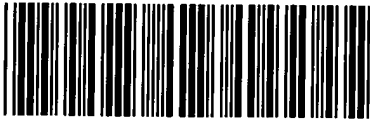


WHALAR LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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WHALAR LTD

COMPANY INFORMATION

Directors	N T Waller J Hegarty R Horler R Greenberg J J W Street A Wong
Company secretary	OHS Secretaries Limited
Registered number	09803195
Registered office	9th Floor 107 Cheapside London EC2V 6DN
Independent auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG

WHALAR LTD

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WHALAR LTD

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

Introduction

The Directors of Whalar are pleased to present their Strategic Report and Audited Group accounts for the year 01 January 2023 - 31 December 2023.

Principal Activities

Whalar is a global creator commerce company which enables creators, brands and social platforms to drive growth together. Whalar partners with brands to reach consumers using social media platforms, and to stay culturally relevant through smarter creator strategies and entertaining content at scale.

We have built a unique, end-to-end creator ecosystem to nourish creators, discover new ones, and help them grow their community. To serve this goal, we have differentiated our services into six distinct lines of business:

- 1) Brand Partnerships agency
- 2) Talent Management agency
- 3) Foam - AI powered technology platform
- 4) Mempoverse/Umi Games - Whalar's investment in Gaming studio to build immersive experiences for creators and brands
- 5) Moby Venture - studio to help creators develop and market products
- 6) Lighthouse - a first of its kind physical campus for creators.

Our client roster includes mainly Fortune 500 clients, such as Amazon, Spotify, Google, Estee Lauder, Petsmart, Tik Tok.

During the year, the group engaged KPMG to implement a new transfer pricing model. Under this model:

- The US customer revenue and directly attributable cost of sales have been transferred from Whalar Ltd to Whalar Inc. as transfer pricing recharges.
- Whalar Ltd recharged Whalar Inc. a licensing fee for use of intellectual property.
- There has been recharges to and from Whalar Ltd and Whalar Inc. for overhead costs.
- Transfer Pricing was also reviewed and revised for Spain, Estonia and Germany.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Business review

The financial year ended 31 December 2023 was a challenging year for Whalar, due to slow down across the industry and the Hollywood strike which continued over a 5 month period. There was also some impact due to internal reorganisation issues. This is however, considered an anomaly for our business, given the strong revenue growth and profitability that the company enjoyed in 2021 and 2022.

2024 is also promising to be a much stronger year, and the company is hoping to pivot back to a profit position based on the Q3 and Q4 revenue pipeline so far this year.

Revenue recognised for FY2023 was \$102.1m
Revenue recognised for FY2022 was \$112.0m
Revenue recognised for FY2021 was \$ 69.0m (as restated)

Operating loss for FY2023 was \$ (9.1)m
Operating profit for FY2022 was \$ 11.5m
Operating profit for FY2021 was \$ 9.3m (as restated)

Key events in 2023:

1) New Transfer Pricing Model

KPMG was engaged by Whalar to conduct an in-depth study of Whalar Group's corporate and tax structure. Based on their analysis and recommendation, a new Transfer pricing model was implemented as of 2023 for all the subsidiaries. The new transfer pricing model was effective from FY23 and did not impact the comparatives.

2) Mempoverse Inc (Umi Games)

Whalar made additional investment in the Gaming company, Mempoverse Inc. (an associate undertaking of Whalar Inc.), and as a result now owns 67.73% shares in that company. Post year end the investment increased to 70% interest in Mempoverse Inc. This promoted a change in accounting treatment for the investment. Mempoverse's status changed from "Other Investment" to "Associate", and its share of profit/loss is now reflected in the accounts.

3) Capitalising Development Costs

During the 2022 audit, the decision was made to capitalise Development costs for Foam. This has been reflected in the financials for 2021, 2022, and now 2023.

New Initiatives and Products

- **Lighthouse**

Whalar will be building out physical campuses for creators and brands to collaborate, have educational sessions and host brand events. Leases have been signed post year end and we expect to go-live in 2025.

- **Mempoverse Inc (rebranded Umi Games)**

Whalar undertook investment in developing a gaming platform Mempoverse/Umi Games, in conjunction with a company called Live CGI. Whalar had acquired 42.5% equity in Mempoverse Inc. by December 2022. This investment increased to 67.73% by December 2023. Post year-end, the decision was made to increase Whalar's equity stake to 70%.

- **FOAM & ECHO**

Whalar continues to make significant R&D investment in developing a new online platform called FOAM. Foam will enable the Influencer community to centralise their products and services to market to clients. Our technology team has also made several improvements to Whalar's original proprietary platform ECHO, which will be merged with FOAM eventually.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

New Initiatives and Products (continued)

- **Whalar FZ LLC**

Whalar established a new subsidiary in Dubai UAE, Whalar FZ LLC in Dec 2021 to expand its footprint in the MENA region. A decision was made in 2023 to close that subsidiary and we are in the process of doing so.

Principal risks and uncertainties

Whalar is aware of many of the risks and uncertainties it faces in the fast-changing market in which it operates. Management has been implementing policies and procedures to mitigate risks as they arise.

- **Client timelines and deliverables, impacting Revenue Recognition and Cost Accruals**

Whalar operates on a project basis, based on client contracts and deliverables. Per standard accounting practice, revenue and costs are recognised monthly based on estimated project timelines. However, there are frequent changes to delivery dates (mostly due to changing client directions and budgets). This can lead to post year-end adjustments. We are mitigating against this risk by daily monitoring of budgets and timelines. We are also using campaign profitability trend analysis to post potential cost savings in the year when the campaign was booked.

- **TikTok potential ban**

Given the current impact and influence of TikTok in our society and on our business, a potential ban on TikTok in the US will have a direct impact on Whalar as well as on the entire social media ecosystem. Whalar is monitoring the situation closely, and also advising clients to diversify their activities on other platforms.

- **Increased Competition**

Given the exponential rise in social media marketing by brands, there has also been a significant increase in competition in this space. Whalar however, continues to enjoy the lead that it had established as one of the early entrants in our industry, and we continue to see substantial organic growth and strong retention of our current client base.

- **Currency Risk**

Whalar operates in multiple countries and transacts business in USD, GBP and EUR from a receivables and payables perspective. Fx gains/losses occur at multiple points in the life cycle of a transaction. To minimise the impact of this risk, we have changed our reporting currency in FY22 to USD since that is the predominant currency in our business.

The company is also shielded from actual foreign exchange risk in its banking operations, since we transact in all the 3 major currencies (USD, GBP and Euro), thereby creating a natural hedge for Whalar.

Whalar also implemented Netsuite as its new ERP system in 2022, which supports the increasing complexity of our business, such as multi-currency reporting and consolidations.

- **Working Capital**

Whalar has to manage short-term working capital closely due to the increased time lag in client collections vs payments to suppliers. Whalar however utilised its invoice financing facility and other early-pay discounting platforms to the maximum extent to bridge any short-term cash flow requirements.

- **Macroeconomic Conditions - Inflation and Interest Rates**

Current economic uncertainty could impact our business, as financial markets respond to projections on inflation and interest rates, and brands adjust their priorities and budgets accordingly.

WHALAR LTD

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Financial key performance indicators

Whalar uses several key financial performance indicators, being Revenue Won, Gross Revenue, Gross Profit, EBITDA and Headcount. The UK GAAP KPIs for periods ended 31 December 2023 and 31 December 2022 are shown in the table below.

USD In millions:

	2023	2022	Variance	Variance %
Revenue Won	\$105	\$112	\$ (7)	-6%
Gross Revenue	\$102	\$112	\$(10)	-9%
Gross Profit	\$34	\$46	\$(13)	-27%
Year end Headcount	278	279	(1)	(0.35)%

In addition to the standard financial indicators, Whalar also uses Revenue Won as a key indicator for assessing our sales activity during a period. It is also used as an indicator for projecting future Gross Revenue.

Revenue Won is not a statutory profit and loss figure, but it reflects signed contracts from clients during a period. Therefore, it also forms the basis for our Contract Receivable (Unbilled Receivable) account which is on the Statement of Financial Position.

Other key performance indicators

Whalar also uses numerous key nonfinancial performance indicators including but are not limited to: Campaign Profitability, Number of campaigns, Types of campaigns, Average price per campaign, Revenue distribution by region and business unit.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Directors' statement of compliance with duty to promote the success of the Group (Section 172 Statement)

Section 172 of the Companies Act 2006 requires that Directors of a company must act in ways that they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Directors of Whalar make their decisions keeping the Creator Economy as the key focal point. It is Whalar's goal to become the go-to company for all matters which help grow and support Creators and the Creator economy. With this in mind, the company has expanded in and set up 6 distinct business units which all support Creators in growing their business and brand in different areas.


The employee engagement and culture of Whalar is also just as important to the Directors, and so there are frequent All-hands meetings, and frequent information sharing across the company. Employees get just as energised and committed to the growth of the creator economy every time a new business unit plan is unveiled to them.

Given the current importance and presence of social media in the world, Whalar serves a critical role by representing creators and connecting them to brand, thereby fuelling mini-business ventures for each creator that it serves.

Whalar is also very aware of the responsibility that it carries as it represents these creators aka "entrepreneurs", and that the reputation of the company is of prime importance to continue being a leading voice in this industry. Building the Lighthouse as a physical campus for creators was very much an idea that came from this goal in mind, to meet a need for the creator community.

This report was approved by the board on

and signed on its behalf.



Neil Waller (Sep 29, 2024 07:39 PDT)

N T Waller
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors present their report and the financial statements for the year ended 31 December 2023.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to \$9,335,283 (2022 - profit \$9,657,176). There were no dividends in 2023 and 2022.

Directors

The directors who served during the year were:

N T Waller
J Hegarty
R Horler
R Greenberg
J J W Street
A Wong

WHALAR LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Going concern

As at the year end the Group had net assets of \$9,108,886 (2022: \$17,068,374) and cash position of \$6,938,332 (2022: \$12,285,528). The Financial statements have been prepared on the going concern basis. The Directors have prepared cash flow forecasts covering the 12 month period beyond the approval date of these financial statements. These forecasts project the potential revenue profiles and cash generated from the continued operation of the business. They consider there to be sufficient existing resources to operate for the foreseeable future and to enable the group to meet its liabilities as they become due. Post year end, the Group has also set up an overdraft facility with Coutts Bank up to GBP 7.5m. Post year end a loan of \$1.5m was obtained from directors (note 26). The group is in the process of securing approximately \$8m - \$10m of funding from SAFE note investments and other sources in The Lighthouse by Whalar Inc. subsidiary. Therefore the Board has concluded that the going concern assumption is appropriate in preparing these financial statements.

Disabled employees

Whalar employs individuals with disabilities, especially since Whalar had acquired assets of C-Talent agency in 2022. C-Talent was a talent agency which represented and employed individuals with disabilities.

Donations

During the year, the group made charitable donations of \$1,216 (2022 - \$5,956).

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report. Whalar has Management Liability insurance and D&O insurance.

Financial Risk Management and policies

Details of financial risk management and policies can be found in the Strategic Report.

R&D activity

Whalar has a dedicated Product & Engineering team which has been working on developing a proprietary SaaS platform (FOAM) for creators and talent managers to streamline brand collaborations and drive growth.

Employee engagement

Details of Employee engagement can be found in the Strategic Report under Section 172 statement.

Business relationships

Details of business relationships can be found in the Strategic Report under Section 172 statement.

Engagement with suppliers, customers and others

Details of this can be found in the Strategic Report under Section 172 statement.

WHALAR LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Energy and carbon reporting

The Group has not consumed more than 40,000 kWh of energy in UK during this reporting period. It therefore qualifies as a low energy user under the regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Post balance sheet events

Whalar Inc. increased its investment in Mempoerse Inc., an associate company, from 67.73% to 70%.

The group signed two property leases in Brooklyn and California in relation to its subsidiaries The Lighthouse Brooklyn LLC and The Lighthouse Venice LLC.

Rob Horler ceased being CEO of Whalar on April 30, 2024, but he continues to be a Director and a Board member of Whalar Ltd.

In May 2024, the group secured a multi-currency overdraft facility of £7.5m following the termination of an invoice discounting facility.

Post year end a loan of \$1.5m was obtained from directors.

Disclosure of information to auditors

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

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

WHALAR LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Auditors

The auditors, Haysmacintyre LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

and signed on its behalf.



Neil Waller (Sep 29, 2024 07:39 PDT)

N T Waller
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHALAR LTD

Opinion

We have audited the financial statements of Whalar Ltd (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 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 state of the Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Group's or the parent 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHALAR LTD (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 Group 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 Group Strategic Report and the 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHALAR LTD (CONTINUED)

Auditors' 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 Auditors' 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 Group financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

Based on our understanding of the company and industry, we identified that the principal risks of non compliance with laws and regulations related to Companies Act 2006 and UK tax legislation, and we considered the extent to which non compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing accounting journal entries, in particular those journal entries which exhibited the characteristics we had identified as possible indicators of irregularities; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

WHALAR LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHALAR LTD (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 Auditors' 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.

haysmacintyre LLP

Krupa Shah (Senior Statutory Auditor)

for and on behalf of
Haysmacintyre LLP

10 Queen Street Place
London
EC4R 1AG

Date: 30 September 2024

WHALAR LTD

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 \$	2022 \$
Turnover	4	102,160,940	112,015,899
Cost of sales		(68,512,315)	(65,664,329)
Gross profit		<u>33,648,625</u>	<u>46,351,570</u>
Administrative expenses		(42,796,454)	(34,859,272)
Operating (loss)/profit	5	(9,147,829)	11,492,298
Share of results of associates	13	(342,164)	-
Interest payable and similar expenses	9	(73)	(18)
(Loss)/profit before taxation		<u>(9,490,066)</u>	<u>11,492,280</u>
Tax on (loss)/profit	10	154,783	(1,835,104)
(Loss)/profit for the financial year		<u>(9,335,283)</u>	<u>9,657,176</u>
(Loss)/profit for the year attributable to:			
Owners of the parent Company		<u>(9,335,283)</u>	<u>9,657,176</u>

The notes on pages 24 to 53 form part of these financial statements.


CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 \$	2022 \$
Fixed assets			
Intangible assets	11	18,689,276	11,027,147
Tangible assets	12	263,002	328,340
Investments	13	4,218,886	1,875,105
		<u>23,171,164</u>	<u>13,230,592</u>
Current assets			
Debtors: amounts falling due within one year	14	21,900,425	26,828,335
Cash at bank and in hand	15	6,938,332	12,285,528
		<u>28,838,757</u>	<u>39,113,863</u>
Creditors: amounts falling due within one year	16	(40,651,788)	(33,884,542)
Net current (liabilities)/assets		<u>(11,813,031)</u>	<u>5,229,321</u>
Total assets less current liabilities		<u>11,358,133</u>	<u>18,459,913</u>
Provisions for liabilities			
Deferred taxation	18	(2,249,247)	(1,391,539)
		<u>(2,249,247)</u>	<u>(1,391,539)</u>
Net assets		<u><u>9,108,886</u></u>	<u><u>17,068,374</u></u>
Capital and reserves			
Called up share capital	19	193	193
Share premium account	20	918,838	916,420
Foreign exchange reserve	20	(169,226)	(153,416)
Other reserves	20	7,356,923	6,266,691
Profit and loss account	20	1,002,158	10,038,486
Equity attributable to owners of the parent Company		<u><u>9,108,886</u></u>	<u><u>17,068,374</u></u>

WHALAR LTD
REGISTERED NUMBER: 09803195

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2023

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Neil Waller (Sep 29, 2024 07:39 PDT)
N T Waller
Director
Date:

The notes on pages 24 to 53 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023


	Note	2023 \$	2022 \$
Fixed assets			
Intangible assets	11	18,184,066	10,373,900
Tangible assets	12	103,914	141,899
Investments	13	478,902	247,585
		<u>18,766,882</u>	<u>10,763,384</u>
Current assets			
Debtors: amounts falling due within one year	14	21,411,106	26,751,563
Cash at bank and in hand	15	5,214,501	10,745,662
		<u>26,625,607</u>	<u>37,497,225</u>
Creditors: amounts falling due within one year	16	(39,317,000)	(31,652,260)
Net current (liabilities)/assets		<u>(12,691,393)</u>	<u>5,844,965</u>
Total assets less current liabilities		<u>6,075,489</u>	<u>16,608,349</u>
Provisions for liabilities			
Deferred taxation	18	(2,249,247)	(1,391,539)
		<u>(2,249,247)</u>	<u>(1,391,539)</u>
Net assets		<u>3,826,242</u>	<u>15,216,810</u>
Capital and reserves			
Called up share capital	19	193	193
Share premium account	20	918,838	916,420
Foreign exchange reserve	20	227,673	239,334
Other reserves	20	6,456,923	6,266,691
Profit and loss account brought forward		7,794,172	(65,219)
Loss/(profit) for the year		(11,870,512)	7,703,513
Other changes in the profit and loss account		298,955	155,878
Profit and loss account carried forward		<u>(3,777,385)</u>	<u>7,794,172</u>
		<u>3,826,242</u>	<u>15,216,810</u>

WHALAR LTD
REGISTERED NUMBER: 09803195

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2023

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income and related notes. The company's loss for the year was \$11,870,512 (2022: profit \$7,703,513).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Neil Waller (Sep 29, 2024 07:39 PDT)

N T Waller
Director
Date:

The notes on pages 24 to 53 form part of these financial statements.

WHALAR LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Called up share capital	Share premium account	Foreign exchange reserve	Other reserves	Profit and loss account	Total equity
	\$	\$	\$	\$	\$	\$
At 1 January 2022 (as previously stated)	193	916,420	(230,925)	6,266,691	(1,965,467)	4,986,912
Prior year adjustment - correction of error	-	-	-	-	(771,907)	(771,907)
Prior year adjustment - change in accounting policy	-	-	-	-	2,962,806	2,962,806
At 1 January 2022 (as restated)	193	916,420	(230,925)	6,266,691	225,432	7,177,811
Comprehensive income for the year						
Profit for the year	-	-	-	-	9,657,176	9,657,176
Contributions by and distributions to owners						
Share option charge	-	-	-	-	155,878	155,878
Currency translation differences	-	-	77,509	-	-	77,509
At 1 January 2023	193	916,420	(153,416)	6,266,691	10,038,486	17,068,374
Comprehensive income for the year						
Loss for the year	-	-	-	-	(9,335,283)	(9,335,283)
Cash received in advance of shares	-	-	-	1,090,232	-	1,090,232
Contributions by and distributions to owners						
Shares issued during the year	-	2,418	-	-	-	2,418
Share option charge	-	-	-	-	298,955	298,955
Currency translation differences	-	-	(15,810)	-	-	(15,810)
At 31 December 2023	193	918,838	(169,226)	7,356,923	1,002,158	9,108,886

WHALAR LTD

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Called up share capital	Share premium account	Foreign exchange reserve	Other reserves	Profit and loss account	Total equity
	\$	\$	\$	\$	\$	\$
At 1 January 2023	193	916,420	239,334	6,266,691	7,794,172	15,216,810
Comprehensive income for the year						
Loss for the year*	-	-	-	-	(11,870,512)	(11,870,512)
Cash received in advance of shares	-	-	-	190,232	-	190,232
Total comprehensive income for the year	-	-	-	190,232	(11,870,512)	(11,680,280)
Contributions by and distributions to owners						
Shares issued during the year	-	2,418	-	-	-	2,418
Share option charge	-	-	-	-	298,955	298,955
Currency translation differences	-	-	(11,661)	-	-	(11,661)
Total transactions with owners	-	2,418	(11,661)	-	298,955	289,712
At 31 December 2023	193	918,838	227,673	6,456,923	(3,777,385)	3,826,242

The notes on pages 24 to 53 form part of these financial statements.

* The loss for the year includes a provision for amounts owed by group undertakings of \$10,426,579, which is eliminated on consolidation. Excluding this provision, the loss for the year is \$1,443,933.

WHALAR LTD

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Foreign exchange reserve	Other reserves	Profit and loss account	Total equity
	\$	\$	\$	\$	\$	\$
At 1 January 2022 (as previously stated)	193	916,420	235,142	6,266,691	(2,256,118)	5,162,328
Prior year adjustment - correction of error	-	-	-	-	(771,907)	(771,907)
Prior year adjustment - change in accounting policy	-	-	-	-	2,962,806	2,962,806
At 1 January 2022 (as restated)	193	916,420	235,142	6,266,691	(65,219)	7,353,227
Comprehensive income for the year						
Profit for the year	-	-	-	-	7,703,513	7,703,513
Contributions by and distributions to owners						
Share option charge	-	-	-	-	155,878	155,878
Currency translation differences	-	-	4,192	-	-	4,192
Total transactions with owners	-	-	4,192	-	155,878	160,070
At 31 December 2022	193	916,420	239,334	6,266,691	7,794,172	15,216,810

The notes on pages 24 to 53 form part of these financial statements.

WHALAR LTD

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023 \$	2022 \$
Cash flows from operating activities		
(Loss)/profit for the financial year	(9,335,283)	9,657,176
Adjustments for:		
Amortisation of intangible assets	164,169	86,876
Depreciation of tangible assets	177,816	135,235
Corporation tax received	576,984	-
Corporation tax paid	(404,102)	(504,843)
Interest paid	73	18
Associates share of loss	342,164	-
Taxation charge	(154,783)	1,835,104
Decrease/(increase) in debtors	5,802,292	(5,425,982)
Increase in creditors	6,732,472	3,757,978
Share option charge	298,955	155,878
Foreign exchange	(15,809)	77,443
Net cash generated from operating activities	<u>4,184,948</u>	<u>9,774,883</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(7,826,298)	(8,151,217)
Purchase of tangible fixed assets	(112,478)	(254,174)
Sale of tangible fixed assets	-	3,565
Purchase of share in associates	(2,685,945)	(1,875,105)
Net cash from investing activities	<u>(10,624,721)</u>	<u>(10,276,931)</u>
Cash flows from financing activities		
Issue of ordinary shares	2,418	-
Interest paid	(73)	(18)
Proceeds from issuance of SAFE notes	1,090,232	-
Net cash used in financing activities	<u>1,092,577</u>	<u>(18)</u>
Net (decrease) in cash and cash equivalents	<u>(5,347,196)</u>	<u>(502,066)</u>
Cash and cash equivalents at beginning of year	12,285,528	12,787,594
Cash and cash equivalents at the end of year	<u><u>6,938,332</u></u>	<u><u>12,285,528</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	6,938,332	12,285,528
	<u><u>6,938,332</u></u>	<u><u>12,285,528</u></u>

WHALAR LTD

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2023**

	At 1 January 2023 \$	Cash flows \$	At 31 December 2023 \$
Cash at bank and in hand	12,285,528	(5,347,196)	6,938,332
	-	-	-
	<u>12,285,528</u>	<u>(5,347,196)</u>	<u>6,938,332</u>

The notes on pages 24 to 53 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. General information

Whalar Ltd is a private company, limited by shares, registered in England and Wales, registration number 09803195. The registered office and trading address is 9th Floor 107 Cheapside, London, EC2V 6DN.

The principal activity of the company in the period under review was that of using social media influencers to promote brands.

The Group consists of Whalar Ltd and all of its subsidiaries (see note 13).

During the year, the group implemented a new transfer pricing model. Under the new transfer pricing model Whalar Ltd continues to own contracts with customers and invoice these customers, however, the US customer revenue and directly attributable cost of sales in Whalar Ltd were transferred to Whalar Inc. via a transfer pricing recharge. Whalar Ltd recharged Whalar Inc. a licensing fee for use of intellectual property. There has been recharges to and from Whalar Ltd and Whalar Inc. for overhead costs.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The financial statements are prepared in United States Dollars (USD), which is the functional and presentational currency of the Group.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.3 Reduced disclosure

The Company is a qualifying entity for the purposes of FRS 102, being a member of a Group where the parent of that Group prepares publicly available consolidated financial statements, including this Company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The Company has therefore taken advantage of exemptions from the following disclosure requirements for parent Company information presented within the consolidated financial statements: -

- a) Section 4 'Statement of Financial Position' - Reconciliation of the opening and closing number of shares;
- b) Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures;
- c) Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- d) Section 26 'Share-based Payment'. Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured.
- e) Section 33 'Related Party Disclosures' - Compensation for key management personnel.

2.4 Going concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate. During the year, the Group made a loss after tax of \$9,335,283 (2022: profit of \$9,657,176). As at the year-end, the Group had net assets of \$9,108,886 (2022: \$17,068,374) and cash position of \$6,938,332 (2022: \$12,285,528).

The loss for the year was attributable to the slow down across the industry and business restructuring. Directors confirm that sufficient cash is available to meet the Group and Company's liabilities as they fall due for the foreseeable future and at least twelve months from the date of approval of these financial statements.

The directors have prepared cash flow forecasts up to December 2025 for the Group and Company's future cash requirements, taking account of sensitivities, expected growth, reasonably possible downsides, mitigating actions such as deferral of expenditure and overhead spend and further funding obtained post year end. They are satisfied that the Group and Company has sufficient cash, working capital and lending facilities available to meet its liabilities as they fall due for a period of 12 months from the approval of these financial statements. Post year end, the group secured a multi currency overdraft facility of £7.5m following the termination of an invoice discounting facility. Post year end the Group also obtained a loan of \$1.5m from directors (note 26). The group is in the process of securing approximately \$8m - \$10m of funding from SAFE note investments and other sources in The Lighthouse by Whalar Inc. subsidiary.

As a result, the directors are confident that the Group and Company has the ability to navigate any challenges and will continue to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of the financial statements. Consequently, the financial statements have been prepared on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.5 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

On consolidation, the results of overseas operations are translated into USD at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.6 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of services to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Turnover is recognised in relation to separately identifiable components of a single transaction when necessary to reflect the substance of the arrangement and in relation to two or more linked transactions when necessary to understand the commercial effect.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue is recognised to the extent that it is probably that the economic benefits will flow to the Group and revenue can be reliably measured.

Revenue in respect of campaigns is recognised based on two separately identifiable elements, being the management fee and the remaining campaign fee. The management fee is recognised on signing of the contract and the remaining element of the fees is measured at the fair value of the consideration receivable, recognised over the life of the contract.

2.7 Contract assets and deferred income

Upon inception of a contract, at the point whereby the contract becomes legally binding, the Group recognise the full value of the contract as a contract receivable. Contract receivables represent the total value of unearned, unbilled contracts net of any expected impairment losses. Any contract receivables not billed are deferred as contract liabilities until the point at which revenue is recognised on the contracts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.8 Cost accruals

Cost accruals represent an estimate of costs accrued not yet invoiced at the balance sheet date. Cost accruals are based upon the cost budget per the statement of works. When contracts have been substantially completed at the balance sheet date, management will adjust the cost accrual to reflect the actual costs received after the balance sheet date.

2.9 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.10 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, over a period of 5 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.11 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.12 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.14 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- 1) The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- 2) Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- 3) Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.16 Intangible assets

Development costs

The Company capitalises development expenditure as an intangible asset when it is able to demonstrate all of the following as:

- (a) The technical feasibility of completing the development so the intangible asset will be available for use or sale.
- (b) Its intention to complete the development and to use or sell the intangible asset.
- (c) Its ability to use or sell the intangible asset.
- (d) How the intangible asset will generate probable future economic benefits.
- (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Capitalised development expenditure is amortised on a straight line basis over its useful life, which is 5 years. The directors consider these useful lives to be appropriate based on the useful economic life of the asset. Amortisation of development costs commences once the developed product or service is utilised.

All research expenditure and development expenditure that does not meet the above conditions is expensed as incurred.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following basis:

Intellectual property - 5 years straight line

2.17 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.17 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	- 3 years straight line
Computer equipment	- 3 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.18 Fixed asset investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Other unlisted investments are measured at cost and are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in the profit or loss.

2.19 Investments in associates

Undertakings in which the Group has significant influence (i.e. the power to participate in the financial and operating policy decisions but not control or joint control over those policies) are classified as associates. The Group's share of the results, other comprehensive income and equity of associates are accounted for using the equity method based on the associate's financial statements to 31 December.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of profit or loss, other comprehensive income and equity of associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying value of an investment in associates are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

2.20 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.21 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.22 Creditors

Short term creditors are measured at the transaction price.

2.23 Associates and joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated Statement of Comprehensive Income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated Statement of Financial Position, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

2.24 Provisions for liabilities

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

2.25 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade, group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.25 Financial instruments (continued)

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

2.26 Equity instruments

Equity instruments issued by the Group are recorded at the fair value of the proceeds received, net of direct issue costs.

Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The directors consider the most significant estimates required in the preparation of the financial statements are in respect of provision against receivables, recognition of income, the depreciation of tangible fixed assets. The significant elements of estimation uncertainty are described in the associated accounting policies.

Revenue recognition

The Group recognise revenue based upon the probability that the economic benefits will flow to the Group and that revenues can be reliably measured. There are two steps to the recognition of revenue, being a management fee which is recognised upfront, and the remaining campaign fee which is recognised across the life of the contract. Management estimate the expected end date of the contract, which represents the point at which all risks and rewards are transferred to the customer, for contracts which span the year-end. The end date of the contract may differ post year-end which could have a significant impact on the period over which revenue is recognised. Management also factors in any changes in scope of work and changes to start and end date when recognising revenue.

Share option charge

The Group issues equity settled share options to certain directors and employees. Equity settled share options are measured at fair value at the date of grant, with the charge being recognised within the statement of comprehensive income over the vesting period. The fair value of these options on the date of grant has been determined using the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The directors consider this the most suitable model for calculating the fair value of the options. The price of the shares may differ to the estimated price which could have a significant impact on the share option charge recognised. The management believe that there will not be only one acceptable choice for estimating the fair value of share-based payment arrangements. The judgements and estimates that management apply in determination of the share-based payments charge are summarised below:

- Selection of valuation model.
- Making assumptions used in determining the variables used in a valuation model such as expected life of the option, expected volatility and risk free interest rates.

Campaign cost accruals

The Group recognise cost accruals based upon the agreed campaign budget. Campaign cost accruals are recognised in line with the campaign fee, which is recognised across the life of the contract. As such, there is a significant estimate relating to the campaign end date which impacts the recognition of costs.

For campaigns which are significantly complete at year-end, the Group will recognise any cost savings relating to these campaigns in the financial period. Such savings are recognised for projects which are closed out three months after the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

**3. Judgments in applying accounting policies and key sources of estimation uncertainty
(continued)**

Capitalisation of development costs

Management has reviewed activity relating to internal product development projects during the period and capitalised costs where it is considered that the FRS102 criteria have been met. Management review the work of developers during the period and make the following judgements and estimates when capitalising development costs:

- Internal work relating to product development is reviewed against FRS102 criteria and is capitalised if management consider that the criteria have been met.
- Internal work relating to the maintenance of products is expensed to the statement of comprehensive income.
- Assessment of technical, financial and other resources required and available to complete development.
- Technical feasibility of completing the development work.
- Completion status of the development work.
- Expected useful life of the asset once completed.

SAFE (Simple Agreement for Future Equity) notes treated as equity

The company has issued SAFE ("simple agreement for future equity) notes which meets the definition of a financial instrument as the contractual rights and contractual obligations encompass both those that are conditioned on the occurrence of a specified event and those that are not.

Management makes judgements to determine whether the SAFE note should be classed as debt or equity. The management judgement applied was to assess whether the company has an unconditional right to avoid delivering cash or equity to the holder of the instrument. The delivery of cash or equity is conditional and subject to shareholder approval / decisions.

Management assessed whether shareholder decisions are treated as entity decisions that result in the company having an unconditional right to avoid delivering cash or another financial asset.

Management have concluded that the company's management that form part of shareholders decisions can avoid an outflow of cash from the entity by not proposing an action requiring such an approval and on this basis the events noted in the contractual terms of the SAFE notes are within the control of the company and on this basis the SAFE notes are to be treated as equity.

Recoverability of amounts owed by group undertakings

Management applies judgements when assessing the recoverability of amounts owed by group undertakings to the parent company Whalar Ltd. The recoverability assessment is based on the underlying profitability and cash generation to repay the debt. Provisions are made where necessary.

Valuation of investments in associates

The investments held are reviewed annually for impairment. Judgements are made by management on the future value of investments held in associates, which is based on future performance of the investment. If there is an indication of impairment, management will impair the asset to its recoverable amount.

Investments in associates (note 13)

The group held 67.73% shares in Mempoerse Inc. via a subsidiary company, Whalar Inc. Management has assessed whether the investment should be accounted for as a subsidiary, associate or other investment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

**3. Judgments in applying accounting policies and key sources of estimation uncertainty
(continued)**

Judgements applied by management to conclude that the group does not have control over Mempoerse Inc. despite holding a substantial shareholding and on this basis it has not been accounted for as a subsidiary. However it has the power to exercise significant influence and on this basis the investment has been accounted for as an associate.

4. Turnover

An analysis of turnover by class of business is as follows:

	2023	2022
	\$	\$
Influencer marketing	77,860,650	91,105,113
Talent management	24,300,290	20,910,786
	<u>102,160,940</u>	<u>112,015,899</u>

Analysis of turnover by geographical location:

	2023	2022
	\$	\$
United Kingdom	20,546,870	111,178,460
Rest of the world	81,614,070	837,439
	<u>102,160,940</u>	<u>112,015,899</u>

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2023	2022
	\$	\$
Exchange differences	2,056,062	174,450
Depreciation	177,816	135,169
Amortisation	164,169	86,876
Other operating lease rentals	715,538	1,195,860
Share-based payment charge	298,955	155,878
	<u>3,412,540</u>	<u>1,748,233</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

6. Auditors' remuneration

During the year, the Group obtained the following services from the Company's auditors and their associates:

	2023 \$	2022 \$
Fees payable to the Company's auditors and their associates for the audit of the consolidated and parent Company's financial statements	<u>133,480</u>	<u>120,852</u>
	2023 \$	2022 \$
Fees payable to the Group's auditor and its associates in respect of		
Taxation compliance services	34,639	17,458
Other services relating to taxation	-	625
All other services	83,283	95,233
	<u>117,922</u>	<u>113,316</u>

7. Directors' remuneration

	2023 \$	2022 \$
Directors emoluments	2,185,868	1,866,142
Amounts receivable under long-term incentive schemes	92,334	75,236
Directors fees	105,501	105,332
Total	<u>2,383,703</u>	<u>2,046,710</u>

During the year there were no retirement benefits were accruing for directors (2022- \$nil) in respect of defined contribution pension schemes.

The highest paid director received remuneration of \$760,790 (2022: \$659,550)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to \$nil (2022: \$nil).

The number of directors who exercised share options during the year was nil (2022: nil).

The number of directors who received shares under long term incentive schemes was 3 (2022: 2).

WHALAR LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

8. Employees

	Group 2023 \$	Group 2022 \$	Company 2023 \$	Company 2022 \$
Wages and salaries	32,044,399	27,988,988	6,360,529	5,230,644
Social security costs	4,467,936	3,730,770	609,325	575,647
Cost of defined contribution scheme	754,656	611,276	176,963	117,007
	<u>37,266,991</u>	<u>32,331,034</u>	<u>7,146,817</u>	<u>5,923,298</u>

The average monthly number of employees, including the directors, during the year as follows:

	Group 2023 \$	Group 2022 \$	Company 2023 \$	Company 2022 \$
Operations	179	148	51	46
Product development	63	52	2	2
Administration	26	22	6	5
Management	10	8	6	5
	<u>278</u>	<u>230</u>	<u>65</u>	<u>58</u>

9. Interest payable and similar expenses

	2023 \$	2022 \$
Other loan interest payable	<u>73</u>	<u>18</u>

WHALAR LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

10. Taxation

	2023 \$	2022 \$
Corporation tax		
Current tax on (loss)/profits for the year	(1,048,044)	(583,825)
Adjustments in respect of previous periods	(673)	-
	<u>(1,048,717)</u>	<u>(583,825)</u>
Foreign tax		
Foreign tax on income for the year	36,227	552,076
	<u>36,227</u>	<u>552,076</u>
Total current tax	<u>(1,012,490)</u>	<u>(31,749)</u>
Deferred tax		
Origination and reversal of timing differences	857,707	1,866,853
	<u>857,707</u>	<u>1,866,853</u>
Total deferred tax	<u>857,707</u>	<u>1,866,853</u>
Taxation (credit)/charge on (loss)/profit on ordinary activities	<u>(154,783)</u>	<u>1,835,104</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2022 - the same as) the standard rate of corporation tax in the UK of 23.52% (2022 - 19%). The differences are explained below:

	2023 \$	2022 \$
(Loss)/profit on ordinary activities before tax	(9,490,066)	11,492,280
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.52% (2022 - 19%)	(2,232,116)	2,183,533
Effects of:		
Fixed asset differences	(248)	(18,648)
Expenses not deductible for tax purposes	159,203	168,713
Income not taxable for tax purposes	(26,248)	-
Deferred tax not recognised	1,688,650	-
Other permanent differences	(30,053)	(51,842)
Adjustments to tax charge in respect of prior periods	(18,185)	-
Additional deduction for R&D expenditure	(1,073,613)	(1,114,995)
Surrender of tax losses for R&D tax credit refund	1,134,108	180,320
Remeasurement of deferred tax for changes in tax rate	50,757	448,045
Difference in foreign tax rates	175,450	52,721
Other adjustments	17,512	(12,743)
Total tax (credit)/charge for the year	(154,783)	1,835,104

Factors that may affect future tax charges

The Government announced in March 2021 that the rate of Corporation Tax will increase from April 2023 to 25% for companies with profits over £250,000. As the deferred tax assets and liabilities should be recognised based on the corporation tax rate at which they are anticipated to unwind, the assets and liabilities have been recognised at a rate of 25% (2022: 25%).

Deferred tax assets have not been recognised in some overseas subsidiaries who hold tax losses of approximately \$8m as a result of timing of the reversal being unknown. The Group has only recognised the deferred tax where the reversal is within the foreseeable future.

WHALAR LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. Intangible assets**Group**

	Development expenditure \$	Other intangible assets \$	Total \$
Cost			
At 1 January 2023	10,373,900	740,123	11,114,023
Additions	-	16,132	16,132
Additions - internal	7,810,166	-	7,810,166
At 31 December 2023	<u>18,184,066</u>	<u>756,255</u>	<u>18,940,321</u>
Amortisation			
At 1 January 2023	-	86,876	86,876
Charge for the year on owned assets	-	164,169	164,169
At 31 December 2023	-	<u>251,045</u>	<u>251,045</u>
Net book value			
At 31 December 2023	<u>18,184,066</u>	<u>505,210</u>	<u>18,689,276</u>
At 31 December 2022	<u>10,373,900</u>	<u>653,247</u>	<u>11,027,147</u>

WHALAR LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. Intangible assets (continued)**Company**

	Development expenditure \$
Cost	
At 1 January 2023	10,373,900
Additions - internal	7,810,166
At 31 December 2023	<u>18,184,066</u>
Net book value	
At 31 December 2023	<u>18,184,066</u>
At 31 December 2022	<u>10,373,900</u>

WHALAR LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

12. Tangible fixed assets**Group**

	Office equipment \$	Computer equipment \$	Total \$
Cost or valuation			
At 1 January 2023	318,468	320,858	639,326
Additions	36,056	76,422	112,478
At 31 December 2023	<u>354,524</u>	<u>397,280</u>	<u>751,804</u>
Depreciation			
At 1 January 2023	176,569	134,417	310,986
Charge for the year on owned assets	74,041	103,775	177,816
At 31 December 2023	<u>250,610</u>	<u>238,192</u>	<u>488,802</u>
Net book value			
At 31 December 2023	<u>103,914</u>	<u>159,088</u>	<u>263,002</u>
At 31 December 2022	<u>141,899</u>	<u>186,441</u>	<u>328,340</u>

WHALAR LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

12. Tangible fixed assets (continued)**Company**

	Office equipment \$
Cost or valuation	
At 1 January 2023	318,468
Additions	36,056
At 31 December 2023	<u>354,524</u>
Depreciation	
At 1 January 2023	176,569
Charge for the year on owned assets	74,041
At 31 December 2023	<u>250,610</u>
Net book value	
At 31 December 2023	<u>103,914</u>
At 31 December 2022	<u>141,899</u>

WHALAR LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

13. Fixed asset investments**Group**

	Investments in associates \$	Unlisted investments \$	Total \$
Cost or valuation			
At 1 January 2023	-	1,875,105	1,875,105
Additions	2,685,945	-	2,685,945
Transfers	1,875,105	(1,875,105)	-
Share of profit/(loss)	(342,164)	-	(342,164)
At 31 December 2023	<u>4,218,886</u>	<u>-</u>	<u>4,218,886</u>

Investments in associates relates to 67.73% shares held in Mempoverse Inc. by a subsidiary company, Whalar Inc. Mempoverse Inc., is a company incorporated in the United States of America, registered office is 251 Little Falls Drive, City of Wilmington, New Castle County, Delaware, 19808. The nature of the business is that of immersive experience and connecting brands to creators.

The group has significant influence over Mempoverse Inc. however it does not have control and on this basis the investments have been accounted for as investments in associates.

The investments held in Mempoverse Inc. increased from 42.5% in prior year to 67.73% in the current year. In the prior year the investments were not accounted for as an associated undertaking because the Group was not in a position to exercise significant influence. However, in the current year, the Group has significant influence and therefore the investments are treated as investments in associates.

Company

	Investments in subsidiary companies \$
Cost or valuation	
At 1 January 2023	247,585
Additions	80
Additions - share based payments	231,237
At 31 December 2023	<u>478,902</u>

WHALAR LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

13. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Nature of business	Class of shares	Holding
Whalar GmbH	c/o R/GA Berlin, Schönhauser Allee 37, 10435 Berlin, Germany	Sales and marketing support to group	Ordinary	100%
Whalar Inc.	55 Water St, 3rd Floor, Brooklyn, New York, 11201	Influencer marketing and talent management	Ordinary	100%
Whalar Development, S.L.	Alameda Principal 21, 3- 302, 29001 Malaga, Spain	Product and technology development	Ordinary	100%
*Whalar Media LLC	55 Water St, 3rd Floor, Brooklyn, New York, 11201	Support services	Ordinary	100%
Whalar Estonia OÜ	Harju country, Tallinn, Kesklinna linnaosa, Pärnu mnt 15, 10141	Product and technology department	Ordinary	100%
Whalar FZ-LLC	Dubai Media City, Building 05, Commercial office desk DMC-BLD05- VD-G00-426, Dubai, UAE	Sales and marketing support to group	Ordinary	100%
Lighthouse by Whalar Inc.	PO Box 515381, PMB 18373, Los Angeles, CA 90051-6681	Holding company	Ordinary	99%
*The Lighthouse Brooklyn LLC	58 Kent St, Brooklyn, NY 11222	Campus for creators	Ordinary	99%
*The Lighthouse Venice LLC	1601 Main St, Venice CA 90291	Campus for creators	Ordinary	99%

*indirectly held

WHALAR LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

13. Fixed asset investments (continued)**Subsidiary undertakings (continued)**

The aggregate of the share capital and reserves as at 31 December 2023 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of	Profit/(Loss)
	share capital and reserves	
	\$	\$
Whalar GmbH	100,420	33,513
Whalar Inc.	(5,690,740)	(7,365,510)
Whalar Development, S.L.	498,417	314,386
*Whalar Media LLC	458,955	(45,932)
Whalar Estonia OÜ	158,277	131,240
Whalar FZ-LLC	24,605	(20,185)
Lighthouse by Whalar Inc	338,886	(561,195)
*The Lighthouse Brooklyn LLC	(7,497)	(7,497)
*The Lighthouse Venice LLC	(44,845)	(45,845)

WHALAR LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

14. Debtors

	Group 2023 \$	Group 2022 \$	Company 2023 \$	Company 2022 \$
Trade debtors	14,564,300	16,412,281	14,564,300	16,412,279
Amounts owed by group undertakings	-	-	1,052,388	669,430
Other debtors	375,047	604,034	150,238	318,888
Prepayments, accrued income and contract assets	5,505,664	9,230,988	4,596,136	8,769,934
Tax recoverable	1,455,414	581,032	1,048,044	581,032
	<u>21,900,425</u>	<u>26,828,335</u>	<u>21,411,106</u>	<u>26,751,563</u>

The amounts owed by group undertakings are unsecured, interest free and repayable on demand.

15. Cash and cash equivalents

	Group 2023 \$	Group 2022 \$	Company 2023 \$	Company 2022 \$
Cash at bank and in hand	<u>6,938,332</u>	<u>12,285,528</u>	<u>5,214,501</u>	<u>10,745,662</u>

16. Creditors: Amounts falling due within one year

	Group 2023 \$	Group 2022 \$	Company 2023 \$	Company 2022 \$
Trade creditors	17,314,627	11,963,080	16,913,831	11,857,510
Amounts owed to group undertakings	-	-	841,017	573,637
Corporation tax	80,401	45,627	-	-
Other taxation and social security	328,897	777,250	4,789	549,341
Other creditors	3,050,714	2,599,942	2,921,820	2,218,143
Accruals and deferred income	19,877,149	18,498,643	18,635,543	16,453,629
	<u>40,651,788</u>	<u>33,884,542</u>	<u>39,317,000</u>	<u>31,652,260</u>

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. Financial instruments

	Group 2023 \$	Group 2022 \$	Company 2023 \$	Company 2022 \$
Financial assets				
Debt instruments measured at amortised cost - trade debtors, other debtors and accrued income (note 14)	18,741,030	24,845,743	19,568,609	25,309,964
	<u>18,741,030</u>	<u>24,845,743</u>	<u>19,568,609</u>	<u>25,309,964</u>
Financial liabilities				
Measured at amortised cost - trade creditors, other creditors and accrued expenses (note 16)	(27,798,539)	(21,972,828)	(26,868,261)	(20,067,776)
	<u>(27,798,539)</u>	<u>(21,972,828)</u>	<u>(26,868,261)</u>	<u>(20,067,776)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors and group debtors.

Financial liabilities measured at amortised cost comprise trade creditors, group creditors and other creditors.

WHALAR LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

18. Deferred taxation**Group**

	2023 \$
At beginning of year	(1,391,539)
Charged to profit or loss	(857,707)
At end of year	<u><u>(2,249,246)</u></u>

Company

	2023 \$
At beginning of year	(1,391,539)
Charged to profit or loss	(857,707)
At end of year	<u><u>(2,249,246)</u></u>

	Group 2023 \$	Group 2022 \$	Company 2023 \$	Company 2022 \$
Fixed asset timing differences	(4,571,995)	(2,628,950)	(4,571,995)	(2,628,950)
Short term timing differences	7,806	7,309	7,806	7,309
Losses	2,314,943	1,230,102	2,314,943	1,230,102
	<u><u>(2,249,246)</u></u>	<u><u>(1,391,539)</u></u>	<u><u>(2,249,246)</u></u>	<u><u>(1,391,539)</u></u>

19. Share capital

	2023 \$	2022 \$
Allotted, called up and fully paid		
14,197,370 (2022 - 14,195,725) Ordinary shares of £0.00001 each	<u><u>193</u></u>	<u><u>193</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

20. Reserves

Share premium account

Includes any premiums received by the company on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Foreign exchange reserve

Includes all exchange gains or losses accumulated on non-monetary items measured at fair value and posted in statement of comprehensive income during the period.

Other reserves

Other reserves relates to SAFE (Simple Agreement for Future Equity) note investments issued by the company. The SAFE notes gives the holder a right to subscribe for certain class of share capital in the company subject to terms and conditions and events specified in the contractual terms.

Profit and loss account

Includes all current and prior period retained profits and losses.

21. Financial commitments, guarantees and contingent liabilities

The group has given a fixed and floating charge over its properties as security against the invoice discounting facility with an outstanding balance as at 31 December 2023 of \$2,744,746 (2022 - £460,164) included in other creditors (note 16).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

22. Share-based payments

The group operates an Enterprise Management Incentive Scheme and a non-Enterprise Management Incentive Scheme for the purpose of incentivising key members of staff. All share options issued by the company are valued at the fair value at the grant date. As at the date of the grant, management have considered the likelihood of vesting conditions being met. Based on these, management have adjusted the number of equity instruments expected to vest. The share-based remuneration expense for the period ended 31 December 2023 was \$298,955 (2022: \$155,878).

The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

	Weighted average exercise price \$ 2023	Number 2023	Weighted average exercise price \$ 2022	Number 2022
Outstanding at the beginning of the year	0.83	2,550,000	0.61	2,067,909
Granted during the year	4.76	171,056	1.77	489,079
Forfeited during the year	1.35	(182,000)	0.56	(6,988)
Exercised during the year	1.95	(1,645)	-	-
Outstanding at the end of the year	1.08	2,537,411	0.83	2,550,000

	2023	2022
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price (\$)	1.08	0.83
Weighted average contractual life (months)	36	36
Expected volatility	80%	46%
Risk-free interest rate	3.41%-4.69%	5.46%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

23. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to \$754,656 (2022 - \$117,007). Contributions totalling \$31,225 (2022 - \$29,236) were payable to the fund at the reporting date and are included in creditors.

24. Commitments under operating leases

At 31 December 2023 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2023 \$	Group 2022 \$	Company 2023 \$	Company 2022 \$
Not later than 1 year	242,459	369,821	-	157,821

25. Related party transactions

As permitted by FRS102 paragraphs 1.12e and 33.1a, the company has taken advantage of the exemption from disclosing the transactions entered into between two or more members of a group as all subsidiary undertakings are wholly owned by a member of that group.

J Hegarty a director of Whalar Ltd, is a director and shareholder of The Garage Entertainment Ltd. During the year, The Garage Entertainment Ltd invoiced Whalar Ltd \$nil (2022: \$20,085) for business of creativity course.

During the year, A Wong, J Hegarty and R Greenberg, directors of the company, invoiced Whalar Ltd £105,501 for board member fees. At the year end, a total balance of \$9,547 was owed by Whalar Ltd in relation to these transactions and the balance is included within in trade creditors.

J Street and N Waller, directors and shareholders of Whalar Ltd, own shares in Gratsy LLC. Gratsy LLC invoiced Whalar Ltd \$nil (2022: \$90,550) during the year for expenditure.

During the year, Whalar Inc. incurred costs of \$322,130 in relation to rent payment for J Street and N Waller who are directors and shareholders of the company.

The company has issued SAFE (Simple Agreement for Future Equity) notes to amounting to \$2,314,662 (\$2,124,430) to directors of the company some of whom are also the shareholders.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

26. Post balance sheet events

Whalar Inc. increased its investment in Mempoverse Inc., an associate company, from 67.73% to 70%.

The group signed two property leases in Brooklyn and California in relation to its subsidiaries The Lighthouse Brooklyn LLC and The Lighthouse Venice LLC.

Rob Horler ceased being CEO of Whalar on April 30, 2024, but he continues to be a Director and a Board member of Whalar Ltd.

In May 2024, the group secured a multi-currency overdraft facility of £7.5m following the termination of an invoice discounting facility.

Post year end a loan of \$1.5m was obtained from directors.

27. Controlling party

In the opinion of the directors there is no ultimate controlling party.