RNS Number : 4997M
Fadel Partners Inc.
30 April 2024

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Fadel Partners, Inc.

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

Results for the year ended 31 December 2023

FADEL, the developer of cloud-based brand compliance and rights and royalty management software is pleased to announce its full year results for the year ended 31 December 2023.

Financial highlights

- Revenue up 10% on FY22 to $14.5m (2022: $13.2m)
- Recurring revenue growth rate of 31% on FY22 to $11.4m (2022: 34% to $8.7m)
- Gross profit of $9.0m (2022: $7.9m) with a gross profit margin of 62% (2022: 60%)
- Adjusted EBITDA* loss of $1,732k (2022: $609k) as a result of the increased expenditure relating to planned investments for growth
- Cash and cash equivalents of $3.2m at 31 December 2023 (2022: $1.2m), with net cash of $3.0m (2022: $0.1m)

US Dollars ($)	**2022**	**2023**	***Change (%)***
Group revenue	13,182,553	14,486,789	*10%*
Recurring revenue	8,681,002	11,395,295	*31%*
Recurring revenue % of Group revenue	66%	79%	
Gross profit	7,945,159	9,019,811	*14%*
Adjusted EBITDA	(608,585)	(1,731,678)	*(185%)*
Net cash	106,371	3,029,062	

* 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

Operational highlights

- Milestone listing on AIM in April 2023, raising £8m gross proceeds, providing the funding and increased profile to support our growth ambitions
- Improved customer diversification, with the top five customers growing in terms of gross revenue but representing 61% of total revenue, compared to 64% in 2022
- Hiring of key strategic personnel including global Chief Revenue Officer, Global VP of Growth Marketing and several sales and lead generation positions across the US and Europe
- An increase in Brand Vision customers of five to nine, no change in the overall number of IPM Suite customers (16) and a small reduction of six PictureDesk SaaS small market customers to 114 (2022: 120)
- Launch of new product offerings including Content Tracking, enhancements to Content Cloud capabilities and video matching on YouTube and TikTok, helping to attract new customers and further embed FADEL within existing clients

Post period end highlights

- Launch of LicenSee, developed out of our flagship enterprise solution, IPM Suite
- Continuing to grow the pipeline of opportunities with new and existing customers in the Beauty, Fashion, Publishing and CPG industries
- Appointment of Ian Flaherty as Chief Financial Officer, who brings with him a wealth of experience in listed technology companies

Tarek Fadel, Chief Executive Officer of FADEL, commented: "*At the time of our IPO in April 2023, we presented an ambitious growth strategy to the market, based around investing in our technology and people. I am extremely proud to report that we have delivered on that in our first financial year as a listed company. During 2023, we achieved exceptional client wins in the Brand Vision space, with notable new software licenses for major clients such as PepsiCo, Kimberly-Clark, Sanofi, and Philip Morris. These successes not only validate our investments in the Brand Vision product and our go-to-market strategy but also propelled a 31% growth in total recurring revenue. This substantial growth contributed to our overall revenue increase of 10% year on year. We have had an encouraging start to 2024 with strong bookings in Q1, however in line with an acceleration towards SaaS revenue by virtue of expected growth in the Brand Vision and LicenSee product lines, we now expect that reported revenue for 2024 will be behind previous market expectations. Revenue from our SaaS offerings will be an increasingly important key financial reporting metric for the Company. Successfully winning new clients for Brand Vision and LicenSee and leveraging our IP into the mid-market will contribute to a much higher mix of SaaS revenues going forward*".

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About FADEL

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 main solutions, being IPM Suite (for rights and royalty management for publishing and licensing) and Brand Vision (an integrated platform for Brand Compliance & Monitoring that includes Digital Asset Management, Digital Rights Management, AI-Powered Content Tracking, and a Content Aggregation platform with over 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, France, Lebanon and India. Founded in 2003 by Tarek Fadel (Chief Executive Officer), FADEL has since grown to a team of 137 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 delighted to provide an update on the strong progress of Fadel Partners, Inc. as we celebrate our successful first year as a publicly listed company. Over the past year, we have executed on our post-IPO strategy with precision, navigating through the challenges of the technology sector and seizing opportunities for growth. I believe we are on track to continue to achieve double digit revenue growth while continuing to manage overall associated costs.

Despite the challenges faced by the technology sector throughout 2023, we have achieved significant milestones fuelled by the funds raised during our IPO. We have diversified our product portfolio and expanded our sales and marketing teams with strategic hires. The FY23 performance underscores our dedication to executing our ambitious growth strategy and seizing the vast opportunities available to us.

2023 Financial Results

Given the hard work of completing our IPO and the challenging macro conditions, I was pleased that 2023 revenues increased 10% year on year to $14.5m, with recurring revenues increasing 31% to $11.4m. We have delivered this growth while balancing investment for the future with a measured approach to managing all aspects of our business.

EBITDA loss was $2.0m (FY22: $1.5m), including $0.3m (2022: $1.2m) of one-time IPO related expense. Our cost expansion plans are focused on smart investments in R&D and sales headcount and developing and launching new products that we believe have both substantial target markets and shorter sales cycles given the compelling ROI for companies in our target markets. Our balance sheet remains healthy, with net cash of approximately $3.0m at year end, plus access to $1.0m of additional capital through our active credit line.

People

The importance of our people has never been clearer than in this past year; their expertise and dedication have played a pivotal role in navigating through this critical phase of growth and expansion. As we progress beyond the IPO, their continued dedication and passion remains key to achieving our strategic objectives.

We are committed to expanding our operations and as such I am pleased to report that on 15 March 2024 we opened an additional R&D office in Jordan, welcoming seven talented individuals to the team, with plans to build on this throughout the year. We have also amplified our presence in the UK and the US, hiring six experienced sales representatives with two more coming later this year, which will allow us to carefully execute our "land and expand" strategy as well as win new major clients.

I would like to take this opportunity on behalf of the Board to thank every one of our employees for their continued enthusiasm and commitment to FADEL which is evident to all and much appreciated.

Board and Governance

The combined Board have a wealth of experience in dynamic software environments characterised by rapid growth, with some board members having been involved with FADEL for a number of years pre-IPO. The Board's extensive industry network positions the Board to successfully execute FADEL's growth strategy and effectively identify new opportunities as they arise.

As announced on 24 February 2024, Ian Flaherty, Chief Financial Officer, was appointed to the Board of the Company. Ian is a Certified Public Accountant in the Unites States and previously held various financial management positions within publicly listed technology companies. We, as a Board, are delighted to have a Chief Financial Officer of Ian's calibre and looking forward we believe he will play a key role in the exciting next chapter for the Company.

Ian has led the Board in a full review and analysis of our markets, bookings outlook and forecast revenues together with our investment plans. The wider opportunity in our marketplace has never been greater and the strength of our year-to-date bookings is ahead of plan but within the mix we now expect a higher volume of SaaS subscription revenue going forward versus up-front license income. The Board views this very positively in terms of the future predictability and value of Fadel but in the short-term a higher proportion of clients paying for our software on a subscription basis will impact the timing of reported revenue recognition.

At the time of our IPO we undertook to appoint an additional UK based Independent Non-Executive Director to the Board, whilst this remains our intention, we want to ensure this appointment is additive to the business and therefore our search continues.

Ken West
Chair of the Board
29 April 2024

CEO'S REVIEW

Overview

At the time of our IPO in April 2023, we presented an ambitious growth strategy to the market, based around investing in

At the time of our IPO in April 2023, we presented an ambitious growth strategy to the market, based around investing in our technology and people. As a founder, I am extremely proud to report that we have delivered on that in our first financial year as a listed company and have made an encouraging start to the 2024 financial year.

Using the funds raised from our IPO, we have strategically expanded our sales and marketing teams with key hires and are transitioning our go-to-market strategy by investing in the development of our in-house outbound lead generation teams. Additionally, we have diversified our product offering from one solution, our heritage IPM Suite, to two today with the increasingly established Brand Vison (including PictureDesk). We have also recently released an expansion of our IPM Suite with the launch of LicenSee. These developments have expanded our target markets by industry diversification, territory diversification, new focused use cases and client size, which will in turn accelerate our client acquisition and offer increased opportunities for cross-selling. Consequently, this will drive accelerated revenue growth as we aim to substantially scale the business over the next five years.

With the exponential growth of digital content across various forms such as images, videos, and audio, coupled with diverse geographic distribution, the demand for our software has never been stronger.

In the past year, we have observed two significant trends: a surge in the demand for content tracking and the emergence of demand-led opportunities to penetrate the mid-market consumer products licensing segment. These trends capitalise on the extensive investment we have made in our core IPM Suite product, including the launch of LicenSee, and the development and launch of Brand Vision with a focus on AI-based image and video matching and tracking. Most importantly our software is applicable across a diverse range of industries that need to monitor the use of their content and intellectual property rights. At the end of FY23 our top 20 clients operated in sectors ranging from Media, Consumer and Beverages through to Beauty and Luxury. Excitingly we are increasingly engaging with new sectors and our runway is highlighted by a target market with annual global licensing revenues of over $300bn a year.

During 2023, we achieved exceptional client wins in the Brand Vision space, with notable new software licenses for major clients such as PepsiCo, Kimberly-Clark, Sanofi, and Philip Morris. These successes not only validate our investments in the Brand Vision product and our go-to-market strategy but also propelled a 31% growth in total recurring revenue (2022: 34%).

Revenue from our SaaS offerings will be an increasingly important key financial reporting metric for the Company. Successfully winning new clients for Brand Vision and LicenSee and leveraging our IP into the mid-market will contribute to a much higher mix of SaaS revenues going forward. These multi-tenant cloud products have shorter implementation. This expected accelerated transition in our business model towards SaaS is positive, underpinning the future technology and financial scalability of the company. At a Group level our analysis of the visibility, timing and value of future contract wins and the cost plans to deliver it are largely unchanged although we are finding it is taking longer than expected to ramp some of our new sales hires. However, a higher SaaS mix and the associated impact on the timing of monthly revenue recognition will translate into lower reported revenues in FY24 than previously expected.

Investment in expanding our offering

I am proud that today our two distinct product families; Brand Vision and IPM Suite, have expanded significantly to include an expansion of Content Tracking under Brand Vision and the launch of the LicenSee offering under IPM. The launch of LicenSee marks an exciting milestone for our company. With its launch, we are poised to capitalise on a burgeoning mid-market opportunity, further solidifying our position as a leader in the industry.

In March 2024, we announced an exciting push into the mid-market with the launch of LicenSee, a platform designed to enhance and automate the management of royalties for consumer product licensees. This solution has been developed out of our flagship enterprise solution, IPM Suite, leveraging 20 years of sector know-how, and enables small and medium sized businesses to manage their license agreements, automate the calculation of royalties, and ensure compliance checking across varied contractual landscapes. For these target clients the solution is preconfigured, has a fast professional service implementation cycle of typically 5-10 calendar days and is at a price point that delivers a short pay-back period on their investment.

Delivery against growth strategy

Our growth strategy, which we summarise as "Fifty in Five," centres around four key components in growing FADEL towards $50 million of revenue within a five-year timeframe, with a high recurring revenue percentage and high gross margins. This involves employing a "Land and Expand" approach, emphasising both up-selling and cross-selling within our existing large-cap customer base. Secondly, we aim to add new clients each year with a focus on high lifetime value. Thirdly and key to expanding our client list, is to prioritise our investment in products and functionality that generate high ROI in our existing markets and opens up new substantial markets. Finally, we remain open to selected acquisitions, actively seeking accretive or strategic deals that complement and enhance our existing capabilities, thereby contributing to our overall growth trajectory.

Land and Expand
A number of clients went live with IPM Suite in the year and we have been very successful at agreeing multi-year support contracts ahead of the go-live. This included support contracts with the likes of Hasbro, Cengage, Pearson, Chronicle Books and Media Participations, which in some cases added over $250k to recurring revenue. In 2023, the success of our Land and Expand strategy within the IPM Suite was evidenced by a 34% increase in recurring revenue, rising to $9.1m from $6.8m in 2022. Other notable IPM Suite clients include Super 7, Marvel Entertainment, Editis and Bandai Namco.

Within Brand Vision, we were particularly pleased to support Pepsi as they extended the use of Brand Vision within their US operations, adding more users and expanding our agreement into an enterprise account, marking a significant milestone.

Within the Content Tracking component of Brand Vision we were pleased that Philip Morris extended their Brand Vision deal to include Content Tracking. During 2023, our Brand Vision customer count (excluding Picture Desk) grew 125% to 9 customers (2022: 4 customers), with a 22% increase in recurring revenue, rising to $2.3m from $1.9m in 2022. A selection of our other notable Brand Vision clients includes Coca-Cola, Whirlpool, and L'Oreal.

With our expanded product lineup, we are witnessing a material increase in opportunities for cross-selling among clients who are already utilising one of our solutions. Take, for instance, major marketing brands: while many are actively involved with our Brand Vision offering for content tracking and management, there's also a significant portion of their operations dedicated to licensing and royalty management. This has sparked conversations about how our IPM Suite can effectively cater to these needs.

Pipeline
We are encouraged by the momentum in our pipeline, marked by strong bookings in Q1 2024 and interactions with leading consumer brands, publishers, and content owners across Europe, the US, and globally in Q2 2024. Our pipeline spans various sectors and encompasses our established IPM and Brand Vision, products. It includes initial discussions about substantial license and service opportunities and one of our largest clients considering a significant expansion of their use of Brand Vision.

While it is still early days for LicenSee, our first client has already gone live and we have signed our second client during Q2 2024. We remain optimistic about adding several new mid-sized companies to the FADEL client roster this year.

However, despite the growing pipeline and strong conversion rates contributing to revenue growth, we are facing challenges in hiring and ramping up qualified sales representatives at the pace we had hoped to at the time of IPO, partially due to the challenges associated with training them on our broad range of products and partially due to the diverse needs of the industries we serve.

Despite these challenges, we remain confident in the sales growth strategy outlined at our IPO. Recent customer interactions and pipeline growth have validated this strategy, and we are actively monitoring and addressing the delays in sales hires ramp-up. We remain confident that our strong pipeline and initial successes with new offerings like LicenSee and Content Tracking demonstrate our potential to significantly expand our client base and enhance shareholder value in the coming years contributing to a much higher mix of SaaS revenues and growth in recurring revenue.

Current trading and outlook

Despite facing broader macroeconomic challenges, FADEL's long-standing client relationships and robust business model has protected us from pressure on enterprise budgets. Our growth also reflects the substantial return on investment provided by our software and services, which offer cost efficiencies and licensing revenue growth opportunities beyond the reach of legacy solutions.

Most importantly over the last year we have made calculated investments in products and people that position us for significant growth over the next few years with an optimised approach to marketing and selling our expanded range of services into a total available market which has never been larger.

We have made an encouraging start to FY24 with healthy bookings in Q1 and the overall funnel and pipeline being as large and diverse as at any point in the Company's history. Whilst we remain confident about our sales strategy and medium-term prospects, the Board now expects a higher proportion of bookings to come from SaaS contracts which, when translated into reported revenues, will drive a higher mix of monthly subscription income compared with more traditional up-front licenses and longer-term service revenue. We, therefore, now expect reported revenue will be behind previous market expectations for the current financial year. By pursuing the opportunity to accelerate the transition in our business model towards becoming a truly SaaS business, we now anticipate reaching EBITDA break even in FY25, materially in-line with the forecast at the time of our IPO.

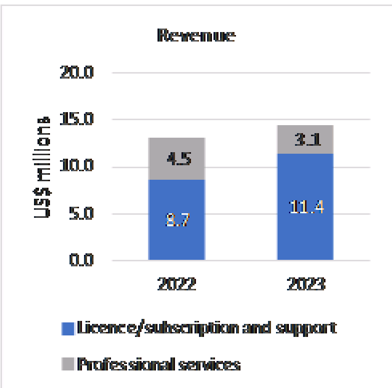
On top of this, the Group maintains a clear medium-term acquisition strategy, with the Board consistently evaluating potential opportunities in accordance with stringent criteria.

Tarek Fadel
Chief Executive Officer
29 April 2024

CFO'S REVIEW

Expanding our sales capabilities has been a top priority. We have augmented our sales organization by adding new sellers, strengthening our capacity to engage with clients and capitalize on emerging opportunities. Furthermore, we have bolstered our infrastructure to support the growth of our sales team, appointing a Chief Revenue Officer (CRO) and a Vice President of Growth Marketing. These strategic hires bring invaluable expertise and leadership, empowering us to drive revenue growth and enhance our market presence. Additionally, we have invested in building a robust business development organization, laying the groundwork for future expansion and customer acquisition.

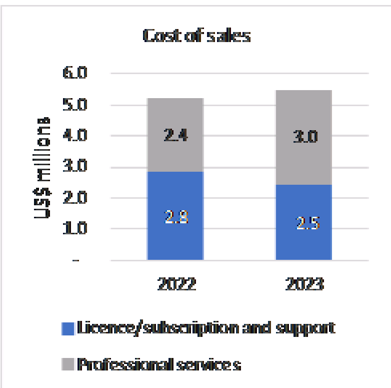
The successful execution of our IPO and our achievement of 2023 revenue in-line with market expectations, demonstrates our resilience and ability to navigate challenging market dynamics. Looking ahead, we are poised to capitalize on our strengthened foundation and seize opportunities for further growth and innovation. As we continue to consolidate our position in the market, we remain focused on delivering value to our shareholders, driving sustainable growth, and realizing our vision for the future.



Revenue

Our revenue grew 10% to $14.5m (2022: $13.2m) despite strong macro headwinds. The split of revenue showed very encouraging trends as the recurring element of our revenue increased 31% year on year to $11.4m (2022: $8.7m), in part due to a number of notable net new recurring software license wins with clients including PepsiCo, Kimberly-Clark, Sanofi and Philip Morris and in part due to a number of annual license contract renewals/upgrades.

Our service revenue reduced to $3.1m from $4.5m, this decrease is a reflection of the successful completion in early 2023 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 12 months.



Expenditure highlights

We maintained strong cost control discipline with our total cost of sales increasing only 6% to $5.5m (2022: $5.2m) despite our revenue growing by 10%. Our research and development costs rose marginally to $3.8m (2022: $3.7m) as we benefited from strong US Dollar vs Lebanese Pound currency fluctuations, while continuing 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 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 $7.2m (2022: $5.8m) due primarily to investments in our Sales and Marketing organization of $1.1m resulting in a total cost of $2.5m (2022: $1.4m), non-cash expense reported to stock based compensation of $0.6m (2022: $0m) and expansion of our Board of Director and Finance organization to support increase public company requirements amounting to an additional $0.4m expense in 2023.

Gross Profit

The gross profit generated in the period was $9.0m (2022: $7.9m) with a gross profit margin of 62% (2022: 60%). This improvement was in line with our expectations that margins will improve over time as a greater proportion of our revenue is derived from higher margin license sales, especially the Brand Vision family of products. We expect to reach a gross profit margin of circa. 65-70% in future periods, as the revenue mix fluctuates between higher margin license sales and historically lower margin services revenue.

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

Our 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) decreased as a result of the increased expenditure relating to planned investments for growth to -$1,732k (2022: -$609k). 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 2023 was $3.8m.

	2022	2023
EBITDA	**(1,513,310)**	**(1,990,482)**
Adjustments to operating expenses		
Commissions Capitalised during the period	(323,209)	(546,048)
Exceptional items		
IPO Expenses(1)	1,207,883	262,443
Share based payments	20,051	542,409
Total Adjustments	*904,725*	*258,804*
Adjusted EBITDA	**(608,585)**	**(1,731,678)**

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

Ending Customer Count

In 2023, we commenced tracking customer numbers by three categories IPM Suite, Brand Vision (excluding PictureDesk) and PictureDesk, reporting only the number of clients actively contracted at the end of the reporting period.

	2022	2023
IPM Suite	16	16
Brand Vision	4	9
PictureDesk	120	114
Total	**140**	**139**

For our IPM product, our total customer count remained flat.

In our Brand Vision (excluding PictureDesk) product, we've witnessed a surge in the demand for content tracking, leading to a 125% increase in customer growth in 2023.

The net decrease of 6 customers in PictureDesk was a result of 6 new client additions and 12 losses. Notably, PictureDesk's customer base mainly consists of smaller revenue value customers compared to our IPM Suite and Brand Vision customers. However, our strategic focus in 2024 includes enhanced marketing efforts and improved client management for this product line.

Cash and working capital

We ended the year with $3.2m of cash (2022: $1.2m) and zero balance (2022: $1.0m) on our line of credit from Bank of America ($1.0m limit). Due to the timing of customer renewals and billings, we also ended the year with $6.0m of billed and unbilled account receivable (2022: $2.8m), 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). Post year end of we collected the majority of this outstanding balance - cash as at 25 April 2024 was $4.6m. During the year we consumed $5.5m of cash in our operating activities in 2023 (2022: generated $2.1m), driven principally by the $3.2m increase in billed and unbilled account receivables and net loss of $1.5m. We generated $8.1m from financing activities, composed primarily from $8.6m in net IPO proceeds and a $0.6m shareholder loan offset by $1.0m pay down of our Bank of America Line of Credit.

Ian Flaherty
Chief Financial Officer
29 April 2024

Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The audited, Consolidated Statements of Comprehensive Income of the Group for each of the years ended 31 December 2022 and 2023 are set out below:

Continuing operations	**Notes**	**Year ended 31 December 2022 $**	**Year ended 31 December 2023 $**
License/subscription and support		8,681,002	11,395,295
Professional services		4,501,551	3,091,494
Total revenue	**4**	**13,182,553**	**14,486,789**
Cost of fees and services		5,237,394	5,466,978
Gross Profit		**7,945,159**	**9,019,811**
Research and development		3,693,655	3,833,225
Selling, general and administrative expenses		5,785,374	7,177,068
Depreciation and amortisation		655,753	647,640

Depreciation and amortisation		[illegible]	[illegible]
Net interest expense		150,892	62,550
Foreign exchange losses/(gains)		371,860	(846,035)
Other income		(1,408)	-
Total operating expenses		**10,656,126**	**10,874,448**
Loss before income taxes		**(2,710,967)**	**(1,854,637)**
Income tax expense/(gain)	5	786,240	(307,015)
Net loss after taxes		(3,497,207)	(1,547,622)
Total foreign currency gains/(losses)		967,248	(501,406)
Total comprehensive loss		**(2,529,959)**	**(2,049,028)**
Net income attributable to non-controlling interest		23	1
Net loss attributable to the Group		(3,497,230)	(1,547,623)
Net loss after taxes		(3,497,207)	(1,547,622)
Comprehensive income attributable to non-controlling interest		23	1
Comprehensive loss attributable to the Group		(2,529,982)	**(2,049,029)**
Total comprehensive loss		(2,529,959)	**(2,049,028)**
Basic loss per Share ($)	6	(0.37)	(0.12)
Diluted loss per Share ($)		(0.37)	(0.12)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The audited, Consolidated Statements of Financial Position of the Group for each of the years as at 31 December 2022 and 2023 are set out below:

Assets	**Notes**	**As at 31 December 2022 $**	**As at 31 December 2023 $**
Cash and cash equivalents		1,181,371	3,191,458
Accounts receivable, net	**8**	1,863,394	2,308,580
Unbilled work-in-progress		929,715	3,703,895
Income tax receivable	**18**	-	660,624
Other current assets		214,395	298,574
Current assets		**4,188,875**	**10,163,131**
Intangible assets, net	**7**	2,242,598	2,112,018
Goodwill	**7**	2,100,432	2,209,470
Furniture and equipment	**9**	88,170	136,212
Contract costs	**10**	584,510	763,323
Deferred tax asset	**5**	954,771	830,778
Right-of-use asset	**16**	109,728	202,228
Non-current assets		**6,080,209**	**6,254,029**
TOTAL ASSETS		**10,269,084**	**16,417,160**
Liabilities			
Accounts payable and accrued expenses		3,174,313	2,299,550
Income tax payable	**5**	1,026,602	1,262,702
Deferred revenue		2,249,019	2,642,005
Notes payable - related parties	**11**	75,000	162,396
Current lease liability	**16**	56,641	67,447
Line of credit	**12**	1,000,000	-
Current liabilities		**7,581,575**	**6,434,100**
Provisions - end of services indemnity	15	274,045	467,225
Deferred revenue		1,086,762	391,090
Non-current lease liability	16	28,546	134,781
Non-current liabilities		**1,389,353**	**993,096**
Total liabilities		**8,970,928**	**7,427,196**
Shareholders' equity			
Series A-1 preferred shares	**13**	7,552	-
Common shares	**13**	7,083	20,231
Additional paid-in capital		15,581,802	25,317,043
Accumulated deficit		(15,163,027)	(16,710,650)
Cumulative translation adjustment		863,686	362,280
		1,297,096	**8,988,904**
Non-controlling interest		1,059	1,060
Total Shareholders' equity		**1,298,155**	**8,989,964**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,269,084**	**16,417,160**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The audited, Consolidated Statements of Changes in Equity of the Group for each of the years 31 December 2022 and 2023 are set out below:

	Preferred shares	Preferred shares	Common shares	Common shares	Additional paid in capital	Accumulated deficit
	#	$	#	$	$	$
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	-
Capitalisation of direct IPO costs	-	-	-	-	(808,350)	-
Issuance of additional common shares	-	-	223,289	223	401,022	-
Commission shares	-	-	90,630	91	162,039	-
Non-controlling interest	-	-	-	-	-	-
Adjustment of common stock	-	-	360	-	-	-
Exercise of warrants	-	-	39,958	40	(40)	-
Stock-based compensation	-	-	-	-	542,409	-
Net loss	-	-	-	-	-	(1,547,623)
Foreign exchange translation expense	-	-	-	-	-	-
As at 31 December 2023 (audited)	**-**	**-**	**20,231,250**	**20,231**	**25,317,043**	**(16,710,650)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

The audited, Consolidated Statements of Cash Flows of the Group for each of the years ended 31 December 2022 and 2023 are set out below:

	Year ended 31 December 2022	**Year ended 31 December 2023**
	$	**$**
Net loss after taxes	**(3,497,207)**	**(1,547,622)**
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortisation	655,753	647,640
Non-cash stock compensation	(20,051)	542,409
Non-cash commission shares	-	162,130
Non-cash impact of foreign exchange on intangibles	538,331	(242,518)
Changes in assets and liabilities		
Accounts receivable	1,380,395	(445,186)
Unbilled work-in-progress	(103,297)	(2,774,180)
Income tax receivable	-	(660,624)
Other current assets	(8,980)	(84,179)
Deferred tax asset	758,169	123,933
Capitalisation of commissions	(323,210)	(546,048)
Right of use assets	(109,728)	(92,500)
Accounts payable and accrued expenses	(105,691)	(564,542)
Income tax payable	150,181	236,100

Deferred revenue	(1,424,557)	(302,686)
Net cash used in operating activities	**(2,109,892)**	**(5,547,873)**
Purchase of equipment	24	(64,328)
Payments for acquisition of subsidiaries	(718,948)	-
Net cash used in investing activities	**(718,924)**	**(64,328)**
Proceeds from issuance of IPO common shares	-	8,635,053
Proceeds from issuance of additional common shares	-	401,245
Proceeds from shareholder loan	-	564,009
Repayment of shareholder loan	-	(401,613)
Proceeds from /(repayment) of line of credit	1,000,000	(1,000,000)
Proceeds from/(repayment) of related party loan	75,000	(75,000)
Net cash provided by financing activities	**1,075,000**	**8,123,694**
Effect of exchange rates on cash	967,249	(501,406)
Net (decrease)/increase in cash and cash equivalents	**(786,567)**	**2,010,087**
Cash and cash equivalents, beginning of year	1,967,937	1,181,371
Cash and cash equivalents, end of year	**1,181,371**	**3,191,458**
Supplemental disclosure of cash flow information		
Cash paid for interest	14,007	72,155
Cash received from interest	56	22,622
Cash paid for income taxes	85,072	21,415
Conversion of preferred stock to common shares	-	7,552
Conversion of warrants to preferred shares	6,484	-
Conversion of warrants to common shares	300	40
Commissions and fees paid through issuance of common shares	-	970,480

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") disolved November 2023.
- 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 United Kingdom ("UK") in January 2015, while Fadel Canada was formed in Canada in June 2021 and subsequently dissolved in November 2023. The primary reason for this dissolution was to initiate investment in the UK and expand our workforce there, following our decision to go public in that market. Consequently, it was more logical to close the entity in Canada and concentrate on strengthening our operations in the UK. Fadel France was formed in France in February 2020. IDS was formed in April 1992 in the UK by an unrelated party and acquired by the company 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, 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 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 at 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 $3.2 million in cash on the Statement of Financial Position as at 31 December 2023. As at 31 December 2023, the Group had positive working capital of approximately $3.7 million and an accumulated deficit approximating $16.7 million. Additionally, the Group had a net loss of approximately $1.5 million and cash used by operating activities of approximately $5.5 million during the year ended 31 December 2023.

The Company has historically funded its operations through the sale of convertible preferred stock, common stock, and lines of credit from shareholders and banks. During the year ended 31 December 2023, the Company raised gross proceeds of $8,635,053 from its successful initial public offering to AIM, including $564,009 by way of a loan from Tarek Fadel (the "Fadel Loan"). Also, during the year ended 31 December 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 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 (dissolved November 2023) 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 Consolidated 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 at 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, and France. At 31 December 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$2.37 million out of a total of US$3.2 million cash deposits. The Company believes the risk is limited as the institutions are large national institutions with strong financial positions. 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.

Accounts receivable, unbilled work-in-progress and credit losses
Accounts receivable is 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.

Credit losses to date have been insignificant and within management's expectations. The company provides an allowance for credit losses that is based upon a review of outstanding receivables, historical collection information, expected future losses, and existing economic conditions. 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 8 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:

- license / subscription 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.

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

- **Term licenses**: a majority of our contracts (in revenue terms) are term licenses. 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.

- **Software as a service ("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 licenses**: There are a small number of perpetual licenses, 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 2023.

- **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 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 at 1 January 2019 only to contracts that were either not completed as at 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 . The Group has also elected to not include amortisation of the costs of obtaining a revenue contract within gross profit in order to help the reader see the business through the eyes of management.

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 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 other than goodwill:

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 years ended 31 December 2022 and 2023.

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 years ended 31 December 2022 and 2023.

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 years ended 31 December 2022 and2023.

Billed accounts receivable and concentrations of credit risk
As at 31 December 2023, there were two significant customers (defined as contributing at least 10%) that accounted for 72% of accounts receivable.

As at 31 December 2022, there were three significant customers that accounted for 68% of accounts receivable.

Accounts payable and concentrations of credit risk
As at 31 December 2023, there were three significant vendors (defined as contributing at least 10%) that accounted for 58% of accounts payable.

As at 31 December 2022, there were three significant vendor that accounted for 62% of accounts payable.

Unbilled work-in-progress and concentrations of credit risk
As at 31 December 2023, there were three significant customers that accounted for 76% (39%, 19% and 18%) of unbilled work-in-progress.

As at 31 December 2022, there were three significant customers that accounted for 88% (44%, 27% and 17%) 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 CEO, who has been identified as the chief operating decision maker.

Revenue concentrations
During 2023, the five largest customers accounted for an aggregate of $8,769,838 of revenue, some 61% of revenue from continuing operations

During 2022, the five largest customers accounted for an aggregate of $8,411,729 of revenue, some 64% of revenue from continuing operations.

Top 5 Customers' revenue concentration ***$'000***	**Revenue**	**2022 % of Total Revenue**	**Revenue**	**2023 % of Total Revenue**
License/subscription	$ 2,798	21%	$ 5,944	41%
Support	2,073	16%	720	5%
Services	3,540	27%	2,106	15%
Total	**$ 8,411**	**64%**	**$ 8,770**	**61%**

Advertising and promotion costs
Advertising and promotion costs are expensed as incurred. These costs totalled $536,552 for the year ended 31 December 2022 and $781,410 for the year ended 31 December 2023.

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.

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 Consolidated Statements of Financial Position. 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 Consolidated Statements of Financial Position. If applicable, finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the accompanying Consolidated Statements of Financial Position.

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 Group's reporting currency is the US Dollar. The functional currency of foreign operations, excluding the Lebanon entity, is the local currency for the foreign subsidiaries. Assets and liabilities of those 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 Statements of Comprehensive Income in the period in which they occur.

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 Consolidated Statements of Financial Position.

In accordance with applicable US GAAP, as at January 1, 2023, our company transitioned Fadel to a USD functional currency entity due to the hyperinflationary conditions prevalent in the Lebanese currency. Prior to this date, the Lebanon subsidiary was accounted for using its local currency as a functional currency. This change was applied prospectively and is consistent with US GAAP principles. As a result, all financial statements for periods after January 1, 2023, reflect the Lebanon subsidiary's operations and financial position in USD, while comparative financial information remains reported in its previous local currency.

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 Consolidated Statements of Financial Position.

New Accounting Pronouncements:
From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies and adopted by the Company as at the specified date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on the Group's Consolidated Statements of Financial Position, Consolidated Statements of Comprehensive Income or Consolidated Statements of Cash Flows.

Recently Adopted Accounting Pronouncements
In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)". ASU 2016-13 requires that credit losses be reported as an allowance using an expected losses model, representing the entity's current estimate of credit losses expected to be incurred. The accounting guidance currently in effect is based on an incurred loss model. For available-for-sale debt securities with unrealised losses, this standard now requires allowances to be recorded instead of reducing the amortized cost of the investment. The amendments under ASU 2016-13 are effective for interim and annual fiscal periods beginning after 15 December 2022. The Company adopted this standard as at 1 January 2023, with no material impact on its consolidated financial statements.

Recently Issued Accounting Pronouncements
In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure". This standard requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items to reconcile to segment profit or loss and the title and position of the entity's CODM. The amendments in this update also expand the interim segment disclosure requirements. This standard is effective for fiscal years beginning after 15 December 2023, and interim periods within fiscal years beginning after 15 December 2024 and early adoption is permitted. The Company is currently evaluating the potential impact that this new standard will have on our consolidated financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures", which is intended to provide enhancements to annual income tax disclosures. In particular, the standard will require more detailed information in the income tax rate reconciliation, as well as the disclosure of income taxes paid disaggregated by jurisdiction, among other enhancements. The standard is effective for years beginning after 15 December 2024 and early adoption is permitted. The Company is currently evaluating the impact of the standard on the presentation of its consolidated financial statements and footnotes.

4. SEGMENTAL REPORTING

The Group reports its business activities in two areas:

- License/subscription and support revenue; and
- professional services,

which are reported in a manner consistent with the internal reporting to the Chief Executive Officer, 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 2022 $	**Audited As at 31 December 2023 $**
Revenue		
License/Subscription		
IPM Suite	4,346,891	7,407,547
Brand Vision	1,902,979	2,312,778
Total License/Subscription	**6,249,870**	**9,720,325**
Support		
IPM Suite	2,431,132	1,674,970
Brand Vision	-	-
Total Support	**2,431,132**	**1,674,970**
License/subscription and support	8,681,002	11,395,295
Professional services	4,501,551	3,091,494
Total Revenue	**13,182,553**	**14,486,789**
Cost of Sales		
License/Subscription and support	2,371,550	3,010,432
Professional services	2,865,844	2,456,546
Total cost of sales	**5,237,394**	**5,466,978**
Gross Profit Margins		
Profit margin license/subscription and support	73%	74%
Profit margin service	36%	21%
Total gross profit margin	**60%**	**62%**

5. INCOME TAXES

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

	Audited **As at 31 December 2022 $**	***Audited*** **As at 31 December 2023 $**
Domestic	(415,977)	(3,437,382)
Foreign	139,210	1,101,596
US taxable loss before income taxes	(276,767)	(2,335,786)

Provision for income taxes consisted of the following:

Provision components are as follows:	***Audited*** **As at 31 December 2022 $**	***Audited*** **As at 31 December 2023 $**
Current:		
Foreign	25,265	(454,704)
Federal	-	16,283
State	[illegible]	[illegible]

State	2,806	7,223
Total current expense/(income)	28,071	(431,198)
Deferred:		
Foreign	-	(39,542)
Federal	513,180	6,541
State	244,989	157,184
Total deferred expense	758,169	124,183
Provision for/(benefit from) income taxes	**786,240**	**(307,015)**

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 2022 $**	***Audited*** **As at 31 December 2023 $**
U.S federal income tax (benefit) at statutory rate	(58,121)	(490,015)
State tax (net of federal benefit)	68,795	143,385
Foreign rate differential	(4,133)	(624,689)
Meals and entertainment	1,570	3,343
GILTI Income	653,618	599,441
Research & development credit	(50,000)	-
SALT rate change	178,411	19,505
Other	(3,900)	42,015
Provision for/(benefit from) income taxes	**786,240**	**(307,015)**

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, France and the UK.

U.S Companies are eligible for a deduction that lowers the effective tax rate on certain foreign income. This treatment 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 realised.

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 at 31 December 2022, the Company had NOLs in California, Florida, New Jersey and Pennsylvania

As at 31 December 2023, the Company had a federal, state, and foreign NOL carry forwards of approximately $135 thousand, $1.5 million, and $40 thousand, respectively. The state NOL will begin to expire in 2037. As at 31 December 2023, the Company had foreign NOLs in the UK and state NOLs in California, Connecticut, Florida, Massachusetts, New York, and Pennsylvania.

Due to its current year earnings, the Company believes that it is more-likely-than-not that substantially all the deferred tax assets, except the foreign NOL, will be realized. The foreign NOL is comprised of two types of UK losses; losses which occurred in periods prior to 2018 ("pool 1") and losses which occurred after 31 December 2017 ("pool 2"). Neither type of NOL is eligible for use in the U.S. due to the dual consolidated loss rules. "Pool 1" losses are available to offset taxable income in the UK, only, without restriction; "pool 2" losses are restrictive based on the type of income recognized in the future. Management assesses the need to establish a valuation allowance using all available evidence to estimate whether sufficient future taxable income will be generated to permit the use of the existing deferred tax asset related to the "pool 2" foreign NOL. For the period ended 31 December 2023, the Company has determined that a valuation allowance is needed for the deferred tax asset balance related to the "pool 2" foreign NOL as management believes it is more likely than not that the specific deferred tax asset will be not realized in the future.

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 2023, the company has a net GILTI inclusion of approximately $2.9 million primarily due to Section 174 capitalisation. 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 finalized an R&D study and method change related to deferred revenue in order to defer revenue expected to be received within one year.

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

Deferred Tax Table:	**Audited As at 31 December**	**Audited As at 31 December**

	31 December 2022 $	31 December 2023 $
Amortisation	338,029	629,016
Net Operating loss carry forwards	128,535	28,306
Net Operating loss carry forwards (state)	340,655	96,110
Net Operating loss carry forwards (foreign)	-	2,744,200
Reserves and accruals	90,612	117,276
Deferred revenue	205,909	97,893
R&D credit	50,000	-
Net deferred tax assets	**1,153,740**	**3,712,801**
Less valuation allowance	-	(2,704,468)
Total deferred tax assets	**1,153,740**	**1,008,333**
Total deferred tax liabilities	(198,969)	(177,555)
Deferred tax assets, net	**954,771**	**830,778**

Due to its current year earnings, the Company believes that it is more-likely-than-not that substantially all of the deferred tax assets will be realised. Therefore, the Company has not recorded a valuation allowance on the deferred tax assets. The change in the valuation allowance is as follows:

	Beginning of the Year	Additions/ (Deductions)	Balance at the end of the year
2022			
Reserves Deducted from deferred income taxes, net:	1,712,941	(758,170)	954,771
Valuation Allowance	-	-	-
2023			
Reserves Deducted from deferred income taxes, net:	954,941	2,580,475	3,535,416
Valuation allowance	-	(2,704,638)	(2,704,638)

At 31 December 2023, the Company did not have any unrecognized tax benefits and did not anticipate any significant changes to the unrecognized tax benefits within twelve months of this reporting date. In the year ended 31 December 2023, the Company recorded no interest and penalties on income taxes. At 31 December 2023, there was no accrued interest included in income taxes payable.

6. EARNINGS PER SHARE

The Company computes earnings (loss) per share in accordance with ASC 260, Earnings per Share, which requires presentation of both basic and diluted earnings per share on the face of the Consolidated Statements of Comprehensive Income. Basic earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of outstanding shares during the period.

Diluted earnings (loss) per share gives effect to all dilutive potential common shares outstanding during the period. Due to their anti-dilutive effect, the calculation of diluted net loss per share for the years ended 31 December 2022 and 31 December 2023 does not include stock options and warrants. The number of dilutive shares would have been 1,689,826 and 8,290,788 as at 31 December 2023 and 31 December 2022, respectively.

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	Audited As at 31 December 2022 $	Audited As at 31 December 2023 $
Total comprehensive income attributable to Shareholders	(2,529,959)	(2,049,028)
Weighted average number of Shares	6,855,443	16,772,311
Basic and diluted earnings per share ($)	**(0.37)**	**(0.12)**

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 $7.4 million (5.5 million)

Fair Value of Assets Acquired and Liabilities Assumed

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

The following table shows the current carrying value of the intangible assets. The information is presented in US Dollar 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 2021	2,342,348	398,089	2,071,133	399,530	**5,211,100**
Additions	-	-	-	-	**-**
As at 31 December 2022	2,100,432	356,956	1,857,133	358,249	**4,672,770**
Additions	-	-	-	-	**-**
As at 31 December 2023	**2,209,470**	**375,487**	**1,953,542**	**376,847**	**4,915,346**
Amortisation and impairment:					
As at 31 December 2021	-	9,952	51,777	9,988	**71,717**
Amortisation charge for the period	-	35,805	186,283	35,935	**258,023**
As at 31 December 2022	**-**	**45,757**	**238,060**	**45,923**	**329,740**
Amortisation charge for the period	-	36,651	190,683	36,784	**264,118**
As at 31 December 2023	**-**	**82,408**	**428,743**	**82,707**	**593,858**
Carrying amount:					
As at 31 December 2021	2,342,348	388,137	2,019,356	389,542	5,139,383
As at 31 December 2022	2,100,432	311,199	1,619,073	312,326	4,343,030
As at 31 December 2023	**2,209,470**	**293,079**	**1,524,799**	**294,140**	**4,321,488**

The approximate estimated future amortisation expense is $261,000 (£212,537) each year, for the next five years (2024-2027).

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 $2.28 million (£1.69 million) of which $1.96 million (£1.45 million) was cash and $0.34 million (£0.25 million) was net working capital). Goodwill was therefore determined to be $2.34 million (£1.74 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 $6.7 million (£5 million). A final payment of $0.58 million (£428,874) , as assessed at 31 December 2021. A revised final payment of $0.63 million (£470,032) 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 $568,867 (£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 it carrying amount and no impairment is needed.

8. ACCOUNTS RECEIVABLE, Net

Accounts receivable consist of the following:

	As at 31 December 2022	**As at 31 December 2023**
	$	**$**
Accounts receivable	1,885,414	2,330,600
Credit Losses	(22,020)	(22,020)
Accounts receivable, Net	**1,863,394**	**2,308,580**

9. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

As at As at

	As at 31 December 2022	As at 31 December 2023
	$	$
Furniture and equipment	202,025	266,353
Accumulated depreciation	(113,855)	(130,141)
Furniture and equipment	**88,170**	**136,212**

The depreciation expense was $16,286 and $14,760 for the years ended 31 December 2023 and 2022, respectively.

10. CONTRACT COSTS

The Group applied ASC-606 with effect from 1 January 2019 to contracts that were either not completed as at 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 was $1,461,203 and $1,093,968 for the year's ended 31 December 2023 and 2022, respectively. 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 2022	As at 31 December 2023
	$	$
Contract Costs - Opening balance	**644,270**	**584,510**
Commissions capitalised during the year	323,209	546,048
Amortisation charge for the year	(382,969)	(367,235)
Contract costs - Ending Balance	**584,510**	**763,323**

11. RELATED PARTIES

Notes Payable:

In each of January 2022 and January 2023, the Group entered into demand note agreements totalling 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 outstanding balance of $75,000 as at 31 December 2022, was paid in full in year 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"). As of 31 December 2023, the remaining balance on the Fadel Loan is $162,396 and 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.

12. 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%. On 11 May 2023, the line of credit between the Company and Bank of America, N.A. was extended until 31 May 2024. The balance owed to Bank of America, N.A under the terms of the line of credit was zero and $1,000,000 as at 31 December 2023 and 2022, respectively.

13. COMMON AND PREFERRED STOCK

The Company has authority to issue 150,000,000 shares at $0.001 par value per Share. As at 31 December 2023, there were no preferred shares outstanding, compared to 7,552,309 as at 31 December 2022, which were converted to common shares at IPO.

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.

On 4 August 2023 the company announced that following receipt of two notices to exercise warrants over a total of 121,925 common shares of $0.001 in the Company (the "Common Shares") on a net exercise basis, the Company has concluded the exercise resulting in the issuance of 39,958 Common Shares. These warrants were issued in July 2016 as part of a previous capital raising process. As the warrants were exercised on a net exercise basis there are no proceeds due to the company and following the exercise, no warrants remain outstanding in the Company.

As at 31 December 2023, the Company had 20,231,250 common shares of $0.001 each in issue. Shareholders may use this figure as the denominator by which they are required to notify their interest in, or change their interest in, the Company under the Disclosure Guidance and Transparency Rules.

14. 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 961,267 shares were granted and remain outstanding as at 31 December 2022 and 2023, respectively. Following Admission to AIM on 6 April 2023, the Company does not intend to operate the *2014 Equity Incentive Plan* to grant further options, as it was superseded by the *2023 Equity Incentive Plan*.

Outside of the above *2014 Equity Incentive Plan*, are 576,924 non-plan options with an exercise price of $1.03. These non-plan options were fully vested at 31 December 2021 and expired in February 2023. On 2 April 2023

These non-plan options were fully vested at 31 December 2021 and expired in February 2023. On 2 April 2023, the Board approved the reissuance of these non-plan options in the same amount (with a ten-year term and an exercise price of £1.44 per share. As at 31 December 2023, the 576,924 non-plan options remained outstanding.

On 2 April 2023, the Directors approved the "*2023 Equity Incentive Plan*" which supersedes the 2014 Plan. Options may be granted at an exercise price determined by the Remuneration Committee which will be not less than the fair market value of a share on the date of grant (i.e. the current market price). Options may not be exercised later than the tenth anniversary of the date of the grant (or such earlier date specified when granted). These options vest over four years from date of grant. As at 31 December 2023, 1,186,032 options under the *2023 Equity Incentive Plan* were granted and remain outstanding.

Determining the appropriate fair value model and the related assumptions requires judgment. The fair value of each option granted is estimated using a Black-Scholes option-pricing model on the date of grant as follows:

	For the year ended 31 December 2023
Estimated dividend yield	0%
Expected stock price volatility	41%
Risk-free interest rate	3.4% to 4.5%
Expected life of option (in years)	7
Weighted-average fair value per share	$0.63

Due to limited historical data, the expected volatility rates are estimated based on the actual volatility of comparable public companies over the expected term. The expected term represents the average time that options that vest are expected to be outstanding. Due to limited historical data, the Company calculates the expected life based on the midpoint between the vesting date and the contractual term, which is in accordance with the simplified method. The risk-free rate is based on the United States Treasury yield curve during the expected life of the option.

A summary of the status of the Group's option plans for the year ended 31 December 2023 is as follows:

	2014 plan		**Non-plan**		**2023 plan**		**Total**	
Options outstanding	**Number of Options (in Shares)**	**Weighted average exercise price**	**Number of Options (in Shares)**	**Weighted average exercise price**	**Number of Options (in Shares)**	**Weighted average exercise price**	**Number of Options (in Shares)**	**Weighted average exercise price**
As at 31 December 2022	**971,267**	**$1.21**	**576,924**	**$1.03**	**-**	**$0.00**	**1,548,191**	**$1.14**
Granted	292,705	$1.78	576,924	$1.78	1,186,032	$1.81	**2,055,661**	**$1.80**
Exercised	-	$-	-	$-	-	$-	**-**	**$-**
Forfeited or expired	(302,705)	$1.78	(576,924)	$1.03	-	$0.00	**(879,629)**	**$1.29**
As at 31 December 2023	**961,267**	**$1.21**	**576,924**	**$1.78**	**1,186,032**	**$1.81**	**2,724,223**	**$1.59**
Exercisable as at 31 December 2022	915,637	$1.22	576,924	$1.03	-	$0.00	**1,492,561**	**$1.15**
Exercisable as at 31 December 2023	**961,267**	**$1.21**	**576,924**	**$1.78**	**151,635**	**$1.79**	**1,689,826**	**$1.46**

Stock option expense for the year ended 31 December 2023 was $542,409 and ($20,051) for the year ended 31 December 2022. Unrecognized compensation expense related to share options which will be recognized through 2024 was $229,224 and $7,588 as at 31 December 2023 and 2022, respectively.

Warrants

On 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 shares, as follows:

- 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"; and
    - 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"

On 4 August 2023, all warrants held by Hamed Moghaddam and Arcadia were exercised and retired in exchange for the issuance of common shares, as follows:

- Hamed Moghaddam
    - 35,962 common shares;

        - 46,804 preferred shares "Series A-1"; and
        - 62,929 Preferred shares "Series A-2".
- Arcadia:
    - 3,996 common shares;
    - 5,200 preferred shares "Series A-1"; and
    - 6,992 Preferred shares "Series A-2".

As at 31 December 2023, the Company had no outstanding warrants.

15. 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 $87,251 for the year ended 31 December 2022 and $90,299.45 for the year ended 31 December 2023.

The provision for end-of-service indemnity in Lebanese companies is established to account for the financial obligation to employees who are entitled to end-of-service benefits upon leaving the company. This provision is particularly crucial when an employee opts to withdraw their pension immediately after leaving and has not yet commenced employment elsewhere.

To calculate this provision for inclusion in the Consolidated Statements of Financial Position at the end of each year, the company typically estimates the total liability it will incur for all eligible employees who may potentially claim end-of-service benefits in the future. This estimation involves considering factors such as the length of service of each employee, their salary level, and any applicable legal requirements or company policies regarding end-of-service benefits.

The calculation is performed based on factors such as the length of service of each employee, their salary level, and any applicable legal requirements or company policies regarding end-of-service benefits. This process ensures that the provision accurately reflects the company's financial obligation towards employees' end-of-service benefits, providing transparency and accountability in financial reporting. As at 31 December 2023 and 2022, the end of services liability amounted to $467,225 and $274,045 respectively.

16. LEASES

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. This lease was extended for one additional month at the same rate and then to a 10-month lease, starting 1 August 2022, at a monthly lease payment of €1,800 per month and was terminated in March 2023. The total lease payments during 2023 was $5,813 (€5,400).

On January 2023, the Group entered into a 12-month lease for a work space office in France. The total annual lease payment was $995 (€920) for a pack of 200 hours valid for one year. It was not renewed for 2024 as at the date of this document.

On 1 March 2022, the Group entered into a 12-month lease for a work space office in New York. This lease does not need to be renewed as it is payable month-to-month and is cancellable with 30 days' notice. The average monthly lease payment during the year ended 31 December 2023 was $2,069.

In February 2023, the Group entered into a lease for another work space office in New York. This lease was payable month-to-month and was terminated in October 2023. The average monthly lease payment during the year ended 31 December 2023 was $760. The total lease payments during 2023 was $6,080.

On October 2022, the Group entered into a 12-month lease for a work space office in the UK. This lease does not need to be renewed as it is payable month-to-month and is cancellable with 30 days' notice. The average monthly lease payment during the year ended 31 December 2023 was $1,360 (£1,090).

On October 30, 2023, the Group entered into a 12-month lease for a work space office in Jordan. The monthly lease payment was $900.

On October 26, 2023, the Group entered into a 12-month lease for an apartment in Jordan payable every three months in advance. The quarterly lease payment was $3,420.

On October 26, 2023, the Group entered into a 12-month lease for another apartment in Jordan payable every three months in advance. The quarterly lease payment was $3,240.

Total rental expense (USD)	**Consolidated**
Year ending 31 December 2022	$72,788
Year ending 31 December 2023	$60,317

On 1 October 2023, the Group entered into a 36-month lease for the 2nd, 6th and 7th Floor offices in Beirut, Lebanon. The monthly lease payment is $6,938.

As at 31 December 2023, the Company rents office space in Beirut across three separate floors under non-cancellable operating lease agreements with monthly payments ranging from approximately $1,803 to $2,590. These leases end on 30 September 2026.

During the year ended 31 December 2023, the leases signed during 2022 were ended early by the lessor. Subsequently, the leases were renewed and the end dates were all brought in-line with each other, 30 September 2026. The previous end dates were as follows:

- 2nd floor - 28 February 2024;
- 6th floor - 28 February 2024; and
- 7th floor - 30 June 2024.

The following summarizes the cash flow information related to operating leases for the year ended 31 December 2023:

Cash paid for amounts included in the measurement of lease liabilities:	2022	2023
Operating cash flows from operating leases (fixed payments)	$ 91,038	$94,544

The following table presents lease costs, future minimum lease payments and other lease information as at 31 December 2023 of the remaining years under lease:

Year Ending 31 December,	Operating
2024	$67,447
2025	$74,248
2026	$60,533
Total Operating Lease Liabilities	**$202,228**
Less amounts representing interest	$26,719
Present Value of Future Minimum Lease Payments	**$175,509**
Less current maturities	$67,447
Long-term Lease Liability	**$108,062**

The following summarizes the line items in the Consolidated Statements of Financial Position which include amounts for operating and financing leases at 31 December 2023:

	2022	2023
Operating Right-of-Use Assets	**$109,728**	**$202,228**
Current maturities of operating lease liabilities	$56,641	$67,447
Operating lease liabilities, less current maturities	$28,546	$134,781
Total Operating Lease Liabilities	**$85,187**	**$202,228**

The discount rate for operating leases was based on market rates from a bank for obligations with comparable terms effective at the lease inception date. The weighted average lease term and discount rate are as follows as at 31 December 2023:

	2022	2023
Weighted average remaining lease term - operating	1.4 years	2.7 years
Weighted average discount rate - operating	10%	10%

17. Income Tax Receivable

On 30 September 2022 a withholding tax of 32.5% became payable within the UK in respect of an intercompany loan between IDS and Fadel UK of $2,032,690, associated with the acquisition of IDS. This withholding tax amount of $660,624 will be reclaimable, conditional upon the loan between IDS and Fadel UK being repaid or cancelled before 31 December 2023. On 21 June 2023, the withholding tax of $660,624 due in the UK was paid by Image Data Systems (UK) Limited ("IDS") to HMRC. We are expecting the tax to be repaid in Q4 2024.

18. SUBSEQUENT EVENTS

In April 2024, the Company extended the line of credit with Bank of America, N.A for one more year until May 2025.

END

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