RNS Number : 5733D
Fadel Partners Inc.
22 June 2023

22 June 2023

Fadel Partners, Inc.

('FADEL', the 'Company' or, together with its subsidiaries, the 'Group')

Final Results and Notice of AGM

Fadel Partners, Inc. (AIM: FADL), a brand compliance and rights and royalty management software provider, is pleased to announce its full year results for the year ended 31 December 2022.

Financial Highlights

- Revenue up 10% on FY21 to $13.2m (2021: $12.0m)
- Recurring revenue increase of 34% on FY21 to $8.7m (2021: $6.5m) reflecting the first full year of contribution from IDS of £1.1m ($1.3m)
- Gross profit of $7.9m (2021: $7.0m) with a gross profit margin of 60% (2021: 58%)
- Adjusted EBITDA* loss of ($609k) (2021: $359k) as a result of the increased expenditure relating to planned investments for growth
- Cash and cash equivalents of $1.2m at 31 December 2022, with net cash of $0.1m

Operational Highlights

- Strong development of our Brand Vision offering through the integration of PictureDesk, acquired as part of the IDS acquisition in late 2021 and the addition of a sophisticated AI video matching capability into Brand Vision's Content Tracking product
- Marquee new customer wins; Are Media, Coca-Cola, Macmillan Learning and Whirlpool with a number of existing customers successfully brought through a fully operational "Go-Live" phase including Hasbro and Média Participations
- Launched three component parts of Brand Vision in Content Cloud, Rights Cloud and Content Tracking

Post Period Highlights

- Milestone listing on AIM Market in April 2023, raising $8m gross proceeds, providing the funding and increased profile to support our growth ambitions
- Hiring of key strategic personnel including global Chief Revenue Officer and several sales and lead generation positions across Europe
- Rollout of Brand Vision for Coca-Cola and PictureDesk for Are Media, a leading content and experiences company in Australia and New Zealand

* *Adjusted EBITDA (a non-US GAAP measure is defined as earnings after capitalized commission costs and before interest, tax, depreciation, amortization, exceptional costs and share-based payments)*

Tarek Fadel, Chief Executive Officer, commented:

"2022 was a milestone year for FADEL, in which we delivered strong revenue growth and successfully added a number of marquee clients to our business, as we transition to the next phase of our growth journey.

"The successes in the year have further consolidated our position as a leader in the digital content and intellectual property market and provide a strong platform to take advantage of the significant market opportunity available to us."

"Following our successful IPO in April 2023, we have started deploying the funds raised in line with our strategic objectives to accelerate our growth. These include key strategic hires such as our recent addition of a global Chief Revenue Officer in June 2023, the rollout of a number of Brand Vision products at key clients and the strengthening of R&D to widen our competitive moat and expand our market share."

"I am pleased to report that trading in FY23 has been in line with expectations and, with a growing pipeline of prospective new clients, we are well positioned to capitalise on the significant opportunities that lie ahead. We look forward to updating the market in July when we will release a trading update in relation to H1 FY23."

Report & Accounts and Notice of AGM

The Company's statutory accounts, together with a Notice of Annual General Meeting, are due to be made available on the Company's website (https://investors.fadel.com/) and will be posted to shareholders on 22 June 2023. The Annual General Meeting is due to be held at finnCap's offices, One Bartholomew Close, London, EC1A 7BL, United Kingdom on 21 July 2023 at 4:00 p.m. (UK time).

In order to allow shareholders to follow the proceedings of the AGM without attending in person, the company will provide access online via the Investor Meet Company platform.

(https://www.investormeetcompany.com/fadel-partners-inc/register-investor).

For further information please contact:

Tarek Fadel, Chief Executive Officer | Via Alma PR
Vicary Gibbs, Chief Financial Officer

finnCap Limited (Nomad & Broker) | 020 7220 0500
Jonny-Franklin Adams, Emily Watts, Abigail Kelly, Milesh Hindocha (Corporate Finance)
Tim Redfern, Sunila De Silva (ECM)

Alma PR | Tel: +44(0)20 3405 0205
Josh Royston | fadel@almapr.co.uk
Matthew Young
Andy Bryant

About FADEL Partners Inc.

FADEL is a developer of cloud based brand compliance and rights and royalty management software, working with some of the world's leading licensors and licensees across media, entertainment, publishing, consumer brands and hi-tech/gaming companies. The Group combines the power of rights management and content compliance with sophisticated content services, AI-powered visual search and image and video recognition.

FADEL has two solutions, being IPM Suite (rights and royalty management for publishers and licensing) and Brand Vision (an integrated platform for Brand Compliance & Monitoring that includes Content Services, Digital Rights Management, AI-Powered Content Tracking, a Brand Monitor, and 100 million Ready-to-License Images).

The Group's main country of operation is the United States, where it is headquartered in New York, with further operations in the UK, Lebanon, France, Canada and India. Founded in 2003 by Tarek Fadel (Chief Executive Officer), FADEL has since grown to a team of 116 full time employees, plus an additional pool of c.50-60 contractors.

For more information, please visit the Group's website at: www.fadel.com.

CHAIR'S STATEMENT

Introduction

I am pleased to report on the progress of Fadel Partners Inc. for the first time as a public company following its successful flotation on AIM on 6 April 2023. I have been involved with FADEL in an informal and formal capacity for several years, initially as Chief Financial Officer of Marvel Entertainment which was a customer of FADEL and more recently as Non-Executive Chair. FADEL has demonstrated impressive organic growth over several years and that is down to the dedication of the management team in understanding the market opportunity, evolving FADEL's products and services to meet the needs of its customer base and demonstrating cost discipline. It is a privilege to be the Chair at a time of such an exciting growth opportunity. I would also like to welcome and thank those shareholders who joined us at IPO and thereafter.

Despite the challenging market conditions facing the technology sector and the broader economies throughout 2022, we have made great progress across both our IPM Suite and, in particular, our Brand Vision solution offerings as the industry's increasing requirement for operational efficiencies, and the subsequent cost savings, became ever more important. This past year represented a significant milestone for the business as we built ever stronger foundations for our journey ahead with the creation of Brand Vision, a next generation of brand compliance and monitoring software. We have placed ourselves at the very intersection of content creators/owners and the users of that content, at a time where digital content is multiplying. It is already a valuable space to inhabit and as it continues to grow, and we grow with it, we are optimistic in respect of the opportunity.

Our growth strategy remains unchanged, and we have already made good progress in utilising the proceeds raised at IPO to reinvest in the growth of the business through investments in sales, marketing and R&D as well as underpinning this growth through support and service recruitment.

2022 Financial Results

Revenues increased by 10% to $13.2m (FY21: $12.0m) and underlying adjusted EBITDA was -$609k (FY21: $359k), which included a full year contribution from IDS and was achieved notwithstanding foreign exchange headwinds and the challenging global economic environment. In particular, I would like to acknowledge the management team for having delivered another year of growth, given the significant amount of their time that was consumed in successfully delivering the IPO process and securing growth capital for the business. These pleasing results and the positive growth trajectory for the Company are reflective of the significant market opportunity, despite this time of macroeconomic uncertainty that is driving demand for our solutions as clients (and prospects) focus on improved management of their IP, including re-use rather than creation, to drive their revenue growth. As we continue to deploy the proceeds raised at IPO across US/European sales capabilities, marketing activities and product development, we are confident that we will continue to see sustainable growth in the coming periods.

Strategic aims

At the time of our listing in April 2023, we emphasised our intention to grow the business predominantly by organic routes, and to utilise the proceeds from the IPO accordingly. I am pleased to report that, post the year-end, this has already begun with the strategic recruitment of a number of positions including Chief Revenue Officer, Head of Demand Generation and a number of key sales and operational support roles. As a result, our new business pipeline looks very encouraging and as the market environment continues to benefit the Group, we expect to see sustainable organic growth over the mid-term.

FADEL's future plans aim to accelerate growth through the pursuit of a selective acquisition strategy alongside our organic approach of naturally accumulating IP through developing our product set and working with our customers. As previously shown with the acquisition of Image Data Systems (UK) Limited ("IDS") in 2021, we will approach acquisitions with a robust set of criteria identifying companies that can complement and expand our existing solutions, widen our competitive moat and expand our market share. We expect this process to commence from 2024 onwards.

People

Our success to date is a result of the diligence shown by our people. FADEL is built on a foundation of passionate and hardworking employees which has been more apparent than ever over the last 12 months. On behalf of the Board, I offer them my sincere thanks.

Board and governance

Whilst several Board members have been involved across a number of years in a more informal capacity, the Board, as established at the time of IPO, brings with it a wealth of experience in dynamic software environments characterised by rapid growth. Its extensive industry network and background in the AIM market, as well other stock exchanges, positions the Board to successfully execute FADEL's growth strategy and effectively identify new opportunities as they arise.

The Board also recognises the value and importance of high standards of corporate governance and has, since IPO, observed the requirements of the QCA Corporate Governance Code.

ESG
FADEL is committed to conducting its business responsibly and mitigating negative environmental impacts resulting from its operations. As a Group, we also strive to instil similar values within our developer community and business partners.

In all aspects of its business and operations, the Group prioritises sustainable resource utilisation, waste reduction, and the well-being of its employees. It upholds a commitment to fairness, equal opportunities, and supporting charitable initiatives. Moreover, the Group maintains ethical practices across the different jurisdictions where it conducts business, ensuring responsible operations and engagement with stakeholders.

We intend to expand our ESG initiatives and beginning from our 2023 results we will be reporting on our progress via the Audit, Risk and Sustainability Committee report.

Looking ahead
The Group's momentum as a private company has continued post-IPO and I am pleased to report that trading for FY23 has been in line with expectations. Demand for our products and services has continued to increase and we believe the investments we continue to make in product development, marketing and recruitment are already showing signs of success and we expect new opportunities across new geographies becoming available in early 2024. Backed by an exceptional customer base and a favourable market environment, I hold a strong belief that this positive momentum will endure as we forge ahead with the execution of our growth strategy in the upcoming year.

Ken West
Chair of the Board
21 June 2023

CEO'S REVIEW

Overview

Overall, this has been a year of encouraging progress for the Group and one that has seen us build strong foundations for the next exciting phase of our growth journey.

We created and launched a new brand compliance and monitoring product family in Brand Vision. This was achieved through three key activities.

1) The integration of PictureDesk, acquired as part of the IDS acquisition in late 2021, into our Brand Vision digital asset management ("DAM") system called Content Cloud. This solution helps customers centralise and manage their brand assets;

2) We also integrated a sophisticated AI matching capability into Brand Vision's Content Tracking product to help customers track and monitor compliance of published content across brand, e-commerce, social and partner websites; and

3) Finally, we launched all three component parts of Brand Vision, (our DAM called Content Cloud, our legacy Digital Rights Management ("DRM") product called Rights Cloud and Content Tracking) in Q4 of 2022.

We had strong operational progress.

4) We brought a number of existing customers through a fully operational "Go-Live" phase including Hasbro and Média Participations, completed successful additional regional rollouts for Pearson and welcomed a number of marquee new customers into the FADEL family including Are Media, Coca-Cola, Macmillan Learning and Whirlpool.

We commenced the next phase of our growth trajectory.

5) We began our growth capital pursuit assessing multiple options before settling on our preferred route being AIM, a market supporting growth companies in London. IPO preparations began in earnest, and we completed a multitude of accounting, taxation and legal diligence workstreams across the five jurisdictions we operate in.

6) Being certain of our path we choose to pre-invest our own funds into the growth ahead of the IPO and started to hire additional salespeople ahead of our launch of Brand Vision in Q4 2022.

The increased demand for our products from our extensive and growing customer base throughout the year has, alongside robust market dynamics, enabled us to continue to grow with significant progress being made across both our Intellectual Property Management (IPM) Suite and Brand Vision solutions and there is a strong degree of confidence in the medium-term prospects of the business.

Financial performance
It has been an encouraging year of trading for the Group with an increasing demand for both our IPM Suite and Brand Vision solutions driving revenue growth for FY22 to $13.2 million, a 10% increase year-on-year and of which 66% was recurring (FY21: 54%), which included a full year of contribution from IDS. There was an overall decline in services ($4.5 million, FY 21: $5.5 million), primarily driven by the reduction of material service contracts in IPM Suite due to successful implementations. Underpinning the Group's revenue growth has been the continual growth of our IPM Suite which sits as the foundation of the business. IPM Suite typically has large contract values of which a significant amount is related to services, whilst the service revenue is non-recurring in nature, the integration complexity results in an attractive defensive revenue stream for us.

During the year, we have also heavily invested in our business while maintaining a diligent eye on costs with our Adjusted EBITDA coming in at -$609k. This is in line with the budget we set at the start of the IPO process and reflects the investment into the strong momentum we are seeing as FADEL embarks on the next stage of its journey towards serving the rapidly expanding growth in digital content usage.

The Group reports a cash position as at 31 December 2022 of $1.2 million, with net cash of $0.1 million.

Market opportunity
The demand for solutions to effectively manage digital content and intellectual property (IP) licensing is increasing across industries, geographies, and channels. In the area of rights and royalties, where IPM Suite operates, a notable portion of companies still rely on traditional custom-built legacy applications and spreadsheet-based methods for licensing and royalty management. These methods often involve large teams and outdated royalty monitoring and collection systems that are no longer suitable for current needs.

Many large brands have shifted their content creation and digital agency operations in-house, however, in the digital brand compliance marketplace, which Brand Vision addresses, the landscape remains relatively new and highly fragmented. As companies implement digital transformation strategies, the value of an enterprise solution, such as those offered by FADEL, becomes increasingly evident.

FADEL is well-positioned to expand its market share within its current industry sectors as we innovate and invest in our solutions and as we build out our sales teams.

We are committed to ongoing innovation and product development of IPM Suite, as the more established product offering, boasting an impressive customer list and holding a mature market position. This product has historically seen considerable uptake in the publishing sector and with increasing traction across adjacent industries, the opportunity is significant. We also clearly recognise the considerable market potential for Brand Vision products, with the pool of potential customers in the thousands. We continue to invest high levels of our profits into developing our products, our R&D spend during 2022 was $3.7m (2021: $2.6m), and we will look at any potential integrations or partnerships that add to our value proposition.

We are also committed to expanding to focus across the broader addressable market and investing in our sales team to proactively sell our solutions into growing US and European markets through direct sales, partnerships and distribution arrangements.

Overall, FADEL's strategic position, commitment to innovation, and comprehensive product portfolio will allow it to capitalise on the expanding opportunities within the industry sectors we serve.

Intellectual Property Management (IPM) Suite solution

Utilising its Intellectual Property Management (IPM) Suite solution, FADEL provides comprehensive support to several renowned clients, such as Pearson, L'Oréal, Hachette Livre, and Marvel Entertainment. These blue-chip customers require a cloud-based platform that seamlessly integrates into third-party software and ERP systems, enabling them to manage efficiently and streamline their intricate licensing contracts and royalty billing requirements.

FADEL's IPM Suite stands out due to several key differentiating factors. Firstly, it is an award-winning cloud-based solution that is built on a highly scalable architecture/software configuration, ensuring robust performance and adaptability. Secondly, the platform offers substantial scale, enabling customers to implement a single cloud solution across numerous business units, spanning multiple geographies, languages, and currencies while providing a sophisticated and flexible offering, catering to the diverse needs and requirements of its users.

Within the expanding global licensing market, the Group's IPM Suite has experienced substantial growth in recent years. The importance of our solutions and the size of the opportunity is reflected in global licensing reaching over $300bn last year and continuing to grow in size and complexity. FADEL has consistently achieved high levels of customer satisfaction, reflected in exceptionally low customer churn rates.

Brand Vision Solution

FADEL's Brand Vision is set apart from its competition through its distinctive features and easy to use front-end. Brand Vision is a fully integrated and scalable SaaS platform, offering a comprehensive end-to-end solution to users. Serving as a one-stop shop, it provides seamless digital asset storage, rights management, and content tracking capabilities. One of its innovative features is the AI-powered visual search functionality, enabling efficient and accurate search results. Brand Vision excels in post-distribution content tracking, promptly notifying users of any violations or expirations while offering a picture hub with over 100 million ready-to-license images, providing users with a diverse range of options.

This offering is seeing significant growth potential in the digital brand compliance marketplace, which is relatively nascent and highly fragmented, with a number of large brands bringing their content creation and digital agency function in-house. The comprehensive suite of Brand Vision solutions operates within a total addressable market projected by the CMI to grow from $8.9 billion in 2023 to $20.4 billion in 2028, a compound annual growth rate of +18% per annum.

The nature of this expanding market, alongside the differentiated offering when combined with IPM Suite, provides confidence there is significant market opportunity in respect of the Group's Brand Vision products with thousands of potential customers to target. In Brand Vision, we see a significant land and expand opportunity as we further embed with existing blue-chip customers as well as win new clients.

We believe that Brand Vision is strongly positioned to expand its market share. Beyond our technical leadership in delivering a seamlessly integrated brand compliance solution there is a significant opportunity to scale further as we enter new geographies and continue to work with leading global brands across various sectors. Clients such as L'Oreal, Coca-Cola, Kohler and Whirlpool rely on Brand Vision to manage their brand compliance and marketing content usage.

We are confident this extremely encouraging market backdrop, alongside our strong network, growing blue-chip customer base and investment in sales and support will support sustainable long-term growth for FADEL.

Competitive strength

FADEL continues to build on its strong foundations and existing relationships as it implements strategic investments to become the leading brand compliance, rights and royalty management software provider to businesses across the globe.

The Group is actively engaged in two distinct and highly competitive sectors, namely publishing and licensing royalties, rights management, and brand compliance. It faces competition from a range of well-established enterprises as well as innovative startups. The Digital Brand Compliance sector exhibits fragmentation, with certain sub-sectors of the market, like content tracking, still in their early stages of development.

Our platform sets itself apart through its unique technology, adaptable solutions, and extensive industry expertise. It gains advantages from robust customer connections, significant switching barriers, and economies of scale specific to the platform.

FADEL's established sales and marketing strategy is a key differentiating factor. The Group implements a well-established sales strategy that encompasses both direct and indirect approaches. With salespersons located in the US, UK, and France, the Group maintains a global presence. Indirect sales are facilitated through established partnership and reseller arrangements, further expanding the reach of our solutions. In terms of marketing, the Company has traditionally prioritised initiatives that enhance brand awareness through targeted campaigns. These efforts aim to promote the unique value of our solutions in the market.

FADEL is recognised as a thought leader in its field, as evidenced by our representatives' active participation in leadership events, research contributions, and involvement in relevant industry boards, such as the BISG. Our commitment to thought leadership allows the Group to stay at the forefront of industry trends and developments. A big piece of our overall marketing strategy is to educate the end user as to the underlying value of our products.

Since inception, FADEL has maintained offshore R&D and delivery centres in Lebanon and India. This strategic decision leverages the exceptional educational standards in those countries, particularly in fields such as Engineering and

Business, and harnesses the multilingual capabilities of our talented resources. This unique setup has become a key competitive advantage for the Company, enabling it to broaden the range of products and services while consistently delivering high customer satisfaction at a minimal operating expense.

Post period update and outlook

The momentum experienced throughout 2022 has continued into 2023 with FADEL's sales pipeline continuing to grow in line with management expectations as announced at the time of our IPO. The Company is seeing increased demand for products and technology as the market drivers persist and clients show resilience to inflationary pressures through continued investments in operational efficiencies. We entered FY23 with good visibility following a number of contract renewals in December 2022 and with an encouraging pipeline of opportunities including the recently announced rollout of PictureDesk for Australia and New Zealand omnichannel content company, Are Media. The successful execution of contracts such as this serve to highlight the potential for FADEL as it expands within the market.

In order to fully capitalise on the rapidly expanding market opportunity, the Company is investing the funds raised at IPO with a focus on R&D, recruitment, sales and marketing activities. This investment strategy is already proving successful with a number of tactical hires and strong increases in demand for products, including the launch of a pilot scheme with one of our biggest existing clients which will see FADEL track the content for hundreds of thousands of assets which, if continued in full, will deliver a substantial ARR for the Group. This serves to highlight the significant cross sell opportunity within our existing customer base as we expand our services and deliver greater future revenues.

To strengthen and complement our team, we have made several appointments across sales and marketing, services, product management and QA functions. These have included the strategic hiring of our Chief Revenue Officer, Global VP of Demand Generation and UK Enterprise Sales Executive focused on Brand Vision and IDS Platform and Content Sales, both of which will allow us to increase the rate of scale as we achieve our growth ambitions.

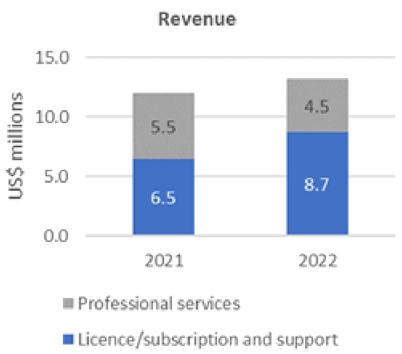
The quality and leadership of our solutions and the underlying market drivers provide us with confidence that the demand for our services will continue to expand significantly. This, coupled with our extensive network and sector expertise, positions us well to capitalise on the market opportunity ahead.

Tarek Fadel
Chief Executive Officer
21 June 2023

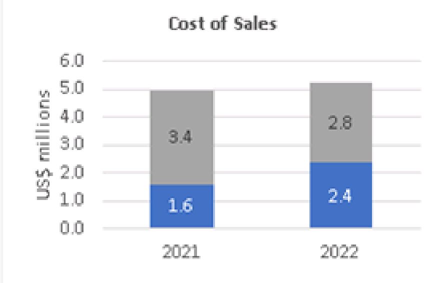
CFO'S REVIEW

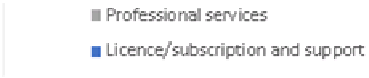
2022 has been a year of consolidation and preparation for our growth trajectory ahead. Having concluded the acquisition of IDS in Q4 of 2021, 2022 was a period spent integrating that business into the broader FADEL family and combining a number of elements of the technology and IP of IDS into our enlarged Marketing Technology "MarTech" offering called Brand Vision, which we launched in Q4 2022. At the same time, we started the preparation phase for our initial public offering on the AIM market. Given our multi-jurisdictional organisational structure and the lack of surplus capacity in the accounting and tax professions, the process took a little longer than originally anticipated. Notwithstanding this we navigated the challenges and timelines successfully and brought our successful IPO to its conclusion in early April 2023, despite unprecedented market headwinds. A great deal of thanks is due to the dedication and hard work of the many teams internal to FADEL and to the advisory groups who supported us throughout the process

Revenue
Our revenue grew 10% to $13.2m (2021: $12.0m) despite strong macro headwinds. The split of revenue showed very encouraging trends as the recurring element of our revenue increased 34% year on year to $8.7m (2021: $6.5m) reflecting the first full year of contribution from IDS of £1.1m ($1.3m). Our service revenue reduced to $4.5m from $5.5m reflecting positive progression with the implementation process for a number of customers that completed as they went live on IPM Suite through the course of 2022.



Expenditure highlights
We maintained strong cost control discipline with our total cost of sales increasing only 5% to $5.2m (2021: $5.0m) despite our revenue growing by 10%. Where we did spend more was on R&D as we integrated IDS into and developed our Brand Vision product offering with an increase over the prior year of $1.1m spend to a total of $3.7m (2021: $2.6M). Our SG&A increased to $5.8m (2021: $3.6m) reflecting an increase in headcount, a number of costs associated with the IPO workstreams and an increase in administration costs associated with the addition of a new entity in the form of IDS.





Gross Profit

The gross profit generated in the period was $7.9m (2021: $7.0m) with a gross profit margin of 60% (2021: 58%). We expect our margins to improve over time as a greater proportion of our revenue should be derived from the higher margin Brand Vision family of products.

Key Performance Indicators ("KPIs")

The Directors also consider certain business KPIs when assessing performance and believe that these, in addition to US GAAP measures, provide an enhanced understanding of the Company's results and related trends, increasing transparency and clarity of the core results of the business. The Directors believe these metrics are useful in evaluating FADEL's operating performance.

Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation)

Our adjusted EBITDA (a non-US GAAP measure is defined as earnings after capitalised commission costs and before interest, tax, depreciation, amortization, exceptional costs and share-based payments) decreased as a result of the increased expenditure relating to planned investments for growth to -$609k (2021: $359k). This metric is a conservative one, which if used for comparison with other companies, needs to consider that in accordance with US GAAP we fully expense our R&D costs which for 2022 were some $3.7m.

	2021	2022
EBITDA	**$922,744**	**($1,513,310)**
Adjustments to operating expenses		
Commissions Capitalised during the period	($684,223)	($323,209)
Exceptional items		
IDS acquisition cost adjustments	$131,113	-
IPO Expenses	-	$1,207,883
Share based payments	($10,576)	$20,051
Total Adjustments	($563,686)	$904,725
Adjusted EBITDA	**$359,058**	**($608,585)**
Customer numbers		
FADEL	19	20
IDS	131	126

Cash and working capital

We ended the year with $1.2m of cash (2021: $2.0m) and a fully drawn line of credit from Bank of America of $1.0m. Post year end we repaid $300k of the line of credit and expect to pay this down during H2 2023. Following our successful IPO in early April 2023, our cash balance exceeded $10.0m. We consumed $2.1m of cash in our operating activities in 2022 (2021: generated $3.4m), driven principally by a significant decline in accounts receivable and deferred revenue, driven mostly by the timing of certain contract renewals (typically we have a number of renewals that sign in December but that are not paid until January). We also had some deferred consideration payments due as part of our IDS acquisition in late 2021.

Taxation

The Income tax expense for the year is $786k. However, only $28k is a current year tax expense. The remainder relates to the future tax consequences of temporary differences between the carrying amounts of our deferred revenue balances for financial reporting purposes versus their tax bases.

Vicary Gibbs
Chief Financial Officer
21 June 2023

FINANCIAL STATEMENTS

FADEL PARTNERS INC. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2022

The audited, consolidated Statements of Comprehensive Income of the Group for each of the years ended 31 December 2021 and 2022 are set out below:

Continuing operations	**Notes**	**Year ended 31 December 2021 $**	**Year ended 31 December 2022 $**
License/subscription and Support		6,472,344	8,681,002
Professional services		5,498,528	4,501,551
Total revenue	**4**	**11,970,872**	**13,182,553**
Cost of fees and services		4,973,324	5,237,394
Research and development		2,560,219	3,693,655
Selling, general and administrative expenses		3,591,680	5,785,374
Depreciation and amortisation		456,535	655,753
Net Interest expense/(income)		3,692	150,892
Foreign exchange gains		(876,217)	371,860
Other expense		20,176	(1,408)
Other income		(336,139)	
Total expenses		**10,393,270**	**15,893,520**
Income/(loss) before income taxes		**1,577,602**	**(2,710,967)**

Income tax (expense)	5	(361,943)	(786,240)
Net income/(loss) after taxes		1,215,659	(3,497,207)
Total foreign currency gains		41,228	967,248
Total comprehensive income/(loss)		**1,256,887**	**(2,529,959)**
Net income attributable to non-controlling interest		96,550	23
Net income/(loss) attributable to the Group		1,119,109	(3,497,230)
Net income/(loss) after taxes		1,215,659	(3,497,207)
Comprehensive income attributable to non-controlling interest		96,550	23
Comprehensive income/(loss) attributable to the Group		1,160,337	(2,529,982)
Total comprehensive income/(loss)		1,256,887	(2,529,959)
Basic earnings/(loss) per Share ($)	6	0.19	(0.37)
Diluted earnings/(loss) per Share ($)		0.08	(0.37)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The audited, consolidated Statements of Financial Position of the Group for each of the years as at 31 December 2021 and 2022 are set out below:

Assets	**Notes**	**As at 31 December 2021 $**	**As at 31 December 2022 $**
Cash		1,967,937	1,181,371
Accounts receivable	8	3,245,833	1,863,394
Unbilled work-in-progress		826,418	929,715
Other current assets		198,533	209,556
Current assets		**6,238,721**	**4,184,036**
Intangible assets	7	2,797,036	2,242,598
Goodwill	7	2,342,348	2,100,432
Furniture and equipment	9	102,955	88,170
Contract costs	10	644,270	584,510
Deferred tax asset	5	1,712,941	954,771
Right of use Asset		-	109,728
Other assets		4,838	4,838
Non-current assets		**7,604,389**	**6,085,048**
TOTAL ASSETS		**13,843,110**	**10,269,084**
Liabilities			
Accounts payable and accrued expenses		4,104,703	3,174,313
Income tax payable	5	876,421	1,026,602
Deferred revenue		3,900,047	2,249,019
Notes payable - related parties	12	-	75,000
Line of Credit Bank of America	13	-	1,000,000
Current liabilities		**8,881,171**	**7,524,934**
Provisions-End of Services Indemnity		253,483	274,045
Deferred revenue		860,292	1,086,762
Lease Liability		-	85,187
Non-current liabilities		**1,113,775**	**1,445,994**
Total liabilities		**9,994,946**	**8,970,928**
Shareholders' equity			
Series A-1 Preferred Shares	14	1,068	7,552
Common stock	14	6,783	7,083
Additional paid-in capital		11,403,793	15,581,802
Accumulated deficit		(11,665,797)	(15,163,027)
Accumulated other comprehensive income/(loss)		(103,562)	863,686
		(357,715)	**1,297,096**
Non-controlling interest		4,205,879	1,059
Total Shareholders' equity		**3,848,164**	**1,298,155**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**13,843,110**	**10,269,084**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The audited, consolidated Statements of Changes in Equity of the Group for each of the years 31 December 2021 and 2022 are set out below:

	Preferred stock #	Preferred stock $	Common stock #	Common stock $	Additional paid in capital $	Accumulated deficit $
As at 31 December 2020	**1,068,837**	**1,068**	**6,782,583**	**6,783**	**11,393,218**	**(12,784,906)**
Stock-based compensation	-	-	-	-	10,575	-
Net income	-	-	-	-	-	1,119,109
Foreign exchange translation (expense)/income	-	-	-	-	-	-
As at 31 December 2021	**1,068,837**	**1,068**	**6,782,583**	**6,783**	**11,403,793**	**(11,665,797)**
Stock-based compensation	-	-	-	-	(20,051)	-
Change of control in Fadel Partners SAL from 59.2% to 99.99%					4,204,843	
Impact Fund by MEVP Holding SAL-Common			300,000	300	(300)	
Impact Fund by MEVP Holding SAL- Series A-2	1,436,260	1,436			(1,436)	
Impact Fund by MEVP Holding SAL- Series B	2,943,243	2,943			(2,943)	
Impact Fund by MEVP Holding SAL- Series B-1	1,117,318	1,117			(1,117)	
iSME SAL Holding-Series B-2	580,383	581			(581)	
B&Y Division One Holding SAL	406,268	407			(407)	
Net income	-	-	-	-	-	(3,497,230)
Foreign exchange translation (expense)/income			-	-	-	-
As at 31 December 2022	**7,552,309**	**7,552**	**7,082,583**	**7,083**	**15,581,802**	**(15,163,027)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

The audited, consolidated Statements of Cash Flows of the Group for each of the years ended 31 December 2021 and 2022 are set out below:

	Year ended 31 December 2021 $	Year ended 31 December 2022 $
Net income (loss) after taxes	**1,215,659**	**(3,497,207)**
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortisation	456,535	655,753
Non-cash stock compensation	10,576	(20,051)
Loss on disposal of furniture and equipment	-	-
Forgiveness of Paycheck Protection Program Loan	(336,139)	-
Non-cash impact of foreign exchange on intangibles	-	538,333
Changes in assets and liabilities		
Accounts receivable	(2,358,300)	1,380,395
Unbilled work-in-progress	(493,047)	(103,297)
Income tax receivable	519,687	-
Other current assets	(4,390)	(8,980)
Deferred tax asset	(505,972)	758,169
Capitalisation of commissions	(684,223)	(323,210)
Right of use Assets	-	(109,728)
Accounts payable and accrued expenses	2,394,656	(105,691)
Income tax payable	840,220	150,181
Other liabilities	66,519	-
Deferred revenue	2,286,094	(1,424,557)
Net cash from/(used by) operating activities	**3,407,874**	**(2,109,892)**

Purchase of equipment	(74,271)	24
Payment for intangibles	(2,868,753)	-
Payments for acquisition of subsidiaries	(2,342,348)	(718,948)
Net cash (used in)/from investing activities	**(5,285,372)**	**(718,924)**
Proceeds from Line of Credit	-	1,000,000
Proceeds from related party Loan	-	75,000
Net cash /from financing activities	**-**	**1,075,000**
Effect of exchange rates on cash	41,228	967,249
Net decrease in cash	**(1,836,270)**	**(786,567)**
Cash, beginning of year	3,804,208	1,967,937
Cash, end of year	**1,967,937**	**1,181,371**

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND NATURE OF BUSINESS

The Financial Information consolidates the financial information of the Company and:

- its wholly-owned subsidiaries:
  - Fadel Partners UK Limited ("Fadel UK"), and its wholly-owned subsidiary;
    - Image Data Systems (UK) Limited ("IDS");
  - Fadel Partners France SAS ("Fadel France"); and
  - Fadel Partners Canada Inc. ("Fadel Canada").
- its 99.99%-owned subsidiary, Fadel Partners SAL Lebanon ("Fadel Lebanon").

The Company is a New York Corporation formed in July 2003 and reincorporated in Delaware in January 2014. Fadel Lebanon was incorporated in Lebanon in August 2014, Fadel UK was formed in the UK in January 2015, Fadel Canada was formed in Canada in June 2021, Fadel France was formed in France in February 2020 and IDS was formed in April 1992 in the UK, by an unrelated party, and acquired on 1 October 2021. Together the entities are collectively referred to herein as the "Group". The Group is headquartered in New York, with a presence in Los Angeles, Montreal, London, Paris and Beirut (Lebanon) and is engaged in providing and servicing its Intellectual Property Rights and Royalty Management suite of software.

2. LIQUIDITY AND FINANCIAL CONDITION

Under Accounting Standards Update, or ASU, Presentation of Financial Statements-Going Concern (Accounting Standard Codification ("ASC") Subtopic 205-40) ("ASC 205-40"), the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about the Group's ability to meet its future financial obligations as they become due within one year after the date that the Consolidated Financial Information is issued. As required by ASC 205-40, this evaluation shall initially not take into consideration the potential mitigating effects of plans that have not been fully implemented as of the date the Consolidated Financial Information is issued. The Company has assessed the Group's ability to continue as a going concern in accordance with the requirement of ASC 205-40.

As reflected in the consolidated financial information, the Group had approximately $1.2 million in cash on the Statement of Financial Position as at 31 December 2022. As at 31 December 2022, the Group had negative working capital of approximately $3.3 million and an accumulated deficit approximating $15.2 million. Additionally, the Group had a net Loss of approximately $3.5 million and cash provided by operating activities of approximately ($2.1) million during the year ended 31 December 2022.

As reflected in the consolidated financial information, the Group had approximately $2.0 million in cash on the Statement of Financial Position as at 31 December 2021. As at 31 December 2021, the Group had negative working capital of approximately $2.6 million and an accumulated deficit approximating $11.7 million. Additionally, the Group had a net profit of approximately $1.2 million and cash provided by operating activities of approximately $3.4 million during the year ended 31 December 2021.

Based on the results above, the Group believes there are sufficient funds to provide the Group with sufficient liquidity for at least twelve months from the date of this Document.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial Information has been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). They include the accounts of the Company, and interest owned in subsidiaries as follows: 99.99% of Fadel Lebanon and 100% of Fadel UK, Fadel France, Fadel Canada and IDS. All significant intercompany balances and transactions are eliminated on consolidation. The non-controlling interest represents the 0.00011% share of Fadel Lebanon owned by outside parties.

Use of estimates

The preparation of the consolidated financial Information in conformity with US GAAP requires the Group to make estimates and assumptions that affect the reported amounts of the Group's assets and liabilities and disclosure of contingent assets and liabilities, at the date of the Consolidated Financial Information, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Fair value measurements

Generally accepted accounting principles require the disclosure of the fair value of certain financial instruments, whether or not recognised on the Statement of Financial Position, for which it is practicable to estimate fair value. The Group estimated fair values using appropriate valuation methodologies and market information available as of year-end. Considerable judgment is required to develop estimates of fair value, and the estimates presented are not necessarily indicative of the amounts that the Group could realise in a current market exchange. The use of different market assumptions or estimated methodologies could have a material effect on the estimated fair values. Additionally, the fair values were estimated at year end, and current estimates of fair value may differ significantly from the amounts presented.

Fair value is estimated by applying the following hierarchy, which prioritises inputs used to measure fair value into three levels and bases categorisation within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1:	Quoted prices in active markets for identical assets or liabilities;
Level 2:	Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
Level 3:	Inputs that are generally unobservable and typically management's estimate of assumptions that market participants would use in pricing the asset or liability.

Cash and cash equivalents
All highly liquid investments with maturities of three months or less at the date of purchase are classified as cash equivalents.

Concentrations of credit risk
Financial instruments that potentially subject the Group to concentrations of credit risk consist primarily of cash, accounts receivable and unbilled work-in-progress. The Company performs on-going evaluations of the Group's customers' financial condition and, generally, requires no collateral from customers.

The Group maintains its bank accounts with major financial institutions in the United States, Lebanon, the UK, France and Canada. As at 31 December 2022, the Group had cash balances in excess of the Federal or National insured limits at financial institutions in the United States, France and the UK totalling some US$657 thousand out of a total of US$1.18 million cash deposits. Cash amounts held in Lebanon are not insured and as such minimal deposits are held in Lebanese accounts, with payments transferred in country only on an as needed basis. The Company believes the risk is limited as the institutions are large national institutions with strong financial positions.

New Accounting Pronouncements:
In February 2016, the FASB issued ASU No. 2016-02 *"Leases (Topic 842)"* ("ASU 2016-02") that requires almost all lessees' operating leases to be recorded on the Statement of Financial Position. The guidance specifies a lessee should recognize a right-of-use asset and corresponding lease liability for those leases.

classified as operating leases. ASU 2016-02 is effective beginning in fiscal year 2022. Early adoption is permitted. During transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach.

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13 *"Financial Instruments - Credit Losses"* ("Topic 326"), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on consolidated experience, current conditions and reasonable and supportable financial projections.

The standard also requires additional disclosures related to significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity's portfolio. Operating lease receivables are excluded from the scope of this guidance. The amended guidance is effective for the Group for fiscal years, and interim periods within those years, beginning 1 January 2023. The Company is evaluating the impact of adopting this new accounting standard on the Group's financial information and related disclosures.

ASU 2020-06 is effective for all other entities aside from SEC-filers, for fiscal years beginning after 15 December 2023, including interim periods within those fiscal years. SEC-filers are required to adopt for fiscal years beginning after 15 December 2021. This ASU simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The Company is evaluating the impact that adopting this new accounting standard will have on the Group's financial information and related disclosures.

The Company is evaluating the impact of adopting recently issued guidance on the Group's consolidated financial condition, results of operations and cash flows.

Effective 1 January 2022, the Group accounts for its leases under ASC 842 *"Leases"*. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the Statement of Financial Position as both a right of use asset and lease liability, calculated by discounting fixed lease payments over the lease-term at the rate implicit in the lease or the Group's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right of use asset is amortized over the lease-term. A discount rate of 10% was used to determine the right of use assets for operating leases. This was based on market rates for obligations with comparable terms effective at the lease inception date. For operating leases, interest on the lease liability and the amortization of the right of use asset result in straight-line rent expense over the lease term. Variable lease expenses, if any, are recorded when incurred.

In calculating the right of use asset and lease liability, the Company elected to combine the Group's lease and non-lease components. The Company excluded the Group's short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy election and recognized rent expenses on a straight-line basis over the lease-term.

Accounts receivable, unbilled work-in-progress and allowance for doubtful accounts
Accounts receivable are recorded at the invoiced amount and do not bear interest. Credit is extended based on the evaluation of a customer's financial condition and collateral is not required. Unbilled work-in-progress is revenue which has been earned but not invoiced. An allowance is placed against accounts receivable or unbilled work-in-progress for management's best estimate of the amount of probable credit losses. The Company determines the allowance based on historical write-off experience and information received during

collection efforts.

The Company reviews allowances monthly and past due balances over 90 days are reviewed individually for collectability. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Revenue recognition
Since 1 January 2019, the Group has accounted for revenue recognition in line with ASC 606*"Revenue from Contracts with Customers"* and ASC 340 *"Other Assets and Deferred Cost."*

The Group's revenue is derived from three primary sources:

- license fees;
- customer support; and
- services.

Revenue is recognised upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Group expects to receive in exchange for those products or services. If the consideration promised in a contract includes a variable amount, for example, overage fees, contingent fees or service level penalties, the Group includes an estimate of the amount it expects to receive for the total transaction price if it is probable that a significant reversal of cumulative revenue recognised will not occur.

The Group determines the amount of revenue to be recognised through the application of the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when or as the Group satisfies its performance obligations.

The Group's offerings fall primarily under four contract categories:

- SaaS subscriptions;
- perpetual licenses;
- support; and
- services.

License/subscription and support revenues
License/subscription and support revenues are comprised of fees that provide customers with access to cloud services, software licenses, related support and updates during the term of the arrangement.

- SaaS subscriptions - Cloud services allow customers to use the Group's multi-tenant software without taking possession of the software. Revenue is generally recognised rateably over the contract term. Contracts are paid in advance and typically are non-cancellable and do not contain refund-type provisions.

- Licenses and Support - License/subscription and support revenues also include revenues associated with term and perpetual software licenses that provide the customer with a right to use the software as it exists when originally made available. Revenue from term and perpetual software licenses are generally recognised at the point in time when the software is made available to the customer. Revenue from software support and updates is recognised as the support and updates are provided, which is generally rateably over the contract term. The Group typically invoices its customers annually and its payment terms provide that customers pay within 30 days of invoice. Amounts that have been invoiced are recorded in accounts receivable and in unearned revenue or revenue, depending on whether transfer of control to customers has occurred.

Professional services
The Group's professional services contracts are based on either a time and materials, fixed fee or subscription basis. Revenue is recognised as the services are rendered for time and materials contracts, on a proportional performance basis for fixed price contracts or rateably over the contract term for subscription professional services contracts. Other revenue consists primarily of training revenue recognised as such services are performed.

Significant judgements - contracts with multiple performance obligations
The Group enters into contracts with its customers that may include promises to transfer multiple performance obligations such as cloud services, software licenses, support, updates, and professional services. Multiple performance obligations are a promise in a contract with a customer to transfer products or services that are concluded to be distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment. The Group accounts for these performance obligations under individual contracts on an 'as combined' basis because the supplementary product or services that accompany cloud services and or software licenses are tailored and do not have a distinct fair market value.

As the Group's go-to-market strategies evolve, the Group may modify its pricing practices in the future, which could result in distinct products or services that require a standalone selling price.

The Group records amounts billed in advance of services being performed as deferred revenue. Unbilled work-in-progress represents revenue earned but not yet billable under the terms of the fixed-price contracts. Most of these amounts are expected to be billed and collected within 12 months.

Costs of obtaining a revenue contract
The Group capitalises costs of obtaining a revenue contract. These costs consist of sales commissions related to the acquisition of such contracts that would not have been incurred if these contracts were not won.

For licenses, the Group estimated the amortisation period based on the remaining expected life of the customer/the term for which it anticipates the Group's contract will remain effective. It anticipates the term due to the project size, terms, complexity and cost of implementation and transition, making it less likely that a client will change vendors for this service.

During the implementation, the Group applied the guidance as of 1 January 2019 only to contracts that were either not completed as of that date, or that had a life of customer that ended after 1 January 2019.

For service and support contracts, the amortisation period is based on the duration of the contract in consideration that it would be less difficult and costly for clients to transition to another vendor for continued service.

Amortisation periods for customer lives typically vary between 5 and 10 years. The Group elected not to apply the practical expedient for contracts that have a duration of less than one year.

Depreciation
Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to seven years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations for the period. The cost of maintenance and repairs is charged to operations as incurred. Significant renewals and betterments are capitalised.

Intangible assets - goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Intangible assets other than goodwill
The Group has three categories of intangible assets:

Brand assets
The Group purchased IDS in October 2021 and with it acquired a long-established and respected brand. At the time of purchase, the Group estimated the useful life of the brand assets acquired for financial reporting purposes and recognises amortisation on a straight-line basis over the useful life of the asset, typically 10 years. Purchased brand assets are reviewed for impairment at each reporting date or when events and circumstances indicate an impairment. The Group determined that an impairment charge was not necessary during the period covered by the accompanying Consolidated Financial Information.

Customer relationships
The Group purchased IDS in October 2021 and with it acquired a number of customer relationships. At the time of purchase, the Group estimated the useful life of the customer relationships acquired for financial reporting purposes and recognises amortisation on a straight-line basis over the useful life of the asset, typically 10 years. Purchased customer relationships are reviewed for impairment at each reporting date or when events and circumstances indicate an impairment. The Group determined that an impairment charge was not necessary during the period covered by the Consolidated Financial Information.

Software and technology assets
The Group purchased IDS in October 2021 and with it acquired a number of software and technology assets. At the time of purchase, the Group estimates the useful life of the software and technology assets acquired for financial reporting purposes and recognised amortisation on a straight-line basis over the useful life of the asset, typically 10 years. Purchased software and technology assets are reviewed for impairment at each reporting date or when events and circumstances indicate an impairment. The Group determined that an impairment charge was not necessary during the period covered by the Consolidated Financial Information.

Billed accounts receivable and concentrations of credit risk
As at 31 December 2022, there were three significant customers (defined as contributing at least 10%) that accounted for 68% of accounts receivable.

As at 31 December 2021, there was one significant customer that accounted for 80% of accounts receivable.

Accounts payable and accrued expenses
As at 31 December 2022, there were three significant vendors (defined as contributing at least 10%) that accounted for 62% of accounts payable.

As at 31 December 2021, there was no significant vendor of accounts payable and accrued expenses.

Unbilled work-in-progress and concentrations of credit risk
As at 31 December 2022, there were three significant customers that accounted for 88% (17%, 27% and 44%) of unbilled work-in-progress.

As at 31 December 2021, there were three significant customers that accounted for 83% (22%, 29% and 32%) of unbilled work-in-progress.

Segmental reporting
The Group reports its business activities in two areas:

- License/subscription and support revenue (recurring); and
- Professional services (non-recurring),

which are reported in a manner consistent with the internal reporting to the Board, which has been identified as the chief operating decision maker.

Revenue concentrations
During 2022, the five largest customers accounted for an aggregate of $8,411,729 of revenue, some 64% of revenue from continuing operations. This is primarily due to a decline in services revenue, which is as expected, as it is due to a number of customers completing an implementation phase.

During 2021, the five largest customers accounted for an aggregate of $8,990,966 of revenue, some 75% of revenue from continuing operations.

Top 5 Customers' revenue concentration		2021 % of Total		2022 % of Total
$'000	Revenue	Revenue	Revenue	Revenue

$'000	Revenue	Revenue	Revenue	Revenue
License/subscription	2,503	21%	2,798	21%
Support	1,746	15%	2,073	16%
Services	4,742	40%	3,540	27%
Total	**8,991**	**75%**	**8,412**	**64%**

Advertising and promotion costs
Advertising and promotion costs are expensed as incurred. These costs totalled $426,119 for the year ended 31 December 2021 and $536,552 for the year ended 31 December 2022.

Paycheck Protection Program loan
The Group's policy is to account for the Paycheck Protection Program loan as debt (see Note 0 to the Consolidated Financial Information). The Group recorded the loan as debt until it was forgiven in February 2021.

Income taxes
The Group records deferred tax assets and liabilities for the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in the Group's consolidated Statements of Financial Position, as well as operating loss and tax-credit carry-forwards. The Group also measures deferred tax assets and liabilities using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance if, based on available evidence, it is more likely than not that these benefits will not be realised.

Stock-based compensation
The Group records stock-based compensation in accordance with FASB ASC Topic 718 *"Compensation-Stock Compensation"*. The fair value of awards granted is recognised as an expense over the requisite service period.

Foreign currency
The Group's reporting currency is the $. The functional currency of foreign operations is the local currency for the foreign subsidiaries. Assets and liabilities of foreign operations denominated in local currencies are translated at the spot (historical) rate in effect at the applicable reporting date. The Group's consolidated Statements of Comprehensive Income are translated at the weighted average rate of exchange during the applicable period. Realised and unrealised transaction gains and losses generated by transactions denominated in a currency different from the functional currency of the applicable entity are recorded in other income (expense) in the consolidated statement of operations and comprehensive loss in the period in which they occur.

The exchange rate used to translate the Lebanese pound ("LBP") into $ for the purpose of preparing the Consolidated Financial Information has been fixed at $1 = LBP 1,500. The exchange rate used to translate the sterling pound ("£"), ("EURO") and (CAD) into $ for the purpose of preparing the Consolidated Financial Information uses the average rate for the consolidated Statements of Comprehensive Income and consolidated Statements of Cash Flows and the rate at the end of the reporting period for the Statement of Financial Position.

Starting in November 2019, the banking system in Lebanon imposed currency controls to prevent $ flight from the country. As a result, customer deposits in $ prior to the implementation from these controls were categorised as current accounts. Customers who own current accounts are not allowed to withdraw cash from such accounts, however, they are allowed to make payments from these accounts.

In order to access $ from current accounts, bank customers must ask the bank to convert the withdrawal amount into LBP using an official rate of $1 = LBP 3,900 determined by the Lebanese banking association. On 9 December 2021, the Lebanese Central Bank issued intermediate circular No: 601 which increased the value of $1 from LBP 3,900 to LBP 8,000.

New $ deposited into the bank accounts after the start of the currency controls, generally from overseas sources, are considered to be external, and can be used with minimum restrictions. The Group opened a new external account during the year ended 31 December 2019 to deposit funds transferred from the US and use those funds for operating expenses including payroll.

The official conversion rate set by the Lebanese government remains at $1 to LBP 1,500. As at 31 December 2021, the Group had the $ equivalent of approximately $34,500 and 29,700 at 31 December 2022 in external deposits (accounts not subject to same restrictions as Lebanese Current Accounts ("LCAs")) and approximately $1,200 in current deposits (LCAs) at 31 December 2021 and $7,600 at 31 December 2022.

Comprehensive income/(loss)
Comprehensive income/(loss) consists of two components:

- net income/(loss); and
- other comprehensive income/(loss).

Other comprehensive income/(loss) refers to revenue, expenses, gains and losses that are recorded as an element of Shareholder's equity but are excluded from net income/(loss). Other comprehensive income/(loss) consists of foreign currency translation adjustments from those subsidiaries not using the $ as their functional currency.

Statement of cash flows
Cash flows from the Group's operations are calculated based upon the functional currencies. As a result, amounts related to assets and liabilities reported on the consolidated Statements of Cash Flows will not necessarily agree with changes in the corresponding balances on the Statements of Financial Position.

4. SEGMENTAL REPORTING
The Group reports its business activities in two areas:

- subscription and support revenue; and
- professional services,

which are reported in a manner consistent with the internal reporting to the Board, which has been identified as the chief operating decision maker.

While the chief operating decision maker considers there to be only two segments, the Group's revenue is further split between *"license subscriptions and support"* (recurring in nature) and *"professional services"* (non-recurring) and by key product families (IPM Suite and Brand Vision) and hence to aid the readers understanding of our results, the split of revenue from these categories is shown below:

	Audited As at 31 December 2021 $	Audited As at 31 December 2022 $
Revenue		
Licence/Subscription		
IPM Suite	3,075,637	4,346,891
Brand Vision	759,036	1,902,979
Total Licence/Subscription	**3,834,673**	**6,249,870**
Support		
IPM Suite	2,637,670	2,431,132
Brand Vision	-	-
Total Support	**2,637,670**	**2,431,132**
Licence/subscription and support	6,472,344	8,681,002
Professional services	5,498,528	4,501,401
Total Revenue	**11,970,872**	**13,182,403**
Cost of Sales		
Subscription and support	1,599,027	2,371,550
Professional services	3,374,297	2,865,844
Total cost of sales	**4,973,324**	**5,237,394**
Gross Profit Margins		
Profit margin Subscription and support	75%	73%
Profit margin Service	39%	36%
Total gross profit margin	**58%**	**60%**

5. INCOME TAXES

The components of income/(loss) before income taxes are as follows:

	Audited **As at 31 December 2021 $**	***Audited*** **As at 31 December 2022 $**
Domestic	1,577,895	(415,977)
Foreign	2,278,118	139,210
US taxable profit before income taxes	3,856,013	(276,767)

Provision for income taxes consisted of the following:

Provision components are as follows:	***Audited*** **As at 31 December 2021 $**	***Audited*** **As at 31 December 2022 $**
Current:		
Foreign	27,696	25,265
Federal	764,518	-
State	111,903	2,806
Total current expense	904,117	28,070
Deferred:		
Foreign	-	-
Federal	(475,988)	513,180
State	(29,484)	244,989
Total deferred expense	(505,472)	758,170
Provision for/ (benefit from) income taxes	**398,644**	**786,240**

The differences between income taxes expected at the U.S federal statutory income tax rate and income taxes reported were as follows:

	Audited **As at 31 December 2021 $**	***Audited*** **As at 31 December 2022 $**
U.S federal income tax (benefit) at statutory rate	331,358	(58,121)
State tax (net of federal benefit)	58,919	68,795
Foreign tax rate differential	-	(4,133)
Meals and Entertainment	1,987	1,569
Change in valuation allowance	-	-
Subpart F income	33,817	653,618
Research & Development Credit		[illegible]

Research & Development Credit	-	(50,000)
SALT Rate Change	-	178,411
Other	(61,754)	(3,900)
Provision for (benefit from) income taxes	**364,327**	**786,240**

The Company is subject to taxation in the United States and certain foreign jurisdictions. Earnings from non-U.S. activities are subject to local country income tax.

The material jurisdictions where the Company is subject to potential examination by tax authorities include the United States, Lebanon, Canada and the UK.

The above amounts are recorded as Other Income in the Statement of Comprehensive Income.

U.S Companies are eligible for a deduction that lowers the effective tax rate on certain foreign income. This regime is referred to as the Foreign-Derived Intangible Income deduction.

The Group records deferred tax assets and liabilities for the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in the Group's consolidated Statements of Financial Position, as well as operating loss and tax-credit carry-forwards. The Group also measures the Group's deferred tax assets and liabilities using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance if, based on available evidence, it is more likely than not that these benefits will not be realized.

As at 31 December 2021, the Company had a US federal and state Net Operating Losses ("NOL") carry forward of $0 and $4.0 million respectively. The state NOL will expire beginning in 2037. As at 31 December 2021, the Company had NOLs in New Jersey, Pennsylvania, New York, and New York City.

As at 31 December 2022, the Company had a US federal and state NOL carry forward of approximately $612 thousand and $5.5 million respectively. The state NOL will expire beginning in 2037. As of 12/31/2022, the Company had NOLs in California, Florida, New Jersey and Pennsylvania

On 27 March 2020, the CARES Act was signed into law. The Act contains several new or changed income tax provisions, including but not limited to the following: increased limitation threshold for determining deductible interest expense, class life changes to qualified improvements (in general, from 39 years to 15 years), and the ability to carry back net operating losses incurred from tax years 2018 through 2020 up to the five preceding tax years. Most of these provisions are either not applicable or have no material effect on the Company.

The Tax Cuts and Jobs Act of 2017 (the "Tax Act") contains a provision which subjects a U.S parent of a foreign subsidiary to current U.S. tax on its global intangible low-taxed income ("GILTI"). The Company will report the tax impact of GILTI as a period cost when incurred. In 2022, the company has a net GILTI inclusion of approximately $3.1 million primarily due to Section 174 capitalization. Accordingly, the Company is not providing deferred taxes for basis differences expected to reverse as GILTI.

In 2023, as a part of the 2022 tax return, the company will finalize an R&D study and method change related to deferred revenue in order to defer revenue expected to be received within 1 year. The 481(a)-adjustment benefit is expected to be approximately $3.8 million (gross) and $817 thousand (net). The R&D credit is expected to be $50 thousand and is carried forward for up to 20 years.

Significant components of the Company's deferred tax assets and deferred tax liabilities are as follows:

	Audited As at 31 December 2021 $	**Audited As at 31 December 2022 $**
Depreciation		
Amortisation		338,029
Net Operating loss carry forwards	-	128,535
Net Operating loss carry forwards (state)	246,732	340,655
Reserves and accruals	151,092	90,612
Deferred revenue	1,321,422	205,909
R&D Credit	-	50,000
Net deferred tax assets	**1,719,246**	**1,153,741**
Less valuation allowance	-	-
Total deferred tax assets	**1,719,246**	**1,153,741**
Total deferred tax liabilities	(6,305)	(198,969)
Deferred tax assets, net	**1,712,941**	**954,772**

Due to its current year earnings, the Company believes that it is more-likely-than-not that substantially all of the deferred tax assets except state net operating losses and capital loss carry forwards will be realised. Therefore, the Company has released valuation allowance on U.S. deferred tax assets other than those stated above.

The change in the valuation allowance is as follows:

	Beginning of the Year	Additions/ (Deductions)	Balance at the end of the year
2021			
Reserves Deducted from deferred income taxes, net:	1,206,967	505,972	1,712,941
Valuation Allowance	-	-	-
2022			
Reserves Deducted from deferred income taxes, net:	1,712,941	(758,169)	954,772

income taxes, net:

Valuation allowance	-	-	-

As at 31 December 2022, the Company did not have any unrecognised tax benefits and did not anticipate any significant changes to the unrecognised tax benefits within twelve months of this reporting date. In the year ended 31 December 2022, the Company recorded no interest or penalties on income taxes. At December 31, 2022, there was no accrued interest included in income taxes payable.

6. EARNINGS PER SHARE

The Group reports basic and diluted earnings per Share. Basic earnings per share is calculated by dividing the profit attributable to common Shareholders by the weighted average number of Shares outstanding during the period.

Diluted earnings per share is determined by adjusting the profit attributable to Shareholders by the weighted average number of Shares outstanding, taking into account the effects of all potential dilutive Shares, including Preferred Shares, warrants and Options.

	Audited As at 31 December 2021 $	**Audited As at 31 December 2022 $**
Total comprehensive income attributable to Shareholders	1,256,887	(2,529,959)
Weighted average number of Shares	6,782,943	6,855,443
Basic earnings per share ($)	**0.19**	**(0.37)**

	Audited As at 31 December 2021 $	**Audited As at 31 December 2022 $**
Total comprehensive income attributable to Shareholders	1,256,887	(2,529,959)
Weighted average number of shares	6,782,943	6,855,443
Dilutive effect of Options and warrants	8,918,860	8,530,997
Weighted average number of diluted shares	15,701,803	15,313,940
Diluted earnings per share ($)	**0.08**	**(0.37)**

7. BUSINESS COMBINATION

On 1 October 2021, Fadel UK Limited signed a Share Purchase Agreement to acquire 100% of the ordinary shares of Image Data Systems (IDS), a UK based business with over 30 years' experience in image and video management providing production agencies and media publishers with a fast and scalable cloud-based content services platform. The complementary nature of the IDS content services platform, when combined with the digital rights management system of FADEL will make an even more compelling offering for brand managers.

Fair Value of Purchase Consideration

The fair value of the purchase consideration on the acquisition date was £5.5 million ($7.4 million).

Fair Value of Assets Acquired and Liabilities Assumed

The Group accounted for the acquisition using the purchase method of accounting for business combinations under ASC 805,*Business Combinations*. The total purchase price was allocated to the tangible and identifiable intangible assets acquired and liabilities based on their estimated fair values as at the acquisition date.

Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The Company's judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives and the expected future cash flows and related discount rates, can materially impact the Consolidated Financial Information. Significant inputs used for the calculations included the amount of cash flows, the expected period of the cash flows and the discount rates.

The allocation of the purchase price was based on the Company's estimate of the fair values of the assets acquired and liabilities assumed on the acquisition date, as follows:

- brand assets (£0.30 million ($0.4 million));
- customer relationships (£0.29 million ($0.4 million)); and
- software / technology assets (£1.53 million ($2.07 million)).

The following table shows the current carrying value of the intangible assets. The information is presented in £ given the assets acquired were paid for in £ and the resulting values arise on consolidation of our UK entities.

	Goodwill	Customer Relationships	Technology based assets	Brand Assets	**Total**
Cost	£	£	£	£	**£**
As at 31 December 2020	-	-	-	-	**-**
Additions	1,735,463	294,932	1,534,440	296,000	**3,860,835**
As at 31 December 2021	1,735,463	294,932	1,534,440	296,000	**3,860,835**
Additions					
As at 31 December 2022	**1,735,463**	**294,932**	**1,534,440**	**296,000**	**3,860,835**

As at 31 December 2022	1,735,463	294,931	1,534,440	296,000	3,860,835
Amortisation and impairment:					
As at 31 December 2020					
Amortisation charge for the period	-	7,373	38,361	7,400	**53,134**
As at 31 December 2021	-	7,373	38,361	7,400	**53,134**
Amortisation charge for the period	-	29,493	153,444	29,600	**212,537**
As at 31 December 2022	**-**	**36,866**	**191,805**	**37,000**	**265,671**
Carrying amount:					
As at 31 December 2020					
As at 31 December 2021	1,735,463	287,559	1,496,079	288,600	3,807,701
As at 31 December 2022	**1,735,463**	**258,065**	**1,342,635**	**259,000**	**3,595,164**

The approximate estimated future amortization expense is £ 212,537 each year, for the next five years (2023-2027).

Goodwill represented the excess of the purchase price over the fair value of the net assets acquired. The fair value of IDS net assets on the date of acquisition was £1.69 million ($2.28 million) (of which £1.45 million ($1.96 million) was cash and £0.25 million ($0.34 million) was net working capital). Goodwill was therefore determined to be £1.74 million ($2.34 million), which reflects the perceived value of the employees and expected synergies the combination of the two businesses will bring to the Group.

The consideration's fair value was estimated on the date of acquisition and was to be paid out in a series of stage payments. As at 1 October 2021, the total consideration paid to the sellers or transferred into escrow for future payment was £5 million ($6.7 million). A final payment of £428,874 ($0.58 million), as assessed at 31 December 2021. A revised final payment of £470,032 ($0.63 million) was agreed subsequently on 10 July 2022 and is recognised as a liability within accounts payable and accrued expenses as at 31 December 2021. The final payment of £470,032 was paid on 30 December 2022.

Goodwill Impairment

The Company assesses its investment in IDS for impairment on at least an annual basis. Based on projections of income, cash flows and the conditions of current operations, it believes the fair value of the reporting unit is greater than its carrying amount and no impairment is needed.

8. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	As at 31 December 2021 $	As at 31 December 2022 $
Accounts receivable	3,267,852	1,885,414
Allowance for doubtful accounts	(22,019)	(22,019)
Accounts receivable	**3,245,833**	**1,863,394**

9. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	As at 31 December 2021 $	As at 31 December 2022 $
Furniture and equipment	202,049	202,025
Accumulated depreciation	(99,094)	(113,855)
Furniture and equipment	**102,955**	**88,170**

The depreciation expense was $14,760 for the year ended 31 December 2022 (2021: $17,841).

10. CONTRACT COSTS

The Group applied ASC-606 with effect from 1 January 2019 to contracts that were either not completed as of that date, or that had an expected customer lifetime value that ended after 1 January 2019. This resulted in the capitalisation of $283,106 in commission costs incurred prior to and during 2019. Accumulated amortisation as of 31 December 2021 was $710,998 and $1,093,968 on 31 December 2022. Amortisation periods for customer lives typically vary between 5 and 10 years. The Group elected not to apply the practical expedient for contracts that have a duration of less than one year.

Contract costs consist of the following:

	As at 31 December 2021 $	As at 31 December 2022 $
Opening balance	**327,049**	**644,270**
Commissions capitalised during the year	684,223	323,209
Amortisation charge for the year	(367,002)	(382,969)
Accumulated contract costs	**644,270**	**584,510**

11. PAYCHECK PROTECTION PROGRAM

As a result of COVID-19, on 27 March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the "Act") was signed into law. The Act amends the Small Business Act to include a new guaranteed, unsecured loan program (the "Paycheck Protection Program"). On 8 April 2020, the Group applied for a loan under the Paycheck Protection Program. On 26 April 2020 the loan was approved in the amount of $336,139.

The loan has a term of two years and is subject to interest of 1%. Interest (and potential principal payments) is deferred for the first ten months. Subject to certain conditions as defined in the Act, up to 100% of the loan may be forgiven. On 19 February 2021, the Group received full forgiveness of both the loan principal and applicable interest (recorded under other income on the income statement).

12. RELATED PARTIES

Notes Payable:

In each of January 2020, January 2021, January 2022 and January 2023, the Group entered into demand note agreements totalling up to $100,000, up to $135,000 up to $75,000 and up to $50,000, respectively, with a Director in Fadel Lebanon for facilitating banking transactions and working capital purposes in Lebanon. The notes call for payment of interest at 0% per annum compounded annually. The January 2020 and the January 2021 notes were paid in full in each of the years ended 31 December 2020 and 31 December 2021. The outstanding balance of all such loans as of 31 December 2022 was $75,000.

13. LINE OF CREDIT: Bank of America:

On 29 June 2022, the Company entered into a new $1 million note agreement for a line of credit between the Company and Bank of America, N.A.. Advances under the note bear interest at the bank's Prime Rate plus 0.7%. The expiration date of the note is 31 May 2023. The outstanding balance as at 31 December 2022 was $1,000,000. On 11 May 2023 the line of credit between the Company and Bank of America, N.A. was extended until 31 May 2024.

14. COMMON AND PREFERRED STOCK

The Company has authority to issue 28,830,991 Shares, consisting of 20,000,000 Shares of $0.001 par value per Share and 8,830,991 Preferred Shares of $0.001 par value per Preferred Share.

The first series of Preferred Shares is designated *"Series A-1 Preferred Shares"* and consists of 1,120,841 Preferred Shares with a conversion and liquidation preference of $0.94 per Preferred Share.

The second series of Preferred Share is designated *"Series A-2 Preferred Shares"* and consists of 1,506,181 Preferred Share with a conversion and liquidation preference of $1.39 per Preferred Share.

The third series of Preferred Share is designated *"Series B Preferred Shares"* and consists of 4,100,000 Preferred Share with a conversion and liquidation preference of $1.79 per Preferred Share.

15. OPTIONS AND WARRANTS

Stock option plans

In 2014, the Directors approved the *"2014 Equity Incentive Plan"* with a maximum of 1,620,366 shares reserved for issuance. As applicable, the exercise price is as established between the Company and recipient. These options vest over three or four years from date of grant. Options to acquire 1,548,191 and 1,614,696 shares were granted and remain outstanding as at 31 December 2022 and 2021, respectively.

Approximately 1,795,794 and 1,786,423 shares have vested as at 31 December 2022 and 2021, respectively.

During the year ended 31 December 2021, 65,000 Options were granted to employees with an exercise price of approximately $0.895 under the plan. There were no options granted during 2022.

Unrecognized compensation expense related to share options which will be recognized through 2023 was $5,297 and $7,588 as at 31 December 2022 and 2021, respectively.

A summary of the status of the Group's Option plan for the three years ended 31 December 2021 and 31 December 2022 is as follows:

Options outstanding	**Number of Options (in Shares)**	**Weighted average exercise price**
	Options Outstanding	
As at 31 December 2021	**1,614,696**	**$1.15**
Granted	-	-
Exercised		
Forfeited or expired	**(66,505)**	
As at 31 December 2022	**1,548,191**	**$1.14**
Exercisable as at 31 December 2021	**1,539,696**	**$1.15**
Exercisable as at 31 December 2022	**1,492,561**	**$1.25**

Summary information regarding the Options outstanding and exercisable as at 31 December 2022 is as follows:

	Outstanding			**Exercisable**	
Range of Exercise Prices	**Number Outstanding (in Shares)**	**Weighted Average Remaining Contractual Life** (In years)	**Weighted Average Exercise Price**	**Number Exercisable (in shares)**	**Weighted Average Exercise Price**
$0.895- $1.430	1,548,191	2.11	$1.15	1,492,561	$1.15

Summary information regarding the Options outstanding and exercisable at 31 December 2021 is as follows:

	Outstanding			**Exercisable**	
Range of Exercise Prices	**Number Outstanding (in Shares)**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise**	**Number Exercisable (in shares)**	**Weighted Average Exercise Price**

	(in shares)	(In years)	Price	(in shares)	Exercise Price
$0.89-$1.430	1,027,412	0.85	$1.23	1,158,923	$1.03

The intrinsic value of options exercisable as at 31, December 2022 ranged from $0.24 to $1.08 and for options exercisable at 31 December 2021 ranged from $0.35 to $1.08. The total value of shares vested during the year ended 31, December 2022 was $2,291.

Warrants
The Group issued warrants to investors to purchase various classes of stock as follows:

- on 20 July 2016, the Group issued to Hamed Moghaddam warrants to purchase 46,804 Series A-1 Preferred Shares for an exercise price of $0.961 per Preferred Share, with an expiration date of 20 July 2023;
- on 20 July 2016, the Group issued to Hamed Moghaddam warrants to purchase 62,929 Series A-2 Preferred Shares for an exercise price of $1.430 per Preferred Share, with an expiration date of 20 July 2023;
- on 20 July 2016, the Group issued to Arcadia warrants to purchase 5,200 Series A-1 Preferred Shares for an exercise price of $0.961 per Preferred Share, with an expiration date of 20 July 2023;
- on 20 July 2016, the Group issued to Arcadia warrants to purchase 6,992 Series A-2 Preferred Shares for an exercise price of $1.430 per Preferred Share, with an expiration date of 20 July 2023;
- during the years ended 31 December 2017 and 31 December 2018, the Group entered into a series of capital increase agreements with MEVP, whereby MEVP purchased 4,484 shares of Fadel Lebanon, 3,000,000 of the Company's Common 4C Shares and warrants to acquire 1,436,260 Series A-2 Preferred Shares, 2,943,243 Series B Preferred Shares and 1,117,318 Series B-1 Preferred Shares. In order to exercise the warrants, MEVP must surrender its ownership interests in Fadel Lebanon; and
- During the year ended 31 December 2018, the Group entered into capital increase agreements with ISME and B&Y, whereby these entities acquired 3,332 shares of Fadel Lebanon and warrants to acquire 982,651 Series B-2 Preferred Shares. In order to exercise the warrants, ISME and B&Y must surrender their ownership interests in Fadel Lebanon.
- Effective as of 4 October 2022, all warrants held by MEVP, ISME and B&Y were exercised and retired in exchange for the issuance of shares of the Company's preferred and/or common stock, as follow:

  - Impact Fund by MEVP Holding SAL
    300,000 common shares
    1,436,260 preferred shares "*Series A-2*"
    2,943,243 preferred shares *"Series B"*
    1,117,318 preferred shares "*Series B-1*"

  - iSME SAL Holding
    580,383 preferred shares "*Series A-1*"

  - B&Y Division One Holding SAL
    406,268 preferred shares "*Series B21*"

16. RETIREMENT PLAN

The Company has a 401(k) safe harbor plan that covers all employees at least 21 years of age who have worked for the Company for at least three months. Employees vest immediately for all employer matching contributions. The retirement plan expense was $80,680 for the year ended 31 December 2021 and $87,251 for the year ended 31 December 2022.

17. LEASES

On 1 March 2019, the Group entered into a 36-month lease for the 2^{nd} and 6^{th} Floor offices in Beirut, Lebanon. The monthly lease payment is $4,902;

On 1 July 2021, the Group entered into a 12-month lease for the 7^{th} Floor office in Beirut, Lebanon. The monthly lease payment is $2,960;

On 1 May 2021, the Group entered into a 2-month lease for an apartment in France, with monthly lease payments of €1,600 per month, and extended it to a 12-month lease from 1 July 2021 at a monthly lease payment of €1,700 per month. During 2022 the total lease payments was €20,900.

The Lease was terminated end of March 2023.

On January 2023, the Group entered into a 12-month lease for a work space office in France. The total annual lease payment was €920 for a pack of 200 hours valid for one year.

On 1 March 2022, the Group entered into a 12-month lease for a work space office in New York. The monthly lease payment is $1,647. The lease has been renewed for a further 12 months.

On October 2022, the Group entered into a 12-month lease for a work space office in the UK. The monthly lease payment is $ £650.00.

Total rental expense (USD)	**Consolidated**
Year ending 31 December 2021	$92,272
Year ending 31 December 2022	$72,788

On 1 March 2022, the Group entered into a 2-year renewal operating lease agreement for the 2^{nd} and 6^{th} floor office in Beirut. The initial present value of the future lease payments was determined to be $102,091. The

monthly payment is $4,902.

The future minimum lease payments, exclusive of related costs, are approximately as follows:

$	Payment	Interest	Principal
Maturity within 1 year	58,824	4,025	54,799
Maturity after 1 year	9,804	123	9,681
Total:	**68,628**	**4,148**	**64,480**

On 1 July 2022, the Group entered into a 2-year renewal operating lease agreement for the 7^{th} floor office in Beirut. The initial present value of the future lease payments was determined to be $67,426. The monthly payment is $3,238.

The future minimum lease payments, exclusive of related costs, are approximately as follows:

$	Payment	Interest	Principal
Maturity within 1 year	38,850	3,856	34,994
Maturity after 1 year	19,425	560	18,865
Total:	**58,275**	**4,416**	**53,859**

Rent expense, including related costs, for the year ended 31 December 2021 aggregated approximately $92,272 and $72,788 for the year ended 31 December 2022.

18. SUBSEQUENT EVENTS

On 2 April 2023 the outstanding preferred shares of MEVP, BBEF, iSME and B&Y were converted into common shares in accordance with the terms of their agreements pursuant to the IPO. Impact Fund by MEVP Holding SAL converted their Series A-2, B and B-1 preferred shares into 5,496,821 common shares, BBEF (Holding) SAL converted their Series A-1 preferred shares into 1,068,837 common shares, iSME SAL Holding converted their Series A-1 preferred shares into 580,383 common shares and B&Y Division One Holding SAL converted their Series B-2 preferred shares into 406,268 common shares.

On 2 April 2023, Tarek Fadel and the Company entered into a loan agreement whereby Mr Fadel agreed to advance a loan (the "Fadel Loan") of £451,346 to the Company. The Fadel Loan is unsecured and bears no interest or fees. The Fadel Loan is repayable only as and when, following Admission (and excluding the issue of the New Shares in the Placing), the Company issues new Shares at a price at or above the Placing Price.

On 3 April 2023 $300,000 of the line of credit between the Company and Bank of America, N.A. was repaid leaving an outstanding balance of $700,000.

On 6 April 2023 the Company announced the admission of its entire issued share capital to trading on AIM, a market operated by the London Stock Exchange. In connection with its initial public offering the Company raised gross proceeds of £8.0 million.

On 28 April 2023 the Company announced the issuance of 223,289 new depositary interests over common shares at a price of £1.44 per share, raising $401,613 which was used to repay part of the Fadel Loan.

On 11 May 2023 the line of credit between the Company and Bank of America, N.A. was extended until 31 May 2024.

On 20 June 2023 the withholding tax of £518,898 due in the UK was paid by Image Data Systems (UK) Limited ("IDS") to HMRC. Upon repayment of the loan between IDS and Fadel Partners UK Limited (expected to be repaid this year) the withholding tax can be reclaimed from HMRC.

END

FR FTMATMTITMLJ