Tungsten Corporation plc
Annual report and financial statements 2018

2018

CREATING THE WORLD'S MOST TRUSTED BUSINESS TRANSACTION NETWORK

INSIDE THIS REPORT

FINANCIAL HIGHLIGHTS

Group revenue £m

£33.7m +8%

2018	33.7
2017	31.3

Group EBITDA[1] loss £m

£4.6m -61%

2018	4.6
2017[2]	11.8

Statutory loss for the year[2] £m

£11.9m -5%

2018	11.9
2017	12.5

Cash £m

£6.4m -63%

2018	6.4
2017	17.5

KEY PERFORMANCE METRICS

- 0.6 million transactions added to increase total volume to 17.7 million (FY17: 17.1 million)
- Average revenue per invoice increased from £1.82 to £1.90
- Adjusted operating expenses[3] reduced by 12% to £36.0 million (FY17: £40.8 million)
- In April 2018, Tungsten Network Finance average outstandings of £43.4 million (April 2017: £14.0 million)

OPERATIONAL HIGHLIGHTS

- Reported monthly Group EBITDA breakeven over Jan-Apr 2018; Tungsten Network FY18 EBITDA of £2.3 million
- 8 new AP customers, 35 contracts renewed at mean 38% rate rise; launch of e-billing to target AR customers
- Transitioned to new technology platform; capex savings of £3.5 million, annual cost savings of £0.9 million

1 EBITDA excludes other income, interest, tax, depreciation, amortisation, foreign exchange gain or loss, discontinued operations, share-based payments charges and exceptional items.
2 Restated – please refer to Note 2.
3 Adjusted operating expenses excludes cost of sales, other income, interest, tax, depreciation, amortisation, foreign exchange gain or loss, discontinued operations, share-based payments charges and exceptional items.

TUNGSTEN NETWORK BY NUMBERS

Tungsten Network is a business transaction platform that removes friction from the global supply chain.

18

18 years of connecting companies to enable tax-compliant e-invoicing

£BN 164

£164bn transacted in FY18

300K

300k members of Tungsten Network

48

48 tax and regulatory compliant countries

25%

25% reduction in accounts receivable costs for customers

60%

60% reduction in calls chasing payment status for customers

STRATEGIC REPORT

SPOTLIGHT ON 2018

2018: Positioned for Growth

ENHANCED CUSTOMER PROPOSITION

100%

100% of invoices sent through a single service provider

Changing how we think of customers
Tungsten Network's customer proposition used to focus on the delivery of a compliant e-invoice from 'Supplier' to 'Buyer' and this was reflected in our suite of products and services. To do broaden our offering and the value we bring to our customers' businesses, Tungsten Network has established the capacity to handle not only incoming invoices but also a range of outbound documents.

Our newly-launched e-billing product, enables accounts receivable departments worldwide to send all their outbound invoices through Tungsten Network as a single service provider and have them delivered in the preferred format of the recipient, regardless of whether their customers are members of Tungsten Network. In addition, our enhanced invoice data capture product enables Tungsten Network to process invoices sent to our customers from those of their supplier chain who are also not members of Tungsten Network, removing barriers that limit the growth of our network and therefore the value we can create for our customers.

We have also enhanced our purchase order services. When a customer sends a purchase order via Tungsten Network, their supply chain can now approve or reject it within our portal, as well as simply convert it into an e-invoice. We have also launched accounts receivable analytics, affording customers competitive insight into the transaction data they send via Tungsten Network.

TUNGSTEN

Launched Accounts Receivable Analytics in 2018

IMPROVED OPERATIONAL INTEGRITY

300K

300k customers

Data-driven business
The manner in which we structure, store and process data is integral to Tungsten Network's operations. Our people support 300,000 customers and need fast, easy access to the data and systems to succeed in their individual roles.

The European Union's General Data Protection Regulation also necessitated a full review of the customer data we hold to ensure that every aspect of our internal processes that touches personal data complies with the regulation.

Thanks to the work we have done to restructure how we hold data, our sales and enrolment staff are now able to access a single customer view with a comprehensive dataset, allowing them to easily tailor their customer interactions. As a result our ability to track prospective customers throughout the sales cycle has been enhanced. Combined with the implementation of a new data-driven telephony system, our sales and support teams now operate cohesively to optimise the customer experience.

We have also rolled out a new internal support system, Salesforce Service Cloud, which has allowed us to create a deep internal knowledgebase and improve internal support. This will be the blueprint for an external rollout in FY19.

TRANSITION FROM LEGACY TECHNOLOGY

£7.2M

£7.2m investment in technology

Stable and secure
Technology underpins everything we do. Over the course of 2017 and 2018 we transformed our technology infrastructure in order to deliver a platform that is stable and secure for our customers, while being scalable and sustainable for Tungsten Network.

This year we had two large projects running concurrently: first to migrate our datacentre hosting from a traditional server environment to a cloud environment; and the second to migrate our core network database to a new technology base.

Our datacentres are no longer in a fixed hosted location, but rather in a more agile environment that allows us to be responsive to the needs of our customers and our people. It has also brought with it significant performance improvements and cost savings.

We have also migrated our core technology infrastructure to a new system architecture. The new architecture is easy to scale and allows us to quickly process fluctuating transaction volumes, performing comfortably even at peak times.

OUR STRATEGIC OBJECTIVES

01
Focus on our core
See pg 14

02
Improve operational performance
See pg 15

03
Distinctive invoice financing
See pg 15

04
Expand adjacent services
See pg 16

OUR BUSINESS MODEL

Our resources and relationships

- Resilient, secure and scalable digital platform
- Customer led, experienced and diverse workforce
- Global network of collaborating customers
- Expert in global tax compliance
- Strong partnerships

- Minimise carbon footprint
- Control and optimise cash flow
- Reduce AP costs
- Remove friction from global trade
- Improve tax collections

The value we create

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

Tungsten Network has been stabilised and its turnaround is largely complete. Our focus now will be to capitalise on the operating leverage that we have created in order to generate positive cash flow and drive returns for our shareholders.

Welcome to our FY18 annual report. On behalf of the Board we are pleased to report on the progress made in the delivery of our strategic plan and the next phase in the development of Tungsten Network. FY18 was an important year of operational execution, with significant progress made on completing transformational changes to our infrastructure and our operating model, resulting in a business that can now grow revenues more rapidly and profitably.

New Board Appointments
The Board of Tungsten Corporation Plc is pleased to invite Anthony Bromovsky and Duncan Goldie-Morrison to join the Board as Non-Executive Directors. Their formal appointments will be confirmed as soon as possible, subject to satisfactory completion of regulatory checks. A further announcement, including relevant details for Tony and Duncan, will be made at that time.

The existing Board of Tungsten Corporation Plc looks forward to welcoming Tony and Duncan as colleagues and to working with them to capitalise on the exciting opportunities Tungsten enjoys for profitable growth.

Strategy
The four strategic objectives that were set out in early 2016 remain the focus of the business. These are to:

- Focus on the core automation business to provide efficiencies and further benefits for customers;
- Improve operational performance by deploying end-to-end ownership and digital tools to ensure people and processes provide products and services to customers effectively;
- Further leverage the Network and its data to deliver distinctive financial products for customers to support their working capital needs; and
- Enhance the value of Tungsten Network by providing value-added adjacent products and services that help customers achieve their income thresholds as they participate in the global supply chain.

We continue to demonstrate progress in the execution of each strategic objective. Increasing numbers of customers are joining and doing more business with each other over Tungsten Network. Our transaction processing and internal infrastructure have been rebuilt so that we now process our customers' transactions faster and at lower cost. We have moved from a single product line e-invoicing business to a multi-product platform, including e-billing, purchase order services, invoice financing and off-network solutions such as invoice data capture and workflow. Finally, but not least, we have grown our trade finance customers, products and revenues. Tungsten Network is now a company positioned for accelerated growth.

Investment
The Board remains active in identifying inorganic opportunities to expand. Ensuring that any such opportunities will both accelerate our growth and add to shareholder value is central to our strategic framework for assessing any opportunity.

Our people
Tungsten Network is dependent on its dedicated and skilled people who work tirelessly on behalf of our customers. The Board and I offer all of our colleagues continued sincere and heartfelt thanks for their ongoing efforts and commitment through a period of intense change.

I would also like to thank my fellow Board members for their sustained and significant contributions during the last year.

Annual General Meeting
The Company's Annual General Meeting will be held at 2pm on 21 September 2018 at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA. We look forward to welcoming our shareholders to the event.

Dividend
The Company has no distributable reserves to declare a dividend.

The year ahead
Tungsten Network must continue to grow revenues and manage its costs in order to transition into accelerated profitability and cash generation. The Board believes that it and its management team has positioned the Company to achieve this and have the skills to deliver. Tungsten Network is positioned for success.

Nick Parker
Non-Executive Chairman

23 July 2018

PHASES OF TUNGSTEN'S TRANSFORMATION

2016
STABILISATION

Development of a succinct, cohesive strategy. Included identifying how to take advantage of customer and market opportunities, taking control of and restructuring the operating cost base, relaunching Tungsten Network Finance and identifying product adjacencies.

Concluded with the sale of Tungsten Bank in December 2016.

2017
ACHIEVE PROFITABILITY

Focus on new customer acquisition and new product sales into our existing customer base while continuing with the success of pricing our services to reflect the value that we provide.

Continued reshaping of the cost base through increased automation and the relocation of resources, and developing an ROI based approach to investment.

2018
PROFITABLE GROWTH

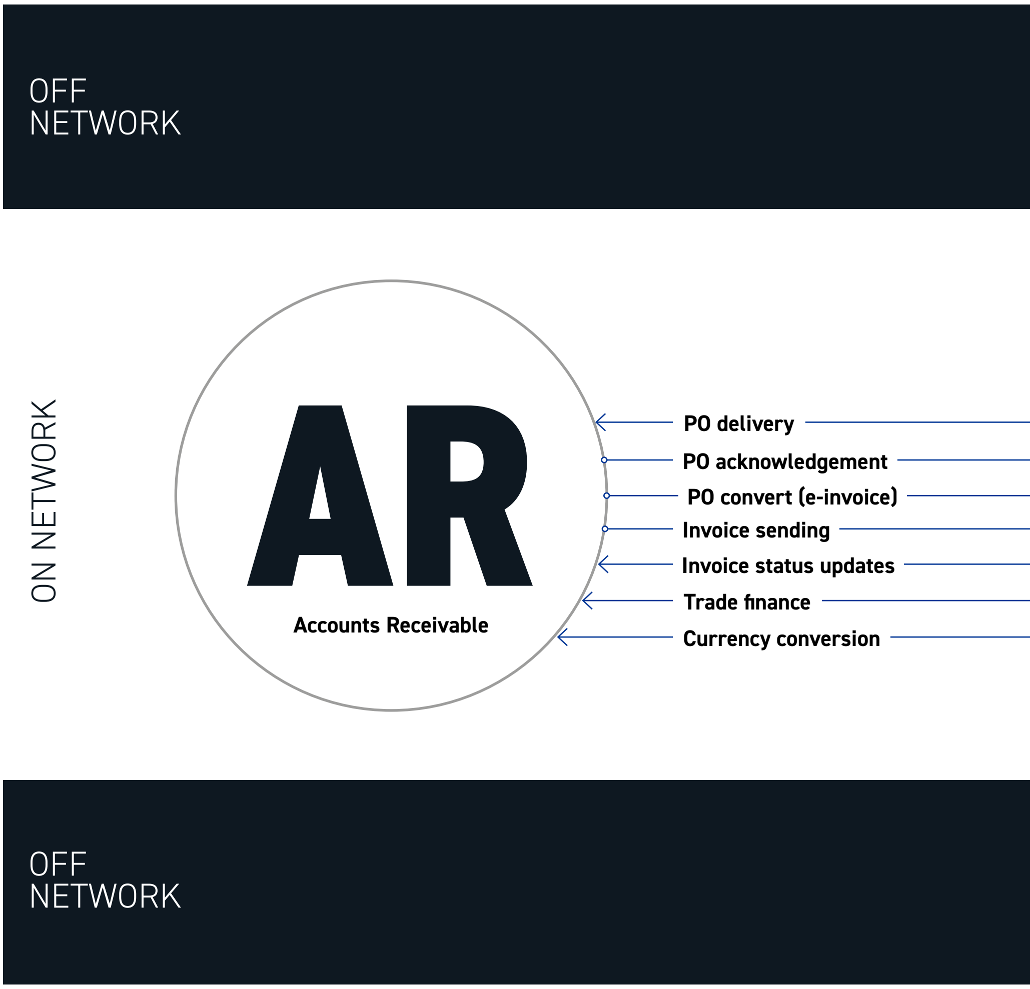
Transaction growth through new and current customer expansion. Increase in revenue per invoice through the introduction of a deeper range of products, including opportunities for inorganic product expansion.

Meaningful contribution to profits from Tungsten Network Finance.

Continued evolution of the cost base through execution of automation and efficiency programmes thereby releasing funds for further investment in sales, marketing and new products.

THE TUNGSTEN NETWORK

At Tungsten Network, we aim to revolutionise the payment process through the use of unique technology that brings companies closer together, maximises efficiency and improves cash flow management.



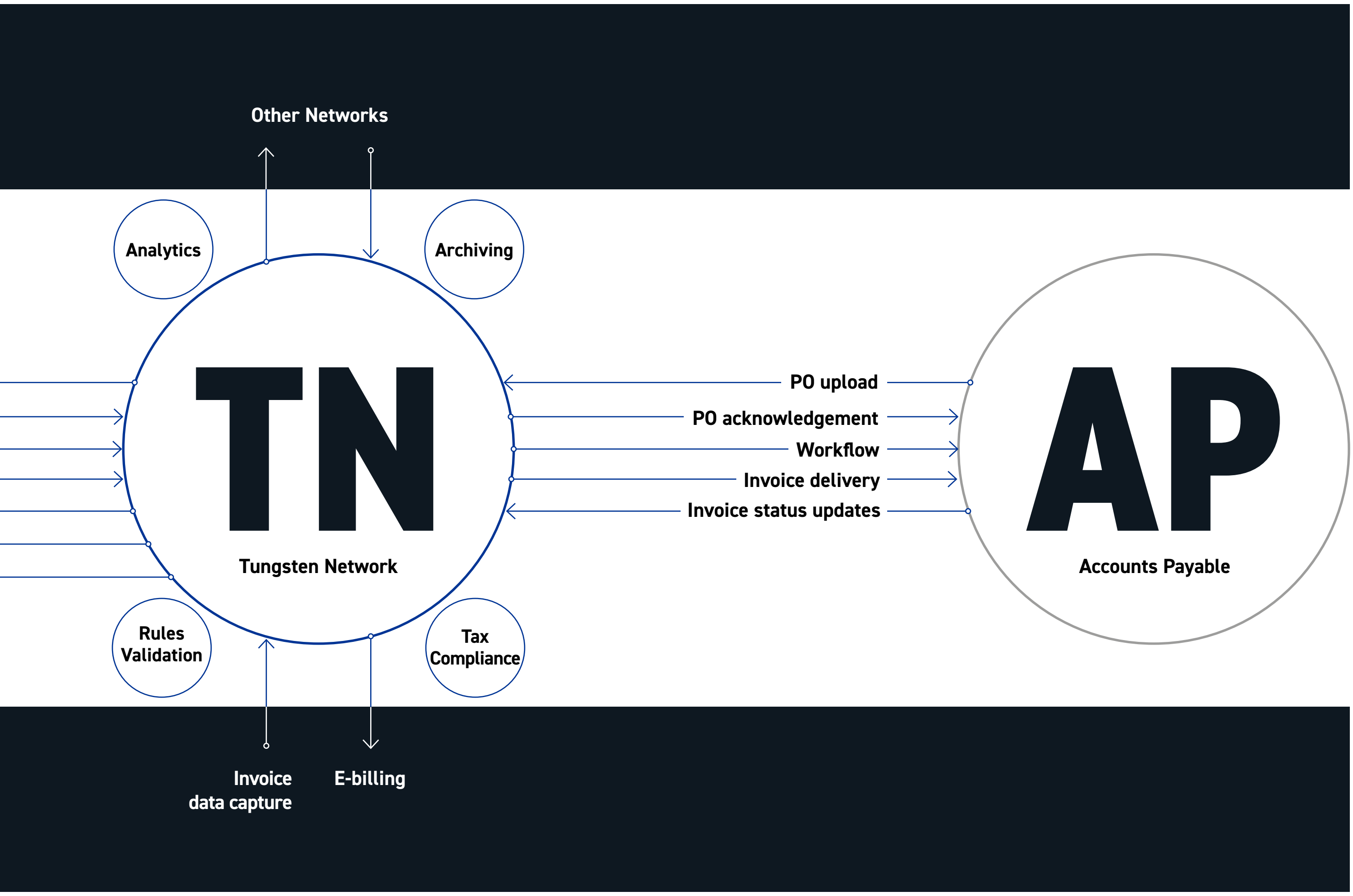
CUSTOMER TESTIMONIAL

Andrew Brown,
Managing Director, Trade Engine Ltd.

WORKING WITH TUNGSTEN NETWORK HAS BEEN FANTASTIC

"Trade Engine Ltd. began using the Tungsten Network platform for e-invoicing in January 2017, having secured a contract with a major Utility Company. We chose Tungsten Network in order to provide us with a robust and transparent purchase-to-payment process for our work under this contract, and furthermore, because we were then able to utilise Tungsten Network's Early Payment facility.

Working with Tungsten Network has been fantastic, and made a real and measurable difference to our business. Our suppliers are all paid within 14-21 days of their completion of any job and the whole process is far more



manageable than it was previously. Tungsten Network's e-invoicing platform gives us real-time information about the status of each invoice and purchase order, avoids us having to send remittance advice, and helps with our accounting. Their staff are always hands-on, helpful and proactive.

We have gone on to secure larger contracts with the same utility company and have developed a strong reputation and gained additional clients within our industry over the past 18 months. I believe this is due to the standard and predictability of our delivery, which is in turn due to the fact that we are able to operate a quick and transparent process for our entire supply chain. We would not have been able to achieve this without Tungsten Network."

TUNGSTEN NETWORK FINANCE PRODUCTS

Funding size	Small				Large
Target market	MICRO SUPPLIERS*	SME SUPPLIERS	MID-MARKET SUPPLIERS	LARGE CORPORATE SUPPLIERS	LARGE CORPORATE BUYERS
Product	• Line of credit • Term loan (one to five years)	• Tungsten Network Early Payment	• Structured Tungsten Network Early Payment • Receivables finance • Pool-based receivables	• Structured receivables finance	• Supply chain finance • Dynamic discounting

* £50,000 to £750,000 annual value of invoices on Tungsten Network.

STRATEGIC REPORT

OUR SOLUTIONS

Helping the global supply chain operate more efficiently and securely.

PURCHASE ORDER SERVICES

Before an invoice exists, companies agree what is traded and on what terms through a Purchase Order. Tungsten Network facilitates the delivery, acknowledgment, variation and conversion of Purchase Orders into invoices.

- Control over purchases
- Ability to acknowledge, amend, accept or reject
- Visibility of status
- Speed of receipt of order
- Conversion into an invoice
- Tighter collaboration with customers

WORKFLOW

Workflow automates accounts payable processes, providing an audit of purchasing from the point of order to payment. It optimises procure-to-pay to achieve business goals.

- Automated three-way matching
- Straight-through processing
- End-to-end visibility
- Exception management

ANALYTICS

Analytics give visibility into purchases that leads to better informed spending. Tungsten Network analytics improve procurement controls, ensures compliance and reduces costs.

- Actionable insights
- Better business decisions
- Easy to get started
- Simple and secure
- Customised reports

INVOICING SERVICES

Eliminating friction from accounts payable or accounts receivable processes through e-invoicing and invoice data capture increases the efficiency and accuracy of accounting teams. This includes enabling straight-through processing of invoices through an automated match with a purchase order.

- Automation of critical process
- Reduction of fraud
- Legal and tax compliance
- Reduction in cost
- Confirmed invoice delivery
- Visibility of invoice status
- Secure invoice archiving

TRADE FINANCE

With a range of trade finance products designed for organisations large or small, customers on Tungsten Network can take control of their working capital by taking advantage of early payments or sponsor financing.

- Deepens supply chain liquidity
- On or off balance sheet
- Maximises working capital
- Flexible cash management
- Easy to enrol
- Easy to use
- Get paid early

E-BILLING

E-billing enables members of Tungsten Network to send digital invoices to 100% of their customers through a single service provider. This reduces the cost of getting paid, increases visibility and gives control over their working capital position.

- Automation of critical process
- Reduction days sales outstanding (DSO)
- Visibility of outbound invoice data
- Improved customer management
- Increased control over working capital
- Faster payments
- Legal and tax compliance
- Reduction in cost

VIEWPOINT

Theresa Lacey
VP Product Management

DEVELOPMENT OF E-BILLING

Since joining Tungsten Network I've been developing a product roadmap that enhances our strengths as an e-invoicing pioneer and overcomes our weaknesses. One that amplifies our Network, not just in terms of volume, but also in terms of the value we deliver to our customers.

We want to give our customers more ways to transact with us by increasing the range of both the documents we can process and the ways in which we can process them. Then we can stop viewing our customers as simply "Buyers" or "Suppliers", and enable them to use Tungsten Network to successfully service their entire business.

The launch of our e-billing product is a crucial aspect of delivering on that vision. By allowing customers to engage with companies that are off-Network, we are breaking down the traditional barriers to digital automation our customers face. The new service complements Tungsten Network's e-invoicing solution, providing companies a unique opportunity to digitally automate their accounting processes on both sides of the ledger.

THE TOP 5 CAUSES OF FRICTION

Friction constrains cash flow throughout the global supply chain. Tungsten Network's business transaction platform removes this friction, allowing companies to better control their working capital.

49%*

01

HIGH PROPORTION OF PAPER INVOICES RECEIVED

Paper is the primary source of friction in the global supply chain. Paper invoices carry the risk of loss, fraud or human error, and cost on average 150% more to process than an e-invoice.

By switching to a digital invoicing process, customers on Tungsten Network are able to mitigate these risks and enhance their audit capabilities. With no hardware or software to install, customers can exchange invoice data in their desired format with ease.

02

48%*

TOO MANY NON-PURCHASE ORDER BACKED INVOICES

Matching invoices to the goods or services purchased can be extremely difficult. Particularly if invoices are received in several different formats in several different places and there is no purchase order number.

Our customers are able to send purchase orders directly through our platform, where their vendors can acknowledge receipt and convert them into e-invoices. We can also implement invoicing rules for our customers, requiring invoices to be matched to a purchase order before they can be sent.

To read more about our key findings from our 2017 Global Study on P2P Friction and how we are planning for a frictionless future, go to: **tungsten-network.com/procure-to-pay-friction-report/**

* Percentage of respondents who selected this cause of friction as one of their top 5 causes of friction in the 2017 Global study on P2P friction.

03

47%*

HIGH VOLUME OF SUPPLIER ENQUIRIES REGARDING INVOICE OR PAYMENT STATUS

If invoices are sent in paper or PDF they can be difficult to track. This leaves accounts receivable departments with no visibility of the status of their invoice and requires accounts payable to respond to vendor enquiries.

Tungsten Network's invoice status service tracks invoices from the point of submission through to payment. Customers can view the status of their invoices through their portal account.

04

43%*

LACK OF AUTOMATED APPROVAL

Manual checking of invoices leaves companies exposed to the risks of human error and fraud and causes delay.

Tungsten Network validates invoices at the point of submission against the company requirements of the recipient. Incorrect invoices are identified before they ever enter the system.

05

43%*

LACK OF AUTOMATED EXCEPTIONS

Incorrect invoices have to be reissued, delaying payments and straining business relationships. Invoice exceptions can significantly impact cash flow as they extend payment terms in an uncontrolled manner.

Tungsten Network validates invoices at the point of submission against global tax compliance standards. This stops invoice exceptions from ever occurring.

//

CHIEF EXECUTIVE'S REVIEW

We have brought Tungsten Network to an inflection point. We are now a diversified, multi-product business focussed on profitable growth.

//

OUR STRATEGIC OBJECTIVES

Our goal is to be the world's most trusted business transaction network, using data intelligently to strengthen the global supply chain. In early 2016 we identified four strategic priorities to achieve this goal and this year we made great progress in each of them.

01

Focus on our core

Elevate our customer engagement by driving network benefits.

See pg 14

02

Improve operational performance

Use end-to-end digital processes to ensure that our people and processes deliver effectively.

See pg 15

03

Distinctive invoice financing

Leverage our Network and its data to deliver innovative financing products.

See pg 15

04

Expand adjacent services

Increase the value we provide to customers through adjacent services.

See pg 16

In early 2016, after conducting a detailed evaluation of the Group, I set out Tungsten Network's strategic objectives and introduced its new management team. We had identified four areas of strategic emphasis: focus on amplifying our core network effect, improve operational performance, offer distinctive invoice financing and expand to adjacent services both on and off-Network. I outlined a profile of the development of the Tungsten Network's turnaround citing three distinct phases to be delivered over the course of a five-year plan.

We saw the stages of our development consisting of: first, stabilising the business; second, achieve profitability by remediating our customer proposition, operating model and legacy infrastructure; and, third, accelerating profitable growth. With the reporting of EBITDA profitability at the end of FY18, the Company enters its growth phase. Half way through the five-year programme, we are now at the inflection point where developing business and doing great things for our customers has become our primary focus.

When I was appointed Chief Executive Officer I assumed responsibility for turning a distressed business around. The business was in a downward spiral operationally and without a clear strategy. It was losing key customers and the staff turnover rate was high. Vital systems were defective and management disciplines and processes were weak or non-existent in many areas.

What has followed has been a fundamental rebuilding of Tungsten Network. The Board now represents an experienced, engaged, independent governing body. A committed management team of high-calibre executive talent is in place. They in turn have filled skill gaps and reorganised the company for effective delivery of our strategy.

Over FY18 we made significant progress in repairing core systems and transitioning from an expensive, legacy operational environment. These changes allow the Company to process invoices at 25% less cost per invoice and 9x faster throughput, including 40x faster at peak production periods.

We have restored Tungsten Network's fundamental value and innovative spirit. We have moved from being a pure play e-invoicing company to a multi-product one and as a result have been able to change the way we think about our 300,000 customers, which offers us multiple ways of initiating business development. Today we have more to offer our customers than ever before and our people are focussed and motivated.

With our expanded range of products Tungsten Network can now consider our customers not as 'Buyers and Suppliers' but 'Network members', each of which faces friction in both their accounts payable and accounts receivable processes. Therefore this year we put in place the systems needed to offer a comprehensive service for handling outbound transactions to serve accounts receivable departments, significantly expanding Tungsten Network's addressable market.

We have also improved our off-Network services with intelligent data capture and workflow software that lets Tungsten Network support its customers earlier in their digital journey. These two services enhance what we can do for our customers, have had the result of increasing average contract values and revenue per transaction and are further complemented with our trade finance and foreign exchange products.

This has been a breakout year for our trade finance activities, which were relaunched in January 2017. Since then Tungsten Network Finance has in aggregate supported the extension of more than £300 million of funding to the global supply chain. We did so with a capital-light funding model, with low operating costs and from a broader range of finance solutions. Daily average invoice outstandings in April 2018 grew 94% compared with October 2017, while that month was up 60% on the level of outstandings six months previously. The sequential six-month increase in outstandings in April 2017 was 17%.

The Board of Tungsten wish to take this opportunity to acknowledge the vision set by Edi Truell when he founded the Company. We are pleased that the Company is now well placed to deliver upon that vision. While this has required a fundamental rebuild of the operational systems and processes, we are now leveraging the proprietary trade flows of the Network. I should like to thank the current Tungsten Network Finance team for their successful execution of our plans.

Over the past two years we have instituted tight financial control across the business and moved to a more effective, lower cost, shared service centre approach. Additionally, we have renegotiated vendor and customer contracts, which has helped us to decouple our cost growth from rising revenues. We have successfully filled many needed skill gaps at the Company, whilst continuing to reduce our operating expenditure base each year.

STRATEGIC REPORT

CHIEF EXECUTIVE'S REVIEW CONT.

01 Focus on our core

Through the successful introduction of expanded services (strategic focus number four, below), our core Tungsten Network has been strengthened. We can now process more types of transactions for our customers, including e-invoicing, purchase orders, e-billing and invoice data capture. During the year, we processed 17.7 million transactions, an increase of 0.6 million from the prior year. This number excludes over 5 million purchase orders that Tungsten Network processes as part of its e-invoicing product, but do not provide a separate revenue stream. By value the invoices processed totalled £164 billion, an increase of £9 billion.

Total invoice volume £m

17.7m

2018	17.7
2017	17.1
2016	16.1

We aim to grow the value we provide our customers through increasing the number of transactions that we process for them. This includes offering them additional services and adding digital connections to more of their trading partners. In FY18 we had 300,000 customers on Tungsten Network.

Total customers k

300k

2018	300
2017	251
2016	203

Our customers included 187 users of our accounts payable automation products. We made sales of our range of accounts payable product solutions to eight new customers in FY18, including six that will use our core e-invoicing products and two that will use our invoice data capture service.

These new sales contributed revenue of £0.9 million in FY18 and have an aggregate contract value over three years of £2.3 million. Half of this contract value will be derived from two new multinational customers, one in the media industry and Conagra Brands in the packaged foods industry, to which Tungsten Network will provide its range of accounts payable automation services internationally. Due to signing these two sales towards the end of the financial year, a significant proportion of the revenue will be recognised in FY19 rather than in FY18.

Group revenue £m

33.7m

2018	33.7
2017	31.3
2016	25.9

Pricing was renegotiated for 35 customers of our accounts payable automation products at an average increase of 38%, contributing additional revenues of £0.7 million. A further 11 customers had contracts that allowed for renewal at the same price and nine customers that contributed total revenues of £0.2 million have chosen not to renew their contracts.

Total transacted invoice value bn

164bn

2018	164
2017	155
2016	133

02 Improve operational performance

We now have an operating cost base that can be leveraged to support profitable growth in Tungsten Network. This has been achieved over a three-year period through taking a systematic approach to identifying the drivers of cost in our business and how to do more for less.

Our adjusted operating expenses in FY18 decreased by £4.8 million, or 12%, from the prior year, even as revenues grew by 8%. This reflected savings and efficiencies identified across each area of the business, including a reduction in staff and contract costs of £2.2 million (staff costs £1.1 million and contract costs £1.1 million) and a reduction in technology systems costs of £1.8 million.

Tungsten Network can now operate in a more effective and efficient manner. We can process more transactions for our customers quicker and cheaper, and our sales teams can use more functionality of Salesforce to help identify, manage and close sales opportunities.

To achieve our new cost base, we had to spend in two areas. Firstly, we made increased investments in our internally generated software in FY18, growing expenditure in this area from £3.5 million in FY17 to £7.2 million in FY18, primarily on the improvements to our core transaction network, further rollout of Salesforce and enhancement in customer interfaces. Now that we have largely completed the transition away from legacy infrastructure we are able to significantly reduce capital expenditure in the FY19.

The second area of additional spend was in exceptional items amounting to £2.4 million. This was necessary expenditure in order to change from the Company's legacy technology, decrease our physical footprint and make people changes. We do not plan to incur significant exceptional items from our operations in FY19.

Our aim had been to maintain our annual adjusted operating expenses at approximately £40 million. Achieving our current run rate of £36.0 million in accordance to adjusted operating expenses, it is a significant improvement on this and while we have further opportunities to rationalise our cost base, our priority for FY19 is revenue growth. As we demonstrate that we can achieve consistently positive EBITDA we may choose to make incremental increases to our sales and marketing costs in order to achieve accelerated revenue growth.

Adjusted operating expenses £m

£36.0m

Year	£m
2018	36.0
2017	40.8
2016	40.1

03 Distinctive invoice financing

Since relaunching our Tungsten Network Finance business in January 2017, Tungsten Network has funded over £300 million of invoices to help companies across the United Kingdom and the United States manage their working capital. Over that time, on a daily average basis, monthly invoice outstandings grew from £11.4 million in December 2016 to £43.4 million in April 2018, with a peak of £64.0 million in June 2018.

To achieve this, we have rebuilt our technology infrastructure and repositioned the operational model and as a result we have grown its user base, funding partnerships and range of products. Tungsten Network now benefits from funding partnerships with Insight Investments, BNP, Orbian, Funding Circle, Lending Club and BlueVine in order to offer a range of trade finance solutions that have enabled us to grow our suite of products to meet the diverse financing needs of more of the customers of Tungsten Network. Tungsten Network Finance now offers four distinct trade finance solutions that meet different market needs: invoice discounting through the Tungsten Network Early Payment facility in its portal; flexible lines of credit; receivables financing and supply chain finance. Leveraging the connectivity that comes from joining Tungsten Network, both SME and large customers are matching working capital needs with a flexible user experience, removing the friction that impacts cash flow.

Since the relaunch, 129 Tungsten Network customers have taken early payment. On average, Tungsten Network Early Payment users currently finance over half of the e-invoices that they issue digitally via the Tungsten Network portal. Tungsten Network Finance has recently expanded its geographical reach beyond the United Kingdom and the United States, to include Canada, Ireland and the Netherlands, with finance available in GBP, USD and EUR. This geographical expansion will continue over the course of 2018, with work already underway to make the product available in more countries in Europe and the Americas.

STRATEGIC REPORT

CHIEF EXECUTIVE'S REVIEW CONT.

04 Expand adjacent services

Tungsten Network has transitioned from a pure play e-invoicing company to offering a diversified range of products that automate accounts payable and accounts receivable processes.

For accounts payable teams we can deliver purchase orders to their supplier chain and send an acknowledgment back. Their suppliers can send invoices over Tungsten Network, which we validate against local compliance requirements and match to purchase orders, and we can digitise invoices received in paper or PDF. In addition, our workflow software allows for the automation of approval.

For accounts receivable teams our new e-billing product delivers all invoices to their customers, regardless of whether they are sent over Tungsten Network, including by paper and PDF. Our invoice status service allows visibility over the receipt, approval and payment status of invoices. Our suite of products for both accounts payable and accounts receivable teams is complemented by analytics functionality and digital archiving.

We will continue to add greater functionality to Tungsten Network, including the digital automation of more documents. Of focus in the coming years are the opportunities in Italy arising from a legal requirement effective January 2019 for all invoices to be digitally stamped. Tungsten Network intends to become an approved intermediary, allowing us to do more for our over 5,000 current Italian customers and to take advantage of opportunities to grow this number.

We will pursue further opportunities to expand our services, through product development, partnerships and, at a future date, corporate activity, while maintaining our focus on cost discipline and profitable growth.

Over the first three years of my tenure we have grown revenue by 50%, at a CAGR of 14.5%. Though FY18 was a record revenue year for Tungsten Network, growth was behind the Company's previous guidance at 9% on a constant currency basis, due primarily to longer sales cycles than expected in H2-FY18. In part, these were a function of a delay to significant new customer contracts and the later than expected availability of a new product. Resolution of these factors is expected to improve sales performance in FY19 and the order book and sales pipeline remain strong.

FY19 Priorities

Our focus in FY19 is to take advantage of the opportunities that we have created to accelerate revenue growth and generate sustainable profits. We will give these initiatives the same execution attention that allowed us to successfully remediate the internal operations of this business and decouple its cost base from revenue growth.

We will do this by retaining a focus on understanding what our customers want and delivering it to them. This will lead to an acceleration of new business sales and an increase in customer retention. We will work with our customers to connect them to more of their trading partners and help automate more of their processes with our wider range of products, with a particular focus on e-billing and the emerging opportunity in Italy.

To support the effective management of our working capital we have secured a £4 million revolving credit facility with HSBC.

Outlook

With the operational transformation largely complete and a distinct set of growth initiatives in place, the Board is optimistic about the prospects for Tungsten Network. The disciplined delivery of the strategic plan the executive team is implementing provides for greater certainty of business outcome, building confidence among stakeholders and keeping Tungsten Network on a sustainable path toward increasing returns for shareholders.

- Revenue of at least £37.5m on a constant currency basis, weighted to the second half of the year. The Board believes that this accelerated growth can be achieved through Tungsten Network's core e-invoicing products, new products and continued expansion of Tungsten Network Finance; and
- Stable gross margin and adjusted operating expenses resulting in EBITDA profit for the full year, with phasing reflecting the evolution of revenue growth.

Richard Hurwitz
Chief Executive Officer

23 July 2018

OUR PEOPLE

Tungsten Network promotes transparency, equality and opportunities for progression and development, so that we have the right people in the right job at the right time.

Our size, quality of people, diverse locations and numerous areas of expertise all present opportunities for Tungsten Network's employees to achieve their potential at Tungsten Network.

The Company firmly believes in equality of opportunity for all employees and candidates. We are committed to making full use of the talents and resources of all our employees based on individual merits, incorporating an inclusive approach to employment policy and practice.

TUNGSTEN NETWORK EMPLOYEES GLOBALLY

30

Languages we speak

84%

Permanent staff

385

Dedicated and skilled employees

Headcount	FY17	FY18
United Kingdom	142	140
United States	67	52
Malaysia	107	99
Europe	20	22
Other	1	1
Board (Male/Female)	7 (7/–)	6 (6/–)
Senior Managers (Male/Female)	8 (7/1)	8 (7/1)
Others (Male/Female)	322 (179/143)	300 (156/144)
Cost	**FY17 (£'000)**	**FY18 (£'000)**
Employees	20,720	19,645
Contracted/External	4,604	3,873
Total	25,324	23,518
Total/Revenue	81%	70%

OUR PEOPLE CONT.

Focus on internal promotions

THE PEOPLE AT TUNGSTEN NETWORK MAKE IT A REALLY EXCITING PLACE TO WORK.

Robert Cook,
Global Accounts Payable Marketing Manager

I was recently promoted to Global Accounts Payable Marketing Manager after working for two and half years in the supplier enrolment team. This new role has given me the opportunity to widen the application of my marketing knowledge and expand it across the entire Tungsten Network business. This is a great opportunity for me to develop my skills further and use my knowledge to drive marketing programs across the business.

Since joining Tungsten Network in 2015, I have been able to get involved in a number of different projects and teams that has given me a detailed view of how the business works. That has allowed me to progress through various roles within the company from the Campaign Manager role I started in back in 2015 to my current role. The people that work at Tungsten Network make it a really exciting place to work because of their passion for success and commitment to providing world-class solutions to customers.

I HAVE ALWAYS FELT THAT TUNGSTEN NETWORK HAS BEEN ABLE TO HELP ME DEVELOP.

David Hazel,
Data Analysis & Technical Operations Analyst

Having been with Tungsten Network for three years I have already had the opportunity to work in a variety of departments, including Supplier Sales, Technical Operations, Analytics, Finance and Tungsten Network Finance. I even had the opportunity to work abroad for a year in Sofia. I have always felt that Tungsten Network has been able to help me develop and that there are opportunities to progress in the company. Not only have I gained wider knowledge of the company but I have been able to develop myself hugely in such a short period of time, which is fundamental at the early stage of my career.

I'VE MET COUNTLESS TALENTED INDIVIDUALS, AND MY COLLEAGUES MAKE TUNGSTEN NETWORK A FANTASTIC PLACE TO WORK.

Ashley Infantino,
Global Accounts Receivable Marketing Manager

Since joining Tungsten Network in 2015, I have had the opportunity to take advantage of a culture of promoting from within. I began my time as a Marketing Coordinator, and have been promoted twice, most recently moving into the Global Accounts Receivable Marketing Manager role.

My manager has been dedicated to my success both within Tungsten Network and beyond. As an example, when the opportunity to relocate to the London office came about, I was offered the role which has allowed me to be in the heart of our business. Not only am I able to experience another country and culture, but I have the ability to nurture and build relationships with my colleagues and the Leadership Team. I've met countless talented individuals, and my colleagues make Tungsten Network a fantastic place to work. My time at Tungsten Network has been challenging, but ultimately rewarding, and I am excited for the future.

IF YOU HAVE THE RIGHT ATTITUDE AND WORK HARD, THOSE EFFORTS WILL BE RECOGNISED.

Daniel Tammadge,
Solutions Architect

I have been with Tungsten Network since September 2014, where I was initially employed as a Software Developer. Since joining the Company I have had the opportunity to work dynamically in a large team, and have seen my hard work rewarded with opportunities to take on increased responsibility and grow my role within the development team.

Recently a new Solutions Architect position became available, and I was pleased with how encouraging my managers were when I was applying for the new role.
It is heartening to know that if you have the right attitude and work hard, that those efforts will be recognised. I'm now excited to take on the new challenge and continue to develop my career at Tungsten Network.

37

Internal promotions/role changes

//

CHIEF FINANCIAL OFFICER'S REVIEW

We have continued to produce simultaneous revenue growth and cost control. We have reduced the EBITDA loss by 82% over the past three years.

//

Group overview
Tungsten Corporation Plc has continued to produce simultaneous revenue growth and cost reduction reflecting the transformation of our infrastructure and operating models. In FY18 Tungsten Corporation Plc added more customers, processed more transactions and provided more services. This was achieved while implementing significant infrastructure change and demonstrating cost control, reflected in a reduction of 12% in adjusted operating expenses.

Revenues
Group revenue was £33.7 million (FY17: £31.3 million), representing an increase of 8% at actual exchange rates. At constant exchange rates revenue grew by 9%. The growth in revenues reflected the benefits of new customer sales, additional product sales to current customers, and existing customer price increases.

Accounts payable automation revenue represented 44% of total Tungsten Network revenues in the 2018 financial year (FY17: 44%). Tungsten Network added eight new accounts payable automation customers in FY18 to customers that have purchased our range of on-Network and off-Network products, including six that purchased the core e-invoicing services. These new customers contributed £0.9 million to FY18 revenue.

The contracts of 58 of Tungsten Network's accounts payable automation customers were scheduled to renew in FY18. These customers contributed £3.4 million of revenue in aggregate in FY17. Pricing was renegotiated for 35 of these customers at an average increase of 38%, contributing additional revenue of £0.7 million. A further 11 customers had contracts that allowed for renewal at the same price and nine customers that contributed total revenue of £0.2 million have chosen not to renew their contracts. There are three contracts that remain outstanding and are expected to be renewed in FY19.

Accounts receivable automation revenue represented 56% of total Tungsten Network revenue in the 2018 financial year (FY17: 56%) and grew 8% to £18.8 million. This was split £15.9 million from our Integrated Solution product (FY17: £14.3 million) and £2.9 million from our Web Form product (FY17: £3.1 million). Revenue from renewing Integrated Solution customers grew by 9% to £8.5 million (FY17: £7.8 million) as higher levels of customers were retained on the Network.

Tungsten Network Finance generated fees of £342,000 in FY18 (FY17: £152,000), with a run rate of £1.6 million, based on actual performance in early FY19. However, as some recent revenue has been one-off in nature, additional customer sales will be required to sustain this level.

Tungsten Corporation's management uses gross profit and gross margin as a KPI to monitor business performance. Gross profit is calculated as revenue less direct cost of sales. Gross margin is calculated as gross profit as a percentage of revenue. In FY18 gross profit increased by £2.4 million to £31.4 million (FY17: £29.0 million). Gross margin in FY18 was 93.1%, a 30 bps improvement from FY17 at 92.8%.

Group EBITDA loss was £4.6 million (FY17: £11.8 million), a reduction of 61%. The improvement of £7.2 million reflects a £2.4 million increase in revenue and a reduction of £4.8 million in operating expenses.

EBITDA
The Group continued its operational transformation programme in FY18, with a focus on moving Tungsten Network's technology infrastructure into a cloud environment and rebuilding the core transaction processing system. The combination of these initiatives reduce technology costs by £1.8 million from FY18 onwards, with additional savings expected from lower expenditure on changing or enhancing systems. The result is a reduction in the cost to process each transaction by 25% and a significant improvement in processing times.

KEY PERFORMANCE INDICATORS

Total transaction volume m

17.7m

Year	m
2018	17.7
2017	17.1

Revenue per invoice £

£1.90

Year	£
2018	1.90
2017	1.82

Adjusted operating expenses £m

£36.0m

Year	£m
2018	36.0
2017	40.8

Average TNF outstandings £m

£43.3m

Year	£m
2018	43.3
2017	14.0

HIGHLIGHTS

Group revenue £m

Year	£m
2018	33.7
2017	31.3
2016[1]	25.9

Adjusted operating expenses[2] £m

Year	£m
2018	36.0
2017	40.8
2016[3]	40.1

Gross margin %

Year	%
2018	93.1
2017	92.8
2016	92.7

EBITDA[4] loss £m

Year	£m
2018	4.6
2017	11.8
2016[5]	16.2

1 Excludes £0.2m revenue from Tungsten Bank, now presented as discontinued operation.
2 Adjusted operating expenses defined as operating expenses from continuing operations excluding cost of sales and before depreciation, amortisation, exchange gain or loss, share-based payments charge and exceptional items.
3 Excludes £2.8m adjusted operating expenses of Tungsten Bank, now re-presented as discontinued operation.
4 EBITDA defined as earnings from continuing operations before other income, interest, tax, depreciation, amortisation, foreign exchange gain or loss, share-based payments charge and exceptional items.
5 Excludes £2.6m EBITDA loss from Tungsten Bank, now presented as discontinued operation.

CHIEF FINANCIAL OFFICER'S REVIEW CONT.

Constant currency

	Tungsten Network	Tungsten Network Finance	Corporate	Group
Revenue FY18	**£33.4m**	**£0.3m**	**–**	**£33.7m**
Revenue FY17	£31.1m	£0.2m	–	£31.3m
Change at constant exchange rate	9%	50%	n/a	9%
Change at actual exchange rate	8%	50%	n/a	8%
Cost of sales FY18	**(£2.3m)**	**–**	**–**	**(£2.3m)**
Cost of sales FY17	(£2.3m)	–	–	(£2.3m)
Change at constant exchange rate	4%	n/a	n/a	4%
Change at actual exchange rate	–	n/a	n/a	–
Adjusted operating expenses[1] FY18	**(£28.7m)**	**(£1.6m)**	**(£5.7m)**	**(£36.0m)**
Adjusted operating expenses[1] FY17	(£33.1m)	(£1.8m)	(£5.9m)	(£40.8m)
Change at constant exchange rate	(12%)	(11%)	(3%)	(6%)
Change at actual exchange rate	(13%)	(11%)	(3%)	(12%)
EBITDA[2] FY18	**£2.4m**	**(£1.3m)**	**(£5.7m)**	**(£4.6m)**
EBITDA[2] FY17	(£4.2m)	(£1.7m)	(£5.9m)	(£11.8m)
Change at constant exchange rate	157%	24%	3%	61%
Change at actual exchange rate	157%	24%	3%	61%

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

2 EBITDA exclude other income, interest, tax, depreciation, amortisation, foreign exchange gains or losses, discontinued operations, share-based payments charges and exceptional items.

Staff and contractor costs were reduced by £2.2 million to £24.6 million (FY17: £26.8 million). Staff costs have been managed across the business through the transfer of functions to lower cost locations and a reduction in permanent headcount in the technology team. Other costs were also reduced, including travel and expenses and the use of professional advisers.

As a result of some of the changes made to the business the Group incurred exceptional items of £2.4 million. They include onerous contracts in respect of replaced legacy technology of £1.1 million and a lease provision of £0.5 million, which represents the future amounts owed in respect of a former property in the United States, net of amounts due under a sub-lease signed in H2-FY18. The Group incurred restructuring costs due to contract termination and other redundancy costs of £0.6 million. Also included within exceptional items is the settlement of disputes 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.

Loss before tax:
The Group loss before tax from continuing operations was £12.7 million (FY17: loss of £12.7 million). This reflects:

- Depreciation and amortisation of £2.8m (FY17: £2.8m);
- Net foreign exchange loss on operating items of £1.5 million (FY17: gain £2.3 million). The comparative has been reclassified from finance income and finance costs to operating expenses as this loss relates to exchange differences generated on operating transactions;
- Share-based payment expense of £0.6m (FY17: £0.4m); and
- Net finance costs of £0.6 million (FY17: £0.1 million).

The net finance costs represented £0.2 million of net losses on the revaluation of intercompany loans to overseas subsidiaries (FY17: net gain of £0.6 million) plus £0.4 million of interest expenses and bank charges (FY17: £0.6 million).

Loss for the year:
The statutory Group loss for the year was £11.9 million (FY17: £12.5 million). A tax credit of £0.8 million (FY17: £0.4 million) includes a reduction of £0.5 million in the deferred tax liability relating to the acquisition of Tungsten Network.

Cash flow
Cash and cash equivalents at the end of FY18 were £6.4 million (FY17: £17.5 million).

FY18 Cash Flow	Group
Net cash outflow from operating activities	(£8.0m)
Net cash outflow from investing activities	(£7.6m)
Net cash inflow from financing activities	£4.3m
Net decrease in cash & cash equivalents	(£11.3m)
Exchange adjustments	£0.2m
Cash and cash equivalents at the start of the year	£17.5m
Cash and cash equivalents at the end of the year	**£6.4m**

The Group has an unrecognised deferred tax asset of approximately £14.8 million that is available for offset against future tax expenses in the companies in which losses arise.

The cash outflow from operating activities was £8.0 million (FY17: £10.9 million). This included:

- An outflow generated from operations of £5.8 million (FY17: £12.3 million)
- An outflow from trade and other receivables of £1.8 million (FY17: £0.2 million inflow)
- An inflow from trade and other payables of £0.03 million (FY17: £2.0 million outflow)
- Net interest paid of £0.4 million (FY17: £0.4 million)
- An inflow from discontinued operation £nil million (FY17: £3.6 million)

The outflow from trade and other receivables was primarily due to an increase in trade receivables of £1.5 million, reflecting the increase in revenue and in particular the timing of two new accounts payable automation sales at the end of the period.

The inflow from trade and other payables of £0.03 million reflects an increase in trade payables primarily resulting from capital projects undertaken over FY18.

The cash outflow from investing activities was £7.6 million (FY17: inflow of £25.4 million). The comparative includes an inflow from the sale of Tungsten Bank of £29.7 million, with the remaining variance primarily due to an increase in expenditure on capitalised software development costs to £7.2 million (FY17: £3.5 million). In FY18 Tungsten Corporation Plc increased its investment in its core transaction network, with rollout of Salesforce as a core tenet of internal systems and in its customer interfaces. The significant majority of this expenditure was on contractors engaged specifically for these projects on contracts that have now ended.

Tungsten Corporation Plc stopped using its own cash resources to finance Tungsten Network Early Payment invoices in FY18, resulting in an inflow of £4.3 million.

Loss per share
The basic and diluted loss per share was 9.45p (FY17: 9.91p).

Net assets
Net assets decreased by £9.9 million to £121.4 million during the year (FY17: £131.3 million) due to the Group's statutory loss of £11.9 million and currency translation differences of £1.4 million, offset by a movement in the share-based payment reserve of £0.6 million.

David Williams
Chief Financial Officer

23 July 2018

STRATEGIC REPORT

RISK MANAGEMENT

Tungsten Corporation Plc is proud to operate the world's largest compliant e-invoicing network and to be the trusted partner to hundreds of thousands of global enterprises.

Principal risks and uncertainties
Tungsten Corporation plc is proud to operate the world's largest compliant e-invoicing network and to be the 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.

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

The Audit & Risk 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 Corporation Plc 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 Corporation Plc's certification under both ISO 27001 (information security management) and ISAE 3402 (controls at a service organisation). The Security Committee is chaired by the Chief Financial Officer 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 Network considers these risks in accordance with the governance procedures set out on page 31.

Risk	Impact
Strategic	
Direction of change The Company is stable and is demonstrating progress in executing its business strategy.	
The business model fails to meet its strategic objectives.	• Failure to achieve targets for revenue, profit and earnings • Damage to reputation
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
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

RISK MANAGEMENT FRAMEWORK

Tungsten Network's customers and other stakeholders expect the highest standards of risk management. To facilitate this and evidence assurance, the risks from the risk register are discussed, debated and challenged, firstly by the Executive Committee and then by the Audit Committee before the principal risks are presented to the Board.

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 significant risks. This is not an exhaustive list of all the risks faced by the Company. Tungsten Network considers these risks in accordance with the governance procedures set out on page 31.

IDENTIFY
MEASURE
MANAGE
MONITOR
REPORT

Key risks and their likelihood

Low

1. Anti-fraud, bribery and corruption
2. Concentration on major customers
3. Failure of critical vendors

Stable

4. Compliance with local tax, legal and regulatory regimes
5. Political, including the impact of the UK leaving the EU
6. Commercial failure of products
7. Complexity of operational processes
8. Change to business execution
9. Retention of key personnel
10. Availability of sufficient liquidity to meet growth expectations

High

11. Data protection and cyber security including GDPR
12. IT system enhancements
13. Change to business execution

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

RISK MANAGEMENT CONT.

Risk	Impact
Technological & Operational	
Direction of change There are several multi-year projects to upgrade the underlying systems and infrastructure as well as improve operational processes. The majority have been completed, however, these changes 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.	
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
The 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
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
Tungsten Network processed 17.7 million transactions and over 5 million purchase orders in FY18 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
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

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
- 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

- 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

- 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. Only leading vendors are engaged

STRATEGIC REPORT

RISK MANAGEMENT CONT.

Risk	Impact
Financial	
Direction of change The level of financial risk facing Tungsten Network is stable as revenues have grown and losses decreased, reducing the cash requirements of the Group.	
Inability to finance the Group businesses	• Failure to continue in business or meet liabilities • Failure to meet our growth plans
Tungsten Network may be subject to non-payment by its customers.	• Failure to meet our growth plans. Ability to invest or develop • Litigation costs
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
People	
Direction of change There has been a high turnover of staff at all levels as a result of changes to the business strategy. Many new high calibre people have joined the Group, and continuous succession planning has resulted in a reduction in the level of risk	
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
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	
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.	• Financial loss as a result of restricted access to the markets • Damage to reputation. Regulatory censure • Increased compliance costs
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

Approval of the Strategic Report :

Richard Hurwitz
Chief Executive Officer

23 July 2018

Mitigation

- 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

- 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

- 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

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 as a result of the potential implications of non-compliance with the new GDPR regime rather than Tungsten's state of GDPR readiness.

- 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. Engaging with external advisers to assist in assessing Tungsten Network's readiness for the GDPR
  2. Established a cross-company steering and working group, led by our Compliance and Assurance team
  3. Leveraging our current industry best practices such as IS027001 certification and Cyber Essentials certifications, as part of readiness preparations for GDPR
  4. Acquiring the latest best-of-breed proportionate technology for data discovery and classification
  5. Training for all of our internal staff, including software development teams in secure coding and privacy through design
  6. Active program of rolling out GDPR compliant processes and policies
  7. 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

GOVERNANCE

//

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 and their importance and support to our strategic goals and long term success. The Company is listed on AIM and is therefore required from September 2018 to provide details of a recognised corporate governance code that the Board of directors have decided to apply. We have, since our admission to AIM in October 2013, measured our governance policies and structure against the Quoted Companies Alliance corporate governance code for small and mid-sized companies 2013 (the QCA Code) as we consider that the QCA Code is more applicable for small and mid-sized companies. We continue to apply this code and its replacement The QCA Corporate Governance Code that was published in April 2018 (the New QCA Code). We believe we apply the ten principles of the New 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.

Deliver growth
The Board has collective responsibility for setting the strategic aims and objectives of the Group. These growth aims are articulated in the CEO's statement in the 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 but is delivered throughout the Group.

Dynamic Management Framework
As Chairman, I consider the operation of the Board as a whole and the performance of the directors individually regularly. During FY17 we undertook a formal external Board evaluation process as part of our aim to seek continuous improvement as a Board. This process is described more fully in our governance report. As we have done with previous appointments to the Board, future appointments will consider diversity, including gender. Any such appointments must compliment the current balance of skills on the Board. We currently have a globally diverse board and workplace which reflects our customers and our markets.

Responsibility for the overall leadership of the Group and setting the Group's values and standards sits with the Board.

Build Trust
During the year Tungsten Corporation Plc has undertaken a number of investor relations activities. These include investor roadshows, participation at investor conferences and attending other events where investors have the opportunity to meet and talk to the Executive Directors. 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 June 2018 and will do so annually, as required by AIM Rule 26.

Nick Parker
Non-Executive Chairman

23 July 2018

OUR BOARD AND COMMITTEE STRUCTURE

Chairman

Nick Parker

Key objectives
Chairing the Board meetings, upholding the highest levels of integrity, probity and corporate governance.

Chief Executive Officer

Richard Hurwitz

Key objectives
Leadership, operation and governance of the Board, setting the agenda of the Board.

Tungsten Corporation Board of Directors

Nick Parker

Key objectives
Chairing the Board meetings, upholding the highest levels of integrity, probity and corporate governance.

Audit Committee

Chair: Peter Kiernan

Key objectives
Oversight and review of financial and operational risk management, audit and internal control issues.

See **pg 40**

Nomination and Remuneration Committee

Chair: Nick Parker

Key objectives
Oversight and review of Board and senior management appointments and succession planning.

See **pg 42**

Ad hoc Committees

Executive Committee

Key objectives
To focus on strategy, financial performance, succession planning, business growth, organisational development and support of Group-wide policies.

Business units and operational staff

OUR GOVERNANCE PRINCIPLES

LEADERSHIP

TRANSPARENCY

RESPECT

GOVERNANCE

BOARD OF DIRECTORS

Board sector experience

Governance

Technology

Financial

Marketing

Business development

Public sector

Committee key

A Audit Committee

NR Nomination and Remuneration Committee

Member

Chairman

Nick Parker
Non-Executive Director

Year appointed
2015

Key strengths
- Over 40 years' experience in corporate finance advisory roles
- Public sector strategy
- Start-up and turnaround experience

Previous experience
- PricewaterhouseCoopers LLC – Partner & various roles, 1968-2002
- Scottish Executive – Head of Performance & Innovation, 2004-2007
- Continental Farmers Group PLC – Chairman and Co-founder, 2001-2013
- Pension Insurance Corporation PLC – Co-founder and Director, 2006-2015
- The College of Optometrists – Trustee, 2000-2009
- Project Scotland – Trustee, 2005-2007
- European Academy of Optometrists – Treasurer, 2009-2012
- Tungsten Bank plc – Non-Executive Director

External commitments
- The Wastepack Group Limited – Non-Executive Director
- Cuvva Limited – Non-Executive Director
- Farmstar Polska (UK) Limited – Non-Executive Director
- Chimney Group AB – Non-Executive Director
- LIVR Limited – Non-Executive Director

Committee

A NR

Peter Kiernan
Senior Independent Director

Year appointed
2012

Key strengths
- 35 years' experience spanning investment banking and other professional services and as a Non-Executive Director

Previous experience
- Peat, Marwick, Mitchell & Co. – Chartered Accountant
- S.G. Warburg & Co. Ltd. – Director
- UBS Warburg – Managing Director
- Goldman Sachs – Managing Director
- Lazard – Managing Director and Head of UK Investment Banking
- Canaccord Genuity – Chairman of European Investment Banking
- Bell Pottinger – Senior Adviser
- Heidrick & Struggles, UK Board Practice – Senior Adviser

External commitments
- London First – Non-Executive Director
- Listrac Holdings Limited – Non-Executive Director
- OMERS Private Equity Europe – Senior Adviser
- Egon Zehnder – Senior Adviser

Committee

A NR

Richard Hurwitz
Chief Executive Officer

Year appointed
2015

Key strengths
- Proven track record of building and successfully exiting high growth companies
- Extensive experience and success with talent development
- General management and capital raising in the financial and technology industries globally
- Strategic transformations
- Private investment

Previous experience
- Pictometry International – Chief Executive Officer, 2010-2013
- Bancorp Services – Managing Partner and Chief Executive of the firm's Broker-Dealer 1996-2004
- Bridge Information Systems, (Europe) Senior Executive Officer and Head of non-US Institutional equity and derivatives trading. 1989-1996
- National Association of Corporate Directors Board Leadership Fellow.
- Chairman of the Compensation Committee Manning & Napier, Inc (NYSE:MN,) 2011-2015

External commitments
- Chairman of the Nominating and Governance Committee at Symbility Solutions (TSE.V:SY)

David Benello
Independent Non-Executive Director

Year appointed
2015

Key strengths
- Strong experience in the Industrial, High Tech/Telecom and Insurance sectors
- Wealth of knowledge in Strategy
- Experience in International Business

Previous experience
- Telecom Italia SpA – Lead Independent Director
- McKinsey & Company – Director Emeritus

External commitments
- V-Nova International Ltd - Chairman
- Telekom Malaysia – Independent Non-Executive Director
- Sirti SpA – Independent Non-Executive Director
- Association of International Certified Professional Accountants – Board Member
- King's College London Mathematics School – Chairman

Committee
A

Ian Wheeler
Independent Non-Executive Director

Year appointed
2015

Key strengths
- Over 25 years' industry experience
- Advisory roles in middle-market buyouts, growth buyouts and growth capital investment
- Proven experience in transactional platforms in the travel technology industry.

Previous experience
- Amadeus IT Group – Group Vice President of Marketing & Distribution and various

External commitments
- Travel Technology Firms (various) – Non-Executive Director
- Vitruvian Partners – Industry Advisor

Committee
NR

David Williams
Chief Financial Officer

Year appointed
2015

Key strengths
- Responsible at Tungsten for Finance, HR, Procurement, Facilities and Investor Relations
- Over 20 years' proven track record
- Strong financial control & reporting disciplines
- Executed significant organisational change and rationalisation programmes

Previous experience
- Ernst & Young – Corporate Finance
- FTI Consulting – Public & Private advisor
- Various – senior management roles

GOVERNANCE

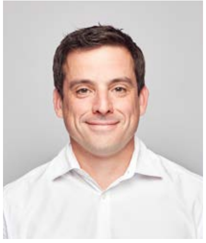
LEADERSHIP TEAM

Richard Hurwitz
Chief Executive Officer

As CEO of Tungsten Corporation Plc, Rick leads a high-performing team directing Tungsten Network's growth. Rick is also a member of Tungsten Corporation Plc's Board of Directors. Rick has 30 years of experience transforming operations and developing growth strategies for financial services and technology companies. Prior to Tungsten Network, he was CEO of Pictometry International, where he led a strategic transformation that positioned the firm for success in the changing geospatial industry. Previously, he was a partner at Aegis Investment Partners, a private investment firm, a Managing Partner with Bancorp Services and the CEO of Bridge Information Systems' European operations.

Patrick Clark
General Counsel

Patrick leads the legal and compliance function and also serves as Company Secretary for Tungsten Corporation Plc. Prior to joining Tungsten Network, Patrick was a Partner and Head of the UK Telecoms Practice at the law firm Taylor Wessing, specialising in providing commercial and regulatory advice to clients in the technology, media and telecoms sector. He also previously worked at Alcatel-Lucent as Lead Corporate Counsel for North Europe.



David Williams
Chief Financial Officer

David joined Tungsten Corporation in 2003 and is now CFO. David is also a member of Tungsten Corporation Plc's Board of Directors. At Tungsten, David is responsible for Finance, Human Resources, Procurement, Facilities and Investor Relations. Prior to joining Tungsten Network, David served as a finance executive with multiple firms. He also spent five years at FTI Consulting, advising organisations in both the public and private sector on corporate finance and restructuring. Previously, he was with the Corporate Finance division of Ernst & Young. David received his training as a Chartered Accountant while at Arthur Andersen and is a Fellow of the ICAEW.

Alec Holmes
Senior Vice President, Service Delivery

Alec joined the firm in 2001 and leads Tungsten Network's Service Delivery Team which includes Service Delivery Management, Campaign Management, Supplier Onboarding, Implementation and Support. Alec oversees teams in London, Atlanta, Kuala Lumpur and Sofia.

Connie O'Brien
Chief Marketing Officer

As CMO, Connie leads our Digital Command Centre and is responsible for the Tungsten Network brand and ensuring the firm is at the forefront of the digital transformation of the purchase-to-pay process, with a focus on how we engage with our customers through automated, scalable, dynamic and personalised experiences. Connie joined Tungsten Network from Affinion Group, an international membership and loyalty company where she was Chief Digital Officer. She has 30 years' experience positioning brands with over 20 of those years implementing marketing strategies for businesses, and has led campaigns for brands including GlaxoSmithKline, P&G, Kraft Foods, AXA, John Hancock, AT&T, Vonage and Verizon.

Guy Miller
Head of Corporate Development

Guy is responsible for building new products and services adjacent to our existing e-invoicing and invoice financing businesses. He is also responsible for other corporate development initiatives, and for M&A. Guy has significant experience in strategy, corporate development and M&A. Most of his career has been spent in investment banking, including two years with a leading independent corporate finance advisory firm preceded by eight years at Royal Bank of Scotland in financial institutions, capital markets and M&A. Guy had previously spent nine years at Citigroup and Schroders, a predecessor business, in a range of investment banking roles working with financial institutions and fintech firms. Immediately prior to joining Tungsten Network he was an advisor to a major private equity fund.

Martyn Arbon
Chief Technology Officer

As CTO, Martyn is responsible for delivering a fast, efficient, digital, end-to-end experience for our customers. Before joining Tungsten Network in 2018, Martyn held senior technical leadership roles at Oracle, StepStone, Lumesse and Investis. Starting his career as a software developer, Martyn brings detailed technical knowledge from both contributor and leadership perspectives, and over the last 15 years has led multi-disciplined and organisationally-dispersed technology teams.

Prabhat Vira
President, Tungsten Network Finance

Prabhat joined Tungsten Network in 2016 with responsibility for offering our clients innovative supply chain financing alternatives that utilise our data and technology. Prabhat brings to Tungsten Network deep trade finance expertise and broad global business experience. He joined from HSBC, where he was Global Head of Strategic Transformation (Trade & Receivables Finance), and, earlier, Regional Head of Trade & Receivables Finance. Previously, he held leadership roles in structured finance, commodities finance and corporate banking for Royal Bank of Scotland and ABN AMRO.

Kevin Wilbur
Senior Vice President, AP Automation

Kevin is responsible for the enterprise sales, account management, and implementation efforts that ensure our customers' success. With more than 25 years of experience of leading teams within fast paced, high growth, global technology and financial services companies, Kevin has strong insight into the power of electronic invoicing and procurement analytics to transform supply chains, and is responsible for the expansion of digital invoicing, workflow and analytics capabilities across Tungsten Network's global customer base.

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. The Board consists of six Directors: the Non-Executive Chairman, 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. Notwithstanding that Peter Kiernan holds LTIP Securities, the Board considers him to be independent in character and judgement he is accordingly the Senior Independent Director.

Details of each Director's experience and background are given in their biographies on pages 32 and 33. 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, pension industry, 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 and Remuneration Committee. Further details on the role of the Remuneration and Nomination Committee may be found on page 42.

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. 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.

Richard Hurwitz and Peter Kiernan will retire and stand for re-election at the next AGM. The Board considers that both Directors offering themselves for re-election continue to make a valuable contribution to the deliberations and continue 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

Senior Independent Director

Peter Kiernan 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 around 24 days per annum 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. An induction programme is provided for any Directors joining during the year. 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. Directors' induction.

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.

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.
A formal external Effectiveness Review of the Board and its Committees was undertaken during the year. Independent Audit were engaged to carry out the Board review.
The process took the format of a number of interviews by Independent Audit with each of the Directors individually and members of the Senior Management. Independent Audit also attended and observed a Board meeting and the meetings of the Board Committees. Independent Audit then presented their findings to the Board and facilitated a discussion around their findings.
Overall it was found that the Board had many strength's and were well placed to contribute to the Company's continued development.
A number of practical enablers were suggested to improve the efficiency of the meetings and to achieve a more consistently value-adding role. Further suggestions and actions included the need for diversity and succession planning as well as developing the senior management team further.

GOVERNANCE

COMPOSITION AND INDEPENDENCE OF THE BOARD CONT.

How the Board operates
The Board meets at regular intervals and met six 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 focussing 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.

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 below. In addition, there was one ad hoc Board meeting to approve a transactional issue called at short notice and four 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:

- Strategy presentations
- Presentations from various parts of the business
- Consideration of financing structures
- Approval of annual report and financial statements
- Review of Budget and Business Plan
- Going concern and cash flow
- Briefings and review of conflicts of interest
- Review of AGM business
- Outcomes from the External Board Evaluation
- Disclosure policy

Board meetings

	Board meetings	Audit Committee	Nomination and Remuneration Committee
Nick Parker	6/7	3/3	3/3
Richard Hurwitz	7/7	–	–
David Benello	7/7	3/3	–
Peter Kiernan	7/7	3/3	3/3
Danny Truell[1]	0/1	–	–
Ian Wheeler	6/7	–	2/3
David Williams	7/7	–	–

1 Resigned from the Board on 24 May 2017.

The Board Committees
There are two Board Committees, the Audit Committee and the Nomination and Remuneration Committee. These are 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, and its lawyers, Ashurst LLP, and Shepherd and Wedderburn LLP. As noted above, during the year it engaged Independent Audit to carry out an effectiveness review. The Board also uses the services of an external company secretarial provider, Prism Cosec.

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 24 to 29. 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.

Anti-fraud, bribery and corruption
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.

Whistleblowing
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.

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 21 September 2018. 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

Members of the Audit Committee
The Committee consists entirely of Non-Executive Directors. The Chairman, Peter Kiernan, has extensive financial experience and is a Chartered Accountant.

- Peter Kiernan (Chairman)
- David Benello
- Nick Parker

The Audit Committee meets as often as it deems necessary but in any case at least three times a year, with meetings scheduled at appropriate intervals in the reporting and audit cycle.

Although only members of the Committee have the right to attend meetings, standing invitations are extended to the Chief Financial Officer who attends meetings as a matter of practice. Other non-members generally attend all or part of any meeting as and when appropriate. The external auditors attend most meetings and also have the opportunity to meet in private with the Committee on each occasion. In addition, the Chairman of the Audit Committee has regular contact with the external auditors throughout the year, typically meeting at least once before each Audit Committee meeting.

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

- To monitor the integrity of the financial statements of the Company, including its annual and half-year reports
- To review and challenge where necessary any changes to, and consistency of, accounting policies, whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors, the going concern assumption and all material information presented with the financial statements
- To keep under review the effectiveness of the Company's internal control systems (including financial, operational and compliance controls and risk management) and to review and approve the statements to be included in the Annual Report concerning internal controls and risk management
- To review the adequacy of the Company's compliance, whistleblowing and procedures for detecting fraud
- To consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the Company's external auditors
- To oversee the relationship with the external auditors including approval of their remuneration, approval of their terms of engagement, annual assessment of their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services
- To meet regularly with the external auditors and at least once a year, without any Executive Director or other member of management present to discuss any issues arising from the audit
- To review and approve the Audit Plan and review the findings of the audit

The main activities of the Audit Committee during the year
The principal areas of focus for the Committee included the following items:

- Review of the audit plan, process and scope
- Review of internal controls and risk and risk matrix process
- Review of significant issues from the audit report
- Going concern and impairment review
- Approval of management representation letter
- Review of the independence of the Auditors, review of Auditors' fees and engagement letter
- Review of the Group's Insurance programme
- Annual review of the Audit Committee Terms of Reference

Role of the external auditors

The Audit Committee monitors the relationship with the external auditors, PricewaterhouseCoopers LLP, to ensure that auditors' independence and objectivity are maintained. As part of its review the committee monitors the provision of non-audit services. The engagement of the external audit firm to provide non-audit services to the Group can impact on the independence assessment, and the Group has a policy for the approval of any such non-audit services. The policy specifies services which cannot be carried out by the external auditors and sets the framework within which non-audit services may be provided. All requests to utilise the external auditors for non-audit services must be reviewed by the Finance Director and, above a certain limit, must be approved by the Audit Committee. The breakdown of fees between audit and non-audit services is provided in Note 8. The Committee also has a formal policy on its responsibilities in relation to the external auditors. This policy includes recommendations on appointment, tendering, scope and remuneration as well as the assessment of external auditors' independence. The PricewaterhouseCoopers audit partner was rotated for the year ended 30 April 2015.

The Committee assesses the independence of the external auditors and the effectiveness of the external audit process before making recommendations to the Board in respect of their appointment or reappointment.

In assessing independence and objectivity, the Committee considers the level and nature of services provided by the external auditors' as well as the confirmation from the external auditors that it has remained independent within the meaning of the APB Ethical Standards of Auditors.

The Committee's assessment of the external auditors' independence took into account the non-audit services provided during the year. The Committee concluded that the nature and extent of the non-audit fees did not compromise the independence of the auditors.

Having reviewed the auditors' independence and performance the Audit Committee is recommending that PricewaterhouseCoopers LLP be reappointed as the Company's auditors at the next Annual General Meeting.

Internal audit

Following a review by the Audit Committee in the context of the sale of Tungsten Bank, it was concluded that an internal audit function is not necessary at this time.

Audit process

The external auditors prepare an Audit Plan for their review of the full year and half year financial statements. The Audit Plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following their review the auditors presented their findings to the Audit Committee for discussion. Significant issues considered by the Audit Committee from the audit process included impairment of goodwill and intangible assets and going concern.

Peter Kiernan
Chairman of the Audit Committee

23 July 2018

GOVERNANCE

NOMINATION AND REMUNERATION COMMITTEE REPORT

Members of the Nomination and Remuneration Committee
The Committee consists of Non-Executive Directors as follows:
- Nick Parker (Chairman)
- Peter Kiernan
- Ian Wheeler

The Committee meets at least five (5) times a year and at such other times during the year as is necessary to discharge its duties. Although only members of the Committee have the right to attend meetings, other individuals, such as the Chief Executive and external advisers, may be invited to attend for all or part of any meeting.

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

Remuneration:
- 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

Nomination:
- 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 and Remuneration Committee during the year
- Consideration of Executive Directors' bonuses and criteria for the year and review MBO outcomes
- Review of Executive Directors' remuneration
- Approval of award of shares under the Company share option plans schemes
- Preparation for review of total remuneration packages of the Executive Directors
- 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
- Review of Board composition for Group companies
- Report from the external advisers conducting the Board effectiveness review

Diversity
The Group has in place anti-discrimination policies and encourages the promotion of women into senior management positions. This will widen the pool of executives from which to make senior appointments. 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.

Nick Parker
Chairman of the Nomination and Remuneration Committee

23 July 2018

GOVERNANCE

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 Nomination and Remuneration Committee
The Board has delegated certain responsibilities for executive remuneration to the Nomination and Remuneration Committee. Details of the Nomination and Remuneration Committee, its remit and activities are set out on page 42.

The Nomination and 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 formulating remuneration policy for the Executive Directors the Nomination and 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.

Executive Directors
Current components of the Executive Directors remuneration are base salary, annual bonus and share-based incentive schemes.

Base salary
Base salary is reviewed annually by the Remuneration Committee. There was no increase in salary for 2017 or 2018.

Annual 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 Directors 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.

Other benefits
A range of benefits may be provided including private medical insurance, life assurance, long term disability insurance, general employee benefits and travel and related expenses. The Nomination and Remuneration Committee also retains the discretion to offer additional benefits as appropriate, such as assistance with relocation, tax equalisation and overseas tax advisory fees.

Service agreements and termination payments
Details of the Executive Directors' service agreements are set out below.

Director	Date of contract	Unexpired term	Notice period by Company	Notice period by Director
Richard Hurwitz	1 January 2016	Rolling contract	6 months	6 months
David Williams	17 March 2015	Rolling contract	12 months	6 months

Richard Hurwitz's executive service agreement provides that in the event that either (i) the Company terminates his service contract without cause, or (ii) he resigns within six months of a change of control, he will be entitled to receive 18 months' salary and bonus.

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

Terms of appointment

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

Director	Date of letter of appointment	Term	Notice
David Benello	24 September 2015	12 months	N/A
Peter Kiernan	16 October 2014	12 months	N/A
Nick Parker	13 May 2015	12 months	N/A
Ian Wheeler	24 September 2015	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

Director	Base salary £'000	Annual performance bonus[1] £'000	Pensions £'000	Benefits in kind £'000	Expatriate costs £'000	**Total FY2018 £'000**	Total FY2017 £'000
Executive Directors							
Richard Hurwitz[2]	411	418	41	15	404	**1,289**	945
David Williams	210	60	19	2	–	**291**	236
Non-Executive Directors							
David Benello[3]	65	–	–	–	–	**65**	60
Peter Kiernan	80	–	–	–	–	**80**	80
Nick Parker	100	–	–	–	–	**100**	138
Ian Wheeler[3]	65	–	–	–	–	**65**	60
Danny Truell	15	–	–	–	–	**15**	60

Notes:
1 Bonuses paid in FY18 relates to performance in FY17. Bonuses for FY18 performance will be paid in FY19.
2 Remuneration consists of:
   a. Base salary: $550,000, translated to £411,000 in FY18 (£424,000 in FY17)
   b. Annual performance bonus of up to 100% of base salary: £418,000 in FY18 (£339,000 in FY17)
   c. Pension contribution at 10% of base salary: £41,000 in FY18 (£43,000 in FY17)
   d. Benefits in kind: Health care, £15,000 in FY18 (£16,000 in FY17); and
   e. Expatriate costs: £404,000 in FY18 (£123,000 in FY17). FY18 expatriate costs comprise accommodation, flights and travel and tax equalisation costs. Tax equalisation costs for the period were £312,000 and were higher in FY18 than in previous years due to timing of tax payments on share award made in January 2016. In addition, a significant element of this amount will be recovered in future tax periods. Accordingly, equalisation costs will reduce for FY19 and subsequent years.
3 Annual fee of £60,000 unchanged from FY17 to FY18. £65,000 received in FY18 due to the timing of payments in the year.

Share option schemes (audited)

Awards held as at Director	Number of options held as at 1 May 2017	Awards granted during the year	Date of grant	Option price	Awards exercised during the year	Balance as at 30 April 2018	Vesting and exercise period
Rick Hurwitz	1,190,000	400,000	3 August 2017	58.6p	Nil	1,590,000	See below
David Williams	430,000	200,000	3 August 2017	58.6p	Nil	630,000	See below

The Company's UK Scheme and US Plan, further described on page 76 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.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT continued

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

Director	Number of ordinary shares held on 1 May 2017	Acquired/disposed during the year	Number of ordinary shares held on 30 April 2018	Percentage of issued share capital is issue on 30 April 2018
Executive Directors				
Richard Hurwitz	714,000	–	714,000	0.57%
David Williams[1]	103,200	–	103,200	0.08%
Non-Executive Directors				–
David Benello[2]	250,000	–	250,000	0.2%
Nick Parker[2]	800,000	–	800,000	0.63%
Peter Kiernan	194,699	–	194,699	0.15%
Danny Truell	1,247,802	–	1,247,802	0.99%
Ian Wheeler	–	–	–	–

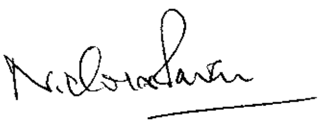
1 Represents 3,200 shares held by his son and 100,000 shares held in his SIPP.
2 Shares held in respective SIPPs.

LTIP
Pursuant to the LTIP, in FY2013 Peter Kiernan, along with certain former Directors and other individuals, acquired interests in the B ordinary shares (the 'LTIP Shares') and C ordinary shares (the 'LTIP Securities') of Tungsten Corporation Guernsey Limited, a subsidiary of the Company.

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

The 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.

Director	Number of shares held as at 1 May 2017	Acquired/ (disposed) during the year	Number of shares held as at 30 April 2018
David Benello	–	–	–
Richard Hurwitz	–	–	–
Peter Kiernan	72,915	–	72,915
Nick Parker	–	–	–
Ian Wheeler	–	–	–
David Williams	–	–	–
Danny Truell	526,400	–	526,400



Nick Parker
Chairman of the Nomination and Remuneration Committees

23 July 2018

DIRECTORS' REPORT

The Directors of Tungsten Corporation Plc present their report for the year ended 30 April 2018. Particulars of important events affecting the Company and its subsidiaries and likely future developments may be found in the strategic report on pages 24 to 29.

Directors
Biographical details of the Directors currently serving on the Board and their dates of appointment are set out on pages 32 and 33.

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
Rick Hurwitz	David Benello
David Williams	Peter Kiernan
	Nick Parker
	Danny Truell[1]
	Ian Wheeler

1 Resigned from the Board 24 May 2017.

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 New 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 2018 are set out in the consolidated income statement on page 55. The Company has no distributable reserves to declare a dividend for the year ended 30 April 2018.

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, with a value equal to 15% of the increase in the actual market capitalisation of Tungsten since admission, subject to:
  1. The value of Tungsten 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
- Richard Hurwitz's executive service agreement provides that in the event that he resigns within six months of a change of control he will entitled to receive 18 months' salary and bonus

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 17 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 2018, there were 126,069,397 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.

GOVERNANCE

DIRECTORS' REPORT continued

Authority to purchase own shares
The Company was authorised by shareholder resolution at the 2017 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 2018 is set out in the Directors' Remuneration Report on pages 44 to 46.

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 19 July 2018, the latest practicable date prior to publication, Tungsten 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 19 July 2018, and other notifications to the Company. For clarity, shareholdings are shown separately from holdings in financial instruments, where disclosed.

	Shareholdings as at 19 July 2018		Financial instruments notified		Total	
	Shares	%	Number[1]	%	Holdings	%
Odey Asset Management	18,470,234	14.65	939,314[2]	0.74	19,409,548	15.39
Mr Edmund Truell[3]	15,717,599	12.47	–[4]	–	15,717,599	12.47
Indus Capital Partners	10,497,278	8.33	761,174[5]	0.60	11,258,452	8.93
Artemis Investment Management	8,110,000	6.43	–	–	8,110,000	6.43
AXA Investment Management (Paris and London)[6]	7,639,606	6.06	–	–	7,639,606	6.06
Hadron Capital	6,816,485	5.41	–	–	6,816,485	5.41
TBF Global Asset Management	4,929,688	3.91	–	–	4,929,688	3.91
Invesco Perpetual Asset Management	4,655,349	3.69	–	–	4,655,349	3.69
Majedie Asset Management	4,019,212	3.19	–	–	4,019,212	3.19

1 Total voting rights, or share equivalent.
2 969,314 shares equivalent held via CFD's, reported to the Company on 6 June 2018.
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. The Company has subsequently made requests under section 793 of the Companies Act 2006 to both DCIL and EFH in relation to the Loan Shares. In response to such request, 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. EFH has confirmed that it currently only holds 254,318 of the Loan Shares, although DCIL has a contractual right to re-acquire 6,000,000 equivalent shares in the Company from EFH on maturity of the Loan Facility.
5 761,174 share equivalent held via swaps, expiring on 17 May 2018, reported to the Company on 5 May 2018. Included for full disclosure, as no subsequent update notified to the Company.
6 AXA London shareholding 5,239,606 (4.16%), AXA Paris 2,400,000 (1.90%) holdings combined for purposes of this table.

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 22 to the financial statements and in the managing Group Principal Risks and Uncertainties Section on pages 24 to 29.

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
PricewaterhouseCoopers LLP has expressed their willingness to continue in office as auditors and a resolution seeking to reappoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting
The Company's Annual General Meeting will be held at 2pm on 21 September 2018 at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA. 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

23 July 2018

GOVERNANCE

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;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group;
- financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, business model and strategy.

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.

Patrick Clark
General Counsel and Company Secretary

23 July 2018

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 2018 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, which comprise: the group and parent company statements of financial position as at 30 April 2018; the group income statements and statements of comprehensive income, the group and parent company statements of cash flows, and the group and parent company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

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: £727,500 (2017: £952,000), based on 5% of 3 years' average loss before tax from continuing operations. • Overall parent company materiality: £660,500 (2017: £940,000), based on 1% of total assets.
Audit scope	• Five financially significant components audited by one central team in London. • Obtained 88% coverage of the revenue balance. • Obtained 100% coverage of the goodwill balance.
Key audit matters	• Impairment of goodwill and indefinite life intangible assets for the Group (Group). • Directors' going concern assessment for the Group and parent company (Group and 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.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT
continued

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and indefinite life intangible assets for the 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 perpetuity growth rate. The total amount of goodwill and indefinite life intangible assets on the Group balance sheet as at 30 April 2018 is £123.4m. The trading performance of the Group was lower than expected during the year ended 30 April 2018, and in addition the share price at the year end meant that market capitalisation was significantly lower than the net assets of the Group. 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 the 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; Challenged management over the reasonableness of the key assumptions inherent in the model; Agreed information, in particular forecast financial information, to budgets and forecasts approved by senior management; and Used a valuations expert to assess the appropriateness of the discount rate assumption. We also performed sensitivity analysis around the key drivers of the cash flow forecasts, 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 in the directors' assessment.
Directors' going concern assessment for the Group and parent company As stated in note 2 to the consolidated financial statements, the Group and parent 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. In the year to 30 April 2018 the business continued to be loss-making and the trading performance of the Group was lower than expected. On 20 July 2018 management negotiated new additional funding through a £4m revolving credit facility with HSBC which management concluded will allow the business to continue to operate for a minimum of 12 months from the approval of these financial statements.	We evaluated the directors' assessment of going concern, including the associated forecast future cash flows based on the most recent approved budgets and forecasts. Our work included the following: • read management's paper to the Board in support of the going concern basis of preparation. • assessed the appropriateness of the Group's cash flow forecasts in light of the accuracy of previous forecasts against actual results. • considered the nature of the mitigating actions that management could take in order to improve cash flow to check that they were within management's control. • sensitised the forecasts using a revenue forecast lower than currently budgeted. • examined the terms of the £4m revolving credit facility. We did not identify any issues with management's key assumptions based on our examination of supporting evidence. Our conclusions in respect of going concern are set out below.

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 Network Limited (UK), Tungsten Network Finance Limited (UK), Tungsten Corporation plc (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 group materiality	£727,500 (2017: £952,000).	660,500 (2017: £940,000).
How we determined it	5% of 3 years' average loss before tax from continuing operations.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, a 3 years' 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 which 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 £385,000 and £660,500. 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 £36,300 (Group audit) (2017: £47,600) and £33,000 (Parent company audit) (2017: £47,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which 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.

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.

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.

INDEPENDENT AUDITORS' REPORT
continued

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 2018 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 50, 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

23 July 2018

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000
Revenue	4	**33,663**	31,269
Operating expenses	5	**(45,746)**	(43,917)
Operating loss		**(12,083)**	(12,648)
EBITDA[1]		**(4,647)**	(11,784)
Depreciation and amortisation	5	**(2,813)**	(2,801)
Foreign exchange (loss)/gain		**(1,547)**	2,342
Share based payment expense	6	**(647)**	(405)
Exceptional items	7	**(2,429)**	–
Operating loss		**(12,083)**	(12,648)
Finance income	9	**1,864**	3,022
Finance costs	9	**(2,468)**	(3,068)
Net finance costs		**(604)**	(46)
Loss before taxation		**(12,687)**	(12,694)
Taxation	10	**768**	433
Loss for the year from continuing operations		**(11,919)**	(12,261)
Loss for the year from discontinued operation		**–**	(230)
Loss for the year		**(11,919)**	(12,491)

Loss per share from continuing and discontinued operations attributable to the equity holders of the parent during the year (expressed in pence per share):

	Note	2018	2017
Basic and diluted			
From continuing operations	11	**(9.45)**	(9.73)
From discontinued operation	11	**–**	(0.18)
		(9.45)	(9.91)

1 EBITDA is calculated as earnings before other income, interest, tax, depreciation and amortisation, foreign exchange gain or loss, share based payment expense and exceptional items

The notes on pages 60 to 81 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000
Loss for the year	**(11,919)**	(12,491)
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**1,423**	(2,709)
Total comprehensive loss for the year	**(10,496)**	(15,200)

Items in the statement above are disclosed net of tax.

The notes on pages 60 to 81 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Assets			
Non-current assets			
Intangible assets	12	**123,397**	118,452
Property, plant and equipment	13	**2,646**	1,856
Trade and other receivables	14	**464**	469
Total non-current assets		**126,507**	120,777
Current assets			
Trade and other receivables	14	**10,320**	8,790
Invoice receivables	15	**2**	4,304
Cash and cash equivalents	16	**6,418**	17,498
Total current assets		**16,740**	30,592
Total assets		**143,247**	151,369
Capital and reserves attributable to the equity shareholders of the parent			
Share capital	17	**553**	553
Share premium	17	**188,794**	188,794
Merger reserve		**28,035**	28,035
Shares to be issued	18	**3,760**	3,760
Share-based payment reserve		**6,442**	5,815
Other reserve		**(7,541)**	(8,964)
Accumulated losses		**(98,582)**	(86,663)
Total equity		**121,461**	131,330
Non-current liabilities			
Deferred taxation	10	**2,110**	2,630
Provisions	19	**1,459**	–
Total non-current liabilities		**3,569**	2,630
Current liabilities			
Trade and other payables	20	**8,857**	9,529
Provisions	19	**759**	–
Deferred income	21	**8,601**	7,880
Total current liabilities		**18,217**	17,409
Total liabilities		**21,786**	20,039
Total equity and liabilities		**143,247**	151,369

The notes on pages 60 to 81 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 55 to 81 were authorised for issue by the Board of Directors on 23 July 2018 and were signed on its behalf by:

Richard Hurwitz
Chief Executive Officer

David Williams
Chief Financial Officer

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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
Currency translation differences	–	–	–	–	–	1,423	–	1,423
Loss for the year	–	–	–	–	–	–	(11,919)	(11,919)
Balance as at 30 April 2018 excluding transactions with owners	553	188,794	28,035	3,760	5,815	(7,541)	(98,582)	120,834
Transaction with 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

Year ended 30 April 2017

	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 2016	553	188,794	28,035	3,760	5,419	(6,255)	(74,172)	146,134
Currency translation differences	–	–	–	–	–	(2,709)	–	(2,709)
Loss for the year	–	–	–	–	–	–	(12,491)	(12,491)
Balance as at 30 April 2017 excluding transactions with owners	553	188,794	28,035	3,760	5,419	(8,964)	(86,663)	130,934
Transaction with owners								
Share based payment expense	–	–	–	–	396	–	–	396
Transactions with owners	–	–	–	–	396	–	–	396
Balance as at 30 April 2017	553	188,794	28,035	3,760	5,815	(8,964)	(86,663)	131,330

The notes on pages 60 to 81 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000
Cash flows from operating activities			
Loss before taxation from continuing operations		**(12,687)**	(12,694)
Loss before taxation from discontinued operation		**–**	(230)
Adjustments for:			
Depreciation and amortisation	5	**2,813**	2,801
Decrease/(increase) in provision of trade receivables	14	**271**	(262)
Finance costs	9	**2,468**	3,068
Finance income	9	**(1,864)**	(3,022)
Foreign exchange loss/(gain)	4	**1,547**	(2,342)
Share based payment expense	18	**647**	405
Provision for onerous contracts and legal fees	19	**1,014**	–
Cash used in operations		**(5,791)**	(12,276)
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(1,796)**	268
Increase/(decrease) in trade and other payables		**30**	(2,039)
Net interest paid		**(394)**	(428)
Discontinued operation		**–**	3,615
Net cash outflow from operating activities		**(7,951)**	(10,860)
Cash flows from investing activities			
Capitalisation of software development costs	12	**(7,223)**	(3,570)
Purchases of other intangibles	12	**(70)**	(503)
Purchases of property, plant and equipment	13	**(330)**	(266)
Discontinued operations		**–**	29,713
Net cash (outflow)/inflow from investing activities		**(7,623)**	25,374
Cash flows from financing activity			
Decrease/(increase) in invoice receivables		**4,302**	(4,304)
Net cash inflow/(outflow) from financing activity		**4,302**	(4,304)
Net (decrease)/increase in cash and cash equivalents		**(11,272)**	10,210
Cash and cash equivalents at start of the year		**17,498**	27,023
Exchange adjustments		**192**	865
Cash and cash equivalents including cash held in disposal group at the end of the year		**6,418**	38,098
Cash held in the disposal group		**–**	(20,600)
Cash and cash equivalents at the end of the year	16	**6,418**	17,498

The notes on pages 60 to 81 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

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.

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 (IFRS IC) interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements have been prepared on a going concern basis. Further detail is included within the Report of the Directors.

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

Comparative figures have been reclassified to conform with the current year's presentation so that they appropriately reflect the nature of the balances and transactions.

In particular foreign exchange gains of £3.4 million and foreign exchange losses of £1.1 million have been reclassified respectively from finance income and finance expenses to operating expenses as they relate to exchange differences generated on operating transactions.

(b) New standards, amendments and interpretations adopted:

The accounting policies adopted are consistent with those of the previous financial year. There were no new IFRSs or interpretations, effective for the first time for the year beginning on or after 1 May 2017, have had a material impact on the group or parent company.

(c) New standards, amendments and interpretations issued but not yet effective in 2017/18 and not early adopted:

As at the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The group has not applied these standards and interpretations in the preparation of these financial statements.

- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' on depreciation and amortisation;
- Amendment to IAS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures';
- IFRS 15 'Revenue from contracts with customers';
- IFRS 9 'Financial instruments';
- Amendments to IFRS 9, 'Financial instruments', regarding general hedge accounting;
- Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative; and
- IFRS 16 'Leases'.

The Group has adopted IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments as of 1 May, 2018 (mandatory application), with full retrospective application.

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 standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted. Tungsten has carried out a review of existing contractual arrangements as part of the implementation process. The directors anticipate there will be no material impact for revenue, based on the outputs of that contract review in the context of IFRS 15's five step revenue recognition model. Under the existing accounting policy, revenue is recognised in the period in which the customer transacts. The classification and measurement of revenue is largely unchanged following the adoption of IFRS 15. No material impact on profit for future periods is expected.

IFRS 9 'Financial Instruments'. This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income, not recycling. An expected credit losses model replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there are no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright-line hedge effectiveness tests. To qualify for hedge accounting, it requires an economic relationship between the hedged item and hedging instrument, and for the 'hedged ratio' to be the same as the one that management actually uses for risk management purposes. Contemporaneous documentation is still required, but it is different from that currently prepared under IAS 39. There is an accounting policy choice to continue to account for all hedges under IAS 39. IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. The classification and measurement basis for the Group's financial assets and liabilities is largely unchanged by adoption of IFRS 9. No material impact on profit for future periods is expected.

2. Accounting policies continued

(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 that are recognised in assets are also eliminated.

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

(e) Revenue services rendered

Revenue is the total amount receivable by the Group for services provided less VAT and trade discounts.

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 deferred revenue to be recorded.

Revenue is recognised as follows:

Transaction fees are recognised in the period in which the customer transacts. If there is evidence that transactions sold will never be utilised, the revenue is recognised immediately in the income statement.

Initial fees, annual subscriptions and income from other e-invoicing related services are recognised over the period that the service is provided.

Deferred revenue is recognised to the extent that revenue has been invoiced to customers but not recognised in accordance with the above. Deferred revenue is discounted where the time value of money is material.

(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 profit or loss with a corresponding credit to share option reserve. Cash-settled share-based payments are recognised as an expense in profit or loss with a corresponding credit to liabilities.

(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 dates of the transactions. 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'.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Accounting policies continued
(g) Foreign currency translation continued
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:

	Closing rates		Average rates	
	As at 30 April 2018	As at 30 April 2017	**As at 30 April 2018**	As at 30 April 2017
United States Dollar	**1.3776**	1.2949	**1.3411**	1.2877
Euro	**1.1357**	1.1883	**1.1295**	1.1816
Mexican Peso	**25.6437**	24.3665	**24.7332**	24.9938
Bulgarian Lev	**2.2212**	2.3224	**2.2089**	2.3119
Malaysian Ringgit	**5.3998**	5.6233	**5.5080**	5.4841
Swiss Franc	**1.3604**	1.2883	**1.2974**	1.2782

(h) Finance income and costs
Finance costs comprise interest payable on borrowings, interest expense on unwinding of discount on deferred income, direct issue costs and foreign exchange losses. Finance income comprises interest receivable on funds invested, and foreign exchange gains. 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 and size are separately disclosed on the face of the consolidated income statement.

(j) Current and deferred income tax
Income tax for the years presented comprises current and deferred tax. Income tax is recognised in profit or loss 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 substantially 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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

2. Accounting policies continued

(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. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in the income statement. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

(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 liability and finance charges. The corresponding rental obligations, net of finance charges, 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 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
- Fixtures and fittings: 25% on cost
- Computer equipment: 20% to 50% on cost

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

(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 profit or loss.

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.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Accounting policies continued
(m) Intangible assets continued
Non-financial assets purchased or 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:

	Estimated useful lives (years)
Customer relationships	20
IT platform	5-7

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, which does not exceed seven 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 instruments
Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, 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.

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.

Investments in debt and equity securities
Investments in debt and equity securities are stated at amortised cost less impairment. Financial instruments held for trading or designated upon initial recognition are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the other reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

2. Accounting policies continued

(n) Financial instruments continued

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.

Derivative financial instruments and hedging

At 30 April 2018 and 30 April 2017, the Group had no derivatives in place for cash flow hedging purposes.

(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 and other receivables are stated initially at fair value and subsequently at their amortised cost less provision for impairment. A provision for impairment of receivables is recognised when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The movement in the provision from the previous reporting period is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited against 'operating expenses' in the consolidated income statement.

(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) Share capital

Ordinary shares are classified as equity.

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 deferred revenue to be recorded.

Going concern

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.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3. Critical accounting estimates and judgements continued

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.

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).

4. Segment report

Management have determined the operating segments based on the operating reports reviewed by the Board of Directors that are used to assess both performance and strategic decisions. Management has identified that the Board of Directors is the Chief Operating Decision Maker (CODM).

The Board of Directors 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 overheads and general corporate costs). Intersegment revenue from management fees and other intersegment charges are eliminated below.

Year ended 30 April 2018

	Tungsten Network £'000	Tungsten Network Finance £'000	Corporate £'000	Total £'000
Segment revenue	33,321	342	–	33,663
EBITDA[1] – excluding non-cash share based payment expense	2,340	(1,300)	(5,687)	(4,647)
EBITDA[1] – including non-cash share based payment expense	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)**
Capital expenditure	7,492	–	122	7,614
Total assets	138,039	852	4,356	143,247
Total liabilities	16,339	223	5,224	21,786

1 EBITDA is calculated as earnings before other income, interest, tax, depreciation and amortization, foreign exchange gain or loss, share based payment expense and exceptional items

4. Segment report continued
Year ended 30 April 2017

(Excluding discontinued operation)	Tungsten Network £'000	Tungsten Network Finance £'000	Corporate £'000	Total £'000
Segment revenue	31,117	152	–	31,269
EBITDA – excluding non-cash share based payment expense	(4,251)	(1,682)	(5,851)	(11,784)
EBITDA – including non-cash share based payment expense	(4,251)	(1,682)	(6,256)	(12,189)
Depreciation, amortisation and impairment	(1,409)	(93)	(1,299)	(2,801)
Foreign exchange gain/(loss)	2,559	39	(256)	2,342
Share based payment expense	–	–	(405)	(405)
Finance income	1,869	43	1,110	3,022
Finance costs	(2,239)	(284)	(545)	(3,068)
Loss before taxation	**(3,471)**	**(1,977)**	**(7,246)**	**(12,694)**
Income tax credit				433
Loss for the year from continuing operations				**(12,261)**
Loss for the year from discontinued operation				(230)
Loss for the year				**(12,491)**
Capital expenditure	3,737	–	602	4,339
Total assets	133,849	5,064	12,456	151,369
Total liabilities	14,960	460	4,619	20,039

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 2018 £'000	Year ended 30 April 2017 £'000
United Kingdom	**16,737**	14,712
United States of America	**14,361**	14,273
Rest of Europe	**1,510**	1,320
Malaysia	**1,055**	964
Total	**33,663**	31,269

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 2018 £'000	As at 30 April 2017 £'000
United Kingdom	**122,235**	115,715
United States of America	**4,112**	4,996
Malaysia	**160**	66
Total	**126,507**	120,777

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. Operating expenses

	Note	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000
Staff costs	6	**19,645**	20,720
Professional support		**6,659**	7,821
Office accommodation and services		**2,411**	2,331
IT costs		**4,069**	5,830
Marketing costs		**2,154**	2,598
Travel and entertainment		**1,262**	1,703
Exceptional items	7	**2,429**	–
Amortisation	12	**2,075**	2,451
Depreciation	13	**738**	350
Foreign exchange loss/(gain)		**1,547**	(2,342)
Other operating expenses		**2,757**	2,455
Total operating expenses		**45,746**	43,917

6. Employee benefit expenses

	Note	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000
Wages and salaries		**16,342**	17,495
Social security costs		**1,509**	1,701
Other pension costs		**1,147**	1,119
Share based payments	24	**647**	405
Total employee benefit expenses	5	**19,645**	20,720

	Year ended 30 April 2018	Year ended 30 April 2017
Number of employees		
The average monthly number of people employed:		
Tungsten Network	**299**	294
Tungsten Network Finance	**13**	14
Corporate	**19**	19
Total average headcount	**331**	327

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

7. Exceptional items

	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000
Provision for onerous contracts	**1,587**	–
Restructuring costs	**592**	–
Loan notes	**250**	–
Total exceptional items	**2,429**	–

The Group incurred a number of exceptional items during the year as a result of the restructuring of the Group.

They are mainly technology contract termination costs of £1.1 million, onerous lease provision of £0.5 million which reflects future amounts owed on a property in the US, restructuring costs due to contract termination and other redundancy costs.

A three-year loan note of £0.25 million was issued in March 2018 as a settlement of disputes between the Company, Disruptive Capital Advisory Limited ("DCAL") and the Company's former Chief Executive Officer Edmund Truell. DCAL has the option to convert the loan note to 373,134 shares in Tungsten, calculated using the share price of £0.67 per share on 16 March 2018, the date of agreement. Although the option should be fair valued to determine the best estimate of the liability, given the share price of £0.59 as at 30 April 2018 and that DCAL did not exercise the option at the reporting date, a liability of £0.25 million has been recognised.

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 2018 £'000	Year ended 30 April 2017 £'000
Audit of the parent company and the consolidated accounts	**75**	43
Audit of the subsidiaries financial statements	**86**	86
Audit-related assurance services	**33**	32
Taxation compliance services	**69**	79
E-invoicing/archiving support	**322**	199
All other non-audit services	**152**	65
Total auditors' remuneration	**737**	504

9. Finance income and costs

	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000
Finance income		
Interest income on short-term deposits	**9**	4
Foreign exchange gains on financing activities	**1,855**	3,018
Total finance income	**1,864**	3,022
Finance costs		
Interest expense and bank charges	**(403)**	(642)
Foreign exchange losses on financing activities	**(2,065)**	(2,426)
Total finance costs	**(2,468)**	(3,068)
Net finance costs	**(604)**	(46)

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10. Taxation

Income tax comprises the following:

	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000
Current tax		
Research and Development tax credits	**(267)**	(284)
Deferred tax		
Origination and reversal of temporary differences	**(501)**	(149)
Total income tax credit for tax year	**(768)**	(433)

Tax credit reconciliation		
Loss before tax	**(12,687)**	(12,924)
Loss before tax multiplied by the rate of corporation tax in the UK 19%	**(2,411)**	(2,456)
Items not deductible for tax purposes	**536**	237
Research and Development tax credits	**(267)**	(284)
Origination and reversal of temporary differences	**(501)**	(149)
Tax losses for which no deferred income tax asset was recognised	**1,875**	2,219
Total income tax credit	**(768)**	(433)

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% by 1 April 2020. These changes are expected to be enacted separately each year.

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 2017	(2,630)
Credited to income statement	501
Exchange difference	19
As at 30 April 2018	(2,110)

	£'000
As at 1 May 2016	(3,010)
Credited to income statement	452
Exchange difference	(72)
As at 30 April 2017	(2,630)

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 £14.8m (2017: £12.9m) 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 from continuing and discontinued operations attributable to the equity holders of the parent during the year:

	Year ended 30 April 2018			Year ended 30 April 2017		
	Loss £'000	Shares '000	Loss per share p	Loss £'000	Shares '000	Loss per share p
Basic and diluted						
Continuing operations	**(11,919)**	**126,069**	**(9.45)**	(12,261)	126,069	(9.73)
Discontinued operation	**–**	**–**	**–**	(230)	126,069	(0.18)
Loss per share			**(9.45)**			(9.91)

12. Intangible assets
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 30 April 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**

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12. Intangible assets continued
As at 30 April 2017

	Goodwill £'000	Customer relationships £'000	IT platform £'000	Software £'000	Software development under construction £'000	Total £'000
Cost						
Balance at 1 May 2016	101,668	11,103	6,956	1,908	–	121,635
Additions	–	–	–	503	3,570	4,073
Disposals	–	–	(109)	(1,760)	–	(1,869)
Exchange differences	381	13	341	9	–	744
Balance at 30 April 2017	102,049	11,116	7,188	660	3,570	124,583
Accumulated amortisation						
Balance at 1 May 2016	–	1,431	2,414	1,020	–	4,865
Charge for the year	–	573	896	982	–	2,451
Disposals	–	–	–	(1,599)	–	(1,599)
Exchange differences	–	3	384	27	–	414
Balance at 30 April 2017	–	2,007	3,694	430	–	6,131
Net book value						
As at 30 April 2016	101,668	9,672	4,542	888	–	116,770
As at 30 April 2017	102,049	9,109	3,494	230	3,570	118,452

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 2018 £'000	As at 30 April 2017 £'000
Tungsten Network	**101,848**	102,049
Total goodwill	**101,848**	102,049

Tungsten Network
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 are 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 buyers and suppliers using the Tungsten Network, including Tungsten Workflow and Tungsten Analytics at a compound annual growth rate of at least 12%
- Pre-tax discount rate of 11.75% (2017: 11.75%), being based on the Group's weighted average cost of capital (WACC)
- Growth rate used in perpetuity of 2.00% (2017: 2.00%)
- Corporate overhead of £3.5 million
- Cost growth of 2.50%

Based on the above assumptions, Tungsten Network exceeded the carrying value of the CGU by £12.2 million (2017: £69.7 million).

The recoverable amount of the Tungsten Network CGU was sensitive to the compound annual revenue growth rate, discount rate and cost growth rate. In the event that the compound annual growth rate is 11.4%, discount rate is 12.6% or cost growth rate is 3.7%, the recoverable amount would equal the carrying value of the CGU.

13. Property, plant and equipment

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 30 April 2017	1,450	150	256	1,856
At 30 April 2018	**2,280**	**138**	**228**	**2,646**

As at 30 April 2017

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
Balance at 1 May 2016	2,366	563	2,532	5,461
Additions	8	46	212	266
Disposals	(552)	(398)	(2,444)	(3,394)
Exchange differences	1	9	24	34
Balance at 30 April 2017	1,823	220	324	2,367
Accumulated depreciation				
Balance at 1 May 2016	768	429	2,340	3,537
Charge for the year	156	35	159	350
Disposals	(552)	(396)	(2,442)	(3,390)
Exchange differences	1	2	11	14
Balance at 30 April 2017	373	70	68	511
Net book value				
At 30 April 2016	1,598	134	192	1,924
At 30 April 2017	1,450	150	256	1,856

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14. Trade and other receivables

	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Non-current assets		
Loans to employees under EMSS scheme	**464**	469
Trade and other receivables	**464**	469

	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Current assets		
Trade receivables	**7,458**	6,185
Less: impairment loss provision	**(1,463)**	(1,192)
Prepayments	**1,754**	1,492
VAT receivables	**450**	348
Accrued income	**691**	503
Other receivables	**1,430**	1,454
Trade and other receivables	**10,320**	8,790

15. Invoice receivables

The invoice receivables represent outstanding Early Payment invoices that were financed by the Group and our funding partners. Tungsten purchases invoices from approved suppliers on the Tungsten Network, which are then sold to a funding partner.

During the year, most of the outstanding financed invoices were settled.

16. Cash and cash equivalents

	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Cash at bank	**6,418**	17,498
Cash and cash equivalents	**6,418**	17,498

17. Share capital and share premium

Issued and fully paid	Ordinary shares Number	Nominal value	Share capital £'000	Share premium £'000
Balance as at 1 May 2016	126,069,397	£0.004386	553	188,794
Shares issued during the year	–	–	–	–
Balance as at 30 April 2017	126,069,397	£0.004386	553	188,794
Shares issued during the year	–	–	–	–
Balance as at 30 April 2018	**126,069,397**	**£0.004386**	**553**	**188,794**

18. 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 outstanding options issued under the UK Scheme and US Plan are subject to the same terms:

- Options to be granted at an option price equal to fair market value at grant.
- 25% will vest on each anniversary of the date of grant for option with 4 years term; 33.33% will vest on each anniversary of the date of grant for option with 3 years term.
- 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.

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	1-3 & 1-4 years	58.60	1,047,250	1,426,750	99,000	2,573,000
			4,064,601	**4,514,293**	**229,169**	**8,808,063**

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18. Share based payments continued

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 £0.6m have been recognised in the consolidated income statement for the year ended 30 April 2018 (30 April 2017: £0.4m). 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 2016	3,760,000	251,487	65,920	645,875	748,750	56,000	5,528,032
Granted during the year	–	–	–	1,767,201	2,276,693	72,169	4,116,063
Lapsed during the year	–	(62,047)	(34,320)	(171,102)	(17,793)	–	(285,262)
As at 30 April 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**

19. Provisions

	Leasehold property dilapidations £'000	Onerous contracts £'000	Total £'000
As at 1 May 2017	–	–	–
Additions	1,204	1,843	3,047
Utilised during the year	–	(829)	(829)
As at 30 April 2018	**1,204**	**1,014**	**2,218**

	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Analysis of total provisions:		
Non-current	**1,459**	–
Current	**759**	–
Total	**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 £1.0m and the Malaysia office of £0.2m.

The provisions for onerous contracts include settlement of provision for early termination system support contracts of £0.6m and an estimated loss of sub-leased on one of the office lot in US at £0.4m.

20. Trade and other payables

	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Trade payables	**3,125**	2,548
Social security and other taxes	**366**	351
Accrued expenses	**5,039**	6,592
Other payables	**327**	38
Trade and other payables	**8,857**	9,529

21. Deferred income

	As at 30 April 2018 £'000	As at 30 April 2017 £'000
As at 1 May	**7,880**	8,318
Invoiced during the year	**34,188**	30,770
Released to revenue	**(33,663)**	(31,251)
Impairment provision	**(284)**	(412)
Exchange differences	**480**	455
As at 30 April	**8,601**	7,880

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 and invoice receivables (financial assets) approximates their carrying value. As at 30 April 2018, total trade and other receivables and invoice receivables of £1.5m (2017: £2.7m) 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 counter-parties will not meet their payment obligations.

The overdue analysis of these receivables is as follows:

	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Current and not impaired	**8,832**	6,078
Less than 1 month overdue	**651**	752
Between 2-3 months overdue	**397**	590
Over 3 months overdue	**440**	1,370
Total past due but not impaired	**1,488**	2,712
Individually determined to be impaired	**1,463**	1,192
Total trade and other receivables	**11,783**	9,982
Less impairment loss provision	**(1,463)**	(1,192)
Total trade and other receivables	**10,320**	8,790

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22. Financial instruments, risk management and exposure continued
(a) Credit risk continued
The following represents the Group's maximum exposure to credit risk related to uncollateralised balances:

	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Cash and cash equivalents	**6,418**	17,498
Trade and other receivables	**10,320**	8,790
Invoice receivables	**2**	4,304
Total	**16,740**	30,592

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

Cash and cash equivalents

	As at 30 April 2018 £'000	As at 30 April 2017 £'000
AAA	**–**	5,000
AA	**2,925**	11,870
A	**2,719**	315
B	**774**	313
Total	**6,418**	17,498

(b) Liquidity risk
Non-derivative financial assets and liabilities

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]	**8,566**	**8,566**	**8,126**	**440**	**–**
Invoice receivables	**2**	**2**	**2**	**–**	**–**
Trade and other payables	**(8,857)**	**(8,857)**	**(8,857)**	**–**	**–**
Net position	**6,129**	**6,129**	**5,689**	**440**	**–**

1 Excludes prepayments

As at 30 April 2017	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	17,498	17,498	17,498	–	–
Trade and other receivables[1]	7,298	7,298	6,338	960	–
Invoice receivables	4,304	4,304	4,304	–	–
Trade and other payables	(9,529)	(9,529)	(9,529)	–	–
Net position	19,571	19,571	18,611	960	–

1 Excludes prepayments

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.

22. Financial instruments, risk management and exposure continued

(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 2018 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 2018 £'000	As at 30 April 2017 £'000
Share capital and premium	**189,347**	189,347
Accumulated reserves[1]	**(67,886)**	(58,017)
Total	**121,461**	131,330

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

In addition, the Group considers the availability of cash balances of the Group as part of its assessment of capital.

23. Commitments

Operating leases

The table below sets out the future minimum lease commitments:

	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Less than 1 year	**1,036**	1,021
Between 1 and 5 years	**3,574**	3,345
After 5 years	**3,788**	4,562
Total operating leases	**8,398**	8,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24. Related-party transactions
The Group entered into the following transactions with related parties in the ordinary course of business:

	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000
Purchase of services	**34**	95

The Witz Company is controlled by Richard Hurwitz. Richard Hurwitz has elected not in participate in the Group's pension scheme and in accordance with his executive service agreement is entitled to a cash allowance of the equivalent of 10% of his salary, part of which is paid to The Witz Company. During the year ended 30 April 2018, the Group paid a total costs of £34,000 (2017: £31,000).

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

Key management personnel
Key management includes Directors – Executive and Non-Executive – 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 2018 £'000	Year ended 30 April 2017 £'000
Short-term employee benefits	**1,905**	1,579
Share-based payment expense	**219**	174
Total	**2,124**	1,753

For further details with respect to Directors' remuneration, please refer to the Directors' Remuneration Report on pages 44 to 46.

25. Subsequent event
On 20 July 2018 Tungsten Network Limited, an indirect wholly owned subsidiary of Tungsten Corporation plc, signed a revolving credit facility with HSBC UK Bank plc. Details are as follows:

Currency: British Pounds
Amount: £4.0 million
Rate: LIBOR plus 3.5%
Term: 3 years

26. 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	Intermediate holding company	Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL	Guernsey	100
Tungsten Network Limited	Electronic invoice delivery	Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL	UK	100
Tungsten Network Inc	Electronic invoice delivery	1040 Crown Pointe Parkway, Suite 350, Atlanta GA 30338	USA	100
Tungsten Network Sdn Bhd	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	Electronic invoice delivery	Postfach 1114 D-21262 Jesteburg, Hamburg	Germany	100
Tungsten Network (Schweiz) GmbH	Shared services office	Confidas Treuhand AG, Gubelstrasse 5, 6301 Zug	Switzerland	100
Tungsten Network S.A.P.I de CV	Electronic invoice delivery	Bosque de Ciruelos 180, Piso Principal, Bosques de las Lomas, 11700 Mexico, D.F.	Mexico	100
Tungsten Network EOOD	Shared services office	38, Damyan Gruev Str., 1606 Sofia, Bulgaria	Bulgaria	100
Tungsten Network Private Limited	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	Software	885 Commerce Drive, Suite B, Perrysburg, Ohio 43551	USA	100
Tungsten Network Finance Limited	Intermediate holding company	Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL	UK	100
Tungsten Purchaser UK Limited	Invoice acquisition	Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL	UK	100
Tungsten Account Trustee Limited	Trustee services	Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL	UK	100
Tungsten Investment Management Limited	Investment management	Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL	UK	100
Tungsten Purchaser (US), Inc	Invoice acquisition	2711 Centerville Road, Suite 400, City of Wilmington 19808, County of New Castle, State of Delaware	USA	100
Tungsten Purchaser (Canada) Ltd	Invoice acquisition	855-2 Street SW, Suite 3500, Calgary, Alberta, T2P 4J8, Canada	Canada	100

Tungsten Corporation Guernsey Limited is directly held by Tungsten Corporation plc, all other subsidiaries listed above are indirectly held through Tungsten Corporation Guernsey Limited.

FINANCIAL STATEMENTS

PARENT COMPANY BALANCE SHEET

Registered number: 07934335

	Note	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Assets			
Non-current assets			
Investments in subsidiaries	5	**162,040**	162,040
Property, plant and equipment	6	**2,160**	1,490
Intangible assets	7	**–**	601
Trade and other receivables	8	**1,065**	1,070
Total non-current assets		**165,265**	165,201
Current assets			
Trade and other receivables	8	**74,267**	62,170
Cash and cash equivalents		**580**	12,613
Total current assets		**74,847**	74,783
Total assets		**240,112**	239,984
Capital and reserves attributable to the equity shareholders			
Share capital		**553**	553
Share premium		**188,794**	188,794
Shares to be issued		**3,760**	3,760
Share-based payment reserve		**1,401**	774
Other reserve		**(5,450)**	(5,450)
Accumulated losses		**(35,627)**	(33,141)
Total equity		**153,431**	155,290
Non-current liabilities			
Provision	9	**1,000**	–
Total non-current liabilities		**1,000**	–
Current liabilities			
Trade and other payables	10	**85,681**	84,694
Total current liabilities		**85,681**	84,694
Total liabilities		**86,681**	84,694
Total equity and liabilities		**240,112**	239,984

The loss attributable to shareholders dealt with in the financial statements of the Company was £2.5m (2017: loss of £3.1m).

The notes on pages 85 to 91 are an integral part of these financial statements.

The financial statements on pages 82 to 91 were authorised for issue by the Board of Directors on 23 July 2018 and were signed on its behalf by:

Richard Hurwitz
Chief Executive Officer

David Williams
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

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)**
Movement for the year	**–**	**–**	**–**	**627**	**–**	**–**	**627**
Balance as at 30 April 2018	**553**	**188,794**	**3,760**	**1,401**	**(5,450)**	**(35,627)**	**153,431**

Year ended 30 April 2017

	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 2016	553	188,794	3,760	379	(5,453)	(30,075)	157,958
Loss for the year	–	–	–	–	–	(3,066)	(3,066)
Movement for the year	–	–	–	395	–	–	395
Currency translation differences	–	–	–	–	3	–	3
Balance as at 30 April 2017	553	188,794	3,760	774	(5,450)	(33,141)	155,290

The notes on pages 85 to 91 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

PARENT COMPANY STATEMENT OF CASH FLOWS

	Note	**Year ended 30 April 2018 £'000**	Year ended 30 April 2017 £'000
Cash flows from operating activities			
Loss before taxation		**(2,486)**	(3,066)
Adjustments for:			
Depreciation	6	**452**	138
Share-based payment expense	4	**647**	405
Finance income		**(11)**	(1)
Finance costs		**1,265**	1,485
Loss on disposal of business unit		**–**	230
Cash used in operations		**(133)**	(809)
Changes in working capital:			
Increase in trade and other receivables		**(11,491)**	(20,770)
Increase in trade and other payables		**968**	7,368
Net interest paid		**(1,238)**	(0)
Net cash outflows from operating activities		**(11,894)**	(14,211)
Cash flows from investing activities			
Capitalisation of software development costs		**–**	(601)
Purchases of property, plant and equipment		**(122)**	(1)
Net proceeds from disposal of a subsidiary		**–**	28,594
Investment in subsidiary		**–**	(1,150)
Net cash (outflows)/inflows from investing activities		**(122)**	26,842
Cash flows from financing activities			
Bank charges associated with loan facility		**–**	(210)
Net cash outflows from financing activities		**–**	(210)
Net (decrease)/increase in cash and cash equivalents		**(12,016)**	12,421
Cash and cash equivalents at start of the year		**12,613**	195
Exchange adjustments		**(17)**	(3)
Cash and cash equivalents at the end of the year		**580**	12,613

The notes on pages 85 to 91 are an integral part of these consolidated financial statements.

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, 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.

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 consolidated financial statements have been prepared under the historical cost convention.

(b) New standards, amendments and interpretations adopted:

The accounting policies adopted are consistent with those of the previous financial year. There were no new IFRSs or interpretations, effective for the first time for the year beginning on or after 1 May 2017, have had a material impact on the Company.

(c) New standards, amendments and interpretations issued but not yet effective in 2017/18 and not early adopted:

As at the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The Company has not applied these standards and interpretations in the preparation of these financial statements.

- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' on depreciation and amortisation;
- Amendment to IAS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures';
- IFRS 15 'Revenue from contracts with customers';
- IFRS 9 'Financial instruments';
- Amendments to IFRS 9, 'Financial instruments', regarding general hedge accounting;
- Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative; and
- IFRS 16 'Leases'.

The Company has adopted IFRS 9 Financial instruments as of 1 May, 2018 (mandatory application), with full retrospective application.

IFRS 9 Financial instruments

The main impact of adopting IFRS 9 is likely to arise from the implementation of the impairment expected loss model regarding intercompany loan and balances. The Company have some balances due from its subsidiaries. However, there is no impairment provision to be recognised on the ground that they are repayable on demand.

IFRS 16 Leases

IFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Company is currently assessing the impact of this standard and to adopt this standard on the required effective dates.

(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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

2. Accounting policies continued

(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 profit or loss with a corresponding credit to the share-based payment reserve. Cash-settled share-based awards are recognised as an expense in profit or loss with a corresponding credit to liabilities.

Further details on the share-based payments can be found in Note 18 to the consolidated financial statements of this Annual Report and financial statements.

(f) Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Depreciation is charged to profit or loss 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: 25% on cost
- Computer equipment: 50% on cost

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 and other receivables are stated initially at fair value and subsequently at their amortised cost less impairment losses.

(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 includes 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

Investments in subsidiary undertakings are stated at cost less provisions for impairment. Investments are reviewed for impairment if there are indicators that the carrying value may not be recoverable.

(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 61 and 62.

3. Loss for the year

As permitted by the exemption in Section 408 of the Companies Act 2006, the profit and loss account 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 £2.5m (2017: loss of £3.1m).

4. Employee benefit expenses

	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000
Wages and salaries	**2,314**	2,501
Social security costs	**220**	284
Other pension costs	**153**	178
Share-based payments	**647**	405
Total employee benefit expenses	**3,334**	3,368

	Year ended 30 April 2018	Year ended 30 April 2017
Number of employees		
The average number of people (including Executive Directors) employed:		
Corporate	**19**	19
Total average headcount	**19**	19

Refer to Note 24 in the consolidated financial statements for details of remuneration in respect of key management. The share-based payments expense includes expenses relating to cash-settled share options. Cash-settled share-based awards are recognised as an expense in profit or loss with a corresponding credit to liabilities (see Note 2).

5. Investments in subsidiaries

	2018 £'000	2017 £'000
Balance as at 1 May	**162,040**	189,756
Additions	**–**	1,150
Disposal	**–**	(28,866)
Balance as at 30 April	**162,040**	162,040

The Company's subsidiaries is the same as that for the Group and is set out on page 81.

FINANCIAL STATEMENTS

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

6. Property, plant and equipment
As at 30 April 2018

	Leasehold Improvements £'000	**Fixtures and fittings £'000**	**Computer equipment £'000**	**Total £'000**
Cost				
Balance at 1 May 2017	1,800	90	1	1,891
Additions	1,122	–	–	1,122
Balance at 30 April 2018	**2,922**	**90**	**1**	**3,013**
Accumulated depreciation				
Balance at 1 May 2017	364	36	1	401
Charge for the year	433	19	–	452
At 30 April 2018	**797**	**55**	**1**	**853**
Net book value				
At 30 April 2017	1,436	54	–	1,490
At 30 April 2018	**2,125**	**35**	**–**	**2,160**

As at 30 April 2017

	Leasehold Improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
Balance at 1 May 2016	1,800	91	43	1,934
Additions	–	1	–	1
Disposals	–	(2)	(42)	(44)
Balance at 30 April 2017	1,800	90	1	1,891
Accumulated depreciation				
Balance at 1 May 2016	240	24	42	306
Charge for the year	124	13	1	138
Disposals	–	(1)	(42)	(43)
At 30 April 2017	364	36	1	401
Net book value				
At 30 April 2016	1,560	67	1	1,628
At 30 April 2017	1,436	54	–	1,490

7. Intangible assets
As at 30 April 2018

	Software development under construction £'000
Cost	
Balance at 1 May 2017	**601**
Transferred to another group company	**(601)**
Balance at 30 April 2018	**–**
Accumulated depreciation	
Balance at 1 May 2017	**–**
Charge for the year	**–**
At 30 April 2018	**–**
Net book value	
At 30 April 2017	**601**
At 30 April 2018	**–**

As at 30 April 2017

	Software development under construction £'000
Cost	
Balance at 1 May 2016	–
Additions	601
Balance at 30 April 2017	601
Accumulated depreciation	
Balance at 1 May 2016	–
Charge for the year	–
At 30 April 2017	–
Net book value	
At 30 April 2016	–
At 30 April 2017	601

The costs of software development under construction transferred to a subsidiary, Tungsten Network Limited. These costs will generate future economic benefits to Tungsten Network Limited upon its completion.

FINANCIAL STATEMENTS

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

8. Trade and other receivables

Non-current assets	**As at 30 April 2018 £'000**	As at 30 April 2017 £'000
Loans to employees under EMSS scheme	**477**	482
Lease deposit	**588**	588
Trade and other receivables	**1,065**	1,070

Current assets	**As at 30 April 2018 £'000**	As at 30 April 2017 £'000
Amounts owed by group undertakings	**73,716**	61,363
VAT	**50**	140
Other receivables	**249**	286
Invoices receivable	**–**	113
Prepayments	**252**	268
Trade and other receivables	**74,267**	62,170

The lease deposit was reclassified to non-current from current in the year.

The amounts owed by Group undertakings are due from Tungsten Network Limited and Tungsten Network Finance Limited as at 30 April 2018. These are non-interest bearing and are repayable on demand.

9. Provisions

	Leasehold property dilapidation £'000
At 1 May 2017	–
Addition	1,000
At 30 April 2018	**1,000**

Analysis of total provision:

	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Non-current	**1,000**	–
Total	**1,000**	–

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

10. Trade and other payables

	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Trade and other payables	**546**	84
Taxation and social security	**264**	104
Accrued expenses	**1,158**	2,191
Amounts owed to Group undertakings	**83,713**	82,315
Trade and other payables	**85,681**	84,694

The amounts owed to Group undertakings are due to Tungsten Corporation Guernsey Limited and Tungsten Network Inc as at 30 April 2018. This includes a loan of £42 million from Tungsten Corporation Guernsey Limited. The loan is on a five year term and bearing an interest based on monthly GBP LIBOR. The amounts owed to Tungsten Network Inc. are non-interest bearing and are repayable on demand.

11. Commitments
Operating leases
The table below sets out the future minimum lease commitments:

	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Less than 1 Year	**650**	650
Between 1 and 5 years	**2,600**	2,600
After 5 years	**3,629**	4,279
Total	**6,879**	7,529

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

Key management personnel
Key management includes Directors – Executive and Non-Executive. 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.

13. 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 2018 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 2018 £'000	As at 30 April 2017 £'000
Share capital and premium	**189,347**	189,347
Accumulated reserves[1]	**(35,916)**	(34,057)
Total	**153,431**	155,290

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

In addition, the Company considers the availability of cash balances of the Company as part of its assessment of capital.

FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

Nominated adviser
Panmure Gordon & Co
1 New Change
London
EC4 9AF
UK

Broker
Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR
UK

Registrar
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
UK

0371 384 2030*
Overseas helpline +44 (0)121 415 7047

* Lines open 8.30am to 5.30pm, Monday to Friday.

Registered office
Tungsten Corporation plc
Pountney Hill House
6 Laurence Pountney Hill
London
EC4R 0BL
UK

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

Design and Production
www.carrkamasa.co.uk

TUNGSTEN NETWORK
Trusted connections. Streamlined transactions.

Tungsten Corporation plc
Pountney Hill House
6 Laurence Pountney Hill
London EC4R 0BL
UK

E: info@tungsten-network.com
T: +44 20 7280 7807
www.tungsten-network.com