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TUNGSTEN CORPORATION PLC

("Tungsten" or the "Company")

RESULTS FOR FINANCIAL YEAR ENDED 30 APRIL 2021

Tungsten Corporation plc (AIM: TUNG), a leading provider of digital financial management products and software solutions, announces results for the year ended 30 April 2021:

	Group results	
£m	FY21	FY20
Revenue	36.1	36.8
Adjusted EBITDA (1)	3.6	2.7
Adjusted EBITDA margin (2)	*10%*	*7%*
Operating loss	(33.2)	(25.5)
Net cash (3)	2.1	3.2
New sales billings (4)	3.6	3.3
Total Contract Value (5) ('TCV')	2.0	0.8
Transaction volumes	18.3	19.0

Financial highlights

- FY21 total group revenue (including TNF) decreased from £36.8 million to £36.1 million.
- 93% of revenue was repeatable and recurring. New sales billings (NSB)(4) grew by 7% from £3.3 million to £3.6 million.
- FY21 Adjusted EBITDA(2) has increased from £2.7 million to £3.6 million due to benefits from H1 restructuring activities.
- Operating loss of £33.2 million includes £26.2 million of non-cash goodwill impairment recognized in H1 FY21 and £1.7 million impairment of a right of use asset and leasehold improvements as the Group looks to sublease it's office space and maintain a smaller private office space for teams to use on a rota basis.
- Net cash of £2.1 million compared to £3.2 million at 30 April 2020; primarily driven by the cost of restructuring activities from FY20 and FY21. However, in H2 net cash has increased by £1.1 million due to higher billings and strong working capital management.

Operational highlights

- New customer product wins increased in FY21 to 8 (FY20: 6 wins) from large international corporations delivering total contract value (TCV)(5) of £2 million with £0.7 million recognised in FY21. This represents TCV growth of 137% versus FY20.
- Largest ever customer win with Nippon Telegraph and Telephone (NTT Europe) taking the combined offering of Total AP, Total AR and Workflow, with the potential to become a global deal for all of NTT.
- Signed a significant new partnership with FIS Worldpay which will deliver integrated payment offerings to our customers as part of our expansion into the invoice-to-pay space.
- Since inception, Orbian Tungsten Network (OTN) supply chain financing partnership has financed flows of over £395 million resulting in £0.2m of revenue recognized in FY21.
- Paul Cooper appointed as Chief Executive Officer on 9 June 2021.

FY22 trading update

- We are encouraged by the progress made in FY21, which sets Tungsten up well for FY22 in a growth market. We have seen an increase in transaction volumes over the Network as we entered the new financial year, and it's pleasing to see that our year to date transactions are up 10% versus the prior year.
- Our 8 new product wins from FY21 will contribute a minimum revenue of £680K (including annual recurring revenue of £440K) to FY22, and we are encouraged by an increase in the volume of opportunities in the pipeline for new customers and upsells in FY22.
- With solid foundations that have been laid over the last 18 months and an additional £1 million of investment in tech development and compliance functions in FY22, the Board looks forward to future growth.

Paul Cooper, Chief Executive Officer of Tungsten Corporation plc, said:

"I'm very excited to join and lead the Tungsten team. Our proven compliant finance automation solutions are more relevant than ever before. The intent of the entire Tungsten team to maximise business value for all customers and suppliers on the network completes the strong foundation for growth. I see clear opportunities to accelerate execution of strategic priorities, enhance our solutions and continue to expand our partnership eco-system."

1. *Adjusted EBITDA is calculated as earnings before net finance cost, tax, depreciation and amortisation, impairment of goodwill, impairment of intangible assets, impairment of right of use assets, impairment of leasehold improvements, loss on disposal of assets, foreign exchange gain or loss, share-based payment expense and exceptional items, and is adjusted to include lease payments .*
2. *Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue.*
3. *Net cash is calculated as cash and cash equivalents on the balance sheet less drawings under the HSBC Revolving Credit Facility*
4. *New sales billings represents implementation, subscription, licence, transaction and professional services fees to be billed in the period from new sales made in that period. Implementation and subscription fees are recognised to revenue over the 6 months and 12 months respectively from billing month. Subscription licence and transaction fees are recognised in the month sold. Professional services fees are recognised on work completion milestones*
5. *Total contract value ('TCV') is defined as annual recurring revenue and one-off implementation revenue contracted with a customer.*
6. *Tungsten Network Finance segment was fully wound down in Q1 FY21.*

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About Tungsten Corporation plc

Tungsten Corporation (AIM: TUNG) is the world's largest, compliant business transaction network. A leading global electronic invoicing and purchase order transactions network, Tungsten's mission is centred on enabling a touchless invoice process allowing businesses around the globe to gain maximum value from their invoice process.
Tungsten processes invoices for 74% of the FTSE 100 and 71% of the Fortune 500. It enables suppliers to submit tax compliant e-invoices in 54 countries, and last year processed transactions worth £220bn for organisations such as Caesars Entertainment, Computacenter, GlaxoSmithKline, Kraft Foods, Mohawk Industries, Mondelēz International, Procter & Gamble, Shaw Industries, Unilever and the US Federal Government.

Founded in 2000 and headquartered in London, Tungsten has offices in the US, Bulgaria and Malaysia, employing over 200 people.

Forward looking statements

This document contains forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and trading margins, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements. Any forward-looking statement is based on information available to Tungsten as of the date of this statement. All written or oral forward-looking statements attributable to Tungsten are qualified by this caution. Tungsten does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Tungsten's expectations.

This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.

Operational Review

Fresh but seasoned Leadership Team

Paul Cooper, our new CEO, was appointed on 9 June 2021. Paul was previously at NTT Limited, where he was most recently the Regional Director for NTT in Europe, with ultimate strategic, operational and financial responsibility for eleven European countries generating annual revenues of $900 million, encompassing 2500 employees.

In addition to Paul's arrival, a further five appointments were made to the Executive Team during COVID lock down.

- Ian Kelly moved from interim to permanent CFO. Ian joined Tungsten in 2019, having previously held Finance leadership positions in companies including Blackhawk Network, Axiom, TalkTalk PLC and Discovery Inc.
- Jon Cage joined Tungsten as Chief Technology Officer. Jon has managed all engineering and product operations across multi-national business units for companies including J2 Global and Cision.
- Miriam Weidner was appointed Chief Marketing Officer. Miriam joined Tungsten from Oracle, where she led customer marketing and creative for the global integrated brand awareness campaign.
- Dave Hazard joined the team as Global Sales Director. Dave brings a wealth of sales experience to Tungsten via success in senior roles with Fujitsu, Systemax and Dell.
- Marisa Suk-Hui Teh was appointed Chief Product and Business Development Officer. Marisa previously led corporate tech ventures for Philips and Texas Instruments as well as sustainable growth initiatives for PepsiCo-Unilever and Diageo.

Each one of the new ExCo members was handpicked to have the experience and attitude necessary to drive functional best practice for Tungsten. Along with the other ExCo leaders - Eric Craig (Operations), Jessica Oppenheimer (People/HR) and Patrick Clark (General Counsel and Company Secretary) - they offer a fresh approach to Tungsten, while providing years of practical experience delivering results for top-tier organisations.

At the outset of the past fiscal year, we could not have imagined the ongoing and unprecedented challenges COVID would mean for the global economy and workforce. We experienced a decline in transactions due to COVID and also found most companies matched external circumstance with a kind of "commercial lockdown".

Considering this reality, we acted quickly and made a difficult choice to reduce headcount and cost within the business. This action resulted in £1.3 million savings for H2 but of course had an impact on our teams and resourcing. Even and especially within this context, we are proud of how we regrouped as a company to drive forward progress and success. We worked with agility to minimise COVID's impact maintaining three priorities: the health and wellbeing of our employees, the continuous support of our customers and ongoing delivery against financial and operational objectives. The following provides a selection of FY21 highlights along with our outlook for FY22.

Building on a strong foundation

FY21 was quite a year for Product and Technology. We launched Email In, Universal Workflow and Customer Connect. We also upgraded existing solutions, implemented new customer support systems and met complex new compliance service requirements. Each project adds meaningful and ongoing business value for our customers. Combined, they make Tungsten's P2P offerings even more attractive within the market. We've selected a few to highlight below. The brief overviews help express why we're so delighted with these new additions.

- **Customer Connect**

  Customer Connect is now available to over 250,000 suppliers and more than 150 buyers on the network. With Customer Connect, suppliers can easily find and connect to new buyers directly via the Tungsten portal. This new feature eliminates the fees associated with establishing customer connections and further enhances the Tungsten marketplace value for both buyers and suppliers.

  With Customer Connect, suppliers maximize Tungsten's marketplace value by increasing payment speed and visibility—all while benefiting from Tungsten's comprehensive compliance services. The faster buyers and suppliers can connect and do business on our network, the faster our suppliers get paid.

- **Email In**

  Email In is a new invoice submission method offering faster, easier, and more accurate invoicing to suppliers of our Total AP customers. With Email In, Tungsten uses AI to extract relevant data from PDF email attachments. Suppliers see a side-by-side view of the original PDF and the extracted electronic invoice to ensure everything is 100% correct. Tungsten then validates the invoice against Buyer rules and compliance requirements and delivers it to the Buyer to get paid.

  With Email In, suppliers eliminate manual data entry and save the cost of printing and post. Processing time decreases from 18 days to 4 hours. What's more, suppliers have online visibility of delivery confirmation and invoice status. Suppliers adopting Email In report easy set-up, increased speed of submission, faster payment, and increased confidence and peace of mind.

  It's important to note that Email In presents a complementary, rather than cannibalistic, addition to our current Integrated and Web Form Supplier invoicing methods. Email In seems to be most appropriate to a set of Suppliers transacting volumes in the mid-range between typical Integrated Suppliers and Web Form users. Our ongoing go-to-market will validate this assessment.

- **WhatFix**

  Customer support ticket analysis carried out on FY21 identified an opportunity for self-service within our Supplier Portal. We implemented an external self-service technology platform called WhatFix to help service repetitive in-bound customer questions and help them 'walk through' typical processes for invoice submission and portal interaction.

  WhatFix adds virtual flows within the Supplier Portal which can be amended and augmented, as necessary. The platform allows for multiple formats of information delivery for different segments and needs. Adding these customer tutorials and dynamic FAQs on the Portal helps customers be more self-sufficient without needing to rely on our support team. Further in the report, we discuss the operational benefits we've derived from WhatFix.

- **Universal Workflow**

  Prior to the Universal Workflow launch, the Tungsten Workflow product allowed customers using Total AP to automate AP processes. Historically, however, Workflow has only integrated with three commonly used ERPs: SAP, JD Edwards and Oracle EBS. Universal Workflow connects with whatever ERP system the customer happens to use. This 'any to any' connectivity opens a new world of current customer prospects, both Buyer and Supplier, previously out of scope.

  As well as offering customers flexibility to connect with any ERP system, the move into the Cloud and away from an 'on premise' approach is a key value for our customers. With a Cloud-based solution, customers don't have to pay hosting, hardware or admin costs: Tungsten handles everything for them.

  Notably, the Universal Workflow project is one of the first Tungsten products to fully straddle multi-discipline teams across the business. It is a beautiful example of cross-product as well as cross-functional teamwork.

Extending ecosystem and customer value through partnerships

In FY21 we continued to develop strategic partnerships to add flexible, automated payments and Supply Chain Finance options to our e-invoicing services. It's difficult to overstate the potential opportunities related to these relationships and the associated extension to our P2P ecosystem.

On the payments side, in September 2020, we signed a meaningful new partnership with FIS/Worldpay, a leading provider of technology solutions for merchants, banks and capital market firms, processing over 40 billion transactions annually. Whilst there was no revenue impact in FY21, this partnership will allow us to deliver integrated invoice and payment offerings to our customers as part of our expansion into the invoice-to-pay space. The FIS/Worldpay customer base is highly complementary to Tungsten's, which provides rich opportunity for both parties.

Our partnership with Orbian, Orbian Tungsten Network (OTN), commenced financing activities relating to the new Supply Chain Finance offering at the start of FY21 aimed at our blue-chip AP client base. Since inception, OTN has financed £395 million of transactions, which contributed to revenue of £199k in FY21.

The Supply Chain Finance ("SCF") service uses Tungsten's automated and digitised invoice processing status data to help suppliers secure payables-led financing, and deepens the relationship with our customers.

Orbian is 100% dedicated to Supply Chain Finance. It is the only company in the world able to provide a complete SCF solution with the combination of a truly innovative funding model and a state-of-the-art, award-winning technology platform.

OTN's SCF service is a win/win for both Buyer and Supplier. The Supplier receives faster access to liquidity by taking early payment on invoices. This can happen within days after payment approval, without the need to use an internal credit line, and without high discount charges charged by other lending companies or banks.

Buyers can support Supplier diversity programs and suppliers across the entire spectrum of spend with no restrictions or requirements on supplier annual spend. All suppliers are eligible to participate and can choose from a variety of discounting options.

All Buyers with existing Invoice Status Service connectivity can participate with no cost or technical integration; sign up is easy. Participating Buyers have unlimited funding capability in all tradable currencies. They have new ways to optimize working capital and receive a complete suite of account reconciliation tools. Adding the service also creates an additional incentive for Supplier onboarding to e-invoicing.

OTN's SCF creates a value add and upsell opportunity to our current customer base, currently transacting £220 billion over their network. Our first customer, a leading global retailer, has already extended initial geographical coverage and, since the year end, another global CPG company has contracted to implement SCF. We anticipate continued uptake along with a corresponding and significant increase in amounts financed.

Service and productivity go hand-in-hand

Through the course of FY21, the Operations team implemented a series of improvement initiatives designed to improve the commercial operations within Tungsten Network, as well as improve customer satisfaction. A number of these initiatives, including Customer Connect and WhatFix, feature enhanced automation and self-help functionality. Each new connection adds "stickiness" to our Supplier base and additional transaction revenue.

The WhatFix self-service approach has reduced total ticket volume, freeing resources to deliver higher quality service customers. As we continue to make things as easy as possible for customers we focus on improvement; adding small but effective changes to delight our customers.

Our customers responded to these initiatives with positive feedback. Implementation has contributed to a 21% year-on-year reduction in overall support ticket volumes, helping reduce overall Support resource levels. Furthermore, the introduction of Service Cloud, including a programme of continuous system enhancements targeting more complex support cases, has helped improve average resolution time by 50% year-on-year. Among these service improvements, we successfully executed Tungsten's first significant price increase in five years, netting £0.3m in FY21 and forecast to grow significantly in FY22.

Restructure, growth and alignment

FY21 was a year of change and positive results for both Sales and Marketing. From a new deal perspective, the team had remarkable success. We won new customers including one which contracted for implementation of Total AP, Total AR and Universal Workflow. An extensive sales team restructure has also resulted in more strategic customer engagement and increased account penetration for current customers. We're already seeing the benefits of this change in the form of increased Supplier releases and opportunity for cross sell across our portfolio. A new process fix for Supplier sales has increased conversion of Integrated Suppliers from 21% to 37%, and we anticipate further gains. Most importantly, we ended the year with a healthy pipeline to drive wins in FY22.

To support growth, marketing is supporting brand exposure via a bi-weekly cadence of Tungsten news releases. We also hosted a steady drumbeat of webinars, published six new customer case studies, published daily value-based content on social networks and continued paid media on LinkedIn. The marketing team worked tirelessly to deliver; KPI metrics below reflect the pay off.

Tungsten has invested further in the Product Marketing function during FY21 with the purpose of producing tailored value-based collateral, best-practice go-to-market, and market-focused sales enablement to support new business, cross sell, and upsell.

FY22 outlook

A coordinated and aligned cross-functional strategy with tight focus and impeccable execution is a requirement for FY22 success. We look forward to this effort and teamwork over the coming year.

Product and Technology innovation remains a core focus to our long-term growth strategy. We plan a phased £4 million investment to FY25 to enhance our product functionality and compliance position. £1 million, included in this total, will fund improvements to our SaaS offering and focus on self-service, usability and scalability. Tungsten will also extend its offerings to include public APIs, enabling simple and more flexible integration for both our customers and partners.

Our investments and related initiatives will help us better compete in the market, scale the business, introduce more flexible pricing models, and will help us create a comprehensive P2P suite solution. We are developing a new Supplier subscription pricing model. with modest forecast in FY22 but meaningful impact in FY23. Continued innovation is critical to protect our leadership position in the market and differentiate Tungsten from competitors over the long term.

We plan improvements to the online Supplier Portal necessary to match expanding customer expectations and drive faster and easier supplier onboarding. Usability improvements and self-service will both simplify the onboarding process for customers and free Tungsten resource for higher value work.

We have now contracted with vendor UiPath to implement a 'proof of concept' to adopt robotic process automation (RPA) within the customer implementation and support teams. Early indications have already highlighted several manual activities that have high automation potential, are relatively easy to implement, and with an associated cost saving. This solution also has a wider business potential, including applications such as Live Chat for website visitor engagement.
Marketing can leverage this operational investment to support solid pipeline momentum. We also plan an industry-focused strategy targeting CPG, Pharmaceuticals, and Technology. We have a compelling value proposition for these prospects; large groups of suppliers for each industry are already on the network. This, of course, speeds time to value for new customers in the same vertical.

Quarterly Business Report customer meetings and implementation Health Checks will deepen our understanding of customer business objectives and challenges. We also plan a series of Customer Council meetings, designed to enhance our customer relationships, offer peer engagement, and collect authentic roadmap input. Completing our pivot in perspective from "inside out" to "outside in" is paramount.

We plan Sales and Marketing performance analysis to identify methods for increased Supplier conversion, faster onboarding, and a more favourable ratio of Suppliers connected to multiple Buyers on the Network. We will also continue to develop mutually beneficial channel partnerships including Business Process Outsourcing companies, business transformation advisories, and value-added resellers.

We will support our Client Directors in strategic account engagement and expansion. Our current AP customer base offers significant opportunities for revenue growth via transactional volume "white space". Also of note, of 168 current Tungsten Total AP customers, just one also implements Total AR and Workflow. As a team, we are primed and ready to capture this opportunity for Tungsten.

Chief Financial Officer's Review

Constant currency revenues grew by 1.4% against a challenging market condition backdrop. We also saw an increase in new customer wins to 8 (FY20: 6) from large international corporations delivering total contract value (TCV) of £2 million representing growth of 137% versus FY20.

Transaction volumes declined by 4% and we experienced a longer sales conversion cycle. We have however begun to see an increase in transaction volumes in March and April 2021, with transaction volumes for the 2 months increasing by 7% versus the same period in FY20. This trajectory has also continued into FY22.

We are cautiously optimistic around FY22, given our sales conversions in FY21, with a £680k revenue impact in FY22, accretive to recurring and repeating revenue in FY21.

Income statement

£m	**Group**	
	FY21	**FY20**
Revenue	36.1	36.8
Cost of sales	(2.3)	(1.6)
Gross profit	33.8	35.2
Adjusted operating expenses (1)	(30.2)	(32.5)
Adjusted EBITDA (2)	3.6	2.7
Rent adjustment (3)	1.1	1.0
Adjusted (excluding lease payments) EBITDA (4)	4.7	3.7
Other operating expenses	(37.9)	(29.2)
Operating loss	(33.2)	(25.5)
Net finance income (costs)	(1.4)	(0.4)
Loss before taxation	(34.6)	(25.9)
Taxation	(0.1)	(0.1)
Loss for the year	(34.7)	(26.0)

1. *Adjusted operating expenses exclude cost of sales, other income, interest, tax, depreciation, amortisation, impairment of intangible assets, loss on disposal of assets, foreign exchange gains or losses, share-based payments charges, and exceptional items, and is adjusted to include cash rental expenses and rental income.*
2. *Adjusted EBITDA is calculated as earnings before net finance cost, tax, depreciation and amortisation, impairment of goodwill, impairment of intangible assets, impairment of right of use assets, impairment of leasehold improvements, loss on disposal of assets, foreign exchange gain or loss, share-based payment expense and exceptional items, and is adjusted to include lease payments .*
3. *Rent adjustment includes both rental expenses and rental income.*
4. *Adjusted EBITDA (excluding lease payments) is calculated as earnings before net finance cost, tax, depreciation and amortization (which includes rent costs), impairment of goodwill, impairment of intangible assets, impairment of right of use assets, impairment of leasehold improvements, loss on disposal of assets, foreign exchange gain or loss, share-based payment expense and exceptional items. The most directly comparable IFRS measure to segment Adjusted EBITDA (excluding lease payments) is operating loss for the period. Management utilises Adjusted EBITDA (excluding rental payments) to monitor performance as it illustrates the underlying performance of the business by excluding items management considers to be not reflective of the underlying trading operations of the Group, or adding items which are reflective of the overall trading operations, as applicable.*

Revenue

£m	FY21	FY20	% Movement [1]
Recurring revenue [2]	18.9	19.6	-3%
Repeatable revenue [3]	14.6	14.4	1%
Total recurring and repeatable revenue	33.5	34.0	-1%
Other revenue [4]	2.6	2.3	11%
Tungsten Network total revenue	36.1	36.3	-1%
TNF revenue [5]	0.0	0.5	-97%
Group revenue	36.1	36.8	-2%

Recurring revenue % of total Tungsten Network revenue [6]	53%	54%	-1%
Recurring & repeatable revenue % of total Tungsten Network revenue [7]	93%	94%	-1%

1. *Revenue is shown to the nearest £0.1 million. Movement is calculated on figures to the nearest £1.*
2. *Recurring revenue represents annual subscription and maintenance fees on contracts typically ranging from 1 to 3 years and billed annually in advance.*
3. *Repeatable revenue represents transaction-based fees from contracted customers, typically billed at the point of usage or at the end of the month of usage.*
4. *Other revenue represents implementation, modification and professional services fees, billed either in advance or on completion of project stages.*
5. *TNF revenue relates to revenue generated by the trade finance business.*
6. *Recurring revenue is revenue from annual subscription and maintenance fees as a % of revenue excluding TNF.*
7. *Recurring and repeatable revenue is total recurring and repeatable revenue as a % of revenue excluding TNF.*

On a constant currency basis revenue excluding TNF grew 1.4% year on year – on a reported basis (excluding TNF) it reduced from £36.3 million to £36.1 million, in part reflecting the strengthening of the pound against the dollar.

Total new sales billings in FY21 were £3.6 million (FY20: £3.2 million), representing year one billings for new services sold to current and new buyers. £3.0 million of this was recognised in FY21, with the balance of £0.6 million to be recognised in FY22.

New customer wins increased in FY21 to 8 (FY20: 6 wins) from large international corporations delivering total contract value (TCV) of £2 million with £0.7 million recognised in FY21. This represents TCV growth of 137% versus FY20.

Recurring revenue decreased by £0.7 million, or 3%, to £18.9 million primarily due to buyer churn of £0.4 million, adverse FX of £0.4 million and the loss of a non-core analytics product of £0.3 million. This has been partially offset by revenue relating to new customer wins of £0.7 million.

Repeatable revenue increased by £0.2 million, or 1%, to £14.6 million (FY20: £14.4 million) due to price increases offsetting a decline in transaction volumes and adverse FX movements.

Other revenue increased by £0.3 million to £2.6 million (FY20: £2.3 million) due to increased implementation revenues arising from new wins.

We were advised during FY21 an existing customer who accounts for 5% of our revenue will be leaving our network in FY23. Whilst we expect a number of associated suppliers to leave our network in the second half of FY22, the full impact will be in FY23. There was no financial impact in FY21.

TNF revenue was £0.0 million in FY21 (FY20: £0.5 million), a decrease of £0.5 million as the business was fully wound down at the beginning of FY21.

Revenue by type of customer

Buyer revenue represented 41% of Tungsten Network revenue in FY21 (FY20: 42%). Total Buyer revenue was £14.7 million (FY20: £15.3 million). This decrease of £0.6 million was primarily due to buyer churn of £0.5 million (primarily the annualized impact of leavers from FY20 rather than FY21), adverse FX of £0.2 million, and the loss of a non-core analytics product of £0.3 million. This has been partially offset by revenue relating to new customer wins of £0.4 million.

Supplier revenue represented 59% of Tungsten Network revenue in FY21 (FY20: 58%). Total Supplier revenue grew 0.9% to £21.2 million (FY20: £21.0 million) due to price increases and an increase in AR customers offsetting transaction volume declines.

Expenses

£m	FY21	FY20	Movement
Adjusted operating expenses (1)	(30.2)	(32.5)	2.3
Rent adjustment	1.1	1.0	0.1
Cost of sales	(2.3)	(1.6)	(0.7)
Depreciation and amortisation	(4.3)	(4.4)	0.1
Loss on disposal of assets	(0.1)	(0.6)	0.5
Foreign exchange (loss) / gain	(3.3)	0.8	(4.1)
Share-based payment expense	(0.3)	(0.5)	0.2
Exceptional items	(2.1)	(1.5)	(0.6)
Impairment of goodwill	(26.2)	(23.0)	(3.2)
Impairment of customer relationships	(0.1)	-	(0.1)
Impairment of right of use asset	(1.1)	-	(1.1)
Impairment of leasehold improvements	(0.5)	-	(0.5)
Statutory operating expenses	(69.4)	(62.3)	(7.1)

1. *Adjusted operating expenses exclude cost of sales, depreciation, amortisation, impairment of goodwill, impairment of right of use assets, impairment of leasehold improvements,, loss on disposal of assets, foreign exchange gains or losses, share-based payments charges, and exceptional items, and are adjusted to include lease payments.*

The Group's adjusted operating expenses reduced by 7% to £30.2 million (FY20: £32.5 million). This is primarily due to a reduction in travel and expense of £0.9 million due to the impact of COVID-19 and other staff cost savings of £1.3 million from the wind-down of TNF partially offset by increased staff costs with investment in the sales team and a new senior management team.

Statutory operating expenses increased by £7.1 million to £69.4 million (FY20: £62.3 million). Other key movements include:

- An increase in the goodwill impairment by £3.2 million to £26.2 million (FY20: £23.0 million). The impairment charge is due to a further impairment to goodwill associated with the OB10 acquisition in 2013. Whilst significant operational progress was made with the strategic plan during the period, as referenced in our trading update of 27 November, COVID-19 has had a negative impact on trading performance, therefore at the interim results we conducted an impairment review of our goodwill and concluded that a further impairment was required. Goodwill at 30th April 2021 was £49.6 million (FY20: £76.1 million)
- Increase in the Foreign exchange loss of £4.1 million primarily due to £3.6 million of foreign exchange losses on intercompany balances denominated in USD.
- An impairment of £1.1 million in our right of use assets relating to our offices as Tungsten moves to a co-working environment where the company maintains a smaller private office space for teams to use on a rota basis, supplemented by bookable meetings rooms and the use of co-working space. Tungsten is actively looking to sub-let some of its office space to off-set some of the costs associated to theses leases.
- An impairment of £0.5 million in our leasehold improvements relating to the right of use assets which have been impaired.
- Cost of sales increased by £0.7 million primarily due to an increase in AR costs of £0.14 million relating to the launch of new customers and an increase in commissions of £0.20 million.
- Exceptional items increased by £0.6 million primarily due to restructuring activities

Loss before tax

The Group generated a loss before tax of £34.6 million (FY20: £26.0 million).

Taxation

There is a tax charge of £0.1 million for the year (FY20: £0.1 million).

Loss per share

The basic and diluted loss per share was 27.51p (FY20: 20.62p).

Dividends

The Company has not paid, and does not propose to pay, a dividend in relation to FY21.

Funding and liquidity

Cash and cash equivalents at the end of FY21 were £4.1 million (FY20: £5.2 million). Net cash (including borrowings under the revolving credit facility) at the end of FY21 was £2.1 million (FY20: £3.2 million).

Cash Flow £m	FY21	FY20
Net cash flow from operating activities	2.5	4.6
Net cash flow from investing activities	(2.6)	(3.0)
Net cash flow from financing activities	(1.0)	(0.1)
Net movement in cash & cash equivalents	(1.1)	1.5
Exchange adjustments	0.0	(0.1)
Cash & cash equivalents at the start of the period	5.2	3.8
Cash & cash equivalents at the end of the period	4.1	5.2

The group renewed its existing £4.0 million revolving credit facility in FY21 with an expiry date of December 2023. The terms of the RCF remain broadly the same as the previous facility.

The Group had a cash outflow in FY21 of £1.1 million, with cash and cash equivalents at the end of FY21 of £4.1 million. Including borrowings, net cash was £2.1 million. Liquidity, including £2 million of undrawn revolving credit facility with a maturity date of December 2023, was £6.1 million. There was no further drawdown of the RCF facility in 2021.

Cash flows from operating activities

Cash generated from operating activities was £2.5 million (FY20: 4.6 million). The reduction versus prior year was primarily due to restructuring costs of £1.4 million arising from FY20 and FY21 restructuring activities.

Cash flows from investing activities

Cash spent on investing activities decreased by £0.4m to £2.6 million (FY20: £3.0 million).

Cash flows from financing activities

Cash outflow from financing activities of £1.0 million (FY20: £0.1 million) decreased by £0.9 million due to a partial drawdown of £1 million of our loan facility during FY20. There were no further drawdowns in FY21. The £1.0 million outflow for FY21 represents office rental payments showing in financing activities in line with IFRS 16.

Capital expenditure

During the year, the Group spent £2.6 million on capital expenditure, £2.4 million relating to internally capitalised software development and £0.2 million in relation to capitalised licenses. Amongst our capitalised development were the likes of Customer Connect and Supplier Connect to automate sign-ups, OTC (our order to cash project) and additional development of new functionality and updates to our customer portal and our core transaction processing software. A number of projects within our service improvements and also OTC are assets under construction which we expect to go live in FY22.

Balance sheet items

Goodwill has reduced by £26.5 million to £49.6 million (FY20: £76.1 million), reflecting the £26.2 million impairment charge together with foreign exchange translation movements.

Related parties

The Group entered into transactions with related parties in the ordinary course of business, more details of which are disclosed in Note 24 of the Group accounts.

Going concern

The Group closely monitors its funding position throughout the year, including monitoring compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations.

On 14 August 2020, the Group renewed its existing revolving credit facility agreement of up to £4 million, which expires in December 2023.

The Group was in compliance with all covenants for the year ended 30 April 2021.

In arriving at their opinion on going concern, the Directors have considered the Group's forecasts for the period to 31 October 2022, and specifically the ability to meet the covenant tests (see note 21). These forecasts reflect the assumption of future sales growth. These forecasts indicate that the Group will be able to operate within the covenants throughout this period and have no issues with liquidity.

The Directors have considered the following principal risks and uncertainties that could potentially impact the Group's ability to fund its future activities and adhere to its future banking covenants, including:

- A decline in market conditions resulting in lower than forecast sales;
- An ability to grow at the required rate;
- A possibility of a material contract not being reviewed; and
- The terms of the Group's revised lending arrangements and whether these could limit investment in growth opportunities.

The forecasts on which the going concern assessment is based have been subject to sensitivity analysis and stress testing to assess the impact of the above risks. The Group has considered two downside scenarios; a plausible downside scenario, factoring in a reduction in sales volumes offset by reductions in direct expenditure and discretionary operating costs and a more severe downside where the sales assumptions are markedly reduced. The results showed that under these scenarios the Group will still be able to operate within the covenants with adequate headroom for the forecast period to 31 October 2022 and that no liquidity issues arise. Whilst the severe downside scenario results in covenants still being passed, no liquidity issues and adequate headroom, the Directors have also reviewed realistic additional mitigating actions that could be taken over and above those already included in the plausible downside scenario forecast to avoid or reduce the impact or occurrence of the underlying risks.

On consideration of the above, the Directors believe that the Group has adequate resources to continue in operational existence for the forecast period to 31 October 2022 and the Directors therefore consider it is appropriate to adopt the going concern basis in preparing the 2021 financial statements.

Post balance sheet events

There are no known material adjusting or unadjusting events occurring between the balance sheet date and the date when the financial statements were authorised for issue.

Financial Statements

Consolidated income statement

	Note	**Year ended 30 April 2021 £'000**	Year ended 30 April 2020 £'000
Revenue	3	**36,116**	36,812
Operating expenses		**(69,358)**	(62,356)
Operating loss		**(33,242)**	(25,544)
Adjusted (excluding lease payments) EBITDA [1]		**4,695**	3,743
Depreciation and amortisation		**(4,274)**	(4,451)
Loss on disposal of intangible assets		**(99)**	(612)
Impairment of goodwill	5	**(26,160)**	(23,040)
Impairment of customer relationships	5	**(100)**	-
Impairment of right of use assets	6	**(1,121)**	-
Impairment of leasehold improvements	6	**(544)**	-
Foreign exchange (loss) / gain		**(3,275)**	869
Share-based payment expense		**(280)**	(534)
Exceptional items		**(2,084)**	(1,519)
Operating loss		**(33,242)**	(25,544)
Finance income		**1,702**	1,910
Finance costs		**(3,083)**	(2,321)
Net finance costs		**(1,381)**	(411)
Loss before taxation		**(34,623)**	(25,955)
Taxation charge		**(63)**	(47)
Loss for the year		**(34,686)**	(26,002)
Loss per share attributable to the equity holders of the parent during the year (expressed in pence per share):			
Basic and diluted	4	**(27.49)**	(20.62)

(1) Adjusted (excluding lease payments) EBITDA is calculated as earnings before net finance cost, tax, depreciation and amortisation (which includes lease costs), impairment of goodwill impairment of intangibles assets, impairment of right of use assets, impairment of leasehold improvements, loss on disposal of assets, foreign exchange gain or loss, share-based payment expense and exceptional items.

Consolidated statement of comprehensive income

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Loss for the year	**(34,686)**	(26,002)
Other comprehensive expense:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**3,832**	(1,115)
Total comprehensive loss for the year	**(30,854)**	(27,117)

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Consolidated statement of financial position

	Note	**As at 30 April 2021 £'000**	As at 30 April 2020 £'000
Assets			
Non-current assets			
Goodwill	5	**49,616**	76,088
Intangible assets	5	**16,895**	17,666
Property, plant and equipment	6	**693**	1,578
Right of use assets	6	**3,585**	5,518
Trade and other receivables		**687**	755
Total non-current assets		**71,476**	101,605
Current assets			
Trade and other receivables		**4,720**	6,199
Cash and cash equivalents		**4,117**	5,208
Total current assets		**8,837**	11,407
Total assets		**80,313**	113,012
Non-current liabilities			
Provisions		**1,160**	1,160
Lease liabilities		**4,712**	5,471
Total non-current liabilities		**5,872**	6,631
Current liabilities			
Trade and other payables		**6,776**	7,822
Provisions		**363**	96
Lease liabilities		**731**	776
Borrowings		**1,964**	2,006
Contract liabilities		**8,367**	8,868
Total current liabilities		**18,201**	19,568
Total liabilities		**24,073**	26,199
Capital and reserves attributable to the equity shareholders of the parent			
Share capital		**554**	553
Share premium		**188,866**	188,802
Merger reserve		**28,035**	28,035
Shares to be issued		**3,760**	3,760
Share-based payment reserve		**5,796**	7,184
Other reserve		**(5,450)**	(5,450)
Currency translation reserve		**(1,246)**	(5,078)
Accumulated losses		**(164,075)**	(130,993)
Total equity		**56,240**	86,813
Total equity and liabilities		**80,313**	113,012

Consolidated statement of changes in equity

Year ended 30 April 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserve £'000	Currency translation reserve £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 May 2020	553	188,802	28,035	3,760	7,184	(5,450)	(5,078)	(130,993)	86,813
Loss for the year	-	-	-	-	-	-	-	(34,686)	(34,686)
Other comprehensive income	-	-	-	-	-	-	3,832	-	3,832
Total comprehensive income / (expense) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**3,832**	**(34,686)**	**(30,854)**
Transaction with owners in their capacity as owners:									
Forfeited vested share-based payments	-	-	-	-	(1,604)	-	-	1,604	-
Share-based payments exercised	1	64	-	-	(64)	-	-	-	1
Share-based payment expense	-	-	-	-	280	-	-	-	280
Transactions with owners	**1**	**64**	**-**	**-**	**(1,388)**	**-**	**-**	**1,604**	**281**
Balance as at 30 April 2021	**554**	**188,866**	**28,035**	**3,760**	**5,796**	**(5,450)**	**(1,246)**	**(164,075)**	**56,240**

Year ended 30 April 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserve £'000	Currency Translation reserve £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 May 2019	**553**	**188,802**	**28,035**	**3,760**	**6,538**	**(5,450)**	**(3,963)**	**(104,991)**	**113,284**
Loss for the year	-	-	-	-	-	-	-	(26,002)	(26,002)
Other comprehensive expense	-	-	-	-	-	-	(1,115)	-	(1,115)
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(1,115)**	**(26,002)**	**(27,117)**
Transaction with owners in their capacity as owners:									
Share-based payment expense	-	-	-	-	646	-	-	-	646
Transactions with owners	**-**	**-**	**-**	**-**	**646**	**-**	**-**	**-**	**646**
Balance as at 30 April 2020	**553**	**188,802**	**28,035**	**3,760**	**7,184**	**(5,450)**	**(5,078)**	**(130,993)**	**86,813**

Consolidated statement of cash flows

	Note	**Year ended 30 April 2021 £'000**	Year ended 30 April 2020 £'000
Cash flows from operating activities			
Loss for the year before taxation		**(34,623)**	(25,955)
Adjustments for:			
Depreciation and amortisation		**4,274**	4,451
Impairment of goodwill	5	**26,160**	23,040
Impairment of customer relationships	5	**100**	-
Impairment of right of use asset	6	**1,121**	-
Impairment of leasehold improvements	6	**544**	-
Loss on disposal of intangible assets		**99**	612
Loss on disposal of tangible assets		**1**	-
Increase / (decrease) in provision for trade receivables		**77**	(840)
Finance costs		**3,083**	2,321
Finance income		**(1,702)**	(1,910)
Foreign exchange loss / (gain)		**3,275**	(869)
Share-based payment expense		**280**	534
Changes in working capital:			
Decrease in trade and other receiv12ables		**1,346**	743
(Decrease) / increase in trade and other payables and contract liabilities		**(1,585)**	2,112
Increase / (decrease) in provisions		**267**	(108)
Cash generated from operations		**2,717**	4,131
Net interest paid		**(168)**	(311)
Net tax (paid) / refunded		**(15)**	751
Net cash inflow from operating activities		**2,534**	4,571
Cash flows from investing activities			
Software development costs		**(2,404)**	(2,758)
Purchases of other intangibles		**(182)**	(5)
Purchases of property, plant and equipment		**(24)**	(199)
Net cash outflow from investing activities		**(2,610)**	(2,962)
Cash flows from financing activities			
Lease payments – payments of principal		**(756)**	(743)
Lease payments – payments of interest		**(337)**	(331)
Proceeds from borrowings		**2,000**	1,000
Repayment of borrowings		**(2,000)**	-
Proceeds from issues of shares		**65**	-
Net cash outflow from financing activities		**(1,028)**	(74)
Net (decrease) / increase in cash and cash equivalents		**(1,104)**	1,535
Cash and cash equivalents at start of the year		**5,208**	3,810
Exchange adjustments		**13**	(137)
Cash and cash equivalents at the end of the year		**4,117**	5,208

Notes

1. Basis of Preparation

The financial information set out in this document does not constitute the Company's statutory accounts for the years ended 30 April 2021 or 2020. Statutory accounts for the years ended 30 April 2020 and 30 April 2021, which were approved by the directors on 29 July 2021, have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for each of 2020 and 2021 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 30 April 2020 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 April 2021 will be delivered to the Registrar in due course, and are available from the Company's registered office at Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL and will be available from the Company's website https://www.tungsten-network.com/about-us/investor-relations/

The financial information set out in these results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations in conformity with the requirements of the Companies Act 2006. The accounting policies adopted in these results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the financial statements for the year ended 30 April 2020, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2020. There are deemed to be no new standards, amendments and interpretations to existing standards, which have been adopted by the Group that have had a material impact on the financial statements.

2. Going concern

The consolidated financial statements have been prepared on a going concern basis. The ability of the company to continue as a going concern is contingent on the ongoing viability of the Group. The Group meets its day-to-day working capital requirements through its cash balances and also has a bank facility that it can use. The current economic conditions continue to create uncertainty, particularly over (a) foreign exchange rates; (b) the level of new sales to new customers; and (c) the continued impact of Covid-19. The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group expects to be able to operate within the level of its current cash resources and bank facilities. Having assessed the principal risks and the other matters discussed in connection with the going concern statement, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements..

Various sensitivity analyses (including downside and severe downside scenarios) have been performed to reflect a variety of possible cash flow scenarios where the Group achieves significantly reduced revenues, and loss of significant contracts for the twelve months following the date of this Annual Report. Overall, the directors have prepared cash-flow forecasts covering a period of at least 12 months from the date of approval of the financial statements, which foresee that the Group will be able to operate within its existing facilities.

While the Directors have no reason to believe that customer revenues and receipts will decline to the point that the Group no longer has sufficient resources to fund its operations, should this occur, the Group may need to seek additional funding beyond the facilities that are currently available to it, as well as making significant reductions in its fixed cost expenses.

3. Segment report

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

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

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

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

Year ended 30 April 2021

	Tungsten Network £'000	Tungsten Network Finance £'000	Corporate £'000	Total £'000
Segment revenue	36,102	14	-	36,116
Adjusted (excluding lease payments) EBITDA [1]	9,478	(48)	(4,735)	4,695
Depreciation and amortisation	(3,514)	-	(760)	(4,274)
Loss on disposal of assets	(99)	-	-	(99)
Impairment of goodwill	(26,160)	-	-	(26,160)
Impairment of customer relationships	(100)	-	-	(100)
Impairment of right of use asset	(1,121)	-	-	(1,121)
Impairment of leasehold improvements	-	-	(544)	(544)
Foreign exchange (loss) / gain	(3,314)	23	16	(3,275)
Share-based payment credit / (expense)	51	7	(338)	(280)
Exceptional items	(1,455)	8	(637)	(2,084)
Finance income	1,372	-	330	1,702
Finance costs	(1,738)	-	(1,345)	(3,083)
Loss before taxation	**(26,600)**	**(10)**	**(8,013)**	**(34,623)**
Income tax charge				(63)
Loss for the year				**(34,686)**
As at 30 April 2021				
Capital expenditure	**2,642**	**-**	**-**	**2,642**
Total assets	**74,205**	**14**	**6,094**	**80,313**
Total liabilities	**16,360**	**271**	**7,442**	**24,073**

(1) Adjusted (excluding lease payments) EBITDA is calculated as earnings before net finance cost, tax, depreciation and amortisation (which includes lease costs), impairment of goodwill, impairment of intangibles assets, impairment of right of use assets, impairment of leasehold improvements, loss on disposal of assets, foreign exchange gain or loss, share-based payment expense and exceptional items.

Year ended 30 April 2020

	Tungsten Network £'000	Tungsten Network Finance £'000	Corporate £'000	Total £'000
Segment revenue	36,288	524	-	36,812
Adjusted (excluding lease payments) EBITDA([1]	8,582	(986)	(3,853)	3,743
Depreciation and amortisation	(3,599)	(87)	(765)	(4,451)
Loss on disposal of assets	(1)	(611)	-	(612)
Impairment of goodwill	(23,040)	-	-	(23,040)
Foreign exchange gain	828	40	1	869
Share-based payment (expense)/credit	(146)	7	(395)	(534)
Exceptional items	(479)	(233)	(807)	(1,519)
Finance income	1,195	-	715	1,910
Finance costs	(1,555)	-	(766)	(2,321)
(Loss) before taxation	**(18,215)**	**(1,870)**	**(5,870)**	**(25,955)**
Income tax charge				(47)
Loss for the year				**(26,002)**
As at 30 April 2020				
Capital expenditure	**2,822**	**-**	**140**	**2,962**
Total assets	**105,255**	**193**	**7,564**	**113,012**
Total liabilities	**14,652**	**732**	**10,815**	**26,199**

(1) Adjusted EBITDA (before adding back rental expense) is calculated as earnings before net finance cost, tax, depreciation and amortisation, impairment of goodwill (which includes lease costs), impairment of intangibles assets, impairment of right of use assets, impairment of leasehold improvements, loss on disposal of assets, foreign exchange gain or loss, share-based payment expense and exceptional items.

Revenue by category

The Group's revenue by category is detailed below.

	Revenue from external customers	
	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Recurring revenue - Subscriptions	**18,966**	19,584
Repeatable revenue – Transactions and Archiving	**14,574**	14,405
Recurring and repeatable revenue	**33,540**	33,989
Other revenue	**2,576**	2,823
Total revenue	**36,116**	36,812

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 2021 £'000	Year ended 30 April 2020 £'000
United Kingdom	**18,322**	18,538
United States of America	**14,643**	15,203
Rest of Europe	**1,754**	1,674
Malaysia	**1,397**	1,397
Total	**36,116**	36,812

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 2021 £'000	As at 30 April 2020 £'000
United Kingdom	**69,072**	97,128
United States of America	**2,363**	4,255
Malaysia	**41**	222
Total	**71,476**	101,605

4. Loss per share

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

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

	Year ended 30 April 2021			Year ended 30 April 2020		
	Loss £'000	**Shares '000**	**Loss per share P**	Loss £'000	Shares '000	Loss per share P
Basic and diluted	**(34,686)**	**126,157**	**(27.49)**	(26,002)	126,088	(20.62)

The Group has made a loss in the current and previous years and therefore the share options are anti-dilutive. As a result, diluted earnings per share is presented on the same basis for both periods shown.

5. Intangible assets

As at 30 April 2021

	Goodwill £'000	Customer relationships £'000	IT platform £'000	Software £'000	Software development under construction £'000	**Total £'000**
Cost						
Balance at 1 May 2020	99,128	11,121	7,307	11,503	2,260	**131,319**
Additions	-	-	-	182	2,404	**2,586**
Reclassification	-	-	-	2,776	(2,776)	**-**
Disposal	-	-	-	-	(99)	**(99)**
Exchange differences	(380)	(14)	(328)	(58)	(26)	**(806)**
Balance at 30 April 2021	**98,748**	**11,107**	**6,979**	**14,403**	**1,763**	**133,000**

Accumulated amortisation and impairment						
Balance at 1 May 2020	23,040	3,717	7,022	3,786	-	**37,565**
Charge for the year	-	550	281	2,271	-	**3,102**
Impairment charge (Note 5)	26,160	100	-	-	-	**26,260**
Disposal	-	-	-	-	-	**-**
Exchange differences	(68)	(13)	(327)	(30)	-	**(438)**
Balance at 30 April 2021	**49,132**	**4,354**	**6,976**	**6,027**	**-**	**66,489**
Net book value						
As at 1 May 2020	76,088	7,404	285	7,717	2,260	93,754
As at 30 April 2021	**49,616**	**6,753**	**3**	**8,376**	**1,763**	**66,511**

As at 30 April 2020

	Goodwill	Customer relationships	IT platform	Software	Software development under construction	**Total restated**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost						
Balance at 1 May 2019	98,997	11,116	7,194	8,202	3,624	**129,133**
Additions	-	-	-	5	2,758	**2,763**
Reclassification	-	-	-	4,117	(4,117)	**-**
Disposal	-	-	-	(837)	-	**(837)**
Exchange differences	131	5	113	16	(5)	**260**
Balance at 30 April 2020	**99,128**	**11,121**	**7,307**	**11,503**	**2,260**	**131,319**
Accumulated amortisation and impairment						
Balance at 1 May 2019	-	3,153	6,084	2,166	-	**11,403**
Charge for the year	-	560	834	1,837	-	**3,231**
Impairment charge (Note 5)	23,040	-	-	-	-	**23,040**
Disposal	-	-	-	(225)	-	**(225)**
Exchange differences	-	4	104	8	-	**116**
Balance at 30 April 2020	**23,040**	**3,717**	**7,022**	**3,786**	**-**	**37,565**
Net book value						
As at 1 May 2019	98,997	7,963	1,110	6,036	3,624	117,730
As at 30 April 2020	**76,088**	**7,404**	**285**	**7,717**	**2,260**	**93,754**

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

	As at 30 April 2021	As at 30 April 2020
	£'000	£'000
Tungsten Network	**49,616**	76,088
Total goodwill	**49,616**	76,088

During the year the Group's share price declined and management are now projecting lower revenue growth than that used in last year's impairment assessment. At the half year, the Group reassessed the recoverability of goodwill on the Tungsten Network CGU and this resulted in an impairment of goodwill of £26.2 , where the Group estimated the recoverable amount of the Tungsten Network CGU at £73.9 million against a carrying value of £100.1m leading to a £26.2m impairment. The analysis performed is summarised as follows:

Scenario	Annual Revenue growth FY22 to FY25	Annual Cost growth FY22 to FY25	Value in use	Headroom/ (impairment)	Probability
	%	%	£ million	£ million	%
Upside	9% to 12%	1% to 5%	116.1	15.9	12%
Base case	5% to 8%	2% to 3%	89.2	(10.9)	50%
Downside	-1% to 3%	-3% to 1.6%	43.5	(56.6)	28%
Severe downside	-2% to 0%	-4% to 1%	32.7	(67.5)	10%
Probability weighted average			**73.9**	**(26.2)**	**100%**

The single most likely scenario assumed revenue growth of 5.0% in FY22 rising to 8.0% in FY25 (2020: 8.0%). The other key assumptions used were:

- Post-tax discount rate of 11% (2020: 11%) equivalent to a pre-tax discount rate of 14.5% (2020: 14.5%). An increase of 0.5% in the post-tax discount rate would result in a £4.4 million reduction in value in use, increasing impairment to £30.6 million.
- Long term growth rate of 2.0% (2020: 2.0%). An increase of 1% in the long-term growth rate would result in an £8.7 million reduction in impairment to £17.5 million.

At the year end, the estimate of the recoverable amount of the Tungsten Network CGU was £79.3 million against a carrying value of £70.8m. There has been an improvement in the value compared to the half year due to improvements in expected future sales performance given activity in the 2nd half of the financial year, and sharper management of the Group's cost base providing a stronger position on which to model future cash flows. In addition, the carrying value of the CGU assets has reduced due to impairments of customer relationships, leasehold improvements and right of use assets, providing additional headroom.

Again, the recoverable amounts were estimated 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 projections used in the model are based on the Board approved budget which took into account the anticipated impact of Covid-19 on FY22 performance. Furthermore, given the uncertainty involved in predicting the longer-term effect of the pandemic on the general economy, management developed expectations of future performance under a range of scenarios with different levels of future revenue growth. The value in use was estimated by probability weighting the value in use under each scenario as summarised below:

Scenario	Annual Revenue growth FY22 to FY26	Annual Cost growth FY22 to FY26	Value in use	Headroom/ (impairment)	Probability
	%	%	£ million	£ million	%
Upside	5% to 12%	1% to 10%	123.8	53.0	12%
Base case	4% to 9%	0% to 10%	104.2	33.4	50%
Downside	-4% to 5%	1% to 5%	36.4	(34.4)	28%
Severe downside	-5% to 2%	0% to 3%	21.8	(49.0)	10%
Probability weighted average			**79.3**	**8.5**	**100%**

The single most likely scenario assumed revenue growth of 3.8% in FY22 then 8.0% per annum thereafter (2020: 8.0%). The other key assumptions used were:

- Post-tax discount rate of 11% (2020: 11%) equivalent to a pre-tax discount rate of 14.5% (2020: 14.5%). An increase of 0.5% in the post-tax discount rate would result in a £4.6 million reduction in value in use to give £3.9 million headroom.
- Long term growth rate of 2.0% (2020: 2.0%). An increase of 1% in the long-term growth rate would result in a £8.0 million increase in headroom.

However, taking account of IAS36 impairment of assets, where goodwill impairments cannot be reversed, the £8.5 million difference represents headroom over the carrying value. The total impairment for the year was £26,160,000 (2020: £23,040,000)

6. Property, plant and equipment

As at 30 April 2021

	Right of use assets £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	**Total £'000**
Cost					
Balance at 1 May 2020	9,853	2,342	298	795	**13,288**
Additions	32	-	1	23	**56**
Disposals	(372)	(215)	(13)	-	**(600)**
Exchange differences	(117)	(17)	(13)	(36)	**(183)**
Balance at 30 April 2021	**9,396**	**2,110**	**273**	**782**	**12,561**
Accumulated depreciation					
Balance at 1 May 2020	4,335	958	233	666	**6,192**
Charge for the year	818	228	32	94	**1,172**
Impairment of assets	1,121	544	-	-	**1,665**
Disposals	(372)	(215)	(12)	-	**(599)**
Exchange differences	(91)	(12)	(11)	(33)	**(147)**
Balance at 30 April 2021	**5,811**	**1,503**	**242**	**727**	**8,283**
Net Book Value					
At 1 May 2020	5,518	1,384	65	129	**7,096**
At 30 April 2021	**3,585**	**607**	**31**	**55**	**4,278**

The Group has estimated the recoverable amount of the right of use assets at £3.6m resulting in an impairment of £1.1m. The impairment reflects that there are a number of vacant floors within our leased properties which are currently vacant or sublet for part of the remaining period of our lease. Due to the current market, it has been assumed that these floors will be vacant for 18 months before being sublet on alternating periods of 24 months let and 18 months vacant at 83% of the Company's rent payable. The right of use asset is impaired proportionately. Leasehold improvements for the sub-let and vacant floors have been fully impair in the year.

As at 30 April 2020

	Right of use assets £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	**Total £'000**
Cost					
Balance at 1 May 2019	-	3,409	278	750	**4,437**
Impact of IFRS 16	9,824	(1,205)	-	-	**8,619**
Additions	-	140	17	42	**199**
Disposals	-	-	(1)	(3)	**(4)**
Exchange differences	29	(2)	4	6	**37**
Balance at 30 April 2020	**9,853**	**2,342**	**298**	**795**	**13,288**
Accumulated depreciation					
Balance at 1 May 2019	-	1,199	183	549	**1,931**
Impact of IFRS 16	3,459	(434)	-	-	**3,025**
Charge for the year	860	195	49	114	**1,218**
Disposals	-	-	(1)	(3)	**(4)**
Exchange differences	16	(2)	2	6	**22**
Balance at 30 April 2020	**4,335**	**958**	**233**	**666**	**6,192**
Net Book Value					
At 1 May 2019	-	2,210	95	201	**2,506**
At 30 April 2020	**5,518**	**1,384**	**65**	**129**	**7,096**

7. Cautionary Statement

This document contains certain forward-looking statements relating to Tungsten Corporation plc (the "Company"). The Company considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the Company to differ materially from those contained in any forward-looking statement. These statements are made by the Directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.