Annual Report

For year ending 31 December 2021

Cornerstone

Contents

Cornerstone is...

A payments focused fintech business that makes managing currency simple for international SMEs

With a clear strategy to grow via...

Development of enhanced products and services

- Continued technology and product innovation
- Multi-currency e-money accounts, accounting system integrations and open banking services

Organic growth through multi-channel sales

- Utilising advanced digital sales and marketing technologies
- Leveraging an experienced sales team

Buy-and-build acquisitions

- Roll-up and integrate independent FX brokers to drive scale and profitability

Focusing on larger SME customers

- SMEs underserved by traditional banks
- Larger clients to drive greater revenues and profitability

...to create value for shareholders.

Strategic Delivery Since IPO

- Made acquisitions of other FX businesses
- Brought the majority of white label business in-house
- Significantly grown sales to clients that we serve directly
- Delivered substantial product enhancements
- Obtained authorisation as an Authorised Electronic Money Institution – an important step towards being able to develop a full-connected workflow platform for SME payments
- Expanded internationally with opening of an office in Dubai
- Strengthened our management team – bringing in highly experienced individuals to drive the business forward

2021 Financial Summary

- Revenue increased 38% to £2.3m (2020: £1.7m)
- Gross margin improved to 51.6% (2020: 29.8%)
- Loss before tax of £4.2m (2020: £2.2m loss)
- Loss per share of 21.24p (2020: 14.99p loss)
- Cash and cash equivalents at 31 December 2021 of £384k (31 December 2020: £184k)

Chairman's Statement

Introduction

The year to 31 December 2021 has been a period of considerable development and successful growth for the Group.

Cornerstone was admitted to trading on AIM on 6 April 2021 with an express strategy to build a significant business in the provision of payment services, foreign exchange and currency risk management.

The Group has developed and built in-house its own proprietary cloud-based software platform known as FXPal. The platform is designed to cater for the needs of SMEs engaged in international trade. FXPal provides international payment, currency risk management and electronic account services both directly to SMEs and via white label partners on a SaaS basis. Cornerstone also serves some high net worth individual clients ("HNWIs").

During the year the Group expanded the scope of its operation into the Middle East and Asia.

As announced on 14 January 2022, the Group is reporting annual revenue growth of 38% to £2.3m for full year 2021 (2020: £1.7m). More impressively, the Group increased gross profit to £1.2m for the full year 2021 (2020: £0.5m).

As previously announced, this strong trading momentum continued into 2022 and has been maintained through the first half.

2021 Highlights

- admitted to trading on AIM on 6 April 2021
- on Admission, placing of shares raised £2.2m gross of new equity and £450k via convertible loan notes
- appointed a new team to market the Group's services in Asia in August 2021
- opened new office in Dubai in September 2021
- 38% increase in revenues to £2.3m for 2021 (2020: £1.7m)
- 239% increase in gross profit to £1.2m for 2021 (2020: £0.5m)
- underlying loss from operations of £1.4m (2020: £1.0m)*
- loss for the year after tax of £4.1m for 2021 (2020: £2.2m)

* excludes transaction costs and share-based compensation

Progress in 2021

The Group appointed a new team, based in London, in the second half of the year to market the Group's services to businesses located in Asia, with a primary focus on firms supporting HNWIs acquiring real estate in the UK. The new team joined the Group from Vorto Trading Ltd ("Vorto"), which provides international payment services to individuals and organisations primarily in European and Asian markets and is the Group's largest white label partner.

On 27 September, Cornerstone announced that it had expanded into the Middle East with the opening of an office in Dubai to market its foreign exchange and international payment management services to foreign investors in Dubai and particularly to Asian investors acquiring real estate in the Emirate.

During the 12 months to 31 December 2021, trading volumes increased following the contraction, particularly in the second half of 2020, due to the impact of COVID-19. As a result, the Group delivered 38% growth in revenues to £2.3m (2020: £1.7m).

The year ended 31 December 2021 saw a significant increase in revenue generated by clients the Group serves directly, with the business transitioning to majority direct revenue during the year. Direct revenue grew by 571% over the prior year to £1.3m (2020: £0.2m) and accounted for 56% of total revenue (2020: 12%). Revenue generated through the Group's introducer network (which is primarily white label partners but also introducer brokers) was £1.0m and accounted for 44% of total revenue (2020: £1.4m and 88%).

Gross margin for the year ended 31 December 2021 was 51.6% (2020: 29.8%) with the significant improvement due to the increased contribution to revenue from direct customers.

The improvement in gross margin enabled the Group to achieve a 239% growth in gross profit compared with the prior year, with gross profit for the period of £1.2m (2020: £0.5m). However, this was offset by increased administration expenses associated with the Company's IPO and other public company requirements and share-based compensation. Total administrative expenses for 2021 were £5.4m compared with £2.7m for the prior year.

The Group recognised a loss before tax of £4.2m for the year ended 31 December 2021 compared with £2.2m for 2020, which primarily reflects the greater administrative expenses. Loss per ordinary share on a basic and diluted basis was 21 pence (2020: 15 pence), due to the increased loss.

As at 31 December 2021, the Group had cash and cash equivalents of £348k (31 December 2020: £184k). This followed the raising of gross proceeds of £2.2m via a placing of new ordinary shares and £450k via convertible loan note facilities as part of the IPO. The convertible loan note facilities have not yet been drawn-down by the Group.

In the 12 months to 31 December 2021 by client type, corporate accounts generated £1.7m (2020: £1.5m), accounting for 75% (2020: 92%) of total revenue. HNWIs generated £585k for the year (2020: £133k), accounting for 25% of total revenue (2020: 8%). During the year, 416 new clients were onboarded (2020: 328).

The Group's product offering includes spot and forward FX capabilities. In the twelve months to 31 December 2021, spot trades accounted for 96% of transactions (2020: 94%) and 89% of revenue (2020: 87%), and forward currency contracts accounted for 4% of transactions (2020: 6%) and 11% of revenue (2020: 13%). Commission is charged at a higher rate on forward trades to reflect the increased risks of the transactions. Commission varies from client to client but in general, the longer the maturity of the forward trade, the higher the commission rates. The difference between the volume of transactions and proportion of revenue reflects the higher levels of commission charged on forward transactions.

In total, payments worth £363m were transacted through the Cornerstone platform in the year to 31 December 2021 (2020: £462m).

In the 12 months to 31 December 2021, the Group has conducted transactions between 42 different currency pairs (2020: 59), with 91% of transactions being between various combinations of Sterling, Euros and US Dollars (2020: 88%). The Group also provides same currency payment services which are non-FX transactions.

Financial Summary

The summary income results for the Company for the year under review are as follows:

12 months ended 31 December	2021 £000	2020 £000
Sales	2,301	1,664
Gross profit	1,187	496
Total overheads	5,363	2,652
Adjusted loss before tax	(4,174)	(2,154)

Post Balance Sheet Developments

In January 2022 the Company announced a placing and subscription of new shares at 26.5 pence per share raising total gross proceeds of £870k following which a total of 3,283,034 new ordinary shares of one penny each in the capital of the Company were admitted to AIM.

In February 2022 the Company completed the acquisition of Capital Currencies Limited, a well-established foreign exchange broker specialising in the provision of currency exchange and international payments, authorised and regulated by the Financial Conduct Authority ("FCA") as an authorised payment institution permitted to provide payment services. Capital Currencies primarily serves UK corporates, with a particular focus on larger SMEs. Over 90% of its revenue is generated by clients that it services directly.

Also in February I was delighted to welcome Bill Newton, Chief Information Officer, and Stephen Flynn, Chief Technology Officer, to the Board as Executive Directors of the Company.

In March 2022 we appointed Robert O'Brien, General Manager APAC and Middle East, to the newly created position of Interim Chief Operating

Officer of Cornerstone's principal operating subsidiary, Cornerstone Payment Solutions Limited, to strengthen operations as it continues to grow and expand.

Outlook and Prospects

As the Directors anticipated in March 2022, the strong trading momentum achieved in 2021 has continued into 2022. For the first quarter of 2022, Cornerstone achieved underlying revenue growth across the business and received the first contribution to revenue from Capital Currencies Limited ("Capital Currencies"). As a result, total unaudited revenue for Q1 2022 was approximately £946k; the Group's highest ever unaudited quarterly revenue. Excluding the contribution from acquisitions, the Group's three-month Q1 2022 unaudited revenue of approximately £888k surpassed the six-month revenue reported by the Group for H1 2021 of £837k.

Revenue generated by clients that the Group serves directly continued to increase significantly during Q1 2022 to approximately 77% compared with 28% for the first half of the previous year. A key contributor to this was the Group's Asia team that was brought on board in the second half of 2021. As announced in our trading update on 14 January 2022, this change to majority direct revenue has had a positive impact on the Group's gross margin, a development which the Board anticipates to continue in 2022.

As a fast-growing software development business, further fundraisings will be required to enable the business to grow and flourish. As detailed in the Going Concern section of the Chief Financial Officer's review, further equity fundraising will be necessary over the coming months in order to implement Cornerstone's growth strategy. Although the Group has had past success in fundraising and continues to attract interest from investors, making the Board confident of fundraising success, there can be no guarantee that such fundraising will be available.

Notwithstanding the funding requirements, the Board remains confident in the Group's prospects and looks forward to updating the market on further progress.

Elliott Mannis
Chairman
29 June 2022

Chief Executive Officer's Review

I am pleased to present Cornerstone's annual report for the year ended 31 December 2021. This follows our first year as a public company after our IPO in April 2021. The IPO was a key element in our strategy to grow the business through acquisition as well as continuing development of our highly scalable, cloud-based software platform. I am delighted to be able to report that we have made excellent progress in delivering the objectives that we outlined at the time of listing and that we achieved significant growth during the year, with that momentum having continued into 2022.

Significant Progress since IPO

We came to the market with the intention of pursuing an aggressive expansion strategy – which we began to deliver during the year.

The first step following our IPO was the appointment of a new team to market our services to businesses located in Asia, with a primary focus on firms supporting HNWIs acquiring real estate in the UK. This is a large and growing market opportunity, which has been accelerated by the pandemic. The new team, which is based in London, joined from Vorto, which is our largest white label partner. Since coming on board in the second half of the year, the Asia team has performed incredibly well – surpassing our expectations. By being part of our business and under the Cornerstone brand, they have been able to market a broader range of products and services, to a broader range of customers.

We further expanded our geographical reach with the establishment of a new office in Dubai to market our services to foreign investors, particularly those investing in real estate in the Emirate and businesses located there. We believe this represents a significant and expanding market opportunity. We were delighted to appoint Robert O'Brien as General Manager APAC and Middle East to lead the new office, who was also previously at Vorto where he was the largest revenue generator. We are seeing strong demand for our services in Dubai, with the office having commenced generating revenue, and it is also providing us with access to wider potential opportunities across the region.

We achieved a significant milestone, post year end in February, with the acquisition of Capital Currencies, a well-established foreign exchange broker that is authorised and regulated by the FCA as an authorised payment institution permitted to provide payment services. Capital Currencies is a strong strategic fit for Cornerstone as its client base is primarily UK corporates, with a particular focus on larger SMEs, with over 90% of revenue being generated by clients that it services directly. By bringing Capital Currencies' clients onto Cornerstone's technology platform, we can benefit from economies of scale and from the cross-selling of more services, and we expect it to be earnings accretive from the current financial year.

We are very pleased with the way the integration is progressing and how the business has been performing since the acquisition. We have met all significant integration milestones, including progress on migrating all Capital Currencies customers onto the Cornerstone platform, and we have begun to offer them additional, higher value services such as forward contracts.

Performance

Cornerstone achieved significant growth in 2021, with trading momentum increasing throughout the year. Revenue for the 12 months ended 31 December 2021 was £2.3m, a year-on-year increase of 38% (2020: £1.7m). This reflects a very strong second half of the financial year, with revenue 75% higher than in the first six months of 2021.

In line with our stated strategy, this growth primarily reflects a significant increase in revenue generated by clients that we serve directly. The proportion of total revenue that was accounted for by direct clients increased to 56% compared with 12% for the previous year, being £1.3m (2020: £0.2m). A key contributor to this growth was the new Asia team that was brought on board in the second half of the year.

Revenue generated through our introducer network (which is primarily white label partners, who use our technology, but also introducer brokers) accounted for 44% of total revenue (2020: 88%) and was £1.0m (2020: £1.4m). On a reported basis this represents a reduction due to some revenue that we previously generated through the introducer network now being serviced directly. However, on an underlying basis, there was an increase in revenue generated through our introducer network in 2021 compared with 2020.

By client type, there was an increase in revenue generated by both corporate accounts and HNWIs. This includes particularly strong growth in revenue from HNWIs, which was primarily due to the addition of the Asia team during the year. As a result, the proportion of total revenue accounted for by HNWIs increased to 25% (2020: 8%) with corporate accounts contributing 75% (2020: 92%).

The total number of clients that traded with Cornerstone during the year grew to 583 compared with 541 for 2020. We onboarded 416 new clients in 2021, an increase from 328 in the previous year. This reflects the sustained expansion in the scale of our business.

Spot trades accounted for 96% of transactions (2020: 94%) and 89% of revenue (2020: 87%). Higher margin forward currency contracts accounted for 4% of transactions (2020: 6%) and 11% of revenue (2020: 13%). The difference between the volume of transactions and proportion of revenue reflects the higher levels of commission charged on forward transactions.

During 2021, transactions were conducted between 42 different currency pairs (2020: 59), with 91% of transactions being between various combinations of Sterling, Euros and US Dollars (2020: 88%).

Product Enhancement

During the year, and in line with our stated strategy, we made a number of significant enhancements to our offer. Firstly, we undertook a major rebuild of the user interface of the platform to substantially modernise its appearance, streamline certain pathways and make the functionality more intuitive. This is part of our ongoing programme of investment and development of our technology platform as we look to continuously expand and upgrade its features.

A key milestone was achieved with the receipt of FCA approval – via our primary operating subsidiary, Cornerstone Payment Solutions Ltd (formerly FXPress Payment Services Ltd) ("CPS") – to become an Authorised Electronic Money Institution ("AEMI"). This allows us to receive payments and customer funds that can be held on account for an indefinite purpose and time – enabling us to offer a more convenient service as customers can leave money with Cornerstone rather than needing to put it into, and taking it out of, the system for each foreign exchange transaction or international payment. Importantly, being an AEMI will also enable us to develop further technology-enabled products and services that take advantage of the UK's Open Banking Initiative. This forms a key part of our vision to develop a fully-connected workflow platform for SMEs that will provide a single access point to manage and execute all of their payments – with or without an FX element.

Post year end, we made another significant enhancement through securing an additional payment partner and liquidity provider, Banking Circle, who sit alongside Currency Cloud and Velocity. All trades placed with us by clients are replicated in a back-to-back contract with a third-party liquidity provider, which provides pricing, execution and settlement services. By partnering with Banking Circle, not only does this provide us with more resilience by having multiple suppliers, but it expands our business offering in several respects. Firstly, it enables us to provide clients with European IBANs (with some customers wanting a European IBAN rather than a UK IBAN). It also enables us to service a broader range of countries and industries thanks to the range of services and partnerships that Banking Circle has in place.

Delivering on Strategy

Accordingly, since our IPO last year, we have made great progress in delivering against our stated strategy. While we are still at the relative beginning of our journey, I am proud of what we have achieved to date. In particular, we have:

- Made acquisitions of other FX businesses
- Brought the majority of our white label business in-house
- Significantly grown sales to clients that we serve directly
- Delivered product enhancements
- Obtained authorisation as an AEMI – an important step towards being able to develop a full-connected workflow platform for SME payments
- Expanded internationally
- Strengthened our management team – bringing in highly experienced individuals to drive the business forward

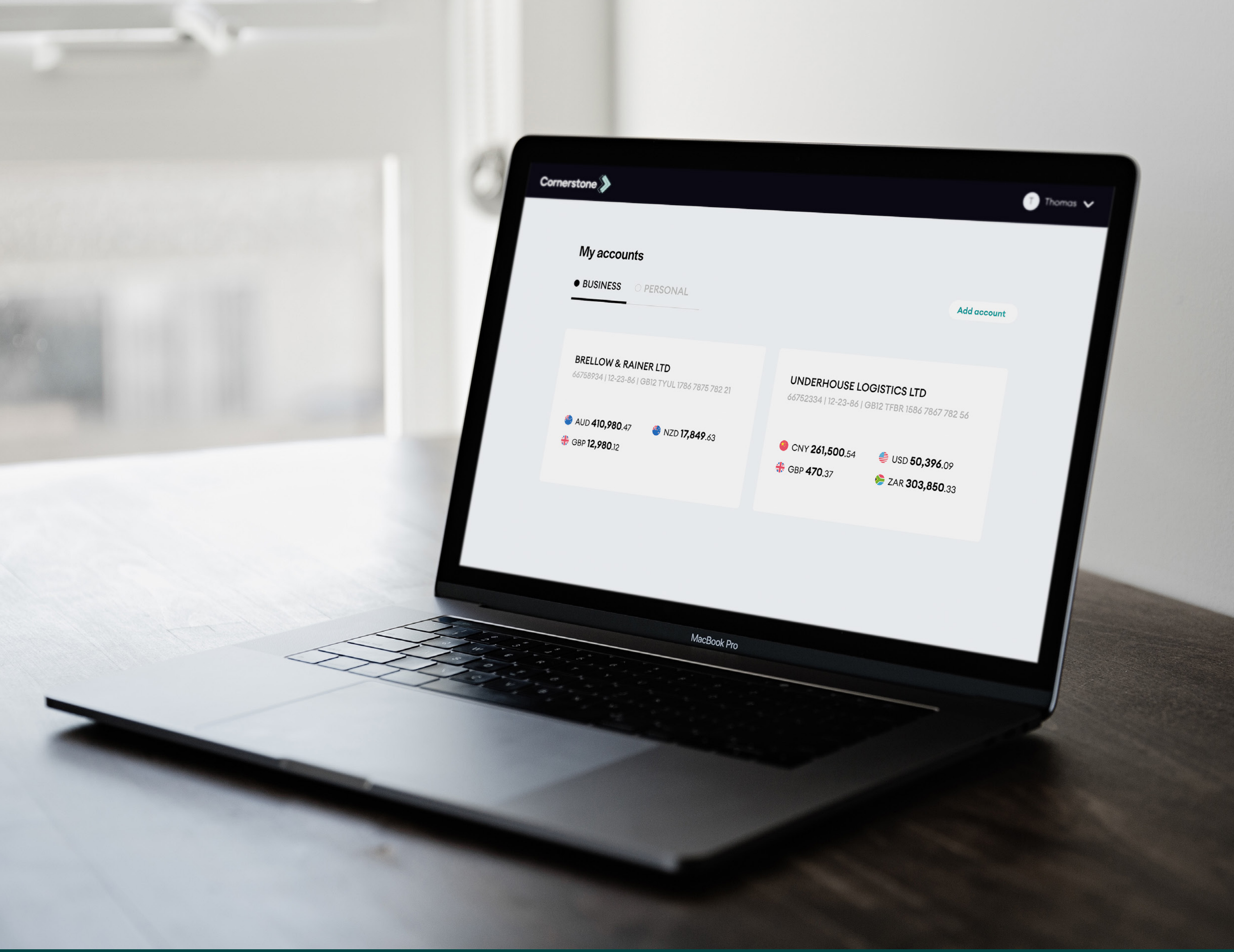
Outlook

The strong trading momentum of 2021 has been sustained into the current year and through the first half. In the first quarter of 2022, we achieved our highest ever quarterly revenue – reflecting underlying growth across the business as well as the first contribution from Capital Currencies. The investments made last year into enhancing our product offering and strengthening our team are continuing to drive an increase in trading volumes and expansion of our customer base. As a result, the Board continues to expect to achieve significant revenue growth for full year 2022, in line with market expectations.

We continue to pursue acquisition opportunities and are actively progressing our organic growth strategy – including plans to launch a new e-wallet solution this year and secure further integrations with accounting platforms. With our strong team and highly scalable platform, we continue to believe we are well-placed to take advantage of the meaningful opportunities to build a significant business offering technology-enabled international payment services.

Accordingly, the Board remains confident in Cornerstone's prospects and we look forward to reporting on our progress.

Julian Wheatland
Chief Executive Officer
29 June 2022

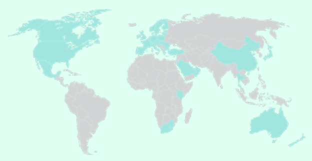


Proprietary technology that takes the hassle out of international payments

We're unlike many other foreign exchange and payments companies who are reliant on third-party software to trade foreign currencies and manage their clients' international transactions.

Our systems and accounts are powered by our own proprietary software designed, developed and managed by our team in house.

Other foreign exchange companies use our platform as a white label product.



Businesses can be based in 70+ jurisdictions and can transact in 25+ currencies.

Designed for SMEs

We know international payments can be complex. Getting them 100% right, 100% of the time is crucial to a business' growth and success.

Big corporates have access to a wealth of premium technology that make this process simpler and quicker.

Both traditional and challenger banks are largely focused on providing services to large companies or consumers while FX and international payments providers are mostly focused on individuals and private clients.

Until now, this type of financial technology or these services have been out of reach for most small and medium size businesses.

At Cornerstone, we developed and manage our own in-house platform that is designed to specifically cater for the needs of SMEs – giving us a strategic market position.

A Cornerstone Online Account makes it easier, quicker and cheaper to do business across borders.

Chief Financial Officer's Review

Revenue for the 12 months to 31 December 2021 increased by 38% to £2.3m compared with £1.7m for the previous year. This reflects sustained momentum throughout the year and underlying growth across the business – driven, in particular, by revenue generated by clients that we serve directly.

Revenue by origin Revenue generated by clients that we serve directly increased more than six-fold to £1.3m (2020: £0.2m), accounting for 56% of total revenue (2020: 12%). Revenue generated through our introducer network (which is primarily white label partners, who use our technology, but also introducer brokers) was £1.0m (2020: £1.4m), representing 46% of total revenue (2020: 88%). While this represents a reduction in indirect revenue, on an underlying basis there was an increase due to some of the revenue that had previously been generated through our introducer network now being serviced directly.

Revenue by client type Corporate accounts remained the largest contributor to revenue by client type, generating £1.7m in 2021 (2020: £1.5m), accounting for 75% (2020: 92%) of total revenue. There was significant growth in revenue from HNWIs, which increased to £0.6m (2020: £0.1m) and accounted for 25% of total revenue compared with 8% for the previous year.

Revenue by product Revenue continued to be generated from the provision of foreign exchange and payments services in the form of spot and forward trades, accounting for 89% and 11% of revenue respectively (2020: 87% and 13%).

Gross margin improved substantially to 51.6% (2020: 29.8%) due to the increased contribution to revenue from clients that we serve directly. The improvement in gross margin combined with the greater revenue generated a significant increase in gross profit to £1.2m compared with £0.5m for the previous year.

Total administrative expenses were £5.4m in 2021 compared with £2.7m for the previous year. This primarily reflects an increase of:

- £1.9m in share-based compensation to £2.3m (2020: £0.4m), which includes £1.8m in share-based incentivisation for the new Asia team and the General Manager APAC and Middle East; and
- £1.1m in other administrative expenses to £2.6m (2020: £1.5m), which relates to expenses associated with our IPO and other public company requirements.

Loss before tax was £4.2m for 2021 (2020: £2.2m loss), which primarily reflects the greater administrative expenses. Loss per ordinary share on a basic and diluted basis was 21.24 pence (2020: 14.99 pence loss).

As at 31 December 2021, the Group had cash and cash equivalents of £348k (31 December 2020: £184k). During the year, the Group raised gross proceeds of £2.2m via a placing of new ordinary shares. At year end, the Group also had access to £450k in convertible loan note facilities. Post year end, the Group raised gross proceeds of £870k through the placing of, and subscription for, new ordinary shares, which was partly used to fund the initial cash consideration and integration costs of our acquisition of Capital Currencies Limited.

Going Concern

The Group has bank balances of approximately £0.28m at the date of approval of these financial statements and is carefully managing its cash resources, with the support of its professional advisers and its key stakeholders, who are creditors of the business.

It also has convertible loan note facilities of a further £0.45m that are available to be called on 20-days' notice (£0.1m of which cannot be called until 13 January 2023).

The Directors have prepared cash flow forecasts covering a period extending 18 months from the date of approval of these financial statements, i.e., to 31 December 2023, taking into account projected increase in revenues, continued investment in the development of the software platform and organic sales and marketing efforts.

The cash flow forecasts assume that further equity fundraising will be necessary over the coming months in order to implement Cornerstone's growth strategy and for the Group to continue to operate as a going concern.

Although the Group has had past success in fundraising and continues to attract interest from investors, making the Board confident of fundraising success, there can be no guarantee that such fundraising will be available.

These circumstances indicate the existence of a material uncertainty, related to going concern. The financial statements do not include any adjustments that would result if the Company or Group was unable to continue as a going concern.

After careful consideration, the Directors consider that they have reasonable grounds to believe that the Group can be regarded as a going concern and for this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

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 2021:* £2.3m (2020: £1.7m)
- **Payments Flow**
    - *Why it is a KPI:* This is the volume of funds passing through our platform and is an indicator of its scalability. As we focus on acquisitive growth, we expect to see a significant increase here without a commensurate increase in opex.
    - *Performance 2021:* £363m (2020: £462m)
- **New Clients Onboarded**
    - *Why it is a KPI:* It is a key indicator of future revenue growth, especially as we build out our product enhancements with a focus on making customers ‘stickier’.
    - *Performance 2021:* 416 (2020: 328)
- **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 2021:* £5.4m (2020: £2.7m)

Judy Happe
Chief Financial Officer
29 June 2022

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
Fundraising	Delivery on the Group's strategy is premised on raising additional funds and market factors may affect its ability to do so. There is a risk that the Group will not have enough cash resources to fund the business.	The Group's cash flow forecasts assume that a further equity fundraising will be necessary over the coming months. Although the Group has had past success in fundraising and continues to attract interest from investors, making the Board confident of fundraising success, there can be no guarantee that such fundraising will be available. The Group seeks to engage with its shareholders to maintain their support and understanding of the Group's strategy. The Group's finance team also has a strong focus on supporting the cash position to try to minimise any impact of being unable to raise funds.	↑
Liquidity	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. Over the last 12 months, since the increased regulatory licensing gained by the Group's operating subsidiary, Cornerstone Payment Solutions Limited (formerly FXPress Payment Services Limited) became an AEMI in August 2021, the Group's regulatory capital requirement has increased to €350k from approximately £90k.	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. To manage the increased regulatory capital requirement, the Company made an additional investment of £200k into Cornerstone Payment Solutions in June 2021.	↑
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 provider 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 recently appointed Banking Circle as a further liquidity provider 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.	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. 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. A core tenet of the Group's strategy is to grow via acquisition to benefit from the scalability of its platform as well as enhance its technology or service offering. The Group's vision is to become an end-to-end solution for SME payments processing, which would further integrate the Group's technology into its customers' systems and increase 'stickiness'. 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.	–
Regulation	The Group's subsidiary, Cornerstone Payment Solutions Limited (formerly FXPress Payment Services Limited), is authorised and regulated by the FCA as an AEMI and Avila House Limited is a Small Electronic Money Institution. In addition, Capital Currencies is authorised and regulated by the FCA as an Authorised Payment	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. The Group retains the services of Compliancy Services, a specialist regulatory and compliance advisory	–

	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. 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.	service, to support the Compliance and Money Laundering Officer. In addition, the Group is in the process of porting over clients acquired by Capital Currencies to transact only with Cornerstone, with the migration largely complete.	
Macro-economic	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 natural disasters and epidemics / pandemics – could adversely impact the Group's business transaction turnover.	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's vision is also to broaden its offering to become an end-to-end payments solution provider for SMEs, which would diversify the revenue mix. 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.	–
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.	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. Additionally, the Group uses two factor authentication utilising OAuth2 protocol for client login and periodically commissions penetration testing of its systems.	–
Acquisitions	A key risk to the Group delivering its strategy is its ability to identify acquisition opportunities and execute successful acquisitions	The Directors of the Group have a demonstrable track record of business growth through mergers and acquisitions, and integration. The Group's	↑

	(including migrating those businesses onto the Group's platform), which is dependent on a number of factors, including sufficient funding. A key element of the Group's acquisition strategy is its ability to use its shares as acquisition currency and the Group's share price may impact this.	platform has been designed to be scalable and it has the capability to process a significant increase in transaction volume without the need for any redesign of platform architecture. The Group has communication strategies in place to appropriately support its share price (to the extent possible) and the finance team maintains a strong focus on supporting the cash position to try to minimise any impact of being unable to raise funds.	

Board of Directors

Elliott Michael Mannis, CPA, CA, Non-Executive Chairman
Committee Membership: Audit Committee (Interim Chairman), Remuneration Committee

Elliott is the Chairman and shareholder of London Bridge Capital (an FCA authorised corporate finance firm). Elliott was formerly Chief Executive at D1 Oils, an AIM listed biofuels business and, prior to that, he was Group Finance Director at AWG, the FTSE 250 holding company for Anglian Water. In addition to his role at London Bridge Capital, Elliott is Chairman of Permastore Group, the independent non-executive at Infram Energy, and is an ambassador (previously a Trustee) for the Woodland Trust. Elliott qualified as a Chartered Accountant with Price Waterhouse in Vancouver, Canada and holds Canadian professional accountancy designations. He has worked in Europe, principally the UK, since 1988.

Julian David Wheatland, CEng, Chief Executive Officer

Julian has served as Chief Executive of Cornerstone FS since October 2020. He is an experienced Chief Executive with an extensive track record of scaling technology businesses through organic growth and acquisition. Julian was Chief Executive of a £400m international technology investment portfolio at Consensus Business Group, before leaving in 2009 to establish Hatton International, a finance and technology advisory firm providing services to the defence and energy sectors. From 2007, Julian served as a non-executive director and then chairman of Strategic Communication Laboratories (later renamed SCL Group), which subsequently, in 2017, acquired SCL Analytics, the holding company for the SCL/Cambridge Analytica companies. From 2015 Julian was CFO and COO of the SCL/Cambridge Analytica companies and, after these companies experienced significant difficulties, in April 2018 became a Director and CEO of these companies in order to achieve an orderly wind down of the business and place the companies into administration/bankruptcy. Julian has held numerous directorships in an executive and non-executive capacity, in both private and public companies.

Judy Amanda 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 Saffrey Champness.

William Newton, 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 ODL Securities, 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 and managed a reorganisation of its core systems and infrastructure. Bill co-founded CPS, which was acquired by Cornerstone in September 2020.

Stephen Flynn, Chief Technology Officer

Stephen's background prior to entering the technology world was in equity derivatives trading and risk management in London, Frankfurt and New York. He was employed by UBS as a senior structured product trader, CSFB as a market maker trading equity and equity index products, and Smith Newcourt as an equity derivative market maker. Stephen joined Cornerstone in October 2020 having previously worked as a consultant to CPS and, along with Bill Newton, was responsible for designing and building the proprietary platform.

Daniel Song Mackinnon, Independent Non-Executive Director

Committee Membership: Audit Committee, Remuneration Committee

Daniel ("Dan") is a corporate financier. After graduating from the University of Oxford, he began his career with Rothschild working as an analyst in the Consumer, Real Estate and Healthcare teams. He then joined Emerald Investment Partners as Investment Director, working in a small team alongside the founder to originate, structure and execute a variety of transactions across multiple sectors, jurisdictions and public as well as private markets. Amongst others, this included the IPO of Cairn Homes Plc in 2015, raising €440m on the LSE Main Market, the mezzanine debt financing component of a £1.6bn fully funded take-private bid for pub company Punch Taverns plc in 2016 and the 2018 acquisition of a £180m debt position in Interserve plc and worked on the subsequent restructuring, de-listing and equitisation alongside Cerberus, Davidson Kempner & Angelo Gordon. Dan co-founded real estate investment firm Song Capital in 2021. Amongst other acquisitions, Song acquired a portfolio of 95 pubs from brewer SA Brains for c.£100m in May 2022.

Gareth Maitland Edwards, Non-Executive Director

Committee Membership: Audit Committee, Remuneration Committee (Chairman)

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 Boards of Cornerstone FS plc and Various Eateries plc, all of which are quoted on the London Stock Exchange.

Philip Barry, Non-Executive Director

Committee Membership: Remuneration Committee

Philip ("Phil") is a co-founder of Cornerstone Payment Solutions Ltd ("CPS") (formerly FXPress Payment Services Ltd). Having worked previously in both the financial and property sectors, Phil moved to Monaco in 2006 to work with John Paul Thwaytes, another co-founder of CPS, to help manage the foreign exchange exposure of a company portfolio. In 2010, Phil, together with Bill Newton and John Paul Thwaytes founded CPS.

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 (since its IPO) 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 22.

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 four Executive Directors, a Non-Executive Chairman and three Non-Executive Directors of which one (Daniel Mackinnon) is deemed to be independent. The Board considers that Daniel is independent in character and judgement and that there are no business or other relationships likely to affect, or which could appear to affect, his 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 18-19.

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 22.

The Remuneration Committee comprises Gareth Edwards as Chairman, Dan Mackinnon, Philip Barry and Elliott Mannis. During the year under review (and until his resignation on 3 May 2022), Glyn Barker was also a member 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 Elliott Mannis as Interim Chairman, Dan Mackinnon and Gareth Edwards. During the year under review (and until his resignation on 3 May 2022), Glyn Barker was also a member, and was Chairman, of the committee. The Board has commenced a search for a replacement as Chairman of the Audit 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.

Board Effectiveness

The Non-Executive Chairman is responsible for ensuring an effective Board. The first internal evaluation of the Board, the Committees and the individual Directors, which will be led by the Chairman, is due to be undertaken later this year and thereafter such evaluations will be undertaken on an annual basis to ensure that the Board is performing effectively as a whole. The evaluations will be undertaken with reference to how the Director or officer has performed in fulfilling his/her specific functions, attendance at Board and Committee meetings as appropriate, and effective contribution to the Group as a whole.

The Board is aware that succession planning is a vital task and the management of succession planning represents a key responsibility of the Board. The balance of skills required of the Board as a whole is under regular review as the business develops. As a result, the composition of the Board will change over time. The Board is likely to appoint additional directors in the event that outstanding people with relevant skills are able to make the necessary commitment to drive the business forward. As noted, the Board is currently seeking to appoint an independent Non-Executive Director who will serve as Chairman of the Audit Committee following the resignation of Glyn Barker in May 2022.

Shareholder Engagement

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. The CEO has also participated in investor events held via webinar.

The Chief Financial Officer is the primary contact for shareholders and there is a dedicated contact facility for shareholder questions and comments. The Group is supported in managing its shareholder relations by its financial public relations adviser, Luther Pendragon.

Stakeholders

The Board believes that its stakeholders (other than shareholders) are its employees, its customers and its counterparties. In order to understand their needs, interests and expectations, the Group works directly and closely with customers, counterparties and staff to enhance its products and software platform to provide the best FX trading experience.

The Group takes its corporate social responsibilities seriously and is focused on maintaining effective working relationships across a wide range of stakeholders, including employees, existing and new direct customers, Introducers, other intermediaries and professional advisers that it collaborates with as part of its business strategy, in order to achieve long-term success.

The Executive Directors maintain an ongoing dialogue with stakeholders to inform strategy and the day-to-day running of the business.

Sustainability

To be sustainable as a business that achieves long-term success, the Board recognises the importance of attracting, developing and retaining the right people and of acting responsibly to minimise the Group's environmental impact.

People

Engagement The Group takes care to maintain and encourage communication with, and amongst, its employees, including establishing internal communications platforms as a tool for increasing engagement and facilitating ad hoc, open dialogue – both work-related and social-related. To further support company culture, the Group has commenced holding monthly gatherings to exchange ideas and insight into areas of interest.

Development The Group seeks to support professional development and encourages career development programmes. Currently, one member of staff is enrolled on a sales apprenticeship course whereby they are provided with formalised on-the-job training and mentorship and a member of the finance team is receiving paid leave to study for an Association of Chartered Certified Accountants qualification.

Wellbeing The Group supports employee wellbeing, offering all staff flexible working options. Through the services offered by the building from which the Group operates, employees have access to, and utilise, a wellness programme, gym discount and other facilities to promote comfort such as a mother's room and relaxation rooms. The Group has commenced providing employees (including their families) with health insurance and intends to offer this to all staff by the end of the calendar year.

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 clients and employees. Regarding gender balance, for both all employees and senior management, 60% are male and 40% are female.

Environment

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 be paper-free, including providing them with the technology required so that they can transport and share information digitally. The Group seeks to encourage energy-saving practices, such as by supporting its employees to cycle to work with the provision of indoor bike racks and showers.

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 Monday 25 July 2022 at the office of Luther Pendragon, 48 Gracechurch Street, London EC3V 0EJ.

Meeting Attendance

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

Director	Board	Audit Committee	Rem. Committee
Elliot Mannis, Chairman	9/9	4/4	3/3
Julian Wheatland, CEO	9/9	3*	1*
Judy Happe, CFO	9/9	3*	1*
Glyn Barker, Non-Executive Director	7/9	3/4	2/3
Gareth Edwards, Non-Executive Director	9/9	3/4	3/3
Daniel Mackinnon, Non-Executive Director	7/9	4/4	1/3
Philip Barry, Non-Executive Director	8/9	2**	2/3
William Newton, CIO***	-	-	-
Stephen Flynn, CTO***	-	-	-

* Attended by invitation
** Philip joined the Remuneration Committee in July 2021
*** Joined the Board post year end in February 2022

In addition to the regular Board meetings noted in the table above, the Board met further a further six times for specific purposes, including to approve publication of the report and accounts for 2020 and to approve the publication of the report and accounts for period ended 30 June 2021. In addition to the Company's formal Board meetings, all of the Directors regularly discuss matters affecting the business and strategy of the Group.

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.

Customers
The Directors engage with direct customers on an informal 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 an ad hoc basis, but the Directors intend to implement a formal structure as the team expands.

Counterparties, white label partners and introducers
The Group operates an extensive network of white label and introducing broker relationships and 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 liquidity provider, Velocity, are some of its longest standing stakeholder relationships and the Directors aim to have regular interaction with these partners.

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. There is a dedicated contact facility for shareholder questions and comments on the website.

Audit Committee Report

Dear shareholder,

I am pleased to present the Audit Committee report for 2021. 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:

- Glyn Barker (Chairman of the committee until his resignation as a director on 3 May 2022), Independent Non-Executive Director
- Gareth Edwards, Non-Executive Director
- Elliott Mannis, Non-Executive Chairman (assumed the position of Interim Chairman of the committee on 3 May 2022)
- Daniel Mackinnon, Independent Non-Executive Director

The Audit Committee members bring a wealth of relevant financial, commercial and capital markets experience. In particular, Elliott Mannis qualified as a Chartered Accountant with Price Waterhouse in Canada and was Group Finance Director at AWG, the FTSE 250 holding company for Anglian Water, and Glyn Barker had a 35-year career with PwC, holding a number of senior posts including Managing Partner and Head of Assurance. Following Glyn's resignation on 3 May 2022, Elliott stepped in as Interim Chairman of the Audit Committee and shall remain in the role until a replacement is appointed.

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 4 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. The committee intends to arrange for periodic reviews of its own performance to ensure it is operating at maximum effectiveness.

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:

- Conducting a competitive tender process to appoint a new auditor follow the Group's listing.

- Approving the appointment of Haysmacintyre LLP as auditor and monitoring auditor effectiveness and independence.
- Examining the Annual Report and financial statements for the year to 31 December 2020 and the half-year report or the six months to 30 June 2021 and discussing them with management and the external auditor to assess whether 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. (Further detail below.)
- 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 under note 1 of 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 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 2021. 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 16 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.

Elliott Mannis
Interim Audit Committee Chairman
29 June 2022

Directors' Remuneration Report

The Remuneration Committee presents its report on Directors' remuneration for the year ended 31 December 2021. 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:

- Gareth Edwards (Chairman), Non-Executive Director
- Elliott Mannis, Non-Executive Chairman
- Glyn Barker, Independent Non-Executive Director (resigned on 3 May 2022)
- Daniel Mackinnon, Independent Non-Executive Director

The Remuneration Committee met on three occasions during 2021. 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, Chief Information Officer and Chief Technical 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 nine months for the Chief Executive Officer and six months for the Chief Financial Officer, Chief Information Officer and Chief Technical Officer.

The Chief Executive Officer and Chief Financial Officer are entitled to receive an annual salary of £180,000 and £140,000 respectively, with an entitlement to a pension contribution and discretionary bonus. The Chief Information Officer and Chief Technical Officer are each entitled to receive an annual salary of £110,000, with an entitlement to a pension contribution and discretionary bonus.

In addition, the Group will make an annual grant of options to the Chief Executive Officer and Chief Financial Officer of 5% and 1.5% respectively of any increase in the fully diluted capital of the Company which has occurred in the 12 months immediately prior to the date of grant to be exercisable at a price equal to the average mid-market closing price of the Ordinary Shares over the relevant 12-month period.

Letters of Appointment

Non-Executive Directors are appointed under a letter of appointment with the Group. Non-Executive Director appointments are subject to notice periods of three months for either the Group or the individual.

The Chairman will receive a fee of £50,000 per annum and is entitled to an annual payment of £28,000 payable through the allotment of Ordinary Shares priced at the average mid-market closing price for the ten business days prior to such payment being made. Following the audited consolidated turnover of the Group exceeding £8 million, the Chairman will become entitled to receive a fee of £65,000 per annum and his entitlement to payment in shares will be £37,000 per annum.

The Non-Executive Directors (excluding the Chairman) will receive a fee of £35,000 per annum and are entitled to an annual payment of £20,000 payable through the allotment of Ordinary Shares priced at the average mid-market closing price for the ten business days prior to such payment being made. Following the audited consolidated turnover of the Group exceeding £8 million, the Non-Executive Directors will become entitled to receive a fee of £50,000 per annum and their entitlement to payment in shares will be £28,000 per annum.

Directors' Remuneration

The following table details the Directors' remuneration for the years ended 31 December 2021 and 2020:

	Salary/ Fees £	Bonus £	Pension £	Benefits £	Total 2021 £	Total 2020 £
Executive Directors						
Julian Wheatland, CEO[1]	180,000	43,200	9,000	0	232,200	85,000
Judy Happe, CFO[2]	140,000	33,600	6,417	0	180,017	22,436
William Newton, CIO[3]	110,000	0	-[4]	0	110,000	9,350
Stephen Flynn, CTO[3]	110,000	0	3,134	0	113,134	9,350
Non-Executive Directors						
Elliott Mannis, Chairman[5]	36,987	-	-	-	36,987	-
Glyn Barker[5]	25,891	-	-	-	25,891	-
Gareth Edwards[6]	25,891	-	-	-	25,891	-
Daniel Mackinnon[5]	25,891	-	-	-	25,891	-
Philip Barry[7]	25,891	-	-	-	25,891	9,350

1. Appointed as a director of Cornerstone Brands Ltd on 22 July 2020. Service agreement with Cornerstone FS plc effective 1 October 2020.
2. Appointed 4 November 2020.
3. William Newton and Stephen Flynn were appointed to the Board of Directors, post period, on 22 February 2022. On becoming Executive Directors, they continued in their existing operational roles and with no changes to their remuneration packages. They were directors of FXPress prior to its acquisition by Cornerstone on 9 September 2020 and were paid £184,704 in fees during 2020, of which £66,688 covered the post-acquisition period.
4. William Newton chose to opt-out of the Company's pension scheme.
5. Appointment effective 6 April 2021.
6. Appointed as a director of Cornerstone Brands Ltd on 22 July 2020. Appointment as a Non-Executive Director of Cornerstone FS plc effective as of 6 April 2021.
7. Philip Barry was a director of FXPress prior to its acquisition by Cornerstone on 9 September 2020 and he was paid £58,000 in fees during 2020, of which £9,350 covered the post-acquisition period. Mr Barry's appointment as a Non-Executive Director of Cornerstone became effective 6 April 2021.

Social security costs of £94,620 were incurred in respect of the Directors' remuneration listed above (2020: £9,453).

Directors' Interests

As at the date of signing of this Annual Report, the interests of the Directors in the share capital of the Group were as follows:

	Number of ordinary shares	Percentage of issued share capital
Executive Directors		
Julian Wheatland, CEO	43,461	0.2
Judy Happe, CFO	19,516	0.1
William Newton, CIO*	2,530,787	10.7
Stephen Flynn, CTO	2,435,442	10.3

Non-Executive Directors		
Elliott Mannis, Chairman	218,720	0.9
Gareth Edwards	471,688	2.0
Daniel Mackinnon	0	0
Philip Barry	3,205,749	13.5

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

During the year to 31 December 2021, the Group did not grant any options over ordinary shares to directors. As at the signing of this Annual Report, the following options were held by directors:

	Date of grant	Number of options	Earliest date of vesting	Exercise price
Julian Wheatland, CEO	2 December 2020	922,677	2 December 2021	50 pence
	8 March 2022	426,190	8 March 2025	36.15 pence
Judy Happe, CFO	2 December 2020	276,803	2 December 2021	50 pence
	8 March 2022	127,857	8 March 2025	36.15 pence

The Company and William Newton entered into a convertible loan note instrument whereby the Company may borrow up to £350,000 from William Newton at any time until 31 December 2023. In the event of a drawdown and the Company issuing William Newton with unsecured convertible loan notes, the loan notes may be converted at a subscription price of 26.5 pence per share. To date, the Company has not drawn down on this facility.

In addition, in August 2021, the Company granted a loan of £10,000 to William Newton. The loan, which carried no interest, was repaid in full on 16 June 2022.

Directors' Report

The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2021.

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 primarily provides these services to UK-based SMEs either directly or via white label partners on a SaaS basis. Cornerstone services some high net worth individual clients. The business also provides same currency payment services for its customers and provides liquidity services to some foreign exchange brokers.

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 2-17. The consolidated financial statements for the year ended 31 December 2021 are set out on pages 39-63. The Group's loss after taxation for the year was £4.1 million.

Dividends

The Directors do not recommend the payment of a dividend for 2021. The Directors do not anticipate paying dividends for at least two years following the IPO to enable the Group to focus and apply its resources to growth, both organically and through acquisition.

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):

- Elliott Mannis (appointment effective 6 April 2021)
- Julian Wheatland (appointed as a director of Cornerstone Brands Ltd on 22 July 2020; service agreement with Cornerstone FS plc effective 1 October 2020)
- Judy Happe (appointed 4 November 2020)
- Glyn Barker (appointment effective 6 April 2021; resigned on 3 May 2022)
- Gareth Edwards (appointed as a director of Cornerstone Brands Ltd on 22 July 2020; appointment as a Non-Executive Director of Cornerstone FS plc effective 6 April 2021)
- Daniel Mackinnon (appointment effective 6 April 2021)
- Philip Barry (appointment effective 6 April 2021)
- William Newton (appointment effective 22 February 2022)
- Stephen Flynn (appointment effective 22 February 2022)

Biographies of the Directors, including their Board committee memberships, are set out on pages 18-19. 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 26-28.

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 23,683,616 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 14 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
Philip Barry	3,205,749	13.5
William Newton*	2,530,787	10.7
Stephen Flynn	2,435,442	10.3
Linista Group Inc.	1,509,434	6.4
John Paul Thwaytes	1,470,567	6.2
Robert Lee	1,426,635	6.0
David Ryan**	1,100,000	4.6
Vela Technologies plc	1,045,902	4.4
Terence Everson	773,660	3.3

* William Newton's holding includes 81,967 ordinary shares registered in the name of his wife
** David Ryan's holding includes 350,000 ordinary shares registered in the name of his wife

Subsequent Events

The material post balance sheet events can be found in note 19 to the financial statements. In particular, this includes the acquisition of Capital Currencies Limited and the issuance of a total of 3,406,034 new ordinary shares of one penny each.

Financial Instruments

Disclosures regarding financial instruments are provided in note 16 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 20-22.

Stakeholder Engagement

Details of the Group's engagement with stakeholders can be found in the Section 172 Statement on page 23 and in the Corporate Governance Report on pages 20-22.

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 Monday 25 July 2022.

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 Group has bank balances of approximately £0.28m at the date of approval of these financial statements and is carefully managing its cash resources, with the support of its professional advisers and its key stakeholders, who are creditors of the business.

It also has convertible loan note facilities of a further £0.45m that are available to be called on 20-days' notice (£0.1m of which cannot be called until 13 January 2023).

The Directors have prepared cash flow forecasts covering a period extending 18 months from the date of approval of these financial statements, i.e., to 31 December 2023, taking into account projected increase in revenues, continued investment in the development of the software platform and organic sales and marketing efforts.

The cash flow forecasts assume that further equity fundraising will be necessary over the coming months in order to implement Cornerstone's growth strategy and for the Group to continue to operate as a going concern.

Although the Group has had past success in fundraising and continues to attract interest from investors, making the Board confident of fundraising success, there can be no guarantee that such fundraising will be available.

These circumstances indicate the existence of a material uncertainty, related to going concern. The financial statements do not include any adjustments that would result if the company or Group was unable to continue as a going concern.

After careful consideration, the Directors consider that they have reasonable grounds to believe that the Group can be regarded as a going concern and for this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

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

Julian Wheatland
Chief Executive Officer
29 June 2022

We're making it easier to do business across borders

Cost-effective exchange rates

Cornerstone lets businesses access fair and transparent exchange rates

Individual IBANs in clients' names

Using just one login clients can access multiple accounts and named IBANs

Currency risk managed

Account holders can use forward contracts to lock in exchange rates for future dates

Receive overseas payments directly

Businesses can get paid into their account without bank conversion & recipient fees

New integrations in development

We're always developing the platform with new integrations coming soon

All funds are fully safeguarded

We segregate funds and keep them separate and safeguarded

FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021 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 International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

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 2021 and of the group's loss for the year then ended;
• have been properly prepared in accordance with IFRSs as adopted by the United Kingdom; 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.

Material uncertainty related 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 evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included reviewing and challenging cash flow forecasts prepared by management covering the period to 31 December 2023, assessing management's past forecasting accuracy and reviewing sensitivity analyses of these same cashflow forecasts and considering the availability of funding.

We draw attention to the Going Concern Accounting policy on page 45 of the financial statements, which indicates that the Group is not in a position where it is self-financing and will require further funding which has not yet been secured. Therefore as disclosed in the Going Concern Accounting policy, a material uncertainty exists that may cast significant doubt on the Group and parent company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group and parent company were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

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

In addition to the matter described above in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters are those matters that, in our professional judgment, 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
Carrying value of investments in the Parent Company's financial statements. The Parent Company's Statement of Financial Position as at 31 December 2021 includes a total investment of £6.35m in 100% of the ordinary share capital of Cornerstone Payment Solutions Limited and Avila House Limited. There is a risk that this investment might be impaired. In April 2021 the Company listed on AIM and injected a further £200k into its subsidiary companies to cover regulatory capital requirements. 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.	Our audit work considered, but was not restricted to, the following: • 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 • 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 needed, 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 £90,000. This was determined with reference to 5% of the projected Group loss for the year, since the Group is driven by profit and loss performance 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 £67,500.

The reporting threshold to the Audit and Risk Committee was set as 5% of materiality, being £4,500. 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 £67,000. This was based on 2% 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.

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 £50,250 and the reporting threshold was £3,350.

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.

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.

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 returns adequate for our audit have not been received from branches not visited by us; 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.

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, income tax, payroll tax and sales tax.

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. Audit procedures performed by the engagement team included:

• Inspecting correspondence with the FCA and HMRC;
• 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, postings by unusual users 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)
10 Queen Street Place
For and on behalf of Haysmacintyre LLP
Statutory Auditors
EC4R 1AG
London
Date: 29 June 2022

Group Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 £	2020 £
REVENUE	1	2,301,172	1,664,237
Cost of sales		(1,113,995)	(1,167,929)
GROSS PROFIT		1,187,177	496,308
ADMINISTRATIVE EXPENSES	2		
Share-based compensation	14	(2,338,495)	(358,443)
Further adjustments to underlying profit from operations (see below)		(402,515)	(793,577)
Other administrative expenses		(2,621,962)	(1,499,589)
TOTAL ADMINISTRATIVE EXPENSES		(5,362,972)	(2,651,609)
Underlying loss from operations		(1,434,785)	(1,003,281)
Stated after the add back of:			
- share-based compensation on reverse acquisition		-	211,281
- other share-based compensation	14	2,338,495	147,162
- transaction costs	14	402,515	793,577
LOSS FROM OPERATIONS	2	(4,175,795)	(2,155,301)
Finance and other income	3	1,622	603
Finance costs	3	(360)	-
LOSS BEFORE TAX		(4,174,533)	(2,154,698)
Income tax income/(expense)	6	70,764	-
LOSS FOR THE YEAR		(4,103,769)	(2,154,698)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(4,103,769)	(2,154,698)
Loss per ordinary share – basic & diluted (pence)	7	(21.24)	(14.99)

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 2021

	Notes	Group 31 December 2021 £	Group 31 December 2020 £	Company 31 December 2021 £	Company 31 December 2020 £
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	8	577,447	320,972	484,927	226,278
Tangible assets	9	21,542	8,464	-	-
Investments	10	-	-	6,349,758	6,147,773
		598,989	329,436	6,834,685	6,374,051
CURRENT ASSETS					
Trade and other receivables	12	493,244	570,159	248,996	238,810
Cash and cash equivalents		348,102	183,675	139,579	96,394
		841,346	753,834	388,575	335,204
TOTAL ASSETS		1,440,335	1,083,270	7,223,260	6,709,255
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	202,776	165,887	202,776	165,887
Share premium		3,074,355	951,422	3,074,355	951,422
Share-based payment reserve		2,392,710	54,215	2,392,710	54,215
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		(7,828,230)	(3,724,461)	(4,907,402)	(1,083,751)
TOTAL EQUITY		258,625	(135,923)	6,320,084	5,645,418
CURRENT LIABILITIES					
Trade and other payables	13	1,181,710	1,219,193	903,176	1,063,837
TOTAL EQUITY AND LIABILITIES		1,440,335	1,083,270	7,223,260	6,709,255

A separate profit and loss account for the Parent company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006. The Company loss for the year ended 31 December 2021 was £3,823,651 (five-month period ended 31 December 2020: loss of £1,173,655).

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2022 and are signed on its behalf by:

Julian Wheatland
Chief Executive Officer

Group Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £	Share premium £	Share-based payment reserve £	Merger relief reserve £	Reverse acquisition reserve £	Retained earnings £	Total £
Balance at 1 January 2020	91,559	1,543,988	-	-	-	(1,569,763)	65,784
Parent company reflected on reverse acquisition	5,197	-	-	-	-	-	5,197
Issue of FXPress Payment Services Ltd shares prior to acquisition	12,037	565,426	-	-	-	-	577,463
Share-based payments for FXPress Payment Services Ltd shares prior to acquisition	-	-	92,947	-	-	-	92,947
Costs of raising equity in FXPress Payment Services Ltd	-	(50,000)			-	-	(50,000)
Reverse acquisition adjustment	(103,596)	(2,059,414)	(92,947)	-	2,557,142	-	301,185
Issue of shares	20,562	1,007,557	-	-	-	-	1,028,119
Issue of consideration shares	140,128	-	-	5,557,645	(5,697,773)	-	-
Costs of raising equity	-	(56,135)	-	-	-	-	(56,135)
Share-based payments (note 14)	-	-	54,215	-	-	-	54,215
Loss and total comprehensive income for the year	-	-	-	-	-	(2,154,698)	(2,154,698)
Balance at 31 December 2020	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 14)	-	-	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

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £	Share premium £	Share-based payment reserve £	Merger relief reserve £	Retained earnings £	Total £
Balance at 1 August 2020	286	8,186,967	-	-	(8,092,153)	95,100
Bonus issues	4,911	(4,911)	-	-	-	-
Capital reduction	-	(8,182,057)	-	-	8,182,057	-
Issue of consideration shares	140,128	-	-	5,557,645		5,697,773
Issue of other shares	20,562	1,007,558	-	-	-	1,028,120
Costs of raising equity	-	(56,135)	-	-	-	(56,135)
Share-based payments	-	-	54,215	-	-	54,215
Loss and total comprehensive income for the period	-	-	-	-	(1,173,655)	(1,173,655)
Balance at 31 December 2020	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	-	-	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

Group and Company Cash Flow Statement

For the year ended 31 December 2021

	Notes	Group Year ended 31 December 2021 £	Group Year ended 31 December 2020 £	Company Year ended 31 December 2021 £	Company 5-month period ended 31 December 2020 £
Loss before tax		(4,174,533)	(2,154,698)	(3,890,085)	(1,173,655)
Adjustments to reconcile profit before tax to cash generated from operating activities:					
Finance income	3	(1,622)	(603)	-	(603)
Finance costs	3	360	-	-	-
Share-based compensation	14	2,338,495	358,443	2,338,495	54,215
Depreciation and amortisation	2	152,386	22,270	145,920	16,638
Increase in accrued income, trade and other receivables	12	(54,577)	(83,297)	(141,678)	(370,302)
Increase in trade and other payables	13	682,374	1,000,240	559,196	1,069,655
Cash used in operations		(1,057,117)	(857,645)	(988,152)	(404,052)
Income tax received	6	70,764	-	66,434	-
Cash used in operating activities		(986,353)	(857,645)	(921,718)	(404,052)
Investing activities					
Acquisition of property, plant and equipment	9	(17,371)	(9,144)	-	-
Acquisition of intangible assets	8	(404,568)	(335,436)	(404,569)	(242,916)
Investment in group companies	10	-	-	(201,985)	-
Cash used in investment activities		(421,939)	(344,580)	(606,554)	(242,916)
Financing activities					
Shares issued (net of costs)	14	1,571,457	1,212,032	1,571,457	647,759
Loans received		-	95,000	-	95,000
Interest and similar income	3	1,622	603	-	603
Interest and similar charges	3	(360)	-	-	-
Cash generated from financing activities		1,572,719	1,307,635	1,571,457	743,362
Increase in cash and cash equivalents		164,427	105,410	43,185	96,394
Opening cash and cash equivalents		183,675	78,265	96,394	-
Closing cash and cash equivalents		348,102	183,675	139,579	96,394

Notes to the Financial Statements

For the year ended 31 December 2021

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 1 Poultry, London, EC2R 8EJ. The main activities are set out in the Strategic Report on pages 2-17.

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 2020 and 31 December 2021, 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:

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 p/c on or after 1 January 2023).
- Amendments to IAS 1, presentation of financial statements on classification of liabilities (effective p/c on or after 1 January 2023).
- Amendments to IFRS 3 – reference to the conceptual framework (effective p/c on or after 1 January 2023)
- Amendments to IAS 16

Some of these standards and amendments have not yet been endorsed by the EU which may cause their effective dates to change.

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:

- IFRIC 23 Uncertainty over Income Tax Positions
- Amendments to IFRS 9 Prepayment Features with Negative Compensation

- Amendments to IAS 28 Long-term interests in Associates and Joint Ventures
- IFRS 16 Leases

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 (formerly FXPress Payment Services Ltd)	-	100% owned by the Company
Cornerstone - Middle East FZCO	-	100% owned by the Company
Avila House Limited	-	100% owned by Cornerstone Payment Solutions Ltd
CS Commercial Limited	-	100% owned by the Company
Cornerstone EBT Trustee Limited	-	100% owned by the Company

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

Although the consolidated financial information were issued in the name of Cornerstone FS plc ("Cornerstone"), the legal parent, the financial statements for the comparative year ended 31 December 2020, represent in substance the continuation of the financial information of the primary legal subsidiary, Cornerstone Payment Solutions Ltd.

For the year ended 31 December 2020 the assets and liabilities of the primary legal subsidiary are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts and not re-stated at fair value. The retained earnings and reserves balances reflect the retained earnings and other reserves of the primary legal subsidiary immediately before the business combination and the results of the period from 1 January 2020 to the date of the business combination are those of the primary legal subsidiary only.

As Cornerstone Payment Solutions Ltd reversed into Cornerstone when Cornerstone did not have an existing trade, the transaction was not considered to be a business combination, as at the time of the reverse takeover, Cornerstone did not meet the definition of a business, under IFRS 3 "Business Combinations". As the transaction was capital in nature and completed through the issue of shares, it fell within the scope of IFRS 2 'Share-based payments'. Any difference in the fair value of shares deemed to be issued by the legal subsidiary (Cornerstone Payment Solutions Ltd) and the fair value of net identifiable assets in the legal parent (Cornerstone FS plc) forms part of the deemed cost of acquisition.

GOING CONCERN

The Group has bank balances of approximately £0.28m at the date of approval of these financial statements and is carefully managing its cash resources, with the support of its professional advisers and its key stakeholders, who are creditors of the business.

It also has convertible loan note facilities of a further £0.45m that are available to be called on 20-days' notice (£0.1m of which cannot be called until 13 January 2023).

The Directors have prepared cash flow forecasts covering a period extending 18 months from the date of approval of these financial statements, i.e., to 31 December 2023, taking into account projected increase in revenues, continued investment in the development of the software platform and organic sales and marketing efforts.

The cash flow forecasts assume that further equity fundraising will be necessary over the coming months in order to implement Cornerstone's growth strategy and for the Group to continue to operate as a going concern.

Although the Group has had past success in fundraising and continues to attract interest from investors, making the Board confident of fundraising success, there can be no guarantee that such fundraising will be available.

These circumstances indicate the existence of a material uncertainty, impacting the Company and the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Company or Group was unable to continue as a going concern.

After careful consideration, the Directors consider that they have reasonable grounds to believe that the Group can be regarded as a going concern and for this reason they continue to adopt the going concern basis 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.

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:

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

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.

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 14.

ALTERNATIVE PERFORMANCE MEASURES

The Group uses the alternative performance measure of underlying profit/(loss) from operations. 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 underlying profit/(loss) from operations 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.

UNDERLYING PROFIT/(LOSS) FROM OPERATIONS

The Group uses underlying profit/(loss) from operations, defined as profit/(loss) from operations, adding back share-based compensation and transaction costs associated with the Group's AIM listing and acquisitions strategy.

The underlying loss from operations 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 Year ended 31 December 2021 £	Group Year ended 31 December 2020 £
Total revenue	2,301,172	1,664,237

2 LOSS FROM OPERATIONS

	Group Year ended 31 December 2021 £	Group Year ended 31 December 2020 £
Loss from operations is stated after charging:		
Share-based compensation on reverse acquisition	-	211,281
Other share-based compensation	2,338,495	147,162
Transaction costs	402,515	793,577
Expensed software development costs	97,556	42,333
Depreciation of property, plant and equipment	4,293	1,730
Amortisation of intangible assets	148,094	20,540
Short-term (2018 IAS 17 operating) lease rentals	86,434	70,697

2 LOSS FROM OPERATIONS *(continued)*

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

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Audit Services		
- Statutory audit	25,000	15,000
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	30,250	16,500
	73,250	31,500

3 INTEREST AND SIMILAR ITEMS

		Group Year ended 31 December 2021 £	Group Year ended 31 December 2020 £
i.	Total finance and other income	1,622	603
ii.	Total finance costs	(360)	-

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 2021 Number	Year ended 31 December 2020 Number
Directors	8	-
Employees	14	9
	22	9

EMPLOYMENT COSTS	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Wages and salaries	1,309,251	618,522
Social security costs	182,414	68,455
Pension costs	38,307	5,930
Share-based compensation	2,195,782	26,787
	3,725,754	719,694

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 26-28.

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Salaries and fees	680,553	116,786
Bonus	76,800	-
Share-based compensation	311,469	20,088
Social security costs	84,022	9,453
	1,152,844	146,327

	Number	Number
Number of Directors to whom retirement benefits are accruing under a defined contribution scheme	3	-

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
The remuneration in respect of the highest paid Director was:		
Salaries and fees	180,000	85,000
Bonus	43,200	-
Share-based compensation	177,000	15,452
Pension and other benefits	9,000	-
	409,200	100,452

During the year no (2020: nil) Directors exercised any (2020: 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 £38,307 (2020: £5,930). At 31 December 2021 contributions of £25,864 remained outstanding and are included within other payables (2020: £2,490).

6 TAXATION

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

	Group Year ended 31 December 2021 £	Group Year ended 31 December 2020 £
CURRENT TAX:		
Research & development tax credit	70,764	-
UK Corporation tax	-	-
Deferred tax	-	-
Tax on loss on ordinary activities	70,764	-

	Group Year ended 31 December 2021 £	Group Year ended 31 December 2020 £
Loss before taxation	(4,174,533)	(2,154,698)
Loss multiplied by main rate of corporation tax in the UK of 19% (2020: 19%)	(793,161)	(409,393)
EFFECTS OF:		
Surrender of tax losses for research & development tax credit refund	70,764	-
Expenses not deductible for tax purposes	66,649	155,158
Share-based payments	444,314	68,104
Other deductions in period	(702)	(1,446)
Tax losses carried forward	282,900	185,577
Current tax	70,764	-

As at 31 December 2021, the Group had prepared but not yet submitted a Research and Development tax credits reclaim, the estimated net benefit of which is approximately £158,000. During the year ended 31 December 2021 the Group received a Research and Development tax credit refund of £70,764 in respect of its reclaim for the year ended 31 December 2020.

As at 31 December 2021, the Group had tax losses carried forward of £4,147,682 (31 December 2020: £2,847,347). 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 2021 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.

7 LOSS PER SHARE

The loss per share of 21.24p is based upon the loss of £4,103,769 (2020: loss of £2,154,698) and the weighted average number of ordinary shares in issue for the year of 19,317,407 (2020: 14,370,030).

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

	Internally developed software £	Software costs £	Other £	Total £
COST				
At 1 January 2021	242,916	15,611	92,520	351,047
Additions	404,569	-	-	404,569
At 31 December 2021	647,485	15,611	92,520	755,616
AMORTISATION				
At 1 January 2021	16,638	13,437	-	30,075
Charge for the period	145,920	2,174	-	148,094
At 31 December 2021	162,558	15,611	-	178,169
NET BOOK VALUE				
At 31 December 2021	484,927	-	92,520	577,447
At 31 December 2020	226,278	2,174	92,520	320,972

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

COMPANY INTANGIBLE ASSETS

	Internally developed software £	Software costs £	Other £	Total £
COST				
At 1 January 2021	242,916	-	-	242,916
Additions	404,569	-	-	404,569
At 31 December 2021	647,485	-	-	647,485
AMORTISATION				
At 1 January 2021	16,638	-	-	16,638
Charge for the period	145,920	-	-	145,920
At 31 December 2021	162,558	-	-	162,558
NET BOOK VALUE				
At 31 December 2021	484,927	-	-	484,927
At 31 December 2020	226,278	-	-	226,278

9 GROUP PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment £
COST	
At 1 January 2021	15,675
Additions	17,371
At 31 December 2021	33,046
DEPRECIATION	
At 1 January 2021	7,211
Charge for the period	4,293
At 31 December 2021	11,504
NET BOOK VALUE	
At 31 December 2021	**21,542**
At 31 December 2020	8,464

10 INVESTMENTS

	Investments in Subsidiaries £
Cost or Valuation	
At 1 January 2021	6,147,773
Additions	201,985
At 31 December 2021	6,349,758
Net Book value	
At 31 December 2021	6,349,758
At 31 December 2020	6,147,773

The Company's investment as at 31 December 2021 represents its investments in its direct subsidiaries of £6,347,773 in Cornerstone Payment Solutions Ltd (formerly FXPress Payment Services Ltd) (2020: £6,147,773) and £1,985 in Cornerstone – Middle East FZCO (2020: nil).

During the year ended 31 December 2021 the Company invested a further £200,000 in support of the increased regulatory capital requirements for Cornerstone Payment Solutions Ltd in advance of it becoming an Authorised Electronic Money Institution.

Shares in subsidiary and associate undertakings are stated at cost. As at 31 December 2021, 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 (formerly FXPress Payment Services 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.
CS Commercial Limited (audit exempt)	Dormant	England and Wales	The Old Rectory, Addington, Buckinghamshire, MK18 2JR	100 per cent.
Cornerstone EBT Trustee Limited (audit exempt)	Dormant	England and Wales	The Old Rectory, Addington, Buckinghamshire, MK18 2JR	100 per cent.

12 CURRENT TRADE AND OTHER RECEIVABLES

	Group 31 December 2021 £	Group 31 December 2020 £	Company 31 December 2021 £	Company 31 December 2020 £
Trade receivables	-	8,405	-	-
Prepayments and accrued income	90,360	24,623	31,118	9,600
Derivative financial assets at fair value	322,710	299,035	-	-
Other receivables	42,525	140,378	10,000	131,492
Amounts due from Group undertakings and undertakings in which the Company has a participating interest	-	-	170,229	-
Taxes and social security	37,649	97,718	37,649	97,718
	493,244	570,159	248,996	238,810

For the year ended 31 December 2021 £nil was recorded as a bad debt expense (31 December 2020: £nil).

As at 31 December 2021, 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 £158,000 (2020: £62,000) and has not been included in current receivables due to its contingent nature.

13 CURRENT TRADE AND OTHER PAYABLES

	Group 31 December 2021 £	Group 31 December 2020 £	Company 31 December 2021 £	Company 31 December 2020 £
Trade payables	346,255	525,064	212,561	238,654
Derivative financial liabilities at fair value	290,292	216,061	-	-
Other tax and social security	60,349	47,273	10,923	17,411
Other payables and accruals	484,814	430,795	244,033	290,773
Amount due to Group undertakings	-	-	435,659	516,999
	1,181,710	1,219,193	903,176	1,063,837

14 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 2021	16,588,608	165,886
Issue of new shares of £0.01	3,688,974	36,890
Ordinary shares of £0.01 each at 31 December 2021	20,277,582	202,776

At 31 December 2021 share subscriptions of £nil remained unpaid (31 December 2020: £131,492, comprising £2,630 share capital and £128,862 share premium).

The following changes in the share capital of the Company have taken place in year ended 31 December 2021:

- On 26 February 2021, 24,326 Ordinary Shares were issued at a price of £0.407 each on the exercise of warrants.
- On 6 April 2021, the Company placed 3,664,648 new ordinary shares at a price of £0.61 each on its admission to AIM.

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.

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 FXPress Payment Services 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 Inventive ("EMI") Scheme equity-settled share-based remuneration scheme for employees.

Each of the option agreements under the EMI scheme provides that the relevant options vest, as to one third of the shares comprised in them, on each of the first three anniversaries of the date of grant. Once vested, 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.

	Ordinary shares No.	Weighted average exercise price £
Outstanding as at 1 January 2020	-	-
Granted during the year	1,599,480	0.50
Outstanding as at 1 January 2021	1,599,480	0.50
Granted during the year	-	-
Outstanding as at 31 December 2021	1,599,480	0.50

The weighted average contractual life of the options is five years (2020: zero).

No options were exercised during the current year (2020: nil).

Warrants

On 6 April 2021 the Company granted 63,114 warrants with an exercise price of £0.61 and a term of 2 years to the Company's broker Peterhouse Capital Limited, in connection with the Company's IPO and representing 5% of the number of shares issued to Peterhouse Capital Limited's investors on IPO.

The warrants were estimated to have a grant date fair value of £0.27 per warrant using the Black-Scholes valuation model. The principal inputs into the model were:

Share price at grant date	- 61 pence
Risk-free rate	- 0.8%
Expected Volatility	- 80.6%
Contractual life	- 2 years

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.

On 26 February 2021, 24,326 warrants were exercised at a price of £0.407 each.

The Group share-based compensation charge for the year ended 31 December 2021 of £2,338,495 (2020: £147,162) consists of £7,102 in relation to the accelerated share-based payment charges in respect of the exercised warrants, £135,610 in relation to other warrants granted in Cornerstone (2020: £120,375), £306,833 in respect of the Cornerstone options (2020: £26,787), £81,370 in respect of equity settled share-based payments related to the non-executive Board member's service agreements (2020: £nil) and £1,807,580 of other share-based compensation (2020: £nil).

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 will be entitled to receive share-based incentivisation based on a multiple of revenue generation and contribution to profit. This will be measured at the end of both years. In the first year, any new ordinary shares earned under this incentivisation plan would be issued at the lower of the IPO Placing Price (61 pence per share) or the average closing price of Cornerstone shares for the 20 business days prior to issue. In the second year, any new ordinary shares earned under this incentivisation plan would be issued at the average closing price of Cornerstone shares for the 20 business days prior to issue. The charge recognised in respect of this share-based incentivisation agreement is £1,807,580 for the year ended 31 December 2021 (2020: £nil) which is based on the forecasted performance of Robert O'Brien and his team over the two-year period as of the reporting date, and based on the share price at the grant date on 1 August 2021 of 29.5 pence per share.

15 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 £435,659 (2020: £516,999) to Cornerstone Payment Solutions Ltd.

During the year, the Company also provided working capital support to Avila House Limited and Cornerstone – Middle East FZCO. 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, Avila House Limited owed the Company £150,041 (2020: £nil) and Cornerstone – Middle East FZCO owed the Company £20,188 (2020: £nil).

Other related parties
All of the amounts below were in respect of the year ended 31 December 2021.

Terry Everson, a director of Cornerstone Payment Solutions Ltd and a significant shareholder in Cornerstone, was paid consulting fees of £1,250 via Hazelwood Financial Ltd, a company of which he is a director and significant shareholder (2020: £24,000). This fee prepaid a loan of made by the Group to Terry Everson leaving a net balance of £8,750 unpaid as at 31 December 2021 (31 December 2020: £10,000).

The Company and William Newton, a director of the company, entered into a convertible loan note instrument whereby the Company may borrow up to £350,000 from Willian Newton at any time until 31 December 2023. In the event of a drawdown and the Company issuing William Newton with unsecured convertible loan notes, the loan notes may be converted at a subscription price of 26.5 pence per share. To date, the Company has not drawn down on this facility.

As at 31 December 2021, a loan of £10,000 made by the Group to William Newton, a director of the Company remained unpaid (31 December 2020: £nil).

16 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

	Group 31 December 2021 £	Group 31 December 2020 £	Company 31 December 2021 £	Company 31 December 2020 £
DERIVATIVE FINANCIAL ASSETS				
Foreign currency forward contracts with customers	359,077	253,077	-	-
Foreign currency forward contracts with institutional counterparty	33	45,958	-	-
	359,110	299,035	-	-
Cash and cash equivalents	348,102	183,675	139,579	96,394
Trade receivables	-	8,405	-	-
Other receivables	132,885	165,001	211,347	141,092
	840,097	656,116	350,926	237,486

FINANCIAL LIABILITIES

	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
	£	£	£	£
DERIVATIVE FINANCIAL LIABILITIES				
Foreign currency forward contracts with customers	290,292	55,869	-	-
Foreign currency forward contracts with institutional counterparty	-	160,192	-	-
	290,292	216,061	-	-
Trade payables	346,255	525,064	212,561	238,654
Other payables	484,814	430,795	679,692	807,772
	1,121,361	1,171,920	892,253	1,046,426

All financial assets and liabilities have contractual maturity of less than one year.

Derivative financial assets and liabilities

Derivative financial assets not designated as hedging instruments

	31 December 2021		31 December 2020	
	Fair Value	Notional Principal	Fair Value	Notional Principal
	£	£	£	£
Foreign currency forward contracts with customers	359,077	12,508,939	253,077	14,686,425
Foreign currency forward contracts with institutional counterparty	33	12,544	45,958	5,785,633
	359,110	12,521,483	299,035	20,472,058

Derivative financial liabilities not designated as hedging instruments

	31 December 2021		31 December 2020	
	Fair Value	Notional Principal	Fair Value	Notional Principal
	£	£	£	£
Foreign currency forward contracts with customers	290,292	9,874,438	55,869	4,392,467
Foreign currency forward contracts with institutional counterparty	-	-	160,192	12,390,456
	290,292	9,874,438	216,061	16,782,923

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 loss on financial assets at fair value through profit or loss for year ended 31 December 2021 was £29,661 (2020: net gain of £4,839).

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 have 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.

17 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.

18 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.

Prior to becoming an Authorised Electronic Money Institution in August 2021, Cornerstone Payment Solutions Ltd was 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 €50,000, whichever is the higher.

Cornerstone Payment Solutions Ltd complied with both of these above requirements for the relevant periods during the year ended 31 December 2021.

19 EVENTS AFTER THE REPORTING DATE

Acquisition of Capital Currencies Limited

On 1 February 2022, the Company completed the acquisition of Capital Currencies Limited, a well-established foreign exchange broker specialising in the provision of currency exchange and international payments, authorised and regulated by the FCA as an authorised payment institution permitted to provide payment services.

The consideration payable for the Acquisition consists of £0.586 million in cash on completion subject to customary working capital adjustments with further earn-out consideration payable over two years after completion in two tranches 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 amount already paid to the sellers in respect of the Acquisition. One half of the earn-out will be satisfied in the issue of convertible loan notes to the sellers with a 6% coupon interest and the remaining half shall be satisfied by the issue of consideration shares to the sellers.
- on the second anniversary of completion, three times Capital Currencies' revenue for the 12-month period leading up to 31 January 2024, less the amounts already paid (or deemed paid) to the sellers in respect of the Acquisition. The final earn-out payment shall be satisfied by the issue of consideration shares to the sellers.

Total consideration is capped at £3 million.

Any convertible loan notes issued to the sellers under the earn-out payment is for a term of 2 years from the date of issue and the sellers may elect to convert at any time prior to termination date. Any interest is payable quarterly in arrears with the principal repayable at the end of the two-year term. The conversion price per share is at the mid-market price of the Company's share in the 20 dealing days preceding the issue of the convertible loan notes.

Any consideration shares issued to the sellers under the earn-out payment is priced per share as the sum equal to the average mid-market price of the Company's share in the 20 dealing days preceding the issue of the consideration shares.

Any shares received by the sellers under the Acquisition (save for any shares issued under the convertible loan notes) are subject to a 12-month lock-in from the date of issue (subject to certain limited exceptions) and, for a further period of 12 months thereafter, the sellers will only dispose of any interests in the shares on an orderly market basis through the Company's brokers. The sellers have also agreed that any shares issued under the convertible loan notes will only be disposed, for a period of 12 months from the date of issue, through the Company's brokers.

Other events after the reporting date

On 27 January 2022 the Company announced a placing and subscription raising total gross proceeds of £870,004 following which a total of 3,283,034 new ordinary shares of one penny each in the capital of the Company were admitted to AIM.

On 8 March 2022, the Company granted options over ordinary shares of 1 penny each in the capital of the Company. Julian Wheatland was granted 426,190 options at an exercise price of 36.15 pence per share. Judy Happe was granted 127,857 options at an exercise price of 36.15 pence per share. In addition, the Company granted a further 239,407 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 8 April 2022, the Company allotted and issued 123,000 new ordinary shares of 1 penny each in the Company at a price of £0.265. The new shares were issued and allotted to the recipient as consideration for investor relations services.

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