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Fadel Partners Inc.
27 September 2023

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Fadel Partners, Inc.

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

Half Year Report

Fadel Partners, Inc. (AIM: FADL), a brand compliance and rights and royalty management software provider, is pleased to provide its results for the six months ended 30 June 2023, based on unaudited management accounts.

Financial Highlights

US Dollars ($)	1H22	1H23	Change %
Group revenue	6,691,404	5,373,143	(20)%
Recurring revenue	4,165,241	4,336,484	4%
Recurring revenue % of Group revenue	62%	81%	30%
Gross profit	4,042,329	2,678,803	(34)%
Adjusted EBITDA[1]	223,449	(1,993,265)	(698)%
Net cash	106,371	7,269,954	6735%

[1] Earnings after capitalised commission costs and before interest, tax, depreciation, amortization, exceptional costs and share-based payments

Operational Highlights

- Consistent execution of growth strategy in line with plan set out at IPO
- Strong progress in new customer acquisition with Brand Vision solutions gaining momentum and an increasing interest in larger, enterprise-level contracts
- Recruitment of a Chief Revenue Officer alongside a Global VP of Growth Marketing, both enabling an increase in the rate of scale as FADEL pursues its growth ambitions
- Launch of new product offerings including Content Tracking, enhancements to Content Cloud capabilities and video matching on YouTube and TikTok attracting new customer acquisition and further embedding FADEL in existing clients

Current Trading and Outlook

- Strong sales momentum has continued into 2H23
- Growing pipeline of opportunities with new and existing clients in the Life Sciences, Publishing and FMCG industries providing confidence in near to medium term outlook
- Significant and growing market opportunity upon which FADEL is well positioned to fully capitalise
- On-track to meet full-year targets and recurring revenues are expected to increase to become c.80% of total revenues for FY23

Tarek Fadel, Chief Executive Officer of FADEL, commented:

"We are pleased with the considerable progress we have made in the first six months of FY23 and since our IPO in April this year. We presented the market with an ambitious growth strategy that seeks to enable FADEL to capitalise on the significant opportunity in the rapidly expanding digital content and IP market and the execution of this plan remains firmly on track.

The funds raised at IPO have allowed us to make strategic hires, accelerate the release of new product offerings and to facilitate growth as we invest further in our business and build on our strong foundations.

The outlook for FADEL remains positive and the benefits of our investments are already coming through as the strong trading momentum enjoyed in 1H23 continues into the second half of the year. Investments made in the business to date, alongside the wider shift towards digitisation, are driving increased demand for our offering and give great confidence in the Group's outlook."

For further information please contact:

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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.

OPERATIONAL REVIEW

Overview

We are encouraged with the significant strategic progress we have made in the first six months of 2023 now that we are a quoted company. At the time of our IPO in April 2023, we presented an ambitious growth strategy to the market and I am pleased to report that we are progressing in line with our expectations.

Through the funds raised at IPO, we have expanded our sales and marketing teams with key hires and have diversified our product offering through the launch of new Brand Vision services which further consolidates our competitive moat and increases the total addressable market available to FADEL as we continue to scale.

FADEL's operational progress has been underpinned by a solid financial performance with recurring revenues increasing 4% to $4.3 million (1H22: $4.2 million). Our total revenues declined as a result of a reduction in our Professional services revenues due to the expected completion of a number of IPM Suite implementations and the postponement of regional roll-outs for existing clients due mainly to challenging macro-economic conditions.

The shift towards digitisation continues to accelerate and despite the tough macro-economic backdrop, the Company continues to be a beneficiary of that acceleration. Pleasingly, we are on-track to meet our full-year targets and recurring revenues are expected to increase to become c.80% of total revenues for FY23. This strong revenue visibility reflects the positive growth expected from licence and support renewals alongside net new sales, providing us with the ability to maintain our disciplined approach to invest in our products and people while giving confidence for a good second half and a strong FY23.

Performance against strategy

The Group's capital allocation policy and R&D roadmap has driven select investments across the business to maximise growth potential and the future returns for investors as we capitalise on the growing opportunity available within the rapidly expanding digital content and intellectual property market. We have continued to innovate and adapt our sales processes and enhance our product offerings, in line with customer requirements with the objective of maximising the revenue potential per customer.

Investment in sales and marketing

As part of our growth strategy, we have continued to invest in our sales and marketing teams in order to proactively sell FADEL's solutions into the rapidly growing market. As announced in June 2023, we are pleased to have hired a Chief Revenue Officer alongside a Global VP of Growth Marketing, both key to helping us increase our rate of scale as we pursue our growth ambitions.

During the first half of 2023 we have also added five new salesperson/lead generation hires to our team, complemented by product management, sales support and administration hires to build out phase I of the sales team growth, greatly expanding our go to market capacity and capabilities.

Investments made in this area are bearing fruit with a number of opportunities added to our already strong pipeline of new business focused on the following key themes:

- Strong interest in video Content Tracking providing new opportunities for the Brand Vision family of products
- Significant interest from global brands who market to consumers using high value marketing content in the fast-moving consumer goods ("FMCG"), healthcare, beauty, luxury and beverages industries
- An increase in copyright compliance and litigation activity resulting in a significant increase in enquiries for our Rights Cloud product
- The expansion of our marketing activities has resulted in an increase in IPM product interest relative to historic levels and driven increasingly by licensees

New customer acquisition

New customer acquisition has continued to progress well during 1H23 and into 2H23. Sales prospects for the Group's Brand Vision solutions have been gaining momentum with an increasing interest in larger, enterprise-level contracts. These larger contract types involve longer sales cycles, however the benefits for FADEL are clear and we are adapting as we grow and focusing our expanded sales teams to capitalise on this opportunity.

Notable customer activity so far this year includes:

- Are Media: Rollout of PictureDesk for one of the biggest Australian and New Zealand omnichannel content companies
- Coca-Cola: Rollout of Brand Vision Rights Cloud
- O'Reilly Media: new IPM cloud services agreement and migration to the FADEL Cloud
- Philip Morris: implementation of Brand Vision (Rights Cloud and Content Tracking)
- Sanofi: implementation of Brand Vision (Rights Cloud)
- An American multinational personal care corporation: implementation of Brand Vision (Rights Cloud)
- An American multinational food, snack, and beverage corporation: implementation of Brand Vision (Rights Cloud)
- A number of further enterprise level contracts for both IPM Suite and Brand Vision customers are in the later stages of negotiation and are expected to be signed during the course of 2H23

Expansion within existing customer base

The opportunity of deepening the relationship within our existing blue-chip customer base is significant and we see cross/upselling as a key driver for growth going forward as customers leverage the solutions provided by both IPM Suite and Brand Vision. FADEL has 145 customers across a range of sectors, representing a notable growth opportunity within its existing customer base alone.

Our expanded sales and marketing teams are actively engaged with many customers to discuss how a combination of our offerings can be deployed to most effectively meet their unique needs and we are confident that we will see the benefits of this in FY23 and beyond.

Innovation and product expansion

Innovation and product expansion continues to be a key focus area for FADEL as we continually provide customers with additional features and capabilities to meet their increasingly complex needs. The launch of new offerings is a core part of the Group's growth plan and creates opportunities to both attract new customers by widening the competitive moat with peers while also further embedding in existing clients through FADEL's land and expand strategy. Examples of product innovation from the period include:

- **Content Tracking** - Released in 2Q23, this product introduces AI based image and video matching and web crawling. This enables clients to search for brand marketing content in image and video form across the web and social media. Video Tracking is proving to be a much-needed solution to a challenging problem many multi-national brands have thus far been unable to solve to stay compliant with their marketing content and its digital distribution
- **Video matching on YouTube and TikTok -** Using our Content Tracking offering we have introduced connectors to YouTube and TikTok allowing global brands to track and monitor their video content online to ensure copyright and usage compliance
- **Enhancements to Content Cloud capabilities**- Further product enhancements broadening the capabilities and appeal of the offerings for departmental users

Current trading and outlook

Despite the wider macroeconomic headwinds, our resilient business model has shielded FADEL from many of the challenges in the sector. We continue to see strong interest in and uptake of our solutions as companies seek to benefit from the high ROI from cost efficiencies and licensing revenue growth opportunities available through our services, which are not obtainable using legacy solutions.

As we enter 2H23 we have a growing pipeline of opportunities with new and existing clients in the Life Sciences, Publishing and FMCG industries. We expect, from discussions with several customers that their upcoming renewals this year will result in recognition of the contract value in full on signing and as a result our revenue in 2H23 is expected to be materially higher than 1H23 underpinning our confidence in the full-year outlook.

Beyond this financial year, the successful conversion of our current pipeline has the potential to add materially to our revenue, bringing us into new industries with multiple products and significant land and expand opportunities. The potential for our future growth is becoming increasingly self-evident although our recently expanded sales team is still very much in ramp up mode.

The market opportunity remains substantial, and our software has a growing number of use cases across many industries. Therefore, we are working on analysing and understanding these organic opportunities to ensure we are allocating capital and investing in our development teams effectively. In addition, the Group has a clear medium-term acquisition strategy as a Board we are regularly reviewing the wider market, in relation to our strict criteria, for prospective opportunities.

As we continue to execute against our growth strategy and capitalise on the significant opportunity available to us in the market, we have great confidence in our business prospects for FY23 and beyond.

Tarek Fadel
Chief Executive Officer
27 September 2023

FINANCIAL REVIEW

Revenue

Our revenue for the first six months of the year was a total of $5.4 million. Of this $4.3 million (81%) was recurring[1] in nature, an increase of 4% relative to 1H22: $4.2 million. Our service revenue declined relative to the same prior period to a total of $1.0 million (1H22 of $2.5 million). This decrease is a reflection of the successful completion in 1H23 of a number of IPM Suite implementations and some delays/postponements in regional rollouts by existing IPM Suite clients, in part due to the macro-economic environment. Encouragingly, we are already seeing some of the postponed work being rescheduled into the next 18 months.

As stated in our half year trading update, our expected full-year revenue for 2023 remains in line with market expectations[2], implying a significant proportion of revenue to be realised in the second half of the year in-line with historical contract renewals. To put this confidence in context it is worth expanding on why and how this is the case by providing more details on the relationship between revenue recognition and the type of contracts we have with customers.

[1] Recurring revenue is defined as Licence/subscription and Support revenue.

[2] FY23 consensus revenue estimate: $14.6m.

Revenue Recognition

We typically have multiple contracts with each customer with each contract varying in nature depending on the type of licence or services being contracted.

- **Term licences**: a majority of our contracts (in revenue terms) are term licences. Some of these, based on specific terms within the contracts, are recognised rateably, but some which are single tenant, cloud hosted in a private environment and non-cancellable in nature, are recognised in full upon the signing of the annual contract under the requirements of Accounting Standards Codification (ASC) 606. Most of these term contracts are for the provision of our IPM Suite family of products. These contracts typically range from between 1-3 years in duration. Today some 80% of our revenue comes from our IPM Suite product offering and all of these contracts are term licences in nature
- **SaaS contracts:** Increasingly, our contracts are SaaS in nature and are recognised rateably on a monthly basis. These SaaS type contracts are a majority in number, however many of these are not particularly high value contracts on either an individual or collective basis relative to our overall revenue levels today. However, they are expected to scale significantly over the next few years as existing clients expand their usage and we win new clients

- **Perpetual licences**: There are a small number of perpetual licences, accompanied by annual support contracts that were sold to customers more than a decade ago, and in line with our efforts, some of these customers, moved to subscription contracts during 1H23

Our revenue model has constantly evolved to meet the needs of our customers and we expect this to continue. Our products, and in particular our IPM Suite of products, are increasingly critical to the business models of some of the world's largest companies with significant royalty revenues. While our strategy is to accelerate our group revenue mix towards recurring subscription licences and SaaS, due to the size of a number of our customers, we have to take account of customer requirements in respect of the contracting model.

There is also a growing trend of large enterprises, largely IPM suite customers, moving to a cloud hosted private environment model and as such we expect a proportion of existing contracts to move to this model on renewal. Depending on the contract terms some are recognised rateably (e.g. Service and Support contracts) but some annual contracts are recognised in full on signing if they meet the requirements as described above under "Revenue Recognition, Term Licences".

We expect from discussions with several customers that their upcoming renewals in 2H23 will result in recognition of the contract value in full on signing and as a result our revenue in 2H23 is expected to be materially higher than 1H23 underpinning our confidence in the full-year outlook.

Following the launch of Brand Vision in Q422 we expect the nature of our revenue to evolve and have an increasing element of SaaS revenue. As planned, we are seeing encouraging uptake form smaller clients using our platform and in addition our initial marketing of Brand Vision has resulted in a number of contract wins with enterprise scale customers. These customers while fewer in number, are higher in value. While the sales and implementation cycles are longer, they represent a great growth opportunity as our products expand within their businesses through increased user numbers, higher volumes of content and searches and the licensing by multiple owned products/brands and/or regions within a potential customer.

Margins

Our gross profit margins from recurring revenue (Licence/subscription and Support) declined to 65% from 72% in 1H22. This was expected and reflected higher costs driven by a couple of factors: firstly, we have increased our employee count by 12.5% to 117 and secondly the per employee costs have risen through inflationary necessity as we remain a competitive employer. As we build our Brand Vision customer base, we expect an enhancement of our gross margins.

Our gross margins from services for 1H23 were negative at -13% (1H22: 41%) due to delays from customer schedule revisions due to client corporate activity and macro-economic environment influences highlighted above. This includes a number of fixed price contracts where we have chosen to retain our client teams in place in the interests of serving our customers. As a result, we have adjusted (delayed into future periods) our rateable revenue recognition for those contracts' that are exposed to such delays or rescheduling. Fortunately, we are already seeing some of the postponed work being rescheduled into the next 18 months or offset by change requests. This current decline in overall service revenue has not yet been offset by the addition of new client wins requiring implementation services from which we have benefitted in recent years and which we expect to benefit from again in future periods. As customers come to the end of their implementation service contracts, we have been successful in converting these clients into subscription (customer user support) contracts increasing our mix of visible recurring revenues. As a result, we have seen an increase in licence and subscription revenue.

Costs

Our research and development costs rose marginally ($2.0m vs 1H22: $1.9m) as we have continued to invest in product development with ongoing quarterly update release cycles and the addition of new features and functionality to both Brand Vision and IPM Suite. We fully expense our R&D costs under US GAAP rules whereas a number of our peers who report in IFRS typically capitalise a significant proportion of their R&D costs which spreads such costs over future periods. Our SG&A costs showed a marked increase to $2.6m (1H22: $1.8m) due primarily to our IPO costs, for which a significant proportion were incurred in 1H23, which are non-recurring costs.

Foreign Exchange

During 1H23, the Group recognised a foreign exchange gain of $1.0 million, compared to a loss of $1.1 million in 1H22. The gains and losses recognised were predominantly due to the increasing intercompany balance between the UK entities (held in GB Pounds) and our US parent (reporting in US Dollars) which when translated results in a gain or loss. These gains or losses are non-cash in nature. On a constant currency basis, there is minimal foreign exchange impact on revenue and costs, for the period under review.

The Group is exposed to fluctuations in foreign currencies as its operations and customers are globally based and have revenues and costs in multiple currencies. The functional currency of the Group is US Dollars with the majority of transactions conducted in US Dollars, but a significant number of transactions also occur in GB Pounds and Euros amongst other currencies. In these two periods, we saw significant fluctuations in foreign currency exchange rates, particularly in the Lebanese Pound and GB Pounds vs the US Dollar. We are now implementing additional processes to help manage our treasury function more actively.

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 the following metrics are useful in evaluating FADEL's operating performance.

Adjusted EBITDA

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 -$1,993k (1H22: $223k). 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 as incurred, which for 1H23 were some $2.0 million.

	1H22	**1H23**
EBITDA	**$323,569**	**($1,935,791)**
<u>Adjustments to operating expenses</u>		
Commissions capitalised during the period	*($125,120)*	*($319,917)*
<u>Exceptional items</u>		
*IPO expenses**	*$25,000*	*$262,443*
Total Adjustments	*($100,120)*	*($57,474)*
Adjusted EBITDA	**$223,449**	**($1,993,265)**

* Additional IPO expenses in 1H23 of $808,349 which have been deducted from Additional Paid in Capital under ASC 340.

Customer numbers

During 1H23 we have started to track customer numbers by product and will continue to share this breakdown going forward. We are not able to present a like-for-like comparison for the previous period as FADEL in 1H22 included only IPM Suite and Rights Cloud (now a component of Brand Vision) customers and IDS was exclusively PictureDesk customers.

	1H22
FADEL	20
IDS	126
Total	**146**

	1H23
IPM Suite	16
Brand Vision	129
Total	**145**

Cash

Cash and cash equivalents of $8.2m as at 30 June 2023 (31 December 2022: $1.2m). Net cash, taking into account the related party loans and Bank of America credit facility was $7.3m. The Company raised £8.0 million of gross proceeds (including a loan of £0.5 million) during the period under review.

Processes

Post IPO we have implemented a number of key processes to deliver on our IPO strategy. Following a successful hiring process that saw us bring on a new Chief Revenue Officer, a new VP of Growth Marketing and several new hires into both the Sales team and into the Marketing department we have set about building and managing an effective pipeline of opportunities. We are in the process of converting macro level IPO plans into detailed operational deliverables and are pleased with the progress made thus far. This includes analyses around lead generation tools and pipeline management, business development and opportunity screening, and integrated financial modelling covering current period through to long range tax planning amongst other things.

Risk

The Group's activities expose it to a variety of economic, financial, operational and regulatory risks. Our principal risks continue to be concentrated in our ability to retain and attract new customers, our ability to retain and attract new staff and the concentration risks inherent in our current customer base. The principal risks and uncertainties facing the Group are set out on pages 19 and 20 of the 2022 Annual Report and Accounts, a copy of which is available on the Group's website at https://investors.fadel.com/

Outlook

Pleasingly, we are on-track to meet our internal targets for the financial year ending 31 December 2023, with recurring revenues expected to be c.80% of total revenues for FY23. This reflects the positive growth expected from licence and support renewals alongside net new sales, providing us with the ability to maintain our investment in our products and people while giving confidence for a good second half and a strong FY23.

As stated at the time of our half year trading update and as further detailed above, 2H23 will show a significant increase in revenue relative to 1H23, in part due to the timing of annual contract renewals for certain enterprise licences which are now heavily weighted towards the Company's year-end.

We have spent a great deal of effort since our IPO in hiring people, developing systems and processes and preparing for our growth ahead. We are already seeing positive signs that these efforts are starting to bear fruit and with our continued focus and the hard work of our dedicated employees and contractors we are looking forward to the future immensely.

Vicary Gibbs
Chief Financial Officer
27 September 2023

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

The unaudited, consolidated Statements of Comprehensive Income of the Group for the six-month periods ended 30 June 2023 and 30 June 2022 are set out below:

Continuing operations	**Notes**	***Unaudited*** **Six months ended 30 June 2022 $**	***Unaudited*** **Six months ended 30 June 2023 $**
Licence/subscription and support		4,165,241	4,336,484
Professional services		2,526,163	1,036,659
Total revenue	4	**6,691,404**	**5,373,143**
Cost of fees and services		2,649,075	2,694,340
Gross profit		**4,042,329**	**2,678,803**
Research and development		1,874,721	1,979,161
Selling, general and administrative expenses		1,844,039	2,635,432
Depreciation and amortization		273,729	303,584
Interest expense		1,850	54,408
Foreign exchange losses/(gains)		1,052,136	(1,014,162)
Gain on acquisition		48,362	-
Other expense		124	-
Other income		(11)	(342)

Total operating expenses		**5,094,950**	**3,958,081**
Income/(loss) before income taxes		**(1,052,622)**	**(1,279,278)**
Income tax benefit/(expense)		-	(6,932)
Net income/(loss) after taxes		**(1,052,622)**	**(1,286,210)**
Total foreign currency gains / (loss)		701,066	(656,486)
Total comprehensive income		**(351,556)**	**(1,942,696)**
Net income/(loss) attributable to non-controlling interest		(17,620)	19
Net income/(loss) attributable to the Group		(1,035,002)	(1,286,229)
Net income/(loss) after taxes		**(1,052,622)**	**(1,286,210)**
Comprehensive income/(loss) attributable to non-controlling interest		(17,620)	19
Comprehensive income/(loss) attributable to the Group		(333,936)	(1,942,715)
Total comprehensive income/(loss)		**(351,556)**	**(1,942,696)**
Basic and diluted (loss) per Share ($)	**6**	(0.05)	(0.15)

STATEMENTS OF CONSOLIDATED FINANCIAL POSITION

The unaudited, consolidated Statement of Financial Position of the Group as at 30 June 2023 and 30 June 2022, together with the audited, consolidated Statement of Financial Position of the Group as at 31 December 2022, are set out below:

Assets	**Notes**	***Audited*** **As at 31 December 2022 $**	***Unaudited*** **As at 30 June 2022 $**	***Unaudited*** **As at 30 June 2023 $**
Cash and cash equivalents		1,181,371	3,232,960	8,232,350
Accounts receivable, net	5	1,863,394	686,988	1,032,462
Unbilled work-in-progress		929,715	1,029,048	981,581
Other current assets		209,556	248,713	356,161
Current assets		**4,184,036**	**5,197,709**	**10,602,554**
Furniture and equipment, net	7	88,170	103,910	83,362
Contract costs	8	584,510	617,392	739,275
Deferred tax asset		954,771	1,712,941	954,771
Other assets		4,838	4,838	5,583
Operating right of use asset	12	109,728	85,030	67,696
Intangible Assets		2,242,598	2,385,841	2,224,127
Goodwill		2,100,432	2,106,106	2,192,628
Non-current assets		**6,085,048**	**7,016,058**	**6,267,443**
TOTAL ASSETS		**10,269,084**	**12,213,767**	**16,869,997**
Liabilities				
Line of Credit - Bank of America	11	1,000,000	-	700,000
Accounts payable and accrued expenses		3,174,313	3,540,170	1,793,823
Income tax payable		1,026,602	876,421	1,042,483
Deferred revenue		2,249,019	3,373,420	3,504,281
Notes payable - related parties	10	75,000	40,000	262,396
Current liabilities		**7,524,934**	**7,830,011**	**7,302,983**
Deferred revenue		1,086,762	578,195	705,202
Lease Liability		85,187	55,470	33,879
Provisions-End of Services Indemnity		274,045	253,483	274,045
Non-current liabilities		**1,445,994**	**887,148**	**1,013,126**
Total liabilities		**8,970,928**	**8,717,159**	**8,316,109**
Shareholders' equity				
Series A-1 Preferred Shares	9	7,552	1,068	-
Common Shares	9	7,083	6,783	20,191
Additional paid-in capital		15,581,802	11,403,793	24,774,674
Accumulated deficit		(15,163,027)	(12,700,799)	(16,449,256)
Cumulative translation adjustment		863,686	597,504	207,200
		1,297,096	**(691,651)**	**8,552,809**
Non-controlling interest		1,059	4,188,259	1,078
Total Shareholders' equity		**1,298,155**	**3,496,608**	**8,553,887**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,269,084**	**12,213,767**	**16,869,997**

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY

The unaudited, consolidated Statements of Changes in Equity of the Group for the six-month periods ended 30 June 2023 and 30 June 2022 are set out below:

	Preferred Shares #	Preferred Shares $	*Common Shares #*	Common Shares $	Additional paid in capital $	Accumulated deficit $	Cumulative
As at 31 December 2021 (audited)	***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 loss	-	-	-	-	-	(3,497,230)	
Non-controlling interest	-	-	-	-	-	-	
Foreign exchange translation Income	-	-	-	-	-	-	
As at 31 December 2022 *(audited)*	***7,552,309***	**7,552**	***7,082,583***	**7,083**	**15,581,802**	**(15,163,027)**	
Converting Preferred shares to common	*(7,552,309)*	(7,552)	*7,552,309*	7,552	-	-	
Issuance of IPO shares	-	-	*5,242,121*	5,242	9,438,161	-	
Capitalization of direct IPO costs	-	-	-	-	(808,350)	-	
Issuance of common shares*			*223,289*	223	401,022		
Commission shares	-	-	*90,630*	91	162,039	-	
Non-controlling interest	-	-	-	-	-	-	
Adjustment of common stock	-	-	*360*	-	-	-	
Net loss	-	-	-	-	-	(1,286,229)	
Foreign exchange translation income	-	-	-	-	-	-	
As at 30 June 2023 *(unaudited)*	**-**	**-**	***20,191,292***	**20,191**	**24,774,674**	**(16,449,256)**	

* As per the RNS dated 2 May 2023 (https://investors.fadel.com/investors/regulatory-news/.)

STATEMENTS OF CONSOLIDATED CASH FLOWS

The unaudited, consolidated Statements of Cash Flows of the Group for the six-month period ended 30 June 2022 and 30 June 2023 are set out below:

	Unaudited **Six months ended 30 June 2022 $**	***Unaudited*** **Six months ended 30 June 2023 $**
Net income/(loss) after taxes	**(1,052,622)**	**(1,286,210)**
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	273,729	303,584
Non-cash commission shares	-	162,131
Non-cash impact of foreign exchange on intangibles	525,707	(205,107)
Changes in assets and liabilities		
Accounts receivable	2,558,845	830,933
Unbilled work-in-progress	(202,630)	(51,866)
Other current assets	(50,180)	(147,351)
Capitalization of commissions	(125,120)	(319,917)
Operating lease liability	(85,030)	42,033
Accounts payable and accrued expenses	(524,533)	(1,380,490)
Income Tax payable	-	15,881
Other Liability	55,470	(51,308)
Deferred revenue	(808,724)	873,700
Net cash from operating activities	**564,912**	**(1,213,987)**
Purchase of equipment	(955)	(2,243)
Net cash used in investing activities	**(955)**	**(2,243)**

Net cash used in investing activities	[illegible]	[illegible]
Proceeds from the Issuance of common shares	-	8,635,053
Proceeds from line of credit-shareholder Loans	-	589,010
Repayment of Shareholder Loans	-	(401,613)
Cash received from issuance of common shares	-	401,245
Repayment of Bank of America loan	-	(300,000)
Net cash from financing activities	**-**	**8,923,695**
Effect of exchange rates on cash	701,066	(656,486)
Net increase / (decrease) in cash	**1,265,023**	**7,050,979**
Cash, beginning of period	*1,967,937*	*1,181,371*
Cash, end of period	**3,232,960**	**8,232,350**

NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION

1. ORGANISATION AND NATURE OF BUSINESS

The interim 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;
  - 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.

On 6 April 2023, the Company was listed and started trading on AIM, a market operated by the London Stock Exchange plc ("AIM").

2. LIQUIDITY AND GOING CONCERN

Under Accounting Standards Update Presentation of Financial Statements*"Going Concern (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 interim 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 of this interim financial information. Management has assessed the Company's ability to continue as a going concern in accordance with the requirement of ASC 205-40.

As reflected in the interim financial information, the Group had $8.2 million in cash (31 December 2022: $1.2 million) and negative working capital of $2.6 million as at 30 June 2023 (31 December 2022: negative $3.3 million). For the six-month period ended 30 June 2023, the Group reported a net loss of approximately $1.3 million (30 June 2022: net loss of $1.1 million) and cash used by operating activities of approximately $1.4 million (30 June 2022: cash provided by operating activities of approximately $0.6 million).

The Company has historically funded its operations through the sale of preferred stock and common stock, and lines of credit from shareholders and banks. In the six-month period ended 30 June 2023, the Company raised gross proceeds of £8,000,000 from its successful initial public offering to AIM, including £451,346 ($564,009) by way of a loan from Tarek Fadel (the "Fadel Loan"). Also, during the six-month period ended 30 June 2023 the Company issued 223,289 common shares at a price of £1.44 per share to employees and friends, resulting in a cash receipt of $401,245. This cash was used to part repay the Fadel Loan.

Based on the results above, the Company believes that the Group has enough funds to provide sufficient liquidity for at least twelve months from the date of thee results.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principle of consolidation

The interim 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 interim financial information in conformity with US GAAP requires the Company to make estimates and assumptions that affect the reported amounts of the Group's assets and liabilities and disclosure of contingent assets and liabilities, as at the reporting dates, as well as the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Fair Value Measurements

US GAAP requires the disclosure of the fair value of certain financial instruments, whether or not recognized

US GAAP requires the disclosure of the fair value of certain financial instruments, whether or not recognized on the Statement of Financial Position, for which it is practicable to estimate fair value. The Group estimate fair values using appropriate valuation methodologies and market information available as at each reporting date. 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 realize 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 prioritizes inputs used to measure fair value into three levels and bases categorization 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 30 June 2023, 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$6.75 million out of a total of US$8.23 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.

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. Management determines the allowance based on historical write-off experience and information received during collection efforts.

Management 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. See Note 5 for more details.

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:

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

Revenue is recognized 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 recognized will not occur.

The Company determines the amount of revenue to be recognized 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 the performance obligations.

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

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

Licence/subscription and support revenues
License/subscription and support revenues are comprised of fees that provide customers with access to cloud services, software licences, 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 recognized rateably over the contract term. Substantially all of the Group's subscription service arrangements are non-cancellable and do not contain refund-type provisions.

- Licence/subscription and support revenues also include revenues associated with term and perpetual software licences that provide the customer with a right to use the software as it exists when originally made available. Revenue from term and perpetual software licences are generally recognized at the point in time when the software is made available to the customer. Revenue from software support and updates is recognized 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 either on a time and materials, fixed fee or subscription basis. These revenues are recognized 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 revenues consist primarily of training revenues recognized as such services are performed.

Significant judgments - 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 licences, support, updates, and professional services. Multiple performance obligations are milestones 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 Company accounts for these performance obligations under individual contracts as combined as the supplementary product or services that accompany cloud services and or software licence are tailored and would 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 capitalizes 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 licences, the Group estimated the amortization period based on the remaining expected life of the customer/the term for which it anticipates the 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 amortization 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.

Amortization 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 Balances
Contract assets represent the Company's rights to consideration in exchange for services transferred to a customer that have not been billed as of the reporting date. While the Company's rights to consideration are generally unconditional at the time its performance obligations are satisfied, under certain circumstances the related billing occurs in arrears, generally within one month of the services being rendered. The asset, "*Unbilled work-in-progress*", represents revenues recognized in excess of amounts billed.

Contract liabilities relate to advance consideration received or the right to consideration that is unconditional from customers for which revenue is recognized when the performance obligation is satisfied and control transferred to the customer. The liability, "*deferred revenue*", represents billings in excess of revenues recognized to the extent the performance criteria has not yet been met.

Research and development
Research and development costs are charged to operations as incurred and include costs associated with the design of software.

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 capitalized.

Intangible assets - goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortized. 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 for financial reporting purposes and recognizes amortization 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 interim 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 recognizes amortization 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 interim 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 recognizes amortization 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 interim financial information.

Billed accounts receivable and concentrations of credit risk
As at 30 June 2023, there were three significant customers (defined as contributing at least 10%) that accounted for 69% (33%, 20% and 16%) of accounts receivable.

As at 30 June 2022, there were three significant customers (defined as contributing at least 10%) that accounted for 69% (33%, 20% and 16%) of accounts receivable.

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

Accounts payable and concentrations of credit risk
As at 30 June 2023, there was one significant vendor (defined as contributing at least 10%) that accounted for 40% of accounts payable and accrued expenses.

As at 30 June 2022, there were two significant vendors (defined as contributing at least 10%) that accounted for 41% (26% and 15%) of 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.

Unbilled work-in-progress and concentrations of credit risk
As at 30 June 2023, there were three significant customers (defined as contributing at least 10%) that accounted for 90% (21%, 26% and 43%) of unbilled work-in-progress.

As at 30 June 2022, there were three significant customers (defined as contributing at least 10%) that accounted for 75% (29%, 26% and 20%) of unbilled work-in-progress.

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

Revenue concentrations
As at 30 June 2023, the five largest customers accounted for $2,913,462 of revenue, some 54% of revenue from continuing operations.

As at 30 June 2022, the five largest customers accounted for $4,360,714 of revenue, some 65% of revenue from continuing operations.

Top 5 Customers' Revenue concentration	For 6 months ending June 2022		For 6 months ending June 2023	
$'000	Revenue	% of Total Revenue	Revenue	% of Total Revenue
Licence/subscription	1,390	21%	1,591	30%
Support	1,036	15%	655	12%
Services	1,935	29%	667	12%
Top 5 customers	**4,361**	65%	**2,913**	54%

Advertising and promotion costs
Advertising and promotion costs are expensed as incurred. These costs totalled approximately $297,362 for the six-month period ended 30 June 2023 (30 June 2022: $221,453).

Segmental reporting
The Group reports its business activities in two areas: Licence/subscription and support revenue (recurring) and professional services (non-recurring), which is reported in a manner consistent with the internal reporting to the Board, which has been identified as the chief operating decision maker.

Income taxes
The Group records deferred tax assets and liabilities for the estimated future tax effects of temporary

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.

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 recognized as an expense over the requisite service period.

Leases
In February 2016, Financial Accounting Standards Board ("FASB") issued guidance Accounting Standards Codification ("ASC") 842, Leases, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Company adopted FASB ASC 842 effective 1 January 2022.

The Company determines if an arrangement is a lease at inception. If applicable, operating leases are included in operating lease ROU assets, other current liabilities, and operating lease liabilities on the accompanying balance sheet. If applicable, finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the accompanying balance sheet.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

Foreign currency
The Company's functional currency is United States Dollar ("$"). 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. Realized and unrealized 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 Comprehensive Income in which they occur.

The exchange rate used to translate the Lebanese pound ("LBP") into $ for the purpose of preparing the interim financial information has been fixed at $1 = LBP 1,500. The exchange rate used to translate the sterling pound ("£"), Euro ("€") and Canadian dollar into $ for the purpose of preparing the interim financial information uses the average rate for the Statement of Comprehensive Income and Statement of Cash Flows and the historical 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 categorized 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.

On 1 February 2023, the Lebanese Central Bank issued intermediate circular No: 151 which increased the value of $1 from LBP 8,000 to LBP 15,000.

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 changed from $1 to LBP 1,500 to $1 to LBP 15,000 effective 1 February 2023. As at 30 June 2023, the Group had the $ equivalent of approximately $158,800 in external deposits (accounts not subject to same restrictions as Local Currency Accounts ("LCAs")) and $2,100 in LCAs (31 December 2022: approximately $29,700 in external deposits and approximately $7,600 in current deposits).

"Foreign exchange gains / (losses)" include gains on payments in Lebanon at rates of LBP 1,500 per $ as of January 2023 and LBP 15,000 per $ effective 1 February 2023 and losses on the decline in the £ vs $ rates as applied against the capitalized loan (£10,143,073) in Fadel UK in favour of the Company.

The currency exchange rates to the $ as at 30 June 2023 were 0.791 for £, 0.922 for € and for 1.325 CAD. The currency exchange rates to the $ as at 30 June 2022 were 0.824 for £, 0.959 for € and for 1.120 CAD.

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.

as their functional currency.

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

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 historical 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. 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.

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 *"licence 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:

	Unaudited **Six months ended 30 June 2022 $**	***Unaudited*** **Six months ended 30 June 2023 $**
Revenue		
Licence/Subscription		
IPM Suite	2,031,201	2,481,046
Brand Vision	922,434	1,006,783
Total Licence/Subscription	**2,953,635**	**3,487,829**
Support		
IPM Suite	1,211,606	848,655
Brand Vision	-	-
Total Support	**1,211,606**	**848,655**
Licence/subscription and support	4,165,241	4,336,484
Professional services	2,526,163	1,036,659
Total revenue	**6,691,404**	**5,373,143**

Cost of Sales		
Licence/subscription and support	1,158,356	1,520,658
Professional services	1,490,719	1,173,682
Total cost of sales	**2,649,075**	**2,694,340**
Gross Profit Margins		
Gross profit margin Licence/subscription and support	72%	65%
Gross profit margin Service	41%	(13)%
Total gross profit margin	60%	50%

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	Audited As at 31 December 2022 $	*Unaudited* As at 30 June 2022 $	*Unaudited* As at 30 June 2023 $
Accounts receivable	1,885,413	709,007	1,054,481
Allowance for doubtful accounts	(22,019)	(22,019)	(22,019)
Accounts receivable, net	**1,863,394**	**686,988**	**1,032,462**

The accounts receivable balance as at 31 December 2022 was $1,863,394 whilst at 31 December 2021 was $3,245,833.

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 warrants and Options.

	Unaudited Six months ended 30 June 2022 $	*Unaudited* Six months ended 30 June 2023 $
Total comprehensive income attributable to Shareholders	**(351,556)**	**(1,942,696)**
Weighted average number of Shares	6,782,943	13,245,516
Basic and diluted loss per share ($)	**(0.05)**	**(0.15)**

Due to the Group having losses in all years presented, the fully diluted loss per share for disclosure purposes, as shown in the statement of consolidated comprehensive income, is the same as for the basic loss per share due to the anti-dilutive nature of the calculations.

7. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	Audited As at 31 December 2022 $	*Unaudited* As at 30 June 2022 $	*Unaudited* As at 30 June 2023 $
Furniture and equipment	202,025	202,218	204,267
Accumulated depreciation	(113,855)	(98,308)	(120,905)
Furniture and equipment, net	**88,170**	**103,910**	**83,362**

The total depreciation charge in 1H23 was $7,050, compared to $nil in 1H22.

8. CONTRACT COSTS

The Group applied ASC-606 as at 1 January 2019 to contracts that were either not completed as of that date, or that had a life of customer that ended after 1 January 2019. This resulted in the capitalization of $283,106 in commission expenses incurred prior to, and during the year ended 31 December 2019. Accumulated amortization as at 30 June 2023 was $1,259,120 (31 December 2022: $1,093,968, 30 June 2022: $862,997). Amortization periods for customer lives typically vary between 5 and 10 years. The Group elected not to apply the practical expedient for the Group's contracts that have a duration of less than one year.

Contract costs consist of the following:

	Audited As at 31 December 2022	*Unaudited* As at 30 June 2022	*Unaudited* As at 30 June 2023

	$	$	$
Opening balance	**644,270**	**644,270**	**584,510**
Commissions capitalized during the period	323,209	125,121	319,917
Amortization charge for the period	(382,969)	(151,999)	(165,152)
Accumulated contract costs	**584,510**	**617,392**	**739,275**

9. EQUITY

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.

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 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 2 May 2023, the Company announced the issuance of 223,289 new depositary interests over common shares at a price of £1.44 per share, raising $401,245.

As at 30 June 2023 the Company had 20,191,292 common shares issued and outstanding.

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; and
- 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.

10. 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 $100,000, 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 outstanding balance of all such loans was $75,000 and $100,000 as at 31 December 2022 and 30 June 2023 respectively. The remaining £100k will be fully paid prior to 31 December 2023.

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 equivalent to $564,009. The Fadel Loan is unsecured and bears no interest or fees. The Company made a loan repayment of $401,613 on 28 April 2023 after the issuance of 223,289 new depositary interests ("New Shares") over common shares at a price of £1.44 per share (the "Placing"). The remaining balance on 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 or above the placing price.

11. LINE OF CREDIT - BANK OF AMERICA

On 3 April 2023, $300,000 of the $1 million line of credit between the Company and Bank of America, N.A. was repaid leaving an outstanding balance of $700,000 as at 30 June 2023. On 11 May 2023, the line of credit between the Company and Bank of America, N.A. was extended until 31 May 2024. Subsequent to 30 June 2023 the facility was repaid in full on 26 September 2023.

12. LEASES

On 1 March 2019 the Group entered into a 36-month lease for the 2nd and 6th 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 7th 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, at a monthly lease payment of €1,600 per month, and extended it to a 12-month lease from 1July 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.

In January 2023, the Group entered into a 12-month lease for a workspace 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 with Convene for a workspace office in New York (USA). The monthly lease payment is approximately $1,647. The lease has been renewed for a further 12 months.

On 1 February 2023 the Group entered into a 12-month lease with Serendipity Labs, Inc. for a workspace office in Rye New York (USA). The monthly lease payment is approximately $597.

On October 2022, the Group entered into a 12-month lease for a workspace office in the UK. The monthly lease payment is £650.

Total rental expense (USD)	Consolidated
For 6 months ended June 2022	$45,266
For 6 months ended June 2023	$29,408

On 1 March 2022, the Group entered into a 2-year renewal operating lease agreement for the 2nd and 6th floor office in Beirut. The initial present value of these future lease payments was determined to be $102,091. The monthly payment is $4,902.

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

$	*Payment*	*Interest*	*Principal*
For 6 months ended June 2023	29,412	2,685	26,727
Maturity within 1 year	39,216	1,462	37,754
Maturity after 1 year	-	-	-
Total:	**68,628**	**4,147**	**64,481**

On 1 July 2022, the Group entered into a 2-year renewal operating lease agreement for the 7th 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 current and future minimum lease payments, exclusive of related costs, are approximately as follows:

$	*Payment*	*Interest*	*Principal*
For 6 months ended June 2023	19,425	2,352	17,073
Maturity within 1 year	38,850	2,063	36,787
Maturity after 1 year	-	-	-
Total:	**58,275**	**4,415**	**53,860**

13. SUBSEQUENT EVENTS

The withholding tax amount associated with the acquisition of IDS that was paid in June 2023 for GBP 518,898 will be reclaimable, by 30 September 2024.

Following receipt of two notices to exercise warrants over a total of 121,925 common shares of $0.001 in the Company on a net exercise basis, the Company concluded the exercise, resulting in the issuance of 39,958 Common Shares.

The Bank of America loan facility was repaid in full on 26 September 2023.

END

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