  
Harcourt Centre  
Harcourt Street  
Dublin 2

### Bankers

HSBC Bank plc  
Swindon The Forum  
1 Marlborough Road  
Old Town  
Canal Walk  
Swindon  
Wiltshire  
SN3 1QN  
United Kingdom

### Registered office

4th Floor  
Strand Bridge House  
138-142 The Strand  
London  
WC2R 1HH  
United Kingdom

## Clever Digit Media Ltd

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### **Directors' report**

**for the year ended 31 December 2022**

The Directors present herewith their report and audited financial statements for the year ended 31 December 2022.

#### **Principal activities and business review**

The principal activities of Clever Digit Media ("the Company") are to carry on the business of an online professional British military genealogy organisation and the provision of all other related genealogy products and services.

On 21 May 2021, the Company was acquired by the Ancestry Group.

#### **Future developments**

It is the intention of the Directors to continue to develop the current activities of the Company. The Company monitors forthcoming and current legislation regularly and continues to manage proactively the operational and reporting requirements arising from legislation and an increasing regulatory regime throughout its operations. The Directors do not anticipate any changes in the Company's activities in the foreseeable future.

#### **Results and dividends**

The Statement of income and retained earnings for the year ended 31 December 2022 and the Statement of financial position at that date are set out on pages 11 and 12.

The loss on ordinary activities before taxation for the period amounted to £432,316 (2021: profit of £617,420). After a taxation credit of £99,675 (2021: taxation charge of £117,430) a loss of £332,641 (2021: profit of £499,990) was transferred to retained earnings. Shareholders' funds at 31 December 2022 amounted to £327,719 (2021: £960,360).

In November 2022, the Company paid a dividend of £300,000 to its immediate parent company, Ancestry.com UK Limited.

#### **Principal risk and uncertainties**

The Directors have identified that the following are the principal risks and uncertainties that affect the Company:

- If the Company's efforts to retain existing and to attract new subscribers do not succeed, the Company's number of subscribers could decline, and revenues may be materially adversely affected.
- The Company faces competition from many different sources, some of which offer free content, and the failure to compete effectively could materially impact revenues, results of operations and financial condition.
- If the Company is unable to continually enhance its products and services and adapt them to technological changes and subscriber needs, it may not remain competitive, and the business may fail to grow or decline.

#### **Directors and company secretary**

The Directors and Company Secretary at the date of signing of the financial statements are listed on page 2 and unless otherwise indicated, served throughout the financial period and up to the date of approval of these financial statements.

#### **Key performance indicators**

The Company tracks its performance against key financial and non-financial indicators. Key financial performance indicators include the monitoring and management of profitability and working capital.

Clever Digit Media Ltd

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## **Directors' report**

for the period ended 31 December 2022 (continued)

### **Going concern**

No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. On the basis of their assessment of the Company's financial position, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Accounting records**

The Directors are responsible for ensuring that proper accounting records, as outlined in Section 386 of the Companies Act, 2006, are kept by the Company. To achieve this, the Directors have appointed appropriate accounting personnel in order to ensure that compliance with those requirements is achieved. The accounting records are maintained at 52-55 Sir John Rogerson's Quay, Dublin 2.

### **Political donations**

No political donations were made during the period. (2021: £Nil)

### **Transactions involving Directors.**

There are no contracts of significance in relation to the business of the Company in which the Directors had any interest as defined in the Companies Act 2006 at any time during the reporting period.

### **Employees**

The wellbeing of the Company's employees is safeguarded through adherence to health and safety standards.

### **Research and development**

The Company has not incurred any research and development expenditure.

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

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Important events since the year end**

As discussed in Note 17 to the financial statements, there have been no other significant events, outside ordinary course of business, affecting the Company since 31 December 2022.

### **Auditor**

The auditors, Ernst & Young were appointing during the financial year and in accordance with section 485 of the Companies Act 2006, a resolution to reappoint Ernst & Young Chartered Accountants as auditor will be put to the members at the Annual General Meeting.

### **Small companies' provision**

This report has been prepared in accordance with the special provisions of the Companies Act 2006 relating to small companies.

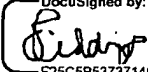
Clever Digit Media Ltd

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

On behalf of the Board

DocuSigned by:



F25C5B5373714CA  
Director: Helen Giddings

Date: 18 May 2023

Clever Digit Media Ltd

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## **Directors' responsibility statement**

**for the period ended 31 December 2022**

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

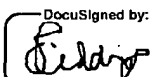
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with accounting standards issued by the Financial Reporting Council including Financial Reporting Standard ("FRS") 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice). Under UK 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 judgments 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. 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.

On behalf of the Board

DocuSigned by:  
  
F2563B5873714CA  
Director: Helen Giddings

Date: 18 May 2023

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLEVER DIGIT MEDIA LIMITED**

### **Opinion**

We have audited the financial statements of Clever Digit Media Limited for the year ended 31 December 2022 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position, and the related notes 1 to 18, 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, 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**

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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 company's ability to continue as a going concern.





## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLEVER DIGIT MEDIA LIMITED (continued)**

### **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' responsibility statement set out on page 6, 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 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLEVER DIGIT MEDIA LIMITED**  
(continued)

**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 entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are International Accounting Standards, Companies Act 2006 and the relevant tax compliance regulations in the UK. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, bribery and corruption practices.
- We understood how the company is complying with those frameworks by making corroborating enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through reading the board minutes, and we noted that there was no contradictory evidence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by inquiry of management, those charged with governance and others within the company, as to whether they have knowledge of any actual or suspected fraud. Where this risk was considered higher, we performed audit procedures to address the fraud risk. We performed journal entry testing by specific risk criteria, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the company's business.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved obtaining solicitors' confirmations, reading minutes of board meetings, analytical reviews, and the examination of legal expenses accounts.

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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLEVER DIGIT MEDIA 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.

*Ernst & Young*

Brian Lenihan (Senior statutory auditor)  
for and on behalf of  
Ernst & Young Chartered Accountants and Statutory Audit Firm  
Dublin, Ireland  
Date: 19 May 2023

## Clever Digit Media Ltd

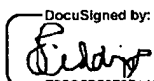
## Statement of income and retained earnings

for the year ended 31 December 2022

		For the year ended 31 December 2022	For the 10- month period ended 31 December 2021)
	Note	£	£
<b>Turnover - continuing operations</b>	2	2,198,580	2,501,887
Cost of Services		(67,843)	(81,250)
<b>Gross profit – continuing operations</b>		2,130,737	2,420,637
Administrative expenses		(2,572,286)	(1,807,505)
<b>Operating (loss)/profit – continuing operations</b>		(441,549)	613,132
Interest receivable and similar income		9,233	4,288
<b>(Loss)/profit on ordinary activities before taxation</b>		(432,316)	617,420
Tax credit/(charge) on (loss)/profit on ordinary activities	5	99,675	(117,430)
<b>(Loss)/profit for the period</b>	3	(332,641)	499,990
Retained earnings brought forward		950,360	450,370
Dividends paid	6	(300,000)	-
<b>Retained earnings carried forward</b>		317,719	950,360

The accounts have been prepared in accordance with the special provisions of the Companies Act 2006 relating to small companies.

Approved by the Board on 18 May 2023

DocuSigned by:  
  
 F25C5B5273714CA  
 Director: Helen Giddings

Date: 18 May 2023

## Clever Digit Media Ltd

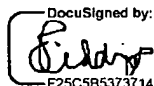
**Statement of financial position**

as at 31 December 2022

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Tangible assets	7	-	11,410
<b>Current assets</b>			
Debtors:	8		
amounts falling within one year		217,936	44,212
amounts falling after one year		-	7,490
Cash at bank		1,028,579	1,694,242
		<u>1,246,515</u>	<u>1,745,944</u>
Creditors:	9		
amounts falling due within one year		<u>(918,796)</u>	<u>(796,994)</u>
<b>Net current assets</b>		<u>327,719</u>	<u>948,950</u>
<b>Total assets less current liabilities</b>		<u>327,719</u>	<u>960,360</u>
Provision for liabilities	13	-	-
<b>Net assets</b>		<u>327,719</u>	<u>960,360</u>
<b>Capital and reserves</b>			
Called up share capital	14	111	111
Share premium		9,889	9,889
Retained Earnings		<u>317,719</u>	<u>950,360</u>
<b>Shareholders' funds</b>		<u>327,719</u>	<u>960,360</u>

The accounts have been prepared in accordance with the special provisions of the Companies Act 2006 relating to small companies.

Approved by the Board on 18 May 2023

DocuSigned by:  
  
 F25C5B5373714CA  
 Director: Helen Giddings  
 Date: 18 May 2023

Clever Digit Media Ltd

## Notes to the financial statements

for the year ended 31 December 2022

### 1. Summary of significant accounting policies

The principal accounting policies, all of which have been applied consistently by the Company throughout the current financial period, are set out below.

#### (a) **Statement of compliance**

Clever Digit Media Ltd is a limited liability company incorporated in England. The registered office is 4th Floor, Strand Bridge House, 138-142 The Strand, London, WC2R 1HH. The Company's financial statements have been prepared in compliance with FRS 102, the financial reporting standard applicable in the UK and Republic of Ireland, as it applies to the financial statements of the Company for the period ended 31 December 2022.

#### (b) **Basis of preparation**

The financial statements are prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom including Financial Reporting Standard 102. The financial statements have been prepared under the historical cost convention on the going concern basis.

No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. On the basis of their assessment of the Company's financial position, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements are presented in GBP (£) and are rounded to the nearest £.

#### (c) **Length of financial reporting period**

In 2021, the Company was acquired by Ancestry.com UK Limited. To align its financial reporting to that of its parent, the Company changed its annual reporting period end from 28 February to 31 December. The reporting period for the year ended 31 December 2021 is 10 months, and the reporting period for the year ended 31 December 2022 is 12 months.

The previous reporting period ran from 1<sup>st</sup> March 2021 to 31<sup>st</sup> December 2021 and as such all comparatives within these financial statements are in relation to this 10-month period.

#### (d) **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Actual results could differ materially from these estimates.

The Company regularly evaluates its estimates to determine their appropriateness, including taxation, impairment of non-financial assets, estimation of repair and restoration costs, determination of fair value of share options included in share-based compensation expense, provisions, among others.

The Company is required to perform dilapidation repairs and in certain instances restore property to agreed specifications prior to the property being vacated at the end of their lease term. These amounts are based on estimates of repair and restoration costs at a future date and therefore a degree of uncertainty exists over the future outflows, given that these are subject to repair and restoration cost price fluctuations and the extent of repairs to be completed.

The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable, the results of which form the basis for the amounts recorded within the financial statements.

#### (e) **Turnover**

The Company generates revenue from the sale of subscriptions, provision of professional research services, sale of replica medals and memorial scrolls. Revenue is collected primarily from debit/credit cards through the Company's website.

Subscription revenues are recognised rateably over the subscription period, ranging from one month to one year and on the basis that all are non-refundable.

## Clever Digit Media Ltd

**Notes to the financial statements**

for the year ended 31 December 2022 (continued)

**1. Summary of significant accounting policies (continued)****(e) Turnover (continued)**

Deferred revenues represent the amounts received from customers for which the performance obligation has not been fulfilled. Deferred revenues are expected to be recognised as revenue within one year based on subscription durations and expected fulfilment dates.

The Company recognises revenue from the provision of professional research services, sale of replica medals and memorial scrolls when the Company has fulfilled its contractual obligations and the risks and rewards attached to the product are transferred to the customer.

**(f) Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated to recognise the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Computer equipment	-	3 years straight-line basis
Fixtures and fittings	-	3 years straight-line basis
Leasehold improvements	-	5 years straight-line basis or terms of the lease whichever is shorter

**(g) Impairment of fixed assets**

At each reporting date, fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the statement of income and retained earnings.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of income and retained earnings.

**(h) Taxation**

Current corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted for the accounting period.

**(i) Deferred tax**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

**(j) Cash and cash equivalents**

Cash and cash equivalents in the Statement of financial position comprise cash at banks

Clever Digit Media Ltd

## Notes to the financial statements

for the period ended 31 December 2022 (continued)

### 1. Summary of significant accounting policies (continued)

(k) **Provisions for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and when it is probable that an outflow of economic benefits will be required to settle the obligation only.

(l) **Short-term debtors and creditors**

Debtors with no stated interest rate and receivable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of income and retained earnings under other operating expenses.

(m) **Foreign currencies**

The financial statements are presented in GBP (£). Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of income and retained earnings account.

(n) **Pension**

The Company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the statement of income and retained earnings.

(o) **Classification of shares as debt or equity**

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. The shares of the Company are all ordinary shares.

(p) **Share-based Payments**

The Company's share-based compensation plan allows for the issuance of share-based awards, including service-based and performance-based share options, and restricted share units ("RSUs"), to employees, officers, directors and consultants of the Company.

As of 31 December 2022, outstanding share-based awards are in an indirect parent entity of the Company. Each award represents a contingent right to receive an equivalent common share upon exercise of the option, or upon vesting of an RSU.

Share-based compensation expense is recorded by amortising the fair value of each share-based award over the requisite service period on a straight-line basis for service-based awards and rateably for each vesting tranche for performance-based awards. The fair value of each share option award is calculated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes model requires various assumptions, including fair value of the underlying share, volatility, expected option life, risk-free interest rate and expected dividends. The fair value of the underlying shares is determined based on the fair value as of the grant dates.

The Company recognises forfeitures as they occur. For performance-based grants, the Company assesses the probability of achieving the performance conditions throughout the performance period of the award. Judgment is required to estimate whether and over what time period the performance targets will be achieved. To the extent actual results or updated estimates differ from the Company's current estimates, the cumulative effect of those changes is either recorded in the period the estimates are revised, or applied prospectively, depending on whether the change affects the estimate of total compensation cost to be recognised or merely the period over which compensation cost is to be recognised.

Common shares for RSUs are issued on their respective vesting dates, generally, net of the statutory tax withholding requirements. As a result, the actual number of shares issued generally will be fewer than the actual number of RSUs outstanding.



## Clever Digit Media Ltd

**Notes to the financial statements**

for the period ended 31 December 2022 (continued)

**1. Summary of significant accounting policies (continued)****(p) Share-based Payments (continued)**

Because the Company's parent entity is privately held and there is no public market for its equity, the parent entity's Board considers numerous objective and subjective factors to determine the fair value of its common shares at the time awards are approved. The factors include, but are not limited to:

- estimates of fair value completed by independent third-party valuation firms;
- the lack of marketability of the Company's equity;
- the Company's actual operating and financial results;
- current business conditions and projections;
- the likelihood of achieving a liquidity event, such as an initial public offering or potential acquisition of the Company's business;
- relevant or potential transactions involving the Company's capital structure;
- the market performance of comparable publicly traded companies; and
- U.S. and global capital market conditions.

**(q) Disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions under FRS 102:

- i. The requirements of Section 7.1B – Statement of Cash Flows and Section 3 – Financial Statement Presentation, paragraph 3.17(d);
- ii. The requirements of Section 33 Related Party Disclosures paragraph 33.7.
- iii. the requirements of section 26 Share-based Payments, paragraph 26.18 (b), 26.19 to 26.21 and 26.23.

Equivalent disclosures for disclosure exemptions are included in the Arches Holdings Inc. (Group) Annual Report.

The Consolidated Financial Statements of Arches Holdings Inc. and its consolidated subsidiaries as of 31 December 2022 and for the annual periods ended 31 December 2022 and 2021 have been filed with the Companies Registration Office and are available upon request from its principal place of business at 1300 W Traverse Parkway, Lehi, UT 84043, U.S.A.

**2. Turnover**

Turnover represents the amounts derived from the provision of goods and services that fall within the Company's ordinary activities, stated net of value added tax.

**3. Profit/(loss) on ordinary activities before taxation**

This is stated after charging/(crediting):

	<i>Dec 2022</i>	<i>Dec 2021</i>
	<i>£</i>	<i>£</i>
Depreciation of tangible fixed assets (Note 7)	2,078	13,722
Auditor's remuneration – audit services	19,732	19,171
Auditor's remuneration – tax services	4,000	2,000
Net (gain)/loss on foreign currency translation	(982)	41
Directors' remuneration (Note 4(c))	<u>-</u>	<u>66,946</u>

## Clever Digit Media Ltd

**Notes to the financial statements**

for the period ended 31 December 2022 (continued)

**4. Staff costs and employees**

## a) Staff costs

The aggregate payroll costs of employees (including executive directors) were:

	<i>Dec 2022</i>	<i>Dec 2021</i>
	<i>£</i>	<i>£</i>
Wages and salaries	624,823	795,425
Social security costs	100,858	79,050
Pension contribution (Note 10)	53,850	47,370
Termination benefit	245,202	-
Share-based payments (Note 15)	86,071	30,807
	<u>1,110,804</u>	<u>952,652</u>

## b) Staff numbers

The average monthly number of employees during the year was:

	<i>Dec 2022</i>	<i>Dec 2021</i>
	<i>No</i>	<i>No</i>
Operations	10	20
Administration	-	-
	<u>10</u>	<u>20</u>

## c) Directors' remuneration

	<i>Dec 2022</i>	<i>Dec 2021</i>
	<i>£</i>	<i>£</i>
Aggregate remuneration in respect of qualifying services	<u>-</u>	<u>66,946</u>

	<i>Dec 2022</i>	<i>Dec 2021</i>
	<i>No</i>	<i>No</i>
Number of directors who received shares in respect of qualifying services	-	-
Number of directors accruing benefits under defined benefit schemes	<u>-</u>	<u>-</u>

## Clever Digit Media Ltd

**Notes to the financial statements**

for the period ended 31 December 2022 (continued)

**5. Tax on profit on ordinary activities**

## (a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows:

	Dec 2022 £	Dec 2021 £
<b>Current tax:</b>		
UK corporation tax on the (loss)/profit for the year	(15,316)	125,197
Total current tax	(15,316)	125,197
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(68,093)	(7,767)
Effect of changes in tax rates	(16,266)	-
Total deferred tax (Note 12)	(84,359)	(7,767)
Tax (credit)/benefit on profit on ordinary activities (Note 5(b))	(99,675)	117,430

## b) Circumstances affecting the current tax charge.

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (19% in 2021). The differences are explained below:

	Dec 2022 £	Dec 2021 £
(Loss)/profit on ordinary activities before taxation	(432,316)	617,420
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021 – 19%)	(82,140)	117,310
<i>Effects of:</i>		
Expenses not deductible for tax purposes	76	5,910
Tax Rates changes	(16,266)	-
Share options acquisition relief	(1,345)	(5,790)
Tax on (loss)/profit on ordinary activities (Note 5(a))	(99,675)	117,430

**6. Dividends paid**

	Dec 2022 £	Dec 2021 £
Dividends paid	300,000	-
	300,000	-

In November 2022, the Company paid a dividend of £300,000 to its parent company, Ancestry.com UK Limited.

## Clever Digit Media Ltd

**Notes to the financial statements**

for the period ended 31 December 2022 (continued)

**7. Tangible fixed assets**

	<i>Fixtures and Fittings (restated) £</i>	<i>Office equipment £</i>	<i>Total (restated) £</i>
<i>Cost:</i>			
At 31 December 2021	32,033	58,299	90,332
Additions	-	-	-
Disposal	(32,033)	(58,299)	(90,332)
At 31 December 2022	-	-	-
<i>Accumulated depreciation:</i>			
At 31 December 2021	22,701	56,221	78,922
Charge for the year	-	2,078	2,078
Disposal and other movements	(22,701)	(58,299)	(80,999)
At 31 December 2022	-	-	-
<i>Net book value:</i>			
At 31 December 2022	-	-	-
At 31 December 2021 (restated)	9,332	2,078	11,410

In 2021, the Company changed its calculation of depreciation to straight-line basis from reducing balance basis to align with that of its immediate parent, Ancestry.com UK Limited.

**8. Debtors**

	<i>Dec 2022 £</i>	<i>Dec 2021 £</i>
<i>Amounts falling due within one year:</i>		
Accounts receivable	45,441	44,103
Other Taxation		
Corporate Tax	74,069	-
VAT	8,672	-
Deferred tax (Note 12)	89,754	-
Other debtors	-	109
	<u>217,936</u>	<u>44,212</u>
	<i>£</i>	<i>£</i>
<i>Amounts falling due after one year:</i>		
Other debtors	-	1,700
Deferred tax (Note 12)	-	5,790
	<u>-</u>	<u>7,490</u>

## Clever Digit Media Ltd

**Notes to the financial statements**

for the period ended 31 December 2022 (continued)

**9. Creditors**

	<i>Dec 2022</i>	<i>Dec 2021</i>
	£	£
<i>Amounts falling due within one year:</i>		
Trade creditors	128,718	55,363
Amounts owed to group undertakings	123,500	21,753
Other taxation and social security	40,206	231,960
Deferred revenue	265,943	357,535
Other creditors	360,429	101,988
Deferred tax (Note 12)	-	395
Other provisions	-	28,000
	<u>918,796</u>	<u>796,994</u>

**10. Pensions**

Total contributions charged to the statement of income and retained earnings account in respect of the Company's contribution to the defined contribution pension scheme amounted to £53,850 (Dec 2021: £47,370).

**11. Obligations under operating leases**

Future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>	
	<i>Dec 2022</i>	<i>Dec 2021</i>
	£	£
Within 1 year	-	49,500
In 2 to 5 years	-	-

**12. Deferred taxation**

The deferred tax included in the balance sheet is as follows:

	<i>Dec 2022</i>	<i>Dec 2021</i>
	£	£
Included in Debtors (Note 8)	89,754	5,790
Included in Creditors (Note 9)	-	(395)
Total Deferred	<u>89,754</u>	<u>5,395</u>

The movement in the deferred taxation account during the year was:

	<i>Dec 2022</i>	<i>Dec 2021</i>
	£	£
As at 1 Jan 2022 (1 March in 2021)	5,395	(2,372)
Statement of Income and retained earnings account movement arising during the year (Note 5)	<u>84,359</u>	<u>7,767</u>
At 31 December	<u>89,754</u>	<u>5,395</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	<i>Dec 2022</i>	<i>Dec 2021</i>
	£	£
Excess of depreciation over taxation allowances	-	(395)
Other timing differences	3,865	5,790
Tax losses	<u>85,889</u>	<u>-</u>
	<u>89,754</u>	<u>5,395</u>

## Clever Digit Media Ltd

**Notes to the financial statements**

for the period ended 31 December 2022 (continued)

**13. Provisions for liabilities**

	Dec 2022	Dec 2021
	£	£
<i>Deferred tax provision:</i>		
Balance brought forward	-	(2,372)
Amount charged in year	-	7,767
Amount transferred to debtors after one year (Note 8)	-	(5,790)
Amount transferred to creditors within one year (Note 9)	-	395
	-	-
	£	£
<i>Dilapidations provision:</i>		
Balance brought forward	-	(28,000)
Amount transferred to creditors within one year	-	28,000
	-	-

Dilapidation provision relates to existing property, New Hall, Market Place, Melksham, Wiltshire, SN12 6EX. The dilapidations provision, which is an estimate by the directors of the likely cost, relates to obligations, which the Company is legally committed to under the terms of its property leases.

**14. Share capital**

	Dec 2022	Dec 2021
	£	£
<i>Authorised</i>		
1,000 ordinary shares of GBP £1.00 each	1,000	1,000
<i>Allotted called up and fully paid</i>		
111 ordinary shares of £1 each	111	111

**15. Share-based payment*****Equity-settled share-based payment***

The Company's indirect parent has share-based compensation plans, which allow for the issuance of share-based awards to employees and directors of Clever Digit Media Ltd under the 2020 Arches Holdings Inc. Stock Incentive Plan (the "2020 Equity Plan"). Each award granted pursuant to the 2020 Equity Plan represents a contingent right to receive an equivalent investor interest in an indirect parent entity of the Company upon exercise of the option or vesting of an RSU. All awards granted and outstanding pursuant to the 2020 Equity Plan have a term not greater than ten years from the original date of grant.

***Restricted share units***

Restricted Share Units vest over a period up to four years.

Each RSU entitles the grantee to an investor interest in an indirect parent entity of the Company, or, at the discretion of the indirect parent entity, cash equal to the fair market value of the award at the settlement date.

***Summary of share-based compensation***

The total charge to the statement of income and retained earnings in respect of the share-based payments included within wages and salaries are as follows

	Dec 2022	Dec 2021
	£	£
Restricted stock units	86,071	30,807

Clever Digit Media Ltd

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## Notes to the financial statements

for the period ended 31 December 2022 (continued)

### 16. Parent undertaking, controlling party and related-party transactions

The Company's immediate parent undertaking and controlling party is Ancestry.com UK Limited, a company incorporated in the United Kingdom.

The Company's indirect parent undertaking and controlling party is Arches Holdings Inc., a company incorporated in the United States of America. Arches Holdings Inc. is a holding company, and all its business operations are conducted by its wholly owned subsidiaries.

The parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up, and of which the Company is a member, is Arches Holdings Inc. The consolidated financial statements of Arches Holdings Inc. as of 31 December 2022 and 31 December 2021 and for the annual periods then ended are available upon request from its principal place of business at 1300 W Traverse Parkway, Lehi, UT 84043, U.S.A.

The Company has availed of the exemption provided in Financial Reporting Standard number 2, section 33 "Related Party Disclosures," for subsidiary undertakings wholly owned, from the requirement to give details of transactions with entities that are part of the group or investees of the group qualifying as related parties.

### 17. Events since the year end

There have been no significant events, outside the ordinary course of business, affecting the Company since 31 December 2022.

### 18. Approval of the financial statements

The Directors approved the financial statements and authorised them for issue on 18 May 2023.