

Certain information contained within this Announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 ("MAR") as applied in the United Kingdom. Upon publication of this Announcement, this information is now considered to be in the public domain.

12 September 2023

Cornerstone FS plc
("Cornerstone" or the "Company" or the "Group")

Interim Results

Significant revenue growth, maiden six-month period of profitability and cash generation
On track for FY 2023 to be significantly ahead of expectations

Cornerstone FS plc (AIM: CSFS) a foreign exchange and payments solutions company offering multi-currency accounts to businesses and individuals through its proprietary technology platform, is pleased to announce its unaudited interim results for the six months ended 30 June 2023.

Financial Highlights

- Revenue increased by 90% to £3.6m (H1 2022: £1.9m) through the continued expansion of the Group's payments capabilities and offering, and on-going investment in the sales function
- Gross margin broadly stable at 61.0% (H1 2022: 61.7%)
- Maiden half-year adjusted¹ EBITDA of £0.2m (H1 2022: £0.5m loss) driven by both revenue growth and careful management of the Group's cost base
- Operating profit of £0.1m (H1 2022: £3.0m loss)
- Profit before tax of £23k (H1 2022: £3.0m loss)
- Cash generated from operations of £0.1m (H1 2022: cash used in operations of £0.1m)
- Cash and cash equivalents increased to £816k at 30 June 2023 (31 December 2022: £682k)

Operational Highlights

- Proportion of revenue accounted for by direct clients increased to 91% (H1 2022: 74%) reflecting the strategic decision to rationalise the majority of the historic white label business
- Active customers² increased to 874 (period to 30 June 2022: 697)
- New counterparty partnerships established to broaden the number of currencies and countries where the Group can transact - the Group can now pay out to over 150 countries in 58 currencies
- Completed preparation for the introduction of the Consumer Duty regulation in July 2023

Current trading and outlook

- The strong trading momentum experienced in the first half of the year has continued into the second half
- With the continued advancements being made across the business and a clear focus on Cornerstone's strategic growth priorities, the Group now expects to report results for its full year 2023 significantly ahead of market expectations, including achieving its first full year of positive adjusted EBITDA
- The Board is confident that the Group's funding position is comfortable and sufficient to support its existing growth plans

James Hickman, CEO of Cornerstone, said:

"It has been an excellent six months for Cornerstone, delivering substantial revenue growth and achieving our first half-year period of profitability and operating cash generation. This has been driven by our enhanced sales efforts and focus on more fully commercialising our platform alongside important action to carefully manage our cost base as we grow.

"We have also continued to execute on our strategy to augment our capabilities by establishing further counterparty relationships and partnerships, and we're particularly excited about the progress we've made towards expanding our payment methods.

"With the strong trading momentum having continued into the second half of the year, and with the benefits from our operational improvements still coming through, we expect to report full year results significantly ahead of market expectations, representing substantial year-on-year growth as well as a maiden full year adjusted EBITDA.

"When combined with a large and supportive market backdrop, as global digital payment transaction values expand and the on-going shift of payment transactions away from banks to specialist firms continues, the Board has great confidence in the future of the Group."

¹ Adjusted to exclude share-based compensation and transaction costs of £0.2m and other operating income and profit on a disposal of a subsidiary of £0.4m (H1 2022: £2.3m and £nil)

² Calculated as customers who traded through Cornerstone in the 12 months to 30 June 2023

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About Cornerstone FS plc

Cornerstone FS plc (AIM: CSFS) is a foreign exchange and payments company offering multi-currency accounts and payment solutions to businesses and individuals. Headquartered in the City of London, Cornerstone combines a proprietary technology platform with a high level of personalised service to support clients with payments in over 150 countries in 58 currencies. With a track record of over 12 years, Cornerstone has the expertise, experience and expanding global partner network to be able to execute complex cross-border payments. It is fully regulated by the Financial Conduct Authority as an Electronic Money Institution. www.cornerstonefs.com

Investor Presentation

James Hickman, CEO, and Judy Happe, CFO, will be presenting via Investor Meet Company on 12 September 2023 at 11.00am BST.

Questions can be submitted pre-event via the Investor Meet Company platform up until 9.00am BST the day before the meeting or at any time during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet Cornerstone via:
<https://www.investormeetcompany.com/cornerstone-fs-plc/register-investor>

Operational Review

The six months to 30 June 2023 was a very strong period for the Group, with revenue increasing by 90% to £3.6m (H1 2022: £1.9m) and the Group achieving its maiden half-year profit and positive adjusted EBITDA. Importantly, the Group also delivered its first interim cash inflow from operating activities. This reflects the strategic and operational changes that were implemented during the second half of 2022 and which continued into the current period. The Group's focus has been on driving direct sales and fully commercialising the platform, while maintaining tight control over costs. Key elements of this have been growing the sales team and enhancing and expanding the Group's offering, particularly through increasing the number of counterparties to broaden the number of currencies and countries where it can transact, with the objective of increasing the number of active customers, through customer acquisition and retention, and value of payment

transactions managed by the Group.

Performance

The Group delivered significant growth in revenue to £3.6m (H1 2022: £1.9m), reflective of a substantial increase in revenue generated by clients that the Group serves directly. The proportion of total revenue that was accounted for by direct clients was 91%, being £3.3m (H1 2022: £1.4m), compared with 74% in H1 2022. Revenue generated through the Group's white label partners accounted for total revenue of £319k (H1 2022: £501k). This is in line with the Group's strategic decision to manage down almost all its historic white label business - only maintaining a small number of accounts that meet appropriate profitability thresholds. This commenced towards the end of 2022, but primarily took place in the first half of the current year.

Active customers, calculated as customers who traded during the 12 months ending 30 June 2023, increased to 874 compared with 697 for the 12 months to 30 June 2022, as the Group has continued its strategy of investing in its sales team and payment capabilities.

By client type, there was an increase in revenue generated by both private clients (primarily high net worth individuals) and corporate accounts. Particularly strong growth was seen from private clients, with the proportion of total revenue accounted for by private clients increasing to 62% (H1 2022: 45%) with corporate accounts contributing 38% (H1 2022: 55%). However, for the majority of private client revenue, whilst the underlying transaction is with an individual, the relationship is via a corporate that provides services to the individual.

During the first half of 2023, transactions were conducted between 43 different currency pairs (H1 2022: 43), with 88% of transactions being between various combinations of Sterling, Euros and US Dollars (H1 2022: 86%).

Enhancing our offer

A key strategic focus is the enhancement of the Group's offer, primarily through growing its counterparty and partner network to expand its product capabilities. At the same time, internal technology development continues, to enhance the Group's platform as well as its service provision.

Expanding our product

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

New counterparty partnerships have been established, which enables the Group to broaden the number of currencies and countries where it can transact, as well as expanding the business sectors that it can serve. The Group can now pay out to over 150 countries in 58 currencies.

To further support the expansion of its offer, the Group has established a new offering, Cornerstone Solutions, that will focus on providing solutions to clients that are harder to service, due to, for example, the sector in which they operate. This will allow the Group to leverage some of its competitive strengths - such as the high level of experienced, personalised service - and open access to a further cohort of potential clients.

The Group has also made significant progress towards expanding its payment method offering and is at an advanced stage with a potential partner. The Group expects to be able to launch its first initiative in this respect during the first quarter of next year.

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

Improving our service

Cornerstone is committed to continuously improving the service that it provides to its customers. During the period, this included making enhancements to the user interface and user experience of the Group's platform. The Group is also continuing development work to increase the automation in transactional processes to increase the speed of payments as well as working on enhancements to the onboarding process.

Actions such as these, which stem from one of the Group's core values of always putting customers first, meant that the Group was well prepared for the introduction of the Financial Conduct Authority's Consumer Duty regulation in July 2023. During the period, the Group undertook a review of its operations to ensure that it was fully compliant with the new regulation, which sets higher and clearer standards for consumer protection across financial services.

Financial Review

Revenue for the six months to 30 June 2023 increased by 90% to £3.6m compared with £1.9m for the first half of the previous year. This growth reflects the strategic and operational changes that were implemented during the second half of 2022 and which continued into the current period focusing on driving direct sales and fully commercialising the platform. The Group also benefited from full six-month contributions from Capital Currencies and Pangea FX, which were acquired in H1 2022 and H2 2022, respectively.

Gross margin for the first half of 2023 was 61.0% (H1 2022: 61.7%). Whilst the proportion of revenue derived from white label partners has declined to 9% (from 26% in H1 2022), the gross margin benefit of this was offset by a change in commission arrangements with Robert O'Brien the General Manager APAC and Middle East which were previously agreed

commission arrangements with Robert O'Brien, the General Manager for the Asia and Middle East, which were previously agreed at enhanced levels in 2023 compared with the prior year. As announced on 8 March 2023, Mr. O'Brien agreed to vary and extend certain elements of his compensation package, decreasing his commission share on certain established revenue streams and increasing his share of the profitability of the Dubai office. This was immediately beneficial for the Group and, as a result of this change, the Group generated stronger gross margin in the second quarter of 2023 compared with the first quarter.

As a result of gross margin remaining at a broadly consistent level, combined with the significant growth in revenue, gross profit increased by 88% to £2.2m (H1 2022: £1.2m).

Operating expenses were reduced to £2.2m in H1 2023 compared with £4.1m for the first half of the previous year. This primarily reflects a reduction of £2.1m in share-based (non-cash) compensation to £173k (H1 2022: £2.2m) following the Company reaching an agreement in H2 2022 with Mr. O'Brien and the Asia team to vary the terms of their incentivisation agreement pursuant to which they received £nil share-based compensation during the period (H1 2022: £2.1m). The Group also recognised a £0.2m profit during the period from the disposal of its subsidiary, Avila House Ltd. ("Avila House"), with the share purchase agreement having been entered in December 2022 and completed during the period under review. Together with the reduced share-based compensation, this more than offset the increase in other administrative expenses to £2.0m (H1 2022: £1.7m) and amortisation of intangible assets to £0.3m (H1 2022: £0.2m). The Group has maintained tight control over operating costs and the increase in other administrative expenses primarily relates to additional sales team hires and the impact of the acquisitions of Capital Currencies and Pangea FX. Amortisation was higher due to the acquired customer lists from the 2022 acquisitions, combined with the cumulative impact of internally developed software additions that have been capitalised since 2020 with an amortisation period of three years.

The Group generated other operating income of £0.2m (H1 2022: £nil) based on interest on client cash balances (see note 3 to the financial statements).

As a result of the increased gross profit and other operating income and reduced operating expenses, the Group generated a profit from operations of £0.1m compared with a loss from operations of £3.0m for the first half of 2022.

Net finance costs were £115k (H1 2022: £49k), which was primarily related to interest on loan notes due to Mr. O'Brien (principal balance of £2.0m) and in respect of the Pangea FX acquisition (principal balance of £0.2m), both of which have a fixed coupon rate of 6% p.a.

As a result, the Group generated a maiden profit before tax of £23k in the six-month period compared with a loss before tax of £3.0m for the first half of 2022. Earnings per share on a basic and diluted basis were 0.06 pence (H1 2022: loss of 13.05 pence per share), which was achieved despite an increase in the weighted average number of ordinary shares in issue to 55,791,324 (H1 2022: 23,143,117).

On an adjusted basis (to exclude share-based compensation and transaction costs, as well as the other operating income and profit from the disposal of Avila House), the Group generated a first half-year period of positive EBITDA of £0.2m, compared with an adjusted EBITDA loss of £0.6m for H1 2022.

The Group was cash flow positive for the first six months of 2023. Cash generated by operating activities was £0.1m (H1 2022: £0.1m used in operating activities) based on the improved trading performance. Cash generated by investing activities was £85k (H1 2022: £0.8m used in investing activities) as the proceeds from the disposal of Avila House offset the acquisition of intangible assets, property, plant and equipment principally associated with the continued investment in developing the Group's proprietary platform. Cash from operating and investing activities more than offset cash used in financing activities, which consisted of £66k in interest and similar charges (H1 2022: £nil).

As a result, as of 30 June 2023, the Group had increased cash and cash equivalents of £816k (31 December 2022: £682k).

As announced on 8 March 2023, the Group agreed to further vary the incentivisation arrangement with Mr. O'Brien as well as the settlement arrangement with Craig Strong, Director of Capital Currencies. The repayment date of Mr. O'Brien's loan note has been extended to 31 July 2026 and the payment dates of Mr. Strong's earn-out consideration have both been extended by a year.

The Group's emerging adjusted EBITDA, and profit generation, together with its current cash balances give the Board confidence in the strength of the Company's balance sheet and is comfortable that the Group has sufficient resources to support its existing growth plans.

Outlook

The strong trading momentum that was experienced in the first half of the year has continued into the second half.

The strong growth being generated reflects the advancements being made across the business as the Group realises the benefits of the enhancements made to its operations and offering towards the end of 2022 and to date in 2023. With the continued strengthening of its sales team, and a clear focus on Cornerstone's strategic growth priorities, the Group expects this revenue trend to be sustained throughout the year.

As a result, and with the continued careful management of the cost base, the Group now expects to report results for its full year 2023 significantly ahead of market expectations, including achieving its first full year of positive adjusted EBITDA.

Cornerstone FS plc
Consolidated Statement of Comprehensive Income

		Unaudited 6 months to 30 June 2023	Unaudited 6 months to 30 June 2022	Audited 12 months to 31 Dec 2022
	Notes	£	£	£
Revenue		3,601,842	1,896,073	4,821,996
Cost of sales		(1,405,919)	(727,081)	(1,885,503)
Gross profit		2,195,923	1,168,992	2,936,493
Share-based compensation	5	(172,679)	(2,243,258)	(4,284,039)
Further adjustments to adjusted EBITDA (see below)		(63,306)	(183,509)	(500,529)
Other administrative expenses		(2,005,647)	(1,718,910)	(3,805,812)
Total administrative expenses		(2,241,632)	(4,145,677)	(8,590,380)
Other operating income	1	183,506	-	30,647
Adjusted EBITDA / (EBITDA loss)		190,275	(549,918)	(869,319)
Stated after the add-back of:				
- other operating income		(183,506)	-	(30,647)
- share-based compensation	5	172,679	2,243,258	4,284,039
- transaction costs		4,500	12,600	99,365
- (profit) on disposal of subsidiary	7	(207,480)	-	-
- amortisation of intangible assets	6	256,707	166,046	386,542
- depreciation of property, plant and equipment		9,579	4,863	14,622
Profit / (loss) from operations	2	137,797	(2,976,685)	(5,623,240)
Finance and other income	3	-	10	18
Finance costs	3	(114,550)	(49,280)	(163,975)
Profit / (loss) before tax		23,247	(3,025,955)	(5,787,197)
Income tax		11,699	6,699	175,365
Profit / (loss) for the financial period		34,946	(3,019,256)	(5,611,832)
Total comprehensive profit / (loss) for the period		34,946	(3,019,256)	(5,611,832)
Profit / (loss) per share from continuing operations:				
Basic & diluted (pence)	4	0.06	(13.05)	(17.26)

Cornerstone FS plc
Consolidated Statement of Financial Position

		Unaudited as at 30 June 2023	Unaudited as at 30 June 2022	Audited as at 31 Dec 2022
	Notes	£	£	£
ASSETS				
Non-current assets				
Intangible assets and goodwill	6	2,180,104	2,106,268	2,315,637
Tangible assets		30,923	34,256	39,677
		2,211,027	2,140,524	2,355,314
Current assets				
Trade and other receivables	8	1,503,464	415,216	1,339,110
Cash and cash equivalents		816,176	283,075	682,346
		2,319,640	698,291	2,021,456
TOTAL ASSETS		4,530,667	2,838,815	4,376,770
Equity				
Share capital	5	574,171	236,837	480,362
Share premium		6,191,748	3,906,533	5,496,829
Share-based payment reserve		620,006	4,635,968	1,489,765
Merger relief reserve		5,557,645	5,557,645	5,557,645
Contingent consideration reserve		999,859	891,784	950,920
Reverse acquisition reserve		(3,140,631)	(3,140,631)	(3,140,631)
Retained earnings		(10,406,693)	(10,847,482)	(10,924,791)
TOTAL EQUITY		396,105	1,240,654	(89,901)

Non-current liabilities

Loan notes	10	2,172,578	-	2,172,578
Deferred tax liability		88,117	57,608	99,816
		<u>2,260,695</u>	<u>57,608</u>	<u>2,272,394</u>
Current liabilities				
Trade and other payables	9	1,873,867	1,524,477	1,969,277
Loan notes	10	-	-	225,000
Deferred tax liability		-	16,076	-
		<u>1,873,867</u>	<u>1,540,553</u>	<u>2,194,277</u>
TOTAL EQUITY AND LIABILITIES		<u>4,530,667</u>	<u>2,838,815</u>	<u>4,376,770</u>

Cornerstone FS plc**Consolidated Statement of Changes in Equity**

	Share capital	Share premium	Share-based payment reserve	Merger relief reserve	Contingent consideration reserve	Reverse acquisition reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£
At 1 January 2022	202,776	3,074,355	2,392,710	5,557,645	-	(3,140,631)	(7,828,230)	258,625
Issue of shares	34,061	868,538	-	-	-	-	-	902,599
Cost of raising equity	-	(36,360)	-	-	-	-	-	(36,360)
Deferred equity-based consideration	-	-	-	-	891,784	-	-	891,784
Share-based payments	-	-	2,243,258	-	-	-	(2,243,258)	-
Other comprehensive loss	-	-	-	-	-	-	(775,994)	(775,994)
At 30 June 2022	236,837	3,906,533	4,635,968	5,557,645	891,784	(3,140,631)	(10,847,482)	1,240,654
Share-based payments	176,362	1,036,696	-	-	-	-	-	1,213,058
Cost of raising equity	-	(50,950)	-	-	-	-	-	(50,950)
Deferred equity-based consideration	-	-	-	-	59,136	-	-	59,136
Share-based payments	-	-	2,040,781	-	-	-	-	2,040,781
Settlement of equity-based incentives	67,163	604,550	(5,186,984)	-	-	-	2,515,271	(2,000,000)
Other comprehensive loss	-	-	-	-	-	-	(2,592,580)	(2,592,580)
At 31 December 2022	480,362	5,496,829	1,489,765	5,557,645	950,920	(3,140,631)	(10,924,791)	(89,901)
Issue of shares	35,299	194,143	-	-	-	-	-	229,442
Deferred equity-based consideration	-	-	-	-	48,939	-	-	48,939
Share-based payments	-	-	172,679	-	-	-	-	172,679
Settlement of equity-based incentives	58,510	500,776	(1,042,438)	-	-	-	483,152	-
Other comprehensive income	-	-	-	-	-	-	34,946	34,946
At 30 June 2023	574,171	6,191,748	620,006	5,557,645	999,859	(3,140,631)	(10,406,693)	396,105

Cornerstone FS plc**Consolidated Cash Flow Statement**

	Unaudited six months to 30 June 2023	Unaudited six months to 30 June 2022	Audited 12 months to 31 Dec 2022
	£	£	£
Profit / (loss) before tax	<u>23,247</u>	<u>(3,025,955)</u>	<u>(5,787,197)</u>
Adjustments to reconcile profit before tax to cash generated from operating activities:			
Finance income	-	(10)	(18)
Finance costs	114,550	49,280	163,975
Share-based compensation	172,679	2,243,258	4,284,039
Other equity settled share-based payments	-	32,595	32,595
Profit on disposal of subsidiary	(207,480)	-	-

Provision on disposal of subsidiary	(207,100)	-	-
Depreciation and amortisation	266,286	170,909	401,164
(Increase) / decrease in trade and other receivables	(164,354)	78,028	(845,866)
(Decrease) / increase in trade and other payables	(90,969)	312,676	757,250
Cash generated / (used) in operations	113,959	(139,219)	(994,058)
Income tax received	-	-	158,188
Cash generated / (used) in operating activities	113,959	(139,219)	(835,870)
Investing activities			
Acquisition of property, plant and equipment	(824)	(2,994)	(17,198)
Acquisition of intangible assets	(213,694)	(228,484)	(422,713)
Proceeds from disposal of subsidiary	300,000	-	-
Acquisition of subsidiary, net of cash acquired	-	(527,984)	(552,128)
Cash generated / (used) in investing activities	85,482	(759,462)	(992,039)
Financing activities			
Shares issued (net of costs)	-	833,644	1,992,694
Loans received	-	-	225,000
Interest and similar income	-	10	18
Interest and similar charges	(65,611)	-	(55,559)
Cash (used in) / generated from financing activities	(65,611)	833,654	2,162,153
Increase / (decrease) in cash and cash equivalents	133,830	(65,027)	334,244
Cash and cash equivalents at beginning of period	682,346	348,102	348,102
Cash and cash equivalents at end of period	816,176	283,075	682,346

Cornerstone FS plc

Notes to the financial statements

1. General information and basis of preparation

Cornerstone FS plc is a public limited company, incorporated and domiciled in England. The Company was admitted to trading on AIM, London Stock Exchange's market for small and medium size growth companies, on 6 April 2021. The registered office of the Company is The Old Rectory, Addington, Buckingham, England, MK18 2JR, and its principal business address is 75 King William Street, London, EC4N 7BE. Cornerstone FS plc is a foreign exchange and payments company offering multi-currency accounts to businesses and individuals using a proprietary cloud-based multi-currency payments platform. These services are primarily delivered directly on a SaaS basis to UK-based SMEs and high-net worth individuals (private clients).

The consolidated financial information contained within these financial statements is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. While the financial figures included in this interim report have been prepared in accordance with IFRS applicable to interim periods, this interim report does not contain sufficient information to constitute an interim financial report as defined in IAS 34. Financial information for the year ended 31 December 2022 has been extracted from the audited financial statements for that year. With the exception of an additional accounting policy for other operating income included below, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2022.

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

Details of subsidiary undertakings and % shareholding:

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

On 26 April 2023, the Group completed the sale of Avila House Ltd (formerly 100% owned by Cornerstone Payment Solutions Ltd). The results of Avila House were consolidated up to the date of disposal.

Other operating income

Other operating income represents interest generated from client cash balances. The recent changes to the interest rate environment has meant that these accounts can be interest bearing, whilst maintaining the safeguarding requirements. Under the terms of the Group's Electronic Money Licence, the Group is not able to pass any of the interest earned back to the clients.

Whilst the increased interest stream is a positive boost for the Group and a natural by-product of its increasingly diversified product offering, the Group is mindful that aspects of its dynamics are driven by macroeconomics beyond its control. The Group has therefore chosen to recognise interest income on client balances as 'other operating income', not revenue on the face of the Consolidated Statement of Comprehensive Income. For the same reason, interest income has been excluded from the presentation of adjusted EBITDA.

Interest earned on Cornerstone's own cash is recognised within finance and other income in the Consolidated Statement of Comprehensive Income.

Going concern

During the period ended 30 June 2023, the Group made a profit of £34,946; its maiden period of profitability. As at 30 June 2023, the Group's Statement of Financial Position showed cash and cash equivalents of £816,176. The trading position of the Group has strengthened during 2023 with continued revenue growth coupled with a strong focus on cost control. As a result, the Group expects to begin generating a recurring cash inflow before financing activities during the second half of 2023.

The Board continues to closely monitor the Group's performance and considers a range of risks that could affect the future performance and position of the Group. The Board considers the Group has a reasonable expectation that it has adequate resources to continue to operate for the foreseeable future and therefore the financial statements are prepared on a going concern basis.

2. Profit / (loss) from operations

	Unaudited six months to 30 June 2023 £	Unaudited six months to 30 June 2022 £	Audited 12 months to 31 Dec 2022 £
Profit / (loss) from operations is stated after charging:			
Share-based compensation	172,679	2,243,258	4,284,039
Transaction costs	4,500	12,600	99,365
Expensed software development costs	33,189	53,473	86,941
Depreciation of property, plant and equipment	9,579	4,863	14,622
Amortisation of intangible assets	256,707	166,046	386,541
Short-term (2018 IAS 17 operating) lease rentals	<u>137,236</u>	<u>93,363</u>	<u>252,308</u>

3. Interest and similar items

	Unaudited six months to 30 June 2023 £	Unaudited six months to 30 June 2022 £	Audited 12 months to 31 Dec 2022 £
Total finance and other income			
Bank interest receivable	<u>-</u>	<u>10</u>	<u>18</u>
Total finance costs			
Unwinding of discount	48,939	49,280	108,416
Loan note interest	65,129	-	53,500
Other interest payable and charges	<u>482</u>	<u>-</u>	<u>2,059</u>
	<u>114,550</u>	<u>49,280</u>	<u>163,975</u>

In the audited financial statements for the year ended 31 December 2022, interest on client cash balances of £37,929 was included within finance and other income and interest charges related to client balances of £7,282 were included within finance costs. As a result of the appreciation in interest rates, combined with the continued growth of the Group's client balances following its authorisation as an Electronic Money Institution in August 2021 and commensurate with its growth in revenue, interest on client cash balances has materially grown since the year ended 31 December 2022. As a result, interest on client cash balances for the six months ended 30 June 2023 of £183,506 has been classified as other operating income. For consistency purposes, and to aid comparison, the comparatives related to client balances for the year ended 31 December 2022 have also been reclassified from finance income and finance costs to other operating income. No interest income or interest charges on client balances were recognised in the six-month period ended 30 June 2022.

4. Earnings per share

The earnings per share of 0.06 pence is based upon the profit of £34,946 (six months to June 2022: loss of £3,019,256; year ended 31 December 2022: loss of £5,611,832) and the weighted average number of ordinary shares in issue for the period of 55,791,324 (30 June 2022: 23,143,117; 31 December 2022: 32,506,335).

The prevailing share price of the Company's shares during the period means that the effect of any outstanding warrants and options would be considered anti-dilutive (due to their strike price exceeding the average share price in the period), and is ignored for the purposes of the loss per share calculation.

5. Share capital

Allotted, called up and fully paid

	Ordinary shares No.	Share capital £
Ordinary shares of £0.01 each as at 1 January 2022	20,277,582	202,776
Issue of new shares of £0.01 each	3,406,034	34,061
Ordinary shares of £0.01 each at 30 June 2022	<u>23,683,616</u>	<u>236,837</u>
Issues of new shares of £0.01 each	24,352,583	243,525
Ordinary shares of £0.01 each at 31 December 2022	<u>48,036,199</u>	<u>480,362</u>
Issues of new shares of £0.01 each	9,380,902	93,809
Ordinary shares of £0.01 each at 30 June 2023	<u>57,417,101</u>	<u>574,171</u>

The following changes in share capital have taken place in six months ended 30 June 2023:

- On 13 January 2023, 806,182 ordinary shares were issued at a price of £0.06501 settling the share-based remuneration for former non-executive board members and company secretary in respect of the year ended 31 December 2021
- On 3 February 2023, 5,113,182 ordinary shares were issued at a price of £0.100 being the final equity settlement with Robert O'Brien related to his share-based incentivisation agreement and following receipt of approval from the Financial Conduct Authority ("FCA") for Mr. O'Brien to take his shareholding in the Company above 10%
- On 3 February 2023, 3,461,538 ordinary shares were issued at a price of £0.065 upon conversion of a loan note held by Mark Horrocks and following receipt of approval from the FCA for Mr. Horrocks to take his shareholding in the Company above 10%

Options

On 13 January 2023, the Company granted 3,049,180 options under its equity-settled share-based remuneration schemes for employees with a weighted average exercise price of £0.13 and a vesting period between 1 and 3 years.

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

Share price at grant date	- £0.08
Risk-free rate	- 2.7%
Expected Volatility	- 129.5%
Contractual life	- 5 years

During the period 248,360 options were forfeited (H1 2022: 200,000) at a weighted average exercise price of £0.20 per share. Additionally, 63,114 warrants with an exercise price of £0.61 expired during the period (H1 2022: nil).

Share-based compensation charge

The Group's share-based compensation charge for the period ended 30 June 2023 of £172,679 (H1 2022: £2,243,258) consists of £49,115 (H1 2022: £67,978) in respect of warrants (including the impact of warrant expirations), £123,564 (H1 2022: credit of £13,395) in respect of share options granted under the Company's share option scheme (including the impact of option forfeitures) and £nil in respect of the share-based incentivisation agreement with Robert O'Brien & his team (H1 2022: £2,138,378) and equity-settled share-based payments related to the non-executive Board member's service agreements (H1 2022: £50,297).

6. Intangible assets

	Internally developed software	Software costs	Customer relationships	Goodwill	Regulatory licenses	Total
	£	£	£	£	£	£
COST						
As at 1 January 2023	1,070,198	15,611	615,756	1,086,262	92,520	2,880,347
Additions	213,694	-	-	-	-	213,694
Disposal (note 8)	-	-	-	-	(92,520)	(92,520)
At 30 June 2023	1,283,892	15,611	615,756	1,086,262	-	3,001,521
AMORTISATION						
As at 1 January 2023	458,691	15,611	90,408	-	-	564,710
Charge for the period	195,132	-	61,575	-	-	256,707
As at 30 June 2023	653,823	15,611	151,983	-	-	821,417
NET BOOK VALUE						
At 30 June 2023	630,069	-	463,773	1,086,262	-	2,180,104
At 30 June 2022	582,621	-	387,808	1,043,319	92,520	2,106,268
At 31 December 2022	611,507	-	525,348	1,086,262	92,520	2,315,637

7. Disposal of Avila House Ltd

On 26 April 2023, the Group completed the sale of Avila House Ltd ("Avila House") to Aspire Commerce Ltd and received £300,000 in cash consideration following the receipt of regulatory approval for the transaction from the FCA. Immediately prior to the disposal, the net assets of Avila House were £nil (31 December 2022: net liabilities of £1,331), but upon its acquisition by the Group in October 2020, the Group had previously recognised an intangible asset of £92,520 related to the small e-money institution license held by Avila House. The profit on disposal recognised by the Group upon the sale of Avila House was therefore £207,480.

8. Trade and other receivables

	Unaudited as at 30 June 2023	Unaudited as at 30 June 2022	Audited as at 31 Dec 2022
	£	£	£
Trade receivables	347,655	94,182	221,669
Prepayments and accrued income	152,238	71,670	131,010
Derivative financial assets at fair value	674,424	200,653	635,473
Other receivables	52,523	32,525	53,062

Taxes and social security	276,624	16,186	297,896
Total trade and other receivables	1,503,464	415,216	1,339,110

9. Trade and other payables

	Unaudited as at 30 June 2023	Unaudited as at 30 June 2022	Audited as at 31 Dec 2022
	£	£	£
Trade payables	216,298	505,565	362,035
Derivative financial liabilities at fair value	767,557	171,724	563,676
Other taxes and social security	391,513	237,651	515,750
Other payables and accruals	498,499	609,537	527,816
Total trade and other payables	1,873,867	1,524,477	1,969,277

10. Loan Notes

	Unaudited as at 30 June 2023	Unaudited as at 30 June 2022	Audited as at 31 Dec 2022
	£	£	£
CURRENT			
Convertible loan notes	-	-	225,000
NON-CURRENT			
Loan notes	2,172,578	-	2,172,578

As described in note 5, on 3 February 2023 the current convertible loan note of £225,000, issued pursuant to the Company's fundraising on 5 August 2022, was converted to 3,461,538 ordinary shares at a price of £0.065 for Mr. Horrocks to take his shareholding in the Company above 10%.

The non-current non-convertible loan notes comprise £2,000,000 issued to Robert O'Brien (repayable on 31 July 2026) and £172,578 of deferred consideration in relation to the acquisition of Pangea FX Limited (repayable on 31 August 2024). Both loan notes have a 6% coupon rate payable quarterly in arrears. The Pangea FX Limited loan note is payable contingent upon achieving future revenue targets over a period of two years from the acquisition date. Based on current and forecast performance it has been assumed that the loan notes will be paid in full.

11. Related party transactions

During the period ended 30 June 2023, the Group generated revenue of £1,503,740 under a referral agreement with Atlantic Partners Asia ("APA"), a significant shareholder in the Company (H1 2022: £625,499). As at 30 June 2023, APA owed the Group £338,155 (30 June 2022: £82,978).

During the period ended 30 June 2023, the Group incurred charges of £60,000 (H1 2022: £nil) under a computer services agreement with JF Technology (UK) Ltd of whom Stephen Flynn (a former Director of the Company and a significant shareholder) is a director and a majority shareholder.

As at 30 June 2023, an amount of £8,750 remained due to the Group from Terry Everson, a former director of Cornerstone Payment Solutions Ltd (30 June 2022: £8,750).

The transactions with Robert O'Brien and Mark Horrocks are disclosed in notes 5 and 10.

12. Events after the reporting date

None

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