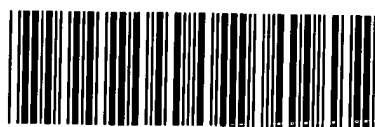


**CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY:
FXPRESS PAYMENT SERVICES LTD)**

Strategic Report, Report of the Directors and

Financial Statements

For the year ended 31 December 2021



A03 07/10/2022 #269
COMPANIES HOUSE

Company No. NI602461

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY EXPRESS PAYMENT SERVICES LTD)

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For the year ended 31 December 2021**

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CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Company Information

For the year ended 31 December 2021

DIRECTORS:

Terence Everson
William Newton
Stephen Flynn
Judy Happe
Julian Wheatland

REGISTERED OFFICE

1 Elmfield Avenue
Warrenpoint
Newry
County Down
Northern Ireland
BT34 3HQ

REGISTERED NUMBER:

NI602461

AUDITOR:

Haysmacintyre LLP
10 Queen St Pl,
London
EC4R 1AG

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Strategic Report (continued) For the year ended 31 December 2021

The Directors present their Strategic report for the year ended 31 December 2021.

BUSINESS REVIEW

The year-ended 31 December 2021 represented a year of good progress in line with our stated strategy. Reported revenue from foreign exchange commission increased by 38% to £2.3m (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. The Asia team are employed by the Company's subsidiary undertaking Avila House Limited and a new white label agreement was entered into between the two entities sharing the commission the Company generated directly through the clients introduced by the employees within Avila House.

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: £1.5m).

By client type, there was an increase in revenue generated by both corporate accounts and high net worth individuals ("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 the Company 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.

In addition to these trading improvements, the Company also achieved a key milestone during the year 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 the Company 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.

The Company 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.

The Company provides software development services for its parent undertaking Cornerstone FS plc, who license the platform back to the Company. For the year ended 31 December 2021, the value of software development services provided was £0.5m (2020: £0.3m) and included implementation of a new system architecture, a redesign of the front-end user interface, initial integration with Banking Circle and initial implementation of the AEMI experience. 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, benefitting future revenue generation by the Company.

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Strategic Report (continued) For the year ended 31 December 2021

PRINCIPAL RISKS AND UNCERTAINTIES

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

Funding

Delivery on the Company's strategy is premised on its parent company raising additional funds and providing further financial support to the Company, as is further referenced in note 1.5 to the financial statements. As such, a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

The Company, along with its parent company, engages with its shareholders to maintain their support and understanding of the group's strategy. Cornerstone FS plc has had past success in fundraising and continues to attract interest from investors, making the Board confident of fundraising success. However, there can be no guarantee that such fundraising will be available. The Company'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.

Regulation

The Company is authorised and regulated by the FCA as an AEMI. The withdrawal of, or any amendment to, a regulatory approval required by Company or any of the Directors or employees could result in an adverse change to, or the cessation of, the Company's business or a material part thereof.

The Company employs an experienced Compliance and Money Laundering Reporting Officer who is responsible for monitoring the Company's activities, managing the Company's regulatory and reporting obligations and ensuring that all FCA requirements are adhered to. The Company retains the services of Compliancy Services, a specialist regulatory and compliance advisory service, to support the Compliance and Money Laundering Officer.

Macroeconomic

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 Company's business transaction turnover.

The Company'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. With regards to the current conflict in the Ukraine, the Group does not have any business in Ukraine or Russia and does not have any exposure to the Rouble. Therefore management do not consider the Group to be adversely impacted by the sanctions.

Liquidity

There is a risk that the Company will not have sufficient capital to meet the regulatory capital requirement for an authorised financial services business. Since the Company became an AEMI in August 2021, the Group's regulatory capital requirement has increased to €350k from approximately £90k.

The Company has an experienced finance team that provides effective management of the Company's operational financial exposures, with a strong focus on cash control. This includes ensuring sufficient ring fencing of capital to meet its regulatory obligations.

Credit

The Company 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 Company operates a matched-principal brokerage model, meaning it executes a matching trade with its liquidity provider on receipt of a client order. The Company 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 Company

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Strategic Report (continued) For the year ended 31 December 2021

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 Company's liquidity services provider could terminate its agreement with the Company or that its systems may fail or are not operational for a period of time, which could have a materially adverse impact on the Company's business and operations.

The Company 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 Company 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

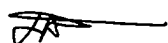
KEY PERFORMANCE INDICATORS

The Company uses foreign exchange commission as the Key Performance Indicator.

	31 December 2021	31 December 2020
Gross commission	£2.30 million	£1.67 million

FUTURE DEVELOPMENTS

For the first quarter of 2022, the Company achieved its highest ever unaudited quarterly revenue of approximately £888k which surpassed the six-month revenue generated by the Company for H1 2021 of £837k. The planned continuing enhancements of the trading platform licenses by the Company from its parent, combined with the outlook for the Company's underlying target market of SMEs, means the Directors are confident the Company is well placed going into the new financial year.



.....
Judy Happe
Director

Date: 29 June 2022

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Report of the Directors For the year ended 31 December 2021

The directors present their report with the financial statements of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

The Company's principal activity is the provision of foreign exchange services.

DIRECTORS

The directors shown below have held office during the year commencing 1 January 2021 to the date of this report.

Terence Everson
Judy Happe
William Newton (resigned 01/06/22)
Gareth Edwards (resigned 05/10/2021)
Stephen Flynn (resigned 01/06/22)
David Mason (resigned 31/03/2022)
Julian Wheatland (resigned 01/06/22)

DIVIDEND

No dividends were paid or proposed in respect of the current period (2020: £nil).

FINANCIAL INSTRUMENTS

Information about the recognition of financial instruments by the Company is given in note 17 to the accounts.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Reporting Standards, as adopted by the United Kingdom.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently, making judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of 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 Company and Company and hence for taking steps for the prevention and detection of fraud and other irregularities.

SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires each Director of the Company to act in the way he or she considers, in good faith, would most likely promote the success of the Company 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 Company's employees; need to foster the Company's business relationships with suppliers, customers and other material stakeholders; impact of the Company's operations on local communities and the environment; desirability of the Company maintaining a reputation for high standards of business conduct; and need to act fairly between members of the Company. In discharging its Section 172 duties, the Board has considered the factors set out above and the views of key stakeholders.

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Report of the Directors (continued) For the year ended 31 December 2021

Details of the key stakeholder engagement undertaken, and intended, by the Company 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 Company's quality, efficiency and service levels meet both the standard expected by the customer and the very high standards the Company sets for itself.

Employees

The Directors engage regularly with employees and maintain an open dialogue. Due to the small size of the Company'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 Company 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 Company.

The Company'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.

Shareholders

The Company is a 100% subsidiary of Cornerstone FS plc. Ongoing dialogue is achieved through management structures in place within the Company which ultimately report to executive directors of the parent company. This is strengthened further by monthly management team meetings which comprise senior management of the Company and executive directors of Cornerstone FS plc.

GOING CONCERN

During the year ended 31 December 2021, the Company made a loss of £268,432 and the net assets of the Company as at 31 December 2021 were £303,906 (including cash and cash equivalents of £208,476). The Company has continued to benefit from the support of its shareholders through the issuance of additional share capital of £200,000 in the period.

The Directors have prepared a cash flow forecast 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 organic sales & marketing efforts and continued support from its parent company Cornerstone FS plc.

The cash flow forecasts of Cornerstone FS plc assume that further equity fundraising will be necessary over the coming months in order to implement Cornerstone's growth strategy which include continuing to support the working capital needs of the Company.

Although Cornerstone FS plc 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's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern.

After careful consideration, the Directors consider that they have reasonable grounds to believe that Cornerstone FS plc can continue to support the working capital needs of the Company and therefore the Company can be regarded as a going concern. For this reason they continue to adopt the going concern basis in preparing the Company's financial statements.

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

**Report of the Directors (continued)
For the year ended 31 December 2021**

STATEMENT OF DISCLOSURE TO THE AUDITORS

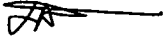
Each of the persons who are directors at the time when this Director's report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as director in order to be aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

AUDITOR

Haysmacintyre LLP have been proposed for appointment in accordance with section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD:



.....
Judy Happe
Director

Date: 29 June 2022

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Independent Auditor's Report to the Members of Cornerstone Payment Solutions Ltd For the year ended 31 December 2021

Opinion

We have audited the financial statements of Cornerstone Payment Solutions Ltd ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, Statement of Changes in Shareholder's 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 and, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its 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 company 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, 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

We draw attention to note 1.5 in the financial statements, which indicates that the Company is supported by other members of the wider Group and that this wider 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 Company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Independent Auditor's Report to the Members of Cornerstone Payment Solutions Ltd (continued) For the year ended 31 December 2021

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements for the company and trade regulations, 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.

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

**Independent Auditor's Report to the Members of Cornerstone Payment Solutions Ltd
(continued)
For the year ended 31 December 2021**

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:

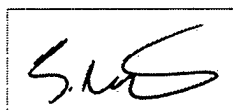
- Inspecting correspondence with the FCA and HMRC;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing accounting journal entries, in particular those journal entries which exhibited the characteristics we had identified as possible indicators of irregularities; and
- Challenging assumptions and judgements made by management in their critical accounting estimates

Because of the inherent limitations of an 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 rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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



Simon Wilks (Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP, Statutory Auditors
10 Queen Street Place
London
EC4R 1AG
29 June 2022

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

**Statement of Comprehensive Income
For the year ended 31 December 2021**

	Notes	31 December 2021 £	31 December 2020 £
TURNOVER	3	2,793,297	1,949,485
Cost of Sales		<u>(1,079,974)</u>	<u>(1,167,929)</u>
Gross profit		1,713,323	781,556
Administrative expenses		<u>(1,987,347)</u>	<u>(1,545,412)</u>
OPERATING LOSS	4	(274,024)	(763,856)
Interest receivable		1,622	-
Interest payable and similar charges	7	<u>(360)</u>	<u>-</u>
LOSS BEFORE TAXATION		(272,762)	(763,856)
Tax credit	8	4,330	-
LOSS FOR THE YEAR		<u>(268,432)</u>	<u>(763,856)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(268,432)</u>	<u>(763,856)</u>

All recognised gains and losses are included in the income statement.

All turnover and loss are derived from continuing operations.

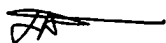
The notes on pages 15 to 29 form part of these financial statements.

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

**Statement of Financial Position
As at 31 December 2021**

	Notes	31 December 2021 £	31 December 2020 £
NON-CURRENT ASSETS			
Intangible assets	9	-	2,174
Tangible assets	10	21,542	8,464
Investments	11	92,520	92,520
TOTAL NON-CURRENT ASSETS		114,062	103,158
CURRENT ASSETS			
Debtors	12	886,701	859,747
Cash at Bank	13	208,476	87,287
TOTAL CURRENT ASSETS		1,095,177	947,034
TOTAL ASSETS		1,209,239	1,050,192
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	14	233,596	193,596
Share premium	16	2,579,414	2,419,414
Profit and loss account	16	(2,509,104)	(2,240,672)
TOTAL EQUITY		303,906	372,338
CURRENT LIABILITIES			
Trade and other payables	15	905,333	677,854
TOTAL EQUITY AND LIABILITIES		1,209,239	1,050,192

The financial statements were approved and authorised for issues by the Board of Directors and were signed on its behalf



.....
Judy Happe
Director

Date: 29 June 2022

The notes on pages 15 to 29 form part of these financial statements.

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

**Statement of Changes in Shareholder's Equity
For the year ended 31 December 2021**

	Share capital	Share premium	Other reserves	Retained earnings	Total Equity
	£	£	£	£	£
Balance at 31 December 2019	91,559	1,543,988	-	(1,569,763)	65,784
Issue of shares	102,037	925,426	-	-	1,027,463
Cost of raising equity	-	(50,000)	-	-	(50,000)
Share based payments	-	-	92,947	-	92,947
Reserve transfer following warrant cancellation	-	-	(92,947)	92,947	-
Loss and comprehensive income	-	-	-	(763,856)	(763,856)
Balance at 31 December 2020	<u>193,596</u>	<u>2,419,414</u>	<u>-</u>	<u>(2,240,672)</u>	<u>372,338</u>
	Share capital	Share premium	Other reserves	Retained earnings	Total Equity
	£	£	£	£	£
Balance at 1 January 2021	193,596	2,419,414	-	(2,240,672)	372,338
Issue of shares	40,000	160,000	-	-	200,000
Loss and comprehensive income	-	-	-	(268,432)	(268,432)
Balance at 31 December 2021	<u>233,596</u>	<u>2,579,414</u>	<u>-</u>	<u>(2,509,104)</u>	<u>303,906</u>

The notes on pages 15 to 29 form part of these financial statements.

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

**Statement of Cash Flows
For the year ended 31 December 2021**

	Notes	31 December 2021	31 December 2020
		£	£
Cash flows from operating activities			
Loss for the year before taxation		(272,762)	(763,856)
<i>Adjustments for:</i>			
Depreciation charge	4	4,293	1,730
Amortisation charge	4	2,173	3,903
Share based compensation		-	92,974
Finance income		(1,622)	-
Finance costs	7	360	-
Increase in trade and other receivables	12	(26,953)	(504,377)
Increase in trade and other payables	15	227,479	266,037
Cash used in operations		(67,032)	(903,589)
Income tax received	8	4,330	-
Cash used in operating activities		(62,702)	(903,589)
Purchase of tangible fixed assets	10	(17,371)	(9,144)
Investment in subsidiary undertaking	11	-	(92,520)
Net cash generated used in investing activities		(17,371)	(101,664)
Issue of shares (net of costs)	14	200,000	1,014,275
Interest and similar income		1,622	-
Interest and similar charges	7	(360)	-
Net cash generated from financing activities		201,262	1,014,275
Net increase/(decrease) in cash		121,189	9,022
Cash and cash equivalents at beginning of year		87,287	78,265
Cash and cash equivalents at end of year	13	208,476	87,287

The notes on pages 15 to 29 form part of these financial statements.

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Notes to the Financial Statements For the year ended 31 December 2021

1. ACCOUNTING POLICIES

1.1 General information

Cornerstone Payment Solutions Ltd (formerly known as FXPress Payment Services Ltd) is a private company limited by shares incorporated in Northern Ireland, company registration number NI602461. The registered office address is 1 Elmfield Avenue, Warrenpoint, Newry, County Down, Northern Ireland, BT34 3HQ.

The principal place of business is 1 Poultry, London, EC2R 8EJ.

The Company's principal activity is the provision of foreign exchange services.

1.2 Basis of preparing the financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the United Kingdom ("IFRS").

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability or expense. The detailed measurement bases and principal accounting policies of the Company are set out below. The financial statements are presented in pounds sterling ("£"), which is also the functional currency for the company, except when otherwise indicated. The principal accounting policies adopted in the preparation of the financial statements are set out below and have been applied consistently throughout all periods presented. These financial statements have been prepared under IFRS for the first time, however the policies applied under the entity's previous accounting framework are not materially different to IFRS and have no impact on equity or profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed at the end of this section.

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established and registered in the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

This information is included in the consolidated financial statements of Cornerstone FS plc as at 31 December 2021 and these financial statements may be obtained from Companies House.

The financial statements are prepared on the historical cost basis except for the measurement of certain financial instruments.

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:

- Amendments to IAS 1, presentation of financial statements on classification of liabilities (effective p/c on or after 1 January 2022).
- Amendments to IFRS 3 'Business Combinations' (effective p/c on or after 1 January 2022).
- Amendments to IAS 16 'Property, Plant and Equipment' (effective p/c on or after 1 January 2022).
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (effective p/c on or after 1 January 2022).
- Amendments to IFRS 9 'Financial Instruments' (effective p/c on or after 1 January 2022)

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Notes to the Financial Statements For the year ended 31 December 2021

- Amendments to IFRS 17 'Insurance Contracts' (effective p/c on or after 1 January 2023).
- Amendments to IAS 1 'Presentation of Financial Statements' (effective p/c on or after 1 January 2023).
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective p/c on or after 1 January 2023).
- Amendments to IAS 12 'Income Taxes' (effective p/c on or after 1 January 2023)

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 Company. The Company 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.

- Amendments to IFRS 4 'Insurance Contracts'
- Amendments to IFRS 7 'Financial Instruments: Disclosures'
- Amendments to IFRS 9 'Financial Instruments'
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement'
- Amendments to IFRS 16 'Leases'

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

1.3 Financial instruments

Trade and other debtors

Trade and other debtors are initially measured at fair value. Subsequently, they are measured at amortised cost.

Appropriate allowance for estimated irrecoverable amounts is recognised in the Statement of Comprehensive Income where there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

Trade and other payables are initially measured at fair value. Subsequently, they are measured at amortised cost.

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and deposits held at call with banks.

1.5 Going concern

The financial statements have been prepared on the going concern basis, which assumes the ability of the Company to continue its activities for the foreseeable future, being a period not less than twelve months from the date of approval of these accounts.

During the year ended 31 December 2021, the Company made a loss of £268,432 and the net assets of the Company as at 31 December 2021 were £303,906. The Company has continued to benefit from the support of its shareholders through the issuance of additional share capital of £200,000 in the period.

The Directors have prepared a cash flow forecast 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

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Notes to the Financial Statements For the year ended 31 December 2021

increase in revenues, continued investment in organic sales & marketing efforts and continued support from its parent company Cornerstone FS plc.

The cash flow forecasts of Cornerstone FS plc assume that further equity fundraising will be necessary over the coming months in order to implement Cornerstone's growth strategy which include continuing to support the working capital needs of the Company.

Although Cornerstone FS plc 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's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern.

After careful consideration, the Directors consider that they have reasonable grounds to believe that Cornerstone FS plc can continue to support the working capital needs of the Company and therefore the Company can be regarded as a going concern. For this reason they continue to adopt the going concern basis in preparing the Company's financial statements.

1.6 Revenue

The Company 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 Company'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 Company does not have any contracts with customers where the performance obligations have not been fully satisfied.

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 the Company receives from its banking counterparties. Options revenue is recognised when a binding contract is entered into by a client and the revenue is fixed and determined.

Revenue represents the difference between the premiums offered to clients and the premium the Company receives from its banking counterparties.

When the Company enters into a contract with a client, it immediately enters into a separate matched contract with its banking counterparty.

1.7 Property, Plant & Equipment

Owned assets

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Estimated residual values are included in the calculation of depreciation. The estimated useful lives of property, plant and equipment are as follows:

Computer equipment - 4 years straight line

The residual values and useful lives are reviewed by the Directors and adjusted if appropriate at the end of each reporting period.

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Notes to the Financial Statements For the year ended 31 December 2021

1.8 Intangible assets

Intangible assets consist of internally developed software.

Internally developed software costs are amortised over the useful life of the asset on a straight-line basis over 3 years being the period of expected future benefit. Amortisation is recorded in operating expenses.

1.9 Investments

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

1.10 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.

1.12 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's financial statements requires management to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. In the process of applying the Company's accounting policies, management has made the following judgements and estimates which have the most significant effect on the amounts recognised in the financial statements:

Trade and intercompany debtors

The recoverability of trade and intercompany debtors has been assessed as at the year end and up until the date of signing these financial statements. Management have based the decision to provide for any amounts based on their judgement of all available information, and their experience of the specific nature of the trade debtor in question. At the balance sheet date, the carrying amount of trade debtors £nil (2020: £8,405) and the carrying amount of intercompany debtors was £435,659 (2020: £518,233).

Depreciation, amortisation and residual values

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and have concluded that asset lives and residual values are appropriate. At the balance sheet date, the carrying amount of fixed assets was £21,542 (2020: £8,464) and the carrying amount of intangible fixed assets was £nil (2020: £2,174).

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

**Notes to the Financial Statements
For the year ended 31 December 2021**

3. SEGMENTAL REPORTING

The directors consider that there is only one activity undertaken by the Company, that of foreign exchange services. All of this activity was undertaken in the United Kingdom.

	31 December 2021	31 December 2020
	£	£
Foreign exchange commission	2,301,172	1,664,237
Software development	492,125	285,248
	<u>2,793,297</u>	<u>1,949,485</u>

4. EXPENSES BY FUNCTION

The operating loss is stated after charging

	31 December 2021	31 December 2020
	£	£
Operation lease rentals	86,434	70,697
Depreciation (see note 10)	4,923	1,730
Amortisation (see note 9)	2,173	3,903
Staff costs (see note 5)	1,107,875	617,308
Audit fees	24,000	13,500
	<u>1,107,875</u>	<u>617,308</u>

5. STAFF COSTS

	31 December 2021	31 December 2020
	£	£
Wages and salaries	1,027,027	551,086
Social security costs	119,743	60,292
Other pension costs	21,067	5,930
	<u>1,107,875</u>	<u>617,308</u>

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

**Notes to the Financial Statements
For the year ended 31 December 2021**

The average monthly number of employees during the period was as follows

	31 December 2021	31 December 2020
Directors	7	4
Sales, administrative & support staff	11	5
	<hr/>	<hr/>
	18	9

Directors Emoluments

The remuneration of the Directors is set out below in aggregate.

	31 December 2021 £	31 December 2020 £
Salaries and fees	409,101	547,339
Social security cost	53,238	29,456
Other pension costs	6,434	-
	<hr/>	<hr/>
	468,773	576,795

The number of Directors to whom retirement benefits were accruing under a defined contribution scheme were as follows:

	31 December 2021	31 December 2020
Directors	<hr/> 2	<hr/> 1

The remuneration in respect of the highest paid director was:

	31 December 2021 £	31 December 2020 £
Salaries and fees	110,000	105,800
Social security cost	14,265	2,478
	<hr/>	<hr/>
	124,265	108,275

6. PENSION COSTS

The Company operates a defined contribution pension scheme. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £21,067 (2020: £5,930). As 31 December 2021 contributions of £8,931 remained outstanding and are included within other payables (2020: £2,490).

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

**Notes to the Financial Statements
For the year ended 31 December 2021**

7. INTEREST PAYABLE AND SIMILAR CHARGES

	31 December 2021 £	31 December 2020 £
Interest payable	360	-

8. TAXATION

Analysis of the tax charge

The tax credit on the profits on ordinary activities for the period are as follows

	31 December 2021 £	31 December 2020 £
Current tax:		
UK corporation tax	4,330	-
Deferred tax	-	-
Tax on profit on ordinary activities	4,330	-

Factors affecting the tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below

	31 December 2021 £	31 December 2020 £
Loss on ordinary activities before tax	(272,762)	(763,856)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	(51,825)	(145,133)
Effects of		
Surrender of tax losses for research & development tax credit	4,330	-
Expenses not deductible for tax purposes	373	8,605
Share based payments	-	17,660
Capital allowances in excess of depreciation	(2,310)	(1,409)
Tax losses carried forward	53,762	120,277
Current tax credit	4,330	-

The Company does not expect to submit a Research and Development tax credits reclaim for the year ended 31 December 2021. As at 31 December 2020 the Company had prepared but not yet submitted a Research and Development tax credits reclaim in respect of the period ended 31 December 2019, the estimated net benefit of which was approximately £6,000 and was not included in the current tax charge for the year ended 31 December 2020 due to its contingent nature.

As at 31 December 2021, the Company had tax losses carried forward of £2,754,593 (31 December 2020: £2,493,134). Deferred tax has not been recognised in relation to these tax losses. The standard rate of corporation tax applicable to the Company for the year ended 31 December 2021 was 19.0%. The UK

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

**Notes to the Financial Statements
For the year ended 31 December 2021**

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.

9. INTANGIBLE FIXED ASSETS

	Software £
COST	
At 1 January 2021	
and at 31 December 2021	15,611
	<hr/>
AMORTISATION	
At 1 January 2021	13,437
Charge for the year	2,174
	<hr/>
At 31 December 2021	15,611
	<hr/>
NET BOOK VALUE	
At 31 December 2021	-
	<hr/>
At 31 December 2020	2,174
	<hr/>

10. PROPERTY, PLANT & EQUIPMENT

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

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

**Notes to the Financial Statements
For the year ended 31 December 2021**

11. INVESTMENT

	Investment in Avila House £
COST	
At 1 January 2021 and 31 December 2021	92,520
 NET BOOK VALUE	
At 31 December 2020 and 31 December 2021	<u>92,520</u>

The following was a subsidiary undertaking of the Company:

Subsidiary	Principal Activity	Country of incorporation	Registered Office	Percentage of ownership
Avila House Limited	E-money and Payment Services	England and Wales	The Old Rectory, Addington, Buckinghamshire, MK18 2JR	100 per cent.

The Company's investment as at 31 December 2021 represents its initial investment in its direct subsidiary Avila House Limited.

On 19 October 2020 FXPress Payment Services Ltd acquired the entire issued share capital of Avila House Limited, a company which has a small electronic money institution licence focused on multi-currency e-wallets, for a total consideration of £92,685 (satisfied by £60,000 in shares and £32,685 in cash). The acquisition was made in line with the Company's strategy to allow clients to leave funds on deposit, effectively providing them with multi-currency current accounts.

The net assets acquired at the date of acquisition were determined to be £92,520, representing the fair value of the FCA registered small electronic money institution licence which was the only asset held by Avila House Limited at the time of acquisition. No goodwill arose as a result of the acquisition.

During the year ended 31 December 2021 Avila House Limited has generated revenue of £197,996 (2020: £nil) via a white label agreement with Cornerstone Payment Solutions (its sole source of income during the year) and generated a profit of £2,418 (2020: loss of £3,822). As at 31 December 2021 the total share capital of Avila House Limited was £27,083 and it has negative reserves of £3,332 (2020: £5,740).

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

**Notes to the Financial Statements
For the year ended 31 December 2021**

12. TRADE AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
	£	£
Trade receivables	-	8,405
Derivative financial assets at fair value	359,110	299,035
Other receivables	32,525	19,051
Prepayments and accrued income	59,407	15,023
Intercompany receivables	435,659	518,233
	<hr/>	<hr/>
	886,701	859,747

13. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
	£	£
Cash at bank	208,476	87,287
	<hr/>	<hr/>

14. CALLED UP SHARE CAPITAL

Authorised, allotted and called up	31 December 2021	31 December 2020
	£	£
233,595,862 (December 2020: 193,595,862)		
Ordinary shares of £0.001 each	233,596	193,596
	<hr/>	<hr/>

On 28 June 2021 the Company issued 40,000,000 Ordinary shares of £0.001 each to its parent company Cornerstone FS plc for consideration of £200,000.

As at 31 December 2021 £200,336 (31 December 2020: £336) of issued share capital remained unpaid.

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY EXPRESS PAYMENT SERVICES LTD)

**Notes to the Financial Statements
For the year ended 31 December 2021**

15. TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
	£	£
Trade payables	129,176	286,410
Derivative financial liabilities at fair value	290,292	216,061
Amounts owed to group undertakings	280,352	-
Other payables and accruals	167,190	145,521
Taxes and social security	38,323	29,862
	<hr/> 905,333 <hr/>	<hr/> 677,854 <hr/>

16. RESERVES

Share Premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account

This reserve comprises all current and prior years' retained profits and losses.

Other reserve

The other 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.

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

**Notes to the Financial Statements
For the year ended 31 December 2021**

17. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	31 December 2021	31 December 2020
	£	£
DERIVATIVE FINANCIAL ASSETS		
Foreign currency forward contracts with customers	359,077	253,077
Foreign currency forward contracts with international counterparty	33	45,958
	359,110	299,035
Cash and cash equivalents	208,476	87,287
Trade debtors	-	8,405
Other debtors	527,591	552,142
	1,095,177	946,869
FINANCIAL LIABILITIES	£	£
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	129,176	286,410
Other payables	447,542	175,383
	867,010	677,854

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

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Notes to the Financial Statements For the year ended 31 December 2021

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
	<u>290,292</u>	<u>9,874,438</u>	<u>216,061</u>	<u>16,782,923</u>

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 the year ended 31 December 2021 year was £29,661 (31 December 2020: £4,839 gain).

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 Company comprises foreign exchange risk and interest rate risk. The Company 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 Company's cash balances are primarily held in Pound Sterling and the Company does not hold significant cash balances in foreign currencies.

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Notes to the Financial Statements For the year ended 31 December 2021

Interest rate risk affects the Company 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 Company will not be able to meet its financial obligations as they fall due. The Company 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, continued investment in organic sales & marketing efforts and continued support from its parent company Cornerstone FS plc. 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 Company.

The Company 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 Company 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 Company'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 which mitigate credit exposure. Trade limits are applied to all clients. The Company has systems to monitor trade limits and collateral requirements on a real time basis. The Company does not have any significant concentration of exposures within its client base.

Counterparty risk

Each trade between a client and the Company 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 Company.

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

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

18. RELATED PARTY DISCLOSURES

All of the amounts below were in respect of the year ended 31 December 2021

Fees of £nil (2020: £50,000) in connection with fundraising activities were due to LGEC Capital Partners LLP, of which Gareth Edwards is a Designated Member. As at 31 December 2021 £nil was due to LGEC Capital Partners LLP (2020: £50,000).

CORNERSTONE PAYMENT SOLUTIONS LTD (FORMERLY FXPRESS PAYMENT SERVICES LTD)

Notes to the Financial Statements For the year ended 31 December 2021

Terry Everson was paid consulting fees of £nil via Hazelwood Financial Ltd, a company of which he is a Director and significant shareholder (2020: £24,000). As at 31 December 2021 a loan of £8,750 owed by Terry Everson to the Company remained unpaid (2020: £10,000).

William Newton was paid consulting fees of £nil (2020: £8,333).

Stephen Flynn was paid consulting fees of £nil via JF Technology (UK) Ltd, a company of which he is a Director and significant shareholder (2020: £68,871).

David Mason was paid consulting fees of £nil (2020: £85,800).

Phil Barry was paid consulting fees of £nil (2020: £8,333).

Julian Wheatland was paid consulting fees of £nil (2020: £40,000)

Details of key management compensation are included in note 5. Key management are considered to be the directors of the Company.

19. FINANCIAL COMMITMENTS

The Company is not considered to have any operating lease commitments. The offices utilised by the Company 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.

20. CONTROLLING PARTY

The immediate controlling party is Cornerstone FS plc which acquired 100% of the share capital of the Company on 9 September 2020. The registered office of the parent company is The Old Rectory, Addington, Buckinghamshire, MK18 2JR. The smallest and largest group in which the results were consolidated was headed by Cornerstone FS plc.

There is no ultimate controlling party.