RNS Number : 5114F
Fadel Partners Inc.
25 September 2024

25 September 2024

Fadel Partners, Inc.

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

Unaudited interim results for the six months ended 30 June 2024

FADEL, the developer of cloud-based brand compliance and rights and royalty management software, is pleased to provide its results for the six months ended 30 June 2024, based on unaudited management accounts.

Financial Highlights

- Revenue for 1H24 was 5.3 million, of which 65% was License/Subscription and Support revenue.
- Service revenue increased to 1.9 million in 1H24 (1H23: 1.0 million) reflecting the successful start of a new IPM customer implementation, as well as professional services in support of expansionary regional rollouts for existing IPM customers.
- Gross margin improvement to 53% for 1H24, compared to 50% in 1H23.
- Adjusted EBITDA loss of 3.6 million in 1H24, compared to a loss of 2 million in 1H23, as a result increased expenditure relating to planned investments for growth and weaker than expected sales.

US Dollars (M)	1H24	1H23	FY23	Change % [4]
Group revenue	5.3	5.4	14.5	-2%
License/Subscription and Support revenue[1]	3.4	4.3	11.4	-21%
Services revenue	1.9	1.0	2.3	90%
Gross profit	2.8	2.7	9.0	4%
Gross profit margin (%)	53%	50%	62%	3%
Adjusted EBITDA[2]	(3.6)	(2.0)	(1.7)	-80%
Net cash	2.0	7.3	3.0	-72%
ARR[3]	9.2	N/A*	9.0	N/A*

[1] Previously titled 'recurring revenue', see Financial Review for more detail

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

[3] ARR is the annual recurring revenue for all active customers at each period end for all license contracts, and a selection of subscription and support revenue that is recurring in nature. ARR tracking implemented on a prospective basis effective December 31, 2023, as such comparison to 1H23 is not presented.

[4] Change % compares 30 June 2023 and 30 June 2024.

Operational Highlights

- **Successful Launch of LicenSee™:** On 1 March 2024, we introduced LicenSee™, our cloud-based platform for automating royalty management for mid-market consumer product licensees. During 1H24, we've secured our first customer and built a strong opportunity pipeline, demonstrating the product's early market traction.
- **Ongoing Growth with Brand Vision:** Our Brand Vision product, featuring AI-based video matching, continues to attract enterprise clients (see "Brand Vision Successes" below). The upcoming release of audio matching for marketing videos in 2H24 is expected to further meet market demand, contributing to pipeline growth for both new clients and upsell opportunities.
- **Professional Services Revenue Momentum:** The growth in our professional services revenue during 1H24 reflects increased demand for IPM implementations and regional rollouts. We anticipate this momentum to carry through 2H24 and into FY25.
- **Strategic Sales and Marketing Expansion:** Post-IPO, we've expanded our sales and marketing teams to strengthen our go-to-market capabilities. This expansion has resulted in a larger pipeline of opportunities, though it has also increased our costs in 1H24. We expect these investments to translate into higher ARR Growth in 2H24 and through FY25.
- **Enhanced Revenue Operations Systems:** We've upgraded our revenue operations systems, enabling us to streamline sales processes and focus on high-potential opportunities across all product lines.
- **Strengthening of the Board:** We appointed a new Chairman, Simon Wilson, and a new Chief Financial Officer, Ian Flaherty, a CPA in the United States to further strengthen our Board.

Current Trading and Outlook

- We expect a similar H2 revenue weighting as in FY23, and therefore a significant increase in 2H24 revenue compared to 1H24 due to the timing of revenue recognition.
- Strong sales momentum has continued into 2H24 with an expanding pipeline across sectors such as Publishing, Health, Beauty Products, Technology, Consumer Goods, and low and mid-market licensees.
- Significant and growing market opportunity upon which FADEL is well positioned to fully capitalise.

Tarek Fadel, Chief Executive Officer of FADEL, commented:

"We remain focused on expanding our market presence and driving pipeline and revenue growth while carefully managing our costs and cash flows. Whilst we are seeing positive developments in our pipeline, we recognize that longer sales cycles may impact the timing of revenue recognition. However, the growing pipeline positions us well to capitalize on these opportunities and support growth in FY25."

For further information please contact:

Tarek Fadel, Chief Executive Officer | Via Alma

Ian Flaherty, Chief Financial Officer

Tel: +44(0)20 7220 0500

Cavendish Capital Markets Limited (Nomad & Broker)

Jonny-Franklin Adams, Abigail Kelly, Rory Sale (Corporate Finance)

Tim Redfern, Sunila De Silva (ECM)

Alma Strategic Communications | Tel: +44(0)20 3405 0205

Josh Royston, Andy Bryant, Sam Modlin, Robyn Fisher | fadel@almastrategic.com

About FADEL Partners Inc.

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

FADEL has two 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, Jordan and India.

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

OPERATIONAL REVIEW

Building the Pipeline for Long-Term Growth

The market need for our software remains strong, driven by the exponential growth of digital content and its global distribution, and our recently formed sales and business development teams are actively building up our pipeline. Our outreach with LicenSee™ has already begun generating mid-market opportunities, which complement our existing IPM Enterprise client base. We are actively working to expand this pipeline, particularly in the mid-market segment, where we see significant potential. Additionally, demand for Brand Vision content tracking has shown measurable pipeline growth in 1H24. The pipeline for Brand Vision has similarly seen measurable pipeline growth in 1H24 in response to our increased outreach efforts and supports our decision to make ongoing investments in Brand Vision's development.

Our software continues to prove its relevance across a diverse range of industries that require monitoring of content and intellectual property rights. As of 1H24, our top 20 clients span sectors such as Publishing, Media, Beverages, Beauty, Luxury, and Consumer Goods.

Following our IPO, we have strategically expanded our sales and marketing teams, including the completion of our in-house outbound lead generation team. This expansion is already contributing to a stronger new business pipeline, enabling us to access new clients and markets more effectively. Our broadened product offering, which now includes Brand Vision and the recently launched LicenSee™, has diversified our target markets through new use cases and client segments. While these developments are promising, we anticipate that the full impact on client acquisition and cross-selling opportunities will be realized from FY25 onward, supporting our long-term growth objectives.

This operational progress we have made has not yet had time to be reflected in the financial results for 1H24. Revenues for 1H24 were 5.3 million (1H23: 5.4 million), within which License/Subscription and Support revenues declined by 21% to 3.4 million (1H23: 4.3 million), largely due to the timing shift of renewal license revenue into 2H24 and the decision by some IPM customers to transition to their own hosted environments in 2H23 for compliance with security and GDPR standards. The U.S. GAAP revenue recognition for certain 2H23 licenses required full revenue recognition at the time of signing, which contributed to a temporary increase in 2H23 revenue. These contracts are set to renew in 2H24, and therefore we expect a significant increase in 2H24 revenue compared to 1H24. The only churned accounts in 1H24 were in our PictureDesk Private Edition customers, with one specific customer representing a loss of c 0.3m in ARR. Professional services revenue saw a 90% increase to 1.9 million in 1H24 (1H23: 1.0 million), reflecting the initiation of new IPM customer implementation projects and additional service contracts to supp ort regional rollouts with existing customers.

New Customer Acquisition and Expansion within Existing Customer Base

Sales prospects for Brand Vision solutions are gaining momentum, with increasing interest in larger enterprise-level contracts, although these involve longer sales cycles. Additionally, the expansion of our IPM suite products, including the IPM Enterprise suite and LicenSee™, continues to strengthen our market position by broadening software functionality and supporting new use cases. Our expanded sales teams are strategically positioned to capture these opportunities across all product lines, leveraging growing demand to drive further growth in these key areas.

Cross and upselling within our existing blue-chip customer base remain significant opportunities for growth. Customers are increasingly integrating both IPM Suite and Brand Vision solutions to meet their needs, with anticipated benefits in 2H24 and beyond.

Notable customer activity in 1H24:

- **Sanoma and Ata-Boy:** Successful rollout and implementation of IPM Suite and LicenSee™, highlighting our capabilities across both enterprise and mid-market offerings. The Sanoma contract, valued at approximately 1.5 million, includes 0.9 million for software licensing, which is being recognized as revenue over a minimum three-year term.

- **Brand Vision Successes:** Strong adoption of Brand Vision, with key implementations including Rights Cloud and Content Tracking for one of the world's largest manufacturers of audio equipment, the Los Angeles Tourism & Convention Board, and L'Oreal US, which expanded Content Tracking to a new location. Additionally, Philip Morris has increased its use of Content Tracking within Rights Cloud.

- **Extended Support Services (ESS):** Continued growth in ESS, with upsells to existing IPM Suite customers, including Macmillan Learning and Abrams Books.

- **Enterprise-Level Contracts**: Several enterprise-level contracts for both IPM Suite and Brand Vision are in the later stages of negotiation and are expected to be signed during 2H24.

Heightened Tensions in the Middle East and Contingency Plans

We currently have 93 employees working predominantly across R&D and Professional Services at our Beirut office in Lebanon. Given the recent heightened geopolitical tensions, we have been closely monitoring the situation. It is important to note that our Beirut office has remained well away from the conflict zone and continues to be fully operational.

To ensure business continuity, we have taken pre-emptive measures, including expanding our R&D capacity in the Jordan office, which now has 11 employees and serves as a backup for many critical functions performed by our Beirut team. We plan to further increase the R&D capabilities in Jordan over the next 6 to 12 months. Additionally, we have a global Professional Services team and access to contractors in India, providing us with further flexibility and resources to maintain operations under any circumstances.

Board Changes

- Effective 14 February 2024, we appointed a new Chief Financial Officer, Ian Flaherty, a CPA in the United States. Ian has held various financial management positions in publicly listed companies (New York Stock Exchange and Toronto Stock Exchange) within the technology and direct-to-consumer sector and brings with him a wealth of US GAAP reporting and international tax experience.

- Effective 1 July 2024, we appointed Simon Wilson as Chairman. Simon brings extensive executive and board experience from enterprise B2B software companies in the UK and US, including AIM-listed and growth equity-backed companies.

Current trading and outlook

FADEL is focusing on growing Annual Recurring Revenue ("ARR") through strong client retention and an expanding pipeline across sectors such as Publishing, Health, Beauty Products, Technology, Consumer Goods, and low and mid-market licensees. As our solutions deliver high ROI from cost efficiencies and licensing revenue growth, we are well-positioned to capitalize on these opportunities. Our consistent renewal rates and success in expanding our pipeline reinforce our confidence in achieving positive financial outcomes for FY24.

Looking forward to the full year, the Board anticipates that FADEL is trading in line with revised market expectations. We expect a similar H2 weighting as in FY23, and therefore a significant increase in 2H24 revenue compared to 1H24 due to the timing of revenue recognition for certain IPM customers and underlying growth in new business. This is expected to result in positive adjusted EBITDA for 2H24 and a reduced adjusted EBITDA loss for the full year.

We remain focused on expanding our market presence and driving pipeline and revenue growth while carefully managing our costs and cash flows. Whilst we are seeing positive developments in our pipeline, we recognize that longer sales cycles may impact the timing of revenue recognition. However, the growing pipeline positions us well to capitalize on these opportunities and support growth in FY25.

Tarek Fadel
Chief Executive Officer
24 September 2024

FINANCIAL REVIEW

Revenue

Revenue

Revenue for the first six months of the year was 5.3 million. Of this 3.4 million (65%) was License/Subscription and Support revenue, a decrease of 21% relative to 1H23 of 4.3 million, primarily due to the timing of revenue recognition discussed above. Our service revenue increased relative to the same prior period to a total of 1.9 million (1H23: 1.0 million). This increase reflects the successful start of a new IPM customer implementation, as well as professional services in support of expansionary regional rollouts for existing IPM customers.

Our expected full-year revenue for 2024 remains in line with revised market expectations. As in 1H23, a significant proportion of the license revenue will be realised in the second half of the year in-line with historical contract renewals.

With the introduction of the ARR metric, we are updating the title of 'recurring revenue' to 'license/subscription and support revenue' which is a more accurate description

Margins

Cost of sales decreased to 2.5 million in 1H24 from 2.7 million in 1H23, resulting in an overall gross margin improvement to 53% for 1H24, compared to 50% in 1H23. This reduction in cost of sales reflects our deliberate efforts to control spending, while still meeting all client deliverable deadlines, as we work toward achieving positive adjusted EBITDA. The cost reductions were accomplished through several strategic measures, including replacing higher-cost consulting resources in India with equally qualified but moderately lower-cost resources in other locations, and leveraging more underutilized resources in our Support and R&D departments. This approach has enabled us to support product development and accelerate our product roadmap when these resources are not fully engaged in client-facing projects.

Within this overall improvement, our License/Subscription and Support gross margin declined to 48% in 1H24 from 65% in 1H23. This decrease was primarily due to the shift in the timing of revenue recognition to the second half of the year, as previously discussed.

Services gross margin increased, rising to 61% in 1H24 from -13% in 1H23. This improvement was largely driven by the return of significant client projects, which has greatly enhanced the utilization of our highly skilled employee pool and supported our growth trajectory.

Costs

Our research and development (R&D) costs decreased to 1.8 million in 1H24 from 2.0 million in 1H23. This reduction was primarily driven by the foreign exchange benefits of Lebanon-based costs, coupled with efforts to reduce India-based consulting resources and replace them with dedicated resources in Jordan. Despite these reductions, we continue to invest in product development, including quarterly update release cycles and new features for both Brand Vision and IPM Suite. Under U.S. GAAP, we fully expense our R&D costs, whereas some of our peers reporting under IFRS capitalize a significant portion of their R&D expenses, then amortizing those costs over future periods.

Selling, general, and administrative (SG&A) costs increased to 4.4 million in 1H24 from 2.6 million in 1H23. This rise includes a 1.0 million increase in sales and marketing expenses, driven by significant investments in our go-to-market teams, in line with our IPO objectives. This includes an increase in headcount and external marketing spend. General and administrative expenses increased by 0.8 million, primarily due to the expansion of our executive, administrative, and board functions, along with higher administrative costs necessary to maintain our public company requirements. Since our IPO in April 2023, the prior period only included a partial period of these expenses.

Key Performance Indicators ("KPIs")

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

Adjusted EBITDA

Our adjusted EBITDA (a non-US GAAP measure is defined as earnings after capitalised commission costs and before interest, tax, depreciation, amortization, exceptional costs and share-based payments) decreased as a result of the increased expenditure relating to planned investments for growth and weaker than expected sales to - 3.6m (1H23: - 2.0m). This metric is a conservative one, which if used for comparison with other companies, needs to consider that in accordance with US GAAP we fully expense our R&D costs as incurred, which for 1H24 were some 1.8 million (1H23: 2.0 million).

	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
EBITDA	**(3,399,906)**	**(1,935,791)**	**(1,990,482)**
Adjustments to operating expenses			
Commissions capitalized during the period	(310,366)	(319,917)	(546,048)
Exceptional items			
IPO Expenses (1)	-	262,443	262,443
Share based payments (2)	131,158	-	542,409
Total Adjustments	**(179,208)**	**(57,474)**	**258,804**
Adjusted EBITDA	**(3,579,114)**	**(1,993,265)**	**(1,731,678)**

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

(2) Share based payments for 2023 were recorded on an annual basis as of 31 December 2023. For the first half of 2024, we began recognizing these expenses on a quarterly basis.

Annual recurring revenue

	As at 30 June 2024	**As at 31 December 2023**	***6-month growth rate (30 December 2023 to 30 June 2024) (%)***
IPM Suite	6,819,142	6,625,587	*3%*
Brand Vision	1,527,903	1,152,013	*33%*
PictureDesk	868,823	1,260,960	*-31%*
Total	**9,215,868**	**9,038,560**	***2%***

During 1H24, we initiated the tracking of Annual Recurring Revenue ("ARR"), a non-US GAAP measure. We separate our ARR between three categories IPM Suite (including LicenSee™), Brand Vision (excluding PictureDesk) and PictureDesk. To compute ARR, we conducted an analysis for 31 December 2023, and June 2024, aggregating the annual (12-month) value for all active customers at each period end for all license contracts, and a specific categories of subscription and support revenue that is recurring in nature. A small portion of subscription and support revenue is deemed to be non-recurring and thus have been excluded from our ARR calculations. Revenue associated with one-time services performed are excluded from ARR.

Our total ARR has demonstrated growth, with increases in our Brand Vision and IPM suite products. There has been a decrease in ARR from PictureDesk, primarily due to the loss of a PictureDesk Private Edition customer representing c 0.3 million in annual ARR. The majority of our remaining PictureDesk ARR is represented by smaller PictureDesk Public Edition clients, each with an average ARR of 8K.

Customer numbers

	As at 30 June 2024	As at 31 December 2023
IPM Suite	18	16
Brand Vision	11	9
PictureDesk	104	114
Total	**133**	**139**

During 1H24, IPM Suite and Brand Vision customer counts both increased by two, with two net new additions for each and no customer losses.

The net decrease of 10 customers in PictureDesk was a result of six new client additions, 11 losses and five customer aggregations/mergers. Notably, PictureDesk's customer base mainly consists of smaller revenue value customers compared to our IPM Suite and Brand Vision customers. However, it's important to highlight that our acquisition of IDS was largely focused on adopting their intellectual property, particularly their exceptional video tracking capabilities, which we have successfully integrated into the Brand Vision product to significantly enhance our content tracking features. Through 1H24, our primary focus was on growing our go-to-market strategy around our core offerings in IPM and Brand Vision, which meant there wasn't a significant emphasis on PictureDesk product sales directly. Despite this, we see growth potential in this business, and during 2H24, we will be increasing investment in our marketing and sales efforts for PictureDesk in 2H24.

Cash

Cash and cash equivalents were 2.2 million as of 30 June 2024 (31 December 2023:3.2million). We remain confident in meeting our year-end cash forecast but are closely monitoring a 0.4 million accounts receivable from a publishing customer, based in France. This customer has recently attempted to use outstanding payments as leverage in renegotiations with technology vendors. Legally, we are confident in our position, having fulfilled all contractual obligations.

Ian Flaherty
Chief Financial Officer
24 September 2024

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The unaudited Consolidated Statements of Comprehensive Income of the Group for the six-month periods ended 30 June 2024 and 2023, and audited Consolidated Statement of Comprehensive Income of the Group for the year ended 31 December 2023, are set out below:

Continuing operations	Notes	*Unaudited* Six months ended 30 June 2024	*Unaudited* Six months ended 30 June 2023	*Audited* Year ended 31 December 2023
License/subscription and support		3,403,523	4,336,484	11,395,295
Professional services		1,853,263	1,036,659	3,091,494
Total revenue	4	**5,256,786**	**5,373,143**	**14,486,789**
Cost of fees and services		2,482,777	2,694,340	5,466,978
Gross profit		**2,774,009**	**2,678,803**	**9,019,811**

Research and development		1,752,136	1,979,161	3,833,225
Selling, general and administrative expenses		4,421,779	2,635,432	7,177,068
Depreciation and amortization		381,637	303,584	647,640
Interest expense		60,172	54,408	62,550
Foreign exchange (gains)/losses		185,887	(1,014,162)	(846,035)
Other income		(13,883)	(342)	-
Total operating expenses		**6,787,728**	**3,958,081**	**10,874,448**
Loss before income taxes		**(4,013,719)**	**(1,279,278)**	**(1,854,637)**
Income tax expense/(gain)		92,099	6,932	(307,015)
Net loss after taxes		**(4,105,818)**	**(1,286,210)**	**(1,547,622)**
Total foreign currency losses/(gains)		(40,170)	656,486	501,406
Total comprehensive loss		**(4,065,648)**	**(1,942,696)**	**(2,049,028)**
Net income attributable to non-controlling interest		16	19	1
Net loss attributable to the Group		(4,105,834)	(1,286,229)	(1,547,623)
Net loss after taxes		(4,105,818)	(1,286,210)	(1,547,622)
Comprehensive income attributable to non-controlling interest		16	19	1
Comprehensive loss attributable to the Group		(4,065,664)	(1,942,715)	(2,049,029)
Total comprehensive loss		(4,065,648)	(1,942,696)	(2,049,028)
Basic and diluted loss per Share ( )	**6**	(0.20)	(0.15)	(0.12)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The unaudited Consolidated Statements of Financial Position of the Group as at 30 June 2024 and 2023, together with the audited Consolidated Statement of Financial Position of the Group as at 31 December 2023, are set out below:

		Unaudited **As at 30 June 2024**	***Unaudited*** **As at 30 June 2023**	***Audited*** **As at 31 December 2023**
Assets	**Notes**			
Cash and cash equivalents		2,215,802	8,232,350	3,191,458
Account receivable, net	**5**	2,116,256	1,032,462	2,308,580
Unbilled work-in-progress		1,292,042	981,581	3,703,895
Income tax receivable	**15**	656,130	-	660,624
Other current assets		280,866	356,161	298,574
Current assets		**6,561,097**	**10,602,554**	**10,163,131**
Intangible assets, net		1,948,415	2,224,127	2,112,018
Goodwill		2,194,442	2,192,628	2,209,470
Furniture and equipment	**7**	133,831	83,362	136,212
Contract costs	**8**	836,375	739,275	763,323
Deferred tax asset		830,778	954,771	830,778
Other assets		-	5,583	-
Right-of-use asset	**14**	169,262	67,696	202,228
Non-current assets		**6,113,103**	**6,267,443**	**6,254,029**
TOTAL ASSETS		**12,674,200**	**16,869,997**	**16,417,160**
Liabilities				
Accounts payable and accrued expenses		1,701,249	1,793,823	2,299,550
Income tax payable		1,339,470	1,042,483	1,262,702
Deferred revenue		3,506,567	3,504,281	2,642,005
Notes payable - related parties	**10**	162,396	262,396	162,396
Current lease liability		70,765	33,879	67,447
Line of Credit	**11**	-	700,000	-
Current liabilities		**6,780,447**	**7,336,862**	**6,434,100**
Provisions - End of services indemnity		467,225	274,045	467,225
Deferred revenue		272,556	705,202	391,090
Non-current lease liability		98,497	-	134,781

	Note			
[illegible]		[illegible]		[illegible]
Non-current liabilities		**838,279**	**979,247**	**993,096**
Total liabilities		**7,618,726**	**8,316,109**	**7,427,196**
Shareholders' equity				
Common shares	**9**	20,231	20,191	20,231
Additional paid-in capital		25,448,201	24,774,674	25,317,043
Accumulated deficit		(20,816,484)	(16,449,256)	(16,710,650)
Cumulative translation adjustment		402,450	207,200	362,280
		5,054,398	**8,552,809**	**8,988,904**
Non-controlling interest		1,076	1,078	1,060
Total Shareholders' equity		**5,055,474**	**8,553,887**	**8,989,964**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**12,674,200**	**16,869,997**	**16,417,160**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The unaudited Consolidated Statements of Changes in Equity of the Group for the six-month periods ended 30 June 2024 and 2023 together with the audited Consolidated Statement of Changes in Equity of the Group as at 31 December 2023, are set out below:

	Preferred Shares	Preferred Shares	Common shares	Common shares	Additional paid in capital	Accumulated deficit	Cumu translation adjus
	#		#				
As at 31 December 2022 (audited)	**7,552,309**	**7,552**	**7,082,583**	**7,083**	**15,581,802**	**(15,163,027)**	**86**
Converting Preferred shares to common	(7,552,309)	(7,552)	7,552,309	7,552	-	-	
Issuance of IPO shares	-	-	5,242,121	5,242	9,438,161	-	
Capitalization of direct IPO costs	-	-		-	(808,350)	-	
Issuance of common shares*	-	-	223,289	223	401,022	-	
Commission shares	-	-	90,630	91	162,039	-	
Non-controlling interest	-	-	-	-	-	-	
Adjustment of common stock	-	-	360	-	-	-	
Net loss	-	-	-	-	-	(1,286,229)	
Foreign exchange translation income	-	-	-	-	-	-	(656
As at 30 June 2023 ***(unaudited)***	**-**	**-**	**20,191,292**	**20,191**	**24,774,674**	**(16,449,256)**	**20**
Non-controlling interest	-	-	-	-	-	-	
Exercise of warrants	-	-	39,958	40	(40)	-	
Stock-based compensation	-	-	-	-	542,409	-	
Net loss	-	-	-	-	-	(261,394)	
Foreign exchange translation income	-	-	-	-	-	-	15
As at 31 December 2023 ***(audited)***	**-**	**-**	**20,231,250**	**20,231**	**25,317,043**	**(16,710,650)**	**36**
Non-controlling interest	-	-	-	-	-	-	
Stock-based compensation	-	-	-	-	131,158	-	
Net loss	-	-	-	-	-	(4,105,834)	
Foreign exchange translation income	-	-	-	-	-	-	4
As at 30 June 2024 ***(unaudited)***	**-**	**-**	**20,231,250**	**20,231**	**25,448,201**	**(20,816,484)**	**40**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

The unaudited Consolidated Statements of Cash Flows of the Group for the six-month period ended 30 June 2024 and 2023, alongside the audited Consolidated Statement of Cash Flows of the Group for the year ended 31 December 2023 are set out below:

	Unaudited	***Unaudited*** **Six**	***Audited*** **Year ended**

	Six months ended 30 June 2024	months ended 30 June 2023	31 December 2023
Cash flows from operating activities			
Net income	(4,105,818)	(1,286,210)	(1,547,622)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation and amortization	381,637	303,584	647,640
Non-cash stock compensation	131,158	-	542,409
Non-Cash commission shares	-	162,130	162,130
Non-cash impact of foreign exchange on intangibles	45,366	(205,106)	(242,518)
Changes in assets and liabilities			
Accounts receivable	192,324	830,933	(445,186)
Unbilled work-in-progress	2,411,853	(51,866)	(2,774,180)
Other current assets	17,708	(147,351)	(84,179)
Income tax receivable	4,494	-	(660,624)
Capitalization of commissions	(310,366)	(319,917)	(546,048)
Deferred tax asset	-	-	123,933
Right of use assets	32,966	42,033	(92,500)
Accounts payable and accrued expenses	(598,301)	(1,380,490)	(564,542)
Income Tax Payable	76,768	15,881	236,100
Other Liability	(32,966)	(51,308)	-
Deferred revenue	746,027	873,700	(302,686)
Net cash used in operating activities	**(1,007,150)**	**(1,213,987)**	**(5,547,873)**
Purchase of equipment	(8,676)	(2,242)	(64,328)
Payments for acquisition of subsidiaries	-	-	-
Net cash used in investing activities	**(8,676)**	**(2,242)**	**(64,328)**
Proceeds from the issuance of common shares	-	8,635,053	8,635,053
Proceeds from issuance of additional common shares	-	401,245	401,245
Proceeds from shareholder loan	-	564,009	564,009
Repayment of shareholder loans	-	(401,613)	(401,613)
Proceeds from/(repayment) of line of credit	-	(300,000)	(1,000,000)
Proceeds from/(repayment) of related party loan	-	25,000	(75,000)
Net cash from financing activities	**-**	**8,923,694**	**8,123,694**
Effect of exchange rates on cash	40,170	(656,486)	(501,406)
Net increase/(decrease) in cash	(975,656)	7,050,979	2,010,087
Cash, beginning of period	3,191,458	1,181,371	1,181,371
Cash, end of year	**2,215,802**	**8,232,350**	**3,191,458**

Supplemental disclosure of cash flow information

Cash paid for interest	37,738	50,379	72,155
Cash received from interest	13,883	342	22,622
Cash paid for income taxes	8,827	7,593	21,415
Conversion of preferred stock to common shares	-	7,552	7,552

shares			
Conversion of warrants to common shares	-	40	40
Commissions and fees paid through issuance of common shares	-	970,480	970,480

NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION

1. ORGANISATION AND NATURE OF BUSINESS

The interim financial information consolidates the financial information of the Company and:

- its wholly-owned subsidiaries:
  - Fadel Partners UK Limited ("Fadel UK"), and its wholly-owned subsidiary;
    - Image Data Systems (UK) Limited;
  - Fadel Partners France SAS ("Fadel France"); and
  - Fadel Partners Canada Inc. ("Fadel Canada") dissolved 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, Jordan 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").

These unaudited interim consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with the accounting policies set out in the Annual Report and Financial statements of the Company for the year ended 31 December 2023 using the recognition and measurement principles in conformity with generally accepted accounting principles in the United States of America ("US GAAP"). Such consolidated financial statements reflect all adjustments that are, in management's opinion, necessary to present fairly, in all material respects, the Company's financial position, results of operations and cash flows, and are presented in U.S. Dollars. All material intercompany transactions and balances have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principle of consolidation

The interim financial information has been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). They include the accounts of the Company, and interest owned in subsidiaries as follows: 99.99% of Fadel Lebanon and 100% of Fadel UK, Fadel France, Fadel Canada (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 interim financial information in conformity with US GAAP requires the Company to make estimates and assumptions that affect the reported amounts of the Group's assets and liabilities and disclosure of contingent assets and liabilities, as at the reporting dates, as well as the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Fair Value Measurements

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

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

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3: Inputs that are generally unobservable and typically management's estimate of assumptions that market participants would use in pricing the asset or liability.

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

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

The Group maintains its bank accounts with major financial institutions in the United States, Lebanon, the UK and France. As at 30 June 2024, 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 0.7 million out of a total of 2.2 million cash deposits. Cash amounts held in Lebanon are not insured and as such minimal deposits are held in Lebanese accounts, with payments transferred in country only on an as needed basis. The Company believes the risk is limited as the institutions are large national institutions with strong financial positions.

Accounts receivable, unbilled work-in-progress and allowance for doubtful accounts
Accounts receivable 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.

Revenue Recognition

The Group follows the guidance of ASC 606, "*Revenue from Contracts with Customers*," and ASC 340, "*Other Assets and Deferred Cost*," to account for revenue from 1 January 2019 onward.

Sources of Revenue
The Group's revenue is primarily derived from the following sources:
1. License Fees
2. Subscription Fees
3. Customer Support
4. Professional Services

Recognition Criteria
Revenue is recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. When a contract includes variable consideration, such as overage fees, contingent fees, or service level penalties, the Group estimates the amount to include in the transaction price only if it is probable that a significant reversal of cumulative revenue will not occur once the uncertainty associated with the variable consideration is resolved.

The Group applies the following five steps to determine the amount of revenue to recognize:
1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when or as the Group satisfies a performance obligation.

Performance Obligations and Timing of Revenue Recognition
ASC 606 requires the identification of distinct performance obligations within a contract. The Group customer agreements primarily fall into the three distinct contract structures:

1. SaaS Offerings (Brand Vision, Picture Desk, LicenSee)
2. IPM Suite: FADEL Hosted
3. IPM Suite: Client Hosted

Each of these contract structures includes various promised goods and services that have been assessed to determine if they are distinct or not:

Contract Structures	Promised Goods and Services	Distinct Performance Obligations	Revenue Recognition
1- SaaS Products	- SaaS Subscriptions	SaaS subscription, support, and software updates are highly interdependent and interrelated, forming a single performance obligation.	Over Time
	- Support		
	- Software Updates		
	- Services	Services can be provided independently of the SaaS product functionality, either by the customer or other third parties.	As Delivered
2- IPM Suite: FADEL Hosted	- Software License	The software license and hosting are highly interdependent and are treated as a single performance obligation.	Over Time
	- Hosting		
	- Support / ESS	Support and ESS provide additional, but not essential, benefits separate from the software license and hosting.	Over Time
	- Software Updates	Software updates are considered separate, allowing customers to decide on implementation independently.	Over Time
	- Services	Additional services are not essential to the core functionality of the software license and hosting.	As Delivered
3 - IPM Suite: Client Hosted	- Software License	The software license is distinct since it does not depend on other FADEL-managed services.	As Delivered
	- Support / ESS	These remain separate from the software license, enhancing customer experience but not critical for core software operation.	Over Time
	- Software Updates	Clients can choose whether to implement updates, keeping this service separate from the primary software license obligation.	Over Time
	- Services	Additional services are not essential to the core functionality of the software license and hosting.	As Delivered

The Group allocates the transaction price first by considering if standalone sales data is available for each identified performance obligation. Based on a review of historical subscription agreements, the combined Software License or SaaS Subscription is sold and renewed on a standalone basis. Consequently, the Group utilizes these observable inputs to develop the standalone selling prices of these services.

The Group typically invoices customers annually, with payment terms requiring settlement within 30 days of invoicing. Amounts invoiced are recorded as accounts receivable and as either unearned revenue or revenue, depending on whether control has transferred to the customer.

Costs of obtaining a revenue contract

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

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

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

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

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

Intangible assets - goodwill

Intangible assets - goodwill

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

Intangible assets other than goodwill

The Group has three categories of intangible assets:

Brand assets

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

Customer relationships

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

Software and technology assets

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

Billed accounts receivable and concentrations of credit risk

As at 30 June 2024, there were three significant customers (defined as contributing at least 10%) that accounted for 64% of accounts receivable.

As at 30 June 2023, there were three significant customers (defined as contributing at least 10%) that accounted for 69% of accounts receivable

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

Accounts payable and concentrations of credit risk

As at 30 June 2024, there was one significant vendor (defined as contributing at least 10%) that accounted for 25% of accounts payable.

As at 30 June 2023, there was one significant vendor (defined as contributing at least 10%) that accounted for 40% of accounts payable.

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

Unbilled work-in-progress and concentrations of credit risk

As at 30 June 2024, there were three significant customers (defined as contributing at least 10%) that accounted for 79% of unbilled work-in-progress.

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

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

Revenue concentrations

In the six-month period ended 30 June 2024, the five largest customers accounted for 2,457,249 of revenue, some 47% of revenue from continuing operations.

In the six-month period ended 30 June 2023, the five largest customers accounted for 2,913,462 of revenue, some 54% of revenue from continuing operations.

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

revenue from continuing operations.

Top 5 Customers' Revenue Concentration

		Unaudited		*Unaudited*		*Audited*
		For 6 months ending June 2024 % of Total		**For 6 months ending June 2023 % of Total**		**Year ended 31 December 2023 % of Total**
'000	**Revenue**	**Revenue**	**Revenue**	**Revenue**	**Revenue**	**Revenue**
License/subscription	1,056	20%	1,591	30%	5,944	41%
Support	304	6%	655	12%	720	5%
Services	1,098	21%	667	12%	2,106	15%
Total	**2,457**	**47%**	**2,913**	**54%**	**8,770**	**61%**

Advertising and promotion costs

Advertising and promotion costs are expensed as incurred. These costs totalled approximately 502,858 for the six-month period ended 30 June 2024 (30 June 2023: 297,362) and 781,410 for the year ended 31 December 2023.

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 CEO, who has been identified as the chief operating decision maker.

Income taxes

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

Stock-based compensation

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

Leases

In February 2016, Financial Accounting Standards Board ("FASB") issued guidance Accounting Standards Codification ("ASC") 842, Leases, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the 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 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, in 2023, our company transitioned Fadel Lebanon to a USD functional currency entity due to the hyperinflationary conditions prevalent in the Lebanese currency. As a result, the financial statements for the six-month period ended 30 June 2024 reflect the Lebanon subsidiary's operations and financial position in USD.

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 local currencies. As a result, amounts related to assets and liabilities reported on the Consolidated Statement 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.

3. SEGMENTAL REPORTING

The Group reports its business activities in two areas:

- subscription and support revenue; and
- professional services,

which are reported in a manner consistent with the internal reporting to the 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"* and *"professional services"* and by key product further split between "*license subscriptions and support*" and "*professional services*" and by key product families (IPM Suite and Brand Vision) and hence to aid the readers understanding of our results, the split of revenue from these categories is shown below:

	Unaudited As at 30 June 2024	Unaudited As at 30 June 2023	Audited As at 31 December 2023
Revenue			
License/subscription			
IPM Suite	1,730,580	2,481,046	7,407,547
Brand Vision	1,195,210	1,006,783	2,312,778
Total license/subscription	**2,925,790**	**3,487,829**	**9,720,325**
Support			
IPM Suite	477,733	848,655	1,674,970
Total support	**477,733**	**848,655**	**1,674,970**
License/subscription and support	3,403,523	4,336,484	11,395,295
Professional services	1,853,263	1,036,659	3,091,494
Total revenue	**5,256,786**	**5,373,143**	**14,486,789**
Cost of sales			
License/subscription and support	1,760,867	1,520,658	3,010,432
Professional services	721,910	1,173,682	2,456,546
Total cost of sales	**2,482,777**	**2,694,340**	**5,466,978**
Gross profit margins			
License/subscription and support	48%	65%	74%
Professional services	61%	-13%	21%
Total gross profit margin	**53%**	**50%**	**62%**

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	Unaudited **As at 30 June 2024**	***Unaudited*** **As at 30 June 2023**	***Audited*** **As at 31 December 2023**
Accounts receivable	2,138,275	1,054,481	2,330,600
Allowance for doubtful accounts	(22,019)	(22,019)	(22,020)
Accounts receivable, net	**2,116,256**	**1,032,462**	**2,308,580**

5. 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 the Group having losses in all years presented, the fully diluted loss per share for disclosure purposes, as shown in the Consolidated Statements of Comprehensive Income, is the same as for the basic loss per share due to the anti-dilutive nature of the calculations.

	Unaudited **Six months ended 30 June 2024**	***Unaudited*** **Six months ended 30 June 2023**	***Audited*** **Year ended 31 December 2023**
Total comprehensive income attributable to the owners of the company	(4,065,648)	(1,942,696)	(2,049,028)
Weighted average number of shares	20,231,250	13,245,516	16,772,311
Basic earnings per share ( )	**(0.20)**	**(0.15)**	**(0.12)**

6. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	Unaudited **As at 30 June 2024**	***Unaudited*** **As at 30 June 2023**	***Audited*** **As at 31 December 2023**

Furniture and equipment	274,750	204,267	266,353
Accumulated depreciation	(140,919)	(120,905)	(130,141)
Furniture and equipment, net	**133,831**	**83,362**	**136,212**

The total depreciation charge for the six-month period ended 30 June 2024 was 9,894, compared to 7,050 in the six-month period ended 30 June 2023 and 16,286 for the year ended 31 December 2023.

7. 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 1,698,517 as at 30 June 2024, 1,259,120 as at 30 June 2023 and 1,093,968 as at 31 December 2023. 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:

	Unaudited **As at 30 June 2024**	***Unaudited*** **As at 30 June 2023**	***Audited*** **As at 31 December 2023**
Opening balance	**763,323**	**584,510**	**584,510**
Commissions capitalized during the period	310,366	319,917	546,048
Amortization charge for the period	(237,314)	(165,152)	(367,235)
Accumulated contract costs	**836,375**	**739,275**	**763,323**

8. COMMON AND PREFFERED SHARES

The Company has authority to issue 150,000,000 shares at 0.001 par value per Share. As at 30 June 2023, 31 December 2023 and 30 June 2024, 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 and 30 June 2024, 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.

9. RELATED PARTIES

Notes Payable

In January 2023, the Group entered into a demand note agreements totalling up to 50,000, 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, was repaid in full in the year ended 31 December 2023.

On 2 April 2023, Tarek Fadel and the Company entered into a loan agreement whereby Mr. Fadel agreed to advance a loan (the "Fadel Loan") of £451,346 to the Company equivalent to 564,009. The Fadel Loan is unsecured and bears no interest or fees. The Company made a loan repayment of 401,613 on 28 April 2023 after the issuance of 223,289 new depositary interests ("New Shares") over common shares at a price of £1.44 per share (the "Placing"). The remaining balance on the Fadel Loan is repayable only as and when, following Admission (and excluding the issue of the New Shares in the Placing), the Company issues new shares at or above the placing price. The loan balance was 162,396 as at 30 June 2024 and 31 December 2023 placing price. The loan balance was 162,396 as at 30 June 2024 and 31 December 2023.

10. LINE OF CREDIT

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 and again extended until 31 May 2025 on 12 April 2024. As at 30 June 2023, the balance owed was 700,000 which was subsequently repaid in September 2023. The balance owed to Bank of America, N.A under the terms of the line of credit was zero at 30 June 2024 and 31 December 2023.

11. 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 928,860 and 961,267 shares were granted and remain outstanding as at 30 June 2024 and 31 December 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, 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 30 June 2024 and 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 30 June 2024, 1,493,922 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 six-month ended 30 June 2024	For the year ended 31 December 2023
Estimated dividend yield	0%	0%
Expected stock price volatility	27%	41%
Risk-free interest rate	4.0% to 4.6%	3.4% to 4.5%
Expected life of option (in years)	7	7
Weighted-average fair value per share	0.64	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 period as of 30 June 2024 is as follows:

	2014 plan		Non-plan		2023 plan		T
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)**
As at 31 December 2023	**961,267**	**1.21**	**576,924**	**1.78**	**1,186,032**	**1.81**	**2,724,223**
Granted	-	0	-	0	307,890	1.82	307,890
Exercised	-	0	-	0	-	0	-
Forfeited or expired	(32,407)	1.30	-	0	-	0	(32,407)
As at 30 June 2024	**928,860**	**1.21**	**576,924**	**1.78**	**1,493,922**	**1.81**	**2,999,706**
Exercisable as at 31 December 2023	961,267	1.21	576,924	1.78	151,635	1.79	1,689,826
Exercisable as at 30 June 2024	**928,860**	**1.21**	**576,924**	**1.78**	**330,851**	**1.81**	**1,836,635**

Stock option expense for the period 30 June 2024 was 131,159 and for year ended 31 December 2023 was 542,409. Unrecognized compensation expense related to share options which will be recognized through the second half of 2024 was 114,612 as at 30 June 2024, compared to 229,224 as at 31 December 2023.

The stock compensation expenses for 2023 were recorded on an annual basis as of 31 December 2023. For the first half of 2024, we began recognizing these expenses on a quarterly basis.

12. 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 65,033 for the six-month period ended 30 June 2024, 49,035 for the six-month period ended 30 June 2023 and 90,299 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, the end of services liability amounted to 467,225 and remains unchanged at 30 June 2024, as no alterations have been observed up to the date of the document. It will be reviewed and validated at the end of 2024.

13. LEASES

A lease is defined as a contract that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Company accounts for its leases in accordance with the guidance in Accounting Standards Codification ("ASC") 842 ("ASC 842"). Substantially all of the leases in which the Company is the lessee are comprised of real estate property for remote office spaces and corporate office space. Substantially all of the leases are classified as operating leases.

As of 30 June 2024, 30 June 2023, and for the year ended 31 December 2023, the Company had approximately 169,262, 67,696 and 202,228, respectively, of operating lease ROU assets and 169,262, 67,696 and 202,228, respectively of operating lease liabilities on the Group's Consolidated Statements of Financial Position. The Company has elected not to recognize right-of-use ("ROU") assets and lease liabilities arising from short-term leases, leases with initial terms of twelve months or less, or equipment leases (deemed immaterial) on the Group's Consolidated Statements of Financial Position.

As of 30 June 2024, these leases do not contain material residual value guarantees or impose restrictions or covenants related to dividends or the Company's ability to incur additional financial obligations. 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 following table presents lease costs, future minimum lease payments and other lease information as of 30 June 2024:

	Operating
6 Months ended 31 December 2024	40,685
Year ending 31 December 2025	74,251
Year ending 31 December 2026	60,525
Total Operating Lease Liabilities	**175,461**
Less amounts representing interest	18,059
Present Value of Future Minimum Lease Payments	**157,402**

Lease Cost:

	***Unaudited* As at 30 June 2024**	***Unaudited* As at 30 June 2023**	***Audited* As at 31 December 2023**
Operating lease - operating cash flows (fixed payments)	71,266	69,245	145,228
Weighted average remaining lease term - operating	1.4 years	0.6 year	1.5 years
Weighted average discount rate - operating	10%	10%	10%

14. 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.

15. SUBSEQUENT EVENTS

Management has evaluated the subsequent events for disclosure in these consolidated financial statements through 25 September 2024, the date these consolidated financial statements were available for issuance, and determined that no events have occurred that would require adjustment to or disclosure in these consolidated financial statements.

END

IR VZLFLZKLLBBF