TUNGSTEN CORPORATION PLC

REDEFINING TUNGSTEN.

ANNUAL REPORT & FINANCIAL STATEMENTS 2019

INSIDE THIS REPORT

OUR PURPOSE

We exist to enable organisations to optimise their working capital, accelerating the global economy.

We digitise and deliver purchase orders and invoices between organisations. Through our global network, we provide accurate and timely data improving decision-making and efficiency.

We connect finance and procurement systems together to enable organisations to exchange valid purchase orders and invoices with visibility and control.

SNAPSHOT OF THE YEAR

Group

Revenue £m

£36.0m

FY19	36.0
FY18	33.7

EBITDA margin[2] %

2%

FY19	2
FY18	(14)

Net cash £m

£2.8m

FY19	2.8
FY18	6.4

Revenue per Buyer £k

£193k

FY19	193
FY18	180

Transaction volumes m

18.2m

FY19	18.2
FY18	17.7

Excluding TNF[1]

Revenue £m

£35.4m

FY19	35.4
FY18	33.3

EBITDA margin[2] %

7%

FY19	7
FY18	(10)

Net cash £m

£2.8m

FY19	2.8
FY18	6.4

Revenue per Buyer £k

£198k

FY19	198
FY18	178

Transaction volumes m

18.2m

FY19	18.2
FY18	17.7

1 Tungsten announced its intention to divest Tungsten Network Finance ("TNF") on 30 April 2019.
2 EBITDA margin is calculated as EBITDA as a percentage of revenue.

STRATEGIC REPORT

THE TUNGSTEN NETWORK OFFERING

AR

SUPPLIERS

Products
Total AR

Direct integration

OUR SOLUTIONS – SPANNING THE LIFECYCLE OF AN INVOICE

Key

- Supplier
- Buyer
- Subscription fees/Licence/maintenance
- Set-up fees
- Transaction fees

Purchase Order Services
POs delivered electronically to Suppliers from Buyers

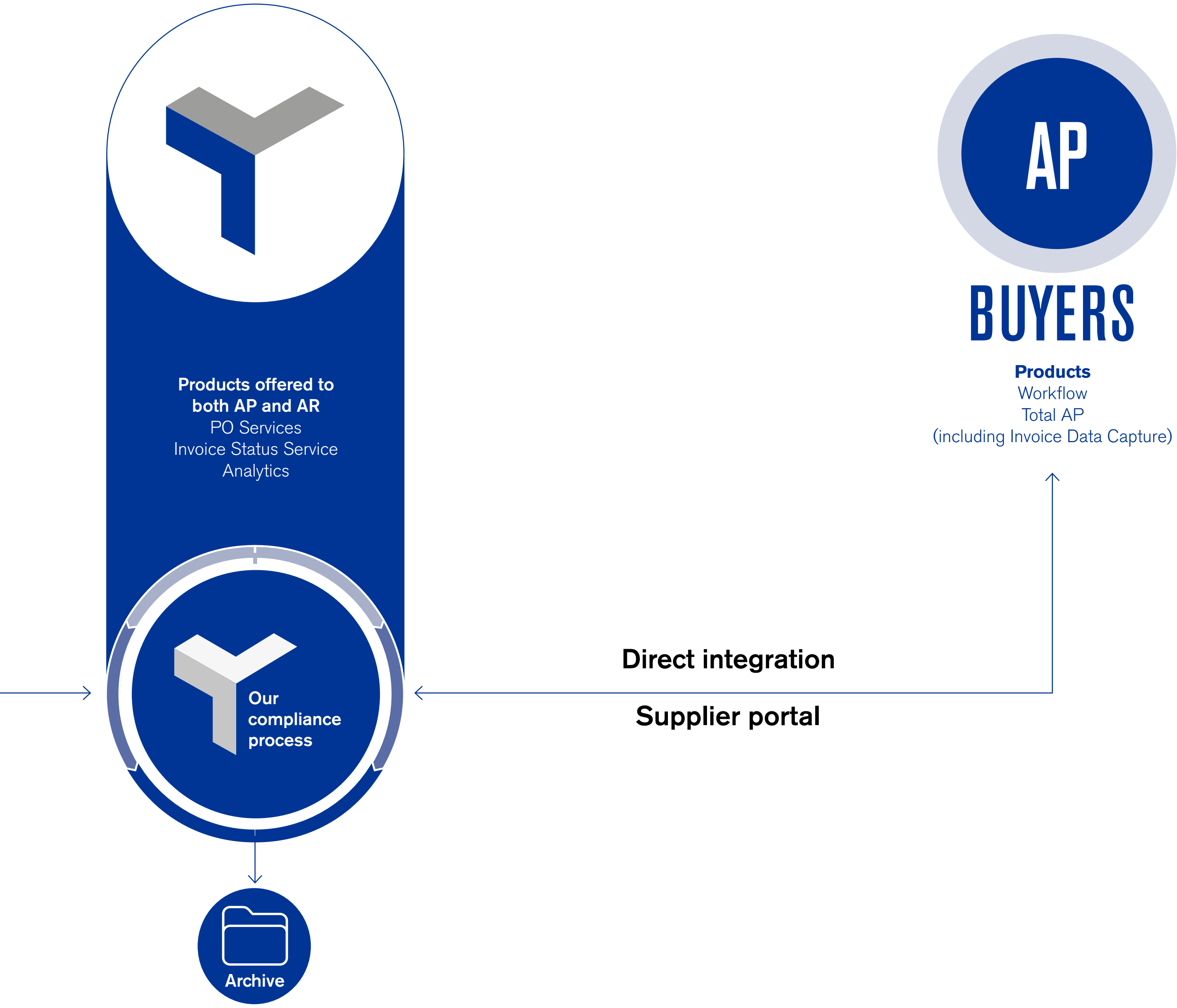
Suppliers can electronically acknowledge, amend, reject, accept and convert into e-invoices

Total AP
E-invoicing:
Automated delivery of invoices from a Supplier into the Buyer's accounting system in a manner compliant with tax and business processes

Invoice Data Capture (IDC):
Conversion of paper and PDF invoices into electronic documents for automated delivery into the Buyer's accounting system

Customer type

Revenue



Workflow
Audit trail and permission tool for electronic documents

Total AR
Delivery of 100% of invoices to their customers, including Buyers on and off the Tungsten Network, government portals, via direct integration, PDF, paper or by link in an email

Invoice Status Service
Portal where Suppliers can track the status of their invoices therefore minimising inbound enquiries to Buyers

Analytics
A comprehensive suite of analytical tools to allow extraction, manipulation and analysis of invoice data to provide insight into spend categories, payment processes and trends

NEW AND ENHANCED OFFERINGS

TOTAL AR:

Total AR: 100% of sales invoices issued
The core proposition of our new Total AR offering is the delivery of 100% of sales invoices raised in a Supplier's accounting systems converted into the delivery method required by the specific Buyer. Providing the invoice to the Buyer's requirements may take many different forms and could be via the Tungsten Network, delivered in PDF or paper by a link in an email – and this format is often part of the agreed and contractual terms of supply. Without providing the required format, the invoice will not be accepted.

Why this offering is needed:

- Working capital efficiencies – without automation, issuance of invoices to Buyers is slow and this could delay payment
- Margin efficiencies or margin optimisation – in-house or manual compliance with many different required formats is a timely and costly exercise
- Legal requirements – there is a move towards electronic submissions for tax and other compliance purposes globally
- Reducing complexity – for multinational Suppliers, with global customers, automation takes out complexity and the risk of error as the Supplier can standardise information to be included in the invoice

We have partnered with an Order-to-Cash solution provider, Data Interconnect, who will support the delivery of invoices via link in an email, PDF or paper. As we grow our partner ecosystem and platform connections we would expect to increase transaction volumes. Similar to our Total AP product, our revenue streams will include initial Set-up fees, subscription fees and transaction fees.

We continue to assess the addressable market but an initial estimate indicates that the transaction volume could be 1 billion invoices in circulation annually. We are in an excellent position to take advantage of this opportunity given our current customer relationships and now our ability to provide end-to-end solutions to the invoice life cycle.

TOTAL AP:

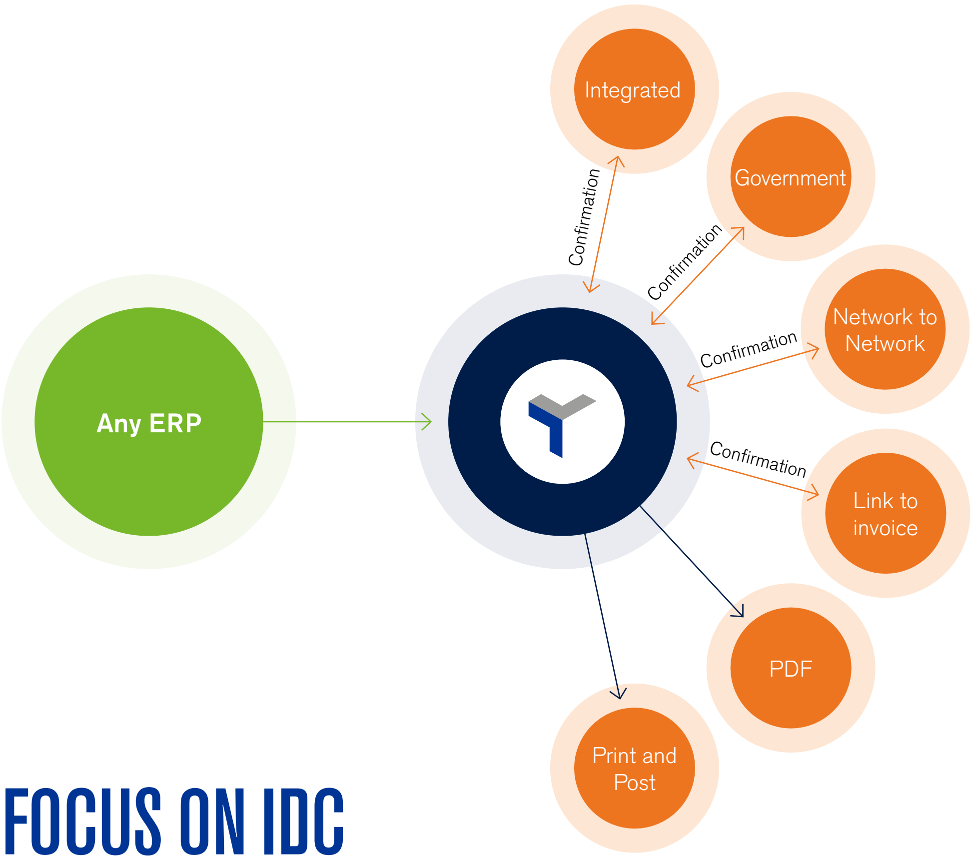
Total AP: Focus on IDC
Invoice Data Capture (IDC) is a core part of our Total AP solution and is a service which converts paper or PDF invoices issued by Suppliers into invoice data for automated processing.

Currently global invoice flow is dominated by paper and PDF, which increases both time and cost to process and pay. By converting the data, it allows invoices to be received automatically into the relevant Buyer's Enterprise Resource Planning (ERP) system and therefore enter the ERP system's workflow, with the requisite controls and automated approvals in place. Whilst this does not achieve the full benefits of e-invoicing, whereby the Supplier invoice is rejected if it does not match the purchase order, tax compliance rules or other Buyer stipulated requirements, it still delivers considerable efficiency benefits.

The conversion process for paper or PDF invoices utilises technology and services provided by certain strategic partners, who scan, extract data and validate content. The data is then uploaded to the Tungsten Network platform and then automatically uploaded to the Buyer's accounting system.

IDC is strategically important as it complements our e-invoicing offering and allows us to offer Total AP – the digitalisation of 100% of our Buyer's purchase invoices. This offering can be implemented in advance of e-invoicing, it delivers the benefits of invoice automation quicker, and it can be utilised to digitalise the residual invoices for Buyers who already have high e-invoicing penetration.

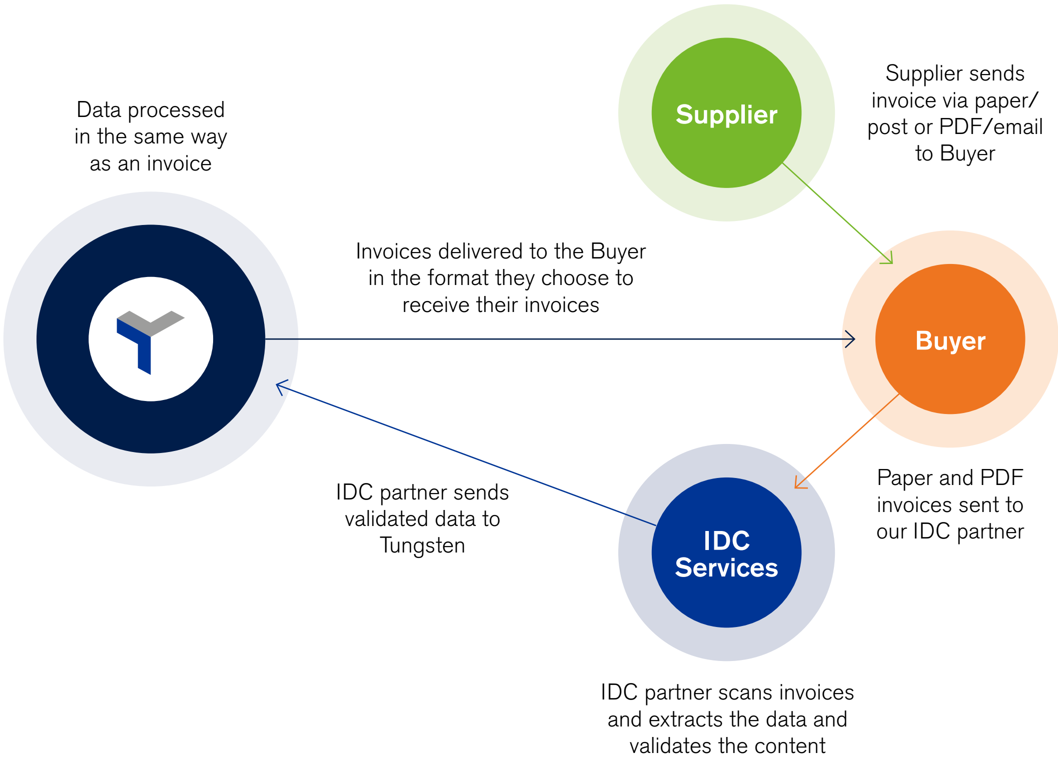
100% OF SALES INVOICES ISSUED



18m+

18 million+ transactions annually in the Tungsten Network

FOCUS ON IDC



0.5m

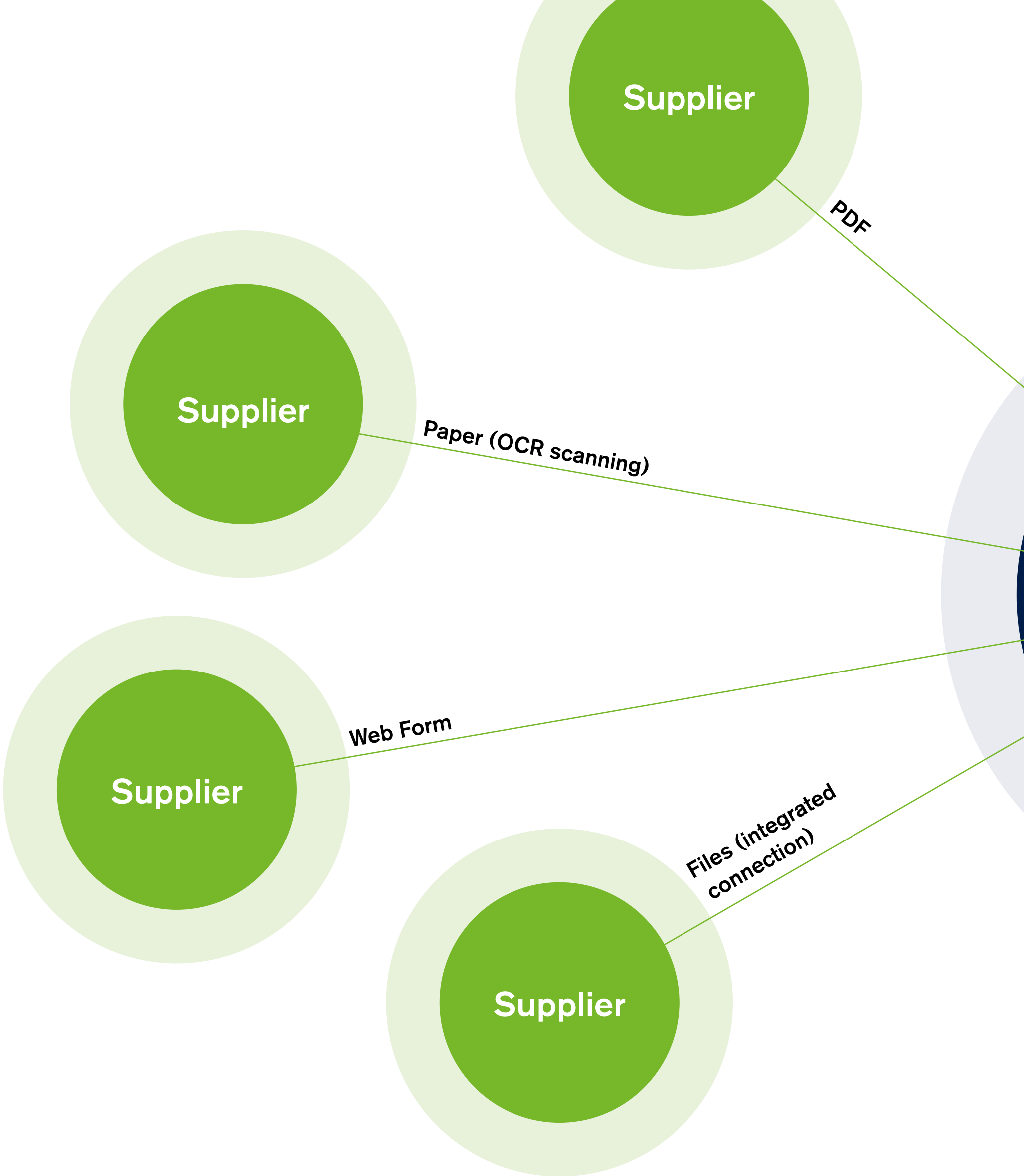
No. of paper or PDF invoices

41%

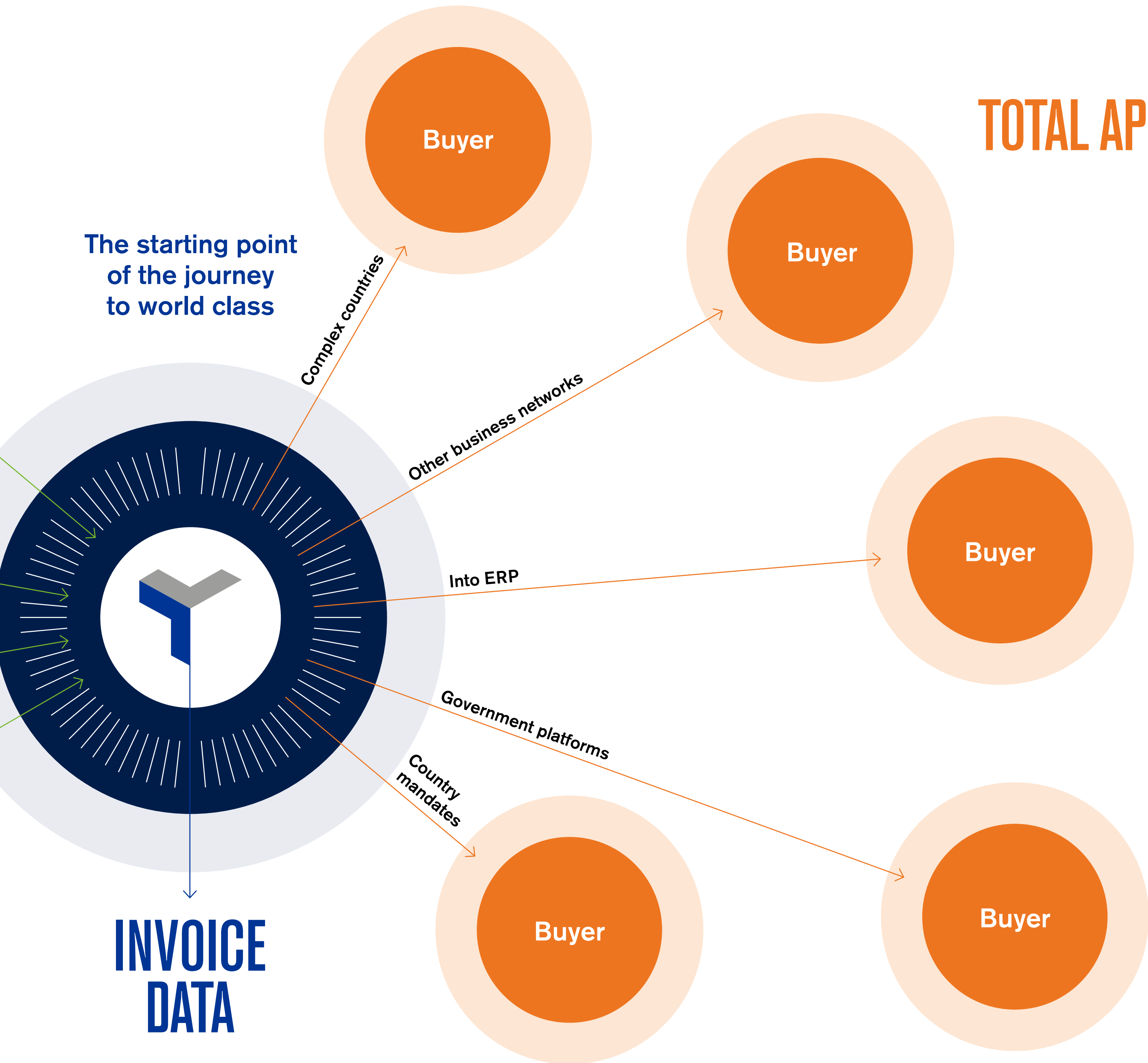
% of Tungsten Buyers receiving IDC services

THE VALUE PROPOSITION

TOTAL AR



Why companies need AP or AR solutions
Margin efficiencies – The internal cost of manually inputting, approving and recording invoices is either too great or prohibitive
Cash flow efficiencies – Slow processes or errors lead to extended lead times in receipt of funds
Analysis and transparency – Data-driven reporting or decision-making is the norm, and without automation or systems, data analytics is just not viable
Regulation and risk appetite – In recent times the need to automate reporting or submission has moved into legislation in some jurisdictions, driving the need for compliant solutions
Market expectation – In certain industries or geographies, automated processing is market practice



Why choose Tungsten

Cradle to grave invoice solution offering – Whether you are a Buyer or Supplier of goods or services, Tungsten provides a comprehensive solution

Proven to provide operational agility – The Tungsten Network platform and services assist in automating, and therefore streamlining, processes so that our customers can focus on growing their business

Proven, modern, flexible platform – We have invested significantly in the Tungsten Network platform to ensure its stability, reliability and relevance in this ever-changing environment. Our relentless focus on innovation drives us to continue to invest and move forward

Committed, tailored service model – With many decades of sector experience, our team can provide the right solution for any business need in this sector. Our partner ecosystem further strengthens our capabilities to provide an all-round service

Peace of mind – The significant automation provided by our solutions gives increased comfort to our customers in relation to their control environment and access to a seamless flow of data and analytics

CHAIRMAN'S REVIEW

TONY BROMOVSKY
EXECUTIVE CHAIRMAN

Since becoming Chairman in October 2018, and Executive Chairman in February 2019, the Company has undergone a period of fundamental change and transformation, with the sole purpose of generating sales leads, operational efficiency and future scalability. These changes are already generating positive momentum, with an EBITDA profit in FY19, which is a dramatic turnaround from the losses of prior years.

I am pleased to present these, our FY19 results. The last year has been a period of substantial change for the Group following both significant Board and management changes, the launch and implementation of the Operating Review, and the resultant redefinition of Tungsten's strategy.
The significantly improved financial and operational performance in the second half of FY19, recording EBITDA profitability and cash flow generation for the first time, is evidence that the changes and new focus are starting to take effect and deliver the expected results. We are now well positioned for growth in FY20 and beyond.

Both I and the rest of the Board are delighted that, after an extensive and rigorous search process, Andrew Lemonofides will join us in September 2019 as our new Chief Executive Officer. Andrew will bring the required drive and strategic oversight to implement our new strategic focus, to improve operational functionality and also to expand our global footprint. After a suitable integration period, my intention is to revert back to the role of Non-Executive Chairman.

On behalf of the Board, I wish to record our gratitude to all our employees for their efforts throughout the year in continuing to deliver for our shareholders and customers.

Redefining Tungsten's purpose
The Operating Review, initiated by the new Board in December 2018, has been deep, detailed and far-reaching. It has proved, and continues to prove, to be highly transformative in how we do business.
We have already seen significant positive effects since the April 2019 update, and we expect continued positive contributions to both financial and operational performance in the future. The key areas to highlight are as follows:

Driving the Network effect: introducing Total AR
The launch of our Total AR solution is a key enabler in Tungsten becoming the invoice delivery platform of choice for current and new Suppliers on our global Network. This Total AR solution allows the delivery of 100% of sales invoices to any customer of the Supplier - both on and off our Network – in an expedient, secure and automated manner. Utilising the functionality of the Tungsten Network platform, coupled with our expanding interconnectivity with other platforms, our Total AR customers will now have all invoices delivered across our platform to all of their customers in any form that their customers require. We have now entered into a formal agreement with Data Interconnect to be our Total AR partner.

With Total AR as a core solution, we can now offer both non-network Buyers and Suppliers the ability to enhance their services by integrating with the Tungsten Network platform to send and receive compliant, validated invoices; creating the network effect. We have established a dedicated AR sales team to capitalise on this opportunity.

Strategic partnerships with e-procurement providers to provide an additional channel to market
Our core proposition remains the delivery of a best-in-class, digital, cross-border, tax-compliant e-invoicing and adjacent services proposition. However, we can expand our reach and scalability by partnering with leading e-procurement providers. These e-procurement providers have been successful in generating and winning full-service procure-to-pay tenders from companies who would be a typical Tungsten Buyer. Invoice digitisation and automation is increasingly becoming a requirement of any wider procure-to-pay tender, along with e-procurement, and is less frequently a standalone solution.

We know we lead the competition in relation to e-invoicing, and to participate in a procure-to-pay tender we will need to partner with these e-procurement providers.

In this way, we would expect partnerships to provide us with a valuable sales channel for opportunities which may not have been available to us previously. We are already in discussions with various e-procurement partners.

Connecting with other platforms to improve automation, customer service and user experience
We are committed to increasing interconnection and interoperability with other platforms where connectivity will increase efficiency and scope of our delivery and service levels for our customers. Interconnection (allowing the passage of invoice data) and interoperation (full integration) alters Tungsten's previous requirement of only allowing invoices validated by us to flow through our Network. Our customers increasingly want to source and receive all their invoices without the friction of multiple solutions. By building connectivity to other select platforms, we can capture 100% of the flow of inbound and outbound invoices, regardless of source or form, whilst maintaining our high standards of compliance and validation.

We see upside in relation to transaction volumes through the platform, provision of a better customer experience and other customer benefits in the form of analytics and trade finance.

Continuous improvements in day-to-day operations
Following the Operating Review, we have focused our efforts on the following improvements in day-to-day operational matters:

Divestment of non-core business
As part of the Operating Review, at the end of FY19 we announced our intention to divest our trade finance business and are happy to say that the sale process is progressing well. This divestment will allow us to focus on our core propositions and grow our invoicing business, although we are not abandoning trade finance. Instead we believe that we can provide this more effectively and on a larger scale through an exclusive partnership with a leading global provider.

CHAIRMAN'S REVIEW CONT.

Curtailing ineffective expenditure
We continue to focus on cost efficiency, capital allocation discipline and margin optimisation and creation, aligned to our disciplines in operational rigour and effectiveness. After a period of rebasing our spending, specifically in relation to head office costs, remuneration and adviser spend, we believe we have the right structure to move forward to deliver growth in EBITDA margin. Further cost savings will be delivered by automating processes, which will be made possible by continued investment in our platform.

A restructured executive team
We have restructured the Executive Committee, welcoming our new Chief Revenue Officer, Steve Standring and recently appointing our new CEO, Andrew Lemonofides. We have also gone through a period of internal reorganisation, specifically in the areas of product, sales and marketing, so that our business units and commercial departments are now aligned with the new management team and will provide improved accountability and functionality.

A new approach to sales
Steve Standring will be responsible for driving our global offering across both AR and AP e-invoicing and developing our partner ecosystem. Steve has significant knowledge of the market and sector, having more than two decades of experience. He will be central to driving forward our expanded value proposition. We are already seeing an increase in pipeline opportunities and tender activity.

Investment in the platform
One of the key developments in FY19 was the completion of the migration of core technology to the Cloud in order to provide a safer and more efficient infrastructure. We removed many years of legacy software by implementing a new core invoice processing platform, designed to accommodate far greater transaction volumes.

Compliance and regulatory changes
In FY19 we saw the regulatory landscape change with an increased focus on automation and regulation requiring e-invoicing. In Italy, tax authorities introduced mandatory e-invoicing submission for tax purposes, and we made the strategic decision to invest in developing the Tungsten Network platform, so it was able to provide these compliant services. We see this move to electronic submission as a recurring global trend. Our development and investment in this area means we will be well positioned to lead compliance as other governments across the world move towards electronic submission.

Launch of new products and services or enhancements to existing offerings
In the past year we launched a new version of our Workflow tool, improvements to our Invoice Data Capture product and a launch of a comprehensive Purchase Order offering. Purchase Order services now provide an automated tool for the sending of electronic purchase orders which can be updated, accepted or rejected with electronic notifications of changes exchanged between the Buyer and Supplier. This is an important adjacent service which will both increase customer service and the efficiency and speed of settlement.

Aligning remuneration with delivering customer and shareholder value
A key part of the Operating Review was to assess whether existing relationships were aligned with delivering long-term value for customers and shareholders. It was quickly concluded by the Committee and myself, supported by the advice of external specialists and discussions with shareholders, that the remuneration packages, including bonus and share structures in place, were not aligned – and therefore we have implemented changes such as a redesigned annual bonus with a deferred share element and clear performance criteria, and are proposing other changes through the 2019 remuneration policy, such as the introduction of LTIP plans for senior management.

Moving into FY20
I feel that the business opportunity ahead of us is more significant than it has ever been and it is gratifying to be able to report the early successes that we have had in redefining our strategic focus, the effectiveness of our operations and service delivery, and ongoing investment in the platform. We are building a momentum which is showing positive and tangible results.

Tony Bromovsky
Executive Chair

22 July 2019

OUR MARKET TRENDS

Area	Trend	What Tungsten is doing about it	Key data point
Digital and cloud	Increasingly, our customers are requesting or requiring to be able to manage their data and make business decisions on the move. In this current environment, the solutions we offer need to have the option of being Cloud-hosted and app-based.	The need to be Cloud-hosted and app-based has increased tangentially over the last 12 months and we moved our e-invoicing services into the Cloud during FY18 and FY19. Our ISS product is available on digital devices, which allows approvals on the move. We are working on plans to move our Workflow product into the Cloud.	**FY19 –** sales approach includes Cloud-enabled offering **FY20 –** Completely Cloud-hosted
Automation and increased regulation	We know that automation of the entire invoicing process provides cost efficiencies, the ability to manage working capital more effectively and better controls. However, it is also necessary for making data-driven decisions and to comply with complex cross-border tax regulations and legislation. This is moving our services from being a "nice to have" to being a key part of a company's processes and systems.	We continue to channel our energy and resources into becoming even better and more successful at invoicing automation, including the important precursor to an invoice – a purchase order. We have grown to 50 the countries where we offer a tax-compliant service and more will follow in FY20. This includes integration with the Italian government's mandatory portal. We have completed the major investments in the technology that underpins our services and will now continue an incremental improvement programme. We continue to partner with third-parties who can enhance our solutions or enable us to offer adjacent products and services, including Total AR, Total AP, e-procurement and trade finance.	**FY19 –** 48 countries **FY20 –** two additional countries to date. three further countries to follow **FY20 –** additional partner agreements to provide continued interconnectivity with our customers IT ecosystems
Self-service	As technology develops and more and more day-to-day transactions are completed without human interaction, our business also needs to evolve to offer self-service, specifically in the onboarding of Suppliers.	We have invested in updating our customer portal and our service delivery function to provide the ability to provide a self-service onboarding route for Suppliers. We are testing technology to introduce new ways for customers to integrate with the Tungsten Network platform.	**FY19 –** investment in machine learning technology **FY20 –** launch of an enhanced Supplier customer portal
Competitive landscape	The procure-to-pay market is well established, although evolving with the use of technology and changes in regulations. There are a number of large and niche players in our market and pricing remains competitive in tender situations.	We are not complacent and whilst there is continued demand for our services, we know that there is competition for new sales, and we must continue to deliver to retain our existing customer base. We commissioned extensive market research in Q2 FY19 to better understand the marketplace and our customers. This has resulted in a number of investments in the Tungsten Network platform and roll out of our Total AR Solution. We have also adapted our go-to-market strategy to capitalise on the breadth of the Tungsten offering.	**FY19 –** launch of Total AR solution **FY19 –** launch of Total AP as a go-to-market offering, to include IDC **FY19 –** launch of enhanced PO services offering **FY20 –** new sales of Total AR, Total AP and PO services **FY20 –** strong sales pipelines for these services

EXECUTIVE COMMITTEE'S REVIEW

In FY20, we will focus on delivering results on our redefined three-pronged strategic focus to increase sales and continue sales momentum.

Under the purview of a new Board, we have redefined the true purpose of Tungsten. We have looked in detail at what we are good at, how we add value to our customers and how this can be monetised. Put simply, we believe that we are the world's leading electronic invoicing company, delivering market-leading solutions to large, complex and global enterprises.

Tungsten excels at processing and delivering invoices from one accounting system directly into another accounting system. Our services provide our customers quicker and more accurate information than manual methods, which in turn gives them greater visibility and more immediate control over their working capital. We also automate the validation of invoice data, which facilitates compliance with a myriad of global tax regulations and also comfort that each invoice meets the relevant requirements of the commercial agreement between the parties. We believe this essentially eliminates the possibility of a company losing money through fraud or human error. This is what Tungsten does best.

With the renewed focus on delivering a complete invoicing service, we announced the proposed disposal of our trade finance operations, Tungsten Network Finance, on 30 April 2019. While we see trade finance as an important and complementary service to our core offering, we believe that we can continue to service our customers in this area through a partnership agreement rather than in-house. At this date, the sale process is ongoing, and we have presented our results for FY19 both including and excluding our trade finance operations.

Go-to-market strategy

Following the study that we commissioned from a leading research and consulting firm to review our market and customers, we have solidified our view that customers want a solution that is global and spans each stage of the invoice cycle. Therefore, we have changed our go-to-market strategy to present a Total AP e-invoicing offering, which combines our well-established e-invoicing offering with our IDC product, which digitalises paper and PDF invoices. This provides the customer with better, more complete analysis and stronger controls over the entire process.

In line with this, we also provide Total AR, which can deliver all of the invoices our Suppliers issue to any customer they have, therefore expanding our service from only those invoices which were being delivered through the Tungsten Network platform. This provides a complete AR offering which we believe is sought after in the current market.

Moving into FY20, we expect to increase our ecosystem by working with those who can complement our services and further improve our offering, specifically in e-procurement. These partners will be targeted to those who can assist with our integration with other networks, vendor management and e-procurement as well as Data Interconnect, our Total AR partner.

Customer Base

92% of our FY19 revenue was from customers under contract, of which 54% is from upfront annual and maintenance fees (recurring) with the balance from usage related transaction fees (repeatable). The remaining 8% is from one-off implementation, licence and professional services fees. In FY19 we added to our revenues by making total new sales billings of £4.0 million (excluding TNF), representing year-one billings for new services sold to current and new Buyers. £2.7 million of this was recognised in FY19.

In FY19 we grew our customer base by signing six new Buyers to our AP e-invoicing solution (three new customers and three sales to new parts of existing Buyers) and three new Workflow sales to current customers, which in total contributed £0.9 million in new revenue in FY19 and £1.8 million of contracted revenue over a three-year period. This reflected a similar number of new wins to FY18 and thus was significantly below our expectations which had been set at the beginning of the year.

Five e-invoicing Buyer customers that contributed £0.1 million of revenue in FY18, and three Workflow customers that also contributed £0.1 million of revenue in FY18, chose not to renew their contracts and have left the Network. However, more than offsetting this loss was the retention of 38 customers who renewed their agreements, primarily for a further three years and we successfully achieved price increases on 18 of those customers by an average of 20%, contributing additional recurring revenue of £0.3 million during FY19.

We onboarded 750 new Suppliers during the year, which contributed £0.4 million of new Supplier revenue in FY19 (FY18: £0.6 million). This was 63% of the sales volume we converted in FY18 and therefore disappointing in light of the opportunities in our Supplier ecosystem.

Therefore, moving into FY20, we have made fundamental changes to defining our value proposition, our route to market and also to how we organise ourselves internally, with the goal of increasing our conversion rates and ultimately our new revenue volumes.

Investing in the platform

Our platform strategy is two-fold – to remain relevant, modern and efficient but also to adapt to the changing regulatory and compliance landscape. Total spend on products and technology in FY19 decreased to £12.8 million (FY18: £17.2 million) as we prioritised completion of core initiatives or developments.

Following the successful investment in transitioning the primary technical infrastructure into the Cloud and rebuilding core transaction processing capabilities, FY19 saw a number of products launching, with the most significant being our new Total AR solution, enhanced PO services and Workflow 5.0 products.

Total AR: FY19 saw investment to enable the Tungsten Network platform to be a digital post box for 100% of a Supplier's outgoing sales invoices. This allows the Supplier to raise invoices within their own ERP system, ensuring that they have all of the required data for their own reporting, tax and otherwise, whilst ensuring that the invoice data can be easily and efficiently transmitted to their Buyer to ensure prompt payment.

Purchase Order services: as part of our focus on increasing user experience and increasing the value proposition of our products and services, we launched our newly enhanced capabilities allowing for digital delivery of purchase orders, conversion to e-invoices and acknowledgement of changes and updates.

EXECUTIVE COMMITTEE'S REVIEW CONT.

We believe that this will improve visibility and efficiency to both Buyers and Suppliers and will accelerate the take up of this product in FY20 and beyond.

Workflow 5.0: Workflow automates accounts payable processes, enabling incoming invoices to be automatically routed, coded, matched, approved and posted into our customers' ERP systems via an integrated connection. This has been a Tungsten offering since 2014 and this latest version introduces a range of new features, such as new reporting tools and a new UX and UI. It was launched in January 2019 and is now being used or installed at seven of our existing customers. We believe that the added functionality and mobile usage will make it more of a compelling proposition to both existing and new customers.

Security remains a key priority and we have recently added increased security measures, such as multi-factor authentication to our sign in process and additional configuration to increase our geographical reach to be tax-compliant in Bahrain and the French Overseas Territories.

In FY19, development to adapt to changing legislation became of critical importance as we invested in the Tungsten Network platform in order to be ready to continue to provide compliant services in Italy. The Italian tax authorities introduced the requirement for mandatory submission and collection of all invoices to a government portal. We chose to be one of the first to provide a compliant solution as we wanted to support our existing customers but also, we anticipate that submission to tax driven mandated digital platforms is a trend which will spread globally. Our internal investment in order to comply was over £1.0 million in FY19, yet we expect resultant revenues to be significantly more than this and puts us in the position to be a market leader in other jurisdictions where there are similar changes, as we have the experience which can be adapted to different countries as needed. In Italy in FY19, we transacted half a million invoices with new and current customers to and from the government's platform and we would expect this number to grow in FY20. This development success also demonstrates our ability to connect with government platforms and provide our customers with a fully compliant service against a backdrop of changing regulation.

Moving into FY20, we are refreshing the UX of our customer portal, investing in the technology to provide self-service onboarding for Suppliers as well as improving the speed, ease and efficiency of Supplier assisted onboarding. The FY20 road map is focused on increasing the customer experience with the aim of growing the customer ecosystem but also improving retention rates.

Financial results
Revenue in FY19 increased by 7.1% to £36.0 million (FY18: £33.7 million). Excluding the results of TNF, revenue was £35.4 million (FY18: £33.3 million) which represented a 6.1% growth. The growth in revenue reflects the net benefits of new customer sales, additional product sales to current customers, and existing customer price increases. Overall, growth was slower than both expectation and FY18 performance, as we underperformed in signing and onboarding new Buyer and Supplier customers and the uptake of new products were also lower than expected.

FY19 returned an EBITDA profit of £0.6 million (FY18: (£4.6) million loss) and excluding TNF, this increases to £2.5 million (FY18: (£3.3) million loss), an improvement of £5.8 million. This significantly improved EBITDA performance reflects continued detailed focus on our cost base and provides us with a good basis for moving into FY20.

Operating and statutory losses for the year were £5.2 million and £3.4 million, respectively (FY18: (£12.1) million loss and (£11.9) million loss, respectively).

Coupled with our move into EBITDA profitability, we were also cash generative in the second half of the year, generating cash flows of £1.9 million, to retain net cash of £2.8 million at the end of FY19. Gross cash at the end of FY19 was £3.8 million, reflecting the drawing of £1.0 million of our £4.0 million RCF.

Outlook
In FY20, we will focus on delivering results on our redefined three-pronged strategic focus to increase sales and continue sales momentum:
- Driving the Network effect: introducing Total AR
- Strategic partnerships with e-procurement providers to provide an additional channel to market
- Connecting with other platforms to improve automation, customer service and user experience

Revenue growth (excluding TNF) is expected to accelerate from 6.1% in FY19, through the continuation of recurring and repeatable revenue and a 100% increase in new sales billings.

New sales billings are expected to be weighted to the second half of FY20 as pipelines are grown, with resultant revenue impact spread over FY20 and FY21.

Low double digit EBITDA[1] margin attained through continued cost discipline, coupled with revenue growth.

David Williams
CFO and Interim CEO

22 July 2019

1 EBITDA to be presented as adjusted for changes in accounting standards, notably IFRS 16, to aid year-on-year comparability.

Q&A WITH ANDREW LEMONOFIDES OUR NEW CEO

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Q.

What attracted you to Tungsten?

A.

There is a well-defined market for e-invoicing and Tungsten is clearly positioned to capitalise on the opportunities being presented. Tungsten has undergone a significant transformation over the past 12 months and now has the right products, technology and people in place. The work that the Operating Review has completed has established already a solid foundation for the business, one that I believe sets the Company up for success in the coming year and beyond. Overall what has impressed me the most has been the people that I have met, who have a clear and shared determination to deliver the redefined strategy in FY20 and beyond. I am really proud to join the team and I relish the opportunity that we have to deliver on this exciting business plan.

Q.

What do you see as the main opportunities for Tungsten in the year ahead?

A.

The Board and Executive team have put a clear, focused strategy in place and I am looking forward to driving this forward. It will be vital to have a focus on continually improving sales; capitalising on the new offerings in AR; increasing the Buyer ecosystem, and establishing strategic partnerships which will ultimately increase transaction flow through the platform, increasing our customers' satisfaction and enjoyment of working with Tungsten.

The customer must be at the heart of everything Tungsten does. Tungsten needs to continue to focus on the provision of excellent, high quality services using modern, flexible technology. Listening to customer feedback will allow Tungsten to continue to innovate and evolve its offerings. This will allow Tungsten to retain its lead in the e-invoicing space.

Q.

What do you bring to the role of CEO of Tungsten?

A.

Passion, commitment to customer excellence and a firm drive for results. I have extensive experience of highly transactional business models where the focus has been the flawless and relentless execution of the business plan and the broader strategy. I believe I can make a real difference to the way Tungsten delivers on its commitments and help capitalise on the unfolding opportunities. I am spending time with Tony and the Executive Team over the summer to ensure that I hit the ground running when I join in September.

DELIVERING OUR INITIATIVES

Executive Team

We have reshaped our leadership team and we now have a group that is focused, energised and possess the right talents to deliver.

David Williams
Chief Financial Officer & Interim Chief Executive Officer

David leads a number of teams, including Finance, Human Resources, Procurement, Facilities, Investor Relations and Communications.

Steve Standring
Chief Revenue Officer

Steve is responsible for Tungsten's revenue-generating activities including both current customers and new customers, as well as our marketing activities.

Alec Holmes
Senior Vice President Service Delivery

Alec leads Tungsten Network's Service Delivery teams and is responsible for ensuring customer satisfaction at every level of the business. His teams include Service Delivery Management, Campaign Management, Customer Onboarding, Implementation and Customer Support.

Martyn Arbon
Chief Technology Officer

As CTO, Martyn is responsible for delivering a fast, efficient, digital, end-to-end experience for our customers. He leads our Technology, Product and Systems teams.

Patrick Clark
General Counsel & Company Secretary

Patrick leads the Legal team and serves as Company Secretary for Tungsten Corporation plc.

GO-TO-MARKET STRATEGY

- New leadership
- Redefining key sales roles
- Invigorating stagnant accounts
- Partnerships

Read more on page 18

TRANSFORMING TECHNOLOGY

- Fully in the Cloud
- Redesigning customer portal
- Investment in core products
- Partnerships

Read more on page 21

DELIVERING FOR OUR CUSTOMERS

- Enhancing our services
- Accelerating delivery
- Increasing ROI
- Expanding geographically
- Partnerships

Read more on page 22

GO-TO-MARKET STRATEGY

STEVE STANDRING CHIEF REVENUE OFFICER

Businesses and governments send 280 billion invoices every year. 90% of those invoices are still processed using manual methods. For large businesses, less than 20% of invoices are issued in a structured digital format, instead being sent by paper and PDF attachments, which offer little in the way of automation.

Refreshed and reconfigured sales force
Our target customers are large, complex, multinational organisations, which often operate shared service centres. We know who these targets are, and we have now put together a sales force that understand the problems they face and a set of solutions that can help solve them.

Redefining our value proposition
Following the in-depth market research we commissioned in Q2 FY19 we have honed in on the following:

1) What sets us apart – We have a best-in-class platform and a full service solution offering, we have an experienced sales and service delivery team who understand what our customers need and want and our product development is designed with the customer at the forefront of mind.

2) What drives our business – We know our customers are looking for efficiency, working capital management, security and control and the ability to make data driven decisions. We also see regulation and compliance risk increasing which drives the need for change and investment in systems and processes.

3) What this means for our customers – Our customers are looking for a quick and clear return on investment, reduced risk and exposure, and provide flexibility and transparency.

A product focus on Total AP and Total AR
- Customers need solutions for all of their invoices, not just a proportion of them
- Total AP: We are now live with our first customers taking our new Invoice Data Capture (IDC) service, which enables us to digitise paper and PDF invoices to complement our e-invoicing
- Total AR: Provided in conjunction with our new partner Data Interconnect, we can now deliver all the invoices of our Supplier customers, not just those that go to Buyers of Tungsten Network

280 bn

280 billion invoices sent globally each year

90%

Of those invoices still processed manually

60-80%

It costs 60-80% less to process electronic invoices as opposed to manual

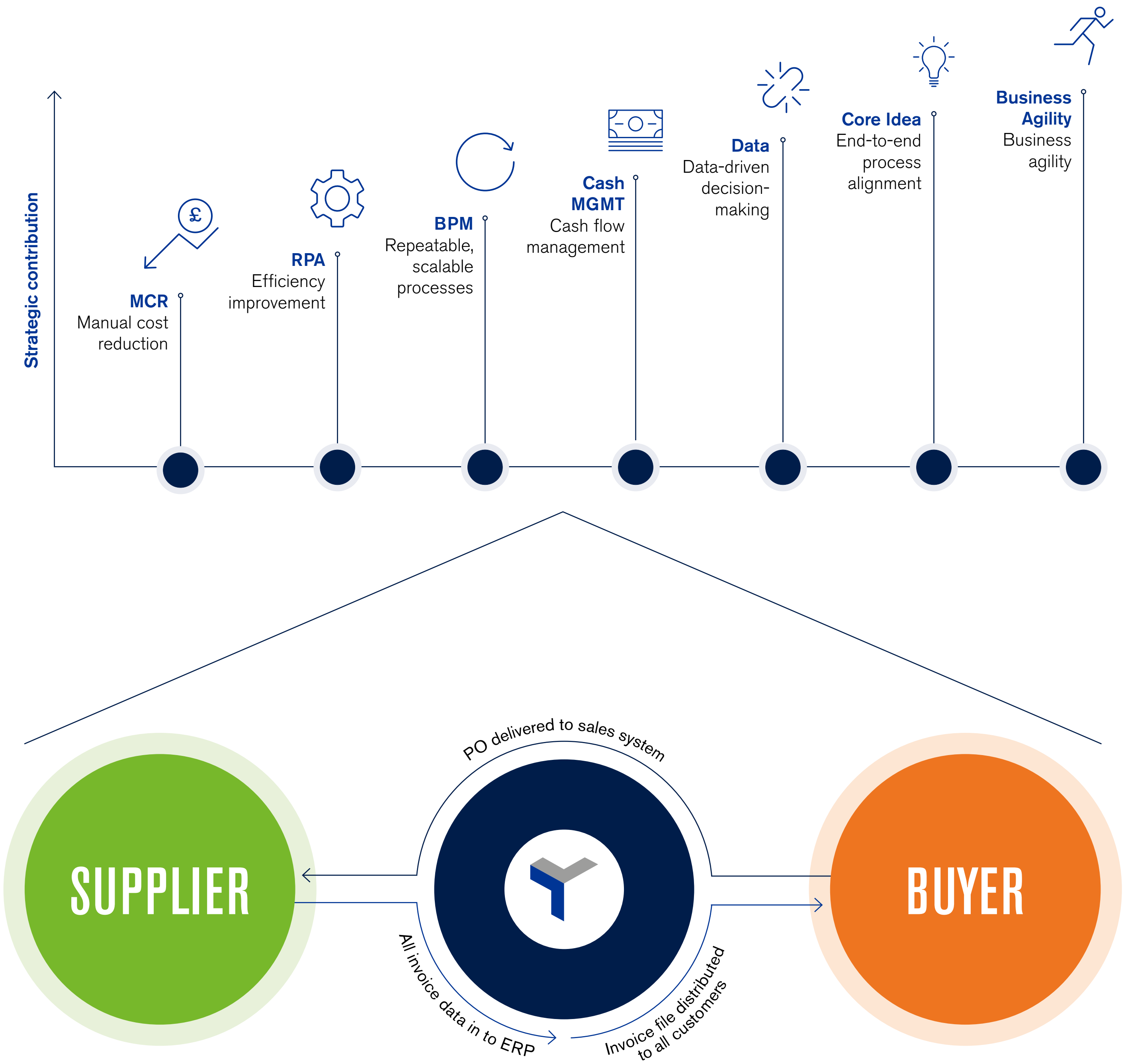
74%

Of invoices paid on time when using e-invoicing

65%

As opposed to 65% when using manual invoicing

Total AP digitisation is the foundation supporting the journey to world class performance.



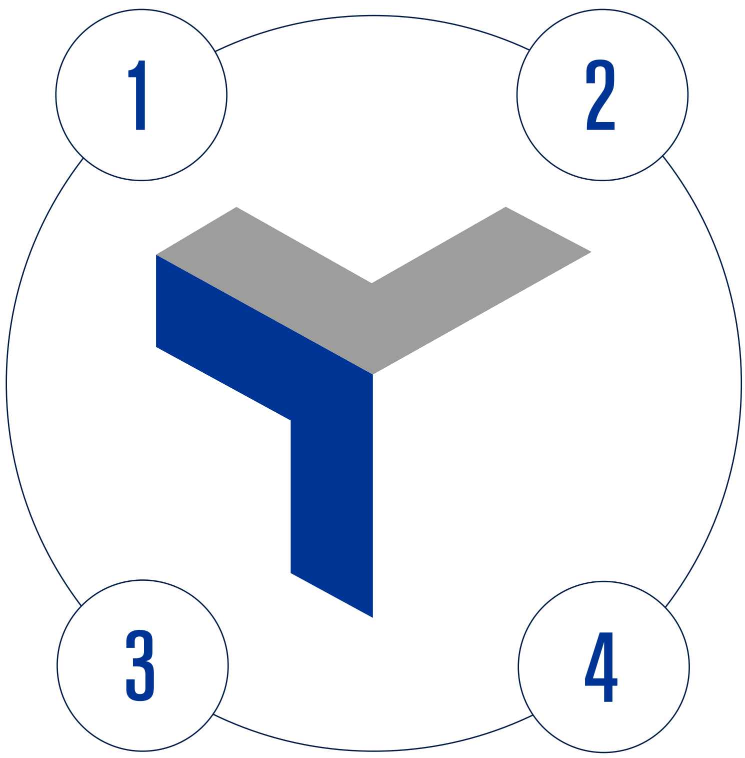
GO-TO-MARKET STRATEGY CONT.

PARTNERSHIPS

By working with partners, Tungsten can expand its routes to market and its addressable market, helping us to provide our best-in-class e-invoicing to more customers.

Total AR
Our partnership with Data Interconnect allows our customers and potential new suppliers to send 100% of their sales invoices through a single channel, which is then delivered in the format that their customer requires.

Connecting with other networks
Tungsten already connects with many other smaller e-invoicing networks, allowing suppliers on these networks to send invoices to Buyers on the Tungsten Network, and vice versa. By connecting to more networks, we can help our customers by removing the need for them to connect to many different systems. Through a single connection with Tungsten, they can process all their invoices electronically.



Working with e-Procurement
Tungsten Network is in progressed discussions with a number of potential partners who are leading procurement providers. Buyers will benefit by combining e-Procurement technology with Tungsten's best-in-class e-invoicing solution.

Vendor Management
By partnering with Mastercard, Tungsten is able to offer the Mastercard Track Trade Directory: a secure, permissioned repository of over 150 million company registrations worldwide. This central directory will integrate feeds from more than 4,500 compliance lists into one place, making the screening and onboarding of suppliers more efficient.

TRANSFORMING TECHNOLOGY

Tungsten adopts a cloud-first approach to technology as a key tenet of the creation a secure, reliable and efficient platform. Following a successful migration of our core platforms to Amazon Web Services' Cloud environment, all of our services and sub-systems now reside in the cloud.

Tungsten has adopted leading technologies including Java, .Net Core, Angular and Kafka. As we develop automation solutions for our customers, so automation is also a key pillar of our technology strategy. We have adopted strong DevOPS principles including, but not limited to; automated software testing, continuous integration and continuous deployment.

We a deploy small, but substantial, iterations of new functionality regularly, improving the service for our customers in a gradual, controlled and constant manner.

We have 86 developers globally writing code in a number of different coding languages. With 35 in-house and 51 outsourced. We enhance our solutions by working with nine different technology partners and aim to further enhance these solutions over the course of the next year by continuing to invest in our core systems and adjacent services.

By constantly innovating we deliver the best possible service to our customers and maintain our global status as the number one provider of cross-border tax-compliant electronic invoicing.

£12m+

Invested in technology in FY19

35

In-house developers

51

Outsourced developers

MARTYN ARBON CHIEF TECHNOLOGY OFFICER

DELIVERING FOR OUR CUSTOMERS
THE TUNGSTEN NETWORK IN NUMBERS

ALEC HOLMES
SENIOR VICE PRESIDENT
SERVICE DELIVERY

Tungsten does the hard work of engaging with a company's Suppliers and bringing them onto the Network.

We validate invoice data at the point of submission and ensure that customers receive the information in the way that is most helpful to them.

We have dedicated Service Delivery teams to help them manage the process and we offer help and support online and over the phone.

Integrated Solution Suppliers

9,500

Active e-invoicing portal users

103,000

e-invoicing Buyers

123

Workflow Buyers

56

Invoices processed

18.2m

Countries processing invoices

192

On average, suppliers use our Invoice Status Service 10 times per month to check where their invoice is in the payment process

10 times/month

GOVERNMENT E-INVOICING PLATFORMS

On 1 January 2019, it became mandatory for Italian companies to send domestic invoices electronically to the Italian Tax Authority (SdI) for validation. We saw this as an opportunity and a change that would be seen across the world. We were granted approval as a registered intermediary of SdI, allowing us to process 100% of our customers' invoices in the region.

The mandate enabled Tungsten Network to sign up 729 customers for our Italian invoicing solution, quadrupling the volume of invoices we process in the country. Italy's mandate is so far estimated to have reduced tax leakage by 20%. With this impact it is likely other EU countries will follow suit. Mandates are already in place in certain countries in Latin America and the Indian government recently announced their plans to mandate electronic invoicing on all business transactions in India.

While this trend enhances government tax collections, it increases administration for our customers. This creates opportunities for Tungsten to deliver process efficiencies to companies as well as helping them comply with government regulations.

Governments are increasingly mandating electronic invoices in order to reduce tax leakage. Large buying organisations are increasingly demanding electronic invoices because it costs them between 60-80% less to process. Since they both have so much to gain, the uptake of electronic invoicing processes will accelerate in the coming years.

729

Customers who use Italy invoicing solution (inc. AR or AP or both)

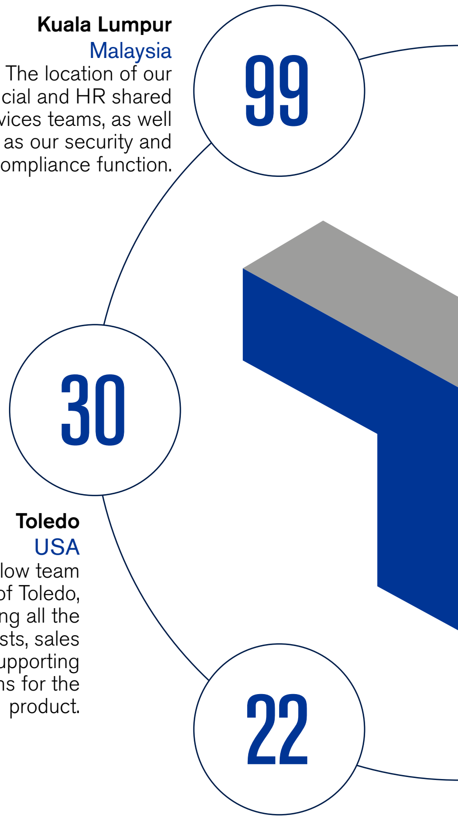
OUR PEOPLE

We want Tungsten Network to be a great place to work and are focused on living a culture in which our people are challenged, work well with other talented people and have opportunities for progression and development.

"There are endless learning and development opportunities that have helped me grow both professionally and personally"

Rashmi,
QA Analyst

London, UK



Kuala Lumpur
Malaysia
The location of our Financial and HR shared services teams, as well as our security and compliance function.

Toledo
USA
Our Workflow team works out of Toledo, including all the technologists, sales and supporting functions for the product.

Sofia
Bulgaria
This is the centre for European support, service delivery and campaigns. It also houses a number of developers central to maintaining our systems.

LAURA CROSS GLOBAL HEAD OF HR

Direct Headcount	FY19	TNF
United Kingdom	122	14
United States	43	1
Malaysia	99	–
Europe	19	–
Other	1	–
Indirect Headcount	**FY19**	**TNF**
Worldwide	169	–
Total	**453**	**15**

136

London
UK
Tungsten's headquarters and the centre of its operations. This is the central office for all of our executives and the majority of our functions.

09

Rest of the world

14

Atlanta
USA
This is home to our American support, service delivery, campaign and IT teams.

"I worked my way through inside sales, account management, service delivery, and commercial business development roles to the point I am now: leading all revenue-generating teams in the Americas"

Ryan,
VP, Business Development

Atlanta, USA

"I'm very passionate when it comes to governance and compliance and Tungsten has given me a great career opportunity where professionally I've progressed from a junior to a senior role"

Rafi,
Head of Security and Compliance

Kuala Lumpur, Malaysia

Tungsten Network's people strategy focuses on employee engagement, performance managing to identify and reward the right people, appropriately managing attrition and leadership development. With this, our business will have the right skills now and in the future.

In FY19 we continued to attract a talented and diverse workforce and have seen growth in the number of women in senior and management positions as a result of our resourcing practices.

To increase employee engagement and further develop our internal culture we have set up a Sports & Social Committee. Through this, we have held a number of events and get-togethers that have been well-received and attended by our people.

We have adopted a training scheme and have several people dedicated to the growth of our talent. Our Company culture is underpinned by the principles of diversity, inclusion and development, and we work hard to enable a safe, enjoyable work environment for all of our staff around the world.

CHIEF FINANCIAL OFFICER'S REVIEW

DAVID WILLIAMS INTERIM CHIEF EXECUTIVE OFFICER & CHIEF FINANCIAL OFFICER

We have continued to produce simultaneous revenue growth and cost control. Our first EBITDA profit gives us a platform for growth.

Revenue

Revenue excluding TNF for the year was £35.4 million (FY18: £33.3 million), representing an increase of 6.1%. The growth in revenues reflected the net benefits of new customer sales, additional product sales to current customers, and existing customer price increases. Revenue including TNF for the year was £36.0 million (FY18: 33.7 million), representing an increase of 7.1%.

Total new sales billings excluding TNF in FY19 were £4.0 million, representing year-one billings for new services sold to current and new Buyers. £2.7 million of this was recognised in FY19, with the balance of £1.3 million to be recognised in FY20.

Recurring revenue increased by £1.4 million or 8.1% to £19.0 million (FY18: £17.5 million) due to a combination of six new Buyer sales (three new customers and three sales to new parts of existing Buyers) and three new Workflow sales to current customers which contributed £0.9 million, and increased pricing in relation to renewing customers. Offsetting this was the loss of five e-invoicing Buyers in the year, which contributed a total £0.1 million of revenue in FY18, as well as a number of inactive suppliers. Three Workflow customers which contributed a total of £0.1 million of revenue in FY18 chose not to renew their maintenance contract in FY19.

Having started the year with 187 Workflow and e-invoicing Buyers, the additions, losses and merging of four customer contracts resulted in 179 Buyers at year end.

Repeatable revenue increased by £0.9 million of 7.1% to £13.5 million (FY18: £12.6 million) due to the four new Buyers contracted as well as an increase in volumes and pricing. Volumes increased partially due to the new compliance requirements in Italy requiring all suppliers of goods and services to submit invoices electronically through a government platform. This increased volume by half a million transactions in the year.

Other revenue decreased by £0.3 million or 8.7% to £2.9 million (FY18: £3.2 million) due to fewer set-up fees from new Buyer customers (FY19: six new Buyer set-up fees, FY18: eight new Buyer set-up fees).

TNF revenue generated fees of £0.6 million in FY19 (FY18: £0.4 million), an increase of £0.2 million due to an increase in the average outstandings from £26.7 million in FY18 to £56.4 million in FY19.

Income statement

£m	Group		Group (excl TNF)[1]	
	FY19	FY18	FY19	FY18
Revenue	36.0	33.7	35.4	33.3
Cost of sales	(1.9)	(2.3)	(1.9)	(2.3)
Gross profit	34.1	31.4	33.5	31.0
Gross margin[2]	**94.7%**	**93.2%**	**94.6%**	**93.0%**
Adjusted operating expenses[3]	(33.5)	(36.0)	(31.0)	(34.3)
EBITDA[4]	0.6	(4.6)	2.5	(3.3)
EBITDA margin[5]	**2%**	**(14%)**	**7%**	**(10%)**
Other operating expenses	(5.8)	(7.5)	(5.3)	(7.2)
Operating loss	(5.2)	(12.1)	(2.8)	(10.5)
Net finance income/(costs)	(0.1)	(0.6)	0.1	(0.4)
Loss before taxation	(5.3)	(12.7)	(2.7)	(10.9)
Taxation	1.9	0.8	1.9	0.8
Loss for the year	**(3.4)**	**(11.9)**	**(0.8)**	**(10.1)**

1 Tungsten announced its intention to divest Tungsten Network Finance ("TNF") on 30 April 2019. Results presented excluding TNF to aid future comparability.
2 Gross margin is calculated as gross profit as a percentage of revenue.
3 Adjusted operating expenses exclude cost of sales, other income, interest, tax, depreciation, amortisation, foreign exchange gains or losses, loss on disposal of assets, share-based payments charges and exceptional items.
4 EBITDA is calculated as earnings before net finance cost, tax, depreciation and amortisation, loss on disposal of assets, foreign exchange gain or loss, share-based payment expense and exceptional items. The most directly comparable IFRS measure to segment EBITDA is operating loss for the period. Management utilises EBITDA to monitor performance as it illustrates the underlying performance of the business by excluding items management consider to be not reflective of the underlying trading operations of the Group or adding items which are reflective of the overall trading operations, as applicable.
5 EBITDA margin is calculated as EBITDA as a percentage of revenue.

Revenue

£m	FY19	FY18	% Movement[1]
Recurring revenue[2]	19.0	17.5	8.1%
Repeatable revenue[3]	13.5	12.6	7.1%
Total recurring & repeatable revenue	32.5	30.1	7.7%
Other revenue[4]	2.9	3.2	(8.7)%
Tungsten Network total revenue	**35.4**	**33.3**	**6.1%**
TNF revenue[5]	0.6	0.4	96.9
Group revenue	**36.0**	**33.7**	**7.1%**

Recurring revenue (% of total) Tungsten Network revenue[6]	54%	53%
Total recurring & repeating revenue (% of total Tungsten Network revenue[7])	92%	90%

1 Revenue is shown to the nearest £0.1 million. Movement is calculated on figures to the nearest £1.
2 Recurring revenue represents annual subscription and maintenance fees on contracts typically ranging from one to three years and billed annually in advance.
3 Repeatable revenue represents transaction-based fees from contracted customers, typically billed at the point of usage or at the end of the month of usage.
4 Other revenue represents implementation, modification and professional services fees, billed either in advance or on completion of project stages.
5 TNF revenue relates to revenue generated by the trade finance business announced for disposal but not treated as an asset held for disposal at the end of FY19.
6 Recurring revenue is revenue from annual subscription and maintenance fees as a % of revenue excluding TNF.
7 Recurring and repeatable revenue is total recurring and repeatable revenue as a % of revenue excluding TNF.

CHIEF FINANCIAL OFFICER'S REVIEW CONT.

Expenses

£m	FY19	FY18	Difference
Sales & marketing	(5.9)	(6.3)	0.4
Service delivery	(7.8)	(7.7)	(0.1)
Technology & product	(10.0)	(9.8)	(0.2)
Finance, administration & central overheads	(7.3)	(10.5)	3.2
Adjusted operating expenses[1]	**(31.0)**	**(34.3)**	**3.3**
Cost of sales	(1.9)	(2.3)	0.4
Tungsten Network Finance expenses	(3.2)	(2.2)	(1.0)
Depreciation and amortisation	(4.0)	(2.8)	(1.2)
Loss on disposal of assets	(2.2)	–	(2.2)
Foreign exchange gain/(loss)	1.8	(1.4)	3.2
Share-based payment expense	0.1	(0.6)	0.7
Exceptional items	(1.0)	(2.1)	1.1
Statutory operating expenses	**(41.4)**	**(45.7)**	**4.3**
Capital expenditure (incl dilapidations)	**(3.3)**	**(7.6)**	**4.3**
Total operating and capital expenditure	**(44.7)**	**(53.3)**	**8.6**

1 Adjusted operating expenses exclude cost of sales, other income, interest, tax, depreciation, amortisation, foreign exchange gains or losses, loss on disposal of assets, share-based payments charges and exceptional items.

Revenue by type of customer
Buyer revenues represented 43% of total Tungsten Network revenues in the 2019 financial year (FY18: 43%). Total Buyer revenues grew 4.8% to £15.2 million (FY18: £14.5 million). This reflected a growth in recurring and discretionary revenues of 6.8% (£0.8 million) and a fall in one-off revenues of 4.4% (£0.1 million).

Supplier revenues represented 57% of total Tungsten Network revenue in the 2019 financial year (FY18: 57%). Total Supplier revenues grew 7.2% to £20.1 million (FY18: £18.8 million). This reflected a growth in recurring and discretionary revenues of 8.3% (£1.5 million) and a fall in one-off revenues of 31.1% (£0.1 million).

Expenses

The Group's adjusted operating expenses reduced by 10% to £31.0 million (FY18: £34.3 million).

Sales and marketing expenses reduced by £0.4 million to £5.9 million. This primarily reflects reductions to ineffective marketing spend in the 2nd half of the financial year.

Service delivery and technology and products costs remained broadly flat year on year (marginal increases of 1% and 2% respectively). Finance, administration, Board & central overheads were reduced significantly, by a total of £3.2 million, or 30%, to £7.3 million. This primarily reflects reduced Non-Executive and Executive remuneration, fewer senior management positions and reduced professional adviser fees.

Statutory operating expenses decreased by £4.3 million or 9% to £41.4 million (FY18: £45.7 million). Key movements include:

- Foreign exchange gains: £3.2 million improvement to a gain of £1.8 million (FY18: £1.4 million loss) from the revaluation at year end of monetary assets and liabilities denominated in foreign currencies.
- Share-based payment expense: £0.7 million reduction reflecting the net reduction in outstanding options by 1.1 million options (FY18: net increase by 1.9 million options), primarily from exiting senior management.
- Exceptional items: £1.1 million reduction primarily as a result of £1.4 million lower provisions for onerous contracts in (FY19: £0.2 million; FY18: £1.6 million). Other exceptional items in FY19 reflected £0.6 million of professional advice, arising in particular from the requisition request for a General Meeting, as well as £0.2 million of restructuring costs.

Offset by:
- Tungsten Network Finance: £1.0 million increase in staff and related costs.
- Depreciation and amortisation: £1.2 million increase in amortisation as a result of the commencement of amortising software development costs incurred in FY18.
- Impairment of internally generated capitalised development: £2.2 million non-cash expense as a result of the decision to write-off the development work in relation to integration of CRM systems. £2.0m of these costs were incurred in FY18 and £0.2 million in FY19. Although the integration will continue, it will be using different technology and processes.

Loss before tax

The Group generated a loss before tax excluding TNF of £2.7 million in the year (FY18: loss of £10.9 million). The improvement of £8.2 million reflects this. Including TNF, the Group generated a loss before tax of £5.3 million (FY18: £12.7 million).

Taxation

The statutory Group loss for the year was £3.4 million (FY18: £11.9 million), an improvement of £8.5 million. A tax credit of £1.9 million (FY18: £0.8 million) includes a £1.5 million research and development tax credit (FY18: £0.3 million). £0.6 million of the FY19 charge related to FY17 expenditure, with a further £0.9 million relating to FY18 expenditure.

The Group has an unrecognised deferred tax asset of approximately £14.9 million that is available for offset against future tax expenses in the companies in which losses arise.

Funding and liquidity

Cash and cash equivalents at the end of FY19 were £3.8 million (FY18: £6.4 million). Net cash (including borrowings under the revolving credit facility) at the end of FY19 was £2.8 million (FY18: £6.4 million).

The Group had a cash outflow in FY19 of £2.6 million, with cash and cash equivalents at the end of FY19 of £3.8 million. Excluding borrowings, cash was £2.8million. Liquidity, including £3 million of undrawn revolving credit facility with a maturity date of July 2021, was £6.8 million.

Cash flows from operating activities

Cash used in operating activities decreased by £7.7 million to £0.3 million (FY18: £8.0 million) due to lower operating losses and a decrease in trade receivables.

By excluding IFRS 15 adjustment, the movements in working capital generated an inflow of £0.4 million from an outflow of £1.8 million in FY18 as a result of our increased focus on cash collection in relation to receivables which resulted in a cash inflow of £1.8 million from a cash outflow of £1.8 million in FY18. Offsetting this was a cash outflow due to the decrease in trade payable of £1.4 million relating to the end of many of the Group's technology transformation and the resulting settlement of outstanding payables.

Cash flows from investing activities

Cash spent on investing activities decreased by £4.3 million (FY18: £7.6 million), reflecting the end of the significant FY18 internally generated software development projects, in relation to the transformation of the core transaction network and rollout of Salesforce.

Cash flows from financing activities

Cash flow from financing activities in FY19 relate to the partial draw down of the revolving credit facility entered into in July 2018 and drawn in November 2018. In FY18 a £4.3 million inflow resulted from the cessation of Tungsten using its own cash resources to finance Tungsten Network Early Payment invoices.

Analysis of H1 and H2 cash

The FY19 movement in the Group's cash, excluding drawings from the RCF, was a £3.6 million outflow. This included a £4.4 million outflow in H1-FY19 (net of exchange adjustments), offset by a £0.8 million inflow in H2-FY19 (£1.9 million inflow, less £1.0 million drawings on the RCF, less £0.1 million exchange adjustments). The improvement by £3.6 million in cash flow net of RCF drawings and exchange adjustments in the second half of the financial year primarily reflected:

- An improvement in cash used in operations by £3.3 million, reflecting the increase in EBITDA in the second half.
- An inflow from trade and other receivables of £1.0 million, reflecting improved trade receivable collection processes.
- A reduction in cash spent on investing activities decreased by £0.7 million from H1-FY19 to H2-FY19, reflecting the end of the significant FY18 capital projects, payments of which were partly settled in early FY19.

Capital expenditure

During the year, the Group spent £3.3 million on capital expenditure, being £0.4 million in relation to property plant and equipment, and £2.9 million in relation to internally capitalised software development. This compares to £7.6 million in total in FY18. Our significant internally generated software development expenditure was in relation to the development of new functionality and a more modern look and feel for our customer portal and updates to our core transaction processing software.

Loss per share

The basic and diluted loss per share was 2.66p (FY18: 9.45p).

Dividends

The Company has not paid, and does not propose to pay, a dividend in relation to FY19.

Post balance sheet event

On 30 April 2019, the Group announced a trading update on the decision to divest one of the business segments in the Group, Tungsten Network Finance.

The negotiations for the sale were ongoing and are anticipated to be agreed prior to 31 October 2019. As it will be determined by the sale price agreed and the structure of any sale, the financial effect cannot be reliably estimated at the time of signing the Annual Report.

David Williams
Chief Financial Officer

22 July 2019

Funding and liquidity

£m	FY19	FY18
Net cash flow from operating activities	(0.3)	(8.0)
Net cash flow from investing activities	(3.3)	(7.6)
Net cash flow from financing activities	1.0	4.3
Net movement in cash & cash equivalents	(2.6)	(11.3)
Exchange adjustments	–	0.2
Cash and cash equivalents at the start of the period	6.4	17.5
Cash and cash equivalents at the end of the period	**3.8**	**6.4**

Analysis of H1 and H2 2019 cash flows

£m	H1-FY19	H2-FY19	FY19
Net cash flow from operating activities	(2.5)	2.2	(0.3)
Net cash flow from investing activities	(2.0)	(1.3)	(3.3)
Net cash flow from financing activities	-	1.0	1.0
Net movement in cash & cash equivalents	(4.5)	1.9	(2.6)
Exchange adjustments	0.1	(0.1)	–
Cash and cash equivalents at the start of the period	6.4	2.0	6.4
Cash and cash equivalents at the end of the period	**2.0**	**3.8**	**3.8**

STRATEGIC REPORT

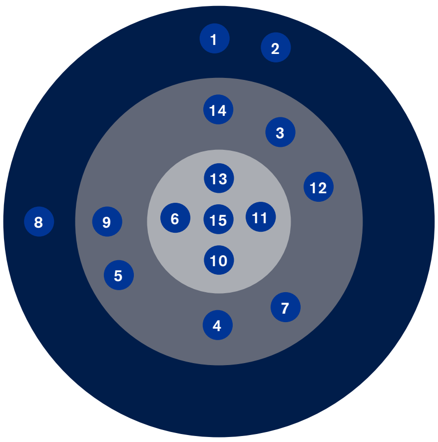
RISK MANAGEMENT

Risk management at Tungsten starts at the Board, but is delivered throughout the Group.

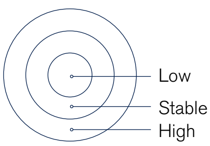
Key risks and their likelihood (listed)

1. Failure to meet strategic objectives
2. Failure to win and/or retain customers
3. Failure to invest in infrastructure and operating systems
4. Business continuity risk
5. Risk of cyber security breach
6. Failure to develop or deliver upgrades
7. Customer data breach
8. Dependency on external IT vendors
9. Inability to finance the business
10. Non-payment of customers
11. Foreign currency exposure
12. Retention of key management personnel
13. Retention of key staff
14. Regulatory change
15. Impact on the community

Key risks and their likelihood (mapped)



Key



Risk	Impact
Strategic	
Direction of change The Company is stable and is demonstrating progress in executing its business strategy.	
1. The business model fails to meet its strategic objectives.	• Failure to achieve targets for revenue, profit and earnings. • Damage to reputation.
2. Tungsten Network works with some of the world's biggest companies. There is a risk that Tungsten Network may fail to win and/or retain contracts on satisfactory terms and conditions with the existing as well as new targeted customers and markets.	• Failure to meet our growth plans. • Failure to achieve targets for revenue, profit and earnings.
3. Failure to invest in enhancements to the infrastructure and operating systems leading to loss of advantage over our competitors and failure to meet the expectation of our customers.	• Failure to meet our growth plans. • Failure to achieve targets for revenue, profit and earnings. • Products and services become unavailable. Damage to reputation.
Technological & Operational	
Direction of change Several important multi-year projects to upgrade the underlying systems and infrastructure as well as improve operational processes were completed in FY19.	
4. Tungsten Network has a highly developed and complex operational and IT infrastructure, which is constantly developed and upgraded. A major incident as a result of an internal or external event could impact the ability of the Company to provide products and services to its customers.	• Products and services become unavailable. • Customer claims for losses. Loss of customers. • Damage to reputation. • Failure to meet our growth plans.

Principal risks and uncertainties
Tungsten is proud to operate the world's biggest compliant e-invoicing network and to be a trusted partner to hundreds of thousands of global enterprises. Our customers expect us to proactively manage and predict the risks and uncertainties that are inherent in business.

The Audit Committee continually monitors and promotes the highest standards of integrity, financial reporting, risk management and internal control.

The Executive Directors and the senior management team oversee the management of the business utilising a wide range of controls, including financial, operational and compliance oversight, together with risk management. They ensure that the risk management strategy is implemented throughout the business.

Tungsten has dedicated compliance and cyber security teams. Amongst other things, these teams are accountable for the maintenance of the appropriate controls and processes to sustain Tungsten's certification under both ISO 27001 (information security management) and ISAE 3402 (controls at a service organisation). The Security Committee is chaired by the CFO and includes other members of the senior management team as well as key personnel from the business who are responsible for delivery.

All significant sales opportunities are subject to technical and contractual review by senior members of our legal, financial, commercial and technology teams. There are strict internal controls applied to the development of our systems, products and services. In order to assist with the management of risks, the Group continues to recruit individuals who are expert in our markets, technology and support disciplines. The Group has a delegation of authorities that clearly sets out the approval required for key activities, including those restricted to the Board and the Executive Directors.

The disclosure of the key risks and uncertainties in the table below reflects the approach of the Company to also look for the opportunities presented when addressing such risks. This is not an exhaustive list of all the risks faced by the Company.

Tungsten considers these risks in accordance with the governance procedures set out from page 38 onwards.

Mitigation

- The strategy is regularly reviewed and challenged by the Executive Committee and Board.
- The strategy forms the basis of the annual business planning process.
- Performance targets are aligned to strategy.
- Strategy is regularly and effectively communicated to all staff.

- Active management in place to spread revenues across all customers. No one customer accounts for significant revenue or concentration of revenue.
- Structured contracts approval process with clearly defined selection criteria to ensure contracts are taken on or renewed only where Tungsten Network can provide a good service and manage any risks involved.
- Continual review and development of the client relationship management structure and function to improve services to the existing customer base.
- A process is in place to continuously listen and respond to customers to enhance their experience of using Tungsten Network's products and services.

- The governance frameworks are key to ensuring successful implementation of all aspects of the planned enhancements and changes.
- Detailed approval and planning process prior to project commencement.
- The Executive Committee and Board review and challenge the status/progress of key change programmes and projects.
- Experts in infrastructure projects and change programmes have been hired to achieve successful implementation.
- Post-implementation reviews are undertaken once a project is completed so that lessons can be learned.

The changes from these projects can be significant and critical to the success of the business. Therefore, the overall level of technological and operational risk facing Tungsten Network remains high.

- The strategy is regularly reviewed and challenged by the Executive Committee and Board.
- The strategy forms the basis of the annual business planning process.
- Performance targets are aligned to strategy.
- Strategy is regularly and effectively communicated to all staff.
- Documented up-to-date disaster recovery and business continuity plans which are regularly tested. Use of multiple hosting centres.
- IT recovery plans include website resilience and penetration tests.
- Ongoing, real-time technology defence mechanisms in place.
- Continuous monitoring of IT systems availability.
- Governance frameworks in place to ensure appropriate management of the risks and mitigants.
- New employees with the appropriate skills have been recruited and, where required, third party experts are used to review and validate both the planning and execution of programmes of work.
- Training and employee awareness programmes in place.

RISK MANAGEMENT CONT.

Risk	Impact
Technological & Operational continued	
5. Tungsten Network has a highly developed and complex IT infrastructure. There is a risk of information security breach including cyber-attacks leading to loss of confidentiality, integrity or availability of data.	• Products and services become unavailable. • Customer claims for losses. Loss of customers. • Damage to reputation. • Failure to meet our growth plans.
6. Tungsten Network is constantly developing and upgrading many aspects of its technology software and hardware. As a result, there is a risk of failure or inefficiencies in its operations, systems and infrastructure.	• Products and services become unavailable. • Customer claims for losses. Loss of customers. • Damage to reputation. • Failure to meet our growth plans. • Additional costs if projects not delivered on time or within budget or if additional work required.
7. Tungsten Network processed 18.2 million transactions in FY19 and holds a significant volume of customer data. There is a risk of a data breach.	• Uninsured loss claims from customers. • Loss of customers. Damage to reputation. • Financial penalties.
8. Tungsten Network uses market-leading external IT vendors to support its businesses including software upgrades. There is a risk of failure/closure of a vendor which could impact the ability of the Company to provide products and services to its customers.	• Products and services become unavailable. • Customer claims for losses. Loss of customers. • Damage to reputation. • Failure to meet our growth plans.
Financial	
Direction of change The level of financial risk facing Tungsten Network is stable as revenues have grown and losses decreased. The Group remained cash negative in FY19 but generated cash in H2-FY19.	
9. Inability to finance the Group businesses.	• Failure to continue in business or meet liabilities. • Failure to meet our growth plans.
10. Tungsten Network may be subject to non-payment by its customers.	• Failure to meet our growth plans. • Ability to invest or develop. • Litigation costs.
11. Exposure to foreign exchange fluctuations, resulting in a material impact on profit or cash balances.	• Failure to meet our growth plans. • Failure to achieve targets for revenue, profits or earnings.

Mitigation

- Mitigating cyber-attacks is of paramount importance to the Company to ensure customer confidence in the security and availability of our products and services.
- Well-defined IT security procedures in place.
- Documented up-to-date disaster recovery and business continuity plans, which are regularly tested. Use of multiple hosting centres.
- Comprehensive review of procedures and controls as part of the annual International Standards for Assurance Engagements (ISAE) 3402 Assurance Reports on Controls at a Service Organisation.
- Comprehensive review of procedures and controls as part of the annual independent ISO 27001 certification, the international standard describing best practice for an Information Security Management System.
- Training and employee awareness programmes in place.

- Processes in place to improve operational performance.
- Documented up-to-date disaster recovery and business continuity plans which are regularly tested. Use of multiple hosting centres.
- IT recovery plans include website resilience and penetration tests.
- New employees with the appropriate skills have been recruited and, where required, third party experts are used to review and validate both the planning and execution of programmes of work.
- Continuous monitoring of IT systems availability.
- Continuing to enhance our technological and operational capabilities through investment in high quality staff and IT functionality.
- Oversight of satisfactory completion of improvements and enhancements by Executive Committee.

- Processes in place to ensure adherence to data protection and security awareness policies.
- Training and employee awareness programmes in place.
- No issues raised under the independent review of procedures and controls as part of the annual ISAE 3402 Reports.
- Introduction of additional security technology in FY19, e.g. enhanced portal security and multi-factor authentication (MFA).

- Prior to appointment, key vendors are subject to due diligence check and assessed for financial viability.
- The relationship with and financial position of key vendors are reviewed on a regular basis.
- Key vendors required to have ISO 27001 certification or equivalent. Only leading vendors are engaged.

- The Directors regularly stress test the business model to ensure the Group has adequate working capital.
- Robust procedures to monitor the effective management of cash and debt including cash reports and cash forecasting.
- A cash mitigation plan exists in the event that liquidity falls below expected levels.
- The Group has secured a revolving credit facility with its Bank.

- Ongoing project to review whole credit management processes.
- Credit monitoring process in place to address aged debtors.
- Credit analytics reporting in place.
- Collections project in FY19 has resulted in reduction of totals outstanding.

- Tungsten Network reports in and holds the majority of its cash balances in British Sterling.
- Revenues and costs for its other major currencies of US Dollar and the Euro are materially equal.
- Currency exposure is forward managed and hedging products considered where appropriate.

STRATEGIC REPORT

RISK MANAGEMENT CONT.

Risk	Impact
People	
Direction of change There has been high turnover of staff at all levels as a result of changes to the business strategy. New high calibre people have joined the Group, and continuous succession planning has resulted in a reduction in the level of risk.	
12. Inability to retain, develop and motivate a highly skilled and knowledgeable senior management team.	• Failure to implement the strategy and achieve the business' targets. • Over-reliance on key senior personnel to lead the business. • Loss of knowledge/skills within the senior management team.
13. Inability to attract, retain, develop and motivate the best people with the appropriate capabilities to create a high quality, diverse and flexible workforce.	• Failure to maintain satisfactory customer service levels. • Loss of knowledge/skills within the business. • Over reliance on key personnel.
Regulatory/Political/Environmental/Social	
Direction of change Although the markets in which we operate and their legal and political environments are constantly evolving, the overall level of regulatory/political risk facing Tungsten Network has not changed materially and remains stable. Implementation of the General Data Protection Regulation (GDPR) on 25 May 2018 has resulted in increased risk for all businesses in the area of data protection. This has previously been flagged as a high risk area, and remains so, although this is a result of the potential implications of non-compliance with the new GDPR regime rather than Tungsten's state of GDPR readiness.	
14. Tungsten Network has customers in 192 countries around the world. Our business model and our services are affected by legal, political and regulatory changes that restrict access to markets and customers. These changes include implementation of the EU General Data Protection Regulation (GDPR) in May 2018 and the UK's exit from the European Union.	• Potential exposure to large fines from Information regulator. • Reputational damage. • Client contractual breach. • Loss of existing customers and future customer revenue. • Investor/market negative sentiment causing fall in share price. Regulatory change can provide new product opportunities for Tungsten Network, e.g. the Italy B2B Mandate in January 2019.
15. Tungsten Network has a negative impact on the physical environment, social environment or communities in which it operates.	• Damage to environment or communities. • Damage to reputation.

David Williams
CFO and Interim CEO

22 July 2019

Mitigation

- Succession planning for all members of executive management is part of the Board agenda.
- Competitive remuneration packages with oversight by the Remuneration Committee, including equity based long-term incentives.
- Strategies for senior management retention.

- Training and development, customer relationship, leadership, social responsibility and communications programmes in place to actively engage and retain employees.
- Competitive remuneration packages with oversight by the Remuneration Committee.
- Focus on creation of a culture and values to attract and motivate our people.
- Recruitment strategy and succession planning in place including active encouragement of promotion from within.

- Comprehensive documented policies relating to business conduct, financial crime, bribery, corruption and whistleblowing in place.
- Oversight and monitoring including reporting of any deviations and exceptions to the Executive Committee.
- Strategy to ensure that business model remains flexible and responsive to change and is regularly reviewed.
- Horizon scanning by the Executive Committee for upcoming potential changes including product/diversification strategy to reduce impact.
- An extensive programme is in place to ensure GDPR compliance. Program elements include:
  1. Maintaining a cross-company steering and working group, led by our Compliance and Assurance team
  2. Leveraging our current industry best practices such as IS027001 certification and Cyber Essentials certifications
  3. Acquiring the latest best-of-breed proportionate technology for data discovery and classification
  4. Repeated training for all of our internal staff, including software development teams in secure coding and privacy through design
  5. Active program of rolling out GDPR compliant processes and policies
  6. Updating contract terms with customers and vendors to make GDPR compliant

- Tungsten Network's products benefit the environment through the elimination of paper.
- Tungsten Network's office footprints are assessed for their impact on the environment and "green" options implemented where practical.

BOARD OF DIRECTORS

This year we have welcomed four new Board members, and Andrew Lemonofides will also join us as CEO in September 2019.

Tony Bromovsky
Executive Chair

In a career spanning over 40 years, Tony has acted as an executive and non-executive director for a variety of companies across sectors including investment, healthcare, media and technology. He was previously a non-executive director of Vertical Intelligence Limited, Local World Holdings Limited, Chronos Therapeutics Limited, Oxford Biodynamics Limited and Circle Holdings (OS) Limited. He is also an executive director of Kilda Investments Limited, which he established in 1991 as a vehicle to invest in a number of ventures across Eastern Europe covering industries such as food production, micro-finance lending, pharmaceuticals, wineries and steelmaking. Tony spent the early part of his career as a commodities trader at Louis Dreyfus followed by Woodhouse Drake and Carey and Drexel Burnham Lambert.

Committee

N R

David Williams
Chief Financial Officer
and Interim Chief Executive Officer

David has 20 years of financial experience working in professional practice and consultancy with public and private companies. After training as a Chartered Accountant with Arthur Andersen, David spent five years in the Corporate Finance division of Ernst & Young, followed by five years at FTI Consulting, advising both the public and private sector. He subsequently left to assume a variety of senior management roles. David has strong financial control and reporting disciplines and is a Fellow of the ICAEW.

Committee key

A Audit Committee
N Nomination Committee
R Nomination Committee

Chair
Member

Andrew Doman
Non-Executive Director

Andrew Doman is an experienced non-executive director. He is Chairman of Castle Trust and a non-executive director at Target Group. He was previously a non-executive director at OneSavings Bank (2016-8), Chief Executive Officer of Premium Credit (2012-5), and he was Chairman of Russell Investments (2011-2) having been President and CEO from 2009. He was also a non-executive director of Wesleyan Assurance Society (2008-9).

Andrew spent 22 years at McKinsey & Co, where his clients included a number of leading UK and European financial services companies. He focused on performance improvement and turnaround strategy. He has degrees in Medicine & Surgery, and Economics, and also holds an MBA.

Committee

A N R

Duncan Goldie-Morrison
Senior Independent Non-Executive Director

Duncan has spent his entire career in financial services. His current business interests include family investment vehicle Bradden Capital Management LLC, which he established in 2003 and where he is Managing Partner. He is also director and part owner of supply chain finance company Orbian Corporation and prepaid cards business Transact Payments Limited. He also serves on the management board of P.R.I.M.E. Finance, a Dutch-based charity that provides resolution services for disputes concerning complex financial transactions. Duncan's executive career included senior positions with Credit Agricole Group, Ritchie Capital and Bank of America. Duncan spent the early part of his career with NatWest Markets, Westpac Banking Corp and Kleinwort Benson. Duncan has also previously served as a non-executive director on the boards of ICAP plc and Primus Guaranty Limited.

Committee

A R

Vivienne Maclachlan
Non-Executive Director

Vivienne was the Chief Financial Officer of Alfa Financial Software, in which role she oversaw all of the core finance function responsibilities and investor relations, as well as being a key member of the Executive Leadership Team. Alfa is a technology company providing solutions to the asset finance market.

Prior to joining Alfa, Vivienne was a capital markets specialist for more than 12 years at PwC in London, assisting management teams and owners of companies to raise capital in the UK and US markets. Vivienne is a member of the Institute of Chartered Accountants of Scotland.

Committee

A N R

CHAIRMAN'S GOVERNANCE OVERVIEW

Tungsten has evolved as a vibrant and agile technology business that helps accelerate global trade by operating a secure network connecting some of the world's largest organisations to their supply chains.

Dear Shareholder,

The Principles of Corporate Governance
As Chairman, my role includes upholding the highest levels of integrity, probity and corporate governance throughout the Company and particularly at Board level. It therefore gives me great pleasure to introduce our Governance statement.

As a Board we recognise the importance of high standards of corporate governance in support of our strategic goals and long term success. The Company is listed on AIM and is subject to the continuing obligations of the AIM Rules. From September 2018, the Company has been required to apply a recognised corporate governance code. Since our admission to AIM in October 2013, we have measured our governance policies and structure against the Quoted Companies Alliance Corporate Governance Code (the "**QCA Code**") and we therefore formally adopted the QCA Code in line with this new requirement. We believe we apply the ten principles of the QCA Code. The policies and procedures put in place at the time of admission to AIM gave us a firm foundation for our governance structures and we continue to build on and evolve these each year.

Companies need to deliver growth in long-term shareholder value. This requires an efficient, effective and dynamic management framework and should be accompanied by good communication which helps to promote confidence and trust. The Board is highly committed to meeting these standards.

The QCA's Ten Principles of Corporate Governance

Deliver growth		
The Board has collective responsibility for setting the strategic aims and objectives of the Group. These growth aims are articulated in the Chairman's review and Executive Committee's review in this Annual Report and on our website along with our business model. In the course of implementing these strategic aims, the Board takes into account the expectations of the Company's shareholder base and also its wider stakeholder, environmental and social responsibilities. The Board also has responsibility for the Group's internal control and risk management systems and structures. Our risk management process is embedded into the business and starts at the Board and is delivered throughout the Group.	**1**	Establish a strategy and business model which promote long-term value for shareholders.
	2	Seek to understand and meet shareholder needs and expectations.
	3	Take into account wider stakeholder and social responsibilities and their implications for long-term success.
	4	Embed effective risk management, considering both opportunities and threats, throughout the organisation.
Maintain a dynamic management framework		
As Chairman, I continually consider the operation of the Board as a whole and the performance of the Directors individually. During the last year, we have completely reconstituted our Board, which now has a new focus, momentum, diversity and relevant technology industry experience. It is fundamental to me as Chairman to see that the Board and its Committees adhere to best practices pursuant to the QCA Code. We challenge ourselves to ensure continuous improvement of our performance in this respect and to promote a corporate culture that is based on ethical values and behaviours. Responsibility for the overall leadership of the Group and setting the Group's values and standards sits with the Board.	**5**	Maintain the Board as a well-functioning, balanced team led by the Chair.
	6	Ensure that between them the Directors have the necessary up-to date experience, skills and capabilities.
	7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.
	8	Promote a corporate culture that is based on ethical values and behaviours.
	9	Maintain governance structures and processes.
Build trust		
During the year the Company has undertaken a number of investor relations activities. These include several investor roadshows and many investor meetings, participation at investor conferences and attending other events where investors have the opportunity to meet and talk to the Executive Directors and other members of the Board. Investors are actively encouraged to attend our AGM and each member of our Board see this as an important event in the annual calendar to meet and talk to shareholders. During the year the Board has continued to review governance and the Group's corporate governance framework. We reviewed our governance against the new QCA Code in July 2019 and will do so annually, as required by AIM Rule 26.	**10**	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

Tony Bromovsky
Executive Chairman

22 July 2019

COMPOSITION AND INDEPENDENCE OF THE BOARD

The composition of the Board has been structured to ensure that no one individual can dominate its decision-making processes. Once the new Chief Executive joins the Company in September 2019, the Board will consist of six Directors: the Chairman (acting in an Executive capacity on an interim basis), two Executive Directors, and three Non-Executive Directors. All of the Non-Executive Directors are considered by the Board, and regularly demonstrate, that they are independent.

Details of each Director's experience and background are given in their biographies on pages 36 to 37. The skill-set and experience of Board members is relevant for the current position of the Company and covers areas including finance, capital raising, financial services, banking, marketing, network platforms and general management.

Appointments to the Board and re-election
The Board has delegated the tasks of reviewing Board composition, searching for appropriate candidates and making recommendations to the Board on candidates to be appointed as Directors to the Nomination Committee. Further details on the role of the Nomination Committee may be found on page 52.

With regard to re-election of Directors, the Company is governed by its Articles of Association ('Articles'). Under the Articles, the Board has the power to appoint a Director during the year but any person so appointed must stand for election at the next Annual General Meeting. Andrew Doman, Vivian Maclachlan and our new Chief Executive Officer Andrew Lemonofides will therefore stand for election at the next AGM.

At each Annual General Meeting, one-third (or the number nearest to one-third) of the Directors must retire from office and, if willing, may offer themselves for re-election. David Williams will retire and stand for re-election at the next AGM. The Board considers that the Director offering himself for re-election continues to make a valuable contribution to the deliberations and continues to demonstrate commitment.

Division of responsibilities Chairman and Chief Executive
The division of responsibilities between the Chairman and Chief Executive have been agreed and approved by the Board.

A summary of the main responsibilities of each role is given below:

Role of the Chairman

- Upholding the highest levels of integrity, probity and corporate governance throughout the Company, particularly at Board level
- Chairing the Board meetings, setting the Board agenda and ensuring the Directors receive accurate, timely, and clear information to enable the Board to make sound decisions, monitor effectively and promote the success of the Company
- Facilitating the effective contribution of and active engagement of all the Directors and ensuring constructive relationships between the Non-Executive Directors and the Executive Directors
- Considering succession planning and ensuring the composition of the Board meets the needs of the business
- Ensuring the appropriate balance is maintained between the interests of shareholders and other stakeholders
- Ensuring the developmental needs of the Directors are identified and that these needs are met to enable Directors to update their skills and knowledge of the Group in order to carry out their duties as Directors
- Ensuring the performance of the Board, Audit Committee and individual Directors are evaluated once a year and acting on the results of the evaluation
- Ensure effective communication with shareholders and other stakeholders and ensure the Board is aware of the views of the shareholders
- Chairing the AGM and other general meetings of the Company

Role of the Chief Executive

- Running of the business of the Group within the authorities delegated to him by the Board
- Ensuring implementation across the Group of the policies and strategy agreed by the Board
- Leading the development of the Group's future strategy, including identifying and assessing opportunities for the growth of its business, and putting in place the long-term capital to support such development
- Reviewing the performance of the businesses, managing and holding to account the Executive and senior management teams
- Ensuring the Chairman is kept appraised in a timely manner of the issues facing the Group and of any events and developments
- Ensuring the market and regulators are kept appraised in a timely manner of any material events and developments
- Ensuring that all major transactions are conducted with the commercial interests of the Group at the forefront of negotiations, commensurate with the need to always treat customers fairly

Since February 2019, and pending the arrival of the new Chief Executive Officer in September 2019, the responsibilities of the Chief Executive have been divided between the Chairman, acting in an Executive capacity, and the Chief Financial Officer, acting as Interim Chief Executive Officer.

Senior Independent Director
Duncan Goldie-Morrison is the Senior Independent Director (SID). The SID's role is to act as a sounding board for the Chairman and serve as an intermediary for the other Directors when necessary. The SID will meet other Non-Executive Directors without the Chairman present at least once a year to appraise the Chairman's performance, taking into account the views of Executive Directors.

The SID is also available to shareholders should they wish to discuss concerns they have failed to resolve through the normal channels of Chairman, Chief Executive Officer or Executive Directors or for which such contact is inappropriate.

Non-Executive Directors

Each of the Non-Executive Directors has entered into a letter of appointment with the Company. The appointment of each of the Non-Executive Directors is stated to be for a fixed term, expiring after 12 months of the date of renewal or appointment. The Non-Executive Directors' letters of appointment set out the duties of the Director and commitment expected. They are expected to commit a reasonable and appropriate amount of time each year in order to fulfil their commitments to their role. Key elements of the Non-Executive Director's role are to constructively challenge and help provide the Board with effective leadership in relation to the Company's strategy, performance, risk and people management, and ensuring high standards of financial probity and corporate governance.

Development, information and support

The Directors are encouraged to attend training and continuing professional development courses as required. Updates are given to the Board on developments in governance and regulations at each Board meeting. Patrick Clark is the Company Secretary and supports the Chairman in ensuring that the Board receives the information and support it needs to carry out its roles. When Directors join the Board they receive an induction covering topics such as the operation of the Board, Directors' responsibilities, insider dealing, AIM Rules and governance documents. Each Director also receives an induction pack including all of the key Company documents.

Conflicts of interest

Under the Articles, the Directors may authorise any actual or potential conflict of interest a Director may have and may impose any conditions on the Director that are felt to be appropriate. Directors are not able to vote in respect of any contract, arrangement or transaction in which they have a material interest and they are not counted in the quorum.

A process has been developed to identify any of the Directors' potential or actual conflicts of interest. This includes declaring any new conflicts before the start of each Board meeting.

Board meetings

	Board	Audit Committee	Nomination and Remuneration Committee	Remuneration Committee	Nomination Committee
David Williams	10/10	–	–	–	–
Rick Hurwitz[1]	9/9	–	–	–	–
Tony Bromovsky[2]	6/6	1/1	–	7/7	1/1
Andrew Doman[3]	1/1	–	–	1/2	0/0
Duncan Goldie-Morrison[4]	6/6	1/1	–	7/7	–
Vivienne Maclachlan[5]	0/1	–	–	2/2	0/0
David Benello[6]	9/9	1/1	–	–	1/1
Peter Kiernan[7]	6/7	1/1	3/3	0/0	0/0
Nick Parker[8]	7/7	1/1	3/3	0/0	0/0
Ian Wheeler[9]	9/9	–	3/3	0/0	1/1

Notes:
1 Resigned on 13 February 2019.
2 Appointed as a Non-Executive Director on 22 August 2018. Appointed as Deputy Chairman on 21 September 2018. Appointed as Chairman on 9 October 2018. Appointed as Executive Chairman on 13 February 2019.
3 Appointed on 12 December 2018.
4 Appointed on 22 August 2018.
5 Appointed on 8 February 2019.
6 Resigned on 12 December 2018.
7 Resigned on 31 October 2018.
8 Resigned on 31 October 2018.
9 Resigned on 12 December 2018.

Performance evaluation

The Chairman considers the operation of the Board and performance of the Directors on an ongoing basis as part of his duties and will bring any areas of improvement he considers are needed to the attention of the Board. Following the external Effectiveness Review in 2017, the Board has been following up on the recommendations from that process and implementing in particular improved governance around the conduct of Board and Committee meetings – implementing a new rolling calendar of Board and key Committee meetings, streamlining meetings agendas, improving the quality and timelines for delivery of Board and Committee papers and increasing discipline in the conduct of meetings. The Board has also actively taken forward the Reviews recommendations on diversity and succession planning for both the Board and senior management, with recent recruitment processes and appointments benefiting from such renewed focus. The Board will conduct a further internal review of its progress in the course of FY20. The Board also has in place a programme of assessments for individual Board members, with the Chairman responsible for Board members evaluations, and the SID responsible for evaluation of the Chairman.

How the Board operates

The Board meets at regular intervals and the full Board met ten times during the year under review. Directors also have contact on a variety of issues between formal meetings. There is also regular contact with the Senior Management.

The Board has regular formal Board meetings, with a standing agenda focusing on key business and governance issues. During the year Board meetings have included presentations from Senior Management responsible for the various parts of the Tungsten Network business, giving the Board greater visibility and understanding over the Company's business and the steps being taken to execute its strategy.

An agenda and accompanying detailed papers; including reports from the Executive Directors and other members of senior management, are circulated to the Board in advance of each Board meeting. All Directors have direct access to senior management should they require additional information on any of the items to be discussed. A calendar of matters to be discussed at each meeting is prepared to ensure that all key issues are captured.

COMPOSITION AND INDEPENDENCE OF THE BOARD CONT.

All Directors are expected to attend all meetings of the Board and any committees of which they are members, and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. Where Directors are unable to attend a meeting, they are encouraged to submit any comments on paper to be considered at the meeting to the Chairman in advance to ensure that their views are recorded and taken into account during the meeting.

Directors are encouraged to question and voice any concerns they may have on any topic put to the Board for debate. The Board is supported in its work by Board Committees, which are responsible for a variety of tasks delegated by the Board. There is also an Executive Committee composed of the CEO and CFO and representatives from senior management whose responsibilities are to implement the decisions of the Board and review the key business objectives and status of projects.

Attendance at Board and Committee meetings by the Directors is shown above In addition to the ten full Board meetings mentioned above, there were three ad hoc Board meetings to approve matters called at short notice and three Board Committee meetings to approve full and interim accounts and share option awards.

The main activities of the Board during the year

There are a number of standing and routine items included for review on each Board agenda. These include the CEO's report and operations reports, financial reports, consideration of reports from the Board Committees, Governance, Risk and compliance and investor relations updates.

In addition key areas put to the Board for consideration and review included:

- Review and approval of the work of and proposals arising out of the operating review
- Strategy presentations
- Presentations from various parts of the business
- Approval of Annual Report and Financial Statements
- Review of Budget and Business Plan
- Review and approval of new remuneration plan
- Going concern and cash flow
- Briefings and review of conflicts of interest
- Review of AGM business

The Board Committees

There are three Board Committees, the Audit Committee, the Remuneration Committee and the Nomination Committee. Following the recommendation of an external effectiveness review in 2017, separate Remuneration and Nomination Committees were created in September 2018, having previously been combined into one Nomination and Remuneration Committee. The Audit Committee is composed of three Non-Executive Directors. The Remuneration Committee is composed of the Chairman and three Non-Executive Directors. The Nomination Committee is composed of the Chairman and two Non-Executive Directors.

Each Board Committee has approved Terms of Reference setting out their responsibilities. The Terms of Reference were approved and reviewed by the Board during the year and are available on the Company's website www.tungsten-network.com. Details of the operation of the Board Committees are set out in their respective reports below.
All of the Board Committees are authorised to obtain, at the Company's expense, professional advice on any matter within their Terms of Reference and to have access to sufficient resources in order to carry out their duties.

External Advisers

The Board seeks advice on various matters from its Nomad, Panmure Gordon & Co, its brokers and corporate finance advisers, Canaccord Genuity, its lawyers, Ashurst LLP, Shepherd and Wedderburn LLP and Memery Crystal LLP and remuneration advisers Aon Hewitt Limited.

Accountability

The Company has in place a system of internal financial controls commensurate with its current size and activities, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. These procedures include the preparation of management accounts, forecast variance analysis and other ad-hoc reports. There are clearly defined authority limits throughout the Group, including those matters that are reserved specifically for the Board.

Risks throughout the Group are considered and reviewed on a regular basis. Risks are identified and mitigating actions put into place as appropriate. Principal risks identified are set out in the Strategic report on pages 30 to 35. Internal control and risk management procedures can only provide reasonable and not absolute assurance against material misstatement. The internal control procedures were in place throughout the financial year and up to the date of approval of this report.

Financial and business reporting

The Board seeks to present a fair, balanced and understandable assessment of the Group's position and prospects in all half-year, final and any other ad-hoc reports and other information as may be required from time to time. The Board receives a number of reports, including those from the Audit Committee, to enable it to monitor and clearly understand the Group's financial position.

A Disclosure Policy is in place to ensure that price-sensitive information is identified effectively and all communications with the market are released in accordance with expected time scales. The Board considers that this Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Promotion of a corporate culture that is based on ethical values and behaviours
The Board recognises that a corporate culture based on sound ethical values and behaviours is an asset. The Company endeavours to conduct its business with integrity, in an ethical, professional and responsible manner, treating our employees, customers, suppliers and partners with courtesy and respect, the principles which are enshrined in the Company policies including its Code of Conduct and Business Ethics and Conduct Policy that apply to all employees in the Group.

The Group's anti-corruption procedures state that the Company and its subsidiaries intend to conduct business in an honest and ethical manner. A zero-tolerance approach is taken to bribery and corruption and the Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates and to implementing and enforcing effective systems to counter bribery and corruption. The Company has a whistleblowing procedure under which staff may report any suspicion of fraud, financial irregularity or other malpractice to any Executive Director. An amended policy, recommended by the Audit Committee was adopted by the Board during the year.

The Directors follow Rule 21 of the AIM Rules relating to dealings by Directors in the Company's securities, which is embodied in the Company's share dealing code.

The Board intends to further develop its assessment of the recognition of corporate culture and ethical values during the year, and will enhance disclosures in these areas on our website and in our FY20 Annual Report.

Modern slavery
We are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains, consistent with our obligations under the Modern Slavery Act 2015. We expect the same high standards from all of our contractors, suppliers and other business partners. As part of our contracting processes, we expect our suppliers to comply with the Modern Slavery Act 2015. Our Modern Slavery Act statement is published on our website.

Shareholders
The Board is committed to maintaining regular and clear communication with its shareholders. The Board receives regular reports on investor relations matters. The Directors are keen to build a mutual understanding of objectives with its institutional shareholders and a regular dialogue with institutional investors has been maintained throughout the year. The Directors also encourage communications with private shareholders and encourage their participation in the Company's Annual General Meeting. The Company uses its corporate website (www.tungsten-network.com) to communicate with institutional shareholders and private investors. It contains the latest announcements, press releases, published financial information, current projects and other information about the Company.

The Annual Report and financial statements is a key communication document and is also available on the Company's website. This year's Annual General Meeting of the Company will be held on 19 September 2019. The Notice of Annual General Meeting will be available on the Company's website at www.tungsten-network.com. The Notice of Annual General Meeting will be sent out at least 21 days before the meeting. Separate resolutions are provided on each issue so that they can be given proper consideration.

AUDIT COMMITTEE REPORT

I am pleased to present the Audit Committee Report for the year ended 30 April 2019, which summarises our activities during the year, as well as setting out intended key areas of focus for FY20.

During FY19, the Audit Committee was reconstituted following resignations and new appointments to the Board. With a relatively new Audit Committee in place, and with the Board undertaking the extensive Operating Review, our primary focus throughout the year has been to ensure the integrity and transparency of external financial reporting, and to assess the evolution of KPIs and reporting in light of the operating review. Additionally, we have spent a significant amount of time assessing the application of IFRS 15 "Revenue from Contracts with Customers," as well as IFRS 9 "Financial Instruments", both of which were applicable from 1 May 2018, as well as conducting a review of our risk management framework, risk appetite and our system of internal controls.

Membership of the Committee and Meetings attended
The Audit Committee solely comprises members who are independent Non-Executive Directors. Members' skills and experience are documented on pages 36 to 37, with the Board concluding that they are satisfied that the Audit Committee has the required relevant and recent financial experience, with appropriate experience of the technology sector.

Members during the year are as follows:

	Scheduled meetings attended	Member since
Vivienne Maclachlan (Chair – May 2019 onwards)	1/1	February 2019 – current
Duncan Goldie-Morrison (Chair October 2018-May 2019)*	2/2	October 2018 – current
Andrew Doman	2/2	December 2018 – current
Peter Kiernan (Chair October 2013-October 2018)	1/1	October 2013-October 2018
Nick Parker	1/1	May 2015-October 2018
David Benello	1/1	December 2015-December 2018

* Duncan Goldie-Morrison served as Chair during the period October 2018 to May 2019 and remains a Committee member.

By invitation, the meetings of the Audit Committee may be attended by the Executive Chairman, CEO, CFO and other members of the Executive Committee. PricewaterhouseCoopers LLP, the external auditor, is also present at all of the Audit Committee meetings to ensure full communication of matters as they relate to external audit.

The Audit Committee meets without management present before each full meeting. It also meets with the external auditors, without management present, for an open discussion about the audit process and relationship with management. It is important for the Audit Committee Chair to fully understand any topics of particular concern in order to facilitate meaningful dialogue during Committee meetings. To support this, Viv Maclachlan has met regularly, on a one-to-one basis, with the Chief Finance Officer and also meets with the Financial Controller and other members of senior management and the lead audit partner. The Company Secretary also attends all Audit Committee meetings at the invitation of the Chair.

Role of the Audit Committee
The Board has delegated to the Audit Committee responsibility for overseeing financial reporting, the review and assessment of the effectiveness of the internal control and risk management systems and maintaining an appropriate relationship with the external auditor. In order to fulfil these responsibilities, the Audit Committee's duties include the following:

- Giving due consideration to applicable laws and regulations;
- Monitoring the integrity of the consolidated financial statements;
- Reviewing and challenging the application of accounting policies, including estimates and judgements made by management, and the clarity and completeness of disclosures;
- Overseeing the relationship with the external auditor, including a review of their independence; and
- Monitoring the effectiveness of the Company's internal financial controls and risk management systems.

Details of the roles and responsibilities can be found in the Audit Committee's terms of reference on our website.

Principal activities of the Audit Committee in FY19

Meeting	Area of focus
July 2018	• FY18 Annual Report and accounts – review focused on whether the report was fair, balanced and understandable • Going concern • Review of the impact of the application of IFRS 15 "Revenue from Contracts with Customers" • Review of internal controls and risk management processes • Review of principal risks and uncertainties • Assessment of compliance with the QCA Code
December 2018	• Review of the interim financial statements and interim release • Presentation of the FY19 external audit plan, including review of non-audit services • Review of principal risks and uncertainties • Review of going concern

Key matters considered in relation to the consolidated financial statements

Prior to the year end Audit Committee meeting, management prepares a paper providing details of significant areas of accounting judgements or estimates, tax related matters, disclosure areas and other matters where relevant. The critical accounting estimates, judgements and disclosure areas are disclosed below. The external auditors reported to the Audit Committee any misstatements that they found in the course of their work and no material adjustments were required.

After reviewing the presentations and reports from management and consulting where necessary the external auditors, the Audit Committee was satisfied that the consolidated financial statements appropriately addressed the critical judgements and key estimates in respect of both the amounts reported and disclosures.

Revenue recognition

Management's assessment

IFRS 15 "Revenue from Contracts with Customers" has been applied from 1 May 2018 using the retrospective approach. Therefore, accounting policies and critical estimates and judgements have been reassessed and updated accordingly.

In applying IFRS, the Group reviewed the terms and conditions of contracts of Buyers and Suppliers and new customers and ongoing customer relationships. The assessment centred on identifying each performance obligation under the contract, assessment of the transaction price and where relevant, to allocate the transaction price to each performance obligation.

Following this review of contracts, management has concluded that there are four performance obligations as detailed below:

- Initial Set-up services
- Periodic right to use the Tungsten Network platform
- Support services
- Transaction fees

The key judgements are as follows:

- Identification of performance obligations
- Allocation of transaction prices to each performance obligation

The revenue recognition accounting policy is detailed in note 2 of the consolidated financial statements and the relevant critical accounting estimates and judgements are detailed in note 3.

Audit Committee's response

The Audit Committee has reviewed management's analysis of IFRS 15 in detail, discussing the assessment samples and conclusions reached with the external auditor. The Audit Committee is satisfied with the conclusions made in respect of the identification of performance obligations and the assessment of transaction prices for the various performance obligations and the timing of recognition. In addition to this, the Audit Committee is satisfied that the disclosure in the consolidated financial statements is appropriate and the Group has applied the standard appropriately.

AUDIT COMMITTEE REPORT CONT.

IFRS 9 Financial Instruments

Management's assessment

IFRS 9 "Financial Instruments" has been applied from 1 May 2018 using the retrospective approach. Therefore, accounting policies and critical estimates and judgements have been reassessed and updated accordingly.

Review of impairment assessment for trade receivables

Pursuant to IFRS 9, the Group is required to assess the impairment of financial assets based on expected credit losses rather than losses incurred.

The expected credit losses on these financial assets are estimated from the initial recognition of the asset at each reporting date, using as a reference the past experience of the credit losses, adjusted for factors that are specific to the debtors or groups of debtors, the general economic conditions and an assessment of both, the current management and the forecast of future conditions.

On 1 May 2018, the Group reassessed its trade receivables impairment model in accordance with the guidelines. The Group concluded that the trade receivables impairment assessment process was appropriate and aligned with IFRS 9. Therefore, no revision to the trade receivables impairment loss assessment process is required and there is no impact to the financial statements in FY18 and FY19 from the adoption of IFRS 9 in relation to the impairment assessment of trade receivables.

Review of impairment assessment for intercompany receivables

Pursuant to IFRS 9, the Group is required to assess intercompany receivables for impairment based on the process below:

1: Is the intercompany receivable in the scope of IFRS 9 and the amount is repayable on demand?
Assessment: Intercompany receivables are within the scope of IFRS 9 and are repayable on demand.

2: Measurement of the impairment
The borrowers within the Group have insufficient accessible highly liquid assets in order to repay the lenders if demanded on the reporting date, i.e. 30 April 2019. The lenders within the Group are therefore consider the expected manner of recovery to measure the expected credit losses as follows:

a) Amounts due by TNF to the Group
The Group announced in a trading update on 30 April 2019 the decision to divest Tungsten Network Finance ('TNF'). The divestment is expected to be completed prior to October 2019. The recoverable amount due from TNF is considered unlikely to be collectible and the Group has decided to impair the following total outstanding of £26.44 million as at 30 April 2019:

- Due to Corp plc – £22.91 million
- Due to TN UK – £1.98 million
- Due to TN Inc – £1.55 million

This impairment has no impact on the consolidated financial statements of Tungsten Corporation plc.

b) Other Intercompany receivables
The lenders within the Group have decided and approved the repayment of intercompany balances over a time period of between three to nine years, subject to the expected liquidity of net current assets. The lenders within the Group are confident of the future performance of the borrowers. The lenders will continue to monitor closely and review repayment periods as and when required.

On this basis, with the adoption of IFRS 9, there is no impairment required for other intercompany receivables balance at the reporting date.

Audit Committee's response

The Committee has reviewed management's analysis of IFRS 9, specifically focused on the impact on intercompany balances and investments. The Committee is satisfied with the conclusions made in respect of the application of this standard.

Capitalised internal development costs

Management's assessment

The Group continues to invest a substantial effort in the ongoing development of the Tungsten Network platform, although this has decreased in FY19 in comparison to the previous year. During FY19 11 projects had capitalised effort, £7.9 million was transferred from assets under construction to amortised software assets.

Judgement is required in relation to whether the development is substantially new in either design or functionality and whether it is commercially viable in the open market. Therefore, management assess the likelihood of capitalisation of such costs prior to initiation of the investment project and also perform quarterly assessments of the development work that has been undertaken to determine if it meets the criteria set out in IAS 38 for capitalisation. Research and product development expenditure incurred on projects where commercial viability or demonstrable benefit is no longer assured is written off immediately. During FY19, £2.2million in relation to Project Belfast – the mapping of data to point OBI (the Group's in-house Customer Relations Management team) and customer portal to Salesforce – has been written off.

Audit Committee's response

The Committee reviewed and discussed with management and the external auditor as to (i) whether development costs met the capitalisation criteria under IAS 38, (ii) where development costs had been capitalised in relation to ongoing projects, that these were in relation to commercially viable projects and therefore remained on balance sheet and (iii) were satisfied that all other expenditure, with the exception to those projects capitalised, should be expensed.

The Committee has reviewed and is satisfied with judgements applied by management in determining the value of the costs relating to the 11 projects that have been capitalised in FY19. These judgements have also been discussed with the external auditor.

Alternative performance measures ("APMs") and presentations not specifically defined by IFRS

Management's assessment

The Group uses EBITDA, adjusted for certain items including exceptional items, which are not specifically defined by IFRS, to show the impact on earnings after items such as share based compensation, restructuring and other costs. Adjusting for exceptional items is judgemental in nature as there is no definition under IFRS.

Additionally management have presented certain measures, including revenue and EBITDA, excluding the results of operations of TNF as the Group announced their intention to dispose of this segment as of 30 April 2019, although it does not meet the requirements of IFRS 5 in order to present it as an asset held for disposal.

These measures are used by management as they believe they present a better understanding of the Group's underlying performance. Such APMs are defined and reconciled to the nearest IFRS measure on the face of the income statement

Audit Committee's response

The Audit Committee considered the presentations made in light of the guidance provided by the European Securities and Markets authority and is satisfied that the measures presented continue to be appropriately adjusted and disclosed as non-GAAP measures. The Audit Committee is satisfied that the non-GAAP measures were not given undue prominence and that the reconciliations provided were presented in a clear manner.

Impairment of goodwill

Management's assessment

Goodwill of £101.8 million was recorded on the acquisition of OB10 in 2013 and DocuSphere in 2014. The goodwill balance is reviewed annually for impairment based on an estimated value-in-use of the Group. The key assumptions were WACC, revenue growth, cost inflation and taxation rate. The base case was then sensitised for each of these assumptions. The headroom has increased from the prior year, as a result improvements in actual and expected performance and management has concluded that there should be no impairment recognised.

Audit Committee's response

The Audit Committee have considered the key assumptions, including sales targets, the WACC applied and downside sensitivities to both the revenue and cost base and are satisfied that there is appropriate headroom under both base and downside case. The Audit Committee is also satisfied that the disclosure is sufficient to provide information on the assumptions and headroom available. This has been discussed with the external auditor.

AUDIT COMMITTEE REPORT CONT.

Going concern

Management's assessment

The Directors must satisfy themselves that the going-concern assumption is appropriate.

Having assessed the future prospects of the Group and taken into account the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

Audit Committee's response

The Audit Committee reviewed management's summary budget and forecasts, including an overview of the assumptions made in the preparation of the FY20 the budget supporting the going concern assessment. This included the Group's FY20 budget and also roll-forward to FY21. The Audit Committee discussed, and challenged as appropriate, before agreeing with the reasonableness of the assessment.

The Audit Committee assessed this in light of the principal risks and uncertainties as disclosed on pages 30 to 35 in the Strategic Report. The Audit Committee discussed and robustly challenged the downside scenarios modelled as part of the assessment as disclosed on page 88, the funding available and the feasibility of mitigating actions and the speed of implementation of any cost-saving measures following management decision-making. Following this evaluation and analysis, the Audit Committee is satisfied with the judgements and that the adoption of the going-concern basis is appropriate.

Newly applicable accounting standards

Management's assessment

Management has carried out an assessment of newly issued accounting standards applicable from 1 May 2019, with IFRS 16 "Leases" identified as the potentially significant new standard to be applied. Management intends to implement IFRS 16 using the "cumulative catch up approach" and as if IFRS 16 had been applied since the commencement date of the relevant lease.

In assessing the impact of IFRS 16, management has assessed each of the lease contracts the Group has in place as at 30 April 2019 to determine whether or not each contract meets the definition of a lease under IFRS 16. In those instances where management consider the definition has been met, and the Group is the lessee, management have determined both the value of the "Lease Liability" and the "Right of Use" Asset that will need to be recognised in the statement of financial position as at 1 May 2019. In carrying out these calculations, management has made judgements about certain parameters including the discount rate and in certain cases if there is reasonable certainty that a break clause will be exercised or not.

Management have also separately assessed the terms and conditions of any lease contracts it has whereby the Group is the lessor.

As set out in note 2 of the consolidated financial statements, the impact management expects the adoption of IFRS 16 to have on the statement of financial position as at 1 May 2019 is:

- An increase in liabilities of £5.6 million, representing the lease liabilities the Group holds;
- An increase in assets of £5.6 million, representing the right-of-use assets the Group holds; and
- A reduction in opening retained earnings of £0.5 million.

As set out in note 2, the impact management expects the adoption of IFRS 16 would have had on operating profit and the statement of cash flows if IFRS 16 had been applied in the year ended 30 April 2019 is:

- Operating loss would have been £0.9 million lower;
- Loss before tax would have been £0.1 million higher; and
- Operating cashflows would have increased by £0.7 million.

Audit Committee's response

The Audit Committee is satisfied with the explanations provided, the judgements and conclusions made and the disclosure in the consolidated financial statements. The Audit Committee has reviewed and discussed these judgements, explanations and conclusions with management and the external auditor.

Assessment of the Annual Report
The Board has charged the Audit Committee with reviewing the contents of this FY19 Annual Report to assess whether, when taken as a whole, it is fair, balanced and understandable and provides the necessary information for shareholders to assess the consolidated position, performance, business model and strategy. As such, the Audit Committee has reviewed the contents of this FY19 Annual Report and when forming its opinion in respect of the above matters, the Audit Committee assessed the following:

Fair
- Is the presentation or information complete based on materiality?
- Are the key messages in the narrative aligned with the financial statements and supported by KPIs?
- Are the KPIs appropriate based on the financial reporting and the outlook?

Balanced
- Is the Strategic Report consistent with the financial reporting?
- Is there appropriate balance between financial measures under IFRS and adjusted measures not defined by IFRS, with the latter not having undue prominence?
- Are the key judgements and issues set out in this report consistent with the critical accounting estimates and judgements in the financial reporting and the significant issues set out in the report of the External Auditors?
- Are the principal risks and uncertainties set out in the Strategic Report aligned with the key risks set out in the report of the External Auditors?

Understandable
- Are the important messages highlighted and presented consistently and prominently throughout this Annual Report?
- Are the messages written clearly, simply and transparently?
- Will a shareholder understand the market we operate in?
- And how we generate value?

Following the Audit Committee's review, the Directors confirm that the FY19 Annual Report, when taken as a whole, is fair, balanced and understandable and presents the information necessary for a shareholder to assess the Company's position and performance, business model and strategy.

Internal controls and risk management
While the Board is ultimately responsible for the operation of an effective system of internal control and risk management appropriate to the business, the Audit Committee is responsible for reviewing the risk management systems and internal controls to ensure that they remain effective and that any identified weaknesses are appropriately dealt with.

Overview of the internal control environment
The following key elements comprise the internal control environment which has been designed to identify, evaluate and manage, rather than eliminate, the risks facing the Group and to ensure timely and accurate reporting of financial data.

- An appropriate organisational structure with clear lines of responsibility.
- A comprehensive process for the annual strategic and business planning process.
- Systems of control procedures and delegated authorities, beyond the Board Terms of Reference, which operate within defined guidelines and approval limits for capital and operating expenditure and other key business transactions and decisions.
- Procedures by which the Group's consolidated financial information and statements are prepared, which identify and take into account changes to financial risks as a result of changes to operating models or commercial terms or new accounting standards and disclosures.
- Established policies and procedures setting out expected standards of business conduct, integrity and ethical standards which require all employees to adhere to legal and regulatory requirements in the area in which they do business.
- A finance function which has appropriate experience and qualifications, and which regularly assesses the financial impact of risks facing the Group.
- An appropriate and documented risk management process.

AUDIT COMMITTEE REPORT CONT.

Developments to the control environment in FY19
The most significant changes during FY19 relate to the following:

(i) the commencement of a project to enhance the Group's end-to-end Order-To-Cash processes; and

(ii) a new Operating Review team Committee at Board level including the development of business cases for new opportunities

Order-To-Cash processes
In the second half of FY19, the Company started work on assessing areas in its Order-To-Cash processes which could be changed or enhanced to make the processes more efficient or effective.

Additional temporary credit control resource was recruited in order to reduce overdue receivables. Process improvements have been identified, and over the course of FY20 are expected to be implemented, which are expected to have an impact on the speed, and effectiveness of processes.

Operating review
In the second half of FY19, following Board changes, an Operating Review Committee was formed to oversee the new strategic direction of the Company, including review of investment business cases for new market opportunities and potential product investment development to access these market opportunities.

The Operating Review Committee includes all Non-Executive Board members with relevant representation from the Executive Committee. This Committee does not have decision-making power but instead supports the Executive Chairmen and Interim CEO in delivering the strategic vision and a forum for robust debate to assist the Executive Chairman Interim CEO with input and recommendations to help run the business. This structure allows all departments or business units to be represented, will enable clearer personal accountability whilst also enabling more efficient decision-making at the top of the business.

Review of effectiveness of the internal control environment
The Audit Committee, on behalf of the Board, is responsible for reviewing the effectiveness of the internal control systems and the risk management process on an ongoing basis. The process of review has been operational throughout the year and through to the date of approval of this Annual Report. At each Audit Committee meeting, management reports any whistle-blowing activity, frauds identified and any other significant issues. The Audit Committee has neither identified, nor been informed of any failings or weaknesses that it has determined to be significant.

In FY20, management has indicated to the Audit Committee that they will continue to focus on increased automation of controls, specifically in the area of revenue recognition and cash collection, and also to increase detective controls as increased reporting related to non-financial metrics are increased.

Risk management process
In addition to management's risk management process as highlighted on page 31 of this Annual Report, the Audit Committee has, and will continue to, review the risk register a minimum of twice-annually and assess the actions taken by management to manage and mitigate the risks. The Group's principal risks and uncertainties are laid out on pages 30-35 in the Strategic Report.

Independence and performance of the External Auditors
The Board has approved a policy which is intended to maintain the independence and objectivity of the External Auditors. The policy governs the provision of audit, audit-related services and non-audit services provided by the auditor. In summary this requires Committee approval for all projects with an expected cost in excess of £10,000.

The Group's auditors are PricewaterhouseCoopers LLP, and were appointed as statutory auditor to the Group in 2012 for the period ended 30 April 2013. The lead audit partner is Brian Henderson, who has been in post for five years.

There were non-audit fees of £328,000 paid to the Group's auditors in FY19, other than for interim review services, relating to e-invoicing product assistance, tax compliance services and an ISAE 3402 review (2018: £543,000 in relation to the same services). Details of audit, audit-related fees and non-audit fees are included in note 8 to the consolidated financial statements. The external auditor is prohibited from providing internal audit services. No former employee of the external or internal audit providers is employed by the Group. PwC has confirmed its independence to the Audit Committee.

Effectiveness of the External Auditor
The Audit Committee has reviewed the quality of the audit plan and related reports for the FY19 audit and is satisfied with the quality of these documents. The Audit Committee has discussed the quality of the audit throughout the year and considered the performance of the external auditors, taking into account feedback from a survey targeted at various stakeholders across the business and the committee's own assessment. The evaluation focused on: robustness of the audit process, quality of delivery, reporting and people and services.

The Audit Committee has reviewed the independence of the external auditor and concluded that it complies with UK regulatory and professional requirements and that its objectivity is not compromised.

External Audit appointment and tender
The Audit Committee reviews and makes recommendations with regard to the reappointment of the external auditor. In making these recommendations, the Committee considers auditor effectiveness and independence, partner rotation and any other factors which may impact the external auditors' reappointment. The current external auditors, PwC, have been auditors since 2012 and they require that the lead audit partner rotate every five years. As partner rotation is required for the FY20 reporting cycle and non-audit fees are significant, the Committee concluded in May 2019 that it was an appropriate time to undertake a competitive tender process for the financial period commencing 1 May 2019, with the audit tender decision being made at the Board meeting in July 2019.

The tendering process was led by a steering Committee chaired by the Chair of the Audit Committee with the aim of the steering Committee to recommend an audit firm who will provide the highest quality, most effective and efficient audit. Critical success factors included sector experience, cultural fit and geographical coverage, as well as the audit record of the lead partner and firm.

In conducting the tender process, the Audit Committee followed the FRC'S guidance "Audit Tenders Notes on Best Practice (Feb 2017)." Having first assessed their ability to be independent, appropriate firms were invited to tender in May 2019. The tender process encompassed activities such as a data room, management interviews written proposals, tender presentations and a review process including score cards.

Following a period of consideration and a recommendation from the Committee, the Board intends to appoint BDO LLP to become the Group's external auditors and PwC will be stepping down. There are no contractual restrictions on the choice of external auditors and therefore a resolution proposing the appointment of BDO LLP as external auditors will be put to shareholders at the 2019 Annual General Meeting.

Performance of the Audit Committee
As the Audit Committee was reconstituted during 2019, it is proposed that the performance of the Audit Committee will be assessed by way of an internal process in the fourth quarter of FY20.

Focus for FY20
Moving into FY20, we will continue to discuss and give healthy challenge to management on their key judgements and estimates in relation to financial accounting and review and assess the performance of the business in line with the plan. We also look forward to supporting management as they further develop and enhance their IT systems, specifically in the area of billing, which will support the expected future growth of the business.

Specifically, we will:
- Review the changes to the financial control environment as the billing system enhancements are implemented;
- Review the appropriateness of KPIs and timeliness of production of non-financial reporting metrics; and
- Continue to review risk management systems and IT security arrangements to ensure that they are appropriately robust to support the strategies of a high growth business.

Viv Maclachlan
Chair of the Audit Committee

22 July 2019

NOMINATION COMMITTEE REPORT

Members of the Nomination Committee
The Committee consists of Non-Executive Directors.

Members during the year were as follows:

Name	Scheduled meetings attended	Member since/until
Tony Bromovsky (Chairman)	1/1	Appointed October 2018 – Current
Andrew Doman	0/0	Appointed December 2018 – Current
Vivienne Maclachlan	0/0	Appointed February 2019 – Current
David Benello	1/1	Appointed October 2018 – Resigned December 2018
Peter Kiernan (Chair until October 2018)	0/0[1]	Resigned October 2018
Nick Parker	0/0[1]	Resigned October 2018
Ian Wheeler	1/1[1]	Resigned December 2018

1 Attended 3/3 Nomination and Remuneration Committee meetings prior to separation into Nomination Committee and Remuneration Committee in September 2018.

The Committee met on one (1) occasion in FY19. In addition, Nomination Committee business was also considered in the three (3) joint Nomination and Remuneration Committee meetings held prior to formal separation of the Committee into a Nomination Committee and Remuneration Committee in September 2018.

Although only members of the Committee have the right to attend meetings, other individuals, such as the Chief Executive, Chief Finance Officer, Company Secretary and external advisers, may be invited to attend for all or part of any meeting.

Duties
The main duties of the Nomination Committee are set out in its Terms of Reference and include the following:

- To keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace
- To keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates
- To be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise
- To formulate plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chairman and Chief Executive
- To assess the reappointment of any Non-Executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required
- To assess the re-election by shareholders of any Director having due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required and the need for progressive refreshing of the Board

The main activities of the Nomination Committee during the year, including activities conducted by the Nomination and Remuneration Committee before it was separated in September 2018:

- Recruitment of new Non-Executive Directors
- Recruitment of new Chief Executive Officer
- Succession planning
- Consideration of continuing training needs for Directors
- Board balance and diversity discussions
- Re-election of Directors at the AGM
- Review of Terms of Reference

Diversity

The Group has in place anti-discrimination policies and considers candidates for appointment or promotion at Board and senior management level from a wide pool from various backgrounds and not necessarily the more traditional routes. The Board believes that appointments to the Board should be made relative to a number of criteria, including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise. All appointments take these criteria into account. We currently have a globally diverse Board and employees which reflects our global business.

Tony Bromovsky
Chair of the Nomination Committee

22 July 2019

REMUNERATION COMMITTEE REPORT

Members of the Remuneration Committee
The Committee consists of Non-Executive Directors:

Members during the year were as follows:

Name	Scheduled meetings attended	Member since/until
Duncan Goldie-Morrison (Chair since October 2018)	7/7	Appointed October 2018 – Current
Tony Bromovsky	7/7	Appointed October 2018 – Current
Andrew Doman	1/2	Appointed December 2018 – Current
Vivienne Maclachlan	2/2	Appointed February 2019 – Current
David Benello	0/0	Appointed October 2018 – Resigned December 2018
Peter Kiernan (Chair until October 2018)	0/0[1]	Resigned October 2018
Nick Parker	0/0[1]	Resigned October 2018
Ian Wheeler	0/0[1]	Resigned December 2018

1 Attended 3/3 Nomination and Remuneration Committee meetings prior to separation into Nomination Committee and Remuneration Committee in September 2018.

The Committee usually meets at least four (4) times a year and at such other times during the year as is necessary to discharge its duties. During the course of FY19, the Remuneration Committee met on seven (7) occasions. In addition, Remuneration Committee business was also considered in the three (3) joint Nomination and Remuneration Committee meetings held prior to formal separation of the Committee into a Nomination Committee and Remuneration Committee in September 2018.

Although only members of the Committee have the right to attend meetings, other individuals, such as the CEO, CFO, Head of HR and external advisers, may be invited to attend all or part of any meeting.

Duties
The main duties of the Remuneration Committee are set out in its Terms of Reference and include the following:

- Setting the remuneration policy for the Executive Directors and the Company's Chairman, including pension rights and compensation payments
- In determining such policy, to take into account relevant legal and regulatory requirements, and the provisions and recommendations of the QCA Code, the QCA's Remuneration Committee Guide and associated guidance
- Recommending and monitoring the level and structure of remuneration for senior management
- When setting the remuneration policy for Executive Directors, to review and have regard to pay and employment conditions across the Group
- To review the appropriateness and relevance of the remuneration policy
- To appoint and determine the terms of reference for any remuneration consultants who advise the Committee
- To approve the design of and determine the targets for any schemes of performance-related remuneration and approve the total remuneration paid under such schemes
- To review the design of all share incentive plans for approval by the Board
- To determine the policy and scope of pension arrangements for Executive Directors and other designated senior executives
- To oversee any major changes in employee benefits structure throughout the Group

The main activities of the Remuneration Committee during the year:
Following last year's AGM, at which a majority of 60.46% of votes were cast against the resolution approving the Director's Remuneration Report for the year ended 30 April 2018, the Board and the Remuneration Committee have been working to identify the shortcomings of the previous remuneration arrangements and to propose solutions which will encourage and reward the right behaviours and values and support the delivery of the Group's strategy. As part of this process, the Board consulted widely with the largest shareholders and engaged the services of external remuneration advisers, Aon Hewitt Limited.

The new remuneration plan, aligned with advice provided by the external remuneration advisers and feedback from shareholders, has now been approved by both the Remuneration Committee and the Board and will apply from 1 May 2019. The new remuneration plan is designed to align with best practice under the QCA Code and for comparative companies generally and to align the Company with delivering shareholder value and is founded on defining clear targets and KPIs for every employee.

The key aspects of the new remuneration plan are as follows:

(i) Compensation and benefits packages for Board members and senior management to be aligned with the median benchmark for comparative AIM listed companies;
(ii) A move away from the payment of bonuses to Executive Directors and senior employees paid wholly in cash, to a mix of cash and deferred bonus shares under the Company's new Deferred Share Bonus Plan (the "**DSBP**");
(iii) The introduction of a new Long Term Incentive Plan (the "**LTIP**") for Executive Directors and senior management, vesting after three years based on clearly defined performance criteria providing for stretch targets;

With the introduction of the DSBP and the LTIP, the existing UK Share Option Scheme and US Stock Option Plan are intended to be retired, and it is expected that current option holders will be offered the opportunity to convert to deferred shares, based on a detailed formula.

Further details about the new remuneration plan are set out in pages 56 and 57 of the Directors Remuneration Report.

Other key activities included:

- Consideration of Executive Directors' and Executive Committee bonuses and criteria for 2019 and review performance objective outcomes
- Review of Executive Directors' remuneration
- Preparation for review of total remuneration packages of the Executive Directors
- Benchmarking of Non-Executive Director fees and recommending reduced, revised fee levels that were adopted by the Board and the Executive Directors
- Review of the Company's expenses policy and presentation of a new updated policy that was adopted by the Board
- Review of Terms of Reference

Duncan Goldie-Morrison
Chair of the Remuneration Committee

22 July 2019

DIRECTORS' REMUNERATION REPORT

The following disclosures are made to support the Board's goals of working towards best practice governance standards as an AIM company and to promote transparency about how our Directors are rewarded.

The Remuneration Committee
The Board has delegated certain responsibilities for executive remuneration to the Remuneration Committee. Details of the Remuneration Committee, its remit and activities are set out on page 54.

The Remuneration Committee is, among other things, responsible for setting the remuneration policy for Executive Directors and the Chairman, and recommending and monitoring the level and structure of remuneration for senior management.

Remuneration policy
In FY19 the Remuneration Committee worked with the Executive benefits team and Aon Hewitt Limited to create a new Remuneration Plan for the Company that covers Executive Directors, Non-Executive Directors and employees in general.

In creating the new Remuneration Plan, the Board sought to implement best practice for AIM listed companies, and to ensure that benefits packages adhered to the median benchmarks for comparable companies.

In formulating remuneration policy for the Executive Directors, the Remuneration Committee considers a number of factors designed to:

- have regard to the Director's experience and the nature and complexity of their work in order to pay a competitive salary, in line with comparable companies, that attracts and retains Directors of the highest quality;
- reflect the Director's personal performance as scored against quantifiable targets; and
- link individual remuneration packages particularly equity awards, to the Group's long-term performance and continued success of the Group through the award of annual bonuses and share-based incentive schemes.

The objective of the remuneration policy is to promote the long-term success of the Company, having regard to the views of shareholders and stakeholders.

The key elements of the new Remuneration Plan are as follows:

Base Salary	Base salary is reviewed annually by the Remuneration Committee. Base salaries for Executive Directors and other senior employees will be benchmarked and will be awarded in line with the median level for comparable companies.
Bonus	The Remuneration Committee has agreed performance conditions for the annual bonuses of the Executive Directors based on the achievement of certain financial and operational KPIs. Each Executive Director has performance conditions relating to the profitable growth of the Group and the increase in volume of invoices processed by Tungsten Network. Each Executive Director has additional performance conditions relevant to their own areas of responsibility. The new Remuneration Plan encourages a move from payment of bonuses 100% in cash to a mix of cash and deferred bonus shares under the Company's new Deferred Bonus Share Plan (the "**DSBP**"). Bonuses for Executive Directors and Exco members for FY19 performance were awarded on the basis of 50% cash and 50% deferred bonus shares. The DSBP was adopted by the Board by resolution on 29 April 2019, the key points of which are: • Deferred bonus shares under the DSBP are typically two year vesting (50% after 12 months, 100% after 24 months). For FY19 only, 100% of deferred bonus shares will vest after 12 months. • DSBP is targeted at Executive Directors and senior level employees. • Deferred bonus shares are awarded subject to performance over the period under assessment, though vesting of awarded deferred bonus shares is not subject to performance conditions. • Deferred bonus shares lapse if leave before vesting, subject to discretion for good leavers to receive on pro rated basis. Early vesting upon M&A and other corporate events. • Malus and clawback provisions apply. • Deferred bonus shares under the DSBP are structured as options with a nominal exercise price.

LTIP	A new Long Term Incentive Plan (the "**LTIP**") has been introduced to incentivise senior management and encourage retention. The LTIP is intended to replace awards under the Company's existing UK Share Option Scheme and US Stock Option Plan (see pages 91 and 92 for further details of these schemes). The LTIP was adopted by the Board by resolution on 29 April 2019, the key points of which are: • LTIPs are typically three-year cliff vesting subject to agreed performance criteria. • Performance criteria for LTIPs are to be assessed for each financial year under review, and will focus on revenue growth, EBITDA growth and increase in share price. KPI's to be weighted and vesting subject to sliding scale of assessment. • LTIP is targeted at Executive Directors and Exco members. • LTIPs lapse if members leave before vesting, subject to discretion for good leavers to receive shares on a pro rated basis. Early vesting upon M&A and other corporate events. • Malus and clawback provisions apply. • LTIPs are structured as options with a nominal exercise price.
Other Benefits	A range of benefits may be provided including pension, private medical insurance, life assurance, long term disability insurance, general employee benefits and travel and related expenses. The Remuneration Committee also retains the discretion to offer additional benefits as appropriate, such as assistance with relocation, tax equalisation and overseas tax advisory fees.

Director Service agreements

Details of the Executive Director's service agreements are set out below.

Director	Date of contract	Unexpired term	Notice period by Company	Notice period by Director
David Williams	18 July 2019[1]	Rolling contract	12 months	12 months

1 Updated service contract signed 18 July 2019. Mr Williams was appointed as CFO in March 2015.

The Executive Director may be put on gardening leave during their notice period, and the Company can elect to terminate their employment by making a payment in lieu of notice of up to the applicable notice period.

Employees' pay

Employees' pay and conditions across the Group are considered when reviewing remuneration policy for Executive Directors.

Non-Executive Directors

The remuneration payable to Non-Executive Directors (other than the Chairman) is decided by the Chairman and Executive Directors.

Fees are designed to ensure the Company attracts and retains high calibre individuals. They are reviewed on an annual basis and account is taken of the level of fees paid by other companies of a similar size and complexity.

In November 2019, the Director fees for all Non-Executive Directors were benchmarked and adjusted in line with the median benchmark for comparable companies. This resulted in a reduction of the total amounts payable to Non-Executive Directors going forward (e.g. the base fee was reduced from £60,000 per annum to £42,000 per annum, with proportionate additional fees payable for the Senior Independent Director and Committee Chairs to reflect the additional responsibility and time commitments of such roles).

Non-Executive Directors do not participate in any annual bonus, performance-related share or option awards or pension arrangements. The Company repays the reasonable expenses that Non-Executive Directors incur in carrying out their duties as Directors.

DIRECTORS' REMUNERATION REPORT CONT.

Terms of appointment

The terms of appointment for the Non-Executive Directors are shown below.

Director	Date of letter of appointment	Term	Notice
Tony Bromovsky	21 September 2018	12 months	N/A
Andrew Doman	27 February 2019	12 months	N/A
Duncan Goldie-Morrison	21 September 2018	12 months	N/A
Vivienne Maclachlan	8 February 2019	12 months	N/A

Annual remuneration report

The annual remuneration report sets out details of Directors' remuneration payments during the year and information in respect of share awards and Directors' shareholdings.

Directors' remuneration table (audited)

Director	Base salary £'000	Benefits in kind £'000	Annual performance bonus[1] £'000	Pensions £'000	**Total FY2019 £'000**	Adjusted[1] total FY2018 £'000
Executive Directors						
Richard Hurwitz[2]	364	226	0	36	**626**	1,174
David Williams	210	1	55	21	**287**	261
Non-Executive Directors						
David Benello[3]	37	–	–	–	**37**	65
Tony Bromovsky[4]	100[5]	–	–	–	**100**	–
Andrew Doman[6]	27	–	–	–	**27**	–
Duncan Goldie-Morrison[7]	42	–	–	–	**42**	–
Peter Kiernan[8]	40	–	–	–	**40**	80
Vivienne Maclachlan[9]	9	–	–	–	**9**	–
Nick Parker[10]	50	–	–	–	**50**	100
Ian Wheeler[11]	36	–	–	–	**36**	65

Notes:
1. Unlike in last year's Annual Report, where the bonuses reported for FY18 were those paid in the period in respect of performance in FY17, the figures above show the amounts paid, or accrued to be paid, in relation to performance in FY19. Totals for FY18 have therefore been adjusted accordingly. FY19 performance bonus will be paid 50% in cash and 50% in shares under the DSBP, deferred for 12 months.
2. Resigned on 13 February 2019 so figures represent 9.5 months compared to the full year reported for FY18. Benefits in kind represent £209,000 expatriate costs (comprising £120,000 tax equalisation, £71,000 accommodation and £18,000 flights and travel) and £17,000 healthcare. This represents a reduction of £193,000 on the equivalent figures from FY18.
3. Resigned on 12 December 2018.
4. Appointed on 22 August 2018.
5. FY19 fees include additional element in recognition of the additional responsibility assumed as Executive Chairman on an interim basis pending the appointment of the new Chief Executive Officer.
6. Appointed on 12 December 2018.
7. Appointed on 22 August 2018.
8. Resigned on 31 October 2018.
9. Appointed on 8 February 2019.
10. Resigned on 31 October 2018.
11. Resigned on 12 December 2018.

No payments for loss of office or other termination payments were made to any Director in FY19.

Share option schemes (audited)

Awards held as at Director	Number of options held as at 1 May 2018	Awards granted during the year	Date of grant	Option price	Awards exercised during the year	Awards lapsed during the year	Balance as at 30 April 2019	Vesting and exercise period
Rick Hurwitz[1]	1,590,000	400,000	26 July 2018	52.56p	Nil	1,051,250[2]	938,750[3]	See below
David Williams	630,000	50,000	26 July 2018	52.56p	Nil	Nil	680,000	See below

1 Mr Hurwitz resigned from the Board with effect on 13 February 2019.
2 All unvested options lapsed upon Mr Hurwitz's departure from the Company in February 2019.
3 Mr Hurwitz's remaining vested options under the US Stock Option Plan lapsed on 14 May 2019.

The Company's UK Share Option Scheme and US Stock Option Plan, further described on pages 91 and 92, provides recipients with the ability to purchase vested options at the option grant price. Each option grant vests in four tranches over four years from date of grant and is exercisable for 10 years from date of grant. Share options are awarded in recognition of performance over the financial year under assessment.

It is intended that future awards will be made under the new LTIP and DSBP (as described above) rather than under the existing share option schemes.

Directors' interests in the share capital of the Company (audited)

Director	Number of ordinary shares held on 1 May 2018	Acquired/disposed during the year	Number of ordinary shares held on 30 April 2019	Percentage of issued share capital is issue on 30 April 2019
Executive Directors				
Richard Hurwitz	714,000	–	714,000	0.57%
David Williams[1]	103,200	147,055	250,255	0.20%
Non-Executive Directors				–
David Benello	250,000	–	250,000	0.2%
Tony Bromovsky	–	219,339	219,339	0.17%
Andrew Doman	–	251,649	251,649	0.20%
Duncan Goldie-Morrison	--	219,339	219,339	0.17%
Peter Kiernan	194,699	–	194,699	0.15%
Vivienne Maclachlan	–	–	–	–
Nick Parker	800,000	–	800,000	0.63%
Ian Wheeler	–	–	–	–

1 Includes 3,200 shares held by his son.

Founders LTIP Scheme
In FY2013, certain former Directors and other individuals acquired interests in the B ordinary shares (the 'Founders LTIP Shares') and C ordinary shares (the 'Founders LTIP Securities') of Tungsten Corporation Guernsey Limited, a subsidiary of the Company.

The Founders LTIP Shares were all exchanged into ordinary shares of the Company as part of the admission process.

The Founders LTIP Securities are exchangeable into ordinary shares of the Company once the price per ordinary share of the Company has reached (for any 20 trading days out of 30 successive trading days, the last of such days falling not less than five and not more than 10 years following admission) a closing price equal to the price resulting from applying an equivalent of a compound rate of return from the date of the admission to the adjusted issue price equal to 8.25% per annum accrued daily and compounded quarterly.

Following the resignation of Peter Kiernan from the Board on 31 October 2018, no current Directors of the Company hold or have any interest in any Founders LTIP Securities. Mr Kiernan held 72,915 Founders TIP Securities as at 30 April 2019.

This Director's Remuneration Report will be put to an advisory vote at the forthcoming 2019 AGM.

Duncan Goldie-Morrison
Chairman of the Remuneration Committees

22 July 2019

GOVERNANCE

DIRECTORS' REPORT

The Directors of Tungsten Corporation Plc present their report and the audited consolidated financial statements for the year ended 30 April 2019. Particulars of important events affecting the Company and its subsidiaries and likely future developments may be found in the strategic report on pages 30 to 35.

Directors
Biographical details of the Directors currently serving on the Board and their dates of appointment are set out on pages 36 and 37.

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Executive Directors	Non-Executive Directors
David Williams	Tony Bromovsky[2]
Rick Hurwitz[1]	Andrew Doman[3]
	Duncan Goldie-Morrison[4]
	Vivienne Maclachlan[5]
	David Benello[6]
	Peter Kiernan[7]
	Nick Parker[8]
	Ian Wheeler[9]

Notes:
1 Resigned on 13 February 2019.
2 Appointed as a Non-Executive Director on 23 August 2018. Appointed as Deputy Chairman on 21 September 2018. Appointed as Chairman on 9 October 2018. Appointed as Executive Chairman on 13 February 2019.
3 Appointed on 12 December 2018.
4 Appointed on 22 August 2018.
5 Appointed on 8 February 2019.
6 Resigned on 12 December 2018.
7 Resigned on 31 October 2018.
8 Resigned on 31 October 2018.
9 Resigned on 12 December 2018.

The Company's approach to the appointment and replacement of Directors is governed by its Articles of Association (together with relevant legislation) and takes into consideration any recommendations of the QCA Code.

Subject to any restrictions in its Articles of Association and the Companies Act 2006, the Directors may exercise any powers which are not reserved for exercise by the shareholders.

Results and Dividend
Results for the year ended 30 April 2019 are set out in the consolidated income statement on page 68. The Company has no distributable reserves to declare a dividend for the year ended 30 April 2019.

Change of Control/Significant Agreements
Should the Company be subject to a change of control, the following represents the likely effects on significant agreements:

- The LTIP Securities will become exchangeable into ordinary shares in Tungsten Corporation Plc, with a value equal to 15% of the increase in the actual market capitalisation of Tungsten Corporation Plc since admission, subject to:
  1. The value of Tungsten Corporation Plc having risen by over 8.25% per annum since admission (the 'Threshold Price'); and
  2a. Where the change of control results from, or triggers, an offer to holders of the ordinary shares of the Company, that offer being at an equivalent price per ordinary share of the Company equal to (or greater than) the Threshold Price; or
  2b. Where the change of control results from, or in, the removal of either of Danny Truell or Edmund Truell (the Founders) from the Board of the Company, and the Threshold Price having been previously reached for any 20 trading days out of 30 successive trading days

Other than the above the Company does not have any agreements with any Non-Executive Director, Executive Director or employee requiring compensation for loss of office resulting from a change of control.

Articles of Association
Any amendments to the Articles of Association of the Company may be made by Special Resolution of the shareholders.

Share capital
Details of the Company's share capital are set out in Note 2 to the consolidated financial statements. The Company's share capital consists of one class of ordinary shares that do not carry rights to fixed income. As at 30 April 2019, there were 126,088,147 ordinary shares of £0.00438p each in issue. Ordinary shareholders are entitled to receive notice and to attend and speak at general meetings.

Each shareholder present in person or by proxy (or by duly authorised corporate representatives) has, on a show of hands, one vote. On a poll, each shareholder present in person or by proxy has one vote for each share held.

Other than the general provisions of the Articles (and prevailing legislation) there are no specific restrictions of the size of a holding or on the transfer of the ordinary shares.

The Directors are not aware of any agreements between holders of the Company's shares that may result in the restriction of the transfer of securities or on voting rights. No shareholder holds securities carrying any special rights or control over the Company's share capital.

Authority to purchase own shares
The Company was authorised by shareholder resolution at the 2018 Annual General Meeting to purchase up to 10% of its issued share capital. A resolution will be proposed at the forthcoming Annual General Meeting and authority sought to purchase up to 10% of its issued share capital. Under this authority, any shares purchased must be held as treasury shares or, otherwise, cancelled resulting in a reduction of the Company's issued share capital.

No shares were purchased by the Company during the year.

Directors' Interests
The number of ordinary shares of the Company in which the Directors are beneficially interested at 30 April 2019 is set out in the Directors' Remuneration Report on pages 56 to 59.

Director Indemnities and Insurance
In accordance with the Companies Act 2006 and the Company's Articles of Association, the Company has purchased Directors' and Officers' Liability Insurance which remains in place at the date of this report. The Company reviews its insurance policies on an annual basis in order to satisfy itself that its level of cover remains adequate.

The Directors are also indemnified under the Articles of Association of the Company.

Significant shareholders
As at 15 July 2019, the latest practicable date prior to publication, Tungsten Corporation Plc is aware of the following holdings of significant shareholders in the Company (as defined in the AIM Rules). These figures are based on its most recent analysis of shareholders as at 15 July 2019, and other notifications to the Company. For clarity, shareholdings are shown separately from holdings in financial instruments, where disclosed.

	Shareholdings as at 15 July 2019		Financial instruments notified		Total	
	Shares	%	Number[1]	%	Holdings	%
Odey Asset Management	17,378,652	13.78	945,154[2]	0.75	18,323,806	14.53
Mr Edmund Truell[3]	16,483,199	13.07	–[4]	–	16,483,199	13.07
Majedie Asset Management	7,503,166	5.95	–	–	7,503,166	5.95
AXA Investment Management (Paris and London)[5]	7,502,621	5.95	–	–	7,502,621	5.95
Artemis Investment Management	6,498,906	5.15	–	–	6,498,906	5.15
Miton Asset Management	5,334,722	4.23	–	–	5,334,722	4.23
Invesco Perpetual Asset Management	5,136,930	4.07	–	–	5,136,930	4.07
Hadron Capital	4,328,457	3.43	–	–	4,328,457	3.43
Herald Investment Management	3,960,000	3.14	–	–	3,960,000	3.14

1 Total voting rights, or share equivalent.
2 945,154 shares equivalent held via CFD's, reported to the Company on 15 July 2019.
3 Edmund Truell's holdings disclosed above represent both his direct and indirect holdings including investments via Disruptive Capital Investments Limited ("DCIL").
4 DCIL previously notified the Company of its interest in relation to 6,000,000 shares that are subject to a Loan Facility entered into with Equities First Holdings LLC ("EFH") in October 2016 ("the Loan Shares"), as most recently reported to the Company on 19 April 2018. DCIL has notified the Company that it does not have voting rights in relation to the Loan Shares until such shares are returned to DCIL under the Loan Facility. The Loan Facility will mature on 11 January 2020, although can be terminated earlier in the event of a cash offer for the Company.
5 AXA London shareholding 4,681,986 (3.71%), AXA Paris 2,820,635 (2.24%) holdings combined for purposes of this table.

DIRECTORS' REPORT CONT.

Financial risk management
The Company's objectives and policies on financial risk management including information on the exposure of the Company to credit risks, liquidity risks and capital management risks are set out in Note 2 to the financial statements and in the managing Group Principal Risks and Uncertainties Section on pages 30 to 35.

Political donations
The Company has made no political donations during the year.

Going concern statement
The Group going concern assessment is based on forecasts and projections of anticipated trading performance. The assumptions applied are subjective and management applies judgement in estimating the probability, timing and value of underlying cash flows.

The Directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the next 12 months from approval of these financial statements and accordingly these financial statements are prepared on a going concern basis.

Independent Auditors
The Board intends to appoint BDO LLP to become the Group's external auditors and Pricewaterhouse Coopers LLP will be stepping down. There are no contractual restrictions on the choice of external auditors and therefore a resolution proposing the appointment of BDO LLP as external auditors will be put to shareholders at the 2019 Annual General Meeting.

Annual General Meeting
The Company's Annual General Meeting will be held at 10am on 19 September 2019 at the office of Canaccord Genuity Limited at 88 Wood Street, London EC2V 7QR. Details of the venue and the resolutions to be proposed are set out in a separate Notice of Meeting which accompanies this report.

This report was approved by the Board of Directors of Tungsten Corporation Plc and signed by order of the Board:

Patrick Clark
General Counsel and Company Secretary

22 July 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group and parent company, 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 group and parent company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations
In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and parent company's auditors are aware of that information.

The Directors' report was approved by a duly authorised Committee of the Board of Directors on 22 July 2019 and signed on its behalf by:

Patrick Clark
General Counsel and Company Secretary

22 July 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TUNGSTEN CORPORATION PLC

Report on the audit of the financial statements

Opinion

In our opinion, Tungsten Corporation plc's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2019 and of the group's loss and the group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Consolidated statement of financial position and Parent Company balance sheet as at 30 April 2019; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of cash flows, and the Consolidated and Parent Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality	• Overall group materiality: £474,000 (2018: £727,500), based on 5% of 3 years' average loss before tax from continuing operations. • Overall parent company materiality: £426,000 (2018: £660,500), based on 1% of total assets.
Audit scope	• Five financially significant components audited by one central team in London. • Obtained 91% coverage over the revenue balance. • Obtained 100% coverage over the goodwill balance.
Key audit matters	• Impairment of goodwill and indefinite life intangible assets (Group). • Impairment of investments in subsidiaries (Parent).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and indefinite life intangible assets (Group) As stated in note 12 to the consolidated financial statements, management has estimated the recoverable amount of the Tungsten Network Cash Generating Unit (CGU) using a value-in-use model by projecting cash flows for the next five years together with a terminal value using a growth rate into perpetuity. The total amount of goodwill and indefinite life intangible assets on the Group balance sheet as at 30 April 2019 is £120.8m. Although the trading performance of the Group has improved during the year ended 30 April 2019, and the share price increased in the final quarter, the market capitalisation was still significantly lower than the net assets of the Group at the year end. The directors' annual impairment assessment took these factors into account, and concluded that there was headroom over the carrying value. The key assumptions in this assessment included the forecast future revenue growth, the discount rate, the perpetuity growth rate, corporate overheads allocated and cost growth. Accordingly there is a significant risk that the goodwill and indefinite life intangible assets balance is not supported by the future cash flows of the business.	Our audit procedures comprised the following: • Tested that the methodology built into the model produced by management to assess impairment addressed the requirements of the financial reporting framework, and re-performed management's calculations; • Evaluated the accuracy of prior years' forecasts in light of past performance and actual results achieved to assess the quality and reliability of management's forecasts for the Tungsten Network CGU; • Agreed information, in particular forecast financial information, to budgets and forecasts approved by senior management and to sales pipelines; • Used a valuations expert to assess the appropriateness of the discount rate assumption; and • Challenged management over the reasonableness of the key assumptions inherent in the model and performed sensitivity around these, being: – the revenue growth rate for the first five years; – perpetuity growth rate; – the cost growth rate for the first five years; – the allocation of corporate overheads; and – the discount rate. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired for the CGU, we considered the likelihood of such a movement in those key assumptions arising. We did not identify any issues with management's key assumptions based on our evaluation of supporting evidence, together with management's and our own sensitivity analysis performed. We also considered the appropriateness of the related disclosures in note 12 to the financial statements. We found that the disclosures appropriately describe the key judgements and sensitivities included in the directors' assessment.
Impairment of investments in subsidiaries (Parent) IAS 36 Impairment of assets requires management to consider whether there are any indicators of impairment at the year end. The parent company holds investments in a number of UK and overseas subsidiaries with a total carrying amount of £127.0m as at 30 April 2019, subsequent to an impairment charge of £35.0m. An impairment has been recognised as the Value In Use (VIU) model used to compute the present value of forecast future cash flows did not support the carrying value of investments. We consider this a key audit matter given the size of the balance, the low market capitalisation of the Group and the significant judgements and estimates involved to determine whether the carrying value of the investments is appropriate.	We obtained management's impairment of investments in subsidiaries assessment with supporting computations and: • Verified that the inputs to the assessment were mathematically accurate. • Agreed the value in use of the Tungsten Network CGU to the testing performed as detailed in the 'Impairment of goodwill and indefinite life intangible assets' Key Audit Matter above. • Considered the intercompany receivables balance owed by the Tungsten Network CGU to Tungsten Corporation plc and assessed the recoverability of these in accordance with IFRS 9. • Compared the aggregate carrying value of the investment and the intercompany receivables to the value in use of the Tungsten Network CGU and confirmed that the shortfall agrees to the impairment recognised. Based on the work done, we concur with management's assessment.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TUNGSTEN CORPORATION PLC CONT.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Group has three segments being Tungsten Network, Tungsten Network Finance and Corporate. Tungsten Network operates from the UK, US, Malaysia and other European countries. There are five financially significant components being: Tungsten Corporation plc (UK), Tungsten Network Limited (UK), Tungsten Network Finance Limited (UK) and Tungsten Network Inc. (US), together with the consolidation adjustments which we considered to be a significant component as they are included as a separate component in the Group consolidation. The determination of our scoping was based upon obtaining sufficient coverage of each financial statement line item, which varies depending on the risk assessment. All of the work was performed by the Group engagement team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£474,000 (2018: £727,500).	£426,000 (2018: £660,500).
How we determined it	5% of 3 years' average loss before tax from continuing operations.	1% of total assets.
Rationale for benchmark applied	A 3 year average loss before tax from continuing operations is a generally accepted auditing benchmark and accounts for the fluctuating losses of the Group year on year.	The parent company is a holding company for the Group and does not trade, therefore total assets is considered the most applicable benchmark and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £265,000 and £450,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £23,700 (Group audit) (2018: £36,300) and £21,300 (Parent company audit) (2018: £33,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 April 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 63, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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.

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

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 July 2019

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Revenue	4	**36,045**	33,663
Operating expenses	5	**(41,256)**	(45,746)
Operating loss		**(5,211)**	(12,083)
EBITDA[1]		**607**	(4,647)
Depreciation and amortisation	5	**(4,103)**	(2,813)
Loss on disposal of assets	5	**(2,216)**	–
Foreign exchange gain/(loss)	5	**1,738**	(1,547)
Share-based payment expense	6	**(244)**	(647)
Exceptional items	7	**(993)**	(2,429)
Operating loss		**(5,211)**	(12,083)
Finance income	9	**1,576**	1,864
Finance costs	9	**(1,650)**	(2,468)
Net finance costs	9	**(74)**	(604)
Loss before taxation		**(5,285)**	(12,687)
Taxation	10	**1,935**	768
Loss for the year		**(3,350)**	(11,919)
Loss per share attributable to the equity holders of the parent during the year (expressed in pence per share):			
Basic and diluted	11	**(2.66)**	(9.45)

1 EBITDA is calculated as earnings before net finance cost, tax, depreciation and amortisation, loss on disposal of assets, foreign exchange gain or loss, share-based payment expense and exceptional items.

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Loss for the year	**(3,350)**	(11,919)
Other comprehensive (expense)/income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(1,872)**	1,423
Total comprehensive loss for the year	**(5,222)**	(10,496)

Items in the statement above are disclosed net of tax.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 April 2019 £'000	As at 30 April 2018 Restated* £'000
Assets			
Non-current assets			
Goodwill	12	**102,057**	101,848
Intangible assets	12	**18,733**	21,549
Property, plant and equipment	13	**2,506**	2,646
Other receivables	14	**187**	464
Total non-current assets		**123,483**	126,507
Current assets			
Trade and other receivables	14	**7,464**	8,212
Invoice receivables		**–**	2
Cash and cash equivalents	15	**3,810**	6,418
Total current assets		**11,274**	14,632
Total assets		**134,757**	141,139
Non-current liabilities			
Deferred taxation	10	**1,533**	2,110
Provisions	18	**1,568**	1,459
Other payables	19	**250**	250
Total non-current liabilities		**3,351**	3,819
Current liabilities			
Trade and other payables	19	**7,089**	8,607
Provisions	18	**158**	759
Borrowings	20	**1,000**	–
Contract liabilities	21	**6,816**	6,493
Total current liabilities		**15,063**	15,859
Total liabilities		**18,414**	19,678
Capital and reserves attributable to the equity shareholders of the parent			
Share capital	16	**553**	553
Share premium	16	**188,802**	188,794
Merger reserve		**28,035**	28,035
Shares to be issued	17	**3,760**	3,760
Share-based payment reserve		**6,538**	6,442
Other reserves		**(9,413)**	(7,541)
Accumulated losses		**(101,932)**	(98,582)
Total equity		**116,343**	121,461
Total equity and liabilities		**134,757**	141,139

* See note 2(b) for details of restatement due to changes in accounting policy.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 68 to 97 were authorised for issue by the Board of Directors on 22 July 2019 and were signed on its behalf:

David Williams
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2019

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserve £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 May 2018	**553**	**188,794**	**28,035**	**3,760**	**6,442**	**(7,541)**	**(98,582)**	**121,461**
Loss for the year	–	–	–	–	–	–	(3,350)	(3,350)
Other comprehensive expense	–	–	–	–	–	(1,872)	–	(1,872)
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(1,872)**	**(3,350)**	**(5,222)**
Transaction with owners in their capacity as owners:								
Issue of treasury shares to employees	–	8	–	–	–	–	–	8
Share-based payment expense	–	–	–	–	96	–	–	96
Transactions with owners	**–**	**8**	**–**	**–**	**96**	**–**	**–**	**104**
Balance as at 30 April 2019	**553**	**188,802**	**28,035**	**3,760**	**6,538**	**(9,413)**	**(101,932)**	**116,343**

Year ended 30 April 2018

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserve £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 May 2017	**553**	**188,794**	**28,035**	**3,760**	**5,815**	**(8,964)**	**(86,663)**	**131,330**
Loss for the year	–	–	–	–	–	–	(11,919)	(11,919)
Other comprehensive income	–	–	–	–	–	1,423	–	1,423
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**1,423**	**(11,919)**	**(10,496)**
Transaction with owners in their capacity as owners:								
Share-based payment expense	–	–	–	–	627	–	–	627
Transactions with owners	**–**	**–**	**–**	**–**	**627**	**–**	**–**	**627**
Balance as at 30 April 2018	**553**	**188,794**	**28,035**	**3,760**	**6,442**	**(7,541)**	**(98,582)**	**121,461**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Cash flows from operating activities			
Loss before taxation		**(5,285)**	(12,687)
Adjustments for:			
Depreciation and amortisation	5	**4,103**	2,813
Loss on disposal assets	5	**2,216**	–
(Decrease)/increase in loss allowance	14	**(522)**	271
Finance costs	9	**1,650**	2,468
Finance income	9	**(1,576)**	(1,864)
Foreign exchange (gain)/loss	4	**(1,738)**	1,547
Share-based payment expense	17	**244**	647
Net increase in provisions	18	**146**	1,014
Cash used in operations		**(762)**	(5,791)
Changes in working capital:			
Decrease/(increase) in trade and other receivables		**2,421**	(1,796)
(Decrease)/increase in trade and other payables		**(1,346)**	30
Provision settlement for onerous contract		**(666)**	–
Net interest paid		**(430)**	(394)
Net tax refund		**473**	–
Net cash outflow from operating activities		**(310)**	(7,951)
Cash flows from investing activities:			
Capitalisation of software development costs	12	**(2,940)**	(7,223)
Purchases of other intangibles	12	**(9)**	(70)
Purchases of property, plant and equipment	13	**(322)**	(330)
Net cash outflow from investing activities		**(3,271)**	(7,623)
Cash flows from financing activities:			
Proceeds from borrowings		**1,000**	–
Decrease in invoice receivables		–	4,302
Proceeds from issue of treasury shares		**8**	–
Net cash inflow from financing activities		**1,008**	4,302
Net decrease in cash and cash equivalents		**(2,573)**	(11,272)
Cash and cash equivalents at start of the year		**6,418**	17,498
Exchange adjustments		**(35)**	192
Cash and cash equivalents at the end of the year	15	**3,810**	6,418

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Tungsten Corporation plc (the Company) and its subsidiaries (together, the Group) is a global e-invoicing network that also offers supply chain financing and spend analytics.

The Company is a public limited company, which is incorporated and domiciled in the UK. The address of its registered office is Pountney Hill House, 6 Laurence Pountney Hill, London EC4R 0BL, UK.

These consolidated financial statements were authorised for issue by the Directors on 22 July 2019. All press releases, financial reports and other information are available on our investors relations page of our website: www.tungsten-network.com

These financial statements are for the Group, consisting of the Company and its subsidiaries.

2. Accounting policies

(a) Basis of preparation

The consolidated financial statements of Tungsten Corporation plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention, except for assets and liabilities measured at fair value under IFRS 9.

The consolidated financial statements have been prepared on a going concern basis. The ability of the Company to continue as a going concern is contingent on the ongoing viability of the Group.

The Group meets its day-to-day working capital requirements through its cash balances and also has a bank facility that it can use. The current economic conditions continue to create uncertainty, particularly over (a) foreign exchange rates; and (b) the level of new sales to new customers. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group expects to be able to operate within the level of its current cash resources without further use of its bank facilities. Having assessed the principal risks and the other matters discussed in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. Further information on the Group's borrowings and available facilities is given in note 20 to these consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The assumptions applied are subjective and management applies judgement in estimating the probability, timing and value of underlying cash flows as disclosed in Note 3.

Comparatives

These policies have been consistently applied to all the years presented, unless otherwise stated.

(b) New standards, amendments and interpretations adopted

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 May 2018:

- IFRS 9, 'Financial Instruments';
- IFRS 15, 'Revenue from Contracts with Customers';
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2;
- Annual Improvements 2014–2016 cycle;
- Transfers to Investment Property – Amendments to IAS 40; and
- Interpretation 22, 'Foreign Currency Transactions and Advance Consideration'.

The Group has changed its accounting policies and has made certain retrospective adjustments following the adoption of IFRS 15. This is disclosed below. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

2. Accounting policies cont.

(b) New standards, amendments and interpretations adopted cont.

IFRS 15 'Revenue from Contracts with Customers'

The Group has changed its accounting policies and has made certain retrospective adjustments in the statement of financial position as a result of adopting IFRS 15. There is no material impact to the income statement.

The Group adopted IFRS 15, 'Revenue from Contracts with Customers' on 1 May 2018 using the modified retrospective method applied to the contracts in force on the date of adoption. For this reason the accounting policy applied as of said date, is not comparable to that used for the year ended 30 April 2018.

The statement of financial position has been adjusted by offsetting trade receivables in relation to certain contracts against contract liabilities where services have not yet been provided and amounts are not yet due.

The following table summarises the impact of adopting IFRS 15 on the Group's consolidated statement of financial position as at 30 April 2018.

Balance Sheet (extract)	As at 30 April 2018 original presentation £'000	IFRS 15 Adjustment £'000	As at 30 April 2018 Restated £'000
Current assets			
Trade receivables	7,458	(2,108)	5,350
Current liabilities			
Contract liabilities[1]	8,601	(2,108)	6,493

1 Contract liabilities were previously referred to as deferred income and are amounts collected ahead of services being delivered.

IFRS 9 'Financial Instruments'

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets.

Trade receivables and contract assets

With the adoption of IFRS 9, the Group is required to assess the impairment of financial assets based on expected credit losses rather than losses incurred.

The expected credit losses on these financial assets are estimated from the initial recognition of the asset at each reporting date, using as a reference the past experience of the credit losses, adjusted for factors that are specific to the debtors or groups of debtors, the general economic conditions and an assessment of both, the current management and the forecast of future conditions.

On 1 May 2018, the Group reassessed its current impairment model in accordance with the guidelines.

The Group concluded that the impairment assessment process was appropriate and aligned with IFRS 9. Therefore, no revision to impairment loss assessment process is required and there is no impact to the financial statements in FY18 and FY19 from the adoption of IFRS 9.

2. Accounting policies cont.

(c) New standards, amendments and interpretations issued but not yet effective:

IFRS 16 'Leases'

IFRS 16 will primarily impact the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The Group will take advantage of the optional exemptions which exist for short-term and low-value leases. The income statement will also be impacted, because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, an operating expense will be replaced with interest and depreciation, so key metrics such as EBITDA will change.

The Group has elected to apply IFRS 16, 'Leases', in accordance with the transition provisions contained in IFRS 16. The new rules will be adopted from 1 May 2019, with the cumulative effect of initially applying the new standard recognised on that date. Comparatives for the 30 April 2019 financial year will therefore not be restated.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 May 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4, "Determining whether an Arrangement contains a Lease".

The proposed accounting policy for leases under IFRS 16 is as follows:

The Group leases various properties. Rental contracts are typically made for fixed periods of 3 to 15 years but might have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

On 1 May 2019, the Group will recognise lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities will be measured at the present value of the remaining lease payments, discounted using the Group's assumed incremental borrowing rate as of 1 May 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 May 2019 was 5%. The lease liability to be recognised at 1 May 2019 is expected to be £5.6 million.

Additionally, if IFRS 16 had been applied from 1 May 2019, it would have decreased operating loss by £0.9 million and increased loss before taxation by £0.1 million. Operating cash flows would have been higher by £0.7 million, since cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

2. Accounting policies cont.

(d) Basis of consolidation

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies generally accompanying an interest of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are de-consolidated from the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions are also eliminated.

The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Revenue

The Group derives revenue from the following sources:

- Initial Set-up fees;
- Annual subscription fees, which includes the right to use the Tungsten platform, including ongoing customer support and relevant upgrades to the platform as required; and
- Transaction fees which are based on the number of transactions the customer undertakes.

The Group's contractual arrangements contain multiple deliverables or services such as the implementation or initial Set-up services, which generally do not involve customisation of the Tungsten Network platform, support services which includes call centre assistance and maintenance services and transaction fees.

The Group assess whether there are distinct performance obligations at the start of each contract and throughout the performance of the initial Set-up services, support and maintenance periods and on delivering transaction services.

The Group has identified the following separate performance obligations:

- Initial Set-up services – The initial Set-up services do not require additional development or customisation to the Tungsten Network platform and could be performed by an external third party. The transaction price is allocated based on the stand-alone selling price, derived from list prices and recognised over time, based on the effort incurred, but limited to the amount to which the Group has a right to payment. The percentage of completion basis is used because the customer receives and uses the benefits simultaneously. Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases are reflected in the income statement in the period in which the change of assumptions arise.
- Periodic right to use the Tungsten Network platform – In the event that the annual subscription fees contain a right to use the platform, there is a right to use element. If there is a right of clawback on the annual right to use, such amounts are recognised throughout the period. Where there is no right of clawback, the annual right to use is recognised in full when there is a right of collection and collection is relatively assured.
- Support services – This represents the stand-alone selling price of the ongoing support and maintenance, which is recognised throughout the period as services are delivered.
- Transaction fees – This represents the stand-alone selling price of the individual transaction at the point in time the customer transacts. If there is evidence that transactions sold, and invoiced, will not be delivered, the revenue is recognised immediately in the income statement.

Revenue related to contract liabilities

Revenue related to contract liabilities is revenue invoiced to customers where the relevant performance obligation has not been delivered.

(f) Employee benefits defined contribution plans

The Group pays contributions to publicly or privately administered pension plans. The Group has no further payment obligations once the contributions have been paid. Contributions are recognised in the income statement as an employee benefit expense in the period when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments

The Group issues equity-settled and cash-settled share-based awards to certain employees. The fair value of share-based awards is determined based on the Black-Scholes model at the date of grant and expensed, based on the Group's estimate of the shares that will eventually vest, over the vesting period with a corresponding increase in equity. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on service and other non-market performance conditions. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

Equity-settled share-based payments are recognised as an expense in the income statement with a corresponding credit to share option reserve. Cash-settled share-based payments are recognised as an expense in the income statement with a corresponding credit to liabilities.

2. Accounting policies cont.

(g) Foreign currency translation

The functional currency of the Company is pounds sterling as that is the currency of the primary economic environment in which the Company operates. The Group's presentation currency is pounds sterling.

Transactions and balances

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within finance income or costs. All other foreign exchange gains and losses are presented in the consolidated income statement within 'operating expenses'.

Group companies

The results and financial position of all the Group entities that have a functional currency other than sterling are translated into sterling as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement presented are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions.

All resulting exchange differences are recognised in other comprehensive income. None of which has the currency of a hyperinflationary economy.

The following rates were applied for £1:

	As at 30 April 2019	As at 30 April 2018
Closing rates:		
United States Dollar	**1.2920**	1.3776
Euro	**1.1587**	1.1357
Mexican Peso	**24.4774**	25.6437
Bulgarian Lev	**2.2663**	2.2212
Malaysian Ringgit	**5.3397**	5.3998
Swiss Franc	**1.3171**	1.3604
Indian Rupee	**90.2690**	91.4746
Average rates:		
United States Dollar	**1.3007**	1.3411
Euro	**1.1354**	1.1295
Mexican Peso	**25.1965**	24.7332
Bulgarian Lev	**2.2207**	2.2089
Malaysian Ringgit	**5.3407**	5.5080
Swiss Franc	**1.2923**	1.2974
Indian Rupee	**91.7431**	86.7140

(h) Finance income and costs

Finance costs comprise interest payable on borrowings and foreign exchange loss on revaluation of intercompany loans. Finance income comprises interest receivable on funds invested, and foreign exchange gains on revaluation of intercompany loans. Interest income and expenses are recognised on a time apportioned basis, using the effective interest method.

(i) Exceptional items

Items which are both material and considered by the Directors to be unusual in nature are separately disclosed on the face of the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

2. Accounting policies cont.

(j) Current and deferred income tax

Income tax for the years presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

(l) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Property, plant and equipment acquired under finance leases are recorded at fair value or, if lower, the present value of minimum lease payments at inception of the lease, less depreciation and any impairment.

Each lease payment is allocated between the lease liability and finance costs. The corresponding rental obligations, net of finance costs, are included in the other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Dilapidations

The estimated cost of dilapidations is recognised in leasehold improvements and provisions when the obligation arises and the liability can be reliably estimated. Under the lease agreement, the lessee is obliged to remove assets that it has installed in the leased property. The asset is depreciated and the provision is utilised in line with the lease term.

Depreciation

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. The estimated useful lives are as follows:

- Leasehold improvements: depreciated over term of lease
- Furnitures and fittings: three to five years
- Computer equipment: two to five years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2. Accounting policies cont.

(m) Intangible assets

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in the income statement.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount of the cash generating unit to which the goodwill has been allocated, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Intangible assets acquired in a business combination

Customer relationships and the IT platform purchased or acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships and IT platform have finite useful lives and are carried at cost less accumulated amortisation.

Amortisation on the assets is calculated using the straight-line method over their estimated useful lives as follows:

- Customer relationships: 20 years
- IT platform: five to seven years

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- Management intends to complete the software product and use or sell it
- There is an ability to use or sell the software product
- It can be demonstrated how the software product will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available
- The expenditure attributable to the software product during its development can be reliably measured.

Development costs for incomplete software are recognised as software development under construction in the balance sheet and are not amortised as these assets are not yet available for use.

Development costs for completed software are recognised as software in the balance sheet. Software costs are amortised over their estimated useful lives between three to five years.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Software licence costs are amortised over their estimated useful lives, which does not exceed five years.

(n) Financial assets and financial liabilities

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Since the adoption of IFRS 9, trade and other receivables are considered within the class of financial assets at amortised cost.

Invoice receivables

Invoice receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

2. Accounting policies cont.

(o) Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(p) Trade and other receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore are classified as current. Non-current receivables relate to loan receivables from employees.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. Due to their short-term nature, the carrying value of current receivables is considered to be same as the fair value. Details about the group's impairment policies and the calculation of the loss allowances are in policy (o) above.

The Group applies IFRS 9's simplified approach to measuring expected credit losses which uses a lifetime expected loss approach for all trade receivables.

To measure the expected credit losses, trade receivables have been analysed based on the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before the relevant balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

(q) Trade and other payables
Trade and other payables are initially stated at fair value and subsequently measured at amortised cost.

(r) Provisions
A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated. Provisions are measured at the present value required in order to cover the obligation. The present value factor used in the calculation of the present value is selected so that it represents the market insight into the time value of money and liability-related risks at the time of the assessment.

(s) Leases
Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(t) Borrowings
Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Borrowings are initially recognised at fair value, net of transaction costs incurred and carried subsequently at amortised cost.

(u) Share capital
Ordinary shares are classified as equity.

(v) Assets held for sale
Any group of assets that are to be disposed of through sale should be classified as held for sale where the criteria, as defined in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', are met.

An assessment of the held for sale criteria was carried out at the year end as part of a plan to divest Tungsten Network Finance. Management have concluded that the held for sale criteria was not met at year end as the sale of assets were not available for immediate sale.

3. Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant impact on the financial statements are highlighted below.

Revenue recognition

The Group recognises revenue in respect of e-invoicing related services over the period the services are provided. Where buyer transactions are paid for but not processed, such revenue is deferred according to contractual terms representing the anticipated period for transactions being processed. Management reviews the historical record of transactions used under each contract and relevant estimates to determine whether the deferral period for the revenue recognition is appropriate or any changes to the existing deferral period are required. In relation to transaction fees for which no revenue is received, management assesses the expected usage of any unutilised transactions to determine the amount of contract liabilities to be recorded.

Estimated impairment of goodwill and other intangible assets

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount of the cash generating unit to which the goodwill has been allocated, which is the higher of value in use and the fair value less costs of disposal (Note 12). Any impairment is recognised immediately as an expense and is not subsequently reversed.

An impairment loss on other intangible assets is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The key judgements are as follows:

Going concern

The Group's going concern assessment is based on forecasts and projections of anticipated trading performance.

The assumptions applied are subjective and management applies judgement in estimating the probability, timing and value of underlying cash flows.

Deferred taxation

The determination of the Group's deferred tax assets involves judgements for determining the extent of its recoverability at each balance sheet date. The Group assesses recoverability with reference to Board approved forecasts of future taxable profits. These forecasts require use of assumptions and estimates.

Exceptional items

The Group considers items of income and expense as exceptional where the nature of the item, or its magnitude, is material and likely to be non-recurring in nature so as to assist the user of the financial statements to better understand the results of the core operations of the Group. Details of exceptional items are shown in note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

4. Segment report

The Executive Committee has been identified as the Chief Operating Decision-Maker (CODM), reviewing the Group's internal reporting on a monthly basis in order to assess performance and allocate resources.

The CODM reviews financial information for three segments: Tungsten Network (which includes the e-invoicing and spend analytics business of Tungsten Network), Tungsten Network Finance (which includes the supply chain finance business), and Tungsten Corporate (which includes Tungsten Corporation plc and Tungsten Corporation Guernsey's overheads and general corporate costs). Intersegment revenue from management fees and other intersegment charges are eliminated below.

The CODM analyses the financial performance of the business on the basis of segment EBITDA which is an adjusted profit measure which reflects loss before finance income and costs, taxation, depreciation, amortisation, loss on disposal of assets, foreign exchange gains and losses, share-based payment expense and exceptional items.

The most directly comparable IFRS measure to segment EBITDA is operating loss for the period. Management utilises EBITDA to monitor performance as it illustrates the underlying performance of the business by excluding items management consider to be not reflective of the underlying trading operations of the Group or adding items which are reflective of the overall trading operations, as applicable.

Year ended 30 April 2019

	Tungsten Network £'000	Tungsten Network Finance £'000	Corporate £'000	Total £'000
Segment revenue	35,371	674	–	36,045
EBITDA[1] – excluding share-based payment expense/(income)	8,115	(1,885)	(5,623)	607
EBITDA[1] – including share-based payment expense/(income)	7,716	(2,266)	(5,087)	363
Depreciation and amortisation	(3,668)	(144)	(291)	(4,103)
Loss on disposal of assets	(2,216)	–	–	(2,216)
Foreign exchange gain/(loss)	1,792	(54)	–	1,738
Share-based payment (expense)/income	(399)	(381)	536	(244)
Exceptional items	(285)	14	(722)	(993)
Finance income	938	3	635	1,576
Finance costs	(1,186)	(184)	(280)	(1,650)
Profit/(loss) before taxation	**3,091**	**(2,631)**	**(5,745)**	**(5,285)**
Income tax credit				1,935
Loss for the year				**(3,350)**

As at 30 April 2019				
Capital expenditure	**2,432**	**836**	**3**	**3,271**
Total assets	**130,530**	**998**	**3,229**	**134,757**
Total liabilities	**12,074**	**909**	**5,431**	**18,414**

1 EBITDA is calculated as earnings before net finance cost, tax, depreciation and amortisation, loss on disposal of assets, foreign exchange gain or loss, share-based payment expense and exceptional items.

4. Segment report cont.

Year ended 30 April 2018

	Tungsten Network £'000	Tungsten Network Finance £'000	Corporate £'000	Total Restated* £'000
Segment revenue	33,321	342	–	33,663
EBITDA[1] – excluding share-based payment expense/(income)	2,340	(1,300)	(5,687)	(4,647)
EBITDA[1] – including share-based payment expense/(income)	2,340	(1,300)	(6,334)	(5,294)
Depreciation and amortisation	(2,304)	(57)	(452)	(2,813)
Foreign exchange gain/(loss)	(1,319)	(169)	(59)	(1,547)
Share-based payment expense	–	–	(647)	(647)
Exceptional items	(1,946)	(118)	(365)	(2,429)
Finance income	1,379	74	411	1,864
Finance costs	(1,457)	(276)	(735)	(2,468)
Loss before taxation	**(3,307)**	**(1,846)**	**(7,534)**	**(12,687)**
Income tax credit				768
Loss for the year				**(11,919)**
As at 30 April 2018				
Capital expenditure	7,492	–	122	7,614
Total assets	135,931	852	4,356	141,139
Total liabilities	14,231	223	5,224	19,678

* See note 2(b) for details of restatement due to changes in accounting policy.
1 EBITDA is calculated as earnings before net finance cost, tax, depreciation and amortisation, loss on disposal of assets, foreign exchange gain or loss, share-based payment expense and exceptional items.

Geographical information

The Group's revenue from external customers and non-current assets by geographical location is detailed below. Revenue by geographical location is allocated based on the location in which the sale originated.

	Revenue from external customers	
	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
United Kingdom	**18,573**	16,737
United States of America	**14,596**	14,361
Rest of Europe	**1,619**	1,510
Malaysia	**1,257**	1,055
Total	**36,045**	33,663

Non-current assets are allocated based on the geographical location of those assets and exclude other financial assets, loans receivables and deferred tax.

	Non-current assets	
	As at 30 April 2019 £'000	As at 30 April 2018 £'000
United Kingdom	**119,265**	122,235
United States of America	**4,000**	4,112
Malaysia	**218**	160
Total	**123,483**	126,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

5. Operating expenses

	Note	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Staff costs	6	**16,774**	19,645
Professional support		**7,003**	6,659
Office accommodation and services		**2,333**	2,411
IT costs		**4,165**	4,069
Marketing costs		**1,962**	2,154
Travel and entertainment		**966**	1,262
Exceptional items	7	**993**	2,429
Amortisation	12	**3,600**	2,075
Depreciation	13	**503**	738
Loss on disposal of assets	12	**2,216**	–
Foreign exchange (gain)/loss		**(1,738)**	1,547
Other operating expenses		**2,479**	2,757
Total operating expenses		**41,256**	45,746

6. Employee benefits expenses

	Note	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Wages and salaries		**14,149**	16,342
Social security costs		**1,423**	1,509
Pension-defined contribution		**958**	1,147
Share-based payments expense	17	**244**	647
Total employee benefits expenses		**16,774**	19,645

	Year ended 30 April 2019	Year ended 30 April 2018
Number of employees		
The yearly average number of people employed:		
Tungsten Network	**284**	299
Tungsten Network Finance	**16**	13
Corporate	**10**	19
Total average headcount	**310**	331

Refer to Note 24 for details of remuneration in respect of key management.

7. Exceptional items

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Professional advice[1]	**533**	–
Restructuring costs[2]	**238**	592
Provision for onerous contracts[3]	**222**	1,587
Loan notes[4]	**–**	250
Total exceptional items	**993**	2,429

1 Professional adviser costs of £0.5 million were incurred in respect of the requisition request for a General Meeting and other corporate finance matters.
2 Restructuring costs of £0.2 million were incurred due to contract terminations and other redundancy costs.
3 Provision for onerous contracts includes a final settlement for technology contract termination costs and a discontinued contract of £0.2 million.
4 Settlement of disputes in FY18 between the Company, Disruptive Capital Advisory Limited and the Company's former Chief Executive Officer Edmund Truell, through the issuance of convertible loan notes worth £0.25 million.

8. Auditors' remuneration

During the year the Group (including overseas subsidiaries) obtained the following services from its auditors and their associates:

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Audit of the Parent Company and the consolidated accounts	**93**	75
Audit of subsidiary financial statements	**103**	86
Audit-related assurance services	**40**	33
Taxation compliance services	**51**	69
E-invoicing product support	**212**	322
All other non-audit services	**65**	152
Total auditors' remuneration	**564**	737

9. Finance income and costs

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Finance income		
Interest income on short-term deposits	**29**	9
Foreign exchange gains on financing activities	**1,547**	1,855
Total finance income	**1,576**	1,864
Finance costs		
Interest expense and bank charges	**(460)**	(403)
Foreign exchange losses on financing activities	**(1,190)**	(2,065)
Total finance costs	**(1,650)**	(2,468)
Net finance costs	**(74)**	(604)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

10. Taxation

Income tax comprises the following:

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Current tax		
Research and Development tax credits	**(1,513)**	(328)
Overseas tax	**169**	61
Deferred tax		
Origination and reversal of temporary differences	**(591)**	(501)
Total income tax credit for tax year	**(1,935)**	(768)

Tax credit reconciliation		
Loss before tax	**(5,285)**	(12,687)
Loss before tax multiplied by the rate of corporation tax in the UK 19% (2018: 19%)	**(1,004)**	(2,411)
Items not deductible for tax purposes	**826**	536
Research and Development tax credits	**(1,513)**	(328)
Overseas tax	**169**	61
Origination and reversal of temporary differences	**(591)**	(501)
Tax losses for which no deferred income tax recognised	**179**	1,875
Total income tax credit	**(1,935)**	(768)

The standard rate of Corporation Tax in the UK changed from 20% to 19% with effect from 1 April 2017. Further reductions to the tax rate have been announced which will reduce the rate to 17% for the year starting 1 April 2020. These changes are expected to be enacted separately each year.

The total income tax credit of £1.9 million is derived from:

- £0.6 million R&D tax credit received in respect of tax year FY17,
- £0.9 million R&D tax credit receivable in respect of tax year FY18,
- £0.2 million overseas corporate tax paid, and
- £0.6 million reduction in deferred tax liability.

Deferred tax

Deferred tax liability was recognised during the acquisition of subsidiaries in 2014. The deferred tax liability movement for the year is as follows:

	£'000
As at 1 May 2018	(2,110)
Credited to income statement	591
Exchange difference	(14)
As at 30 April 2019	**(1,533)**

	£'000
As at 1 May 2017	(2,630)
Credited to income statement	501
Exchange difference	19
As at 30 April 2018	**(2,110)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The Group has unrecognised deferred tax assets of £14.9 million (2018: £14.8 million) in respect of losses that can be carried forward against future taxable income for the period between one-year and an indefinite period of time.

No deferred tax related to components of Other Comprehensive Income.

11. Loss per share

Basic and diluted loss per share is calculated by dividing the loss attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Loss per share attributable to the equity holders of the parent during the year:

	Year ended 30 April 2019			Year ended 30 April 2018		
	Loss £'000	Shares '000	Loss per share p	Loss £'000	Shares '000	Loss per share p
Basic and diluted	(3,350)	126,088	(2.66)	(11,919)	126,069	(9.45)

12. Intangible assets

As at 30 April 2019

	Goodwill £'000	Customer relationships £'000	IT platform £'000	Software £'000	Software development under construction £'000	Total £'000
Cost						
Balance at 1 May 2018	101,848	11,109	7,014	2,960	8,556	131,487
Additions	–	–	–	9	2,940	2,949
Reclassification	–	–	–	7,872	(7,872)	–
Disposal	–	–	–	(2,650)	–	(2,650)
Exchange differences	209	7	180	11	–	407
Balance at 30 April 2019	**102,057**	**11,116**	**7,194**	**8,202**	**3,624**	**132,193**
Accumulated amortisation						
Balance at 1 May 2018	–	2,575	4,760	755	–	8,090
Charge for the year	–	573	1,189	1,838	–	3,600
Disposal	–	–	–	(434)	–	(434)
Exchange differences	–	5	135	7	–	147
Balance at 30 April 2019	**–**	**3,153**	**6,084**	**2,166**	**–**	**11,403**
Net book value						
As at 1 May 2018	101,848	8,534	2,254	2,205	8,556	123,397
As at 30 April 2019	**102,057**	**7,963**	**1,110**	**6,036**	**3,624**	**120,790**

Following the changes to the Tungsten Board, the Group has been undertaking an operating review. This included an assessment led by Martyn Arbon, who joined Tungsten as Chief Technology Officer on 3 April 2018, of all ongoing and completed software development projects.

In particular, the commercial value of Project Belfast, was assessed. Project Belfast involved mapping of data to point OBI (the Group's in-house Customer Relations Management team) and customer portal to Salesforce. Salesforce went live in July 2018 with this functionality.

During the year, through the operating review, it has been determined that, whilst the Group intends to continue to work in the integration of OBI and Salesforce, the work was ineffective, the technology that was used was not appropriate and that new integrations were required. Accordingly, the total net book value of Project Belfast, £2.2 million has been fully written off in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

12. Intangible assets cont.

As at 30 April 2018

	Goodwill £'000	Customer relationships £'000	IT platform £'000	Software £'000	Software development under construction £'000	**Total £'000**
Cost						
Balance at 1 May 2017	102,049	11,116	7,188	660	3,570	**124,583**
Additions	–	–	–	70	7,223	**7,293**
Reclassification	–	–	–	2,236	(2,236)	**–**
Exchange differences	(201)	(7)	(174)	(6)	(1)	**(389)**
Balance at 30 April 2018	**101,848**	**11,109**	**7,014**	**2,960**	**8,556**	**131,487**
Accumulated amortisation						
Balance at 1 May 2017	–	2,007	3,694	430	–	**6,131**
Charge for the year	–	572	1,172	331	–	**2,075**
Exchange differences	–	(4)	(106)	(6)	–	**(116)**
Balance at 30 April 2018	**–**	**2,575**	**4,760**	**755**	**–**	**8,090**
Net book value						
As at 1 May 2017	102,049	9,109	3,494	230	3,570	118,452
As at 30 April 2018	**101,848**	**8,534**	**2,254**	**2,205**	**8,556**	**123,397**

Impairment testing is carried out at cash generating unit (CGU) level on an annual basis. The following is a summary of the goodwill allocation for each reporting segment:

	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Tungsten Network	**102,057**	101,848
Total goodwill	**102,057**	101,848

The Group has estimated the recoverable amount of the Tungsten Network CGU using a value-in-use model by projecting cash flows for the next five years together with a terminal value using a growth rate. The five-year plan used in the impairment models is based on Board approved budgets and management's past experience and future expectations of performance. The cash flow projections are based on the following key assumptions:

- Revenue growth from customers using the Tungsten Network, including Tungsten Workflow and Tungsten Analytics at a compound annual growth rate of at least 14.5%
- Post-tax discount rate of 12% (2018: 11.75%), being based on the Group's weighted average cost of capital (WACC)
- Growth rate used in perpetuity of 2.00% (2018: 2.00%)
- Corporate overhead of £4.7 million
- Cost growth of 2.60%

Based on the above assumptions, the recoverable amount of the Tungsten Network CGU exceeded its carrying value by £60.3 million (2018: £12.2 million).

The recoverable amount of the Tungsten Network CGU derived from this analysis was sensitive to the compound annual revenue growth rate and discount rate. In the event that the compound annual revenue growth rate assumption is reduced to 9.9%, or the discount rate assumption is increased to 16.7%, the recoverable amount would equal the carrying value of the CGU.

13. Property, plant and equipment

As at 30 April 2019

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	**Total £'000**
Cost				
Balance at 1 May 2018	3,194	264	599	**4,057**
Additions	210	7	137	**354**
Disposals	–	–	(1)	**(1)**
Exchange differences	5	7	15	**27**
Balance at 30 April 2019	**3,409**	**278**	**750**	**4,437**
Accumulated depreciation				
Balance at 1 May 2018	914	126	371	**1,411**
Charge for the year	284	53	166	**503**
Disposals	–	–	(1)	**(1)**
Exchange differences	1	4	13	**18**
Balance at 30 April 2019	**1,199**	**183**	**549**	**1,931**
Net Book Value				
At 1 May 2018	2,280	138	228	2,646
At 30 April 2019	**2,210**	**95**	**201**	**2,506**

As at 30 April 2018

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	**Total £'000**
Cost				
Balance at 1 May 2017	1,823	220	324	**2,367**
Additions	1,367	37	130	**1,534**
Disposals	–	–	(2)	**(2)**
Exchange differences	4	7	147	**158**
Balance at 30 April 2018	**3,194**	**264**	**599**	**4,057**
Accumulated depreciation				
Balance at 1 May 2017	373	70	68	**511**
Charge for the year	537	46	155	**738**
Disposals	–	–	(1)	**(1)**
Exchange differences	4	10	149	**163**
Balance at 30 April 2018	**914**	**126**	**371**	**1,411**
Net Book Value				
At 1 May 2017	1,450	150	256	1,856
At 30 April 2018	**2,280**	**138**	**228**	**2,646**

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

14. Trade and other receivables

	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Non-current assets		
Loans to employees under EMSS scheme	**187**	464

	As at 30 April 2019 £'000	As at 30 April 2018 Restated* £'000
Current assets		
Trade receivables	**4,569**	5,350
Less: loss allowance	**(941)**	(1,463)
Prepayments	**1,619**	1,754
VAT receivables	**123**	450
Contract assets	**361**	691
Corporate tax receivables	**904**	9
Other receivables	**829**	1,423
Trade and other receivables	**7,464**	8,214

* See note 2(b) for details of restatement due to changes in accounting policy.

15. Cash and cash equivalents

	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Cash at bank	**3,810**	6,418

16. Share capital and share premium

Issued and fully paid	Ordinary shares Number	Nominal value p	Share capital £'000	Share Premium £'000
Balance as at 1 May 2017	126,069,397	43.86	553	188,794
Shares issued during the year	–	–	–	–
Balance as at 30 April 2018	126,069,397	43.86	553	188,794
Shares issued during the year	18,750	43.86	–	8
Balance as at 30 April 2019	**126,088,147**	**43.86**	**553**	**188,802**

17. Share-based payments

Founder Securities Scheme

In May 2012, the Group established Founder Securities Scheme. The Founder Securities are designed to encourage the subscribers to use their best efforts to grow the Company within five to ten years. The Founder Securities have been treated as equity settled share-based payments and are considered to have vested at time of grant as there are no service conditions attaching to them.

Employee Matched Share Scheme

The Employee Matched Share scheme is part of Tungsten's plans to encourage share ownership among its employees, and incentivise and align their interests with existing shareholders. As part of the scheme's terms, any participating employee is required to acquire Tungsten shares in the market at an arm's length price and hold them for the same period as the life of the option. The Employee Matched Share scheme was treated as equity settled share-based payments and the fair value of the outstanding options was determined using a Black-Scholes option pricing model.

Save As You Earn Scheme

The Save As You Earn Scheme is approved by HM Revenue & Customs and it was offered to eligible employees participating in the scheme who have committed to contribute between £5 and £500 per month over a three-year period. At the end of that contracted period, their accumulated funds can then be withdrawn from the scheme as cash or used to exercise the options at the contracted price.

The Tungsten Board formally approved these options on 4 August 2014 at an exercise price of £2.25. The SAYE Scheme comprises equity-settled share-based payment transactions with options vesting on the third anniversary of the grant date. The fair value of the outstanding options, EMSS and SAYE awards were determined using a Black-Scholes option pricing model.

UK Scheme and US Plan

All options granted under each plan are at an option price equal to fair market value at grant date.

All outstanding options issued are subject to the following terms:

- The options have a 10-year term from grant date to the final expiry date.
- On an exit event involving a sale or change of control of Tungsten Corporation plc, any unvested options are accelerated and can be exercised in full.

With the exception of 1,200,000 options, all options issued are for a four-year term and will vest at 25% on each anniversary of the date of grant. 1,200,000 options issued are for a three-year term and will vest at 33.33% on each anniversary of the date of grant.

Share Appreciation Rights (SARs)

In July 2015, the UK Scheme was amended to bring the vesting terms in line with the US plan and to allow for the grant of SARs to employees based outside of the UK and US, notably in Malaysia and continental Europe.

SARs are "phantom options", whereby the beneficiary is issued with a certificate that allows them to call on the Company to pay them the increase in price between the option issue price and the market price, thereby representing the same economic benefit as options issued under the UK Scheme and US Plan, but without involving the issue of shares. Where applicable, the SARs are subject to the same rules as options issued under the UK Scheme and US Plan.

The following option grants have been made under the UK Scheme, US Plan and SARs:

			Number of shares granted			
Grant date	Vesting period	Issue price (P)	UK Scheme	US Plan	SARs	Total
21 January 2015	1-4 years	237.75	515,000	440,000	–	955,000
23 July 2015	1-4 years	67.50	735,150	270,850	58,000	1,064,000
07 January 2016	1-4 years	39.00	–	100,000	–	100,000
15 April 2016	1-4 years	58.00	–	300,000	–	300,000
26 July 2016	1-4 years	43.45	647,201	466,693	72,169	1,186,063
19 September 2016	1-3 & 1-4 years	62.70	995,000	1,510,000	–	2,505,000
16 December 2016	4 years	53.45	125,000	–	–	125,000
03 August 2017	3-4 years	58.60	1,047,250	1,426,750	99,000	2,573,000
26 July 2018	4 years	52.56	838,414	735,250	93,579	1,667,243
			4,903,015	**5,249,543**	**322,748**	**10,475,306**

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

17. Share-based payments cont.

The fair value of the outstanding options, EMSS and SAYE awards were determined using a Black-Scholes option pricing model using the following assumptions:

	Employee Matched Share	Save As You Earn	UK Scheme	US Plan	SARs
Risk-free interest rate	2.15%	2.15%	0.8%-2.0%	0.8%-2.0%	0.8%-2.0%
Expected dividend yield	–	–	–	–	–
Expected volatility	43.3%	43.3%	50.25%-76.94%	50.25%-76.94%	50.25%-76.94%
Vesting period	4.5 years	3 years	4 years	3-4 years	4 years
Market value of underlying shares	£0.61	£0.61	← Share price on the valuation date →		

The risk-free interest rate was based on the UK Gilt rates on date of grant of each of the share schemes. No dividends were expected. The expected equity volatility for the EMSS and SAYE schemes and other employee share options has been based on the historic volatility data since the Company's admission to AIM in October 2013.

Share-based payment expenses of £0.2 million have been recognised in the consolidated income statement for the year ended 30 April 2019 (30 April 2018: £0.6 million). The table below sets out the movement in shares granted under the Company share schemes:

Number	Founder Securities	Employee Matched Share	Save As You Earn	UK Scheme	US Plan	SARs	Total
As at 1 May 2017	3,760,000	189,440	31,600	2,241,974	3,007,650	128,169	9,358,833
Granted during the year	–	–	–	1,047,250	1,426,750	99,000	2,573,000
Lapsed during the year	–	(5,357)	(28,000)	(538,475)	(42,238)	(31,750)	(645,820)
As at 30 April 2018	3,760,000	184,083	3,600	2,750,749	4,392,162	195,419	11,286,013
Granted during the year	–	–	–	838,414	735,250	93,579	1,667,243
Lapsed during the year	–	(38,028)	(3,600)	(596,455)	(2,115,495)	(28,250)	(2,781,828)
As at 30 April 2019	**3,760,000**	**146,055**	**–**	**2,992,708**	**3,011,917**	**260,748**	**10,171,428**

18. Provisions

	Leasehold property dilapidations £'000	Onerous contracts £'000	Total £'000
As at 1 May 2018	1,204	1,014	2,218
Additions	160	119	279
Utilised during the year	–	(666)	(666)
Reversals	(128)	(5)	(133)
Exchange difference	1	27	28
As at 30 April 2019	**1,237**	**489**	**1,726**

	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Analysis of total provisions:		
Non-current	**1,568**	1,459
Current	**158**	759
Total	**1,726**	2,218

The provisions for dilapidations include the estimated costs of removal of installed assets under the lease contracts, which includes a provision for the London office of £1.1 million and the Malaysia office of £0.1 million.

The provisions for onerous contracts include settlement of provision for early termination system support contracts of £0.1 million and an estimated loss of sub-leased on one of the office lot in US at £0.4 million.

19. Trade and other payables

	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Non-current liabilities		
Other payables	**250**	250

The other payables represent the issuance of three-year convertible loan notes worth £0.25 million being the settlement of disputes in FY18 between the Company, Disruptive Capital Advisory Limited and the Company's former Chief Executive Officer Edmund Truell.

	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Current liabilities		
Trade payables	**2,593**	3,125
Social security and other taxes	**378**	366
Accrued expenses	**4,088**	5,039
Other payables	**30**	77
Trade and other payables	**7,089**	8,607

20. Borrowings

	Currency	Total facility £'000	Nominal interest rate	Year of maturity	Face value £'000	Carrying amount £'000
As at 1 May 2018					–	–
New issue – Revolving credit facility	GBP	4,000	LIBOR+3.5%	2021	1,000	1,000
As at 30 April 2019					**1,000**	**1,000**

21. Contract liabilities

	As at 30 April 2019 £'000	As at 30 April 2018 Restated* £'000
As at 1 May	**6,493**	7,880
Invoiced during the year	**39,730**	34,188
Released to revenue	**(36,045)**	(33,663)
IFRS15 adjustment	**(2,723)**	(2,108)
Loss allowance	**(534)**	(284)
Exchange differences	**(105)**	480
As at 30 April	**6,816**	6,493

* See note 2(b) for details of restatement due to changes in accounting policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

22. Financial instruments, risk management and exposure

The Group's activities expose it to a variety of financial risks, predominantly credit, liquidity and foreign currency risk. Risk management is carried out by the Board of Directors. The Group uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

Transactions are only undertaken if they relate to actual underlying exposures and hence cannot be viewed as speculative.

(a) Credit risk

Cash and cash equivalents are held with reputable financial institutions.

The fair value of trade and other receivables (financial assets) approximates their carrying value. As at 30 April 2019, total trade and other receivables of £1.2 million (2018: £1.5 million) were past due but not impaired. With respect to these receivables that are neither impaired nor past due, there are no indications as at the reporting date that the counterparties will not meet their payment obligations.

The overdue analysis of these receivables is as follows:

	As at 30 April 2019 £'000	As at 30 April 2018 Restated* £'000
Current and not impaired	**6,291**	6,726
Less than 1 month overdue	**613**	651
Between 2-3 months overdue	**339**	397
Over 3 months overdue	**221**	440
Total past due but not impaired	**1,173**	1,488
Individually determined to be impaired	**941**	1,463
Total trade and other receivables	**8,405**	9,677
Less: loss allowance	**(941)**	(1,463)
Total trade and other receivables	**7,464**	8,214

* See note 2(b) for details of restatement due to changes in accounting policy.

The following represents the Group's maximum exposure to credit risk related to uncollateralised balances:

	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Cash and cash equivalents	**3,810**	6,418
Trade and other receivables	**7,464**	8,214
Total	**11,274**	14,632

Below credit ratings were obtained from Moody's Corporation's website:

Cash and cash equivalents

	As at 30 April 2019 £'000	As at 30 April 2018 £'000
AA	**3,268**	2,925
A	**490**	2,719
B	**52**	774
Total	**3,810**	6,418

22. Financial instruments, risk management and exposure cont.

(b) Liquidity risk

Financial assets and liabilities at amortised cost

As at 30 April 2019	Carrying amount £'000	Total contractual cash flows £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000
Cash and cash equivalents	3,810	3,810	3,810	–	–
Trade and other receivables[1]	5,845	5,845	5,624	221	–
Trade and other payables	(7,089)	(7,089)	(7,089)	–	–
Net position	2,566	2,566	2,345	221	–

1 Excludes prepayments.

As at 30 April 2018	Carrying amount £'000	Total contractual cash flows £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000
Cash and cash equivalents	6,418	6,418	6,418	–	–
Trade and other receivables[1]	6,458	6,458	6,018	440	–
Invoice receivables	2	2	2	–	–
Trade and other payables	(8,857)	(8,857)	(8,857)	–	–
Net position	4,021	4,021	3,581	440	–

1 Excludes prepayments and see note 2(b) for details of restatement due to changes in accounting policy.

The Group aims to mitigate liquidity risk by carefully selecting acquisitions and creditors. This is managed via authorisation limits operating up to Group Board level. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

(c) Foreign currency risk

The Group operates in a number of territories in the world but principally in the US and Europe and is exposed to foreign exchange risk for movements between the US Dollar, the Euro and Sterling. The Group's subsidiaries conduct the majority of their business in their respective functional currencies; therefore there is limited transaction risk. Foreign exchange risk arises mainly from net investments in foreign operations. This exposure is reduced by funding the investments as far as possible with borrowings in the same currency. The Group applies hedge accounting principles to net investments in foreign operations and the related borrowings.

(d) Capital risk management

The aim of the Group is to maintain sufficient funds to enable it to meet working capital requirements, make suitable investments and incremental acquisitions while minimising recourse to external funders and/or shareholders. Capital managed by the Group at 30 April 2019 consists of cash and cash equivalents and equity attributable to equity holders of the parent. The capital structure is reviewed by management through regular internal financial reporting and forecasting.

The Group considers the following balances as a part of its capital management:

	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Share capital and premium	189,355	189,347
Accumulated deficit[1]	(73,012)	(67,886)
Cash and cash equivalents	3,810	6,418
Total	120,153	127,879

1 Deficit includes shares to be issued, merger reserve, share-based payments reserve, other reserves and accumulated net losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

23. Commitments

Operating leases

The table below sets out the future minimum lease rental commitments:

	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Current rental liabilities	**1,024**	1,036
Rental liabilities maturing in 1-5 years	**3,474**	3,574
Rental liabilities maturing over 5 years	**2,979**	3,788
Total	**7,477**	8,398

24. Related-party transactions

The Group entered into the following transactions with related parties in the ordinary course of business:

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Purchase of services	**34**	34

Richard Hurwitz held the position of Director of The Witz Company (USA). During the year ended 30 April 2019, this includes the services received from The Witz Company (USA) totalling £30,000 (2018: £34,000). Other related-party transactions totalled £4,000 (2018: £nil).

Transactions between Group entities principally relate to intercompany financing arrangements which are eliminated on consolidation.

Key management personnel

Key management includes Executive Directors - who are responsible for controlling and directing the activities of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Short-term employee benefits	**1,254**	1,905
Share-based payment expense	**(32)**	219
Total	**1,222**	2,124

With the departure of Rick Hurwitz as the Group CEO in February 2019, all the unvested share options of 1,051,250 shares were lapsed and the share-based payment expense recognised previously was unwound in the income statement.

For further details with respect to Directors' remuneration, please refer to the Directors' Remuneration Report on pages 56 to 59.

25. Subsidiary undertakings of the Group

The full listing of subsidiary companies in the Group is shown below.

Subsidiary	Nature of business	Registered office	Country of incorporation	% of ordinary shares held
Tungsten Corporation Guernsey Limited[1]	Intermediate holding company	PO Box 186 Royal Chambers St Julian's Avenue St Peter Port Guernsey GY1 4HP	Guernsey	100
Tungsten Network Limited[1]	Electronic invoice delivery	Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL	UK	100
Tungsten Network Inc[1]	Electronic invoice delivery	1040 Crown Pointe Parkway, Suite 330, Atlanta GA 30338	USA	100
Tungsten Network Sdn Bhd[1]	Electronic invoice delivery & shared services office	Level 8 Symphony House, Block D13 Pusat Dagangan Dana 1, Jalan PJU1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan	Malaysia	100
Tungsten Network GmbH[1]	Electronic invoice delivery	Roggenkamp 21, 21266 Jesteburg, Hamburg	Germany	100
Tungsten Network (Schweiz) GmbH[1]	Shared services office	Confidas Treuhand AG, Gubelstrasse 5, 6301 Zug	Switzerland	100
Tungsten Network S.A.P.I de CV[1]	Electronic invoice delivery	Bosque de Ciruelos 180, Piso Principal, Bosques de las Lomas, 11700 Mexico, D.F.	Mexico	100
Tungsten Network EOOD[1]	Shared services office	38, Damyan Gruev Str., 1606 Sofia, Bulgaria	Bulgaria	100
Tungsten Network Private Limited[1]	Electronic invoice delivery	Unit No.216, 2nd Flr. Sq., One,C-2, Dist. Ctr. Saket, New Delhi, South Delhi, Delhi, India, 110017	India	100
Image Integration Systems, Inc[1]	Software	885 Commerce Drive, Suite B, Perrysburg, Ohio 43551	USA	100
Tungsten Network Finance Limited[2]	Intermediate holding company and trade finance solutions	Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL	UK	100
Tungsten Purchaser UK Limited[2]	Invoice acquisition	Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL	UK	100
Tungsten Account Trustee Limited[2]	Trustee services	Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL	UK	100
Tungsten Investment Management Limited[2]	Investment management	Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL	UK	100
Tungsten Purchaser (US), Inc[2]	Invoice acquisition	1040 Crown Pointe Parkway, Suite 330, Atlanta GA 30338	USA	100
Tungsten Purchaser (Canada) Ltd[2]	Invoice acquisition	855-2 Street SW, Suite 3500, Calgary, Alberta, T2P 4J8, Canada	Canada	100

1 Tungsten Corporation Guernsey Limited is directly held by Tungsten Corporation plc, other subsidiaries listed above are indirectly held through Tungsten Corporation Guernsey Limited.
2 Tungsten Network Finance Limited is directly held by Tungsten Corporation plc, other subsidiaries listed above are indirectly held through Tungsten Network Finance Limited.

PARENT COMPANY BALANCE SHEET

Registered number: 07934335

	Note	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Assets			
Non-current assets			
Investments in subsidiaries	5	**127,040**	162,040
Property, plant and equipment	6	**2,033**	2,160
Other receivables	7	**789**	1,065
Total non-current assets		**129,862**	165,265
Current assets			
Trade and other receivables	7	**53,466**	74,267
Cash and cash equivalents		**36**	580
Total current assets		**53,502**	74,847
Total assets		**183,364**	240,112
Capital and reserves attributable to the equity shareholders			
Non-current liabilities			
Provisions	8	**1,160**	1,000
Other payables	9	**250**	250
Total non-current liabilities		**1,410**	1,250
Current liabilities			
Trade and other payables	9	**87,327**	85,431
Total current liabilities		**87,327**	85,431
Total liabilities		**88,737**	86,681
Share capital		**553**	553
Share premium		**188,802**	188,794
Shares to be issued		**3,760**	3,760
Share-based payment reserve		**1,497**	1,401
Other reserves		**(5,450)**	(5,450)
Accumulated losses		**(94,535)**	(35,627)
Total equity		**94,627**	153,431
Total liabilities and equity		**183,364**	240,112

The loss attributable to shareholders dealt with in the financial statements of the Company was £58.9 million (FY18: loss of £2.5 million).

The above balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 98 to 107 were authorised for issue by the Board of Directors on 22 July 2019 and were signed on its behalf:

David Williams
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2019

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 May 2018	553	188,794	3,760	1,401	(5,450)	(35,627)	153,431
Loss for the year	–	–	–	–	–	(58,908)	(58,908)
Issue of treasury shares to employees	–	8	–	–	–	–	8
Share-based payment expense	–	–	–	96	–	–	96
Balance as at 30 April 2019	**553**	**188,802**	**3,760**	**1,497**	**(5,450)**	**(94,535)**	**94,627**

Year ended 30 April 2018

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 May 2017	553	188,794	3,760	774	(5,450)	(33,141)	155,290
Loss for the year	–	–	–	–	–	(2,486)	(2,486)
Share-based payment expense	–	–	–	627	–	–	627
Balance as at 30 April 2018	**553**	**188,794**	**3,760**	**1,401**	**(5,450)**	**(35,627)**	**153,431**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

PARENT COMPANY STATEMENT OF CASH FLOWS

	Note	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Cash flows from operating activities			
Loss before taxation		**(58,908)**	(2,486)
Adjustments for:			
Depreciation	6	**290**	452
Share based payment (income)/expense	4	**(536)**	647
Impairment in investment in subsidiary	5	**35,000**	–
Loss allowance	7	**22,909**	–
Finance income		**–**	(11)
Finance costs		**1,358**	1,265
Cash used in operations		**113**	(133)
Changes in working capital:			
Increase in trade and other receivables		**(1,832)**	(11,491)
Increase in trade and other payables		**2,528**	968
Net interest paid		**(1,358)**	(1,238)
Net cash outflow from operating activities		**(549)**	(11,894)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(3)**	(122)
Net cash outflow from investing activities		**(3)**	(122)
Cash flows from financing activities			
Proceeds from issue of treasury shares		**8**	–
Net cash inflow from financing activities		**8**	–
Net decrease in cash and cash equivalents		**(544)**	(12,016)
Cash and cash equivalents at start of the year		**580**	12,613
Exchange adjustments		**–**	(17)
Cash and cash equivalents at the end of the year		**36**	580

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. General information

Tungsten Corporation plc (the Company) is a holding company and provider of central and management functions. The Company is a public company limited by shares, which is incorporated in the UK and registered in England. The address of its registered office is Pountney Hill House, 6 Laurence Pountney Hill, London EC4R OBL, UK.

The company financial statements were authorised for issue by the Directors on 22 July 2019. All press releases, financial reports and other information are available on our investors relations page of our website: www.tungsten-network.com

2. Accounting policies

(a) Basis of preparation

The Company financial statements of Tungsten Corporation plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS Interpretations Committee (IFRS IC). The Company financial statements have been prepared under the historical cost convention.

(b) New standards, amendments and interpretations adopted:

The Company has applied the following standard for the first time for their annual reporting period commencing 1 May 2018:

IFRS 9 Financial instruments

The main impact of IFRS 9 arises from the implementation of the expected credit loss model regarding intercompany loan and balances.

As at 30 April 2019, the Company has balances due from its subsidiaries. With the adoption of IFRS 9, a loss allowance of £22.9 million has been recognised in relation to the balance due from a subsidiary, Tungsten Network Finance Limited as disclosed in Note 7.

IFRS 15 Revenue from contracts with customers

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Variable consideration is included in the transaction price if it is highly probable that there will be no significant reversal of the cumulative revenue recognised when the uncertainty is resolved. The adoption is not applicable to the Company.

(c) New standards, amendments and interpretations issued but not yet effective:

The accounting policy for IFRS 16 'Leases' is the same as that for the Group and is set out on page 75.

(d) Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant impact on the financial statements are highlighted below.

Going concern

The Company going concern assessment is based on forecasts and projections of anticipated trading performance. The assumptions applied are subjective and management applies judgement in estimating the probability, timing and value of underlying cash flows.

Impairment in investments in subsidiaries

Investments are reviewed for impairment whenever events indicate that the carrying value may not be recoverable.

The Company performs the assessment of the recoverable amount of the investment by comparing the cash-generating-unit's (CGU) value in use to the carrying amount of the investments in subsidiaries. An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount.

(e) Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

Share-based payments

The Company issues equity-settled and cash-settled share-based awards to certain employees. The fair value of share-based awards is determined based on the Black-Scholes model at the date of grant and expensed based on the Group's estimate of the shares that will eventually vest, over the vesting period with a corresponding increase in equity. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on service and other non-market performance conditions. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

Equity-settled share-based awards are recognised as an expense in the income statement with a corresponding credit to the share-based payment reserve. Cash-settled share-based awards are recognised as an expense in the income statement with a corresponding credit to liabilities.

Further details on the share-based payments can be found in Note 17 to the consolidated financial statements of this Annual Report and financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONT.

2. Accounting policies cont.

(f) Property, plant and equipment
Tangible assets are stated at cost less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis of the estimated useful lives of each item of tangible asset. Depreciation commences when an asset is brought into use over the following estimated useful lives:

- Leasehold improvement: depreciated over the term of lease
- Fixture and fittings: three to five years
- Computer equipment: two to five years

Dilapidations
The estimated cost of dilapidations is recognised in leasehold improvements and provisions when the obligation arises and the liability can be reliably estimated. Under the lease agreement, the lessee is obliged to remove assets that it has installed in the leased property. The asset is depreciated in line with the lease term.

(g) Provisions
A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated. Provisions are measured at the present value required in order to cover the obligation. The present value factor used in the calculation of the present value is selected so that it represents the market insight into the time value of money and liability-related risks at the time of the assessment.

(h) Trade and other receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore are classified as current. Non-current receivables relate to loan receivables from employees.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. Due to their short-term nature, the carrying value of current receivables is considered to be same as the fair value.

The Company applies IFRS 9's simplified approach to measuring expected credit losses which uses a lifetime expected loss approach for all trade receivables.

To measure the expected credit losses, trade receivables have been analysed based on the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before the relevant balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

(i) Trade and other payables
Trade and other payables are initially stated at fair value and subsequently measured at amortised cost.

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

(k) Employee benefits defined contribution plans
The Company pays contributions to publicly or privately administered pension plans. The Company has no further payment obligations once the contributions have been paid. Contributions are recognised in the income statement as an employee benefit expense in the period when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(l) Share capital
Ordinary shares are classified as equity.

(m) Investments in subsidiary undertakings
In the Company's financial statements, investments in subsidiaries are stated at cost less provision for impairment in value.

Investments are reviewed for impairment whenever events indicate that the carrying value may not be recoverable. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the investments fair value less cost of disposal and its value-in-use. An asset's value-in-use is calculated by discounting an estimate of future cash flows by the post-tax weighted average cost of capital. Any impairment is recognised in the statement of comprehensive income and not subsequently reversed.

(n) Foreign currency translation
The accounting policy for foreign currency translation is the same as that for the Group and is set out on page 77.

3. Loss for the year

As permitted by the exemption in Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The loss attributable to shareholders dealt with in the financial statements of the Company was £58.9 million (FY18: loss of £2.5 million).

4. Employee benefits expenses

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Wages and salaries	**1,922**	2,314
Social security costs	**185**	220
Pension-defined contributions	**110**	153
Share-based payment (income)/expense	**(536)**	647
Total employee benefits expenses	**1,681**	3,334

	Year ended 30 April 2019	Year ended 30 April 2018
Number of employees		
The yearly average number of people (including Executive Directors) employed:		
Corporate	**10**	19
Total average headcount	**10**	19

Refer to Note 24 in the consolidated financial statements for details of remuneration in respect of key management.

5. Investments in subsidiaries

	2019 £'000	2018 £'000
Balance as at 1 May	**162,040**	162,040
Additions	**–**	–
Impairment	**(35,000)**	–
Disposal	**–**	–
Balance as at 30 April	**127,040**	162,040

The Company's subsidiaries are the same as that for the Group and are set out on page 97.

The carrying value of the parent company's investments in subsidiaries is £162.0 million at 30 April 2019. The full £162.0 million investment is in Tungsten Corporation Guernsey Limited, through which Tungsten Corporation plc indirectly holds the Tungsten Network group of companies. Tungsten Network Finance Limited is also directly owned by Tungsten Corporation plc, however the investment value is only £1.

The Company agreed for repayment of the intercompany receivables of £53.1 million over three to nine years, these cash flows would not be available for the assessment of the recoverable amount of the investment. Therefore, the management's impairment assessment compares the Network cash-generating-unit's (CGU) value in use of £180.1 million to the carrying amount in the investment of £162.0 million together with intercompany receivables of £53.1 million, which resulted an impairment of £35.0 million.

The management is therefore concluded and decided the impairment on the investments of £35.0 million on 30 April 2019.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONT.

6. Property, plant and equipment

As at 30 April 2019

	Leasehold improvements £'000	Fixtures and fittings £'000	Total £'000
Cost			
Balance at 1 May 2018	2,922	90	3,012
Additions	163	–	163
Balance at 30 April 2019	**3,085**	**90**	**3,175**
Accumulated depreciation			
Balance at 1 May 2018	797	55	852
Charge for the year	272	18	290
At 30 April 2019	**1,069**	**73**	**1,142**
Net Book Value			
At 1 May 2018	2,125	35	2,160
At 30 April 2019	**2,016**	**17**	**2,033**

As at 30 April 2018

	Leasehold improvements £'000	Fixtures and fittings £'000	Total £'000
Cost			
Balance at 1 May 2017	1,800	90	1,890
Additions	1,122	–	1,122
Balance at 30 April 2018	2,922	90	3,012
Accumulated depreciation			
Balance at 1 May 2017	364	36	400
Charge for the year	433	19	452
At 30 April 2018	797	55	852
Net Book Value			
At 1 May 2017	1,436	54	1,490
At 30 April 2018	2,125	35	2,160

7. Trade and other receivables

Non-current assets	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Loans to employees under EMSS scheme	201	477
Deposit	588	588
Other receivables	**789**	1,065

Current assets	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Amounts owed by Group undertakings	76,002	73,716
Less: loss allowance	(22,909)	–
Net amounts owed by Group undertakings	53,093	73,716
VAT	97	50
Other receivables	–	249
Prepayments	276	252
Trade and other receivables	**53,466**	74,267

The amounts owed by Group undertakings are due from Tungsten Network Limited, Tungsten Network Finance Limited and Tungsten Network Sdn Bhd as at 30 April 2019. These are non-interest bearing and are repayable on demand.

In the trading update on 30 April 2019, the Company announced the decision to divest Tungsten Network Finance ('TNF'). The divestment is expected to be completed prior to October 2019. The amount due from TNF is considered unlikely to be collectible and the Company has decided to impair the total amount due of £22.9 million.

The remaining balances of £53.1 million are due from Tungsten Network Limited and Tungsten Network Sdn Bhd. With the adoption of IFRS 9, the Company have decided and approved the repayment over a time period, subject to the expected liquidity of net current assets, therefore no impairment is required.

8. Provisions

	Leasehold property dilapidation £'000
At 1 May 2018	1,000
Addition	160
At 30 April 2019	**1,160**

Analysis of total provision:

	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Non-current	1,160	1,000

The provision for dilapidations includes the estimated costs of removal of installed assets under the lease contract for the London office.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONT.

9. Trade and other payables

Non-current liabilities	**As at 30 April 2019 £'000**	As at 30 April 2018 £'000
Other payables	**250**	250

The other payables represent the issuance of convertible loan notes worth £0.25 million being the settlement of disputes in FY18 between the Company, Disruptive Capital Advisory Limited and the Company's former Chief Executive Officer Edmund Truell.

Current liabilities	**As at 30 April 2019 £'000**	As at 30 April 2018 £'000
Trade and other payables	**214**	296
Taxation and social security	**225**	264
Accrued expenses	**1,329**	1,158
Loan payable to Group undertakings	**43,260**	41,902
Amounts owed to Group undertakings	**42,299**	41,811
Trade and other payables	**87,327**	85,431

The loan payable to Group undertakings is bearing an interest based on monthly GBP LIBOR. The amounts owed to Group undertakings are non-interest bearing and are repayable on demand.

10. Commitments

Operating leases

The table below sets out the future minimum lease rental commitments:

	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Current rental liabilities	**650**	650
Rental liabilities maturing in 1-5 years	**2,600**	2,600
Rental liabilities maturing over 5 years	**2,979**	3,629
Total	**6,229**	6,879

11. Related-party transactions

No related party transactions have been entered into during the year with the Company.

Key management personnel

Key management includes Executive Directors. There were no key management personnel in the Company apart from the Directors.
The compensation paid or payable to key management for employee services is set out in Note 24 to the consolidated financial statements.

12. Capital management

The aim of the Company is to maintain sufficient funds to enable it to meet working capital requirements, make suitable investments and incremental acquisitions while minimising recourse to external funders and/or shareholders. Capital managed by the Company at 30 April 2019 consists of cash and cash equivalents and equity attributable to equity holders of the parent. The capital structure is reviewed by management through regular internal financial reporting and forecasting.

The Company considers the following balances as a part of its capital management:

	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Share capital and premium	**189,355**	189,347
Accumulated deficit[1]	**(94,728)**	(35,916)
Cash and cash equivalents	**36**	580
Total	**94,663**	154,011

1 Deficit include shares to be issued, share-based payments reserve, other reserves and accumulated net losses.

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Tungsten Corporation plc is a public limited company incorporated and domiciled in the UK, with registered number 07934335.

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