



ANNUAL REPORT

For the year ended 31 December 2022

2022

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Cornerstone is...

A foreign exchange and payments company offering multi-currency accounts to businesses and individuals

With a strategy to grow via...

1.

Development of enhanced products and services

- continued product innovation to offer customers more functionality
- expanding our network of product partners to be able to service more countries and more currencies

2.

Expanding our target customer base

- building differentiated processes and procedures to allow us to cater to additional sectors and jurisdictions

3.

Actively building our sales capabilities

- expanding our sales team, including through the acquisition of teams
- developing our referral partner programme
- creating additional revenue streams from the differentiated processes, procedures and products we create

4.

Investing in our people

- continued professional development of all staff members
- providing opportunities for employee feedback and actioning our finding
- threading EDI principles, policies and training throughout our company

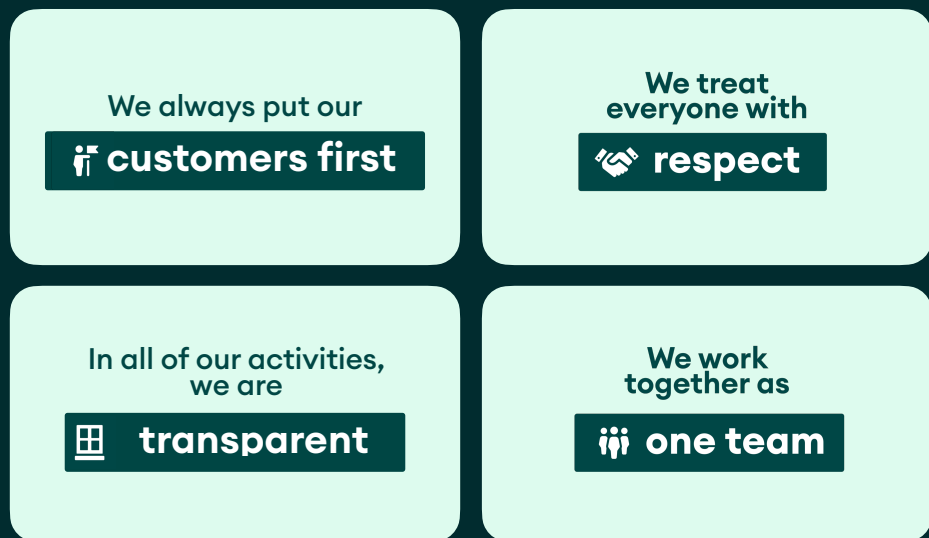
5.

And differentiating ourselves by...

- enabling customers to interact with us however suits them – whether online, over the phone or in person
- and always providing impeccable customer service

Our values are

We will achieve success by adhering to our core values



Our mission is

to build a global payments capability with a best-in-class multi-currency account, which will...



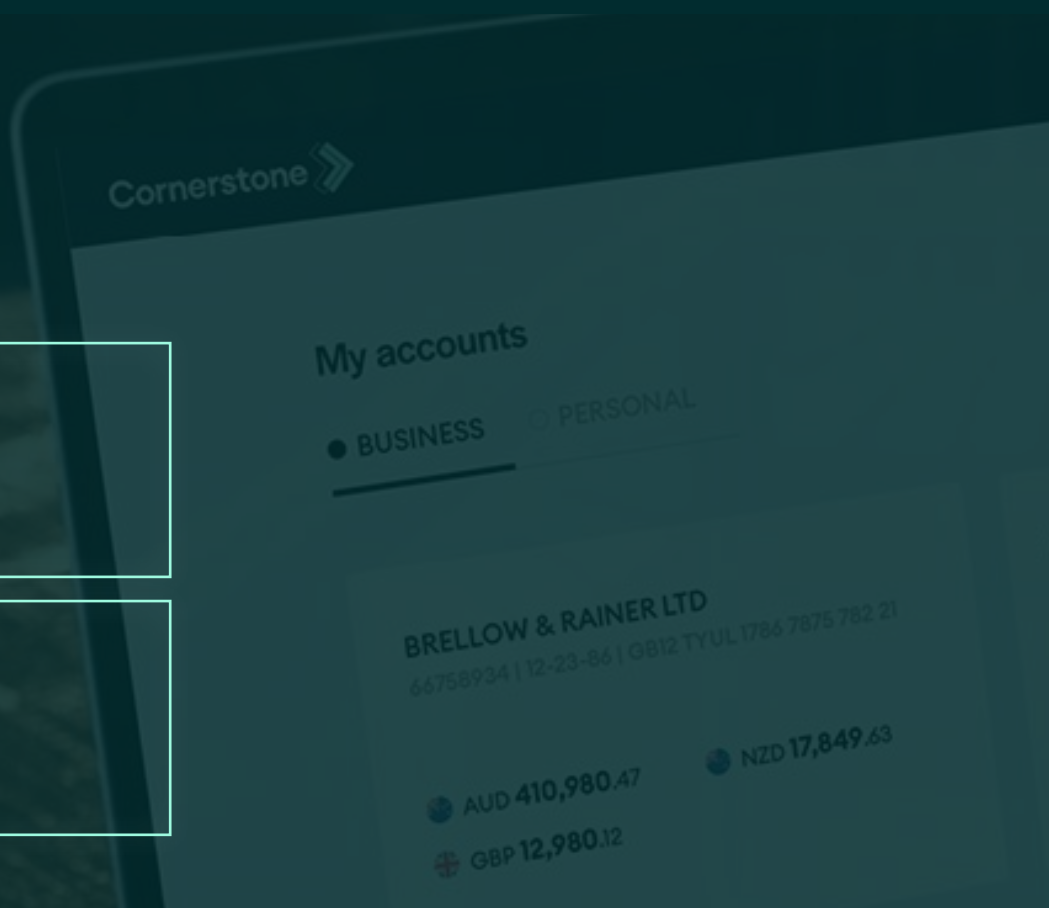
allow us to realise our **vision** of being the go-to digital account for businesses trading internationally and...



fulfil our **purpose** of making international payments and foreign currency management available to more types of business and enabling them to pay in or pay out, in any currency, via any payment method anywhere in the world.

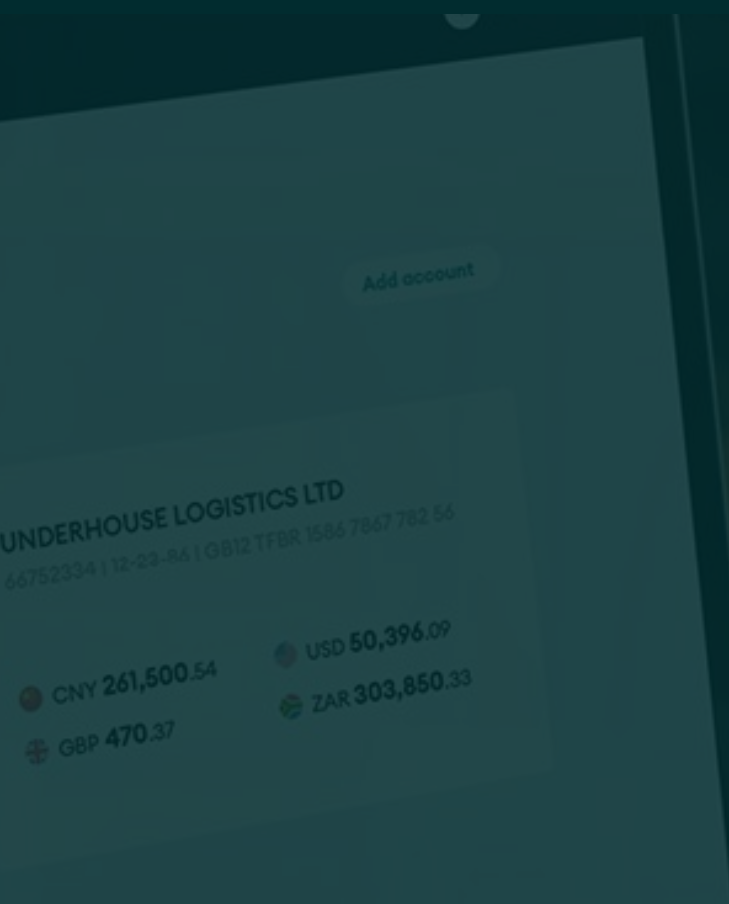
Revenue
£4.8m
(2021: £2.3m)

Gross Margin
60.9%
(2021: 51.6%)



Performance Highlights

- Transacted payments totalling £584m (2021: £363m), up 61%
- Number of active customers increased by 38% to 803 (2021: 583)
- Acquired Capital Currencies, a well-established foreign exchange broker, and Pangea FX, a specialist FX and treasury consultancy
- Expanded our partnerships to increase the number of currencies, countries and sectors that we service, and, post period, introduce new products
- Entered an agreement to sell Avila House Ltd, a non-core subsidiary, for £300k and licence our platform to the buyer, which completed post period



Number of Customers

803

(2021: 583)

Transacted payments totalling

£584m

(2021: £363m)

2022 Financial Summary

- Revenue increased 110% to £4.8m (2021: £2.3m)
- Gross margin improved to 60.9% (2021: 51.6%)
- Adjusted* EBITDA loss reduced to £0.9m (2021: £1.3m loss)
- Loss before tax of £5.8m (2021: £4.2m loss)
- Loss per share of 17.26p (2021: 21.24p loss)
- Cash and cash equivalents at 31 December 2022 were £682k (31 December 2021: £348k)

* Excluding share-based compensation, transaction costs and depreciation & amortisation charges (see the Chief Financial Officer's Review for further detail)

GARETH EDWARDS

Chairman



Chairman's Statement

2022 was the year the COVID restrictions ended and life slowly began to return to normal. Against that backdrop, Cornerstone continued to deliver on its strategy, improved operationally and achieved a strong financial performance. We completed our transition from a business with a strong technology platform with a small but growing number of customers to a business that services customers directly with its own highly effective sales force. This growth was accelerated by two acquisitions during the year. We expanded our offering, enhanced our platform and strengthened our team. We achieved substantial growth, with revenues more than doubling year-on-year, improved our gross margin and reduced our underlying loss.

This performance was built on the foundations that we established over the last couple of years under the leadership of Julian Wheatland, and which have been strengthened following the arrival of James Hickman as our new CEO in September. This has brought a refocusing of our strategy with our priority being to drive revenue growth through enhancing our products and services and expanding our customer base while maintaining control over costs.

As James discusses in the Chief Executive Officer's Review, this has already resulted in a number of successes, which contributed to our performance in 2022 and enabled an exceptionally strong start to 2023. However, these excellent trading results were only achieved as a result of changes at an operational level within the business.

We have formed and grown a strong integrated team, marrying together the different disciplines that drive the growth of the business. On behalf of the Board, I would like to thank them for their hard work and contribution to our growth. I am excited for what they will deliver in 2023. We have taken steps to improve engagement with, and the wellbeing of, our people. At the same time, we have also implemented changes to enhance our approach to ESG more broadly, which is reflected in our introduction of a dedicated ESG section in our annual report this year. Together, this positions Cornerstone for sustainable growth.

I also extend my thanks to my fellow Directors who stepped down during the year. Their expertise was invaluable as we commenced our life as a public company, and we wish them all the best for their future endeavours. In particular, I am deeply grateful to Elliott Mannis, my predecessor as Chairman, for his stewardship and who was instrumental in Cornerstone's growth and development.

As we look ahead in 2023, we are on track for another year of strong financial performance as well as reaching further milestones as we work towards building a global payments capability with a best-in-class multi-currency account. On behalf of the Board, I would like to thank our shareholders for their support to date and we look forward to updating them on our progress this year and beyond.

JAMES HICKMAN

Chief Executive Officer



Chief Executive Officer's Review

The year to 31 December 2022 was a period of significant change, which has continued into 2023, during which we implemented fundamental improvements to our business. Cornerstone delivered a strong performance in 2022 and took actions to position us for an even greater 2023.

Two key milestones during the year were the acquisitions of Capital Currencies, a well-established foreign exchange broker, and Pangea FX, a specialist FX and treasury consultancy. Both businesses have made an excellent contribution to Cornerstone. In particular, Capital Currencies boosted our direct client base while Pangea FX brought two senior sales executives who were made responsible for leading our sales function.

Since joining Cornerstone as CEO in September 2022, my focus has been on driving direct sales and fully commercialising our platform, while maintaining control over costs. A key element of this was growing our sales team, which started in September, beginning with the appointments from Pangea FX, and has been strengthened thereafter and post year end. We have expanded – and continue to expand – our network of referral partners, which consists of corporates that provide services to other businesses or high net worth individuals (“HNWIs”), such as accountants or real estate agents, and who recommend Cornerstone to their clients for currency transactions and payments.

We have taken multiple actions to commercialise our platform more fully by enhancing and expanding our offering – a key element of which is

increasing the number of counterparties that we are connected to. This also reflects the refocusing of our strategy on developing our own products and services as opposed to seeking integrations with enterprise resource planning or accounting systems. As described further below, we have:

- Increased the number of currencies, countries and sectors that we service
- Introduced new products
- Upgraded the platform user interface and features
- Improved the transactional process
- Enhanced customer service

To further monetise our platform as well as realise the value of a non-core asset, in December 2022 we entered a share purchase agreement (“SPA”) for the sale of our subsidiary Avila House Ltd. (“Avila”) to Aspire Commerce Ltd. (“Aspire”) as well as entering a software licensing agreement for Aspire to licence our platform. Upon completion of the SPA post year end, we received £300k in cash and the licensing agreement, which is for a period of 12 months, will generate a minimum of £290k. Cornerstone acquired Avila in 2020 as it is registered with the Financial Conduct Authority (“FCA”) as a small electronic money institution, however, this more limited licence was supplanted with our primary operating subsidiary, Cornerstone Payment Solutions, subsequently being approved by the FCA as an authorised electronic money institution. This transaction with Aspire reflects the value of an e-money registration as well as our platform.

To accelerate our transition to direct revenue, we also took the strategic decision to offboard almost all our historic white label business – only maintaining a small number of accounts that meet a particular profitability threshold. This commenced towards the end of the year, but primarily took place, and has been completed, in the current year.

Performance

For the year under review, Cornerstone delivered another twelve months of significant growth in revenue to £4.8m (2021: £2.3m). This reflects a substantial increase in revenue generated by clients that we serve directly. The proportion of total revenue that was accounted for by direct clients increased to 78%, compared with 56% for the previous year, being £3.8m (2021: £1.3m). Revenue generated through our introducer network accounted for 22% of total revenue (2021: 44%) and was £1.1m (2021: £1.0m).

By client type, there was an increase in revenue generated by both corporate accounts and HNWLs. This includes particularly strong growth in revenue from HNWLs, which was primarily due to the addition of the Asia team. As a result, the proportion of total revenue accounted for by HNWLs increased to 53% (2021: 25%) with corporate accounts contributing 47% (2021: 75%). However, for the majority of the HNWL revenue (and nearly exclusively for the Asia team's HNWL revenue), whilst the underlying transaction is with an individual, the relationship is via a corporate that provides services to the HNWL – and, as a result, it is a recurring revenue stream for us. As noted above, we have been successfully expanding this referral network.

Revenue continued to be generated from the provision of foreign exchange and payments services in the form of spot and forward transactions, accounting for 92% and 8% of revenue respectively (2021: 89% and 11%).

During 2022, transactions were conducted between 58 different currency pairs (2021: 42), with 86% of transactions being between various combinations of Sterling, Euros and US Dollars

(2021: 91%), reflecting an expansion of our payment capabilities.

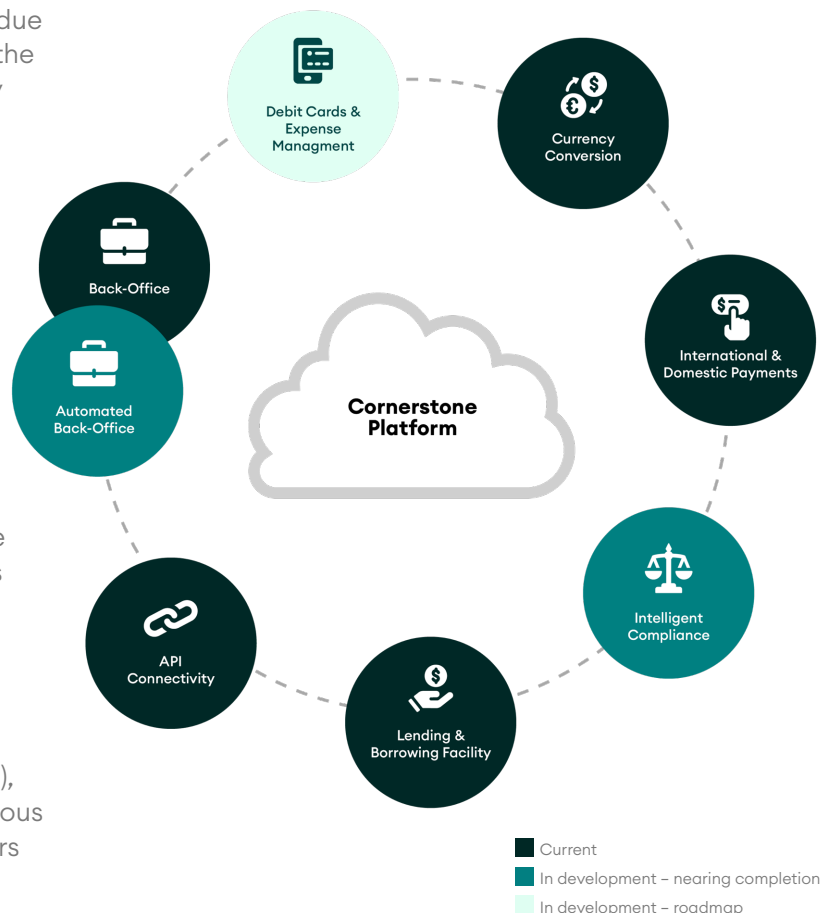
During 2022, we transacted payments totalling £584m compared with £363m in the previous year.

Enhancing our offer

A key focus has, and continues to be, the enhancement of our offer, primarily through growing our counterparty network to expand our product capabilities. At the same time, we have undertaken internal development to improve our platform as well as our service provision.

Expanding our product

A core element of our strategy is to establish a global payments network that will enable Cornerstone customers to be able to pay in from, and pay out to, any jurisdiction and via any payment method. While it is still relatively early days, we have taken important steps in implementing this strategy.



We have established new counterparty partnerships, which enables us to broaden the number of currencies and countries where we can transact as well as expanding the business sectors that we can serve. We can now pay out to 70+ countries with 49 pay-out currencies and 32 pay-in currencies.

We have also made significant progress towards expanding our product offering with regards to payment method. We expect to be able to launch our first initiative later this year, which will be a very exciting development for Cornerstone.

To be able to support our customers with more of their business needs, we have formed strategic partnerships with specialised and alternative lenders to offer a range of funding solutions. In particular, we recently launched a lending platform in partnership with Swoop Finance (“Swoop”), which enables us to seamlessly refer our customers to a lending partner that we have pre-vetted to ensure that they can meet the customers’ requirements. This service increases our value to our customers while we also receive commission on referrals. It also enhances our competitive offer to potential customers who want to utilise Cornerstone’s FX services (rather than those of their traditional bank), but who are hesitant to move away from their traditional bank as they require their lending facilities.

Enhancing our platform

During the year, we continued our internal development work to improve our platform with a focus on user interface and user experience. We have also added certain features in response to customer feedback to ensure that our platform is tailored to their needs. These improvements and the additional functionality, alongside new counterparty partnerships as noted above, have also enabled us to broaden the target customer base, such as now being able to cater for businesses in further sectors.

Improving our service

We are committed to continuously improving the service that we give to our customers. This includes developments to enhance the automation in our transactional processes to increase the speed of payments. We have

introduced new customer service systems to better track, and thereby improve, our response times to customer queries. We are also working on enhancements to our onboarding process to make the transition to our platform as effortless as possible for new customers.

Actions such as these, which stem from one of our core values of always putting our customers first, mean that we are well prepared for the introduction of the FCA’s Consumer Duty regulation later this year, which sets higher and clearer standards for consumer protection across financial services. This also goes together with our steadfast commitment to regulatory compliance and transparency. We have always adhered to the highest standards in this respect and our governance has been strengthened with the new additions to our Board, in particular with John Burns bringing substantial experience in regulation and compliance in the payments industry.

Outlook

The strong trading momentum that we experienced in 2022 has been sustained into the current year and, as previously announced, increased during Q1 2023 resulting in a better-than-expected revenue performance for the first quarter. This also included Cornerstone achieving its first, unaudited, quarter of being EBITDA positive (on an adjusted basis).

While trading in Q2 2023 has reverted from exceptionally high to the originally budgeted levels of growth, we remain on track for a significant increase in revenue for full year 2023 over 2022 and are optimistic in terms of adjusted EBITDA positivity. This reflects the advancement being made across our business and as we realise the benefits of the enhancements that we

made to our operations and our offer towards the end of 2022 and to date in 2023.

We are also pleased to have completed the sale of Avila, which, along with the licensing agreement with Aspire, will support our cash position. In addition, post year end we varied certain incentivisation and settlement arrangements with Robert O'Brien, General Manager APAC and Middle East, and Craig Strong, Director of Capital Currencies (see note 20), which has also been immediately beneficial to the business.

As a result, and as we continue to broaden our partnership network and our offer, we remain confident in the future and look forward to reporting on our progress.



JUDY HAPPE

Chief Financial Officer



Chief Financial Officer's Review

Revenue for the 12 months to 31 December 2022 increased by 110% to £4.8m compared with £2.3m for the previous year. This reflects strong underlying growth, driven by the revenue generated by clients that we serve directly, as well as the contribution from Capital Currencies and Pangea FX, which were acquired during the year.

As a result of the increased contribution to revenue from clients that we serve directly, gross margin improved substantially to 60.9% in 2022 (2021: 51.6%). The improvement in gross margin combined with the increased revenue enabled the Group to achieve significant growth in gross profit to £2.9m (2021: £1.2m).

Operating expenses were £8.6m in 2022 compared with £5.4m for the previous year. This primarily reflects movements of:

- £1.9m increase in share-based (non-cash) compensation to £4.3m (2021: £2.3m), which predominantly relates to share-based incentivisation for the Asia team and the General Manager APAC and Middle East;
- £1.6m increase in other administrative expenses to £4.2m (2021: £2.6m); and partly offset by
- £0.3m decline in transaction costs related to the Company's IPO and its acquisition strategy.

In the second half of the year, the Company reached an agreement with Robert O'Brien, the General Manager APAC and Middle East, and the Asia team to vary the terms of their incentivisation agreement, as a result of performance being ahead of expectations. As a result of the agreed settlement, the Group recognised an accelerated charge for the year ended 31 December 2022 such that the full value of the total charge estimated upon initial recognition of £6.1m has been cumulatively expensed (£4.3m for the year ended 31 December 2022 and £1.8m for the year ended 31 December 2021). Accordingly, there is no further share-based compensation to be recognised in future periods in respect of Mr. O'Brien and the Asia team.

The £1.6m increase in other administrative expenses included a £862k increase in staff-related costs (excluding share-based compensation) primarily reflecting the additional hires made from mid-2021 onwards, including the headcount acquired with Capital Currencies and Pangea FX in 2022. Depreciation and amortisation costs increased by £249k, including £90k related to the amortisation of the value attributed to the customer base acquired through the acquisitions of Capital Currencies and Pangea FX. Rental and IT costs increased by £230k largely owing to rent discounts realised during the COVID-19 restrictions in 2021 and the increased office space in 2022 to cater to the

expanded workforce. Legal and professional fees increased by £142k due to the Company becoming public part way through the comparative period (6 April 2021).

Net finance expenses were £133k (2021: net finance income of £1,262). This primarily reflects acquisition-related adjustments as well as loan note interest, partially offset by an increase in other interest.

Loss before tax was £5.8m for 2022 (2021: £4.2m loss), which primarily reflects the greater operating expenses. Loss per ordinary share on a basic and diluted basis was 17.26 pence (2021: 21.24 pence loss), which reflects an increase in the weighted average number of ordinary shares in issue to 32,506,335 (2021: 19,317,407).

Excluding share-based compensation, transaction costs and depreciation & amortisation charges, the Group's adjusted operating expenses (consisting of administrative expenses) as a proportion of revenue improved to 79% (2021: 107%). As a result, the Group's adjusted EBITDA loss was reduced to £0.9m (2021: £1.3m).

As at 31 December 2022, the Group had cash and cash equivalents of £682k (31 December 2021: £348k). This followed the raising, during the year, of:

- gross proceeds of £870k via the placing of, and subscription for, new ordinary shares, which was partly used to fund the initial £586k cash consideration for the acquisition of Capital Currencies; and
- a total of approximately £1.1m through the placing of new ordinary shares (£860k) and the issue of a convertible loan note (£225k).

The loan note was issued to one investor who also took shares up to the maximum amount allowed before obtaining FCA approval (9.9% of the Company's issued share capital). Application for FCA approval was made during the year and the loan note was converted automatically into shares on approval being received in February 2023.

Key Performance Indicators

The Group measures its performance using the following key indicators:

Revenue

- *Why it is a KPI:* This is the main source of income to the business and drives our business model.
- *Performance 2022:* £4.8m (2021: £2.3m)

Gross Margin

- *Why it is a KPI:* An indicator of the quality of our earnings and the amount of profit that could be available.
- *Performance 2022:* 60.9% (2021: 51.6%)

Active Customers*

- *Why it is a KPI:* It represents the size of our customer base – the expansion of which is core to our current strategy – and drives revenue growth.
- *Performance 2022:* 803 (2021: 583)

* The number of customers that traded with Cornerstone during the year to 31 December

Adjusted Operating Expenses**

- *Why it is a KPI:* Effective control of opex is key to the Group's strategy and an indicator of sound management.
- *Performance 2022:* £3.8m (2021: £2.5m)

**Administrative expenses excluding share-based compensation, transaction costs and depreciation & amortisation charges

The Group reviews its KPIs on an ongoing basis to ensure they remain relevant, which has resulted in an alteration in the selected metrics compared with the previous year to better reflect the current business.

Principal Risks and Uncertainties

The Directors consider the principal risks and uncertainties facing the Group, and the key measures taken to mitigate those risks, are as follows:

	Risk	How the risk is managed	Risk change
Regulation	<p>The Group's subsidiary, Cornerstone Payment Solutions Limited, is authorised and regulated by the FCA as an Authorised E-money Institution. In addition, Capital Currencies is authorised and regulated by the FCA as an Authorised Payment Institution. It is also supervised by HMRC with respect to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.</p> <p>The withdrawal of, or any amendment to, a regulatory approval required by the subsidiaries or any of their Directors or employees could result in an adverse change to, or the cessation of, the Group's business or a material part thereof.</p> <p>The FCA has recently shown increased activity declaring that they are paying closer attention to firms' compliance with specific areas of regulation such as consumer duty, wind down planning, operational resilience and more.</p>	<p>The Group employs an experienced Compliance and Money Laundering Reporting Officer who is responsible for monitoring the Group's activities, managing the Group's regulatory and reporting obligations and ensuring that all FCA requirements are adhered to. During the year, the Group strengthened its Board with the appointment of John Burns, a Non-executive Director with significant experience regarding regulation in the payments industry.</p> <p>The Group retains the services of Compliancy Services, a specialist regulatory and compliance advisory service, to support the Compliance and Money Laundering Officer.</p> <p>The Group monitors all FCA communication and has multiple working groups, consisting of employees from across the business, established to ensure compliance with all regulatory requirements.</p>	—
Macro-economic	<p>International trade is a key driver of demand for foreign exchange services. A slowdown in international trade caused by global macro-economic factors – such as economic and political conditions (such as the conflict in the Ukraine and interest rate volatility), and natural disasters and epidemics / pandemics – could adversely impact the Group's business transaction turnover.</p>	<p>The Group's experienced management team seeks to adapt to adverse conditions. The cost base is closely monitored and cost saving measures would be implemented to maintain solvency if required. The Group is also focusing on growing its sales teams with expertise across multiple geographic locations to reduce dependencies on specific regions.</p> <p>With regards to the current conflict in the Ukraine, the Group does not have any business in the Ukraine or Russia and does not have any exposure to the Rouble. Therefore management does not consider the Group to be adversely impacted by the sanctions.</p>	↑
Liquidity	<p>There is a risk that the Group will not have sufficient capital to meet the regulatory capital requirement for an authorised financial services business and that it is unable to meet its financial obligations when due.</p>	<p>The Group has an experienced finance team that provides effective management of the Group's operational financial exposures, with a strong focus on cash control. This includes ensuring sufficient ring fencing of capital to meet its regulatory obligations. The Group is also focused on reaching cash breakeven by the end of the current year, with a series of measures having been implemented to achieve this.</p>	↓

Credit	The Group is exposed to credit risk if a client fails to deliver currency at maturity of the contract or fails to deposit margin when a margin call is made.	The Group operates a matched-principal brokerage model, meaning it executes a matching trade with its liquidity providers on receipt of a client order. The Group does not enter into speculative trades or trades funded from its own balance sheet and does not fund client margin calls from its own funds. In addition, the Group has an experienced finance team that provides effective management of the Group's operational financial exposures, with a strong focus on cash control.	—
Counterparty	There is a risk that the Group's liquidity services provider could terminate its agreement with the Group or that its systems may fail or are not operational for a period of time, which could have a materially adverse impact on the Group's business and operations.	The Group has a very good working relationship with Velocity Trade International Ltd, its liquidity services provider, and has been trading on agreed terms for over ten years. The Group has also appointed Banking Circle and Sudden as further liquidity providers to which the Group could transfer its business should Velocity choose to terminate the agreement or should its systems fail.	↓
Competition	There is a risk that competitors with greater financial resources may develop software that is superior to the Group's technology, and they may also adopt more aggressive pricing models or undertake more extensive advertising and marketing campaigns. Such competitors may also attract the Group's key employees or prospective employees, which could impact the level of service that the Group can give to its customers or the ability to expand its service offering.	<p>Significant barriers to entry exist in the markets in which the Group operates, such as the requirement for regulatory authorisation and the technical skill, expertise and experience required to develop a proprietary technology platform.</p> <p>The Group's management has extensive experience in the foreign exchange payments market, including of designing, building and running IT systems and departments in the financial services sector. The Group also intends to leverage its ability to handle difficult payment flows by targeting certain underserved markets/ industries where there will be fewer competitors.</p> <p>The Board has established an employee share incentive scheme and the majority of its senior management are significant shareholders or option holders, aligning their interests with those of the Group. The Group has also implemented measures to enhance employee engagement.</p>	—
Information technology	There is a risk that the Group's technology platform may be compromised or breached by cyber-attacks and that it is unable to prevent or detect unauthorised access to, or disclosure of, clients' confidential personal and financial information. Such an event could result in breaches of obligations under applicable laws or clients' agreements and have an adverse impact on the Group's reputation and financial performance.	<p>The Group's platform is entirely deployed on Amazon Web Services, which is trusted by numerous major organisations that require robust, scalable, secure and cost-effective services. AWS has a number of internationally recognised certifications and accreditations demonstrating compliance with third-party assurance frameworks.</p> <p>Additionally, the Group uses two factor authentication utilising OAuth2 protocol for client login and periodically commissions penetration testing of its systems.</p>	—
Partners	A key element of Cornerstone's strategy is to expand its partner network to increase its offering to customers. There is a risk that the Group will be unsuccessful in establishing further partnerships, which would prevent it from delivering on its strategy to accelerate growth.	The Group's management and Board comprise individuals with substantial networks and experience within the payments industry, including previous experience of successfully establishing and maintaining partnerships or integrations in the market.	↓

Board of Directors

Gareth Maitland Edwards, Non-Executive Chairman

Committee Membership: Audit Committee, Remuneration Committee

Gareth is a qualified solicitor and was previously a partner at law firm Pinsent Masons LLP, where he held both the positions of Global Head of Corporate and International Development Partner. He is currently a strategic consultant and an Executive Director of London Bridge Capital Limited, an FCA authorised corporate finance boutique. He has significant public markets experience and is Chairman of Nightcap plc and a non-executive director on the Board of Various Eateries plc, all of which are quoted on the London Stock Exchange.

James Hickman, Chief Executive Officer

James has served as Chief Executive since September 2022. James has over 25 years' experience in the financial services industry, of which the last 20 years have been in the FX and payments industries. Most recently, James was Chief Revenue Officer at Dublin-based fintech business, Fire Financial Services Limited. Previously, James spent nearly five years as Chief Commercial Officer at AIM-quoted Equals Group PLC. Prior to that, he was Managing Director at Caxton Payments Limited (formerly Caxton FX Limited), a provider of foreign exchange, international payments and prepaid cards. In each role, James was responsible for growing sales, operations and managing key relationships. At Equals, his role also included investor relations, fundraising and strategic acquisitions.

Judy Happe, ACA, Chief Financial Officer

Judy is an experienced corporate executive and Chief Financial Officer with a background in fundraising, mergers and acquisitions and post-deal integration. Most recently, Judy was CFO of XenZone (now AIM-listed Kooth plc). Prior to that Judy was with AVG Technologies for seven years including a period after its acquisition by Avast Software in October 2016. Starting as finance director, Judy moved through a number of roles giving her responsibility for post-deal integration, management and guidance for AVG's portfolio of acquisitions and acting as joint single point of contact during the \$1.3bn sale of AVG to Avast. Judy commenced her career as a chartered accountant with Saffery Champness.

William Newton, Chief Technology Officer/Chief Information Officer

William (“Bill”) has extensive operational experience within financial trading companies having worked in the industry for over 30 years. He co-founded ITI Capital Limited (formerly ODL Securities Limited), a derivatives, equities and FX brokerage, where he held a number of senior management roles including IT Director. There, he designed various real-time risk and regulatory reporting systems and was responsible for all back-office development. He was subsequently appointed CIO for London Capital Group Limited and managed a reorganisation of its core systems and infrastructure. Bill co-founded Cornerstone Payment Solutions Ltd, which was acquired by Cornerstone in September 2020.

John Burns, Non-Executive Director

Committee Membership: Remuneration Committee (Chair), Audit Committee

John has over 40 years’ experience in the payments industry and was involved in legislative policy development at the Financial Services Authority (now FCA). Prior to joining the Financial Services Authority, he spent eight years at the Association for Payment Clearing Services and the Payments Council. Other experience includes various positions with Clydesdale Bank Plc and Lloyds Banking Group. John is currently Managing Director at Compliancy Services Limited.

Simon Bullock, ACMA, Non-Executive Director

Committee Membership: Audit Committee (Chair), Remuneration Committee

Simon has over 30 years’ experience in CFO and other finance roles in public and private companies operating in the UK and internationally. He has worked in strategic and operational CFO roles across the technology and financial services sectors. This includes Caxton FX Limited, a provider of foreign exchange, international payments and prepaid cards; AIM-quoted Bonhill Group plc; Merit Group plc; Aurasian Minerals plc (now Adriatic Metal Services (UK) Limited) and OnTheMarket plc. Simon is a Chartered Management Accountant.

Corporate Governance Report

The Board recognises the importance of sound corporate governance and the Group has adopted the Quoted Companies Alliance Corporate Governance Code (QCA Code). The Board considers that the Group complies with the QCA Code in all respects, and details of its compliance can be found on the Corporate Governance page of Cornerstone's website.

The Board

The Board is responsible for the management of the business of the Group, setting the strategic direction of the Group and establishing the policies of the Group. It is the Board's responsibility to oversee the financial position of the Group and monitor its business and affairs on behalf of the shareholders, to whom the Directors are accountable. The Board will also address issues relating to internal control and the Group's approach to risk management, and it will monitor and promote a healthy corporate culture. The primary duty of the Board is to act in the best interests of the Group at all times.

The Group holds Board meetings monthly and as required whenever issues arise that require the urgent attention of the Board. Director attendance at the Board meetings held during the year can be found in the table on page 21.

Processes are in place to ensure that each Director is, at all times, provided with such information as is necessary for them to discharge their duties.

The Board has adopted Terms of Reference, which have a clear and specific schedule of matters reserved for the Board, including corporate governance, strategy, major investments, financial reporting and internal controls.

Board Directors

The Board comprises three Executive Directors, a Non-Executive Chairman and two Non-

Executive Directors – both of which are deemed to be independent. The Board considers that Simon Bullock and John Burns are independent in character and judgement and that there are no business or other relationships likely to affect, or which could appear to affect, their judgement. The Board believes that it has an appropriate balance of sector, financial and public markets skills and experience, an appropriate balance of personal qualities and capabilities and an appropriate balance between executive and non-executive directors.

The Non-Executive Directors are expected to devote at least two days per month to the affairs of the Group and such additional time as may be necessary to fulfil their roles. Brief biographical details of each of the Directors are set out in the Board of Directors section on pages 17-18.

Board Committees

The Group has established a remuneration committee (the "Remuneration Committee") and an audit committee (the "Audit Committee") with formally delegated duties and responsibilities. Director attendance at the committee meetings held during the year can be found in the table on page 21.

The Remuneration Committee comprises John Burns as Chairman, Gareth Edwards and Simon Bullock. During the year under review (until their respective resignations), Daniel Mackinnon, Philip Barry, Elliott Mannis and Glyn Barker were also members of the committee. The committee, which meets not less than twice a year, is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the shareholders and the performance of the Group.

The Audit Committee comprises Simon Bullock as Chairman, Gareth Edwards and John Burns. During the year under review (until their

respective resignations), Daniel Mackinnon, Elliott Mannis and Glyn Barker were also members of the committee. The committee, which meets not less than twice a year, is responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Group is properly monitored and reported. In addition, the Audit Committee will receive and review reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of the Group. Further details on the Audit Committee's activities can be found in the Audit Committee Report on pages 25-27.

Board Effectiveness

The Non-Executive Chairman is responsible for ensuring an effective Board and assessing its performance. This assessment includes, but is not limited to, the appropriate level of skill of Board members, the conduct of Board meetings, the decision-making process and the effectiveness of the Board committees. The Board is of the opinion that each of its members has the skills, knowledge, aptitude and experience to perform the functions required of a director of a listed company. The Board comprises Executive and Non-Executive Directors who are all of a high calibre and who enable a well-functioning Board.

Stakeholders

The Board believes that its key stakeholders are its employees, customers, investors and partners, and it takes its corporate responsibilities seriously with regards to maintaining effective working relationships with these groups. The Executive Directors, in particular, maintain an ongoing dialogue with stakeholders to inform strategy and the day-to-day running of the business in order to achieve long-term success. Further detail on the Group's stakeholder engagement can be found in the ESG section on pages 22-23.

Share Dealing Code

The Group has adopted and operates a share dealing code governing the share dealings of the Directors and applicable employees with a view to ensuring compliance with the AIM Rules. The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM. The Group takes proper steps to ensure compliance by the Directors and applicable employees with the terms of the share dealing code and the relevant provisions of the AIM Rules.

Annual General Meeting

The next Annual General Meeting of the Group will be held at 11.00am on 20 June 2023 at the office of Gracechurch Group, 48 Gracechurch Street, London, EC3V 0EJ.

Meeting Attendance

The table below details Director attendance at the Board and committee meetings held during the year.

Director	Board	Audit Committee	Rem. Committee
Current Directors (as at the date of the signing of the financial statements)			
Gareth Edwards, Chairman ¹	12/12	2/2	2/2
James Hickman, CEO ²	4/4	1*	1*
Judy Happe, CFO	12/12	2*	2*
William Newton, CTO /CIO ³	11/12	-	-
Simon Bullock, Non-Executive Director ⁴	3/3	-	1/1
John Burns, Non-Executive Director ⁵	1/1	-	1/1
Former Directors			
Daniel Mackinnon, Non-Executive Director ⁶	7/10	1/2	1/1
Philip Barry, Non-Executive Director ⁷	9/11	-	1/1
Elliot Mannis, Chairman ⁸	8/8	1/1	1/1
Julian Wheatland, CEO ⁹	6/6	2*	1*
Glyn Barker, Non-Executive Director ¹⁰	2/4	1/1	1/1
Stephen Flynn, CTO ¹¹	6/6	-	-

* Attended by invitation

1. Appointment as Chairman of the Company effective 31 August 2022, having previously been a Non-Executive Director
2. Appointment effective 12 September 2022
3. Appointment effective 22 February 2022
4. Appointment effective 11 October 2022
5. Appointment effective 1 December 2022
6. Resigned effective 1 November 2022
7. Resigned effective 30 November 2022
8. Resigned effective 31 August 2022
9. Resigned effective 12 July 2022
10. Resigned effective 3 May 2022
11. Appointment effective 22 February 2022; resigned effective 25 July 2022

In addition to the Company's formal Board meetings noted above, all of the Directors regularly discuss matters affecting the business and strategy of the Group.

ESG

Cornerstone has taken important strides forward in formalising its approach to environmental, social and governance (“ESG”) matters. During the year, the Group established its first ESG policy, which is published on the Group’s website, and the Chief Operating Officer was appointed responsible for overseeing its implementation while the Chief Executive Officer has overall responsibility for its effective operation. As described further below, a number of initiatives have been introduced to improve the Group’s ESG performance and the Group is in the process of establishing an employee led ESG committee to drive further progress.

The Group’s governance is reported on in the Corporate Governance Report on pages 19 to 21. This ESG section focuses on environmental and social aspects.

Environmental

The Group’s operations have inherently low emissions with its environmental impact being largely limited to its offices. The Group believes in further minimising its impact where possible, such as encouraging all employees to reduce their paper usage and providing waste recycling options. In addition, the Board took the decision to conduct half of its scheduled meetings remotely and half in person to reduce the Company’s carbon footprint. The Group seeks to encourage energy-saving practices, such as asking employees to turn off their monitors when they leave and avoid placing them on standby and supporting its employees to cycle to work with the provision (through its building) of indoor bike racks and showers. The Group does not have any company vehicles and none of its employees drive to the office.

Social

With regards to social responsibility, the Group’s focus is to deepen its relationships with its key stakeholders – namely, its employees, customers, communities, investors and partners.

Employees

Engagement During the year, the Group introduced company values and has taken steps to support company culture and instil the new values through holding events and workshops for the workforce. The Group takes care to maintain and encourage communication with, and amongst, its employees, including the continued use of internal communications platforms as a tool for increasing engagement and facilitating ad hoc, open dialogue – both work-related and social-related. The Group holds monthly gatherings to exchange ideas and insight into areas of interest and is now introducing a rewards system for employees embodying the Group’s values.

Development The Group seeks to support professional development and encourages career development programmes. Currently, a member of the finance team is receiving paid leave to study for an Association of Chartered Certified Accountants qualification and two employees in the Group’s compliance function are undertaking intensive courses to further their knowledge with one becoming an accredited financial crime specialist. The courses are being paid for by Group and the employees receive paid leave to study.

Wellbeing The Group supports employee wellbeing, such as through offering hybrid working. The Group now provides all employees with health insurance, which is a premium package and includes features such as discounts for gym membership and a year’s subscription to the Headspace mental wellness support app. The Group also provides a healthy snack bar in its London office to encourage healthy eating by its employees. An important initiative that has been introduced, post year end, is increasing the amount of parental leave available to the secondary parent, to go beyond the statutory minimum, which is part of the Group’s new family leave policy as described further below.

Inclusion As a modern, forward-looking company, Cornerstone is proud of its diversity and the insight that it brings. The Group consists of multilingual employees from several nationalities with a range of different backgrounds and strives to create a diverse and inclusive workplace that delivers for both customers and employees. As of today, the percentage of the Group's workforce that is female is 44% and the percentage that is people from ethnic minorities is 37% while the percentages for senior management are 29% and 14% respectively.

During the year, the Group reviewed its Equality, Diversity and Inclusion ("EDI") policy. It has introduced a new recruitment process that better integrates EDI, and the Group is planning to provide workshops for employees on its implementation. Another key development is the Group's adoption of a family leave policy, which supersedes and broadens what had previously been maternity and paternity leave policies. The family leave policy is gender agnostic and applies equally whether the new parents are biological parents (including via surrogacy) or adoptive.

Customers

The Group regularly engages with customers to ensure that the Group's quality, efficiency and service levels meet both the standard expected by the customer and the very high standards the Group sets for itself. The Group has also implemented a number of initiatives, towards the end of the year and post period, to improve its customer service, including:

- providing ongoing customer support training for employees in sales and compliance functions;
- hiring a dedicated desk assistant on the sales desk whose role is solely to deliver customer support;
- introducing a ticketing system that allows customers to track the status of their requests with the help desk – and also enable Cornerstone to measure and improve its performance; and
- establishing a working group that is focused on ensuring Cornerstone continually evolves

its customer service and always works in the best interests of its customers.

Communities

Given the nature of the Group's business, it has a limited societal impact, however, the Group supports employees in their endeavours to make a positive contribution. An example of this was the Group facilitating a coffee morning at its London office to raise money for a charity that supports people living with cancer.

Investors

The Group seeks to engage with shareholders to understand the needs and expectations of all elements of the shareholder base.

The Board is committed to open and ongoing engagement with the Group's shareholders to understand the needs and expectations of all elements of the shareholder base, and to ensure that the Group's strategy, financials and business developments are communicated effectively. The Board communicates with shareholders primarily through the annual report and accounts; the interim and full-year results announcements; trading updates (where required or appropriate); annual general meetings; and the investor relations section of the Cornerstone website.

Partners

The Group's primary partners are its counterparties and referral partners. There is a regular and ongoing dialogue with these business partners, proportional to their scale and importance to the Group.

The Group's principal counterparties, such as its primary liquidity provider, are some of its longest standing stakeholder relationships and the Group aims to have regular interaction with these partners.

Section 172 Statement

Section 172 of the Companies Act 2006 requires each Director of the Group to act in the way he or she considers, in good faith, would most likely promote the success of the Group for the benefit of its members as a whole. In this way, Section 172 requires a director to have regard, amongst other matters, to the: likely consequences of any decisions in the long-term; interests of the Group's employees; need to foster the Group's business relationships with suppliers, customers and other material stakeholders; impact of the Group's operations on local communities and the environment; desirability of the Group maintaining a reputation for high standards of business conduct; and need to act fairly between members of the Group. In discharging its Section 172 duties, the Board has considered the factors set out above and the views of key stakeholders.

Details of the key stakeholder engagement undertaken, and intended, by the Group to inform decision-making and enhance Board understanding are set out below and in further detail in the ESG section on pages 22-23.

Customers

The Directors engage with customers on an ongoing basis to ensure that the Group's quality, efficiency and service levels meet both the standard expected by the customer and the very high standards the Group sets for itself.

Employees

The Directors engage regularly with employees and maintain an open dialogue. Due to the small size of the Group's current workforce, this is currently conducted on a largely ad hoc basis, but the Directors intend to implement a formal structure as the team expands.

Partners

The Group operates a growing network of partners consisting of counterparties, referral partners and complementary service providers. There is a regular and ongoing dialogue with these business partners, proportional to their scale and importance to the Group.

Investors

The Board is committed to open and ongoing engagement with the Group's shareholders to understand the needs and expectations of all elements of the shareholder base. The Board communicates with shareholders primarily through the annual report and accounts, announcements issued via the Regulatory News Service and the Annual General Meeting.

Audit Committee Report

Dear shareholder,

I am pleased to present the Audit Committee's report for 2022, which is my first as Chairman of the Committee – having joined the Board in October 2022. I trust that this report will provide you with an insight into our work, the matters handled and the focus of the Audit Committee's deliberations during the year.

Membership and meetings

The members of the Audit Committee during the year and up to the date of the signing of this report (unless as otherwise indicated) are:

Current members

- Simon Bullock, Non-Executive Director – Chairman of the Committee (appointment effective 11 October 2022)
- Gareth Edwards, Non-Executive Chairman (Interim Chairman of the Committee from 1 September 2022 to 10 October 2022)
- John Burns, Non-Executive Director (appointment effective 1 December 2022)

Former members (during 2022)

- Glyn Barker, Non-Executive Director (Chairman of the committee until his resignation as a director on 3 May 2022)
- Elliott Mannis, Non-Executive Chairman (Interim Chairman of the committee from 3 May 2022 until his resignation on 31 August 2022)
- Daniel Mackinnon, Non-Executive Director (resignation effective 1 November 2022)

The Audit Committee members, which includes our two Independent Non-Executive Directors, bring relevant financial, commercial and capital markets experience to the committee's activities. In particular, I am a Chartered Management Accountant with 30 years of finance experience, of which more than 20 years have been at CFO level, including with AIM-

listed businesses. Further biographical details can be found on pages 17-18.

The Audit Committee meets at least twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. Only members of the committee have the right to attend the meetings. However, the Chief Financial Officer and external audit lead partner are invited to attend on a regular basis and other non-members may be invited to attend as and when appropriate and necessary. During the year, the Audit Committee met on two occasions.

The Company Secretary is secretary to the Audit Committee.

Governance and effectiveness

Outside of the formal meeting programme, the Chairman of the Audit Committee and, as appropriate, the other committee members, maintain a dialogue with key individuals involved in the Group's governance, including the Chairman of the Board (who is a member of the committee), the Chief Executive, the Chief Financial Officer and the external audit lead partner.

The committee undertakes its duties in accordance with its terms of reference, which are reviewed at least annually to ensure that they remain fit for purpose and in line with best practice guidelines.

Responsibilities and activities

The Audit Committee's responsibility is to ensure that financial information published by the Group properly presents its activities to stakeholders in a way that is fair, balanced and understandable. The Audit Committee oversees the effective delivery of audit services, including making recommendations to the Board on the appointment of auditors and the audit fee. In addition, the Audit Committee supports the

Board in meeting its responsibilities in respect of overseeing the Group's internal control systems, business risk management, arrangements for whistleblowing and related compliance issues.

In its advisory capacity, the Audit Committee has confirmed to the Board that, based on its review of the Annual Report and financial statements and internal controls that support the disclosures, the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, and provide necessary information for shareholders to assess the Group's position and performance, its business model and strategy.

During the year, the Audit Committee's activities included:

- Examining the Annual Report and financial statements for the year to 31 December 2021 and the half-year report for the six months to 30 June 2022 and discussing them with management and the external auditor to assess whether the reports, taken as a whole, were fair, balanced and understandable prior to recommending these to the Board for approval.
- Reviewing and challenging areas of significant risks and judgement and the level of disclosure.
- Monitoring auditor effectiveness and independence.
- Reviewing the effectiveness of the Group's internal controls.

Significant judgements

The significant matters that the Audit Committee considered, and made certain estimates and judgements upon, are set out in the 'Basis of Preparation' section of the Notes to the Financial Statements.

Risk management and internal controls

In supporting the Board in maintaining an effective internal control environment, the Audit Committee keeps under review the Group's internal financial controls systems and other

internal control and risk management systems; reviews the methodology for reporting risk to the Board; sets triggers for reporting and escalation of significant emerging risks; reviews the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters; and reviews the Group's procedures for detecting fraud and preventing bribery and receive reports on non-compliance.

The Group has established a risk framework including a risk register that is managed by the Chief Financial Officer and risk management policies, including anti-bribery, corruption, anti-money laundering and financial crime, financial risk, fraud, information technology and security policies. In addition, the detailed operational and security elements of the risk register are reviewed regularly by the senior management team of the Group, also in line with the ongoing risk and operational resilience reporting requirements of the Financial Conduct Authority ("FCA").

In providing foreign exchange services to its clients, the Group is subject to legal requirements to deter and detect financial crime and is required to maintain a framework with appropriate mitigation measures and control mechanisms to manage the operational and security risks relating to the payment services it provides. Accordingly, the Group has implemented policies, controls and procedures to mitigate and effectively manage the risks of money laundering and terrorist financing. The Group conducts reviews of its anti-money laundering compliance using specialist third party compliance experts, with the most recent compliance audit concluding in March 2022. The Group is also required to submit regular reports to the FCA on a range of subject matters in this regard.

Further details of the Group's financial risk management are set out under note 17 to the financial statements.

Internal audit

At present, the Group does not have an internal audit function. The Audit Committee believes that, owing to the Group's size, management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without an internal audit function. However, the Audit Committee will keep under review the need for an internal audit function as the business develops.

External auditor and independence

Haysmacintyre LLP were appointed as external auditor in April 2021 following a competitive

tender process. The auditor confirmed its independence as auditor of the Group through written confirmation to the Group, and the Audit Committee monitors the relationship to ensure that auditor effectiveness, independence and objectivity are maintained.

A summary of fees paid to the external auditor, including the breakdown between fees for audit and non-audit services, is set out in note 2 to the financial statements.

SIMON BULLOCK

Audit Committee Chairman

15 May 2023

Directors' Remuneration Report

The Remuneration Committee presents its report on Directors' remuneration for the year ended 31 December 2022. The disclosures comply with the requirement of the Companies Act 2006, the Corporate Governance Code of the Quoted Companies Alliance and applicable AIM Rules.

Remuneration Committee

The members of the Remuneration Committee during the year and up to the date of the signing of this report (unless as otherwise indicated) are:

- John Burns (Chairman of the committee, Non-Executive Director (appointment effective 1 December 2022))
- Gareth Edwards, Non-Executive Chairman (Chairman of the committee during the year until the appointment of John Burns)
- Simon Bullock, Non-Executive Director (appointment effective 11 October 2022)
- Daniel Mackinnon, Non-Executive Director (resigned effective 1 November 2022)
- Elliott Mannis, Non-Executive Chairman (resigned effective 31 August 2022)
- Glyn Barker, Non-Executive Director (resigned effective 3 May 2022)

The Remuneration Committee met on two occasions during 2022. The committee is responsible for the review and recommendation of the scale and structure of remuneration for the Chairman, the Executive Directors and senior management, including any bonus arrangements or the award of share options with due regard to the interests of the shareholders and the performance of the Group. The remuneration of the Non-Executive Directors is a matter for the Board or the shareholders (within the limits set in the articles of association). No director or senior manager shall be involved in any decisions as to their own remuneration.

Service Agreements

The Executive Directors are employed under service agreements that are subject to notice

periods, for both the Group and the individual, of nine months for the Chief Executive Officer and Chief Information Officer, and six months for the Chief Financial Officer. Their service agreements include standard summary termination provisions and post termination restrictive covenants that apply for six months.

The Chief Executive Officer and Chief Financial Officer are entitled to receive an annual salary of £170,000 and £140,000 respectively, with an entitlement to a pension contribution and discretionary bonus. The Chief Information Officer is entitled to receive an annual salary of £131,950, with an entitlement to a pension contribution (which he has opted out of) and discretionary bonus.

During the year under review, pursuant to her service agreement, Judy Happe (the CFO), as part of her remuneration she was entitled to receive an annual grant of Options ("Top-up Options") equal to 1.5% of any increase in the fully diluted capital of the Company in the 12 months immediately prior to the date of grant. Post year end, as announced on 16 January 2023, the Board has agreed with Judy to vary the terms of her original incentivisation arrangements whereby she is no longer entitled to receive Top-Up Options as part of her remuneration. The Remuneration Committee believes the terms of her remuneration are now more appropriate for a company at Cornerstone's stage of development.

The service agreement of the current CEO, who assumed the role on 12 September 2022, does not include an entitlement to Top-Up Options. The prior CEO was entitled to receive an annual grant of Top-up Options equal to 5.0% of any increase in the fully diluted capital of the Company in the 12 months immediately prior to the date of grant.

Letters of Appointment

Non-Executive Directors are appointed under letters of appointment with the Company. Non-

Executive Director appointments are subject to notice periods of three months for either the Company or the individual.

The Chairman will receive a fee of £52,000 per annum. Following the audited consolidated turnover of the Group exceeding £8 million, the Chairman will become entitled to receive a fee of £70,000 per annum.

Each Non-Executive Director (excluding the Chairman) will receive a fee of £30,000 per annum. In addition, each Non-Executive Director may be eligible for a discretionary allotment of ordinary shares of the Company as determined by the Board or relevant sub-committee thereof

annually. Each Non-Executive Director is also paid an additional £2,500 per annum for any committee chairmanship that the Board may delegate to him.

In respect of the Non-Executive Directors who resigned during the year and the Chairman, pursuant to their letters of appointment (or in the Chairman's case, his previous letter of appointment), an element of their annual fee was payable through the allotment of shares priced at the average mid-market closing price for the ten business days prior to such payment being made. Further details of these payments are set out in the table under the 'Share-based payments' section below.

Directors' Remuneration

The following table details the Directors' remuneration for the years ended 31 December 2022 and 2021:

	Salary/ Fees £	Bonus ⁽¹⁾ £	Pension £	Benefits £	Total 2022 £	Total 2021 ⁽²⁾ £
Executive Directors						
James Hickman, CEO ⁽³⁾	52,308	11,684	0	300	64,292	-
Judy Happe, CFO	140,000	31,360	6,829	217	178,406	180,017
William Newton, CTO /CIO ⁽⁴⁾	117,154	-	-(5)	-	117,154	110,000
Stephen Flynn, CTO ⁽⁴⁾⁽⁶⁾	67,833	-	2,200	-	70,033	113,134
Julian Wheatland, CEO ⁽⁷⁾	223,500	-	10,818	-	234,318	232,200
Non-Executive Directors⁽⁸⁾						
Gareth Edwards, Chairman ⁽⁹⁾	40,667	-	-	-	40,667 ⁽¹⁶⁾	41,250
Simon Bullock ⁽¹⁰⁾	7,292	-	-	-	7,292	-
John Burns ⁽¹¹⁾	2,708	-	-	-	2,708	-
Philip Barry ⁽¹²⁾	50,417	-	-	-	50,417	41,250
Daniel Mackinnon ⁽¹³⁾	29,167	-	-	-	29,167 ⁽¹⁶⁾	41,250
Elliott Mannis, Chairman ⁽¹⁴⁾	52,000	-	-	-	52,000	58,500
Glyn Barker ⁽¹⁵⁾	11,666	-	-	-	11,666 ⁽¹⁶⁾	41,250

1. The Executive Directors proposed to defer the payment of their bonus until the Company generates positive cash flow, which was accepted by the Board
2. The amounts for 2021 have been restated to be presented on an accrual basis to incorporate share-based payments that were made in 2022 and 2023 relating to service in 2021
3. Appointment effective 12 September 2022
4. William Newton and Stephen Flynn were appointed to the Board of Directors on 22 February 2022. On becoming Executive Directors, they continued in their existing operational roles and with no changes to their remuneration packages
5. William Newton chose to opt-out of the Company's pension scheme
6. Resigned effective 25 July 2022
7. Resigned as CEO and a Director effective 12 July 2022 and as an employee of the Company effective 28 November 2022
8. The fees for the Non-Executive Directors and Chairman who resigned during 2022 included share-based payments as outlined below
9. Appointment as Non-Executive Chairman effective as of 31 August 2022, having previously been a Non-Executive Director
10. Appointment effective 11 October 2022
11. Appointment effective 1 December 2022
12. Resigned effective 30 November 2022
13. Resigned effective 1 November 2022
14. Resigned effective 31 August 2022
15. Resigned effective 3 May 2022
16. In December 2022, Glyn Barker, Gareth Edwards and Daniel Mackinnon waived their contractual entitlement to receive share-based compensation for the year ended 31 December 2022

As at 31 December 2022, a total of £80,044 was owed to Directors and former Directors with respect to their service in 2022 (31 December 2021: £161,306 with respect to 2021 service) and a total of £47,968 with respect to their service in 2021 (with the 2021 amounts comprising share-based compensation that was paid in January 2023 as described below). The outstanding share-based payments owed to former Directors for the year ended 31 December 2022 will be paid during 2023. The Executive Directors' bonus payments for 2022 will be paid when the Company generates positive cash flow.

Share-based payment

As noted above, the fees for the Non-Executive Directors who resigned during the year and the Chairman included an element of share-based payment. During the year, shares were allotted to Directors as follows, which was in respect of their service in 2021:

	Date of allotment	Number of ordinary shares	Price per ordinary share
Gareth Edwards, Chairman	24 August 2022	61,017	10.025 pence
Daniel Mackinnon	24 August 2022	61,017	10.025 pence
Philip Barry	24 August 2022	61,017	10.025 pence
Elliott Mannis	24 August 2022	85,424	10.025 pence
Glyn Barker	24 August 2022	61,017	10.025 pence

Gareth Edwards became Chairman of the Company effective 1 September 2022 having previously been a Non-Executive Director. The ordinary shares issued to him during 2022 represented part payment for the financial year to 31 December 2021. Post year end, on 13 January 2023, Gareth was issued 136,641 ordinary shares at a price of 6.501 pence per ordinary share being the balance of payment due to him for the 2021 financial year.

Elliott Mannis, Glyn Barker, Daniel Mackinnon and Philip Barry received, on 13 January 2023, being a period after their respective resignations as Directors of the Company, a combined total of £39,085 (equating to 601,220 ordinary shares) in share-based payments being the balance relating to their service in 2021. Elliott Mannis and Philip Barry will receive the outstanding amounts owed to them, for the periods up to their resignations in the 2022 financial year, during 2023.

Grant of Options to Directors

During the year, the Company granted Top-Up Options (as defined above) to Directors as follows:

	Date of grant	Number of options	Vesting conditions	Exercise price
Judy Happe, CFO	8 March 2022	127,857	One third vest on each of the first three anniversaries of the date of grant and expire five years from the date of grant.	36.15 pence
Julian Wheatland, CEO ¹	8 March 2022	426,190	The options expired on 28 November 2022.	N/A

¹ Resigned as CEO and a Director effective 12 July 2022 and as an employee of the Company effective 28 November 2022

Directors' Interests

	Number of ordinary shares as at the date of this report	Number of ordinary shares as at 31/12/22	Options unvested as at 31/12/22	Options vested but not exercised as at 31/12/22
Executive Directors				
James Hickman, CEO ⁽¹⁾	69,410	-	-	-
Judy Happe, CFO	25,516	19,516	220,125 ⁽⁵⁾	184,535
William Newton, CTO / CIO ⁽²⁾	2,530,787	2,530,787	-	-
Non-Executive Directors				
Gareth Edwards, Chairman	725,846	532,705	-	-
Simon Bullock ⁽³⁾	100,000	-	-	-
John Burns ⁽⁴⁾	6,000	-	-	-

¹ Appointed effective 12 September 2022

² William Newton's holding includes 81,967 ordinary shares held in the name of his wife

³ Appointed effective 11 October 2022

⁴ Appointed effective 1 December 2022

⁵ Comprising 127,857 options granted in 2022 (see 'Grant of Options to Directors' above for details) and the unvested amount (92,268 options) of 276,803 options granted on 2 December 2020, which vest as to one-third on each of the first three anniversaries of the grant date, with an exercise price of 50 pence and expire five years from the date of grant

Directors' Report

The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2022.

Principal Activities

Cornerstone FS plc provides international payment, currency risk management and electronic account services using its proprietary cloud-based multi-currency payments platform. The Group provides these services to businesses and individuals. The Group's subsidiaries are authorised and regulated by the Financial Conduct Authority ("FCA") as follows:

Company Number	Company Name	FCA Permissions
NI602461	Cornerstone Payment Solutions Ltd	Authorised Electronic Money Institution under the Electronic Money Regulations
05021694	Capital Currencies Ltd	Authorised Payment Institution under the Payment Services Regulations

During the year under review, Avila House Ltd was a subsidiary of the Group, which is a Registered Small Electronic Money Institution under the Electronic Money Regulations. In December 2022, the Group entered a share purchase agreement to sell Avila House, with the transaction completing in April 2023.

Business Review and Results

The review of the Group's business, strategy, principal risks and uncertainties and outlook are included in the Strategic Report section on pages 4-16. The consolidated financial statements for the year ended 31 December 2022 are set out on pages 44-78. The Group's loss after taxation for the year was £5.6 million.

Dividends

The Directors do not recommend the payment of a dividend for 2022.

Directors

The following Directors held office during the year and up to the date of the approval of these financial statements (unless as otherwise indicated):

- Gareth Edwards, Chairman
- James Hickman, CEO (appointment effective 12 September 2022)
- Judy Happe, CFO
- William Newton, CTO /CIO (appointment effective 22 February 2022)
- Simon Bullock (appointment effective 11 October 2022)
- John Burns (appointment effective 1 December 2022)

- Daniel Mackinnon (resigned effective 1 November 2022)
- Philip Barry (resigned effective 30 November 2022)
- Elliott Mannis (resigned effective 31 August 2022)
- Julian Wheatland (resigned as a Director effective 12 July 2022)
- Glyn Barker (resigned effective 3 May 2022)
- Stephen Flynn (appointment effective 22 February 2022; resigned effective 25 July 2022)

Biographies of the Directors, including their Board committee memberships, are set out on pages 17-18. Details of the Directors' remuneration and their interests in the share capital of the Group can be found in the Directors' Remuneration Report on pages 28-31.

Directors' Indemnity

All Directors and officers of the Group have the benefit of the indemnity provision contained in the Group's Articles of Association. The Group also has Directors' and Officers' liability insurance in respect of itself and its directors and officers.

Share Capital

Cornerstone FS plc is a public limited company incorporated in England and Wales and its shares are quoted on the AIM market of the London Stock Exchange. As at the date of approval of this Directors' Report, the outstanding issued share capital of the Group comprised 57,417,101 ordinary shares of £0.01 each. There are no shares held in treasury. Further detail on the Group's share capital can be found in note 15 to the financial statements.

Significant Shareholders

As at the date of approval of this Directors' Report, to the best of the Group's knowledge, the following shareholders had a significant interest in the Group's issued share capital:

Name	Number of shares	% of issued share capital
Robert O'Brien	9,400,000	16.4
Mark Horrocks	7,692,307	13.4
Atlantic Partners Asia Holdings (SG) PTE Ltd	4,375,000	7.6
Linista Group Inc.	4,194,664	7.3
Philip Barry	3,403,407	5.9
William Newton*	2,530,787	4.4
Stephen Flynn	2,435,442	4.2
David Ryan**	2,400,000	4.2
Nicholas Slater	1,725,000	3.0

* William Newton's holding includes 81,967 ordinary shares registered in the name of his wife

** David Ryan's holding includes 600,000 ordinary shares registered in the name of his wife

Subsequent Events

The material post balance sheet events can be found in note 20 to the financial statements. In particular, this includes variation to certain incentivisation and settlement arrangements, the issue of ordinary shares and grant of share options to Directors, and the completion of the sale of Avila House Ltd.

Financial Instruments

Disclosures regarding financial instruments are provided in note 17 to the financial statements.

Donations

The Group did not make any political or charitable donations during the year.

Corporate Governance

A review of the Group's corporate governance is provided in the Corporate Governance Report on pages 19-21.

Stakeholder Engagement

Details of the Group's engagement with stakeholders can be found in the Section 172 Statement on page 24 and in the ESG section on pages 22-23.

Auditor

Haysmacintyre LLP have expressed their willingness to continue in office as auditor. A resolution to reappoint haysmacintyre as the Group's auditor will be proposed at the Annual General Meeting on 20 June 2023.

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each Director has taken all the steps they might reasonably be

expected to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Going Concern

The Directors have run various scenario planning forecasts alongside their best-estimate forecast assumptions, including a scenario in which sales growth falls below management expectations and various cash mitigation measures are implemented, which all indicate sufficient cash resources to continue to finance the Group's working capital requirements over the forecast period of 18 months from the date of approval of these financial statements. For these reasons, the Directors continue to adopt the going concern basis of accounting in preparing the Group's financial statements. Further detail can be found in the 'Going Concern' section of the Notes to the Financial Statements on page 51.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom ("UK") and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the UK.

The financial statements are required by law and IFRS adopted by the UK to present fairly the financial position and performance of the Group and Company; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view

are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS adopted by the UK; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

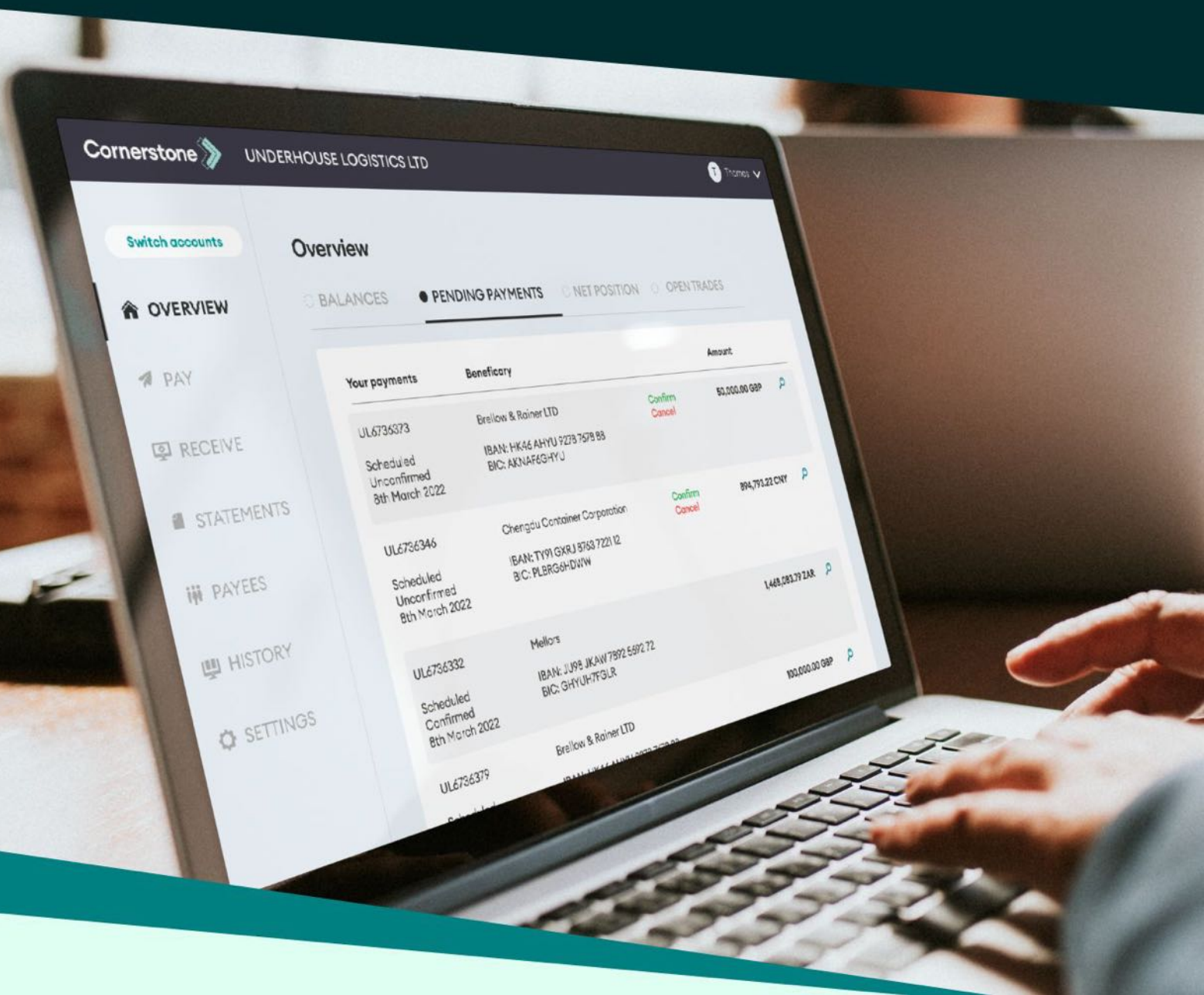
JAMES HICKMAN

Chief Executive Officer

15 May 2023

Financial Statements

For the year ended 31 December 2022



Independent Auditor's Report

TO THE MEMBERS OF CORNERSTONE FS PLC

Opinion

We have audited the financial statements of Cornerstone FS PLC (the “Parent Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Financial Reporting Standards (IFRSs).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included, but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern;
- Evaluating the methodology used by the directors to assess the Group and the Parent Company's ability to continue as a going concern;

- Reviewing the directors' going concern assessment and evaluating the key assumptions used and judgements applied;
- Reviewing the liquidity headroom and applying a number of sensitivities to the base forecast assessment of the directors to ensure there was sufficient headroom to adopt the going concern basis of accounting;
- Reviewing the appropriateness of the directors' disclosures regarding going concern in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter Description	How the matter was addressed in the audit
<p>Carrying value of intangible assets in the Group financial statements.</p> <p>The Group's Statement of Financial Position as at 31 December 2022 includes total intangible assets of £2.32m. This includes £1.09m of Goodwill, £0.53m of Customer relationships, £0.61m of Internally developed software and £0.09m of other intangibles.</p> <p>There is a risk that intangible assets might be impaired.</p> <p>The Board concluded that there is no impairment required to the carrying value of those intangibles, based on their assessment of the forecasted future cash flows of the business.</p>	<p>Our audit work considered, but was not restricted to, the following:</p> <ul style="list-style-type: none"> - A review of the calculation of separately identifiable intangible assets and goodwill for the acquisition of Capital Currencies Limited and Pangea FX Limited in the year, to ensure that it was appropriate and in accordance with the terms of each acquisition and IFRS 3: Business combinations. - Consideration of whether any separately identifiable intangible assets existed on acquisition. - A review of key estimates and judgements used in determining the value of goodwill, such as <ul style="list-style-type: none"> ► The discount rates used by management,

	<ul style="list-style-type: none"> ▶ The estimated fair value of any contingent consideration, ▶ The estimated fair value of any intangible assets acquired as part of the business combinations <ul style="list-style-type: none"> - A review of the Impairment assessment memorandum prepared by the Board in respect of the carrying value of the intangible assets, including goodwill, in accordance with its forecast performance in the scenarios considered. - A review of the key estimates, assumptions and judgements included in that assessment - Sensitivity analysis of the forecasts supporting the Impairment assessment - A review of post year-end activity of the business. - A review of the opening balance sheets, and therefore net asset position of all entities acquired during the year - A review of the disclosures made with regards to the estimates and judgements made in terms of allocating a value to goodwill, as well as the disclosures covering the impairment tests performed by the Directors with regards to the goodwill as at 31 December 2022. <p>Our work performed on the carrying value of intangible assets highlighted no material errors.</p>
<p>Carrying value of investments in the Parent Company's financial statements</p> <p>The Parent Company's Statement of Financial Position as at 31 December 2022 includes a total investment of £8.02m in 100% of the ordinary share capital of Cornerstone Payment Solutions Limited, Avila House Limited, Capital Currencies Limited and Pangea FX Limited.</p> <p>There is a risk that this investment might be impaired.</p>	<p>Our audit work considered, but was not restricted to, the following:</p> <ul style="list-style-type: none"> - A review of the Impairment assessment memorandum prepared by the Board in respect of the carrying value of the investments in accordance with its forecast performance in the scenarios considered. - A review of the key estimates, assumptions and judgements included in that assessment

The Board concluded that there is no impairment required to the carrying value of those investments, based on their assessment of the forecasted future cash flows of the business.

- Sensitivity analysis of the forecasts supporting the Impairment assessment
- A review of post year-end activity of the business.

Our work performed on the carrying value of investments in the Parent Company highlighted no material errors.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements and in forming an opinion. For the purpose of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of a misstatement or an omission from the financial statements, or related disclosures, that would make it probable that the judgment of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality, which we used to determine the extent of testing need, to reduce to an appropriately low level the risk that the aggregate of uncorrected and undetected misstatement exceeds materiality for the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £96,000. This was determined with reference to 2% of revenue, since the Group is driven by revenue and this is a key performance indicator ("KPI").

On the basis of our risk assessment and review of the Group's control environment, performance materiality was set at 75% of materiality, being £72,000.

The reporting threshold to the Audit and Risk Committee was set as 5% of materiality, being £4,800. If in our opinion errors below this level warranted reporting on qualitative grounds, these would also be reported.

The materiality for the Parent Company financial statements was based on 1% of gross assets since the Parent Company is a holding company and its value is driven by the value of the investments it holds in its subsidiary undertakings. It was then restricted to the Group materiality of £96,000.

On the basis of our risk assessment and review of the Parent Company's control environment, performance materiality was set at 75% of materiality, being £72,000 and the reporting threshold was £4,800.

An overview of the scope of our audit

Our audit scope included all components of the Group which are all registered companies in the United Kingdom with limited activities in Dubai. Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Group. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Group and the internal control environment when assessing the level of work to be performed.

For those entities where the level of activity that occurred during the year was minimal we have determined that these components were insignificant and therefore not relevant to the Group's results for the year ended 31 December 2022, these entities were therefore not included as part of our audit scope for the audit of the Group financial statements.

Based on our assessment of the accounting processes, the industry in which the Group

operates and the control environment we concluded that it was appropriate to undertake an entirely substantive audit approach. Our audit procedures included testing of income and expenditure, assets, liabilities and equities. We have set out how we tested the key audit matters in the Key Audit Matters section above.

Component and subsidiary materiality

Component materiality has been calculated after determining the number of significant components within the Group and then applying an appropriate multiplier to the Group materiality of £96,000 (calculated using 2% of turnover). As all of the entities that formed part of our audit scope have turnover as one of their main KPIs, we considered the use of Group materiality based on turnover to be appropriate. The total component materiality calculated was then allocated between the relevant entities accordingly based on their significance to the Group.

Where we have performed statutory audits of the trading subsidiaries of the Group, we have calculated their materiality on the basis of turnover based materiality (as we have used for the Group overall) where 2% of turnover was considered to be materiality. We have ensured that the individual materiality calculated for subsidiary statutory audits did not exceed the component materiality that would have been allocated to these entities, should these have been reviewed only as part of the audit of the Group financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other

information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our

responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations including the Financial Conduct Authority ("the FCA") and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, corporation tax, payroll taxes and VAT.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- Identifying at the planning stage of our audit whether there were any other laws or regulations the Group was subject to, and where applicable a review of any compliance issues with these laws and regulations;
- Inspecting correspondence with regulators and tax authorities;
- Inspecting correspondence with the FCA to assess whether any breach of FCA regulations had occurred in the year;
- Discussions with management including consideration of known or suspected

instances of non-compliance with laws and regulation and fraud;

- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimate

Because of the inherent limitation of audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring

due to fraud than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

SIMON WILKS

(Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP
Statutory Auditors
15 May 2023

10 Queen Street Place
London
EC4R 1AG

Group Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 £	2021 £
REVENUE	1	4,821,996	2,301,172
Cost of sales		(1,885,503)	(1,113,995)
GROSS PROFIT		2,936,493	1,187,177
ADMINISTRATIVE EXPENSES	2		
Share-based compensation	15	(4,284,039)	(2,338,495)
Further adjustments to adjusted EBITDA (see below)		(500,529)	(554,902)
Other administrative expenses		(3,805,812)	(2,469,575)
TOTAL ADMINISTRATIVE EXPENSES		(8,590,380)	(5,362,972)
Adjusted EBITDA loss		(869,319)	(1,282,398)
Stated after the add back of:			
- share-based compensation	15	4,284,039	2,338,495
- transaction costs		99,365	402,515
- amortisation of intangible assets		386,542	148,094
- depreciation of property, plant and equipment		14,622	4,293
LOSS FROM OPERATIONS	2	(5,653,887)	(4,175,795)
Finance and other income	3	37,947	1,622
Finance costs	3	(171,257)	(360)
LOSS BEFORE TAX		(5,787,197)	(4,174,533)
Income tax credit	6	175,365	70,764
LOSS FOR THE YEAR		(5,611,832)	(4,103,769)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(5,611,832)	(4,103,769)
Loss per ordinary share – basic & diluted (pence)	7	(17.26)	(21.24)

All amounts are derived from continuing operations.

The Notes to the Financial Statements form an integral part of these financial statements.

Group and Company Statement of Financial Position

As at 31 December 2022

	Notes	Group 31 December 2022 £	Group 31 December 2021 £	Company 31 December 2022 £	Company 31 December 2021 £
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	8	2,315,637	577,447	611,507	484,927
Tangible assets	10	39,677	21,542	-	-
Investments	11	-	-	8,017,622	6,349,758
		2,355,314	598,989	8,629,129	6,834,685
CURRENT ASSETS					
Trade and other receivables	12	1,339,110	493,244	700,720	248,996
Cash and cash equivalents		682,346	348,102	495,627	139,579
		2,021,456	841,346	1,196,347	388,575
TOTAL ASSETS		4,376,770	1,440,335	9,825,476	7,223,260
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	480,362	202,776	480,362	202,776
Share premium		5,496,829	3,074,355	5,496,829	3,074,355
Share-based payment reserve		1,489,765	2,392,710	1,489,765	2,392,710
Deferred consideration reserve		950,920	-	950,920	-
Merger relief reserve		5,557,645	5,557,645	5,557,645	5,557,645
Reverse acquisition reserve		(3,140,631)	(3,140,631)	-	-
Retained earnings		(10,924,791)	(7,828,230)	(8,365,764)	(4,907,402)
TOTAL EQUITY		(89,901)	258,625	5,609,757	6,320,084
LIABILITIES					
NON-CURRENT LIABILITIES					
Loan notes	13	2,172,578	-	2,172,578	-
Deferred tax	6	99,816	-	-	-
		2,272,394	-	2,172,578	903,176
CURRENT LIABILITIES					
Trade and other payables	14	1,969,277	1,181,710	1,818,141	903,176
Loan notes	13	225,000	-	225,000	-
		2,194,277	1,181,710	2,043,141	903,176
TOTAL EQUITY AND LIABILITIES		4,376,770	1,440,335	9,825,476	7,223,260

A separate profit and loss account for the Parent company is omitted from the Group's financial statements by virtue of section 408 of the Companies Act 2006. The Company loss for the year ended 31 December 2022 was (£5,973,633) (year ended 31 December 2021: loss of (£3,823,651)).

The financial statements were approved by the Board of Directors and authorised for issue on 15 May 2023 and are signed on its behalf by:

JAMES HICKMAN

Chief Executive Officer

The Notes to the Financial Statements form an integral part of these financial statements.

Group Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital £	Share premium £	Share- based payment reserve £	Deferred consideration reserve £	Merger relief reserve £	Reverse acquisition reserve £	Retained earnings £	Total £
Balance at 1 January 2021	165,887	951,422	54,215	-	5,557,645	(3,140,631)	(3,724,461)	(135,923)
Issue of shares	36,889	2,208,447	-	-	-	-	-	2,245,336
Costs of raising equity	-	(85,514)	-	-	-	-	-	(85,514)
Share-based payments (note 15)	-	-	2,338,495	-	-	-	-	2,338,495
Loss and total comprehensive income for the year	-	-	-	-	-	-	(4,103,769)	(4,103,769)
Balance at 31 December 2021	202,776	3,074,355	2,392,710	-	5,557,645	(3,140,631)	(7,828,230)	258,625
Issue of shares	210,423	1,905,234	-	-	-	-	-	2,115,657
Costs of raising equity	-	(87,310)	-	-	-	-	-	(87,310)
Share-based payments (note 15)	-	-	4,284,039	-	-	-	-	4,284,039
Settlement of equity- based incentives	67,163	604,550	(5,186,984)	-	-	-	2,515,271	(2,000,000)
Deferred equity-based consideration	-	-	-	950,920	-	-	-	950,920
Loss and total comprehensive income for the year	-	-	-	-	-	-	(5,611,832)	(5,611,832)
Balance at 31 December 2022	480,362	5,496,829	1,489,765	950,920	5,557,645	(3,140,631)	(10,924,791)	(89,901)

The Notes to the Financial Statements form an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital £	Share premium £	Share-based payment reserve £	Deferred consideration reserve £	Merger relief reserve £	Retained earnings £	Total £
Balance at 1 January 2021	165,887	951,422	54,215	-	5,557,645	(1,083,751)	5,645,418
Issue of shares	36,889	2,208,447	-	-	-	-	2,245,336
Costs of raising equity	-	(85,514)	-	-	-	-	(85,514)
Share-based payments (note 15)	-	-	2,338,495	-	-	-	2,338,495
Loss and total comprehensive income for the year	-	-	-	-	-	(3,823,651)	(3,823,651)
Balance at 31 December 2021	202,776	3,074,355	2,392,710	-	5,557,645	(4,907,402)	6,320,084
Issue of shares	210,423	1,905,234	-	-	-	-	2,115,657
Costs of raising equity	-	(87,310)	-	-	-	-	(87,310)
Share-based payments (note 15)	-	-	4,284,039	-	-	-	4,284,039
Settlement of equity-based incentives	67,163	604,550	(5,186,984)	-	-	2,515,271	(2,000,000)
Deferred equity-based consideration	-	-	-	950,920	-	-	950,920
Loss and total comprehensive income for the year	-	-	-	-	-	(5,973,633)	(5,973,633)
Balance at 31 December 2022	480,362	5,496,829	1,489,765	950,920	5,557,645	(8,365,764)	5,609,757

The Notes to the Financial Statements form an integral part of these financial statements.

Group and Company Cash Flow Statement

For the year ended 31 December 2022

		Group	Group	Company	Company
		Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
		£	£	£	£
	Notes				
Loss before tax		(5,787,197)	(4,174,533)	(6,131,818)	(3,890,085)
Adjustments to reconcile profit before tax to cash generated from operating activities:					
Finance income	3	(37,947)	(1,622)	-	-
Finance costs	3	171,257	360	162,757	-
Equity-settled share-based payment		32,595	-	32,595	-
Share-based compensation	15	4,284,039	2,338,495	4,284,039	2,338,495
Depreciation and amortisation	8 & 10	401,164	152,386	296,133	145,920
Increase in accrued income, trade and other receivables	12	(845,866)	(54,577)	(451,724)	(141,678)
Increase in trade and other payables	14	757,250	682,374	896,573	559,196
		-----	-----	-----	-----
Cash used in operations		(1,024,705)	(1,057,117)	(911,445)	(988,152)
Income tax received	6	158,188	70,764	158,188	66,434
		-----	-----	-----	-----
Cash used in operating activities		(866,517)	(986,353)	(753,257)	(921,718)
Investing activities					
Acquisition of property, plant and equipment	10	(17,198)	(17,371)	-	-
Acquisition of intangible assets	8	(422,713)	(404,568)	(422,713)	(404,569)
Acquisition of subsidiary, net of cash acquired	9	(552,128)	-	-	-
Investment in Group companies	11	-	-	(631,335)	(201,985)
		-----	-----	-----	-----
Cash used in investment activities		(992,039)	(421,939)	(1,054,048)	(606,554)
Financing activities					
Shares issued (net of costs)	15	1,992,694	1,571,457	1,992,694	1,571,457
Loans received	13	225,000	-	225,000	-
Interest and similar income	3	37,947	1,622	-	-
Interest and similar charges	3	(62,841)	(360)	(54,341)	-
		-----	-----	-----	-----
Cash generated from financing activities		2,192,800	1,572,719	2,163,353	1,571,457
Increase in cash and cash equivalents		334,244	164,427	356,048	43,185
Opening cash and cash equivalents		348,102	183,675	139,579	96,394
		-----	-----	-----	-----
Closing cash and cash equivalents		682,346	348,102	495,627	139,579
		-----	-----	-----	-----

The Notes to the Financial Statements form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2022

BASIS OF PREPARATION

Cornerstone FS plc is a public limited company, incorporated and domiciled in England. The Company was admitted to AIM, London Stock Exchange's market for small and medium size growth companies, on 6 April 2021. The registered office of the Company is The Old Rectory, Addington, Buckingham, England, MK18 2JR, and its principal business address is 75 King William Street, London EC4N 7BE. The main activities are set out in the Strategic Report on pages 4-16.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom ("IFRS") for the years ended 31 December 2021 and 31 December 2022, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared in sterling, which is the Group's presentation currency and the functional currency of each Group entity. They have been prepared using the historical cost convention except for the measurement of certain financial instruments.

The parent company accounts have also been prepared in accordance with IFRS (as adopted by the United Kingdom) and using the historical cost convention. The accounting policies set out below have been applied consistently to the parent company where applicable.

Monetary amounts in these financial statements are rounded to the nearest pound.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. These estimates and assumptions are based upon management's knowledge and experience of the amounts, events or actions. Actual results may differ from such estimates.

The critical accounting estimates are considered to relate to the following:

Fair values of assets acquired in business combinations: The Group recognises the fair value of customer relationships acquired through business combinations reflecting discounted future cash flows from the acquired customers and incorporating an estimated rate of attrition of the customer base.

Deferred consideration: Total compensation for acquisitions includes an element of deferred consideration payable, subject to the revenue performance post-acquisition. Management use historical information and management forecasts to estimate a liability, using the discounted cashflow methodology, to derive a fair value of the deferred consideration payable.

Intangible assets: The Group recognises intangible assets in respect of software development costs. This recognition requires the use of estimates, judgements and assumptions in determining whether the carrying value of such assets is impaired at each year end.

Investments in subsidiary undertakings (Company financial statements only): The Company's Statement of Financial Position includes investments stated at cost in its subsidiary undertakings. The

continuing recognition at cost requires judgements and estimates including an assessment of whether the carrying value of such investments is impaired at each year end.

NEW STANDARDS AND INTERPRETATIONS

As of the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 17 Insurance Contracts (effective for periods commencing 1 January 2023)
- Amendments to IAS 1, presentation of financial statements on classification of liabilities (effective for periods commencing on or after 1 January 2023)
- Amendments to IAS 8 – definition of accounting estimates (effective for periods commencing 1 January 2023)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group. The Group does not intend to apply any of these pronouncements early.

IMPACT OF NEW INTERNATIONAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

The following Standards and Interpretations have been considered and applied in these financial statements:

- COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

There has been no material impact on the financial statements as a result of adopting these Standards and Interpretations.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. Entities are accounted for as subsidiary undertakings when the Group is exposed to or has rights to variable returns through its involvement with the entity and it has the ability to affect those returns through its power over the entity.

Details of subsidiary undertakings and % shareholding:

Cornerstone Payment Solutions Ltd	-	100% owned by the Company
Cornerstone - Middle East FZCO	-	100% owned by the Company
Avila House Limited	-	100% owned by Cornerstone Payment Solutions Limited
Capital Currencies Limited	-	100% owned by the Company
Pangea FX Limited	-	100% owned by the Company

All subsidiary undertakings have an accounting reference date ended 31 December.

On 23 December 2022, the Company announced the agreement of the sale of Avila House Limited to Aspire Commerce Ltd. Avila House remained under the control of the Group until the sale completed on 26 April 2023 following receipt of regulatory approval from the Financial Conduct Authority (“FCA”).

BUSINESS COMBINATIONS

The Group financial statements recognise business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

GOING CONCERN

During the year ended 31 December 2022, the Group made an adjusted EBITDA loss (excluding non-cash share-based compensation, depreciation & amortisation costs and non-recurring transaction costs) of £869,319. At 31 December 2022 the Group balance sheet showed a net liabilities position of £89,901, including a negative profit and loss reserve of £10,924,791, and a cash balance of £682,346. Post year-end, the Group’s balance sheet has strengthened with the conversion of a £225,000 loan note to equity on 6 February 2023 following receipt of permission from the FCA for a shareholder to increase their shareholding beyond 9.9% of the issued share capital of the Company. Further, the Group received proceeds of £300,000 on 26 April 2023 following the completion of the sale of Avila House Limited.

Although the Group has historically generated losses, the trading position of the Group has continued to improve since the year-end with a strong focus on cost control combined with strong revenue growth. As a result, the Group expects to begin generating a cash inflow before financing activities during 2023.

The Directors have prepared cash flow forecasts covering a period to 31 December 2024. The Directors have derived forecast assumptions that are their best estimate of the future development of the Group’s business taking into account projected increase in revenues, continued investment in the development of the software platform and organic sales and marketing efforts.

The Directors have prepared various scenario planning forecasts alongside their best-estimate forecast assumptions, including a scenario in which sales growth falls below management expectations and various cash mitigation measures are implemented, which all indicate sufficient cash resources to continue to finance the Group’s working capital requirements over the forecast period.

For these reasons, the Directors continue to adopt the going concern basis of accounting in preparing the Group’s financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE

The Group applies IFRS 15 Revenue from Contracts with Customers for the recognition of revenue. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It affects the timing and recognition of revenue items, but not generally the overall amount recognised.

The performance obligations of the Group's revenue streams are satisfied on the transaction date or by the provision of the service for the period described in the contract. Revenue is not recognised where there is evidence to suggest that customers do not have the ability or intention to pay. The Group does not have any contracts with customers where the performance obligations have not been fully satisfied.

The Group derives revenue from the provision of foreign exchange and payment services. When a contract with a client is entered into, it immediately enters into a separate matched contract with its institutional counterparty.

Spot and forward revenue is recognised when a binding contract is entered into by a client and the rate is fixed and determined. Revenue represents the difference between the rate offered to clients and the rate received from its institutional counterparties.

INVESTMENTS

Investments in subsidiary undertakings are accounted for at cost less impairment.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group Statement of Financial Position when the Group has become a party to the contractual provisions of the instrument.

Derivative financial instruments

Derivative financial assets and liabilities are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in the income statement. The Group's derivative financial assets and liabilities at fair value through profit or loss comprise solely of forward foreign exchange contracts.

Trade, loan and other receivables

Trade and loan receivables are initially measured at their transaction price. Trade and loan receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method. The Directors have considered the impact of discounting trade and loan receivables whose settlement may be deferred for lengthy periods and concluded that the impact would not be material.

An impairment loss is recognised for the expected credit losses on trade and loan receivables when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

Impairment losses and any subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

Trade payables

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Equity instruments

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

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. An instrument will be classified as a financial liability when there is a contractual obligation to deliver cash or another financial asset to another enterprise.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdraft which is integral to the Group's cash management.

GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill on acquisition of subsidiaries is separately disclosed in note 9.

Goodwill is not amortised; it is recognised as an asset, allocated to cash generating units for the purpose of impairment testing and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

OTHER INTANGIBLE ASSETS

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Amortisation is charged on a straight-line basis through the profit or loss within administrative expenses. The rates applicable, which represent the Directors' best estimate of the useful economic life, are as follows:

Customer relationships	– 5 years
Internally developed software	– 3 years

Software costs	– 3 years
Other intangible assets	– 3 years (no charge in the first period of ownership)

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is initially recorded at cost and is subsequently measured at cost less accumulated depreciation and any recognised impairment loss.

Depreciation, which is charged through the profit or loss within administrative expenses, is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Computer equipment	- 25% straight line
Leasehold improvements	- in line with the term of the underlying leased asset

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

SHARE-BASED COMPENSATION

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted.

As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period. Where equity instruments are granted to persons other than employees, the income statement is charged with fair value of goods and services received.

Cancelled or settled options are accounted for as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Fair value is measured by use of the Black-Scholes pricing model which is considered by management to be the most appropriate method of valuation.

EMPLOYEE BENEFITS

The Group operates a defined contribution pension scheme. The pension costs charged in the financial statements represent the contribution payable by the Group during the year.

The costs of short-term employee benefits are recognised as a liability and an expense in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

TAXATION

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity and not in the consolidated statement of comprehensive income.

Deferred income tax is provided on all temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Deferred tax assets have not been recognised in respect of the Group's tax losses carried forward.

Research and Development tax credits are not recognised as receivables until the claims have been submitted and agreed by HMRC.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting judgements will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

IMPAIRMENT

At each accounting reference date, the Group reviews the carrying amounts of its intangibles, property, plant & equipment and investments to determine whether there is any indication that those

assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

DEFERRED CONSIDERATION

Total compensation for acquisitions includes an element of deferred consideration payable, subject to the revenue performance post-acquisition. Management use historical information and management forecasts to estimate a liability, using the discounted cashflow methodology, to derive a fair value of the deferred consideration payable.

SHARE-BASED COMPENSATION

The fair value of share-based awards is measured using the Black-Scholes model which inherently makes use of significant estimates and assumptions concerning the future applied by the Directors. Such estimates and judgements include the expected life of the options and the number of employees that will achieve the vesting conditions. Further details of the share option scheme are given in note 15.

ALTERNATIVE PERFORMANCE MEASURES

The Group uses the alternative performance measure of adjusted EBITDA/(EBITDA loss). This measure is not defined under IFRS, nor is it a measure of financial performance under IFRS.

This measure is sometimes used by investors to evaluate a company's operational performance with a long-term view towards adding shareholder value. This measure should not be considered an alternative, but instead supplementary, to profit/(loss) from operations and any other measure of performance derived in accordance with IFRS.

Alternative performance measures do not have generally accepted principles for governing calculations and may vary from company to company. As such, the adjusted EBITDA/(EBITDA loss) quoted within the Group Statement of Comprehensive Income should not be used as a basis for comparison of the Group's performance with other companies.

During the year ended 31 December 2022, the Group adopted adjusted EBITDA as an alternative performance measure having made reference to underlying profit/(loss) from operations in prior periods. The Group adopted the new alternative performance measure in order to more closely align with competitors, financial analyst coverage and the Group's own guidance.

ADJUSTED EBITDA/(EBITDA LOSS)

The Group uses adjusted EBITDA/(EBITDA loss), defined as profit/(loss) from operations, adding back share-based compensation, transaction costs associated with the Group's acquisition strategy and depreciation & amortisation charge.

The adjusted EBITDA loss is reconciled back to the loss from operations within the Group Statement of Comprehensive Income.

1. REVENUE AND SEGMENTAL REPORTING

All of the Group's revenue arises from its activities within the UK (although a proportion of revenue is derived from customers incorporated or residing outside of the UK). Management considers there to be only one operating segment within the business based on the way the business is organised and the way results are reported internally.

Revenue is as follows:

	Group	Group
	Year ended 31 December 2022	Year ended 31 December 2021
	£	£
Total revenue	4,821,996	2,301,172

2. LOSS FROM OPERATIONS

	Group	Group
	Year ended 31 December 2022	Year ended 31 December 2021
	£	£
Loss from operations is stated after charging:		
Share-based compensation	4,284,039	2,338,495
Transaction costs	99,365	402,515
Expensed software development costs	86,941	97,556
Depreciation of property, plant and equipment	14,622	4,293
Amortisation of intangible assets	386,541	148,094
Short-term (2018 IAS 17 operating) lease rentals	252,308	86,434

Amounts payable to the Group's auditor in respect of both audit and non-audit services:

	Year ended 31 December 2022	Year ended 31 December 2021
	£	£
Audit Services		
- Statutory audit	40,000	25,000
Other Services		
Due diligence services	-	18,000
The auditing of accounts of associates of the Company pursuant to legislation:		
- Audit of subsidiaries and its associates	49,450	30,250
	89,450	73,250

3. INTEREST AND SIMILAR ITEMS

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Total finance and other income		
Bank interest receivable	37,947	1,622
	-----	-----
Total finance costs		
Unwinding of discount	108,416	-
Loan note interest	53,500	-
Other interest payable and charges	9,341	360
	-----	-----
	171,257	300
	-----	-----

4. EMPLOYEES

The average monthly numbers of employees in the Group (including the Directors) during the year was made up as follows (the Company has no employees other than the Directors):

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
Directors	7	8
Employees	27	14
	-----	-----
	34	22
	-----	-----
EMPLOYMENT COSTS		
	£	£
Wages and salaries	1,977,588	1,309,251
Social security costs	251,010	182,414
Pension costs	49,200	38,307
Share-based compensation	4,155,094	2,195,782
	-----	-----
	6,432,892	3,725,754
	-----	-----

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate. Further information about the remuneration of the individual directors is provided in the Directors' Remuneration Report on pages 28-31.

	Year ended 31 December 2022	Year ended 31 December 2021
	£	£
Salaries and fees	794,712	680,553
Bonus	43,044	76,800
Share-based compensation (credit) / charge	(125,443)	311,469
Social security costs	123,024	84,022
	-----	-----
	835,337	1,152,844
	-----	-----
	Number	Number
Number of Directors to whom retirement benefits are accruing under a defined contribution scheme	3	3
	-----	-----
	Year ended 31 December 2022	Year ended 31 December 2021
	£	£
The remuneration in respect of the highest paid Director was:		
Salaries and fees	140,000	180,000
Bonus	31,360	43,200
Share-based compensation charge	30,173	177,000
Pension and other benefits	7,046	9,000
	-----	-----
	208,579	409,200
	-----	-----

During the year, 1,348,867 options were forfeited by Julian Wheatland, a former director, leading to a share-based compensation credit for the year ended 31 December 2022 in respect of Mr. Wheatland of £192,452 (year ended 31 December 2021: share-based compensation charge of £177,000).

During the year, no (2021: nil) Directors exercised any (2021: nil) share options.

5. PENSION COSTS

The Group operates a defined contribution pension scheme. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the Group and amounted to £49,200 (2021: £38,307). At 31 December 2022 contributions of £59,054 remained outstanding and are included within other payables (2021: £25,864).

6. TAXATION

The tax on the loss on ordinary activities for the period was as follows:

	Group Year ended 31 December 2022 £	Group Year ended 31 December 2021 £
CURRENT TAX:		
Current tax credit	(158,188)	(70,764)
Deferred tax credit	(17,177)	-
Income tax credit	(175,365)	(70,764)
	Group Year ended 31 December 2022 £	Group Year ended 31 December 2021 £
Loss before taxation	(5,787,197)	(4,174,533)
Loss multiplied by main rate of corporation tax in the UK of 19% (2021: 19%)	(1,099,567)	(793,161)
EFFECTS OF:		
Surrender of tax losses for research & development tax credit refund	(158,188)	(70,764)
Expenses not deductible for tax purposes	29,261	66,649
Share-based payments	814,037	444,314
Other adjustments in period	65,825	(702)
Tax losses carried forward	190,444	282,900
Current tax credit	(158,188)	(70,764)

As at 31 December 2022, the Group had prepared but not yet submitted a Research and Development tax credits reclaim, the estimated net benefit of which is approximately £135,000. During the year ended 31 December 2022, the Group received a Research and Development tax credit refund of £158,188 (2021: £70,764) in respect of its reclaim for the year ended 31 December 2021.

As at 31 December 2022, the Group had tax losses carried forward of £5,013,429 (31 December 2021: £4,147,682). Deferred tax has not been recognised in respect of these tax losses. The standard rate of corporation tax applicable to the Group for the year ended 31 December 2022 was 19%. The UK government has announced, with effect from 1 April 2023, an increase in the corporation tax main rate from 19% to 25% for companies with profits over £250,000 and the introduction of a small profits rate of 19% applicable to companies with profits of not more than £50,000, with marginal relief available for profits up to £250,000.

DEFERRED TAX

The Group recognised the following movement in deferred tax liabilities (year ended 31 December 2021: £nil):

	Balance as at 1 January 2022	Acquired in business combination	Recognised to profit or loss	Non-current balance as at 31 December 2022
	£	£	£	£
Intangibles	-	116,993	(17,177)	99,816
	-----	-----	-----	-----

Based on the valuation of acquisition intangibles and enacted UK corporation tax rates, during the year ended 31 December 2022 the Group has acquired deferred tax liabilities of £80,382 in relation to its acquisition of Capital Currencies Limited and £36,611 in relation to its acquisition of Pangea FX Limited (note 9). The deferred tax will be released to the income statement as the underlying intangible assets are amortised or otherwise recognised via impairment in profit or loss.

7. LOSS PER SHARE

The loss per share of 17.26p (2021: 21.24p) is based upon the loss of £5,611,832 (2021: loss of £4,103,769) and the weighted average number of ordinary shares in issue for the year of 32,506,335 (2021: 19,317,407).

The loss incurred by the Group means that the effect of any outstanding warrants and options would be considered anti-dilutive and is ignored for the purposes of the loss per share calculation.



8. GROUP INTANGIBLE ASSETS

	Goodwill	Customer relationships	Internally developed software	Software costs	Other	Total
	£	£	£	£	£	£
COST						
At 1 January 2022	-	-	647,485	15,611	92,520	755,616
Additions	-	-	422,713	-	-	422,713
Acquired through business combinations	1,086,262	615,756	-	-	-	1,702,018
	-----	-----	-----	-----	-----	-----
At 31 December 2022	1,086,262	615,756	1,070,198	15,611	92,520	2,880,347
AMORTISATION						
At 1 January 2022	-	-	162,558	15,611	-	178,169
Charge for the period	-	90,408	296,133	-	-	386,541
	-----	-----	-----	-----	-----	-----
At 31 December 2022	-	90,408	458,691	15,611	-	564,710
NET BOOK VALUE						
At 31 December 2022	1,086,262	525,348	611,507	-	92,520	2,315,637
	-----	-----	-----	-----	-----	-----
At 31 December 2021	-	-	484,927	-	92,520	577,447
	-----	-----	-----	-----	-----	-----

Other intangible assets comprise regulatory licenses held at cost and are not amortised.

COMPANY INTANGIBLE ASSETS

	Internally developed software	Total
	£	£
COST		
At 1 January 2022	647,485	647,485
Additions	422,713	422,713
	-----	-----
At 31 December 2022	1,070,198	1,070,198
AMORTISATION		
At 1 January 2022	162,558	162,558
Charge for the period	296,133	296,133
	-----	-----
At 31 December 2022	458,691	458,691
NET BOOK VALUE		
At 31 December 2022	611,507	611,507
	-----	-----
At 31 December 2021	484,927	484,927
	-----	-----

9. BUSINESS COMBINATIONS

CAPITAL CURRENCIES LIMITED

The Group acquired 100% of the share capital of Capital Currencies Limited (“Capital Currencies”) on 1 February 2022. Capital Currencies was a well-established foreign exchange broker located in Tunbridge Wells, specialising in the provision of currency exchange and international payments. Capital Currencies is authorised and regulated by the FCA as an authorised payment institution permitted to provide payment services.

The rationale for the acquisition was to expand Cornerstone's presence in its core target market and, in line with the Group's stated strategy, increase revenue generated by direct clients. By bringing Capital Currencies' clients onto Cornerstone's technology platform, the Group benefits from the rationalisation of payments to banking partners across the combined organisation as well as recognising other synergistic savings, such as in compliance costs and overheads.

The recognised value of assets acquired and liabilities assumed and the fair value of consideration at the date of acquisition were as follows:

	£
Intangibles	423,064
Tangible fixed assets	14,584
Trade and other receivables	27,842
Cash acquired	58,351
Trade and other payables	(57,939)
Deferred tax provision	(80,382)

Net assets on acquisition	385,520
Goodwill on acquisition	1,043,319

Total consideration	1,428,839
Initial consideration – cash	586,335
Deferred contingent consideration	842,504

Total consideration	1,428,839

Goodwill comprises the value of expected synergies arising from the acquisition and additional value attributed by the acquirer in relation to the future expected cash flows, which is not separately recognised.

In determining the value of acquired customer relationships, forecast cash flows were discounted using a weighted average cost of capital (“WACC”) of 13%. Based on the valuation of the intangibles and enacted UK corporation tax rates a deferred tax provision of £80,382 was recognised as a result of the identified intangible asset.

Deferred consideration related to the acquisition of Capital Currencies was agreed at acquisition as payable as follows:

- On the first anniversary of completion, two times Capital Currencies' revenue for the 12-month period leading up to 31 January 2023, less the initial cash consideration already paid.
- On the second anniversary of completion, three times Capital Currencies' revenue for the 12-month period leading up to 31 January 2024, less cumulative amounts already paid.

Deferred consideration has been assessed using historical information and management forecasts to estimate amounts payable which have been discounted at a WACC of 13%.

As disclosed in note 20, on 18 March 2023, the Company announced it had agreed a variation of the above deferred consideration payments that postponed the above measurement and settlement periods by one calendar year in each instance and gave the Company the option to settle the deferred consideration in cash. The discounted consideration shown above does not reflect the impact of this extension.

PANGAEA FX LIMITED

The Group acquired 100% of the share capital of Pangea FX Limited ("Pangea") on 1 September 2022. Pangea FX is a specialist FX and treasury consultancy with a strategic focus on helping its clients control the impact currency volatility has on their business, primarily through providing a bespoke service to corporate clients in the UK.

The rationale for the acquisition was to accelerate the Group's growth through the addition of two experienced senior sales executives – the principals of Pangea – who are responsible for leading the Group's sales function in the UK and Dubai. The Group has also benefited from the migration of Pangea's existing client base to the Cornerstone platform as well as certain operational synergies such as from closing the Pangea operating base and relocating the employees to the Group's main office.

The recognised value of assets acquired and liabilities assumed and the fair value of consideration at the date of acquisition were as follows:

	£
Intangibles	192,962
Tangible fixed assets	976
Trade and other receivables	30,737
Cash acquired	856
Trade and other payables	(12,568)
Deferred tax provision	(36,611)

Net assets on acquisition	176,081
Goodwill on acquisition	42,944

Total consideration	219,025
Initial consideration – cash	25,000
Payment to discharge Directors' loans	21,447
Loan notes (undiscounted)	172,578

Total consideration	219,025

Goodwill comprises the value of expected synergies arising from the acquisition and additional value attributed by the acquirer in relation to the future expected cash flows, which is not separately recognised.

In determining the value of the acquired customer relationships that comprise the intangible assets, forecast cash flows were discounted using a WACC of 13%. Based on the valuation of the intangibles and enacted UK corporation tax rates a deferred tax provision of £36,611 was recognised as a result of the identified intangible asset.

The payment of the loan note principal of £172,578 is contingent on achieving future revenue targets over a period of two years from the acquisition date. Based on current and forecast performance it has been assumed that the contingent consideration will be paid in full. A 6% coupon rate is payable on the loan note principal, quarterly in arrears. As the loan note debt instrument is expected to be held to maturity, with the only related cash flows being the principal and interest, the loan note principal is shown without any time-value discount.

10. GROUP PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Leasehold improvements	Total
	£	£	£
COST			
At 1 January 2022	33,046	-	33,046
Additions	17,198	-	17,198
Acquired through business combinations	976	14,583	15,559
	-----	-----	-----
At 31 December 2022	51,220	14,583	65,803
AMORTISATION			
At 1 January 2022	11,504	-	11,504
Charge for the period	8,275	6,347	14,622
	-----	-----	-----
At 31 December 2022	19,779	6,347	26,126
NET BOOK VALUE			
At 31 December 2022	31,441	8,236	39,677
	-----	-----	-----
At 31 December 2021	21,542	-	21,542
	-----	-----	-----

11. INVESTMENTS

	Investments in Subsidiaries £
Cost or Valuation	
At 1 January 2022	6,349,758
Additions	1,667,864
	<u>8,017,622</u>
Net Book Value	
At 31 December 2022	<u>8,017,622</u>
At 31 December 2021	<u>6,349,758</u>

The Company's investment as at 31 December 2022 represents its investments in its direct subsidiaries of £6,367,773 in Cornerstone Payment Solutions Ltd (2021: £6,347,773), £1,428,839 in Capital Currencies (2021: £nil), £219,025 in Pangea FX Limited (2021: £nil) and £1,985 in Cornerstone – Middle East FZCO (2021: £1,985).

During the year ended 31 December 2022, the Company invested a further £20,000 in support of the increased regulatory capital requirements for Cornerstone Payment Solutions Ltd.

Further, as disclosed in note 9 investments in subsidiaries acquired in the year amounted to £1,428,839 in respect of Capital Currencies, which was acquired on 1 February 2022 (year-ended 31 December 2021: £nil) and £219,025 in respect of Pangea FX Limited (2021: £nil).

Shares in subsidiary and associate undertakings are stated at cost. As at 31 December 2022, Cornerstone FS plc owned the following principal subsidiaries, which are included in the consolidated accounts:

Subsidiary	Principal Activity	Country of Incorporation	Registered Office	Percentage of Ownership
Cornerstone Payment Solutions Ltd	Foreign Exchange and Payment Services	Northern Ireland	1 Elmfield Avenue, Warrenpoint, Newry, Co. Down, BT34 3HQ	100 per cent.
Cornerstone – Middle East FZCO	Consultancy	United Arab Emirates	Dubai Silicon Oasis, DDP, Building A2, Dubai, United Arab Emirates	100 per cent.
Avila House Limited	E-money and Payment Services	England and Wales	The Old Rectory, Addington, Buckinghamshire, MK18 2JR	100 per cent.
Capital Currencies Limited	Authorised Payment Institution	England and Wales	The Old Rectory, Addington, Buckinghamshire, MK18 2JR	100 per cent.
Pangea FX Limited	Foreign Exchange White Label	England and Wales	The Old Rectory, Addington, Buckinghamshire, MK18 2JR	100 per cent.

CS Commercial Limited and Cornerstone EBT Trustee Limited, which were dormant and 100% owned by the Company, were both dissolved during the year.

12. CURRENT TRADE AND OTHER RECEIVABLES

	Group	Group	Company	Company
	31 December 2022	31 December 2021	31 December 2022	31 December 2022
	£	£	£	£
Trade receivables	221,669	-	-	-
Prepayments and accrued income	131,010	90,360	39,465	31,118
Derivative financial assets at fair value	635,473	322,710	-	-
Other receivables	53,062	42,525	-	10,000
Amounts due from Group undertakings	-	-	363,359	170,229
Taxes and social security	297,896	37,649	297,896	37,649
	-----	-----	-----	-----
	1,339,110	493,244	700,720	248,996
	-----	-----	-----	-----

For the year ended 31 December 2022 £nil was recorded as a bad debt expense (31 December 2021: £nil).

As at 31 December 2022, the Group had a contingent asset in respect of Research and Development tax credits for which a reclaim had been prepared, but not yet submitted. The estimated net benefit of the claim is approximately £135,000 (2021: £158,000) and has not been included in current receivables due to its contingent nature.

13. LOAN NOTES

	Group	Group	Company	Company
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	£	£	£	£
CURRENT				
Convertible loan notes	225,000	-	225,000	-
	-----	-----	-----	-----
NON-CURRENT				
Loan notes	2,172,578	-	2,172,578	-
	-----	-----	-----	-----

The current convertible loan note of £225,000 was issued pursuant to the Company's fundraising on 5 August 2022 to a placee pending approval from the FCA to allow the placee to increase their shareholding to over 10%. The FCA granted such approval and the loan note was converted into 3,461,538 new ordinary shares of one penny each at an exercise price of 6.5 pence per share on 6 February 2023 (see note 20).

The non-current non-convertible loan notes comprise £2,000,000 issued to Robert O'Brien (the "Robert O'Brien loan note") and £172,578 of deferred consideration in relation to the acquisition of Pangea FX Limited (see note 9). Both loan notes have a 6% coupon rate payable quarterly in arrears. The Robert O'Brien loan note was issued pursuant to a settlement of his share-incentivisation arrangement with the Company and was due for repayment on 31 July 2025. Post year end, the repayment date was varied to 31 July 2026. The Pangea FX Limited loan note is payable on 31 August 2024 contingent upon achieving future revenue targets over a period of two years from the acquisition date. Based on current and forecast performance it has been assumed that the loan notes will be paid in full.

14. CURRENT TRADE AND OTHER PAYABLES

	Group 31 December 2022	Group 31 December 2021	Company 31 December 2022	Company 31 December 2021
	£	£	£	£
Trade payables	362,035	346,255	162,128	212,561
Derivative financial liabilities at fair value	563,676	290,292	-	-
Other tax and social security	515,750	60,349	50,640	10,923
Other payables and accruals	527,816	484,814	179,818	244,033
Amount due to Group undertakings	-	-	1,425,555	435,659
	-----	-----	-----	-----
	1,969,277	1,181,710	1,818,141	903,176
	-----	-----	-----	-----

15. SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid

	Ordinary shares No.	Share capital £
Ordinary shares of £0.01 each as at 1 January 2022	20,277,582	202,776
Issue of new shares of £0.01	27,758,617	277,586
	-----	-----
Ordinary shares of £0.01 each at 31 December 2022	48,036,199	480,362
	-----	-----

At 31 December 2022 share subscriptions of £nil remained unpaid (31 December 2021: £nil).

The following changes in the share capital of the Company have taken place in year ended 31 December 2022:

- On 27 January 2022, 3,283,034 ordinary shares were issued at a price of £0.265 in connection with a placing and subscription
- On 8 April 2022, 123,000 ordinary shares were issued at a price of £0.265 in consideration for investor relations services
- On 5 August 2022, 13,230,765 ordinary shares were issued at a price of £0.065 in connection with a placing

- On 5 August 2022, 6,386,818 ordinary shares were issued at a price of £0.100 being the equity element of a settlement with Robert O'Brien and his team related to their share-based incentivisation agreement
- On 24 August 2022, 360,000 ordinary shares were issued at a price of £0.10025 in part settlement of the share-based remuneration for the non-executive board and company secretary in respect of the year ended 31 December 2021
- On 7 October 2022, 4,375,000 ordinary shares were issued at a price of £0.008 upon conversion of a loan note

All ordinary shares are equally eligible to receive dividends and the repayment of capital and represent equal votes at meetings of shareholders.

The following describes the nature and purpose of each reserve within owner's equity:

Share capital: Amount subscribed for shares at nominal value.

Share premium: Amount subscribed for share capital in excess of nominal value, less costs of share issue.

Share-based payment reserve: The share-based payment reserve comprises the cumulative expense representing the extent to which the vesting period of warrants and share options has passed and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest.

Deferred consideration reserve: Reflects equity-based contingent consideration on the acquisition of subsidiaries.

Merger relief reserve: Effect on equity of the consideration shares issued over their nominal value.

Reverse acquisition reserve: Effect on equity of the reverse acquisition of Cornerstone Payment Solutions Ltd.

Retained losses: Cumulative realised profits less cumulative realised losses and distributions made, attributable to the equity shareholders of the Company.

Options

The Company operates an Enterprise Management Incentive ("EMI") Scheme equity-settled share-based remuneration scheme for employees.

Under the scheme the options are exercisable at any time. The options are also exercisable in the event of a change of control. If the option holder's employment within the Group is terminated, other than for gross misconduct, any options vested may be exercised within 90 days of such termination (12 months in the case of the option holder's death), otherwise the options lapse five years after the date of grant. The options also lapse, inter alia, if the option holder is adjudged bankrupt or proposes a voluntary arrangement or other scheme in relation to his/her debts.

	31 December 2022		31 December 2021	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at the beginning of the year	1,599,480	0.50	1,599,480	0.50
Granted during the year	1,893,454	0.23	-	-
Forfeited/waived during the year	(1,786,603)	(0.46)	-	-
Total outstanding	1,706,331	0.24	1,599,480	0.50
Total exercisable	184,535	0.50	533,160	0.50

The Black-Scholes model was used for calculating the cost of options. The model inputs for each of the options issued were:

GRANT DATE	8 March 2022	8 March 2022	8 March 2022	1 September 2022
Exercise price (pence)	36.2	61.0	26.5	10.0
Share price at grant date (pence)	16.5	16.5	16.5	9.0
Risk free rate	2.1%	2.1%	2.1%	2.7%
Expected volatility	90.1%	90.1%	90.1%	129.5%
Contractual life (years)	5	5	5	5

The expected volatility reflects the assumption that historical volatility of comparable quoted companies is indicative of future trends, which may not necessarily be the actual outcome.

The weighted average contractual life of the options is five years (2021: five years).

No options were exercised during the current year (2021: nil).

The Group's share-based compensation charge for the year ended 31 December 2022 of £4,284,039 (2021: £2,338,495) consists of £128,943 in relation to warrants granted in Cornerstone (2021: £142,712), a net credit of £222,577 in respect of the Cornerstone options (2021: charge of £306,833), £36,836 in respect of equity settled share-based payments related to the non-executive Board member's service agreements (2021: £81,370) and £4,340,837 of other share-based compensation (2021: £1,807,580).

Other share-based compensation

On 27 September 2021 the Company announced the appointment of Robert O'Brien as General Manager APAC and Middle East. As part of his remuneration package over the first two years he and his team were entitled to receive share-based incentivisation based on a multiple of revenue generation and contribution to profit.

Upon initial recognition of the share-based incentivisation, the forecasted performance of Robert O'Brien and his team over the two-year period, resulted in an expected share-based compensation charge over the two-year period of £6,148,417 based on the share price at the grant date on 1 August 2021 of 29.5 pence per share.

On 4 August 2022, the Company announced the variation of the share incentive arrangement between the Company and Robert O'Brien and his team. The terms of the original incentivisation arrangements were varied such that 1) Mr. O'Brien was issued a loan note with a value of £2 million and carrying a coupon rate of 6%, repayable by the Company on 31 July 2025 (which was subsequently varied to be repayable on 31 July 2026); 2) Mr. O'Brien was issued and allotted 4,286,818 new ordinary shares at a price of 10p per share; 3) the three senior members of Mr. O'Brien's team were allotted and issued 2,100,000 new ordinary shares at a price of 10p per share; and 4) the issue of a further 5,113,182 new ordinary shares to Mr. O'Brien at a price of 10p per share following receipt from the FCA of permission for Mr. O'Brien to increase his holding to more than 9.9% of the issued share capital of the Company. As a result of the agreed settlement, the Company recognised an accelerated charge for the year ended 31 December 2022 such that the full value of the total charge estimated upon initial recognition of £6,148,417 has been cumulatively expensed (£4,340,837 for the year ended 31 December 2022 and £1,807,580 for the year ended 31 December 2021).

A transfer from the share-based payment reserve to the profit and loss reserve of £5,186,984 was recognised for the year ended 31 December 2022 reflecting the issue of the £2 million loan note, allotment of 6,386,818 new ordinary shares at a price of 10p per share to Robert O'Brien and his team (£3,153,950) and the issue of 329,492 shares at a price of 10.025 pence per share on 28 August 2022 in respect of equity-settled remuneration under the non-executive Board member's service agreements.

No warrants were granted in the year.

16 . RELATED PARTY TRANSACTIONS

Details of key management compensation are included in note 4. Key management are considered to be the Directors of the Group.

Transactions with subsidiaries

During the year, the Company and Cornerstone Payment Solutions Ltd entered into various transactions with each other including software development charges, licenses fees and working capital support. The net balance of transactions between the companies are held on an interest-free inter-Group loan which has no terms for repayment. At the year end, the Company owed £1,404,408 (2021: £435,659) to Cornerstone Payment Solutions Ltd.

During the year, the Company also provided working capital support to Avila House Limited, Cornerstone – Middle East FZCO and Capital Currencies Limited. The net balance of transactions between the companies are held on an interest-free intra-Group loan which has no terms for repayment. At the year end, Avila House Limited owed the Company £259,617 (2021: £150,041),

Cornerstone – Middle East FZCO owed the Company £60,500 (2021: £20,188) and Capital Currencies Limited owed the Company £43,242 (2021: £nil).

Other related parties

All of the amounts below were in respect of the year ended 31 December 2022.

During the year ended 31 December 2022, the Group generated revenue of £1,617,467 under a referral agreement with Atlantic Partners Asia ("APA"), a significant shareholder in the Company (year ended 31 December 2021: £481,330). As at 31 December 2022, APA owed the Group £221,669 (31 December 2021: £nil).

As at 31 December 2022 an amount of £8,750 was due from Terry Everson, a director of Cornerstone Payment Solutions Ltd and a shareholder in Cornerstone (31 December 2021: £8,750).

On 28 September 2022 William Newton, a director and significant shareholder of the Company, assigned his un-drawn convertible loan note of £350,000 to APA.

During the year ended 31 December 2022, William Newton repaid a loan made by the Group to him of £10,000 (balance outstanding as at 31 December 2021: £10,000).

During the year ended 31 December 2022, the Group incurred charges of £45,000 (2021: £nil) under a computer services agreement with JF Technology (UK) Ltd of whom Stephen Flynn (a former Director of the Company and a significant shareholder) is a director and a majority shareholder. As at 31 December 2022 £18,000 was payable to JF Technology (UK) Ltd (balance outstanding as at 31 December 2021: £nil).

The transactions with Robert O'Brien are disclosed in notes 13, 15 and 20.

17. FINANCIAL INSTRUMENTS

Financial Assets

	Group 31 December 2022 £	Group 31 December 2021 £	Company 31 December 2022 £	Company 31 December 2021 £
DERIVATIVE FINANCIAL ASSETS				
Foreign currency forward contracts with customers	504,106	359,077	-	-
Foreign currency forward contracts with institutional counterparty	131,367	33	-	-
	-----	-----	-----	-----
	635,473	359,110	-	-
Cash and cash equivalents	682,346	348,102	495,627	139,579
Trade receivables	221,669	-	-	-
Other receivables	184,072	132,885	402,824	211,347
	-----	-----	-----	-----
	1,723,560	840,097	898,451	350,926
	-----	-----	-----	-----

Financial Liabilities

	Group 31 December 2022	Group 31 December 2021	Company 31 December 2022	Company 31 December 2021
	£	£	£	£
DERIVATIVE FINANCIAL LIABILITIES				
Foreign currency forward contracts with customers	165,156	290,292	-	-
Foreign currency forward contracts with institutional counterparty	398,520	-	-	-
	-----	-----	-----	-----
	563,676	290,292	-	-
Trade payables	362,035	346,255	162,128	212,561
Other payables	527,816	484,814	1,605,373	679,692
Loan notes	2,397,578	-	2,397,578	-
	-----	-----	-----	-----
	3,851,105	1,121,361	4,165,079	892,253
	-----	-----	-----	-----

All financial assets and liabilities have contractual maturity of less than one year with the exception of loan notes of £2,172,578 (2021: £nil).

Derivative financial assets and liabilities

Derivative financial assets not designated as hedging instruments

	31 December 2022		31 December 2021	
	Fair Value	Notional Principal	Fair Value	Notional Principal
	£	£	£	£
Foreign currency forward contracts with customers	504,106	9,042,956	359,077	12,508,939
Foreign currency forward contracts with institutional counterparty	131,367	3,377,597	33	12,544
	-----	-----	-----	-----
	635,473	12,420,553	359,110	12,521,483
	-----	-----	-----	-----

Derivative financial liabilities not designated as hedging instruments

	31 December 2022		31 December 2021	
	Fair Value	Notional Principal	Fair Value	Notional Principal
	£	£	£	£
Foreign currency forward contracts with customers	165,156	3,337,362	290,292	9,874,438
Foreign currency forward contracts with institutional counterparty	398,520	8,715,534	-	-
	-----	-----	-----	-----
	563,676	12,052,896	290,292	9,874,438
	-----	-----	-----	-----

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Foreign currency forward contracts are measured at fair value on a recurring basis.

There are three levels of fair value hierarchy:

- Level 1 – the fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Foreign currency forward contracts with customers generally require immediate settlement on the maturity date of the individual contract and fall into level 2 of the fair value hierarchy above. Level 2 comprises those financial instruments which can be valued using inputs other than quoted prices that are observable for the asset or liability either directly (i.e., prices) or indirectly (i.e., derived from prices). The fair value of forward foreign exchange contracts is measured using observable forward exchange rates for contracts with a similar maturity at the reporting date.

The net gain on financial assets at fair value through profit or loss for year ended 31 December 2022 was £3,300 (2021: net loss of £29,661).

Financial instruments – risk management

Financial assets primarily comprise trade and other receivables, cash and cash equivalents and derivative financial assets. Financial liabilities comprise trade and other payables, shareholder loans and derivative financial liabilities. The main risks arising from financial instruments are market risk (including foreign currency risk and interest rate risk), liquidity risk, credit risk and counterparty risk.

Market risk

Market risk for the Group comprises foreign exchange risk and interest rate risk. The Group operates as a riskless matched principal broker for deliverable non-speculative spot and forward foreign currency transactions, with each trade with its clients matched with an identical trade with an institutional counterparty. Therefore, foreign exchange risk is mitigated through the matching of foreign currency assets and liabilities between clients and institutional counterparties which move in parity.

The Group's cash balances are primarily held in Pound Sterling and the Group does not hold significant cash balances in foreign currencies.

Interest rate risk affects the Group to the extent that it implicitly impacts the price of foreign currency forward contracts. However, this risk is mitigated in the same way as foreign currency risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group has extensive controls to ensure that it has sufficient cash or working capital to meet its cash requirements to mitigate this risk.

As per the Going Concern note above, the Directors have prepared a cash flow forecast taking into account a projected increase in revenues and continued investment in the development of the Group's platform and organic sales & marketing efforts and the inherent risks and uncertainties facing the Group's business to assess the Group's working capital requirements. The Board reviews cash flow projections on a regular basis and has authority controls in place so as not to commit to material expenditure without being satisfied that sufficient funding is available to the Group.

The Group also has systems in place to monitor the margin requirements of its clients and its margin requirement with the institutional counterparty for the back-to-back foreign currency forward contract on a real-time basis and request any necessary top up payment from the clients. The Group also has the right to close any position if no margin is given.

Credit risk

Credit risk is the risk that clients do not meet their contractual obligations in respect of the currency spot and forward contracts which leads to a financial loss. All customers are subject to credit verification checks. Approximately 90% of the Group's trades are spot currency contracts which are required to be settled within two working days. For forward currency contracts, as noted above, clients are required to provide margin that mitigates credit exposure. Trade limits are applied to all clients. The Group has systems to monitor trade limits and collateral requirements on a real-time basis. The Group does not have any significant concentration of exposures within its client base.

Counterparty risk

Each trade between a client and the Group is matched with an identified trade with Velocity Trade International ("Velocity"), which is a global foreign exchange liquidity and trade provider that provides pricing, execution and settlement services for the Group.

The Group also has brokerage accounts with alternative institutional counterparties and could transact with them instead if Velocity is unable to provide liquidity.

Management of settled and open trades are conducted via Currency Cloud, the GV (formerly Google Ventures) backed global payments and FX platform, and Banking Circle. Client funds are safeguarded with Banking Circle in line with the Group's requirements under the Electronic Money Regulations 2011 for additional protection and to reduce counterparty risk.

18. FINANCIAL COMMITMENTS

The Group is not considered to have any operating lease commitments. The offices utilised by the Group are serviced offices, which have a short notice period and therefore it has not been considered necessary to disclose these as an operating lease commitment.

19. CAPITAL MANAGEMENT

The capital structure of the business consists of cash and cash equivalents, debt and equity. Equity comprises share capital, share premium and retained losses and is equal to the amount shown as 'Equity' in the balance sheet. The Group's current objectives when maintaining capital are to:

- safeguard the Group's ability to operate as a going concern so that it can continue to pursue its growth plans;
- provide a reasonable expectation of future returns to shareholders; and
- maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of underlying assets.

The Company is subject to the following externally imposed capital requirements:

- as a public limited company, the Company is required to have a minimum issued share capital of £50,000.

Cornerstone Payment Solutions Ltd, a wholly-owned subsidiary of the Company, is subject to the following capital requirement under the Electronic Money Regulations 2011:

- 2% of the average outstanding e-money issued by the Electronic Money Institution (based on a 6-month rolling average), or the initial capital requirement of €350,000, whichever is the higher.

Capital Currencies Limited, a wholly-owned subsidiary of the Company, is subject to the following capital requirement under the Payment Service Regulations 2017:

- either 10% of fixed overheads for the preceding year or the initial capital requirement of €20,000, whichever is the higher.

Cornerstone Payment Solutions Ltd and Capital Currencies Limited complied with the above requirements for all periods during the year ended 31 December 2022.

20. EVENTS AFTER THE REPORTING DATE

Variation of Incentivisation and Settlement Arrangements

On 8 March 2023, the Company announced that it had agreed to vary certain incentivisation and settlement arrangements with Robert O'Brien, General Manager APAC and Middle East, and Craig Strong, Director of Capital Currencies.

The repayment date of Mr. O'Brien's £2 million loan note has been extended by one year such that it is now repayable by the Company on 31 July 2026.

The Company has agreed with Mr. Strong to vary the terms of the original earn-out consideration in respect of the Capital Currencies acquisition as follows:

- The first tranche of the earn-out consideration is now assessable on revenue performance for the year ending 31 January 2024 and the second tranche is assessable on revenue performance for the year ending 31 January 2025 – both representing an extension of one year.
- The Company now has the option, at its discretion, to satisfy one or both of the earn-out payments in cash as opposed to one half of the first tranche being payable in ordinary shares and the other half in convertible loan notes and the second tranche to be payable in ordinary shares.

Other events after the reporting date

On 13 January 2023, the Company issued and allotted 806,182 new ordinary shares at a price of 6.501 pence per share to a Non-Executive Director, the Company Secretary and four former Non-executive Directors as part of their annual remuneration set out in the Company's admission document dated 26 March 2021.

On 13 January 2023, the Company granted options over ordinary shares of 1 penny each in the capital of the Company. James Hickman was granted 1,000,000 options at an exercise price of 10 pence per share and 1,000,000 options at an exercise price of 20 pence per share. Judy Happe was granted 550,000 options and Jordanna Curtis 200,000 both at an exercise price of 10 pence per share. In addition, the Company granted a further 299,180 options to other staff members. All options are intended to qualify as Enterprise Management Incentive options pursuant to the Income Tax (Earnings and Pensions) Act 2003.

On 6 February 2023, the Company issued and allotted 8,574,720 new ordinary shares following receipt of permission from the FCA for Robert O'Brien and Mark Horrocks to increase their respective shareholdings beyond 9.9% of the issued share capital of the Company. The shares were issued at a price of 10 pence and 6.5 pence per share respectively. The shares issued to Mark Horrocks were for the conversion of a £225,000 loan note issued to him as part of the Company's fundraising announced on 5 August 2022.

On 26 April 2023, the Group completed the sale of Avila House Ltd to Aspire Commerce Ltd and received £300,000 in cash in consideration following the receipt of regulatory approval from the FCA.

Company Information

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