TUNGSTEN CORPORATION PLC

An Evolving
Digital Ecosystem

Annual Report & Accounts 2021

OUR PURPOSE

Our purpose is to partner with enterprise customers to transform finance processes and maximise strategic business value across the supply chain. As individuals, companies and governments around the world continue to respond to the impact of the COVID-19 pandemic, the importance of this purpose, and our value to business continuity, has never been clearer. We remain committed to helping global business leaders capture opportunities to emerge stronger through business challenges and transformation.

Tungsten by the Numbers

Years supporting digital transformation
21

Buyers on the Tungsten Network
168

Suppliers on the Tungsten Network
288,000

Countries operational
196

Countries with compliance services
54

Number of employees
227

Global locations
5

Welcome to Tungsten Network

Tungsten Network is at the heart of the global – marketplace – making commerce faster, safer, and smarter for enterprise business. Our secure network, including 71% of the Fortune 500, streamlines and digitises P2P processes to help finance and procurement leaders foster transformation, solve complex problems, and maximise the value of the invoice. Our touchless invoice processes help functional leaders around the globe drive agility and reduce cost while we become trusted, strategic partners to their businesses.

Tungsten introduced e-invoicing as we know it today. For the past 21 years, we have been privileged to work with brilliant business leaders within some of the world's most respected organisations across a variety of industries. We are proud to be recognised globally as the largest compliant business transaction network.

For more information please visit our website:
www.tungsten-network.com

The Tungsten story
Watch this video to learn more:

https://video.tungsten-network.com/

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FY21 HIGHLIGHTS

Business highlights

Group results

Revenue
£36.1m

2021	36.1
2020	36.8

Gross profit[1]
£33.8m

2021	33.8
2020	35.2

Adjusted operating expenses[2]
£(30.2)m

2021	(30.2)
2020	(32.5)

Adjusted EBITDA[3]
£3.6m

2021	3.6
2020	2.7

Adjusted EBITDA margin[4]
10%

2021	10%
2020	7%

Operating loss
£(33.2)m

2021	(33.2)
2020	(25.5)

Net cash[5]
£2.1m

2021	2.1
2020	3.2

New sales billings[6]
£3.6m

2021	3.6
2020	3.2

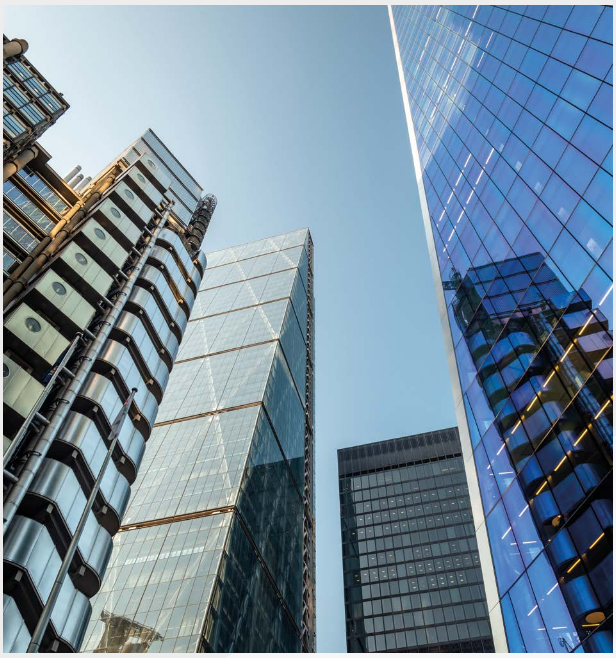
Total contract value[7] ('TCV')
£2.0m

2021	2.0
2020	0.8

Transaction volumes
18.3m

2021	18.3
2020	19.0

Financial highlights



- FY21 total Group revenue (including TNF) decreased from £36.8 million to £36.1 million.
- 93% of revenue was recurring and repeatable. This provides us with continued visibility of future revenues. New sales billings ('NSB')[6] grew by 13% from £3.2 million to £3.6 million.
- FY21 Adjusted EBITDA[3] has increased from £2.7 million to £3.6 million. This was achieved via our restructuring activities from H1.
- Operating loss of £33.2 million predominantly reflects a non-cash goodwill impairment in H1 FY21 of £26.2 million relating to a legacy acquisition and a £1.7 million impairment on our right of use assets and leasehold improvements as Tungsten moves to a co-working environment where the Company maintains a smaller office footprint for teams to use on a rota basis.
- Net cash[5] of £2.1 million compared to £3.2 million at 30 April 2020; cash utilisation for the full year was £(1.1) million primarily impacted 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 wins increased in FY21 to 8 (FY20: 6 wins) from large international corporations delivering total contract value ('TCV')[7] of £2.0 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, which contributed to revenue of £199k in FY21.
- Executive team further strengthened with the additions of a new Chief Technology Officer, Chief Product & Business Development Officer and Chief Marketing Officer.
- Paul Cooper appointed as the new Tungsten Chief Executive Officer on 9 June 2021.

Fisher Scientific

As one of Tungsten Network's first customers, Fisher Scientific Europe process transformation has built a strong foundation for continued success.

Read more →

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Honda Logistics North America

HLNA experienced no interruption of service or productivity as a result of COVID-19, and considers the move from manual to digital systems the primary factor in their continued success.

Read more →

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Henkel

Within the first 12 months, suppliers that send 72% of Henkel's in-scope invoices were signed-up for e-invoicing.

Read more →

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Footnotes

1 Gross profit is calculated as revenue less cost of sales.

2 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 payment charges, exceptional items, and is adjusted to include cash rental expenses and rental income.

3 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.

4 Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue.

5 Net cash is calculated as cash and cash equivalents on the balance sheet less drawings under the HSBC Revolving Credit Facility.

6 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.

7 Total contract value ('TCV') is defined as annual recurring revenue and one off implementation revenue contracted with a customer.

CHAIRMAN'S STATEMENT

"Despite the challenging external environment, I'm pleased to report that the direction of travel has been very positive."

Tony Bromovsky
Chairman

Overview

This year has brought more challenges than any of us could have imagined, and I am delighted that Tungsten has risen to the occasion with versatility and commitment. We are a global business, and I am proud of the team's ability over the year to have continued to provide dedicated customer service, innovative product development, secure new business and integrate key new members of the management team – all in an unprecedented lockdown pandemic.

In 2019, we approved a new long-term growth strategy with the intention of both broadening and deepening our myriad customer touch points; I am enormously encouraged to see the hard work of the team turn this vision into a reality.

Read more →
From our Chairman in our Corporate Governance section **turn to pages**
44 to 45

We have continued with our mission to extend our presence in the P2P space, both at the procurement start and at the payments end, whilst also enriching the products adjacent to the core compliant e-invoice engine.

To cite but three examples where we delivered innovations and products in FY21:

- We are now one of a very few service providers able to handle all of a customer's outgoing invoices in any form to any buyer globally, either on our own platform or on a third-party platform. Major recent Total AR wins confirm our value in this new market and its potential.
- 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 have financed £395 million of transactions, which contributed to revenue of £199k in FY21. We remain confident that our proprietary platform and unique methodology will add to this number in the coming years and deepen our relationship with our customers.
- We have signed a partnership with FIS Worldpay to deliver a global seamless payment functionality at the culmination of the P2P spectrum. In our universe, it is hard to imagine invoices and payments not going hand in hand.

Tungsten has weathered pandemic-related uncertainties and invoice volume decline with resilience. Against this challenging backdrop, we report like-for-like constant currency sales growth of 1.4%. Given encouraging volume recovery in March and April 2021, and recent sales momentum, our business outlook is optimistic. Our mission and focus remain unchanged; we are confident in Tungsten's ability to capitalise on the expanding market opportunity.

FY21 investments of £2.6 million in capex (including Customer Connect, Supplier Connect, Total AR, Email In and OTC) support our long-term growth aspirations and our commitment to continue to develop and launch innovative products, expand our network of buyers and suppliers, secure strategic partnerships and deliver exceptional customer service; the pillars on which our growth is based.

Organisation and Board updates

The overall team at Tungsten has done an outstanding job of maintaining elevated levels of deployment and service to our customers with minimal disruption to the business, while keeping the safety and wellbeing of our team the highest priority.

We welcomed 57 new team members during the year, who along with the rest of our team have made the transition to working from home with fortitude. In addition, measures were taken to contain labour costs, to ensure the Group's financial position was protected.

At a senior level, in September 2020 we gladly welcomed Ian Kelly as interim CFO, replacing Chris Allen. Ian's full-time appointment was duly confirmed in May this year.

In June 2021, we welcomed Paul Cooper as our new CEO, replacing Andrew Lemonofides. Paul was previously at NTT Limited, one of Europe's leading providers of IT services, and he comes to us with a fantastic track record of execution prowess, strong leadership and an impressive set of relevant skills. We look forward to working with him on the next stage of Tungsten's journey.

At Board level, the Board has been strengthened in the year with the appointment of Andrew Coulsen as a Non-Executive Director in October 2020 – he hails from one of the leading global players in IT service provision and brings a wealth of experience in information technology products and services.

In June 2021, we also announced that Vivienne Maclachlan, Non-Executive Director and Chair of our Audit Committee, will be stepping down on 16 August 2021 to focus on other commitments.

Our people are at the centre of what we do, and I would like to take this opportunity to thank them for their hard work and dedication throughout what has been a difficult year for everyone.

I would also like to thank Andrew, Vivienne and Chris for their respective contributions during their time with Tungsten and wish them all every success for the future.

Board meetings

In FY21 we had no fewer than 16 Board meetings and numerous Committee meetings on matters including general business updates, developing the Company's strategic plan, review and approval of budgets and accounts as well as other ad hoc strategic issues.

Corporate governance

The Board is united in its view that robust corporate governance and risk management are essential to maintaining the stability and growth of the Company and its financial health.

Additional details on our approach to corporate governance, compliance with the Quoted Companies Alliance ('QCA') Code and processes and procedures can be found on pages 44 and 45 in the Corporate Governance Statement of this Annual Report.

AGM

The Company's Annual General Meeting will be held at 11 am on 15 October 2021.

We hope that, unlike last year's AGM, it will be possible to hold the meeting with shareholders in attendance. We are monitoring the ongoing COVID-19 situation to assess whether it will be possible to hold an open meeting in the light of the prevailing conditions, Government guidelines and best practice at the time of the meeting.

Details of the resolutions to be proposed and the final arrangements for the meeting will be announced closer to the date of the meeting.

Performance

In a challenging year, we have delivered a resilient and robust performance. We managed to hold revenues broadly flat as our customers marked time in a strange new world, but we improved Adjusted EBITDA by £0.9 million. Through our restructuring activities we reduced the actual payroll cost in H2 versus H1 by circa £1.3 million.

New sales billing increased by 13% to £3.6 million and increased total contract value ('TCV') by 137% to £2.0 million. This was supported by the strategic investment to grow the Sales team by 20% and the focus on building out our partnership network, adding new countries to our global invoice compliant network and helping our customers respond to the evolving landscape of changing Government mandated e-invoice platforms.

We were advised during FY21 that 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. We were disappointed to be losing an important customer and have spent time with this customer to understand their decision. We have incorporated their feedback into a project work-stream set up specifically earlier in the year with a number of initiatives to avoid future churn. This included enhanced customer engagement, predictive reporting and a focus on increasing the percentage of multi-buyer connections across our supplier base.

Read more →
About our performance in our Operational review
turn to pages
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Outlook

Product development and innovation is at the heart of what we do and remains key to our future, and we will continue to invest in our offering to ensure our position at the forefront of the digital financial management arena.

The Board is confident that Tungsten's new strategy will continue to deliver sustainable growth and we are pleased to see strong momentum towards the end of the full year in sales and a recovery in transaction volume levels which has continued into FY22.

We remain committed to delivering long-term value to shareholders and with a strong sales pipeline, 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.

On behalf of the Board, I would like to thank our global team for their hard work in achieving the result for FY21. I am grateful for their commitment and dedication during this difficult time. I would also like to thank our shareholders and customers for their continued support.

Tony Bromovsky
Chairman
29 July 2021

CASE STUDY: FISHER SCIENTIFIC

Transformational results and a strong foundation for continued success

Thermo Fisher Scientific is "the world leader in serving science", dedicated to improving the human condition through the provision of scientific instrumentation, reagents and consumables, and software and services to healthcare, life science and other laboratories in academia, government and industry.

About

Created in 2006 through the merger of Thermo Electron and Fisher Scientific, the Waltham, MA-based multinational corporation employs more than 75,000 people in 250 countries. Its annual revenue now exceeds $25 billion.

Fisher Scientific Europe was one of Tungsten Network's first customers, contracted initially in the UK to streamline and make P2P more efficient and reduce costs overall. After initial success, the scope continued to grow across other European offices. Fisher Scientific Europe was looking to implement a uniform system, with standardised protocols, across its European offices.

Fisher Scientific Europe's e-invoicing initiative began their digitisation journey to ensure compliance and improve productivity and efficiency within their business. Looking after 3,000 suppliers, one million invoices per year, and utilising one ERP, the team has leveraged Tungsten Network solutions to guide their automation efforts.

In 2015, Fisher Scientific Europe committed to digitisation, growing to 50% e-invoicing in three years and becoming 37% more productive in less than four.

The success of Fisher Scientific Europe with invoice automation can be attributed to the full commitment of its AP department to partnering with Tungsten Network to onboard its suppliers and work with other company stakeholders to advance understanding of the benefits of digitisation.

Challenge

Fisher Scientific Europe initially utilised Tungsten Network solutions to inform and guide P2P efforts across its European offices, which lacked uniformity and efficiency.

More recently, Fisher Scientific Europe began experiencing difficulty adhering to changing country and industry specific mandates. Led by Fabienne Pierrot, Finance Director, Accounting and Audit, Fisher Scientific Europe began working with Tungsten Network to better automate and digitise their regulatory compliance efforts.

In 2015, Fisher Scientific Europe committed to digitisation, growing to 50% e-invoicing in three years and becoming 37% more productive in less than four.

Customer

Fisher Scientific Europe

Industry

Laboratory equipment

Geography

Europe

Key objectives

- Full adoption of e-invoicing
- Full supplier enrolment
- Productivity

Solutions

- AP electronic invoicing
- Supplier enrolment
- Interface building

Results

75%
suppliers on the Tungsten Network

50%
e-invoicing

30%
increased productivity in less than four years

Solution

Fisher Scientific Europe, while beginning their digitisation journey with AP e-invoicing, later began working with Tungsten Network on complex compliance projects within Europe.

In 2019, Fisher Scientific Europe enlisted Tungsten Network to work on their largest compliance project to date in Italy, ensuring total compliance of all invoices in the rapidly changing regulatory landscape.

Impact

As one of Tungsten Network's first customers, Fisher Scientific Europe has experienced transformative results and have built a strong foundation for continued success.

Describing the impact within her AP team, Fabienne explains: "After Tungsten implementation, we experienced a vast reduction in the number of suppliers requiring support regarding lost or unpaid invoices. All Tungsten suppliers' invoices are paid on time. Partnering with Tungsten has allowed the strategy in the AP team to move from a transactional focus to an analytical one, and my team is working on projects that add real value to the organisation."

Today, 50% of all supplier invoice volume is managed through Tungsten Network, with 75% EDI adoption, leading to 37% greater productivity in less than four years.

fisher scientific

"After the Tungsten implementation, we experienced a vast reduction in the number of suppliers requiring support regarding lost or unpaid invoices. All Tungsten suppliers' invoices are paid on time. Partnering with Tungsten has allowed the strategy in the AP team to move from a transactional focus to an analytical one, and my team is working on projects that add real value to the organisation."

Fabienne Pierrot
Finance Director, Accounting and Audit,
Fisher Scientific Europe

Interested in learning more?

Explore our solution suite on our website:
www.tungsten-network.com

INVESTMENT CASE

Foundational strength in a growth market

Tungsten is uniquely positioned to "ride the wave" of digital transformation and regulatory imperatives within a growth market. Businesses and governments send 280 billion invoices every year. Even in today's digital world, 90% of invoices are still processed using manual methods such as paper and PDF. For large businesses, less than 20% of invoices are issued in a structured digital format, which restricts automation efforts and value. The global pandemic has clarified the business risks associated with the status quo, and many enterprise leaders have re-invigorated or accelerated digitisation initiatives.

Compelling market position

£15.55bn

Expected e-invoicing market reach by 2027

- Leading provider of both AP and AR e-invoicing solutions within a market predicted for 16.2% CAGR (e-invoicing Market Forecast to 2027, Insight Partners)
- Poised to benefit from structural and regulatory drivers including COVID-19 related digitisation accelerators and exponentially increasing government mandates
- Global presence and reach; deep in-market and industry expertise

High levels of earnings visibility and cash generation

93%

Recurring and repeatable revenue in FY21

- Robust business model with reliable recurring revenue, typically around 90%
- Long-term, multi-year contracts in place with leading global businesses
- Loyal and geographically diverse customer base; over half of buyers have 10 years+ tenure with Tungsten and over 60% of active suppliers have been on the network for 5+ years

Solid foundations

183 years

Combined Executive Management Team ('EMT') leadership experience

- Long-term institutional shareholder base
- Strong and experienced senior leadership team
- People and values-based organisation
- Clear governance framework and commitment to transparent reporting

Significant scope for revenue and margin growth

20.4m+

Current AP customer invoice volume transacting outside the Tungsten Network

- Current customer base offers transactional "white space" potential to double annual volume across the Tungsten ecosystem
- Recent product launches supply low-barrier cross sell and upsell opportunities; only one current customer contract includes Total AP, Total AR, and Workflow. The Universal Workflow product, which offers any-to-any ERP compatibility, unlocks opportunity across the complete customer base
- Supplier onboarding and conversion initiative improvements set to add transactional revenue with minimal associated cost
- Planned SaaS offerings at scale accelerate sales velocity and margin improvement
- Best-practice customer engagement and service automation efficiencies improve customer retention and reduce support cost

Interoperability rollout

3x

Triple the number of interoperability partners by FY23 from existing 30

- Opening the Tungsten Network to access numerous compatible networks in order to enlarge our transactional footprint exponentially
- The ability to seamlessly transact with other networks is what enables Tungsten to offer Total AR and Total AP solutions

Tungsten's range of P2P solutions offers customers a path toward 100% digitisation and provides a way to unlock invoice value across the supply chain. Tungsten's current customers, including 74% of the FTSE 100 and 71% of the Fortune 500, can submit tax compliant e-invoices in 54 countries and last year processed transactions worth £220 billion over the Tungsten Network. Tungsten is proud to work with blue-chip logos such as Computacenter, GlaxoSmithKline, Kraft Foods, Mohawk Industries, Mondelēz International, Procter & Gamble, Unilever and the US Federal Government.

Global leader in compliance services

£1.0m

FY21 spend as part of our continuing commitment to compliance services

- Mandatory Government gateways exist to monitor invoices electronically for tax and legal purposes. By 2030 it is forecasted that many countries will have individual and varying mandates in place
- Tungsten provides the gold standard of global invoice compliance in 54 countries
- Tungsten provides thought leadership and subject matter experts who can provide customers with guidance and real solutions on complex compliance related matters
- Tungsten makes ongoing and significant investment in product development, compliance advisory and training in such a dynamic regulatory environment
- Tungsten is the only service provider to offer legally compliant artefacts and real-time invoice validation, making buyer and supplier transactions easier and safer

Meaningful investments for value and scale

£4.0m

Investment in technology FY22 - FY25

- Fully invested and scalable platform
- Strategic product development, partnerships, and integration to provide extended services across P2P including e-Procurement and Payments
- £4.0 million investment in upgrading product, compliance and SaaS capabilities in FY22-FY25
- Uptake of Tungsten's Total AR solution, 100% invoice digitisation from day one

Strategic partnerships and integrations

120+ customers

Trade finance opportunity scope, initial focus is 30

- Our strategic Supply Chain Finance ('SCF') partnership with Orbian utilises their industry leading platform, that has supported over £170 billion in financed trade flows to meet customer demand for more flexible trade finance services. Since the inception of our partnership, Orbian has financed £395 million of transactions with a well-recognised global retail client, which contributed to revenue of £199k in FY21. Given our blue-chip client base we are optimistic that this value will grow with continued uptake along with a significant increase in assets under management in a SCF market
- Meaningful new partnership with global payments giant FIS Worldpay, a leading provider of technology solutions for merchants, banks and capital market firms, processing over 40 billion transactions annually. This partnership will allow us to deliver integrated invoice and payment offerings to our customers as part of our expansion into the invoice-to-payment space. The FIS Worldpay customer is highly complementary to Tungsten's, which provides rich opportunity for both parties
- Ongoing development of strategic channel partnerships including business process outsourcers, business transformation advisories and value-added resellers

OPERATIONAL REVIEW


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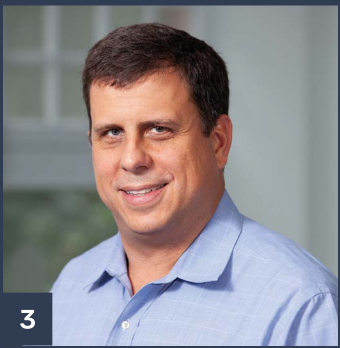
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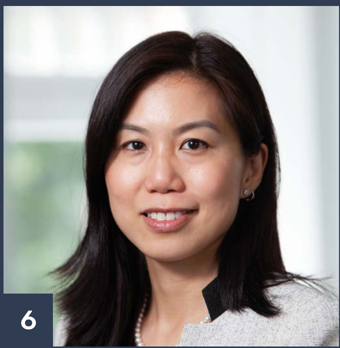
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8


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Learn more →
about the EMT team:
www.tungsten-network.com/about-us/

Fresh but seasoned leadership team

Paul Cooper[1], 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 11 European countries generating annual revenues of $900 million, encompassing 2,500 employees.

In addition to Paul's arrival, a further five appointments were made to the Executive team during COVID-19 lockdown.

- Ian Kelly[2] 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[3] 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[4] 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[5] 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[6] 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 EMT members was handpicked to have the experience and attitude necessary to drive functional best practice for Tungsten.

Along with the other EMT leaders – Eric Craig[7] (Chief Commercial Officer), Jessica Oppenheimer[8] (Chief People Officer) and Patrick Clark[9] (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-19 would mean for the global economy and workforce. We experienced a decline in transactions due to COVID-19 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-19'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.

See pages 26 and 27 for a conversation with Chief Product and Business Development Officer Marisa Teh as she shares how Total AR will evolve and explains customer and market input links to the FY22 roadmap.

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.

Read more →
A conversation with Marisa Teh
turn to pages
26 to 27

Compliance deep dive
turn to pages
24 to 25

> "Each project adds meaningful and ongoing business value for our customers. Combined, they make Tungsten's P2P offerings even more attractive within the market."

With Customer Connect, suppliers maximise 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.

See page 09 for a deep dive on why Tungsten invests heavily to maintain compliance services and grow government gateway — and why our gold-standard expertise matters so much to customers.

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 in 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.

OPERATIONAL REVIEW continued

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 programmes 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 optimise 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 to 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 £0.3 million in FY21 and forecast to grow significantly in FY22.

OPERATIONAL REVIEW continued

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.

> "A coordinated and aligned cross-functional strategy with tight focus and impeccable execution is a requirement for FY22 success."

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" outlined in our Investment Case on page 08. 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.

IN CONVERSATION WITH PAUL COOPER

"It's clear that there will be ongoing uncertainty due to the COVID-19 pandemic and the global economic situation, so this remains a challenge, but I remain cautiously optimistic about the year ahead for Tungsten."

Q. Why are you excited about joining Tungsten Network?

A. Tungsten has been a pioneer in automated invoicing and associated regulatory compliance on a global scale, so the opportunity to lead and build on the next phase of this heritage was a strong motivation. In a growing and dynamic market fuelled by critical business priorities including secure digitisation, operational efficiency, sustainability, and robust risk and working capital management, the Tungsten Network and the Tungsten team are a compelling combination to address these needs.

I was highly motivated to continue a leadership role in the sector having gained over 20 years of experience in finance, operations and online technology at the NTT Group, a leading global IT services provider. At Tungsten Network, from the Board, the Executive team and all the way through the organisation I see a strong commitment to our purpose of maximising value across the supply chain and accelerating the global economy.

Q. What do you think are the main challenges to the business in the year ahead?

A. It's clear that there will be ongoing uncertainty due to the COVID-19 pandemic and the global economic situation, so this remains a challenge, but I remain cautiously optimistic about the year ahead for Tungsten. We have seen a recent recovery in transaction volumes since March 2021, and have a strong sales pipeline with improved sales conversion. No doubt, the unwavering focus of everyone at Tungsten to exceed customer expectations throughout the course of the pandemic has contributed to strengthening customer trust and decision-making underlying these improvements.

The long-term structural and regulatory drivers that underpin our markets remain firmly intact. We remain committed to ongoing investment in new product development, compliance services and the Tungsten Network in order that we can capitalise on the growth opportunities.

Q. What are your priorities?

A. I have two key priorities that are inextricably linked. The team at Tungsten have made strong progress amid various challenges over recent years, so my priority is to leverage that intent and momentum to ensure we realise accelerated and profitable revenue growth in FY22 and beyond. The established growth strategy has delivered numerous positive outcomes to date including successful broadening of Procure-to-Pay offerings. Further sharp focus in execution will ensure the expanded capabilities of the Tungsten Network within our existing buyer and supplier base are maximised, additional strategic partnerships are formed to sustain our customer value, and new sales engagements continue to grow with improved brand awareness and targeted vertical market focus.

Equally, the priority shared across the whole of our team at Tungsten is to continue to delight and actively listen to our loyal customer and partner base. Naturally this deepens our relationships but also enhances our existing reputation for high service delivery, supports our innovation and technology roadmap, and feeds our relentless focus on the ease with which we do business together. It also sets the Tungsten standard for trusted relationships with our growing base of new customers and partners.

OUR MARKET

Drivers of momentum and growth

Trend #1

Regulatory drivers

The evolving market trend toward full business automation with the government is on the rise. Governments have started requiring businesses to receive electronic orders, and regulations are already in place in some countries including Italy and Germany, where B2G e-invoicing is already mandatory.

The public sector is responsible for 16%-18% of all purchases in given countries. Any organisation unable to accept electronic orders won't be able to conduct business with public entities, resulting in negative financial and business repercussions.

Tungsten Network makes a considerable investment to stay at the forefront of regulatory changes within global markets and provide trusted advisory for customers and partners.

Trend #2

Expanded value opportunities

Cost-cutting becomes an ongoing discipline providing opportunity for innovation and growth. Finance and procurement leaders have a new mandate to drive improvements for both the business and the larger supplier network.

- Renewed focus on operational longevity and risk exposure/management.
- Increased security concerns with remote working.
- Cash flow protection.
- Supply chain health initiatives.

Trend #3

Shift to Cloud

Cloud technology drives self-service demand across all areas of the business.

- Remote operations require 24/7 access and support.
- Both internal and external finance stakeholders demand new processes.
- Opportunities for efficiencies abound – only if the right systems are in place.

Trend #4

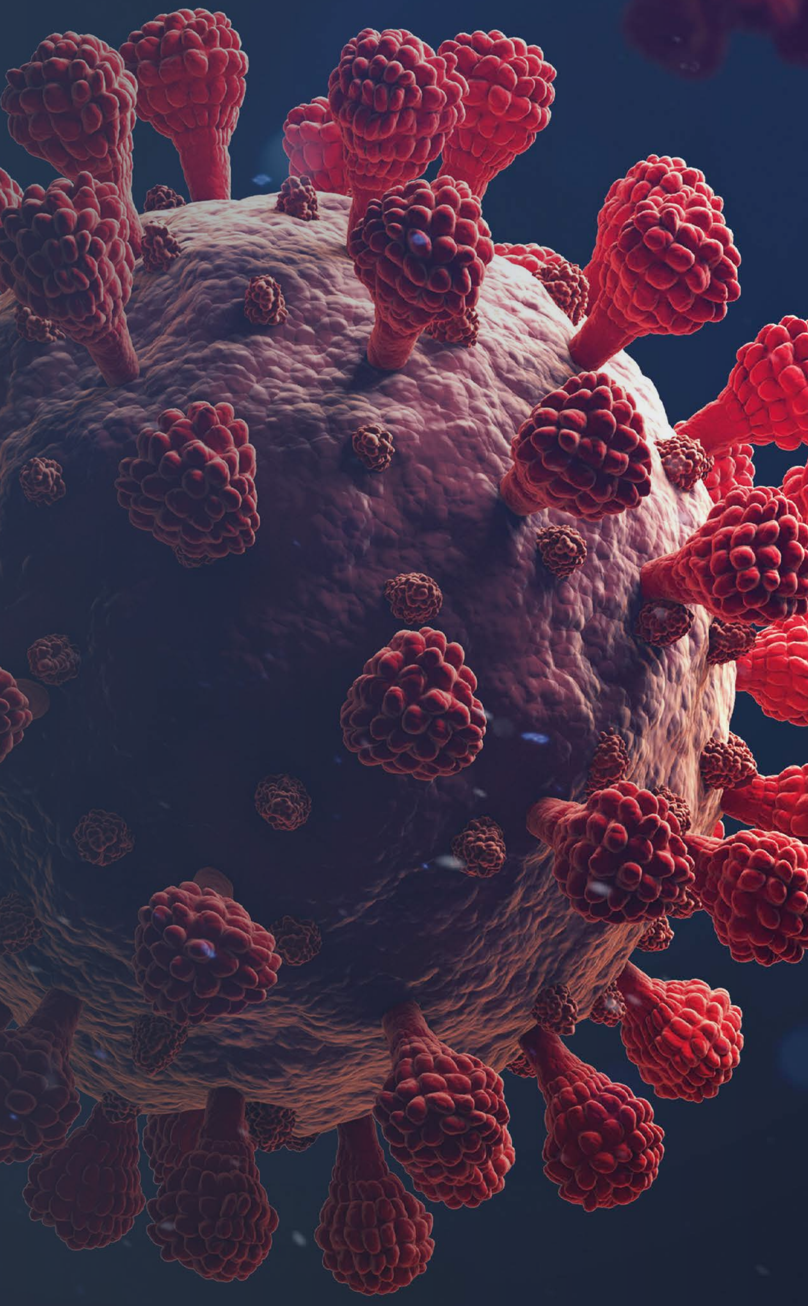
Transformation acceleration

The focus on increasing digital capabilities at a rapid pace is here to stay, even after the pandemic is over. This provides momentum for increased process improvements and digital transformation. Business continuity has moved from being best practice priority to competitive imperative.

- Remote finance teams have seen what happens when paper fails.
- Average time to process an AP invoice has increased.
- Speed of transition from OCR has increased.
- Rise of "no paper" mandates – leading to significant increase in portal use.

"Navigating the global tax compliance landscape can be a minefield when you're doing business across borders. Every country has its own set of rules and regulations that your company must adhere to, and violating these rules, intentionally or not, can result in significant penalties."

Ruud van Hilten
SVP Business Development and Country Compliance



COVID-19 impact

The COVID-19 pandemic presented a major challenge to the global economy. Companies needed to ensure business continuity amid social distancing norms, lockdowns, work-from-home policies, and other operational challenges. The non-availability of digital strategies, tools, or infrastructure exacerbated the challenges for several organisations suddenly forced to move operations online or enable employees to work remotely from their homes.

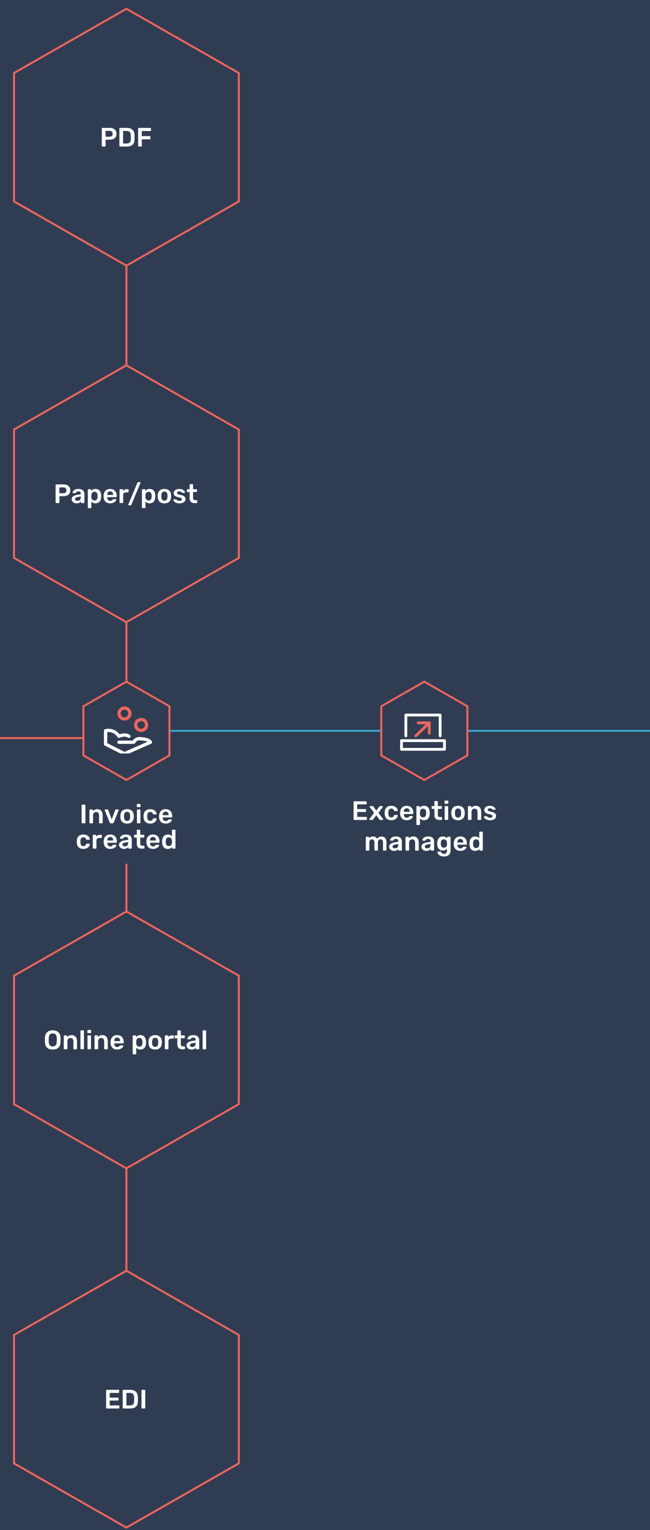
The impact of the pandemic, along with trends explored on the facing page, will help propel growth in our addressable market. According to an Insight Partners' research report, the global e-invoicing market is expected to reach a value of around USD 15.5 billion by 2027, increasing at a CAGR of around 16.2% between 2020 and 2027.

Learn more →
about the impact of COVID-19 on global compliance:
www.tungsten-network.com/resources/blog/covid-impact-global-compliance/

THE TUNGSTEN NETWORK

An evolving digital ecosystem

Tungsten is the trusted partner for global business leaders on the journey to digitisation and automation business value. We have been privileged to support business transformation initiatives of brilliant leaders within some of the world's most respected organisations. For most of our customers, the partnership has extended over a decade. Our first customer, Fisher Scientific, remains with Tungsten today. A case study outlining Fisher's success can be found on pages 06 and 07.



Tungsten Solutions

The Tungsten Network, the largest compliant digital network of buyers, suppliers, and business ecosystems, is the engine behind Tungsten Solutions' value for customers. Since 2000, when Tungsten launched e-invoicing as we know it today, our technology has evolved but our mission has remained constant: to help customers maximise invoice value across the supply chain.

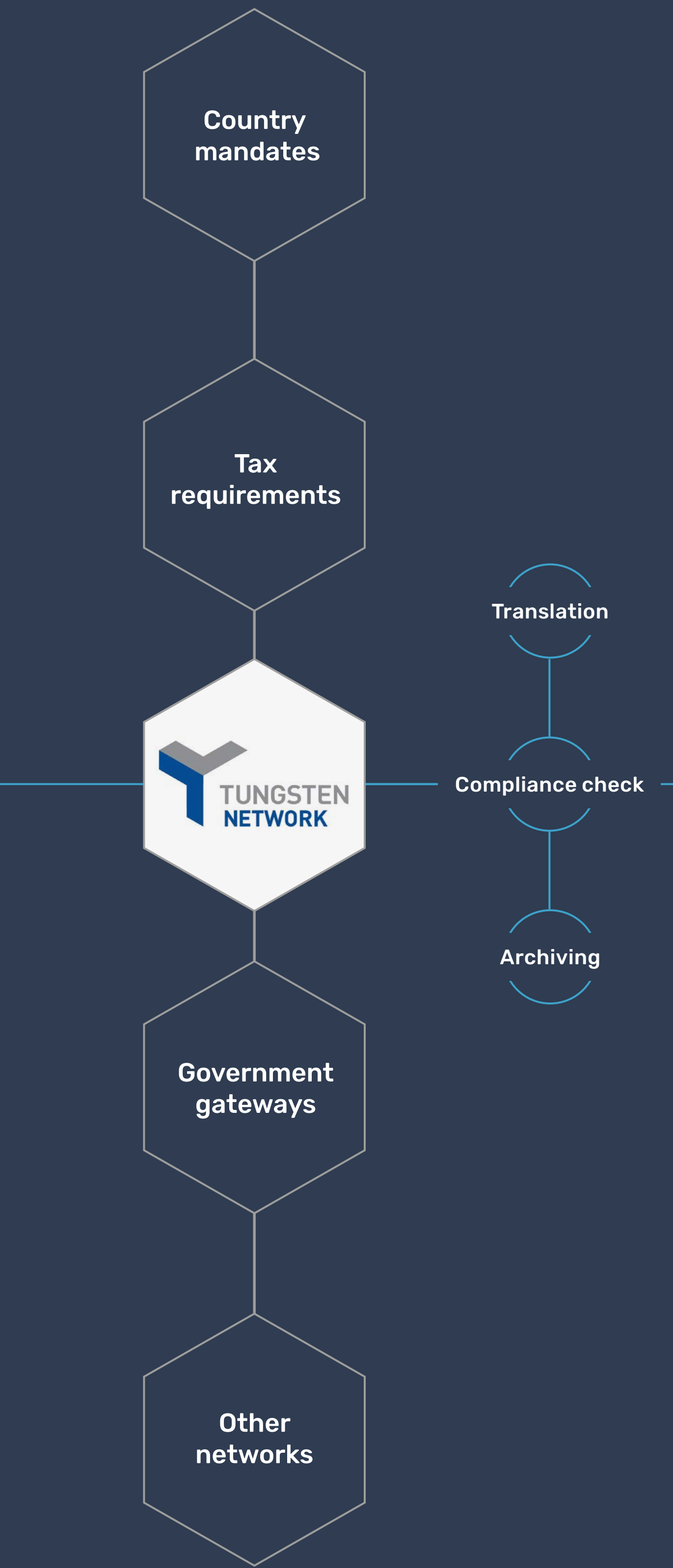
We now are one of very few providers offering both accounts payable and accounts receivable e-invoicing. Customers can choose from a holistic suite of products designed to suit specific and exact requirements. With all our solutions, customers realise enhanced efficiencies through total invoice automation, secure invoice archiving, and mitigation against potential fraud and error. Unlike many legacy systems, Tungsten Solutions scale to any size organisation and provide a future-proof system.

Total AR

With Total AR, customers can digitise 100% of outbound sales invoices, converting paper and PDF to standardised electronic formats and guaranteed delivery. Total AR provides complete control of cash flow along with real-time invoice delivery status and payment visibility.

Easily scalable to specific operational needs, Total AR helps AR departments manage complex customer and government requirements while providing complete visibility across multiple distribution channels.

01. **The supplier creates an invoice and uploads via the format of choice**

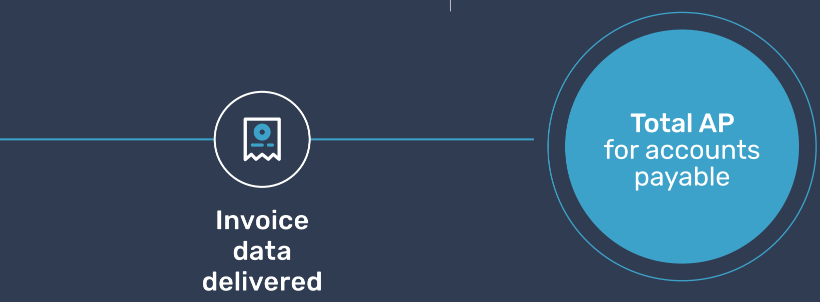


Supply Chain Finance

Tungsten Supply Chain Finance ('SCF'), offered in partnership with supply chain finance leader Orbian, provides a complete SCF solution and is a win/win for both buyer and supplier. The supplier receives faster access to liquidity by taking early payment on invoices. Buyers have new ways to optimise working capital. Adding the service also creates an additional incentive for supplier onboarding to e-invoicing.

Supplier onboarding

Tungsten offers a variety of supplier options for all sizes and maturity, along with a 'white-glove' customer service ensuring a successful e-invoicing programme. Our proprietary onboarding processes result in conversion rates among the best in the industry, accelerating customer time to value.



Total AP

With Total AP, our customers achieve 100% invoice digitisation from day one, accommodating all suppliers, regardless of size, location, or maturity. Real-time spend visibility and analysis helps maintain compliance, manage suppliers more effectively and reduce costs.

Total AP delivers time saving benefits, improves cash management and gives businesses the agility to succeed in a global economy by converting all invoices into a single, digital format.

Tungsten Workflow

Tungsten Workflow solutions help customers save valuable time in matching purchase order ('PO') based invoices, approving non-standard invoices and processing exceptions. By linking Workflow, an e-invoicing system, our customers improve the efficiency of working capital and can reduce AP costs by 60% or more.

Workflow streamlines points of friction to improve the buyer-supplier relationships. All Workflow products post transactions into existing ERP systems automatically, with no human intervention, distributing invoices without manual work.

02. **Tungsten translates, enriches and validates supplier invoice data**

03. **The buyer receives standardised invoice data in preferred format for processing**

THE TUNGSTEN NETWORK continued

Why choose Tungsten Network?

1

Complete solution

Tungsten solutions scale to any size organisation and provide a future-proof system. Tungsten offers both Accounts Payable and Accounts Receivable e-invoicing solutions, along with innovative integrations for value along the P2P spectrum.

2

Increased visibility

Tungsten offers complete visibility of line-level spend across all enterprise resource planning ('ERP') systems for better insight, control, and performance.

3

Intelligent exception management

Tungsten's customisable rules engine highlights exceptions at the point of invoice submission for reduced delays, fewer errors, and faster payment.

4

Global compliance

Tungsten helps customers meet complex local government mandate and country regulation requirements through a single connection.

5

Business agility

Tungsten provides a suite of solutions to helps customers optimise costs, manage cash, maximise invoice value and enhance front office decision-making.

What benefits do business leaders using intelligent process automation report?

Research and advisory firm Ardent Partners examines strategies, processes, and technologies that drive business value and accelerate organisational transformation. The numbers to the right compare key operational efficiency performance indicators between "best-in-class" performers and "all others".

$2.56
Cost to process a single invoice (all-inclusive cost)
(All others $12.88)

67.2%
Invoices processed "straight through"
(All others 21.2%)

54.0%
Suppliers that submit invoices electronically
(All others 25.2%)

80.2%
Invoices linked to a purchase order (PO)
(All others 44.3%)

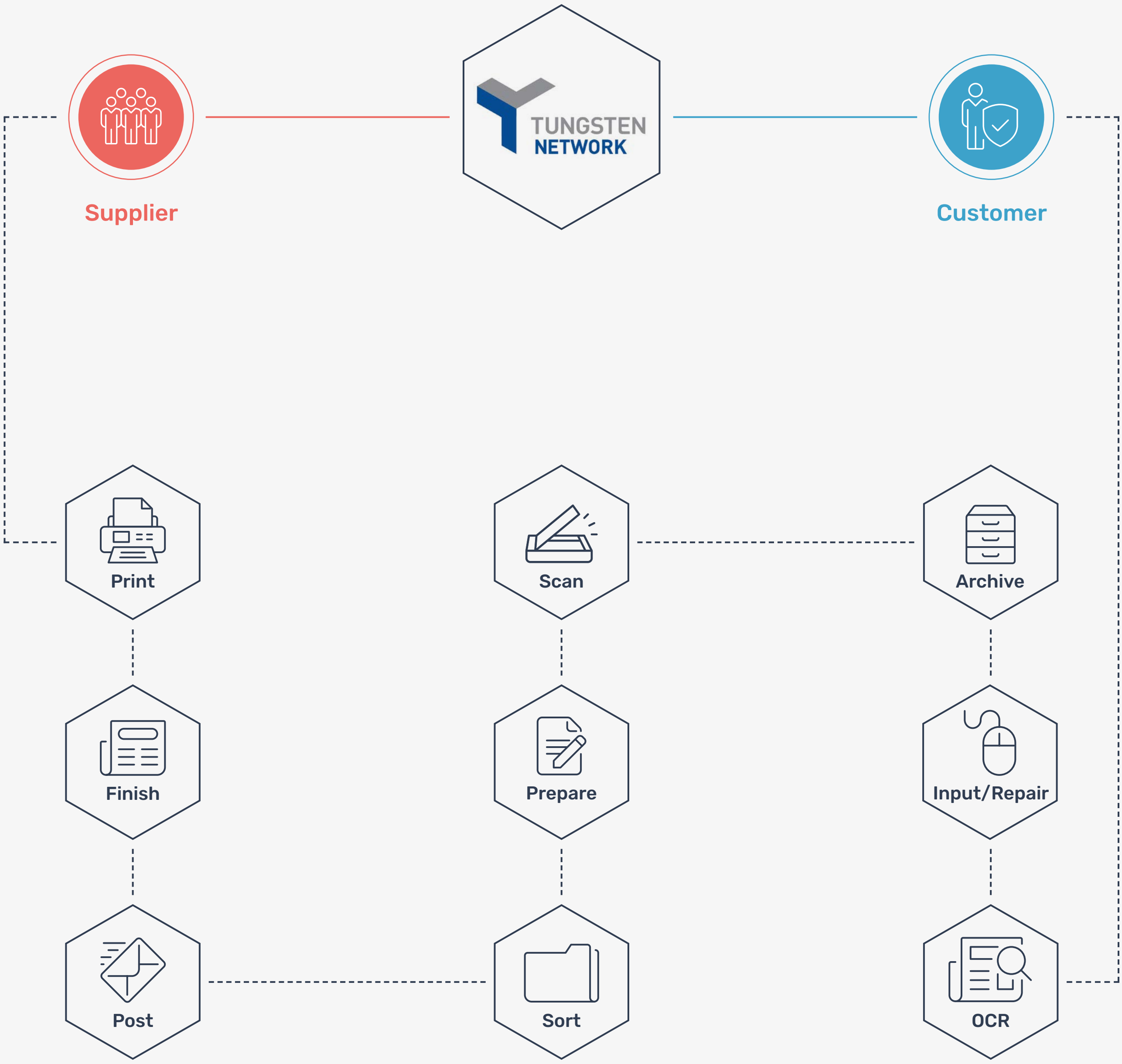
10.6%
Invoice exception rate
(All others 27.3%)

3.1 days
Time to process a single invoice
(All others 11.7 days)

Source: Ardent Partners' Accounts Payable Metrics that Matter, 2020

Tungsten's automated e-invoicing eliminates the challenges associated with manual processes. The time and resource savings can be significant.

- Fully automated processing: 20 minutes
- Manual processing: 5 to 28 days



OUR STAKEHOLDERS

Key stakeholder groups

Stakeholder overview

We recognise the importance of each of our stakeholder groups. We have created structured communications channels for regular and transparent stakeholder communication, in accordance with a set of general duties as detailed in section 172 of the UK Companies Act 2006. This Act is summarised as follows: Our Directors engage with all our key stakeholder groups on an ongoing basis. The Directors continually review the impact of any Company decision on key stakeholders.

Read more →
About our structured communications in Statement of compliance with section 172 of the Companies Act 2006

41

Our People

We engage with our people continuously and on several levels. Central to our people culture is accessing valuable staff input through regular employee surveys, "Lunch and Learn" sessions, and virtual team socials. For general communications and Company updates, we use various channels that include our Company intranet, weekly communications, quarterly staff meetings and annual kick-offs.

Our Customers

Our customers are central to everything we do. In FY21 we launched quarterly Product Power Hours for customers and select prospects, during which we share Product Roadmap and service enhancements. Each month, we produce interactive webinars incorporating customer stories and topics of value to our user base.

In FY22, we will create a Customer Council comprised of strategic customers and provide a quarterly forum for product roadmap and service input. Client Management staff will also schedule Quarterly Business Reports ('QBR') to drive account understanding and optimise Tungsten business value for our customers.

Our Investors

Maintaining elevated levels of trust with our investors and shareholders via strong relationships, transparent engagement, and open communications is at the top of our agenda.

In addition to regular meetings, we stay engaged with our investors and shareholders through channels including annual general meetings ('AGMs') and regulatory news service ('RNS') announcements.

Our Suppliers

During the years, the Group has established a global network of external service partners and suppliers to supplement its own operations and infrastructure. Recognising the strategic reliance on the operating model, the Board aims to establish a governance framework codified in a Supplier Code of Conduct, in order to ensure that it engages with partners that share similar values and goals. An active and respectful engagement with external suppliers is expected from all our employees.

The Executive Committee reviews and briefs the Board on an annual basis regarding the material outsourcing providers, to ensure that the oversight of services or products remains consistent with the Group's strategy to use service partners as a way to add value to the Group's infrastructure. This provides the Board with oversight of the controls in place to manage an important risk in our supply chain. The Board is involved in key decisions relating to material outsourcer arrangements.

COMPLIANCE OVERVIEW

A new chapter in government intervention

Two milestones took place during 2020 and 2021: Brexit and COVID-19. Both happened almost simultaneously, and both have changed the face of financial compliance for the near future.

The financial impact of the pandemic has shone a light on governmental needs to adopt data-driven regulatory measures which limit tax and invoice fraud. Tax administrations globally are accelerating their digitalisation, increasing their uptake of more sophisticated technology tools and e-invoicing portals, or gateways, to increase visibility of every step of the supply chain. This is reflected in governments requiring start-to-finish audit trails across orders, real time reporting and in keeping up with the relevant invoice reference number ('IRN') and quick reference ('QR') codes.

The invoice clearance model implemented by Italy in 2019 is now becoming of interest to more countries across Europe. By implementing such a model, governments can receive real-time information on business operations and detect fraudulent transactions in a timely manner.

The COVID-19 pandemic has brought a focus on digital and offsite working. Brexit has added complexities in cross border trading. Italy has a model which is now being replicated to varying degrees across the EU and globally. This will bring further opportunities our way.

As we explain in this section, this brings huge opportunities in how Tungsten Network can serve its clients. But first some background. There are some fundamental differences between the post-Brexit and COVID-19 audit trail agendas. Brexit revolves around tax transparency across different territories.

It relates to issues such as the accuracy and depth to which businesses are returning their taxes, the traceability of transactions and which parties they are transacting with.

The regulatory agenda in the wake of the pandemic is more based around the move to paperless invoicing systems. In an e-invoicing context, compliance concerns revolve around how businesses are signing credit notes, verifying the contents of invoices, checking tax IDs, managing their bookkeeping or archiving their records.

E-invoicing is the new normal

Before 2020, the trend towards paperless systems was already well underway, evidenced by the huge uptake of e-invoicing over recent years. But it has been largely compounded by remote working practices, which for many companies are becoming the new normal – both now and in a post-COVID-19 environment.

It has been evidenced that businesses can operate remote accounting practices very effectively with the right technologies and have adjusted incredibly well to the "new normal". But while digital e-invoicing systems are the way forward for businesses, increasing government regulation brings its own challenges. In 2020, there were 10 new compliance mandates on e-invoicing alone.

For companies operating across international borders, regulations from one territory to the next can vary widely. Individual countries can experience multiple compliance changes in a single year.

Herein lie the considerable opportunities for Tungsten Network in providing a valuable expert advisory role for our customers.

1. Italy leads a growing wave of clearance models

2. Regulation focuses on paperless invoicing systems

3. COVID-19 accelerates remote accounting practices

4. E-invoicing provides full traceability for buyers and suppliers

5. Compliance requirements can be a moving target

6. Tungsten offers trusted consultancy on complex compliance issues

Partnering with organisations including PwC, Sovos and Edicom, we keep abreast of differing and changing financial regulations across the world. In addition, Ruud van Hilten, Tungsten Network's Senior Vice President, Country Compliance and Strategic Business Development, sits on the Executive Committee of EESPA, Europe's trade association that sets the standards for e-invoicing. Through our own research, insights from EESPA, and our international partners as mentioned, we stay up to speed as regulations change within global markets and provide a valuable knowledge source to our clients, wherever in the world they operate. And because of the transparent and data-driven nature of e-invoicing technology, we provide both our buyer and supplier clients with full compliance traceability.

Countries make multiple compliance changes to their initial regulation. For some, the scope starts with mandating enterprise sized companies, then expanding to include smaller sized companies. For others, the scope requires increasingly tighter integration with governments' platforms. Italy and India made 4 changes in FY21 alone, both increasing their requirement to stay compliant. Italy's clearance model sets the tone for other European countries, requiring businesses to integrate their ERP to help government increase their breadth of data collected. These inevitable changes call for increasing complexity and additional steps businesses must take to stay compliant, let alone stay up to date on compliance news across their geographical footprint.

Tungsten's comprehensive service, catering to companies from small to enterprise, sets us apart from competition. Tungsten Network is one of the only e-invoicing service providers offering clearance services, which is one of the most complicated parts of the compliance offering. Tungsten thus offers services to support both business to business and business to government invoicing and can be one provider for all invoicing. With Tungsten, suppliers can submit invoice data in their choice of format. Tungsten ensures that the invoice meets government needs and provides validation of same before the invoice is created. This minimises the chance of exception and rejection. Tungsten also provides confirmation of invoice delivery.

When Tungsten expanded our e-invoicing offering from accounts payable ('AP') to accounts receivable ('AR') services, we further solidified our understanding of buyers' and suppliers' needs from both ends of the same journey and distinct compliance requirements for each. This knowledge, together with our two decades of experience and service, prepares us for additional complexity.

An increasingly complex compliance landscape

Government appetites for regulation have not died down. On the contrary, we anticipate that compliance issues in areas such as accounting accuracy, invoices to payments, ledgers, clearances, and tax returns will increase moving forward.

Businesses need a trusted partner to alleviate their compliance concerns. At Tungsten Network, we are proud to support our clients in this way through our global reach, key partnerships, and compliance expertise.

IN CONVERSATION WITH MARISA TEH

Marisa Teh, Chief Product and Business Development Officer at Tungsten Network, reflects on the Company's achievements over the past year and its ambitious goals for FY22.

Q. What have been some of the benefits of expanding our product suite from accounts payable ('AP') to include accounts receivable ('AR') e-invoicing services and how will you take this forward in the coming year?

A. We introduced Total AR in late 2019 to complement our Workflow and AP solutions. Interest from potential customers has been strong. In FY21, we saw 190% growth from the previous year, and in FY22 we expect ongoing growth. We have a strong portfolio of clients and can now expedite our time-to-value to support customers at different points in the AR digitisation journey. It is also a fantastic opportunity to introduce Total AR to our strong network of AP clients and enterprise suppliers.

"The ongoing roll-out of Customer Connect, along with the introduction of Supplier Connect, will accelerate buyer and supplier adoption rates and increase customer engagement."

"A key focus for FY22 is ecosystem expansion within invoice to payment and reduced time to value."

Q. 2021 marked two major milestones for Workflow. It has been 20 years since its launch and this year it went to the Cloud. In brief, what are the main benefits of Workflow and how does the Cloud enhance these?

A. Workflow is a key component of the AP process, with automated functionality to accept or reject invoices as well as to provide three-way matching of purchase orders, invoices, and delivery. Through the magic of Workflow, all these elements come together.

In FY21, we launched the Cloud-based Universal Workflow. In addition to all the typical advantages of migrating away from on premise systems, such as cost and hosting advantages, Universal Workflow allows for connection across different ERP instances. This enables an any-to-any connection and eliminates compatibility issues. It also means Tungsten can increase competitive advantage and widen our sales funnel.

Q. What are your plans to expand the Tungsten Network Workflow product suite?

A. Our current customers love the value they receive from our current Workflow enterprise solution. In order to provide this same opportunity for customers at earlier stages of digital transformation, looking to add a "plug and play" Workflow to support finance process automation, we offer Workflow Lite. Having worked over 20 years with customers across different verticals and ERP environments, we know how to support customers looking to start their workflow automation sooner.

Q. Since joining Tungsten, in which areas have you initiated efficiency measures to increase productivity and further improve the customer experience?

A. The key efficiency milestone over the past year has been our fully automated Customer Connect initiative, based around the strategic integration of buyers and suppliers. Rather than needing to raise a support ticket through our system, Customer Connect empowers buyers and suppliers to connect directly. Think social media platforms, where the receiver needs to approve a request to connect.

Our next efficiency and customer value driver for FY22 is Supplier Connect, which will streamline the onboarding of suppliers. The amount of information needed from suppliers can be considerable and it can therefore take time to onboard them. By providing the information in a "self-service" environment, suppliers can onboard faster and get paid sooner. Supplier Connect also brings transparency to buyers, so they can track and increase supplier adoption.

> "Customer Connect empowers buyers and suppliers to connect directly. Think social media platforms, where the receiver needs to approve a request to connect."

The launch of Self-help, from WhatFix, enabled more self-serve tooltips to help users navigating our portal to get instant access to readily available answers especially if they are asking frequently asked questions.

A combination of these initiatives has helped to contribute towards a year-on-year reduction in ticket resolution times of 50%.

Learn more →
about our Product Roadmap
https://www.tungsten-network.com/roadmap/

Q. What are some of your key objectives for FY22?

A. A key focus for FY22 is ecosystem expansion within invoice to payment and reduced time to value. We will continue to develop the Total AR solution based on the learnings over the past year. We are also expanding our Workflow product to serve a wider range of customers.

The ongoing roll-out of Customer Connect, along with the introduction of Supplier Connect, will accelerate buyer and supplier adoption rates and increase customer engagement. Supplier Connect will also allow us to improve buyer visibility of supplier implementation progress to resolve issues and accelerate supplier onboarding.

Another product, our Email In solution, uses AI to accelerate data capture without Web Form key in or complex ERP integration, so that suppliers can create invoices faster without as many errors. Email In attracts and serves the middle market, the market that was untapped with our integrated supplier and Web Form service. It is currently in pilot stage, and we've already had some positive customer feedback. Suppliers from Kraft and HPI have reported processing around 15 invoices in 20 minutes!

We are working on propositions to support suppliers in expediting their payment receivables. In this regard, we have already established major partnerships with Fintech firm FIS Worldpay and supply chain finance provider Orbian. We are currently exploring new innovations with our close partners to enrich their existing offering and to extend our e-invoicing services to offer flexible and expediting payments. We are also working to optimise our compliance operations and footprint, given the recent acceleration of government mandates and other regulatory drivers.

CASE STUDY: HONDA LOGISTICS NORTH AMERICA

The best solution for a complex business

Honda Logistics North America, Inc. (HLNA) provides special warehousing, storage, freight, transportation and logistics for Honda manufacturing facilities throughout North America. Founded in 2013, the Ohio-based privately owned company employs approximately 3,800 people.

Challenge

Until 2015, HLNA's AP department was relying on a variety of divergent manual, paper-based processes to handle 115,000 invoices per year, with inconsistencies from one location to the next. This decentralisation of process led to lack of invoice and accrual visibility within the business, in addition to creating significant delays which damaged vendor relationships. Brad Gerritsen, a 21-year AP veteran and Accounts Payable Coordinator for all HLNA companies in North America, knew there was a faster, more reliable way for Honda Logistics North America to process invoices, so he began investigating e-invoicing at industry conferences.

After proving the efficacy of invoice automation to HLNA's manager of finance and gaining business approval, Brad spearheaded the project, beginning with soliciting competitive bids; he researched and vetted three different companies before ultimately deciding to partner with Tungsten.

Solution

A competitive bidding process focused on the need for seamless, expedited and visible processing of invoices across all North America locations. Another priority for HNLA was a solution that streamlined workflow and approval routing within a centralised ERP. What ultimately set the Tungsten Network solution apart, however, was its ability to provide advanced historical and real-time, line-level analytics that allow HNLA's AP team to begin investing in strategic initiatives.

Impact

Now in its sixth year using Workflow, HLNA has experienced transformative results from the very beginning.

Indeed, the manual, paper-based systems no longer exist, and invoices are validated within 48 hours with no invoice going lost or unpaid. Brad and his staff have full visibility of every invoice, and HLNA now faces far fewer late fees and finance charges. Unlike many organisations, HLNA experienced no interruption of service or productivity as a result of COVID-19, and considers the move from manual to digital systems the primary factor in their continued success.

Partnering with Tungsten Network has given Brad, and the rest of his team, peace of mind. The books are closed on the first of every month, there's greater synergy between AP and other HLNA departments, and for the first time in the company's history the AP department is able to offer deep discounts, focus on strategic initiatives, and serve as a profit centre for the company.

Customer

Honda Logistics North America, Inc.

Industry

Logistics & supply chain

Geography

North America

Key objectives

- AP centralisation
- Process consistency
- Invoice visibility
- Expedited processing
- Improved vendor relationships
- Enhanced analytics

Results

50%
Reallocation of FTEs to other parts of the business

48hrs
Guaranteed validation of every invoice

- Full visibility of invoice status
- Elimination of late fees and finance charges
- Faster, less painful audits
- Improved global repayment and supplier reconciliation
- Improved vendor data quality
- Ability to realise deep discounts
- AP team focused on strategic initiatives

Honda Logistics
Honda Logistics UK Ltd

"We needed a system that could manage all seven companies' invoices separately as well as having a clear authorisation matrix for approvals. Tungsten Network offered us the best solution for a complex business."

Brad Gerritsen
Accounts Payable Coordinator,
Honda Logistics North America, Inc.

Interested in learning more?

Explore our solution suite on our website:
www.tungsten-network.com

CHIEF FINANCIAL OFFICER'S REVIEW

Income statement

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 £2.0 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.

Revenue

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 £2.0 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.

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 payment 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 equates to lease payments.
4. 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 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 Adjusted (excluding lease payments) EBITDA is operating loss for the period. Management utilises Adjusted (excluding lease payments) EBITDA 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]	–	0.5	-97%
Group revenue	36.1	36.8	-2%
Recurring revenue % of total Tungsten Network revenue[6]	53%	54%	–1%
Total 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 subscriptions 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.

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 that 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 £0.4 million (primarily the annualised 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 payment charges, and exceptional items, and are adjusted to include rental payments.

Expenses

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 30 April 2021 was £49.6 million (FY20: £76.1 million).

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- 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 meeting rooms and the use of co-working space. Tungsten is actively looking to sub-let some of its office space to offset some of the costs associated with these 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 £0.1 million relating to the launch of new customers and an increase in commissions of £0.2 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).

CHIEF FINANCIAL OFFICER'S REVIEW continued

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 27.49 pence (FY20: 20.62 pence).

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).

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 £2.0 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 FY21.

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 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	–	(0.1)
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**

Cash flows from investing activities

Cash spent on investing activities decreased by £0.4 million 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 £1.0 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 licences. 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.

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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 £4.0 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 renewed; 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 FY21 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.

Ian Kelly
Chief Financial Officer
29 July 2021

OUR PEOPLE & CULTURE

Supporting our people

Our Company values

We are Connected
We are interconnected and rely on each other to deliver high performance.

I Contribute
We all contribute to the performance and success of Tungsten Network and we all make a difference.

Loving our Customers
We are here to support our customers with innovative technology and unsurpassed customer service.

Caring for the Environment
We are focused on having a low impact on the environment and encouraging companies to use our services to reduce their carbon footprint.

"We recognise that supporting our people so that they can meet their professional and personal aspirations is crucial to their morale and also the success of the Company."

Jessica Oppenheimer
Chief People Officer

Engaging our employees in the "new normal"

Last year we were happy to report how quickly we had been able to transition to a remote working environment. We swiftly equipped our employees with the tools and support they needed while maintaining uninterrupted delivery for our customers.

Over the past year, we have delivered training and communication initiatives to maximise both the effectiveness and morale of our global workforce in what is still largely a remote working environment.

My Tungsten onboarding portal

Remote onboarding has been a challenge for new starters in organisations globally – Tungsten Network included. It has deprived them of the chance to experience their working environment, meet their colleagues face-to-face and get under the skin of the organisation's culture. To provide new starters the best possible onboarding experience, in May 2021 we launched our My Tungsten onboarding portal to help new employees feel part of our organisation from the moment they decide to join the Company.

Since the start of the pandemic, Tungsten Network has continued to grow, onboarding 57 new team members. Through our My Tungsten onboarding portal, new starters can become familiar with our people, culture, and processes. They can learn about our values, product offerings, recognition, and rewards systems. They can also understand how we measure performance, familiarise themselves with their team members and receive management support.

Our ongoing people initiatives

For our existing employees, our focus has remained on rolling out initiatives to support both their physical and mental wellbeing. During the pandemic, employees across all organisations have reacted to remote working in different ways. Some have adjusted well, while others have found it a challenge working outside an office environment.

Our employee pulse surveys held throughout the year are invaluable to ensuring we stay connected to how our employees think and feel. This has been particularly poignant during the pandemic. Over the past year, we have initiated our Tungsten Ways of Working ('T-WOW') programme based on survey feedback on working culture.

T-WOW gives employees a multitude of tips, with intranet webinars ranging from how to make meetings more efficient, virtual desk yoga and beating lockdown loneliness, to setting time boundaries, using remote meetings platforms and building an ergonomic home office.

Recognising our employees

Our employee involvement extends to our staff recognition programmes. The Kudos initiative, launched in May 2020, has been highly successful. Employees can recognise and send a thank you to another employee on the Company intranet; a way to reinforce our organisational culture, each thank you links to a Company value.

Another employee-driven initiative launched in the last year, our Value Awards recognise employees that have gone above and beyond in their Company contribution. The winners were chosen from over 100 employee nominations and were announced at a special virtual awards ceremony at the FY22 kick-off.

New ways of working

As a result of our initiatives, our employees have rewarded us with their feedback on how we have dealt with the challenges of the pandemic, with 89% of employees giving us their seal of approval. We will continue to roll out initiatives designed around strengthening our people and culture, which remain front-and-centre of our strategy. As a result, we have continued to deliver to our customers day-in and day-out.

We look forward to welcoming our people back into the office when it is safe to do so.

Forward thinking

Through the resilience, drive and calibre of our employees and a robust organisational culture, we are emerging from the experience of the pandemic stronger and more unified.

But supporting our people and strengthening our organisational culture is an ongoing journey and we look forward to reporting the new achievements we have made next year and beyond.

Our people across the world

99
London UK

34
United States

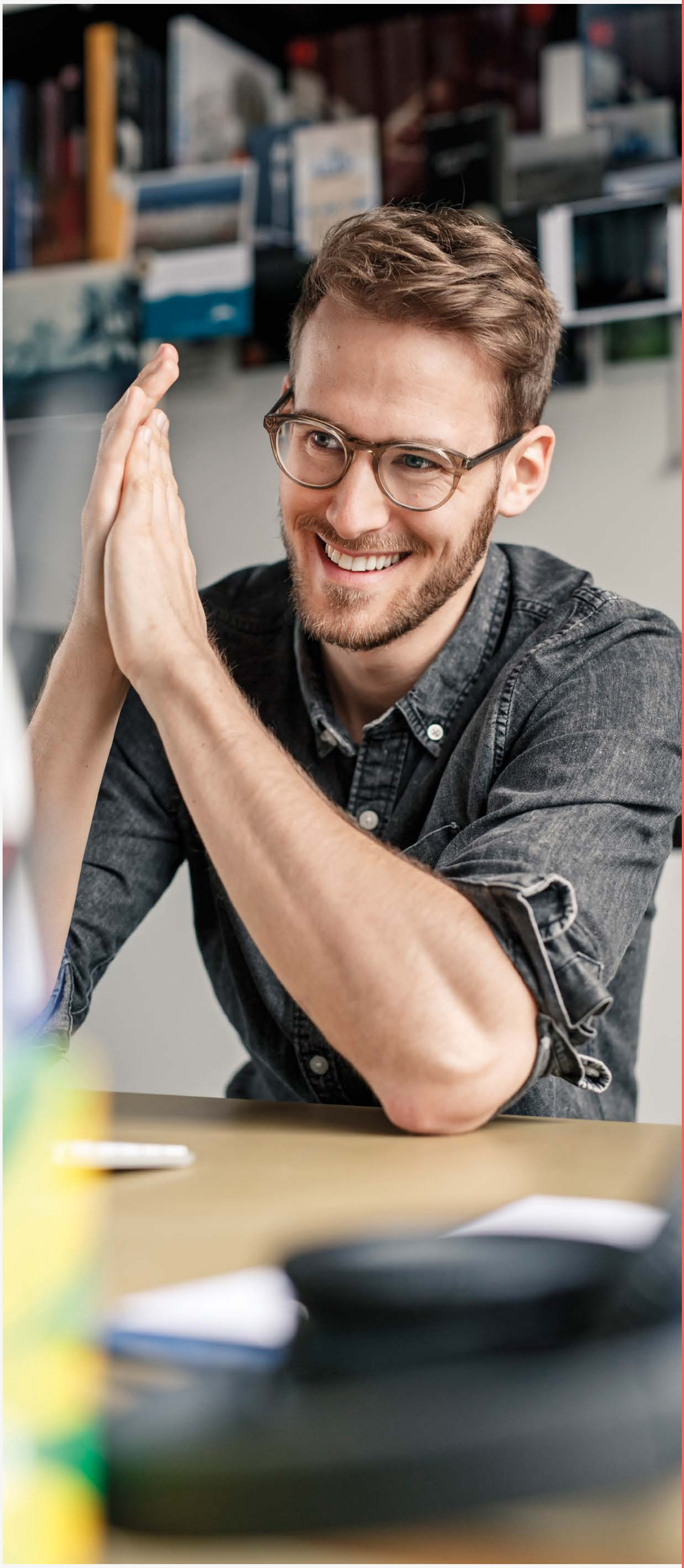
78
Kuala Lumpur

13
Sofia

3
Rest of the world

5
Number of offices

227
Total headcount



CASE STUDY: HENKEL

Increased transparency from e-invoicing

Henkel, a global consumer goods organisation of 50,000 employees responsible for brands such as Persil, Schwarzkopf and Loctite, is committed to optimising its purchase to pay function by increasing efficiency, effectiveness and compliance.

Despite having self-billing in place, Henkel continued to handle 1.25 million paper invoices each year. In order to deliver further automation and efficiency, they decided to explore e-invoicing as a complementary process to their existing AP technology.

"When we started our investigations, we saw e-invoicing as a process that could help us increase our automation levels, reduce workloads and drive down cost," says Jens Fischer, Henkel's Global Process Manager – Purchase to Pay.

> "Within the first 12 months, suppliers that send 72% of Henkel's in-scope invoices were signed-up for e-invoicing."

"We recognised that e-invoicing could be a complementary way of increasing levels of automation." Henkel's business case concluded that a strategic investment in e-invoicing would pay off, particularly in the longer term as more of their suppliers join the network.

After looking at several providers, Henkel chose Tungsten Network as their provider of choice. Jens says, "Tungsten stood out in a variety of ways, most notably because of its supplier onboarding capability. The focus on VAT compliance, as well as its straightforward pricing model, were also influential in the decision-making process."

Solution

Having decided that the initial scope for e-invoicing would cover its suppliers in Western Europe, Henkel formed a project team of its own employees – drawn from Purchasing, IT and Finance – and Tungsten Network consultants.

Divided into two work streams, the implementation stream developed the project's blueprint and took the process through its building, test and deployment phases. The onboarding stream focused on getting suppliers set up for e-invoicing, running through the various phases of external and internal communications and training, analysing supplier data, and taking the project right through to getting suppliers enrolled and transacting.

The breadth of the Tungsten Network also had a significant impact on the success of the project: "Many of our suppliers were already on the platform, which helped us validate the technical solution," says Jens.

While the onboarding process went well, Jens says he felt well supported. "Onboarding suppliers isn't simple. Tungsten Network sometimes requires our help with suppliers that resist e-invoicing, but it does most of the enrolment work. We now have suppliers signed up from Western Europe, and Central and Eastern Europe." Emphasising the importance of the onboarding process to the overall success of every e-invoicing project, Didier Lombard, Client Manager at Tungsten Network, says: "Henkel has been proactive in working with its suppliers and has followed our best practices."

Customer
Henkel

Industry
Consumer goods

Geography
USA

Key objectives
- Increase overall levels of automation in purchase to pay process
- Deliver increased efficiency, effectiveness and compliance
- Reduce 1.25 million paper invoices being transacted annually

Results

72%
of in-scope suppliers live with e-invoicing

- Extending roll out to Central and Eastern Europe and Asia

Interested in learning more?

Explore our solution suite on our website:
www.tungsten-network.com

"For example, we have a smooth and effective approach to engaging with suppliers that may have initial concerns about e-invoicing. The team has a single point of contact who gives a consistent and prompt response that explains the advantages and consequences of not moving forward. Procurement is held back as second-level escalation."

Impact

Within the first 12 months, suppliers that send 72% of Henkel's in-scope invoices were signed-up for e- invoicing.

As a result, Henkel extended the project's reach to Central and Eastern Europe, and continues to focus on ramping up the transaction volumes. Henkel does not scan any invoices and is benefiting from the increased transparency e-invoicing provides.

Looking to the future, Henkel is taking the roll out of e-invoicing even further by including North America and Asia in the programme.

"Tungsten stood out in a variety of ways, most notably because of its supplier onboarding capability. The focus on VAT compliance, as well as its straightforward pricing model, were also influential in the decision-making process."

Jens Fischer
Henkel's Global Process Manager
Purchase to Pay

RISK MANAGEMENT

Principal risks and uncertainties

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

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

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

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

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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 General Counsel/Data Protection 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.

The Company has undergone a period of change in strategy, senior management, operations, governance and culture. Effective risk management has remained a high priority throughout these changes.

Risk	Impact	Mitigation
Customer Relationships 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. **Risk level** Medium ↔	• Failure to meet our growth plans. • Failure to achieve targets for revenue, profit and earnings.	• Active management in place to spread revenues across all customers. No one customer accounts for significant revenue or concentration of revenue. • We were advised during FY21 an existing customer who accounts for 5% of our revenue will be leaving our network in FY23. Whilst a ramp down will commence in FY22, we expect the full impact of this to be in FY23. • Where a customer does not renew, Tungsten will typically provide support over a transitional phase of c. 6 to +12 months, potentially extending revenues beyond contract termination for the relevant transition period. • 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.

Risk	Impact	Mitigation
Market Geopolitical issues around global trade wars, Brexit, global recession lead to catastrophic loss of business by our large customers which will impact Tungsten Network. **Risk level** Medium ↔	• Failure to meet our targets for revenue, profit and earnings. • Failure to meet our growth plans. • Interrupt the viability of doing business in some countries.	• Executive Committee review on a timely basis on market movement and regularly communicate with our main buyers to understand how any potential geopolitical factors are affecting their businesses.
Pandemic COVID-19 virus. **Risk level** High ↔	• Failure to meet our growth plans. • Failure to achieve targets for revenue, profit and earnings. • Products and services become unavailable.	• Following the global pandemic in March 2020, the Executive Management team has continuously monitored the situation, assessing and following guidance from the World Health Organization ('WHO') and local government and agencies especially in countries where our offices and employees are located. • Employees continue to work remotely since March 2020 with virtual sales demonstrations and customer meetings replacing face-to-face appointments. • Close monitoring on the virus reported cases and observing country regulations to combat COVID-19. Regular updates provided to all employees on COVID-19 latest updates and Company's decision/next steps to ensure business as usual and keeping the employees safe. • Close monitoring on service delivery by high risk vendors who provide processing services to our customers. Few vendors/third parties are badly impacted by COVID-19 outbreak and action plans are in place to manage the resources and deliverables with minimal impact to the business operations. • Tungsten Network has been operating under BAU and all services and operations running according to the expected SLA.
Technology 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. **Risk level** Medium ↔	• Failure to meet our growth plans. • Failure to achieve targets for revenue, profit and earnings. • Products and services become unavailable. • Damage to reputation.	• 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, where practicable. • Post-implementation reviews are undertaken once a project is completed so that lessons can be learned.

RISK MANAGEMENT continued

Principal risks and uncertainties continued

Risk	Impact	Mitigation
Business Continuity 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. **Risk level** Medium ↔	• Products and services become unavailable. • Customer claims for losses. • Loss of customers. • Damage to reputation. • Failure to meet our growth plans.	• The strategy is implemented by the Executive Committee and regularly reviewed and challenged by the Board. • The strategy forms the basis of the annual business planning process. • Performance targets are aligned to strategy. • Strategy is regularly and effectively communicated to all staff. • Documented up-to-date disaster recovery and business continuity plans which are regularly tested. Use of multiple hosting centres. • IT recovery plans include website resilience and penetration tests. • Ongoing, real-time technology defence mechanisms in place. • Continuous monitoring of IT systems availability. • Governance frameworks in place to ensure appropriate management of the risks and mitigants. • New employees with the appropriate skills have been recruited and, where required, third party experts are used to review and validate both the planning and execution of programmes of work. • Training and employee awareness programmes in place.
Cyber Security 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. **Risk level** Medium ↔	• Products and services become unavailable. • Customer claims for losses. • Loss of customers. • Damage to reputation. • Failure to meet our growth plans.	• 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.
Liquidity and Financing Inability to finance the Group businesses. **Risk level** Medium ↔	• Failure to continue in business or meet liabilities. • Failure to meet our growth plans.	• The Directors regularly stress test the business model to ensure the Group has adequate working capital. • The Group has secured a revolving credit facility with its bank. • 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.
Retention and Succession Planning Inability to attract, retain, develop and motivate the best people with the appropriate capabilities to create a high quality, diverse and flexible workforce. **Risk level** Medium ↔	• Failure to maintain satisfactory customer service levels. • Loss of knowledge/ skills within the business. • Over reliance on key personnel.	• 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.

Ian Kelly
Chief Financial Officer
29 July 2021

STATEMENT OF COMPLIANCE WITH SECTION 172 OF THE COMPANIES ACT 2006

Recent legislation requires that directors include a separate statement in the Annual Report that explains how they have had regard to wider stakeholder needs when performing their duty under Section 172(1) of the Companies Act 2006. This duty requires that a director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a) the likely consequences of any decision in the long-term;

b) the interests of the company's employees;

c) the need to foster the company's business relationships with suppliers, customers and others;

d) the impact of the company's operations on the community and the environment;

e) the desirability of the company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly as between members of the company.

Guidance recommends that in connection with its statement, the Board describes in general terms how key stakeholders as well as issues relevant to key decisions are identified, and also the processes for engaging with key stakeholders and understanding those issues. It is the Board's view that these requirements are predominantly addressed in the corporate governance disclosures we have made in the Directors' report, which are themselves more extensively discussed on the Company's website.

Guidance also recommends that more detailed description is limited to matters that are of strategic importance in order to remain meaningful and informative for shareholders.

The Board believes that three decisions in particular taken during the year fall into this category, and engaged with internal and external stakeholders on this.

1. COVID-19 response

As the global impact of COVID-19 became clear and governments and the World Health Organization ('WHO') began issuing guidelines for individuals and companies, Tungsten quickly pivoted to full home working in order to protect the health, safety and wellbeing of employees, families and the local communities where we are physically present. Early post-lockdown communication was focused on education based on local government and WHO guidance. As it became clear that lockdown was going to be a long-term reality, communication shifted to a focus on effective ways of working from home and wellbeing (both physical and mental).

During the pandemic, Tungsten also worked closely with customers to expedite their transition (where necessary) from paper to electronic invoicing to enable them to maintain an effective purchase to pay workflow despite not having access to offices and physical invoices.

2. Development and implementation of the Group strategy

Building upon the foundations laid in the Operating Review that was announced on 30 April 2019 and expanded upon through FY20, during FY21, the Board continued to develop the key areas of strategic focus for the Company. A programme of strategy workshop sessions took place over the course of FY21, which included sessions with the full Board, at which the various aspects of the Company's business and strategy were reviewed and developed further.

Over the course of this process, a detailed implementation plan was created, with key focus areas including (i) strengthening product and technology, (ii) driving operating efficiencies and (iii) creating customer revenue and momentum. The detailed implementation plan was approved by the Board in April 2021 and delivery is being monitored by the Board through a process of monthly KPI reports and update sessions.

As part of this process, the strategy workshop team engaged extensively with both internal and external stakeholders, including working extensively with Company management and employees at other levels within the organisation, and with significant shareholders, customers and partners and the Company's broker and advisers.

3. Working capital management

The Group and the Board continue to monitor and improve its working capital position, through regular reviews of cash flow and cash flow re-forecasting. We continue to optimise our cash position by ensuring that we optimise our payment terms with both customers and suppliers for both new contracts and contract renewals. We continue to focus on our cash collections and overdues to anticipate any payment issues in advance, ensuring proactive views of collections.

None of the key decisions considered by the Board in FY21 had an environmental impact and the Directors are satisfied that decisions made by the Board promote the long-term interest of Tungsten for the benefit of its members as a whole.

The Strategic Report was approved by the Board on 29 July 2021 and signed on its behalf by:

Ian Kelly
Chief Financial Officer

Corporate Governance

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CHAIRMAN'S GOVERNANCE OVERVIEW

"As Chairman, my role includes upholding the highest levels of integrity, probity and corporate governance throughout the Company and particularly at Board level."

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 subject to the continuing obligations of the AIM Rules. From September 2018, the Company has been required to apply a recognised corporate governance code. We have therefore formally adopted the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). We believe we apply the ten principles of the QCA Code, and we continue to build on and evolve these each year.

The QCA's ten principles of corporate governance

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

Tony Bromovsky
Chairman
29 July 2021

Deliver growth

The Board has collective responsibility for setting the strategic aims and objectives of the Group.

These growth aims are articulated in the Operational Review set out at pages 10-14 and on our website along with our business model. In the course of implementing these strategic aims, the Board takes into account the expectations of the Company's shareholder base and also its wider stakeholder, environmental and social responsibilities.

The Board also has responsibility for the Group's internal control and risk management systems and structures. Our risk management process is embedded into the business and starts at the Board and is delivered throughout the Group.

Maintain a dynamic management framework

As Chairman, I continually consider the operation of the Board as a whole and the performance of the Directors individually, and work closely with my colleagues on the Nomination Committee and Remuneration Committee to ensure that the Board remains a well-functioning and balanced team.

During the last year, we have appointed one new Non-Executive Director. Together with the new appointments made in the previous year, this maintained the focus, momentum, diversity and relevant technology industry experience of the Board and provides a strong platform moving forwards.

It is fundamental to me as Chairman to see that the Board and its Committees adhere to best practices pursuant to the QCA Code. We challenge ourselves to ensure continuous improvement of our performance in this respect and to promote a corporate culture that is based on ethical values and behaviours.

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

Build trust

During the year the Company has undertaken a number of investor relations activities. These include several investor roadshows and many investor meetings, participation at investor conferences and attending other events where investors have the opportunity to meet and talk to the CEO, CFO and other members of the Board. Investors are actively encouraged to attend our AGM and each member of our Board sees 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 QCA Code in June 2021 and will do so annually, as required by AIM Rule 26.

1	Establish a strategy and business model which promote long-term value for shareholders.
2	Seek to understand and meet shareholder needs and expectations.
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success.
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation.

5	Maintain the Board as a well-functioning, balanced team led by the Chair.
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.
8	Promote a corporate culture that is based on ethical values and behaviours.
9	Maintain governance structures and processes.

10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

BOARD OF DIRECTORS

Our leadership team

Membership key

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Committee chair
- Committee member

Tony Bromovsky

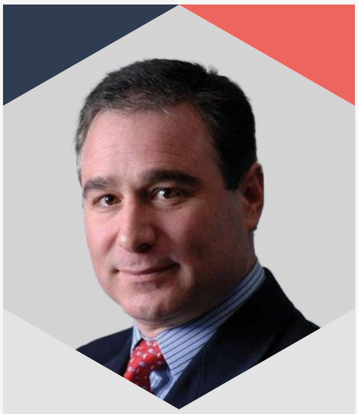
Non-Executive Chairman

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

Tony is the Chairman of the Nomination Committee and is a member of the Remuneration Committee.

Membership

N R



Andrew Coulsen

Non-Executive Director

Andrew is Chief Executive Officer of Spandex, the one-stop supplier of innovative solutions to the sign, graphics and display industries.

Prior to joining Spandex in May 2021, Andrew served for 12 years as Chief Executive Officer at NTT Europe (previously known as Dimension Data Europe), where he managed the end-to-end go-to-market, sales, delivery, operations, and profitability for the region.

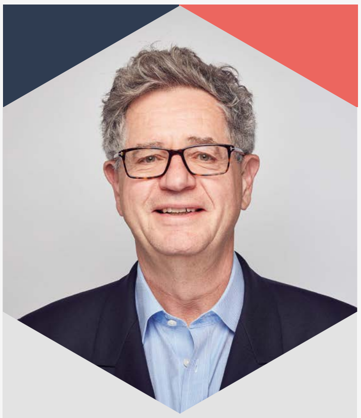
His career to date has been focused in the technology distribution sector, with experience across go-to-market, finance and operations. He has worked in Australia, USA, Germany, the UK and Switzerland for organisations including Dimension Data (subsequently acquired by NTT), Comtech and Optus.

He holds a degree in Accountancy with Marketing from the University of Sydney.

Andrew is a member of the Nomination Committee and of the Remuneration Committee.

Membership

N R



Andrew Doman

Non-Executive Director

Andrew Doman is an experienced non-executive director. He is Chairman of Lending Works Capital, and a non-executive director at Castle Trust and West Green Opera House. He is also a member of the Tech Mahindra Europe Advisory Council, providing advice to their financial sector IT development and outsourcing business. He was previously a non-executive director at Roboyo (2020 to 2021), Target Group (2017 to 2020), OneSavings Bank (2016-2018), Chief Executive Officer of Premium Credit (2012-2015), and he was Chairman of Russell Investments (2011-2012) having been President and CEO from 2009. He was also a non-executive director of Wesleyan Assurance Society (2008-2009).

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

Andrew is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Membership

A N R

Vivienne Maclachlan

Non-Executive Director

Vivienne is the Chief Financial Officer for ThomasLloyd, a global asset management group focused on investment in renewable energy infrastructure assets in south east Asia and headquartered in Zurich. She oversees all of the core finance function responsibilities, as well as being a key member of the Executive Leadership Team.

Prior to this, Vivienne was the CFO of Alfa Financial Software, a technology company based in London, and was a capital markets specialist for more than 12 years at PwC in London, assisting management teams and owners of companies to raise capital in the UK and US markets.

Vivienne is a member of the Institute of Chartered Accountants in Scotland.

Vivienne is the Chair of the Audit Committee and is a member of the Nomination Committee and the Remuneration Committee.

Vivienne will be stepping down from the Board on 16 August 2021, following publication of the FY21 annual results, to focus on other commitments.

Membership

A N R

Nick Wells

Non-Executive Director

Nick has over 30 years' experience of investment banking and is Co-head of Corporate Finance at Cenkos Securities which he joined in 2005. Prior to joining Cenkos Securities, he was, for five years, Global Head of M&A at WestLB. Nick is also a Chartered Accountant and qualified in 1979.

Nick is the Chair of the Remuneration Committee and is a member of the Audit Committee and the Nomination Committee.

Membership

A N R

"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."

Committee report →
Audit Committee report
turn to pages
52 to 58

Nomination Committee
on page
59

Remuneration Committee
on page
60

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 currently consists of five Directors: the Chairman (acting in a Non-Executive capacity) and four Non-Executive Directors. There are currently no Executive Directors on the Board, although it is planned that our new CEO and CFO will join the Board in due course. All of the Non-Executive Directors are considered by the Board, and regularly demonstrate, that they are independent.

Details of each Director's experience and background are given in their biographies on pages 46 and 47. The skill-set and experience of Board members is relevant for the current position of the Company and covers areas including finance, technology, capital raising, financial services, banking, marketing, network platforms and general management.

Appointments to the Board and re-election

The Board has delegated the tasks of reviewing Board composition, searching for appropriate candidates and making recommendations to the Board on candidates to be appointed as Directors to the Nomination Committee. Further details on the role of the Nomination Committee may be found on page 59.

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

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

Division of responsibilities Chairman and Chief Executive Officer

The division of responsibilities between the Chairman and Chief Executive Officer has 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.
- Ensuring effective communication with shareholders and other stakeholders and ensuring 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 Officer

- 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

The Board has not had a Senior Independent Director ('SID') since the departure of Duncan Goldie-Morrison on 28 February 2020. The appointment of a SID is not an essential requirement of the QCA Code, but the Board is keeping any future appointment under review.

Non-Executive Directors

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

Development, information and support

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

Board meetings

	Board (Full Board)	Audit Committee	Remuneration Committee	Nomination Committee
Tony Bromovsky	16/16	–	2/2	2/2
Andrew Lemonofides[1]	16/16	–	–	–
Chris Allen[2]	2/2	–	–	–
Andrew Coulsen[3]	9/9	–	–	1/1
Andrew Doman	16/16	4/5	2/2	2/2
Vivienne Maclachlan[4]	16/16	5/5	2/2	2/2
Nick Wells	16/16	5/5	2/2	2/2

1 Resigned 8 June 2021.
2 Resigned 10 September 2020.
3 Appointed 19 October 2020.
4 On 14 June 2021, the Company announced that Vivienne Maclachlan will be stepping down from the Board on 16 August 2021, following publication of the FY21 annual results.

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. The Board also has in place a programme of assessments for individual Board members, with the Chairman responsible for Board members' evaluations, and the Board responsible for evaluation of the Chairman.

In terms of governance, this year there has been particular focus on further improving the quality of Board papers and the effectiveness of Board meetings, and the Board is looking for further ways of continuing this improvement in FY22. The Board will conduct a further internal review of its progress in the course of FY22.

How the Board operates

The Board meets at regular intervals and the full Board met a total of 16 times during the year under review. Directors also have contact on a variety of issues between formal meetings. There is also regular contact with the senior management.

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

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

COMPOSITION AND INDEPENDENCE OF THE BOARD continued

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 in advance to the Chairman 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, 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 on page 49. In relation to the 16 full Board meetings mentioned above, five were regularly scheduled Board meetings, in line with the Board calendar agreed at the beginning of the year, and 11 were ad hoc meetings called to review and agree matters required to be dealt with in between the regularly scheduled Board meetings. There were also nine board sub-committee meetings to approve the FY20 year-end accounts, awards made under the Company's Deferred Share Bonus Plan and Long-term Incentive Plan and other matters.

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, 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:

- Implementation and ongoing review of the new strategy and other initiatives arising out of the Operating Review
- Review of implications of COVID-19 on the Company and Group
- Strategy presentations
- Presentations from various parts of the business
- Approval of Annual Report and Financial Statements
- Review of Budgets and Business Plans
- Implementation of new remuneration plan
- Going concern and cash flow
- Systems and internal controls
- Risk
- Briefings and review of conflicts of interest
- Review of AGM business

The Board Committees

There are three Board Committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. The Nomination Committee and the Remuneration Committee are each composed of the Chairman and the four Non-Executive Directors. The Audit Committee is composed of three Non-Executive Directors.

Each Board Committee has approved Terms of Reference setting out their responsibilities, which 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 Broker and Nomad, Canaccord Genuity, its lawyers, Memery Crystal LLP and Shepherd and Wedderburn LLP and communications and investor relations advisers Tavistock Communications Limited.

Accountability

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

Risks throughout the Group are considered and reviewed on a regular basis. Risks are identified and mitigating actions put into place as appropriate. Principal risks identified are set out in the Strategic report on pages 38 to 40, and internal control and risk management procedures can only provide reasonable and not absolute assurance against material misstatement. The internal control procedures were in place throughout the financial year and up to the date of approval of this report.

Financial and business reporting

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

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

Promotion of a corporate culture that is based on sound ethical values and behaviours

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

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

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

The Board intends to further develop its assessment of the recognition of corporate culture and ethical values during the year, and will enhance disclosures in these areas on our website and in our FY22 Annual Report.

Modern slavery

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

Shareholders

The Board remains committed to maintaining regular and clear communication with its shareholders and receives regular reports on investor relations matters. The Directors remain committed to building a mutual understanding of objectives with its institutional shareholders and a regular dialogue 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 and will be looking to increase engagement with this audience in the coming year. The Company uses its corporate website (www.tungsten-network.com) to communicate with institutional shareholders and private investors, where its latest announcements, press releases, published financial information, current projects and other information about the Company can be found.

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 15 October 2021. The Notice of Annual General Meeting will be available on the Company's website at https://www.tungsten-network.com/about-us/investor-relations/. The Notice of Annual General Meeting will be sent out at least 21 days before the meeting. Separate resolutions are provided on each issue so that they can be given proper consideration.

AUDIT COMMITTEE REPORT

I am pleased to present the Audit Committee report for the year ended 30 April 2021, which summarises our activities during the year, as well as setting out intended key areas of focus for FY22.

While the Committee's core duties were unchanged, this was a year of unprecedented uncertainty and there was particular focus on monitoring and strengthening internal controls to support agile decision making. The Committee has been focused on working with the Executive team in relation to balance sheet strengthening activity and business continuity plans.

The Committee has also spent time continuing to assess Company's risk management framework and management information systems especially in light of remote working and global government mandated lockdowns.

The Committee fulfils a vital role in the Group's governance framework, providing valuable independent challenge and oversight across the Company's financial reporting and internal control procedures. Ultimately, it ensures that shareholder interests are protected, the Company's transformation agenda is supported and long-term value is created.

Membership of the Committee and meetings attended

The Audit Committee solely comprises members who are independent Non-Executive Directors. Members' skills and experience are documented on pages 46 and 47, with the Board concluding that they are satisfied that the Audit Committee has the required relevant and recent financial experience, with appropriate experience of the technology sector.

Members during the year are as follows:

	Meetings	Membership
Vivienne Maclachlan (Chair)	5/5	February 2019 – current
Andrew Doman	4/5	December 2018 – current
Nick Wells	5/5	April 2020 – current

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

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

Role of the Audit Committee

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

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

Details of the roles and responsibilities can be found in the Audit Committee's terms of reference on our website, which were updated in July 2020.

Principal activities of the Audit Committee in FY21

Meeting	Area of focus
11 June 2020	• Review of timeline and Audit Plan for FY20 results.
16 July 2020	• Review of principal risks and uncertainties. • Review of internal controls and risk management processes. • Review of FY20 Trading Update of unaudited results. • Review of key accounting judgements and estimates. • Review of going concern and goodwill impairment. • Review of prior year adjustments. • Review of exceptional items. • Review of revenue recognition. • Review of Auditor report on audit procedures and process. • Review and approval of Delegation of Authority Policy and Whistleblowing Policy. • Review of Audit Committee Terms of Reference.
28 August 2020	• Review of FY20 Annual Report and Accounts – review focused on whether the report was fair, balanced and understandable. • Review of key accounting judgements and estimates. • Review of going concern and goodwill impairment. • Review of prior year adjustments. • Review of exceptional items. • Review of revenue recognition. • Review of Auditor's Audit Report.
12 December 2020	• Review of FY21 Interim Statement. • Review of key accounting judgements and estimates. • Review of going concern and goodwill impairment. • Review of Lease Accounting under IFRS 16.
28 April 2021	• Review of timeline and Audit Plan for FY21 results. • Review of key risks and uncertainties. • Review and discussion of key accounting judgements and estimates.
2 June 2021	• Review of FY21 Trading Statement.
5 July 2021	• Progress update in relation to FY21 audit process.

Key matters considered in relation to the consolidated financial statements

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

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

AUDIT COMMITTEE REPORT continued

Revenue recognition

Management's assessment
Following IFRS 15, management has reviewed the critical estimates and judgements to gain comfort on the revenue recognition policies. Management are comfortable that revenue is recognised in accordance with IFRS 15 for set up, analytics, transactions, archiving, professional services, integrated suppliers, Web Form suppliers workflow and the Orbian supply chain financing partnership.

No changes in the methods used to estimate any revenue stream have been made during the year.

Audit Committee's response
Through continuous review of revenue and management accounts throughout the year, the Committee is satisfied that management's continuing assessment is in compliance with IFRS 15 and that the disclosure in the consolidated financial statements is appropriate.

Capitalised internal development costs

Management's assessment
The Group continues to invest significant effort in the development of the Tungsten Network platform and this requires management to assess the carrying value of the capitalised internal development costs. Projects under development are capitalised if management intend to complete the project, it is technically feasible to do so and the carrying value of the software is supported by expected future benefits. Projects under development are not amortised and so are subject to impairment testing. Completed projects are amortised over their estimated useful life and are tested for impairment if there are any indicators of impairment.

Management reviewed the carrying value of internally developed software by project and for projects under development, considered if the future benefits supported the carrying value (considering the project's estimated net present value). For completed projects with a carrying value over £0.1 million, management considered whether the projects are still expected to generate benefits over the remaining useful life and whether there are any indicators of impairment.

For software under development, management intends to complete the projects, where it is technically feasible to do so and the capitalised cost is supported by expected future benefits. For completed projects, software is still expected to generate benefits over its remaining useful life and there are no indicators of impairment. The carrying value of internally developed software is therefore supported and no impairment is required.

Audit Committee's response
The Committee reviewed and discussed with management and the external auditor as to:

1. whether development costs met the capitalisation criteria under IAS 38,
2. where development costs had been capitalised in relation to ongoing projects, that these were in relation to commercially viable projects and therefore remained on balance sheet and
3. whether satisfied that all other expenditure, with the exception of those projects capitalised, should be expensed.

The Committee has reviewed and is satisfied with judgements applied by management in determining the value of the costs relating to projects that have been capitalised during FY21. These judgements have also been discussed with the external auditor.

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

Management's assessment
The Group uses Adjusted (excluding lease payments) EBITDA, adjusted for certain items including exceptional items, which are not specifically defined by IFRS, to show the impact of underlying business performance on the income statement. Adjusting for exceptional items is a matter of judgement because there is no definition under IFRS. The Group defines exceptional items as those which are both material and considered by the Directors to be unusual in nature, where the nature of the item, or its magnitude, is material and likely to be non-recurring.

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

Impairment of goodwill

Management's assessment
Combined goodwill of £101.8 million was recorded on the acquisitions of OB10 in 2013 and DocuSphere in 2014. The goodwill balance is reviewed annually for impairment based on an estimated value in use of the Cash Generating Unit ('CGU').

The key assumptions were WACC, revenue growth, cost inflation and taxation rate. The base case was then sensitised for each of these assumptions. The combination of this analysis, combined with other qualitative factors (in particular COVID-19 having had a negative impact on trading performance as referenced in our trading update of 27 November 2020), has led management to record a further impairment charge of £26.2 million against the carrying value of goodwill associated with the OB10 acquisition in H1 FY21 with no further impairment needed in H2 FY21.

Audit Committee's response
The Committee discussed and considered the key assumptions and inputs into the goodwill model, in particular the appropriateness of the discount rate used. After discussion with both management and the external auditor, the Committee is satisfied that the discount rate is in the acceptable range and that the additional disclosures included in the financial statements would add transparency to the assumptions and judgements made.

Impairment of right of use assets

Management's assessment
Right of use assets with a pre impairment carrying value of £4.7 million were reviewed for impairment based on vacant leasehold properties and floors within these properties and where floors are likely to become vacant. Considering the current market conditions and particularly the effect of the COVID pandemic, it was felt necessary to impair these assets to their recoverable value, which is represented by their sub-let value of £0.8 million to the end of the lease. This sub-let value assumes that there will be an initial void period followed by a mix of short-term lettings and void periods, and that the rent receivable will be below our rental cost. This has led to the impairment of right of use assets of £1.1 million and impairment of leasehold improvements of £0.5 million.

Audit Committee's response
The Committee discussed and considered the key assumptions and inputs into the impairment model, in particular the appropriateness of the void and letting assumptions. After discussion with both management and the external auditor, the Committee is satisfied that the void and letting assumptions are in the acceptable range and that the additional disclosures included in the financial statements would add transparency to the assumptions and judgements made.

AUDIT COMMITTEE REPORT continued

Going concern

Management's assessment
The Directors must satisfy themselves that the going concern assumption is appropriate.

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 £4.0 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 renewed; 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 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 FY21 financial statements.

Audit Committee's response
The Committee reviewed management's budget and forecasts, including an overview of the assumptions made in the preparation of the base case supporting the going concern statement. This included the Group's FY22 Board approved budget and also the high level plans for FY23. The Committee discussed, and challenged as appropriate, and assessed this in light of the principal risks and uncertainties, including realistically assessing timelines for cost reductions if necessary. The Committee discussed and challenged the downside scenarios modelled by management, the funding headroom available and the feasibility of mitigating actions and the speed of implementation of any cost-saving measures following management decision making. The Committee noted the requirement for the Directors to state whether they consider it appropriate to adopt the going concern basis of accounting for a period of at least 12 months from the date of approval of the FY21 financial statements.

The Committee considered the additional downside stress testing performed by management. Following this evaluation and analysis, the Committee was satisfied with the judgements made and that the continued use of the going concern basis was appropriate.

Assessment of the Annual Report

The Board has charged the Audit Committee with reviewing the contents of this FY21 Annual Report to assess whether, when taken as a whole, it is fair, balanced and understandable and provides the necessary information for shareholders to assess the consolidated position, performance, business model and strategy. As such, the Audit Committee has reviewed the contents of this FY21 Annual Report and when forming its opinion in respect of the above matters, the Audit Committee assessed the following:

Fair

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

Balanced

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

Understandable

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

Following the Audit Committee's review, the Directors confirm that the FY21 Annual Report, when taken as a whole, is fair, balanced and understandable and presents the information necessary for a shareholder to assess the Group's position and performance, business model and strategy.

Internal controls and risk management

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

Overview of the internal control environment

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

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

AUDIT COMMITTEE REPORT continued

Developments to the control environment in FY21

The most significant activities during FY21 relate to the following:

- Further progress of a project to enhance the Group's end-to-end Order-To-Cash processes;
- Implementation of a review board for renewals and new customer/supplier contracts;
- Implementation of weekly KPIs; and
- Automation of monthly financial reports.

Review of effectiveness of the internal control environment

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

In FY21, management has indicated to the Audit Committee that they will continue to focus on increased automation of controls, specifically in the area of revenue recognition and cash collection, and also to increase detective controls as increased reporting related to non-financial metrics are increased.

Risk management process

In addition to management's risk management process as highlighted on page 38 of this Annual Report, the Audit Committee has, and will continue to, review the risk register a minimum of twice annually and assess the actions taken by management to manage and mitigate the risks. The Group's principal risks and uncertainties are laid out on pages 38 to 40 in the Strategic Report.

Independence and performance of the external auditor

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

The Group's auditor is BDO LLP, and was appointed as statutory auditor to the Group in 2019, commencing with the FY20 audit. The lead audit partner is Iain Henderson.

There were no non-audit fees paid or payable to BDO in FY21. Details of audit and audit-related fees are included in Note 8 to the consolidated financial statements. The external auditor is prohibited from providing internal audit services. No former employee of the external or internal audit providers is employed by the Group. BDO has confirmed its independence to the Audit Committee.

Effectiveness of the external auditor

The Audit Committee has reviewed the quality of the audit plan and related reports for the FY21 audit and is satisfied with the quality of these documents.

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

Focus for FY22

Moving into FY22, the Audit Committee will continue to discuss and give healthy challenge to management on their key judgements and estimates in relation to financial accounting and review and assess the performance of the business in line with the plan.

Vivienne Maclachlan
Chair of the Audit Committee
29 July 2021

NOMINATION COMMITTEE REPORT

Members of the Nomination Committee

The Committee consists of Non-Executive Directors.

Members during the year were as follows:

Name	Scheduled meetings attended	Membership
Tony Bromovsky (Chairman)	2/2	October 2018 – Current
Andrew Coulsen	–/–	November 2020 – Current
Andrew Doman	2/2	December 2018 – Current
Vivienne Maclachlan	2/2	February 2019 – Current
Nick Wells	2/2	April 2020 – Current

The Committee met formally on two occasions in FY21.

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

Duties

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

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

The main activities of the Nomination Committee during the year were as follows:

- Recruitment of a new Non-Executive Director.
- Appointment of a Chief Financial Officer.
- Succession planning.
- Board balance and diversity discussions.
- Re-election of Directors at the AGM.
- Review of Terms of Reference.

Diversity

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

Tony Bromovsky
Chairman of the Nomination Committee
29 July 2021

REMUNERATION COMMITTEE REPORT

Members of the Remuneration Committee

The Committee consists of Non-Executive Directors. Members during the year were as follows:

Name	Meetings	Membership
Nick Wells (Chair)	2/2	April 2020 – Current
Tony Bromovsky	2/2	October 2018 – Current
Andrew Coulsen	–/–	November 2020 – Current
Andrew Doman	2/2	December 2018 – Current
Vivienne Maclachlan	2/2	February 2019 – Current

During the course of FY21, the Remuneration Committee met on two occasions.

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

Duties

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

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

The main activities of the Remuneration Committee during the year:

Following the implementation of the Company's new remuneration plan in FY19, the main activities of the Remuneration Committee during the year were as follows:

- Consideration of Executive Directors' and Exco bonuses, and in particular reviewing performance for FY20 and setting objectives and outcomes for FY21.
- Review and approval of remuneration package for the Chairman.
- Approval of awards made under the Company's new Deferred Share Bonus Plan and Long-term Incentive Plan.
- Review of potential mechanism for conversion of awards made under the previous UK Share Option Scheme and US Stock Option Plan into shares in the Company.
- Review of Terms of Reference.

Nick Wells
Chair of the Remuneration Committee
29 July 2021

REPORT OF DIRECTORS' REMUNERATION

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

The Remuneration Committee

The Board has delegated certain responsibilities for executive remuneration to the Remuneration Committee. Details of the Remuneration Committee, its remit and activities are set out on page 60.

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

Remuneration policy

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

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

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

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

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

The key elements of the Remuneration Plan are as follows:

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

REPORT OF DIRECTORS' REMUNERATION continued

Bonus continued	Bonuses for Executive Directors and Exco members for FY19 performance were awarded on the basis of 50% cash and 50% deferred bonus shares, with the deferred bonus shares vesting after 12 months. Due to the financial performance of the Company in FY20, no bonuses were awarded to Executive Directors and Exco members for FY20 performance. Bonuses for Exco members for FY21 performance were awarded on the basis of 50% cash and 50% deferred bonus shares, with the deferred bonus shares vesting after 12 months.
LTIP	The Long-term Incentive Plan (the 'LTIP') was introduced to incentivise senior management and encourage retention. The LTIP replaces awards under the Company's UK Share Option Scheme and US Stock Option Plan. The LTIP was adopted by the Board by resolution on 29 April 2019, the key points of which are: • LTIPs are typically three year vesting subject to agreed performance criteria. • Performance criteria for LTIPs are to be assessed for each financial year under review, and will focus on revenue growth, Adjusted EBITDA growth and increase in share price. KPIs to be weighted and vesting subject to sliding scale of assessment. • LTIP is targeted at Executive Directors and Exco members. • LTIPs lapse if the recipient leaves before vesting, subject to discretion for good leavers to receive shares on pro rated basis. Early vesting upon M&A and other corporate events. • Malus and clawback provisions apply. • LTIPs are structured as options with a nominal exercise price. Details of LTIP awards made in relation to FY21 are set out below.
Other benefits	A range of benefits may be provided including pension, private medical insurance, life assurance, long-term disability insurance, general employee benefits and travel and related expenses. The Remuneration Committee also retains the discretion to offer additional benefits as appropriate, such as assistance with relocation, tax equalisation and overseas tax advisory fees.

Directors' service agreements

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
Andrew Lemonofides[1]	2 July 2019	Rolling contract	6 months for first year, and then 12 months thereafter	6 months for first year, and then 12 months thereafter
Chris Allen[2]	16 April 2020	Rolling contract	3 months for first year, then 6 months thereafter	3 months for first year, then 6 months thereafter

1 Resigned 8 June 2021.

2 Resigned 10 September 2020.

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.

In November 2018, the Director fees for all Non-Executive Directors were benchmarked and adjusted in line with the median benchmark for comparable companies. This resulted in a reduction of the total amounts payable to Non-Executive Directors going forwards (e.g. the base fee was reduced from £60,000 per annum to £42,000 per annum, with proportionate additional fees payable for the Committee chairs and, where applicable, the SID, to reflect the additional responsibility and time commitments of such roles).

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

Terms of appointment

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

Director	Date of letter of appointment	Term	Notice
Tony Bromovsky	21 September 2018	12 months	N/A
Andrew Coulsen	19 October 2020	12 months	N/A
Andrew Doman	27 February 2019	12 months	N/A
Vivienne Maclachlan[1]	11 February 2019	12 months	N/A
Nick Wells	31 March 2020	12 months	N/A

1 On 14 June 2021, the Company announced that Vivienne Maclachlan will be stepping down from the Board on 16 August 2021, following publication of the FY21 annual results.

Annual remuneration report

The annual remuneration report sets out details of Directors' remuneration payments during FY21 and information in respect of share awards and Directors' shareholdings.

Directors' remuneration table

Director	Base salary £'000	Benefits in kind £'000	Annual Performance Bonus[1] £'000	Pensions £'000	**Total FY21 £'000**	Total FY20 £'000
Executive Directors						
Andrew Lemonofides[2]	398	4	–	16	**418**	360
Chris Allen[3]	171	1	–	–	**172**	4
Non-Executive Directors						
Tony Bromovsky	120	–	–	–	**120**	350
Andrew Coulsen[4]	23	–	–	–	**23**	–
Andrew Doman	42	–	–	–	**42**	42
Vivienne Maclachlan	49	–	–	–	**49**	56
Nick Wells	54	–	–	–	**54**	4
Total	857	5	–	16	**878**	816

Notes:

1 The figures above show the amounts paid, or accrued to be paid, in relation to performance in FY21.

2 Resigned on 8 June 2021.

3 Resigned on 10 September 2020.

4 Appointed on 19 October 2020.

REPORT OF DIRECTORS' REMUNERATION continued

Deferred Share Bonus Plan awards to Directors

Director	Number of deferred bonus shares held as at 1 May 2020	Awards granted during the year	Date of grant	Option price	Awards exercised during the year	Awards lapsed during the year	Balance as at 30 April 2021	Vesting and exercise period
Andrew Lemonofides[1]	250,000	71,248	30 October 2020	Nominal	0	0	**321,248**	See below[2]

1 Resigned on 8 June 2021.

2 The new award was granted as an exceptional award of nominal cost options granted on identical terms to an award under the DSBP. The new award vested 50% on award and 50% on the first anniversary of the date of grant, subject to the grantee's continued service with the Tungsten group. The award was made pursuant to the terms of Mr Lemonofides' executive service contract. The previous award of 250,000 deferred bonus shares vested over a two year period (50% vesting on the first anniversary of the date of grant, and the remaining 50% vesting on the second anniversary of the date of grant), subject to the grantee's continued service with the Tungsten group. Following his departure from Tungsten, all of Mr Lemonofides' deferred bonus shares vested on 30 June 2021.

In addition to the above, as referenced in the Company's Annual Report and Financial Statements for the financial year ended 30 April 2020, on 30 October 2020, Tony Bromovsky received an exceptional award of 376,166 nominal cost options on identical terms to an award under the Tungsten Corporation plc Deferred Share Bonus Plan. The award was made in recognition of Mr Bromovsky's contribution to the Company while serving as Executive Chairman in the period from 14 February 2019 to 12 December 2019. The award will vest over a two year period (50% vesting on the first anniversary of the date of grant, and the remaining 50% vesting on the second anniversary of the date of grant). Mr Bromovsky is not required to remain with the Company in order for the award to vest, although the award will be forfeit if Mr Bromovsky's appointment is terminated for cause or if he leaves as a good leaver but then starts working for a direct competitor of the Company.

LTIP awards to Directors

Director	Number of LTIPs held as at 1 May 2020	Awards granted during the year	Date of grant	Option price	Awards exercised during the year	Awards lapsed during the year	Balance as at 30 April 2021	Vesting and exercise period
Andrew Lemonofides[1]	531,632	1,146,413	30 October 2020	Nominal	0	531,632[2]	**1,146,413[3]**	See below

1 Resigned on 8 June 2021.

2 As noted in the Company's Annual Report and Accounts for the financial year ended 30 April 2020, following a review of the Company's strategy and performance in FY20 against the targets set for the FY20 LTIP and in recognition of the Company's current dilution position, Mr Lemonofides and other participants agreed in August 2020 to waive their FY20 LTIP awards. No consideration was offered in return for the waiver of these awards.

3 Mr Lemonofides' LTIPs lapsed upon his resignation on 8 June 2021.

FY21 LTIP awards

The above LTIP awards were granted as nominal cost options which would be exercisable on 30 October 2023, subject to satisfaction of performance conditions in relation to revenue growth, Adjusted EBITDA growth, cash conversion and increase in share price over three financial years (FY21, FY22 and FY23, the 'Performance Period'), and also to the grantee's continued service with the Tungsten group.

The performance conditions for the FY21 LTIP awards were as follows:

Revenue performance condition		EBITDA performance condition		Cash conversion performance condition		Share Price condition	
CAGR %		£m		%		Pence per share	
33% of total award		33% of total award		19% of total award		15% of total award	
CAGR	Vesting	EBITDA	Vesting	Cash conversion	Vesting	Price	Vesting
Less than 8%	0%	Less than £11.1m	0%	Less than 42%	0%	Less than 76p	0%
8%	40%	£11.1m	40%	42%	40%	76p	40%
9%	50%	£11.5m	50%	44%	50%	80p	50%
10%	60%	£11.9m	60%	46%	60%	84p	60%
11%	70%	£12.3m	70%	48%	70%	88p	70%
12%	80%	£12.7m	80%	50%	80%	92p	80%
13%	90%	£13.1m	90%	52%	90%	96p	90%
14% or more	100%	£13.4m and above	100%	54% and above	100%	100p and above	100%
Note: Measures the compound annual growth in the Group's revenue over the Performance Period.		**Note:** Measures the Group's earnings before interest, tax, deductions and amortisation ('EBITDA') in the year ended 30 April 2023.		**Note:** Measures the Group's cash conversion (cash flow from operating and investing activities divided by EBITDA) in the year ended 30 April 2023.		**Note:** Measures the Company's average share price over the one-month period ending on 30 October 2023 (i.e. the third anniversary of the Grant Date).	

Share option schemes

The Company's UK Share Option Scheme and US Stock Option Plan provided recipients with the ability to purchase vested options at the option grant price. Each option grant typically vested in four tranches over four years from date of grant and is exercisable for 10 years from date of grant. Share options were awarded in recognition of performance over the financial year under assessment. While the option awards made under the UK Share Option Scheme and the US Stock Option Plan remain outstanding, these schemes have been now replaced by the Company's LTIP introduced in FY19, as described above.

No current Directors of the Company hold or have any interest in any options under the UK Share Option Scheme or the US Stock Option Plan.

REPORT OF DIRECTORS' REMUNERATION continued

Directors' interests in the share capital of the Company

Director	Number of ordinary shares held on 1 May 2020	Acquired/disposed during the year	Number of ordinary shares held on 30 April 2021	Percentage of issued share capital in issue on 30 April 2021
Executive Directors				
Andrew Lemonofides[1]	–	–	–	–
Chris Allen[2]	–	–	–	–
Non-Executive Directors				
Tony Bromovsky	934,104	–	934,104	0.74%
Andrew Coulsen[3]	–	–	–	–
Andrew Doman	251,649	–	251,649	0.20%
Vivienne Maclachlan[4]	–	–	–	–
Nick Wells	100,000	–	100,000	0.08%

1 Resigned 8 June 2021.

2 Resigned 10 September 2020.

3 Appointed 19 October 2020.

4 On 14 June 2021, the Company announced that Vivienne Maclachlan will be stepping down from the Board on 16 August 2021, following publication of the FY21 annual results.

Founders LTIP scheme

In FY13, certain former Directors and other individuals acquired interests in the B ordinary shares (the 'Founders LTIP Shares') and C ordinary shares (the 'Founders LTIP Securities') of Tungsten Corporation Guernsey Limited, a subsidiary of the Company.

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

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

No current Directors of the Company hold or have any interest in any Founders LTIP Securities.

This Report of Directors' remuneration will be put to an advisory vote at the forthcoming October 2021 AGM.

Nick Wells
Chairman of the Remuneration Committee
29 July 2021

DIRECTORS' REPORT

The Directors of Tungsten Corporation plc present their report for the year ended 30 April 2021. Particulars of important events affecting the Company and its subsidiaries and likely future developments may be found in the Strategic report on pages 10 to 14.

Directors

Biographical details of the Directors currently serving on the Board and their dates of appointment are set out on pages 46 and 47.

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
Andrew Lemonofides[1]	Tony Bromovsky
Chris Allen[2]	Andrew Coulsen[3]
	Andrew Doman
	Vivienne Maclachlan[4]
	Nick Wells

Notes:

1. Resigned 8 June 2021.
2. Resigned 10 September 2020.
3. Appointed on 19 October 2020.
4. On 14 June 2021, the Company announced that Vivienne Maclachlan will be stepping down from the Board on 16 August 2021 following publication of the FY21 annual results.

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

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

Results and dividend

Results for the year ended 30 April 2021 are set out in the consolidated income statement on page 82. The Company has no distributable reserves to declare a dividend for the year ended 30 April 2021.

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 Founder Share Scheme Securities will become exchangeable into ordinary shares in Tungsten Corporation plc, with a value equal to 15% of the increase in the actual market capitalisation of Tungsten Corporation plc since admission, subject to:
  1. The value of Tungsten Corporation plc having risen by over 8.25% per annum since admission (the 'Threshold Price'); and
  2. 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
  3. Where the change of control results from, or in, the removal of either of Danny Truell or Edmund Truell (the Founders) from the Board of the Company, and the Threshold Price having been previously reached for any 20 trading days out of 30 successive trading days.

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

Articles of Association

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

DIRECTORS' REPORT continued

Share capital

Details of the Company's share capital are set out in Note 16 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 2021, there were 126,216,714 ordinary shares of £0.00438 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 of Association (and prevailing legislation) there are no specific restrictions of the size of a holding or on the transfer of the ordinary shares.

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

Authority to purchase own shares

The Company was authorised by shareholder resolution at the 2020 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 2021 is set out in the Report of Directors' remuneration on page 66.

Directors' 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 30 June 2021, the latest practicable date prior to publication, Tungsten Corporation plc is aware of the following holdings of significant shareholders in the Company (as defined in the AIM Rules). These figures are based on its most recent analysis of shareholders as at 30 June 2021, and other notifications to the Company. For clarity, shareholdings are shown separately from holdings in financial instruments, where disclosed.

	Shareholdings as at 30 June 2021		Financial instruments notified		Total	
	Shares	%	Number[1]	%	Holdings	%
Odey Asset Management	19,290,786	15.28	3,440,687[2]	2.72	22,731,473	18.01
Mr Edmund Truell[3,4]	17,582,558	13.93	–	–	17,582,558	13.93
AXA Framlington Investment Management	9,943,458	7.88	–	–	9,943,458	7.88
Chelverton Asset Management	9,000,000	7.13	–	–	9,000,000	7.13
Archon Capital Management	8,683,000	6.88	–	–	8,683,000	6.88
Burgundy Asset Management	4,796,782	3.80	–	–	4,796,782	3.80
London Private Capital	4,269,342	3.38	–	–	4,269,342	3.38
Herald Investment Management	3,960,000	3.14	–	–	3,960,000	3.14

1 Total voting rights, or share equivalent.

2 3,440,687 shares equivalent held via CFDs, reported to the Company on 11 June 2021.

3 As reported to the Company on 5 July 2021, Mr Edmund Truell's shareholding disclosed above is constituted of interests held by (i) Issus LP, acting by its general partner, Disruptive Capital GP Limited, and (ii) Pension SuperFund Private Markets Limited.

4 As reported to the Company on 5 July 2021, interest in relation to the loan facility entered into in October 2016 between Disruptive Capital Investments Limited ('DCIL') and Equities First Holdings LLC in respect of 6,000,000 shares in the Company (the 'Loan Shares') has been assigned to Issus LP and the loan facility has been extended to 11 January 2022. The Company has previously been advised that DCIL did not have voting rights in relation to the 'Loan Shares' until such time as they are returned to them under the loan facility.

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 23 to the financial statements and in the Principal risks and uncertainties section on pages 38 to 40.

Research & development

The Company capitalised £2.4 million during the year (FY20: £2.8 million) of software development costs relating to the in-house e-commerce software platform. Amortisation of the software platform totalled £2.3 million in the period (FY20: £1.8 million).

Greenhouse gas emissions

The 2018 Regulations introduced requirements under Part 15 of the Companies Act 2006 for large unquoted companies to disclose their annual energy use and greenhouse gas emissions, and related information. However, the Group has applied the option permitted to exclude any energy and carbon information relating to its subsidiary which the subsidiary would not itself be obliged to include if reporting on its own account; this applies to all subsidiaries within the Group. Tungsten Corporation plc itself consumes less than 40MWh and therefore as a low energy user, it is not required to make the detailed disclosures of energy and carbon information but is required to state, in its relevant report, that its energy and carbon information is not disclosed for that reason. Tungsten Corporation plc's annual energy use and greenhouse gas emissions, and related information has not been disclosed in this Annual Report as it is a low energy user.

Brexit

The EU–UK Trade and Cooperation Agreement, which governs the relationship between the UK and the EU post-Brexit, was signed on 30 December 2020 and has been enacted in law. The Tungsten Brexit Steering Committee, formed of key stakeholders from all functions in Tungsten, navigated Brexit transition and reviewed all known potential impacts of Brexit scenarios on the Company and its operations, it being noted in particular that as the Group operates subsidiaries in other countries, there are alternative channels available to us to continue business with the same customers, should the need arise, with little to no effect from Brexit changes. As such, while the Directors continue to closely monitor the situation, they currently deem that the effects of Brexit will not have a significant impact on the Group's operations.

Going concern statement

Whilst the Group was impacted in FY20 by the COVID-19 pandemic with lower transactions and a slower sales conversion cycle, we saw an increase in year on year transactions towards the end of FY21 and are seeing continued trajectory in FY22. We were also able to add eight new product wins in FY21.

We also renewed our existing revolving credit facility (£4.0 million of which £2.0 million is drawn) which expires in December 2023. We also did not further drawdown on the facility in FY21.

The Group going concern assessment is based on forecasts and projections of anticipated trading performance, including assessment of downside and severe downside scenarios. 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.

If sales and settlement of existing debts are not in line with cash flow forecasts, the Directors have identified cost savings associated with the reduction in revenues and have the ability to identify further cost savings if necessary.

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. See Note 2 to the consolidated financial statements for further information on going concern.

DIRECTORS' REPORT continued

COVID-19

The Directors have continued to monitor and respond to the effects of the global COVID-19 pandemic on the Group and took prompt steps to ensure there was no material impact on the Company's operations and working capital. In particular, the Board implemented travel restrictions for Group business units and remote working arrangements for most of the Group's global workforce, and instituted safety protocols for all business segments based on local COVID-19 guidelines. Future working practices after the COVID-19 pandemic are expected to include a blend of home and office working. Some rationalisation of office space has already been undertaken as leases permit, and future rationalisation is being actively assessed.

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.

Independent auditor

BDO LLP has expressed their willingness to continue in office as auditor 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 11 am on 15 October 2021.

As a result of the COVID-19 pandemic, our 2020 AGM was held on a closed basis. We are monitoring the ongoing situation in order to assess whether it will be possible to hold an open meeting in the light of the prevailing conditions, Government guidelines and best practice at the time of the meeting.

Details of the resolutions to be proposed and the final arrangements for the meeting, including the location for the meeting and whether it will be held on an open or closed basis, will be set out in a separate Notice of Meeting, which will be sent out in advance closer to the date of the meeting.

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
29 July 2021

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 and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006. 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. The Directors are also required to prepare Financial Statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and the Financial Statements are made available on the Company's website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

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 auditor is 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 auditor is aware of that information.

The Directors' report was approved by a duly authorised Committee of the Board of Directors on 29 July 2021 and signed on its behalf by:

Patrick Clark
General Counsel and Company Secretary
29 July 2021

Financial Statements

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TUNGSTEN CORPORATION PLC

Opinion on the financial statements

In our opinion:

- 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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Tungsten Corporation plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 April 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company balance sheet, the consolidated cash flow statement, the company cash flow statement, the consolidated statement of changes in equity, the company statement of changes in equity and notes to the consolidated financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Review of the internal forecasting process to confirm the projections are prepared by an appropriate level of staff that is aware of the detailed figures included in the forecast but also has a high level understanding of the entity's market, strategy and changes in the customer base.
- Review of the forecasts prepared and challenge of the key assumptions, critiquing supporting documentation, and inputs within the model to determine whether there is adequate support for the assumptions underlying the forecasts.
- The Directors have applied downwards sensitivities to the more variable aspects of the forecasts and also modelled a number of mitigating cash saving initiatives. We considered the appropriateness of the sensitivities applied in respect of the impact of COVID-19 and its effects on the group's solvency and liquidity position.
- Review of post year-end management accounts, specifically comparing the cash position against that budgeted.
- Making inquiries of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern.
- Considering the adequacy of the disclosures in the financial statements against the requirements of the accounting standards.

We consider this area to be a key audit matter.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage[1]	*90% (2020: 90%) of Group revenue* *97% (2020: 97%) of Group total assets*		
Key audit matters		2021	2020
	Revenue recognition	✓	✓
	Intangible Assets: Development costs capitalisation, amortisation and impairment	✓	✓
	Going Concern	✓	✓
	Impairment of Intangibles (including Goodwill)	✓	✓
Materiality	*Group financial statements as a whole* £360k (2020:£353k) based on 1% (2020:1%) of revenue		

1 These are areas which have been subject to a full scope audit by the group engagement team.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group consists of ten trading components based in Europe, North America and Asia. There are four components based in the UK, one being the holding company. Further to this there are two trading components incorporated in Europe based in Germany and Bulgaria, two trading components are incorporated in Asia based in Malaysia and India with the remaining two trading components incorporated in North America.

Based on our assessment of the Group, we focused our Group audit scope primarily over the significant components, being Tungsten Corporation plc, Tungsten Network Limited and Tungsten Network Inc. The significant components in all territories were subject to full scope audits by the Group audit team, supported by our network member firm ('the component auditor') in Malaysia, noting that a share of the Group's finance function is managed through a Shared Service Centre based within Malaysia, with desktop reviews performed on the remaining Group components.

At the parent entity level we also tested the consolidation process including consolidation adjustments and journals, performed work on all key judgements areas and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

The figures in the table above demonstrates the coverage from our full scope audit work performed over the significant components within the Group for total assets and profit before tax. With regards to revenue, the coverage was obtained through detail testing performed on each component within the Group that records revenue.

Our involvement with component auditors

For the work performed by the component auditor, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with the component auditor included the following:

- We provided instructions to the component auditor setting out the risks and procedures to be performed as part of their full scope audit, reporting to us on the significant components and equity investments accounted for in this territory, and determined appropriately scoped risks, procedures and agreed responses to those risks with the component audit team.
- We held planning meetings with the component team to discuss the component risk assessment including materiality, and overall reporting process that was then communicated formally in Group audit instructions. Our instructions required a number of reporting deliverables including the component auditor opinion that was received and reviewed. We took an active part in reviewing the work performed; this was performed remotely but with the component auditor in attendance.

This, together with the additional procedures performed at a Group level over the consolidation process gave us the evidence we needed for our opinion on the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TUNGSTEN CORPORATION PLC continued

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified, 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 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. In addition to the matter described in the Conclusion relating to going concern section of our report we have determined the matters described below to be the key audit matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue Recognition *See accounting policy in Note 2 on pages 88 and 89* The Group generates revenue from the provision of e-invoicing services primarily via subscription fees for access to the service and per-transaction fees. We considered there to be a significant audit risk arising from inappropriate or incorrect recognition of revenue. The key audit matters related to revenue recognition are as follows: • The risk of material misstatement in relation to revenue recognition concerns the recognition around the year end, particularly in relation to the adjustments recorded with respect to subscription fees for which revenue is recognised over time. • There is also a risk that revenue streams have not been recognised appropriately in line with the performance obligations, and that the policy itself is not in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. • There is a risk that accounts receivable and deferred income are shown gross in the financial statements where there is not an unconditional right to consideration.	With regards to the risk of material misstatement related to the inappropriate or incorrect recognition of revenue we performed the following specific testing: • During the planning phase, discussions were held in relation to the revenue approach to assess the appropriateness of the revenue recognition policy, assess whether it was in line with the requirements of applicable accounting standards. • We examined a sample of contracts to confirm the nature of the obligations and the appropriateness of the method used to recognise revenue, either at a point in time or over time. The engagement team used digital analytical procedures, with the assistance of IT specialists, to reconcile the amounts recorded as revenue with the underlying transactions captured in the Group's operational systems. These procedures covered 100% of the underlying transactions, billings, and amounts recorded in the general ledger before any manual journal entries to record movements in contract liabilities related to deferred revenue. • To address the risk of revenue being recognised in the incorrect financial year, we obtained support for a sample of the manual journal entries to record adjustments to revenue for movements in contract liabilities and for a sample of transactions we tested the accuracy of the amounts recognised and deferred by reference to supporting documentation such as invoices and customer agreements. • Finally, via testing a sample of year end balances, in relation to IFRS 15, we also considered the presentation of trade receivable and contract liabilities to ensure that both balances reflect the required presentation position. **Key observations:** Based on the work performed we consider that revenue has been recognised appropriately and in accordance with the Group's revenue recognition accounting policy.

Key audit matter	How the scope of our audit addressed the key audit matter
Intangible Assets: Development Costs, amortisation and impairment *Details of the Group's accounting policies applied during the period are given in notes 2 and 12 on pages 93 and 101 respectively.* The Group capitalises costs in relation to the development of the software used in the delivery of services to its clients. There is significant judgement, taking account of the assumptions used, involved, which is why it is deemed a Key Audit Matter, in the determinations of which costs are capitalised, their amortisation period and whether there is any impairment of historically capitalised assets amounts.	With regards to the risk of material misstatement related to the inappropriate or incorrect capitalisation of developments costs, the incorrect calculation of amortisation and the inaccurate evaluation of impairment related to this financial statement area, we performed the following specific testing: • Discussions were held by senior members of the audit team with the Group's technology officer to understand the Group's processes and procedures and projects in relation to development costs. • We considered whether the development costs capitalised met the criteria for capitalisation under IAS 38 and subsequently whether the mechanics over capturing time spent and translating that cost into an accounting entry operated accurately. Using the underlying timecard information for a samples of items, the underlying hours and related costs were agreed back through to the timecard system and to supporting documentation including employment contracts and where applicable agreements with contractors. • Costs incurred with third parties were agreed, on a sample basis, to supporting documentation to ensure they were suitable for capitalisation and related to the development project. • Any capitalised projects with a material net book value ('NBV') on the balance sheet were, on a sample basis, selected for testing. • We considered the ability for the asset to generate future economic benefits for the business which at least exceed its carrying value by assessing the use of the technology platforms in the performance of the Group's obligations to customers. • Assessed management's estimate of the amortisation period applied to the asset by considering relevant industry benchmarks and specific knowledge of the client's product. Additionally considering whether any indicators of impairment exist taking account of any changes in usability of amounts previously capitalised; and • Finally, in line with IAS 36 we ensured that assets that were not yet available for use (such as projects in development) had undertaken an impairment review as required. There were no instances where this was an issue in the year. **Key observations:** Based on the procedures performed, we noted no instances of material numerical or presentational misstatements in the year relating to the accounting for development costs, including the calculation of the related amortisation charge and the evaluation of impairment, which there was none.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TUNGSTEN CORPORATION PLC continued

Key audit matter	How the scope of our audit addressed the key audit matter
Impairment of Intangibles (including Goodwill) *Details of the Group's accounting policies applied during the period are given in notes 2 and 12 on pages 92 and 101 respectively.* The Directors have determined that a further impairment of goodwill £26.2million exists. This has been determined based on a value in use model, which includes consideration of probability adjusted scenarios based on different revenue and cost growth assumptions, to assess the recoverability of the Goodwill. There is significant judgement, taking account of the assumptions used, involved, which is why it is deemed a Key Audit Matter, in the estimation of the recoverable amount of the intangibles (including goodwill).	Our audit procedures included the following: • We reviewed and arithmetically checked management's impairment assessment, based on our knowledge of the Group's business, performance to date and from discussions with management. • We assessed whether the methodology applied to value the goodwill carrying value appropriately supports each assets value. • We reviewed and challenged the assumptions underpinning the forecasts and the other inputs into the value in use model. This included a recalculation of the discount rate applied, corroborating the inputs, to 3rd party evidence. • We checked that the forecast figures included within the model had been approved by the Board and the base case scenario was consistent with information obtained in other audit procedures. • We also reviewed the different scenarios, being an upside, a downside and a severe downside case, used by management and ran our own sensitivities to evaluate management's assessment of the existence of any impairment to the carrying value of the goodwill. • We assessed the completeness and accuracy of the related accounting policies and disclosures in the financial statements. **Key observations:** Based on the procedures performed, we noted no instances of material misstatements in the year under audit.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent company financial statements	
	2021 £	2020 £	2021 £	2020 £
Materiality	360,000	353,000	140,000	120,000
Basis for determining materiality	1% Revenue	1% Revenue	40% Group Materiality	35% Group Materiality
Rationale for the benchmark applied	We considered revenue to be the most appropriate benchmark as this is the primary KPI which is used to address the performance of the Group by the board and an important performance based metric to the users of the financial statements.		Materiality for the parent company was set at 40 percent of group materiality paying due consideration to aggregation risk in relation to group materiality.	
Performance materiality	252,000	264,750	98,000	90,000
Basis for determining performance materiality	Performance materiality was set at 70% (2020: 75%) due to the expected total value of known and likely misstatements and management's attitude towards proposed adjustments. Additionally there are a select number of areas included in the accounts which are subject to estimates.		Performance materiality was set at 70% (2020: 75%) due to the fact there are a select number of areas included in the accounts which are subject to estimates.	

Component materiality
We set materiality for each component of the Group based on a percentage of between 40% and 80% of Group materiality dependent on the size of the component. Component materiality ranged from £140,000 to £280,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £18,000 (2020: £17,650). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TUNGSTEN CORPORATION PLC continued

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 71, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, rules of the London Stock Exchange for companies trading securities on AIM, the Companies Act 2006 and relevant tax compliance regulations;
- We understood how the Group is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee;
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, and met with management from across the Group to understand where there was actual and suspected fraud and whether they considered the Group was susceptible to fraud;
- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect recognition of revenue (revenue recognition assessed as a Key Audit Matter above). We obtained an understanding of the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those processes and controls;
- With regards to the fraud risk in management override, our procedures included journal transaction testing, with a focus on large or unusual transactions based on our knowledge of the business. We also performed an assessment on the appropriateness of key judgements and estimates, for example the capitalisation of development costs (the risks associated with the capitalisation of development costs has been assessed as a Key Audit Matter above), which are subject to managements' judgement and estimation, and could be subject to potential bias; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members (including the component audit team) and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

Iain Henderson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London UK
Date: 29 July 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Revenue	4	**36,116**	36,812
Operating expenses	5	**(69,358)**	(62,356)
Operating loss		**(33,242)**	(25,544)
Adjusted (excluding lease payments) EBITDA[1]		**4,695**	3,743
Depreciation and amortisation	5	**(4,274)**	(4,451)
Loss on disposal of intangible assets	5	**(99)**	(612)
Impairment of goodwill	5,12	**(26,160)**	(23,040)
Impairment of customer relationships	5,12	**(100)**	–
Impairment of right of use assets	5,13	**(1,121)**	–
Impairment of leasehold improvements	5,13	**(544)**	–
Foreign exchange (loss) / gain	5	**(3,275)**	869
Share-based payment expense	6,17	**(280)**	(534)
Exceptional items	7	**(2,084)**	(1,519)
Operating loss		**(33,242)**	(25,544)
Finance income	9	**1,702**	1,910
Finance costs	9	**(3,083)**	(2,321)
Net finance costs	9	**(1,381)**	(411)
Loss before taxation		**(34,623)**	(25,955)
Taxation charge	10	**(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	11	**(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.

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

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 income/(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)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Assets			
Non-current assets			
Goodwill	12	**49,616**	76,088
Intangible assets	12	**16,895**	17,666
Property, plant and equipment	13	**693**	1,578
Right of use assets	13,19	**3,585**	5,518
Trade and other receivables	14	**687**	755
Total non-current assets		**71,476**	101,605
Current assets			
Trade and other receivables	14	**4,720**	6,199
Cash and cash equivalents	15	**4,117**	5,208
Total current assets		**8,837**	11,407
Total assets		**80,313**	**113,012**
Non-current liabilities			
Provisions	18	**1,160**	1,160
Lease liabilities	19	**4,712**	5,471
Total non-current liabilities		**5,872**	6,631
Current liabilities			
Trade and other payables	20	**6,776**	7,822
Provisions	18	**363**	96
Lease liabilities	19	**731**	776
Borrowings	21	**1,964**	2,006
Contract liabilities	22	**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	16	**554**	553
Share premium	16	**188,866**	188,802
Merger reserve		**28,035**	28,035
Shares to be issued	17	**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**

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

The consolidated financial statements on pages 82 to 115 of Tungsten Corporation plc (registered number 07934335) were authorised for issue by the Board of Directors on 29 July 2021 and were signed on its behalf:

Tony Bromovsky
Chairman

Ian Kelly
Chief Financial Officer

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**

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

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	5	4,274	4,451
Impairment of goodwill	12	26,160	23,040
Impairment of customer relationships	12	100	–
Impairment of right of use asset	13	1,121	–
Impairment of leasehold improvements	13	544	–
Loss on disposal of intangible assets		99	612
Loss on disposal of tangible assets		1	–
Increase/(decrease) in provision for trade receivables	14	77	(840)
Finance costs	9	3,083	2,321
Finance income	9	(1,702)	(1,910)
Foreign exchange loss/(gain)	5	3,275	(869)
Share-based payment expense	6,17	280	534
Changes in working capital:			
Decrease in trade and other receivables		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	12	(2,404)	(2,758)
Purchases of other intangibles	12	(182)	(5)
Purchases of property, plant and equipment	13	(24)	(199)
Net cash outflow from investing activities		**(2,610)**	**(2,962)**
Cash flows from financing activities			
Lease payments – payments of principal	19	(756)	(743)
Lease payments – payments of interest	19	(337)	(331)
Proceeds from borrowings	21	2,000	1,000
Repayment of borrowings	21	(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	15	**4,117**	**5,208**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Tungsten Corporation plc (the 'Company') and its subsidiaries (together, the 'Group') is a global e-invoicing network that offers trade finance and spend analytics.

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

All press releases, financial reports and other information are available on our investor relations page of our website: www.tungsten-network.com.

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

2. Accounting policies

(a) Basis of preparation

The consolidated financial statements of Tungsten Corporation plc have been prepared in accordance with international accounting standard in conformity with the requirements of the Companies Act of 2006 ('IFRS'). These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention.

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.

These policies have been consistently applied to all the years presented.

(b) 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. Further information on the Group's borrowings and available facilities is given in Note 21 to these 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 12 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.

(c) Adjusted measure of performance

The Group considers Adjusted (excluding lease payments) EBITDA, which is defined 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, as the most appropriate measure of the Group's underlying performance.

(d) New standards, amendments and interpretations adopted

The Group has adopted the following new or amended IFRSs and IFRIC interpretations from 1 May 2020:

Standard	Effective date
Amendment to IFRS 16: 'Leases Covid-19 Related Rent Concessions' (issued on 28 May 2020)	1 June 2020

This new standard has not had a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Accounting policies continued

(e) New standards, amendments and interpretations issued but not yet effective:
There are no new standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods.

(f) Basis of consolidation
Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights.
- Substantive potential voting rights held by the Company and by other parties.
- Other contractual arrangements.
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the Company and its subsidiaries (the 'Group') as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

(g) Revenue
The Group derives revenue from the following sources:

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

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

The Group assesses whether there are distinct performance obligations at the start of each contract. The Group has identified the following separate performance obligations:

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

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

(h) 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 in which 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
Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market performance conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market performance conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market performance condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where options are cancelled within the vesting period, the remaining cost of the options is accelerated and charged to the income statement in the year.

The value of share-based payment is taken directly to reserves and the charge for the period is recorded in the income statement.

Tungsten's scheme, which awards shares in the parent entity, includes recipients who are employees in subsidiaries. In the consolidated Financial Statements, the transaction is treated as an equity-settled share-based payment, as the subsidiary has received services in consideration for Tungsten's equity instruments. An expense is recognised in the consolidated Group income statement for the fair value of share-based payment over the vesting year, with a credit recognised in equity.

In the subsidiaries' financial statements, the awards, in proportion to the recipients who are employees in said subsidiary, are treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting period, with a credit recognised in equity. The credit is treated as a capital contribution, as the parent company is compensating the subsidiaries' employees with no cost to the subsidiaries as there is no expectation to recharge the cost. In the parent company's financial statements, there is no share-based payment charge where the recipients are employed by a subsidiary, with the parent company recognising an increase in the investment in the subsidiaries as a capital contribution from the parent and a credit to equity.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Accounting policies continued

(i) Foreign currency translation continued

Group companies

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

- Assets and liabilities are translated at the closing rate at the balance sheet date.
- Income and expenses are translated at the exchange rate prevailing on the transaction date.

All resulting exchange differences are recognised in other comprehensive income.

The following exchange rates were applied:

	As at 30 April 2021	As at 30 April 2020
Closing rates:		
United States Dollar	**1.3955**	1.2440
Euro	**1.1500**	1.1479
Mexican Peso	**27.7630**	30.2115
Bulgarian Lev	**2.2491**	2.2450
Malaysian Ringgit	**5.7252**	5.4239
Swiss Franc	**1.2684**	1.2109
Indian Rupee	**103.7142**	94.8770
Average rates:		
United States Dollar	**1.3167**	1.2690
Euro	**1.1213**	1.1437
Mexican Peso	**27.9487**	25.0773
Bulgarian Lev	**2.1932**	2.2378
Malaysian Ringgit	**5.4742**	5.3049
Swiss Franc	**1.2110**	1.2480
Indian Rupee	**97.6343**	90.7460

(j) Finance income and costs

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

(k) Exceptional items

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

(l) Current and deferred income tax

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

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

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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; and differences relating to investments in subsidiaries to the extent that 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. The amount of deferred tax provided is calculated 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 not recognised 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 same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(m) Research and development tax credit
The Group as a whole (and companies, individually, within the Group) may be entitled to claim special tax allowances in relation to qualifying research and development expenditure (e.g. R&D tax credits). The Group and Company accounts for such allowances as tax credits, and they are recognised when it is probable that benefit will flow to the Group and that benefit can be reliably measured. R&D tax credits reduce current tax expense and, to the extent the amounts due in respect to them are not settled by the balance sheet date, reduce current tax payable.

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

Acquisition-related costs are expensed as incurred.

(o) 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.

Depreciation
Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. The estimated useful lives are as follows:

- Leasehold improvements: depreciated over term of lease.
- Furniture and fittings: 3 to 5 years.
- Computer equipment: 2 to 5 years.

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

2. Accounting policies continued

(p) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (where the underlying asset has a value of less than $5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the future lease payments, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, and initial direct costs, less lease incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right of use asset, the costs are included in the related right of use asset.

Right of use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right of use asset arising from the head lease. The Group has classified all of its subleases as operating leases and the rental income is recognised in the income statement in operating expenses on a straight-line basis over the lease term.

The carrying value of right of use assets is reviewed at each balance sheet date. Any changes in assumptions in relation to the terms of a lease such as agreed rent reviews or change in expectation of the duration of the lease are adjusted by revaluing the associated lease liability and adjusting both the lease liability and the right of use asset by the same value. The right of use assets are also reviewed for signs of impairment and, where required, an impairment charge is made to the income statement.

If the Group has substantially transferred all the risks and rewards of the lease, a sublease leads to the de-recognition of the right of use asset and the recognition of an investment receivable in respect of this sublease. If the Group has not substantially transferred the lease, the Group retains its right of use asset. The lease liability remains in respect of the head lease as a lease liability on the balance sheet.

(q) Intangible assets

Goodwill

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

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

Intangible assets acquired in a business combination

Acquired intangible assets include customer relationships and an IT platform acquired in a business combination. Acquired intangible assets are recognised at fair value at the acquisition date and are amortised on a straight-line basis over their estimated useful lives as follows:

- Customer relationships: 20 years.
- IT platform: 5 to 7 years.

Impairment reviews are undertaken if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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.

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

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 and are amortised over their estimated useful lives of between 3 to 5 years.

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

(r) Financial assets and financial liabilities
Non-derivative financial instruments
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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

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

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

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

(s) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Accounting policies continued

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

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

The Group applies IFRS 9's simplified approach to measuring expected credit losses which uses a 12-month expected credit loss approach for all trade receivables. To measure the expected credit losses, trade receivables have been analysed based on the days past due and those balances in query. The expected credit loss rates are based on management expectation derived from default rates for invoices raised in the prior year and taking into account collection actions and forward-looking information on economic factors affecting future expected settlement.

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

(v) 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 of the amount required to settle the obligation.

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

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

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

(y) Reserves
The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Represents the difference between the fair value and the nominal value of shares issued on the acquisition of subsidiary companies where the Company has elected to take advantage of merger relief.
Shares to be issued	Shares for which consideration has been received but which are not yet issued.
Share-based payment reserve	Accumulated share-based payment charges relating to outstanding awards.
Other reserve	The difference between the premium on the Tungsten Corporation plc ordinary shares issued in exchange for the Tungsten Corporation Guernsey Limited ordinary B shares.
Currency translation reserve	Represents gains/losses arising on retranslating the net assets of overseas operations into sterling.
Accumulated losses	All other net gains and losses and transactions with owners not recognised elsewhere.

3. Critical accounting estimates and judgements

The preparation of financial statements, in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, income and expense. Actual results may differ from these estimates or judgements of likely outcome. Management have identified the following judgements and key sources of estimation uncertainty that could potentially result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill and other intangible assets

The Group has carried out an impairment review of the Tungsten Network cash generating unit ('CGU') and recognised an impairment loss on goodwill in the year. The recoverable amount of the CGU is based on estimates of future cash flows discounted using an appropriate discount rate. Estimates of future cash flows are inherently uncertain as the long-term impact of the COVID-19 pandemic on the general economy is unclear. To take account of this uncertainty, management have used the "expected cash flow approach" which involves probability weighting several alternate scenarios.

It is possible that changes in economic conditions or deviations in actual performance from forecast could result in a material adjustment to the carrying value of the CGU within the next financial year. The key estimates made by management are set out in Note 12. The information in Note 12 given on each scenario also provides an indication of the amount of any further impairment for other reasonably possible outcomes.

The Group also impaired the customer relationships intangible asset due to the loss of a major customer in the year. The impairment reflected the revenue share of the customer in the original calculation of the customer relationship asset.

Impairment of right of use assets

The Group has carried out an impairment review of the right of use assets and recognised an impairment loss in the year. The right of use assets are office leases. Where the offices are vacant or part vacant, estimates of void periods before the offices are sub-let, the ongoing estimate of future voids and proportion of rental cost that will be covered by the sub-lettings are made and the right of use asset impaired proportionately. Estimates of future sub-lettings are inherently uncertain as the long-term impact of the COVID-19 pandemic on the general economy is unclear. To take account of this uncertainty, management has assumed a weak recovery in the sub-letting market.

It is possible that changes in economic conditions or deviations in actual performance of the property market could result in a material adjustment to the carrying value of the right of use assets within the next financial year. The key estimates made by management are set out in Note 13.

Impairment of leasehold improvements

The Group has carried out an impairment review of the leasehold improvements asset and recognised an impairment loss in the year. Where the offices are vacant or part vacant, the value in use of the leasehold improvements have been fully impaired as they have no economic value.

The key estimates made by management are set out in Note 13.

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, a contract liability is recorded according to contractual terms representing the anticipated period for transactions being processed.

Management reviews the historical record of transactions used under each contract and adjusts the contract liability to reflect the delivery of obligations and the associated revenue to be recognised. This estimate affects contract liabilities (see Note 22).

Going concern

The consolidated financial statements have been prepared on a going concern basis. In reaching their assessment, the Directors have considered a period extending at least 12 months from the date of approval of this financial report. This assessment has included consideration of the forecast performance of the business for the foreseeable future, the cash and financing facilities available to the Group, and the repayment terms in respect of the Group's borrowings.

Capitalisation of development costs

Projects under development are capitalised if management intend to complete the project, it is technically feasible to do so and the carrying value of the software is supported by expected future benefits.

Exceptional items

The classification of exceptional items requires significant management judgement to determine the nature and intentions of a transaction. Details of exceptional items are shown in Note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. Segment report

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

The CODM reviews financial information for three segments: Tungsten Network (which includes the e-invoicing and spend analytics business of Tungsten Network), Tungsten Network Finance 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 (excluding lease payments) EBITDA which is an adjusted profit measure which reflects loss before finance income and costs, taxation, depreciation, amortisation, loss on disposal of assets, foreign exchange gains and losses, share-based payment expense and exceptional items.

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

Year ended 30 April 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 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.

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 (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 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.

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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. Segment report continued

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**

5. Operating expenses

	Note	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Staff costs	6	15,845	16,524
Professional support		7,386	8,153
Office costs		1,021	1,224
IT costs		4,071	4,081
Marketing costs		1,178	1,382
Travel and entertainment		12	915
Exceptional items	7	2,084	1,519
Amortisation	12	3,102	3,233
Depreciation	13	1,172	1,218
Impairment of goodwill	12	26,160	23,040
Impairment of customer relationships	12	100	–
Impairment of right of use asset	13	1,121	–
Impairment of leasehold improvements	13	544	–
Loss on disposal of intangible assets	12	99	612
Foreign exchange loss/ (gain)		3,275	(869)
Other operating expenses		2,188	1,324
Total operating expenses		**69,358**	**62,356**

6. Employee benefits expenses

	Note	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Wages and salaries		13,050	13,459
Social security costs		1,465	1,479
Pension – defined contribution		1,050	1,052
Share-based payment expense	17	280	534
Total employee benefits expenses		**15,845**	**16,524**

The total share-based payment charge is £280,000 (2020: £646,000). The total charge includes movements in employment taxes connected with the share-based payment.

	Year ended 30 April 2021	Year ended 30 April 2020
Number of employees		
The yearly average number of people employed:		
Tungsten Network	246	267
Tungsten Network Finance	2	13
Corporate	12	9
Total average headcount	**260**	**289**

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

7. Exceptional items

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Restructuring costs[1]	1,498	916
Board operating review[2]	391	434
Professional advice[3]	118	135
COVID-19 related staff costs	77	34
Total exceptional items	**2,084**	**1,519**

1 Restructuring costs consist of contract terminations and other redundancy costs.

2 An operating review Committee was initiated by the Board. This covers a comprehensive review of Tungsten's market, products, operation and cost base. This Committee has appointed consultants to perform parts of the review.

3 Professional advice consists of one off professional fees in relation to additional costs related to COVID-19.

8. Auditor's remuneration

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

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Audit of the Parent Company and the consolidated accounts	81	70
Audit of subsidiary financial statements	88	76
Audit-related assurance services	28	24
Total auditor's remuneration	**197**	**170**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

9. Finance income and costs

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Finance income		
Interest income on short-term deposits	1	3
Foreign exchange gains on financing activities	1,701	1,907
Total finance income	**1,702**	**1,910**
Finance costs		
Interest expense and bank charges	(335)	(320)
Interest expense on lease liabilities (Note 19)	(337)	(331)
Foreign exchange losses on financing activities	(2,411)	(1,670)
Total finance costs	**(3,083)**	**(2,321)**
Net finance costs	**(1,381)**	**(411)**

10. Taxation

The tax charge for the year comprises:

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Current tax		
UK current tax	–	–
UK adjustment in respect of prior periods	–	(1)
Foreign current tax	63	50
Deferred tax		
Deferred tax – current year	–	(2)
Total tax charge	63	47

Tax reconciliation		
Loss before tax	(34,623)	(25,955)
Loss before tax at the standard rate of UK corporation tax 19% (2020: 19%)	(6,578)	(4,931)
Differences in overseas tax rates	(217)	(100)
Expenses not deductible for tax purposes	6,293	4,654
Tax losses for which no deferred tax asset was recognised	565	424
Total tax charge	63	47

The standard rate of corporation tax in the UK is 19%.

Deferred tax

Deferred 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 £21.3 million (2020: £20.2 million) in respect of losses that can be carried forward against future taxable income for the period between one year and an indefinite period of time.

No deferred tax is related to components of other comprehensive income.

11. Loss per share

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

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

	Year ended 30 April 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.

12. 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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12. Intangible assets continued

As at 30 April 2020

	Goodwill £'000	Customer relationships £'000	IT platform £'000	Software £'000	Software development under construction £'000	Total restated £'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 £'000	As at 30 April 2020 £'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 million where the Group estimated the recoverable amount of the Tungsten Network CGU at £73.9 million against a carrying value of £100.1 million leading to a £26.2 million impairment. The analysis performed is summarised as follows:

Scenario	Annual revenue growth FY22 to FY25	Annual cost growth FY22 to FY25	Value in use £ million	Headroom/ (impairment) £ million	Probability
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 2%	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 £70.8 million. 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 second 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 £ million	Headroom/ (impairment) £ million	Probability
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 IAS 36 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

13. 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 £3.6 million resulting in an impairment of £1.1 million. 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 impaired 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**

14. Trade and other receivables

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Non-current assets		
Loans to employees under EMSS scheme	99	167
Rent deposit	588	588
Other receivables	687	755

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Current assets		
Trade receivables	2,983	3,847
Less: loss allowance	(179)	(102)
Net trade receivables	2,804	3,745
Prepayments	1,183	1,547
VAT receivables	–	123
Contract assets	384	393
Corporate tax receivables	67	104
Other receivables	282	287
Trade and other receivables	4,720	6,199

Contract assets represents income earned during the year but not yet invoiced at the reporting date. Amounts are settled within 12 months.

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Movements in the trade receivables loss allowance		
At the beginning of the period	(102)	(941)
(Debit)/credit to income statement	(95)	173
(Debit)/credit to contract liabilities	(54)	453
Utilisation of provision	72	231
Foreign exchange	–	(18)
At the end of the period	(179)	(102)

The Group has adopted the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. As further detailed in Note 23, the Group's customers almost exclusively comprise major international corporations of good credit standing mostly based in the USA and the EU, and the Group's historical credit loss experience is negligible. Accordingly, the trade receivables and contract assets are assessed as homogenous for the purposes of grouping for expected credit risk, and expected loss rate is expected to be low leading to a small provision for impairment being recorded.

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Currency of trade receivables		
USD	1,346	2,010
EUR	817	868
GBP	521	726
Other	120	141
Net trade receivables	2,804	3,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

15. Cash and cash equivalents

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Cash at bank	**4,117**	**5,208**

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Currency of cash and cash equivalents		
GBP	**746**	1,925
USD	**1,623**	1,069
EUR	**948**	1,716
Other	**800**	498
Cash and cash equivalents	**4,117**	5,208

16. Share capital and share premium

Issued and fully paid	Ordinary shares Number	Nominal value p	Share capital £'000	Share premium £'000
Balance as at 1 May 2019	126,088,147	0.4386	553	188,802
Shares issued during the year	–	–	–	–
Balance as at 30 April 2020	126,088,147	0.4386	553	188,802
Shares issued during the year (Note 17)	128,567	0.4386	1	64
Balance as at 30 April 2021	**126,216,714**	**0.4386**	**554**	**188,866**

17. Share-based payments

The Group's share-based payment plans with effect from FY21 are as follows:

Long-term Incentive Plan ('LTIP')

The LTIP provides awards to Executive Directors and senior management in FY21 and in FY20. The awards are in the form of options with a nominal exercise price which vest after three years. Vesting is subject to a mix of revenue, Adjusted EBITDA, cash conversion and share price performance conditions and remaining employed up to the vesting date.

Deferred Share Bonus Plan ('DSBP FY21')

The DSBP FY21 provides for the grant of share awards to Executive Directors and Executive Committee members to defer 50% of the participant's bonus. Awards are in the form of options with a nominal exercise price. They vest over a two-year period with 50% vesting on the first anniversary of the grant date and the remaining 50% on the second anniversary.

Share awards were also previously granted under the following older plans:

Deferred Share Bonus Plan ('DSBP FY20')

The DSBP FY20 provides for the grant of share awards to Executive Directors and Executive Committee members to defer 50% of the participant's bonus. Awards are in the form of options with a nominal exercise price. They vest 12 months after grant date subject only to remaining employed up to the vesting date.

UK Scheme and US Plan

Options at market value vesting over one to four years subject only to remaining employed up to the vesting date.

Share Appreciation Rights (SARs)

"Phantom options" settled in cash and designed to provide the same economic benefit as the UK Scheme and US Plan for employees based outside of the UK and US, notably in Malaysia and continental Europe.

Founder Securities Scheme

In May 2012, the Group established the Founder Securities Scheme. The Founder Securities were designed to encourage the subscribers to use their best efforts to grow the Company within five to ten years following admission to AIM by entitling the founders to 15% of the increase in the Company's share price once a hurdle Total Shareholder Return ('TSR') rate of 8.25% has been achieved. 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.

Awards outstanding

The movements in the number of shares and share-option awards and the weighted average exercise price of share options are detailed below:

	Year ended 30 April 2021		Year ended 30 April 2020	
	Number of options	Weighted average exercise price £ per share	Number of options	Weighted average exercise price £ per share
Outstanding at 1 May	**11,603,810**	**£0.35**	10,171,428	£0.48
Granted	**3,313,447**	**£0.00**	2,742,162	£0.02
Lapsed	**(5,421,877)**	**£0.65**	(1,163,725)	£0.31
Cancelled	**(725,300)**	**£0.00**	–	n/a
Expired	**–**	**n/a**	(146,055)	£3.36
Exercised (Note 16)	**(128,567)**	**£0.00**	–	–
Outstanding at 30 April	**8,641,513**	**£0.08**	11,603,810	£0.35
Exercisable at 30 April	**4,961,532**	**£0.11**	7,322,267	£0.29
Weighted average fair value of awards granted (£ per share)		**£0.26**		£0.37

The average share price over the year was £0.34 (2020: £0.41). The share price of the Company at 30 April 2021 was £0.34 (30 April 2020: £0.35).

The range of exercise prices and the weighted average remaining contractual life of options outstanding at 30 April were as follows:

Range of exercise prices	As at 30 April 2021 Number of options	As at 30 April 2020 Number of options
Nil	**3,760,000**	3,760,000
0p to 10p	**3,699,290**	1,961,084
30p to 40p	**–**	75,000
40p to 50p	**205,094**	605,191
50p to 60p	**639,079**	2,490,860
60p to 70p	**338,050**	2,271,675
70p and above	**–**	440,000
Total	**8,641,513**	11,603,810
Weighted average remaining contractual life	**5.9 years**	6.1 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

17. Share-based payments continued

Valuation assumptions

Grants in the year ended 30 April 2021 of deferred shares and LTIP awards with no market conditions were valued directly by reference to the share price at date of grant using Black Scholes model. LTIP awards with a share price condition were valued with reference to a Monte Carlo valuation.

Grants in the year ended 30 April 2020 of deferred shares and LTIP awards with no market conditions were valued directly by reference to the share price at date of grant using Black Scholes model. LTIP awards with a share price condition were valued with reference to a Black Scholes valuation of a basket of options which gave a similar return.

The principal assumptions used in these valuations were:

	Year ended 30 April 2021 LTIP with share condition and DSBP	Year ended 30 April 2020 LTIP with share condition and DSBP
Share price at date of grant	£0.30	£0.43
Exercise price	£0.00	£0.00
Expected life	1 to 3 years	3 years
Expected volatility	51%	50%
Risk free rate	0.2%	1.0%
Dividend yield	Nil	nil
Fair value	£0.02 to £0.30	£0.18 to £0.50

The total share-based payment charge is £280,000 (2020: £646,000), which includes movements in employment taxes connected with the share-based payment charge.

18. Provisions

	Leasehold property dilapidations £'000	Onerous contracts £'000	Other provisions £'000	Total £'000
As at 1 May 2020	1,236	20	–	1,256
Additions	1	–	362	363
Utilised during the year	(76)	(20)	–	(96)
As at 30 April 2021	**1,161**	**–**	**362**	**1,523**

	Leasehold property dilapidations £'000	Onerous contracts £'000	Other provisions £'000	Total £'000
As at 1 May 2019	1,237	489	–	1,726
Impact of IFRS 16	–	(361)	–	(361)
Utilised during the year	–	(108)	–	(108)
Exchange difference	(1)	–	–	(1)
As at 30 April 2020	**1,236**	**20**	**–**	**1,256**

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Analysis of total provisions:		
Non-current	1,160	1,160
Current	363	96
Total	**1,523**	**1,256**

The provisions for dilapidations include the estimated costs of removal of installed assets under lease contracts, which includes a provision for the London office of £1,160,000 (2020: £1,160,000) which is expected to be utilised in FY29 and for the Malaysia office of £1,000 (2020: £76,000) expected to be utilised in FY22. Other provisions relate to ongoing legal matters, including ongoing litigation matters, expected to be concluded in FY22.

19. Leases

The right of use assets relate to leased properties. The movements in the right of use assets were as follows:

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
As at 1 May	5,518	6,365
Additions	32	–
Impairment	(1,121)	–
Depreciation	(818)	(860)
Exchange differences	(26)	13
As at 30 April	**3,585**	**5,518**

The movements in the lease liability were as follows:

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
As at 1 May	6,247	6,961
Additions	32	–
Interest charge	337	331
Payments made on lease liabilities	(1,093)	(1,074)
Exchange differences	(80)	29
As at 30 April	**5,443**	**6,247**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

19. Leases continued

The lease liabilities at 30 April 2021 were as follows:

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Analysis of total lease liabilities:		
Non-current	4,712	5,471
Current	731	776
Total	**5,443**	**6,247**

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Maturity analysis		
Year 1	986	1,081
Years 2-5	3,459	3,345
Year 5 onwards	2,031	3,004
Total future lease payments	6,476	7,430
Total future interest payments	(1,033)	(1,183)
Total lease liabilities	**5,443**	**6,247**

The Group recognised the following amounts in the consolidated income statement in relation to leases under IFRS 16:

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Depreciation	818	860
Interest expense	337	331
Short-term lease expense	–	16
Low-value lease expense	2	11
Income from subleasing right of use assets	(120)	(110)
	1,037	**1,108**

20. Trade and other payables

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Non-current liabilities		
Other payables	–	–

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Current liabilities		
Trade payables	2,304	2,255
Other taxation and social security	814	976
Accrued expenses	3,430	4,140
Other payables	228	451
Trade and other payables	**6,776**	**7,822**

In the prior year, other payables included three-year convertible loan notes worth £250,000 issued to settle historic disputes between the Company, Disruptive Capital Advisory Limited and the Company's former Chief Executive Officer Edmund Truell. These convertible loan notes were settled in the year.

21. Borrowings

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Drawn under revolving credit facility	2,014	2,006
Transaction costs	(50)	–
Borrowings	**1,964**	**2,006**

At 30 April 2021, the Group had £4.0 million revolving credit facility expiring in December 2023. Interest is payable at a rate of LIBOR + margin of 3.00% to 3.50%. At 30 April 2021 the amount undrawn was £2.0 million (30 April 2020: £2.0 million). The Group can elect to roll forward the amounts drawn on a quarterly basis up to the expiry date.

The movements in borrowings were as follows:

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Borrowings at 1 May	2,006	1,000
Cash flows – proceeds of new borrowings	2,000	1,000
Cash flows – repayment of borrowings	(2,000)	–
Transaction costs	(50)	–
Non-cash changes – accrued interest	8	6
Borrowings at 30 April	**1,964**	**2,006**

The borrowings are subject to two covenant tests which are measured at the end of Group's financial quarters. Leverage[1] must be less or equal to 2 and interest cover[2] must be greater or equal to 4.

1 Leverage is defined as net debt divided by last 12 months EBITDA[3].

2 Interest cover is defined as last 12 months Adjusted EBITDA[3] divided by finance charges.

3 For covenant purposes, Adjusted EBITDA is calculated EBITDA[4] less capital, expenditure in excess of 50% of EBITDA[4].

4 For covenant purposes, 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 cash rental expenses and rental income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22. Contract liabilities

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
As at 1 May	8,868	7,095
Invoiced during the year	38,501	41,468
Released to revenue	(36,351)	(37,577)
Amounts invoiced in advance but not yet due	(2,084)	(2,374)
Loss allowance	(79)	(25)
Exchange differences	(488)	281
As at 30 April	**8,367**	**8,868**

The Group's remaining performance obligations are for the delivery of services within the next 12 months for which the practical expedient in paragraph 121(a) of IFRS 15 applies.

23. Financial instruments, risk management and exposure

The Group's activities expose it to a variety of financial risks, including credit, liquidity and foreign currency risk. Risk management is carried out by the Board of Directors.

(a) Credit risk

Credit risk arises principally from cash held at financial institutions and trade and other receivables. The following carrying values of financial assets represent the Group's maximum exposure to credit risk:

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Cash and cash equivalents	4,117	5,208
Net trade receivables	2,804	3,745
Other receivables	969	1,042
Total	**7,890**	**9,995**

Cash and cash equivalents are held with reputable financial institutions.

The fair value of trade and other receivables (financial assets) approximates their carrying value. As at 30 April 2021, total trade and other receivables of £0.8 million (2020: £1.2 million) were past due but not impaired. With respect to these receivables that are neither impaired nor past due, there are no indications as at the reporting date that the counterparties will not meet their payment obligations.

The overdue analysis of trade receivables is as follows:

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Current and not impaired	2,035	2,495
Less than 1 month overdue	504	689
Between 2-3 months overdue	181	236
Over 3 months overdue	84	325
Total past due but not impaired	769	1,250
Individually determined to be impaired	179	102
Trade receivables	2,983	3,847
Less: loss allowance	(179)	(102)
Net trade receivables	**2,804**	**3,745**

(b) Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk through cash flow forecasts and by seeking to align the maturity profiles of its financial assets with its financial liabilities.

Financial assets and liabilities at amortised cost

As at 30 April 2021	Carrying amount £'000	Total contractual cash flows £'000	Less than 1 year £'000	1 to 5 years £'000	Over 5 years £'000
Cash and cash equivalents	4,117	4,117	4,117	–	–
Net trade receivables	2,804	2,804	2,804	–	–
Other receivables	969	969	282	99	588
Trade payables	(2,304)	(2,304)	(2,304)	–	–
Other payables	(228)	(228)	(228)	–	–
Lease liabilities	(5,443)	(6,476)	(986)	(3,459)	(2,031)
Borrowings	(1,964)	(1,964)	(1,964)	–	–
Net position	(2,049)	(3,082)	1,721	(3,360)	(1,443)

As at 30 April 2020	Carrying amount £'000	Total contractual cash flows £'000	Less than 1 year £'000	1 to 5 years £'000	Over 5 years £'000
Cash and cash equivalents	5,208	5,208	5,208	–	–
Net trade receivables	3,745	3,745	3,745	–	–
Other receivables	1,042	1,042	875	167	–
Trade payables	(2,255)	(2,255)	(2,255)	–	–
Other payables	(451)	(451)	(451)	–	–
Lease liabilities	(6,247)	(7,430)	(1,081)	(3,345)	(3,004)
Borrowings	(2,006)	(2,006)	(2,006)	–	–
Net position	**(964)**	**(2,147)**	**4,035**	**(3,178)**	**(3,004)**

(c) Foreign currency risk
The Group operates internationally and is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Sterling. The currencies giving rise to this risk are primarily the US Dollar and the Euro. Where possible the exposure is mitigated by a natural hedge. For example, US Dollar revenues are partially matched by US Dollar costs in the US subsidiary. The Group does not currently use forward foreign exchange contracts or currency options to hedge currency risk.

The split of trade receivables by currency is set out in Note 14 and cash by currency in Note 15.

A 10% strengthening of the US Dollar against Sterling would increase revenue by £1.4 million and increase operating profit by £0.2 million.

(d) Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Group's sources of funding currently comprise cash flows generated from operations, equity contributed by shareholders and borrowings under the Group's revolving credit facility. The revolving credit facility contains financial covenants limiting the ratio of net debt to EBITDA to 2:1 and maintaining interest cover above 4:1.

In order to maintain or adjust the capital structure, the Group may increase or decrease the amount drawn under the revolving credit facility, issue new shares or sell assets.

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 2021 £'000	Year ended 30 April 2020 £'000
Purchase of services	**86**	**80**

Anne Hill, the wife of Andrew Lemonofides who was appointed CEO in September 2019, provided consultancy services to the Group totalling £86,000 (2020: £80,000) in the year ended 30 April 2021. At the year end, there were no balances outstanding in relation to these consultancy services (2020: £4,000). On 8 June 2021, Andrew Lemonofides resigned as a Director of the Company.

Key management personnel

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

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Salaries, bonuses and other short-term employee benefits	**982**	1,037
Post-employment benefits	**28**	49
Termination benefits	**–**	259
Share-based payment expense	**208**	288
Total	**1,218**	**1,633**

For further details with respect to Directors' remuneration (with Directors' remuneration being a sub-set of the total key management compensation noted above), please refer to the Report of Directors' remuneration on pages 61 to 66.

25. 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.

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

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

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

PARENT COMPANY BALANCE SHEET

Registered number: 07934335

	Note	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Assets			
Non-current assets			
Investments in subsidiaries	5	79,293	100,947
Property, plant and equipment	6	595	1,292
Right of use assets	6	3,385	5,113
Other receivables	7	687	769
Total non-current assets		83,960	108,121
Current assets			
Trade and other receivables	7	53,965	53,335
Cash and cash equivalents		35	24
Total current assets		54,000	53,359
Total assets		**137,960**	**161,480**
Non-current liabilities			
Provisions	8	1,160	1,160
Lease liabilities	9	4,420	4,974
Total non-current liabilities		5,580	6,134
Current liabilities			
Lease liabilities	9	553	482
Trade and other payables	10	89,432	88,540
Total current liabilities		89,985	89,022
Total liabilities		**95,565**	**95,156**
Capital and reserves attributable to the equity shareholders			
Share capital		554	553
Share premium		188,866	188,802
Shares to be issued		3,760	3,760
Share-based payment reserve		756	2,144
Other reserves		(5,450)	(5,450)
Accumulated losses		(146,091)	(123,485)
Total equity		**42,395**	**66,324**
Total liabilities and equity		**137,960**	**161,480**

The loss attributable to shareholders dealt with in the financial statements of the Company was £24.2 million (FY20: loss of £28.4 million).

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

The financial statements on pages 116 to 127 were authorised for issue by the Board of Directors on 29 July 2021 and were signed on its behalf:

Tony Bromovsky
Chairman

Ian Kelly
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2021

	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 2020	553	188,802	3,760	2,144	(5,450)	(123,485)	66,324
Loss for the year	–	–	–	–	–	(24,210)	(24,210)
Total comprehensive income for the year	–	–	–	–	–	(24,210)	(24,210)
Transactions with owners in their capacity as owners:							
Issue of shares	1	64	–	(64)	–	–	1
Forfeited share-based payments	–	–	–	(1,604)	–	1,604	–
Share-based payment	–	–	–	280	–	–	280
Transactions with owners	1	64	–	(1,388)	–	1,604	281
Balance as at 30 April 2021	**554**	**188,866**	**3,760**	**756**	**(5,450)**	**(146,091)**	**42,395**

Year ended 30 April 2020

	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 2019	553	188,802	3,760	1,497	(5,450)	(95,072)	94,090
Loss for the year	–	–	–	–	–	(28,413)	(28,413)
Share-based payment expense	–	–	–	647	–	–	647
Balance as at 30 April 2020	**553**	**188,802**	**3,760**	**2,144**	**(5,450)**	**(123,485)**	**66,324**

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

PARENT COMPANY STATEMENT OF CASH FLOWS

	Notes	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Cash flows from operating activities			
Loss for the year before taxation		(24,097)	(28,413)
Adjustments for:			
Depreciation	6	760	765
Share-based payment expense	4	103	394
Impairment in investment in subsidiary	5	21,600	27,000
Impairment of right of use asset	6	1,121	–
Impairment of leasehold improvements	6	544	–
Increase in loss allowance	7	36	707
Finance costs		1,437	1,647
Changes in working capital:			
Increase in trade and other receivables		(612)	(544)
Increase in trade and other payables		974	1,375
Net interest paid		(1,133)	(1,361)
Net cash inflow from operating activities		**733**	**1,570**
Cash flows from investing activities			
Purchases of property, plant and equipment	6	–	(140)
Investment in subsidiary	5	–	(694)
Net cash inflow/(outflow) from investing activities		**–**	**(834)**
Cash flows from financing activities			
Lease payments – payments of principal		(527)	(463)
Lease payments – payments of interest		(260)	(285)
Proceeds from issues of shares		65	–
Net cash (outflow) from financing activities		**(722)**	**(748)**
Net increase/(decrease) in cash and cash equivalents		11	(12)
Cash and cash equivalents at start of the year		24	36
Exchange adjustments		–	–
Cash and cash equivalents at the end of the year		**35**	**24**

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021

1. General information

Tungsten Corporation plc (the 'Company') is a holding company and provider of central and management functions. The Company is a public company limited by shares, which is incorporated in the UK and registered in England. The address of its registered office is Pountney Hill House, 6 Laurence Pountney Hill, London EC4R 0BL, UK.

The Company financial statements were authorised for issue by the Directors on 29 July 2021. All press releases, financial reports and other information are available on our investors relations page of our website: www.tungsten-network.com

2. Accounting policies

(a) Basis of preparation

The Company financial statements of Tungsten Corporation plc have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act of 2006 ('IFRS'). The Company financial statements have been prepared under the historical cost convention.

(b) New standards, amendments and interpretations adopted:

The Company has applied the following standard for the first time for its annual reporting period commencing 1 May 2020:

Standard	Effective date
Amendment to IFRS 16: 'Leases Covid-19 Related Rent Concessions' (issued on 28 May 2020)	1 June 2020

This new standard has not had a material impact on the Company's financial statements.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 1 May 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(d) Critical accounting estimates and judgements

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

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

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

Going concern

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

Impairment in investments in subsidiaries

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

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

The recoverable amount of the CGU is based on estimates of future cash flows discounted using an appropriate discount rate. Estimates of future cash flows are inherently uncertain as the long-term impact of the COVID-19 pandemic on the general economy is unclear. To take account of this uncertainty, management have used the "expected cash flow approach" which involves probability weighting several alternate scenarios.

It is possible that changes in economic conditions or deviations in actual performance from forecast could result in a material adjustment to the carrying value of the CGU within the next financial year. The key estimates made by management are set out in Note 12 of the consolidated financial statements. The information in Note 12 of the consolidated financial statement given on each scenario also provides an indication of the amount of any further impairment for other reasonably possible outcomes.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 APRIL 2021

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.

The value of share-based payment is taken directly to reserves and the charge for the period is recorded in the income statement.

Tungsten's scheme, which awards shares in the parent entity, includes recipients who are employees in subsidiaries. In the consolidated financial statements, the transaction is treated as an equity-settled share-based payment, as the subsidiary has received services in consideration for Tungsten's equity instruments. An expense is recognised in the Group income statement for the fair value of share-based payment over the vesting year, with a credit recognised in equity.

In the subsidiaries' financial statements, the awards, in proportion to the recipients who are employees in said subsidiary, are treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting period, with a credit recognised in equity. The credit is treated as a capital contribution, as the parent company is compensating the subsidiaries' employees with no cost to the subsidiaries as there is no expectation to recharge the cost. In the parent company's financial statements, there is no share-based payment charge where the recipients are employed by a subsidiary, with the parent company recognising an increase in the investment in the subsidiaries as a capital contribution from the parent and a credit to equity. Cash-settled share-based awards are recognised as an expense in the income statement with a corresponding credit to liabilities.

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

(f) Property, plant and equipment

Tangible assets are stated at cost less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis over 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.
- Fixtures and fittings: 3 to 5 years.
- Computer equipment: 2 to 5 years.

Dilapidations

The estimated cost of dilapidations is recognised in the right of use asset and provisions when the obligation arises and the liability can be reliably estimated.

(g) Provisions

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

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

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

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

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

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

(j) Cash and cash equivalents
Cash and cash equivalents 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.

(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) Reserves
The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share capital	Ordinary shares are classified as equity.
Share premium	Amount subscribed for share capital in excess of nominal value.
Shares to be issued	Shares for which consideration has been received but which are not yet issued.
Share-based payment reserve	Accumulated share-based payment charges relating to outstanding awards.
Other reserve	The difference between the premium on the Tungsten Corporation plc ordinary shares issued in exchange for the Tungsten Corporation Guernsey Limited ordinary B shares.
Accumulated losses	All other net gains and losses and transactions with owners not recognised elsewhere.

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

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

(n) Foreign currency translation
The accounting policy for foreign currency translation is the same as that for the Group and is set out on pages 89 and 90.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 APRIL 2021

3. Loss for the year
As permitted by the exemption in Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The loss attributable to shareholders dealt with in the financial statements of the Company was £24.2 million (FY20: loss of £28.4 million).

4. Employee benefits expenses

	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
Wages and salaries	1,824	1,423
Social security costs	219	246
Pension-defined contribution	167	133
Share-based payment expense	198	394
Total employee benefits expenses	**2,408**	**2,196**

	Year ended 30 April 2021	Year ended 30 April 2020
Number of employees		
The yearly average number of people (including Executive Directors) employed:		
Corporate	12	10
Total average headcount	**12**	**10**

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

5. Investments in subsidiaries

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Balance as at 1 May	100,947	127,040
Additions	–	907
Impairment	(21,600)	(27,000)
Reversal of share-based payment investment	(54)	–
Balance as at 30 April	**79,293**	**100,947**

The Company's subsidiaries are the same as those for the Group and are set out in Note 26 to the consolidated financial statements.

The carrying value represents the Company's investment in Tungsten Corporation Guernsey Limited through which the Company indirectly holds the Tungsten Network sub-group and a £1 investment in Tungsten Network Finance Limited. An impairment charge of £21.6 million (2020: £27.0 million) has been booked to write down the carrying value to £79.3 million being the value in use of the Tungsten Network CGU. No further impairment was required in the year (see Note 12 to the consolidated financial statements for further information on the value in use).

6. Property, plant and equipment

As at 30 April 2021

	Right of use asset £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 1 May 2020	8,563	2,065	90	10,718
Additions	–	–	–	–
At 30 April 2021	**8,563**	**2,065**	**90**	**10,718**
Accumulated depreciation				
Balance at 1 May 2020	3,450	776	87	4,313
Charge for the year	607	150	3	760
Impairment	1,121	544	–	1,665
At 30 April 2021	**5,178**	**1,470**	**90**	**6,738**
Net book value				
At 1 May 2020	5,113	1,289	3	6,405
At 30 April 2021	**3,385**	**595**	**–**	**3,980**

As at 30 April 2020

	Right of use asset £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 1 May 2019	–	3,085	90	3,175
Impact of IFRS 16	8,563	(1,160)	–	7,403
Additions	–	140	–	140
At 30 April 2020	**8,563**	**2,065**	**90**	**10,718**
Accumulated depreciation				
Balance at 1 May 2019	–	1,069	73	1,142
Impact of IFRS 16	2,823	(417)	–	2,406
Charge for the year	627	124	14	765
At 30 April 2020	**3,450**	**776**	**87**	**4,313**
Net book value				
At 1 May 2019	–	2,016	17	2,033
At 30 April 2020	**5,113**	**1,289**	**3**	**6,405**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 APRIL 2021

7. Trade and other receivables

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Non-current assets		
Loans to employees under EMSS scheme	99	181
Deposit	588	588
Other receivables	**687**	**769**

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Current assets		
Amounts owed by Group undertakings	77,283	76,612
Less: Loss allowance	(23,652)	(23,616)
Net amounts owed by Group undertakings	53,631	52,996
VAT	–	79
Other receivables	91	25
Prepayments	243	235
Trade and other receivables	**53,965**	**53,335**

The amounts owed by Group undertakings are due from Tungsten Network Limited, Tungsten Network Sdn Bhd and Tungsten Network Finance Limited. These are non-interest bearing and are repayable on demand. To the extent the counterparties are unable to do so, it does not intend to recall the amounts due, within one year. The amount due from Tungsten Network Finance Limited has been fully provided for since 30 April 2019. The Company has the ability to settle amounts receivable against amounts owed to Group undertakings, in the absence of an individual party having their own liquidity to make their individual settlement.

8. Provisions

	Leasehold property dilapidation	
	Year ended 30 April 2021 £'000	Year ended 30 April 2020 £'000
At 1 May	1,160	1,160
Addition	–	–
At 30 April	**1,160**	**1,160**

Analysis of total provision:

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Non-current	**1,160**	**1,160**

The provision for dilapidations includes the estimated costs of removal of installed assets under the lease contract for the London office, which is expected to be utilised in FY29.

9. Lease liabilities

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Analysis of total lease liabilities:		
Non-current	**4,420**	4,974
Current	**553**	482
Total	**4,973**	**5,456**

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Maturity analysis:		
Year 1	**786**	743
Years 2 – 5	**3,144**	2,971
Year 5 onwards	**2,031**	2,564
Total future lease payments	**5,961**	6,278
Total future interest payments	**(988)**	(822)
Total lease liabilities	**4,973**	**5,456**

10. Trade and other payables

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Current liabilities		
Trade and other payables	**427**	450
Taxation and social security	**13**	78
Accrued expenses	**881**	1,008
Loan payable to Group undertakings	**45,755**	44,621
Amounts owed to Group undertakings	**42,356**	42,383
Trade and other payables	**89,432**	**88,540**

The loan payable to Group undertakings is bearing interest based on monthly GBP LIBOR. The amounts owed to Group undertakings are non-interest bearing and are repayable on demand. The Company has the ability to settle amounts owed to Group undertakings against amounts receivable from Group undertakings, in the absence of it having working capital to settle the amount directly itself.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 APRIL 2021

11. Related-party transactions
During the year the Company invoiced and/or incurred management charges from specific Group companies. Furthermore, at 30 April 2021:

- Owed to the Company £000's.
  - Tungsten Network Limited – £52,050 (FY20: £51,354).
  - Tungsten Network Sdn Bhd – £1,582 (FY20: £1,642).
- Owed by the Company £000's.
  - Tungsten Corporation Guernsey Limited – £85,819 (FY20: £84,712).
  - Tungsten Network Inc – £2,143 (FY20: £2,267).
  - Tungsten Network GmbH – £25 (FY20: £25).

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

12. Capital management
The aim of the Company is to maintain sufficient funds to enable it to meet working capital requirements, make suitable investments and incremental acquisitions while minimising recourse to external funders and/or shareholders. Capital managed by the Company at 30 April 2021 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 2021 £'000	As at 30 April 2020 £'000
Share capital and premium	189,420	189,355
Accumulated deficit[1]	(147,025)	(123,031)
Cash and cash equivalents	35	24
Total	**42,430**	**66,348**

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

13. Financial instruments, risk management and exposure
The Company's activities expose it to a variety of financial risks, including credit, liquidity and foreign currency risk. Management is carried out by the Board of Directors.

(a) Credit risk
Credit risk arises principally from cash held at financial institutions and trade and other receivables. The following carrying values of financial assets represent the Company's maximum exposure to credit risk:

	As at 30 April 2021 £'000	As at 30 April 2020 £'000
Cash and cash equivalents	35	24
Trade and other receivables	778	780
Amounts owed by Group undertakings	53,631	52,996
Total	**54,444**	**53,800**

Cash and cash equivalents are held with reputable financial institutions.

Impairment provisions for amounts owed by Group undertakings are calculated using an expected credit loss model. Under this model, impairment provisions are recognised to reflect expected credit losses based on combination of historic and forward-looking information, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through cash flow forecasts and by seeking to align the maturity profiles of its financial assets with its financial liabilities.

Financial assets and liabilities at amortised cost

As at 30 April 2021	Carrying amount £'000	Total contractual cash flows £'000	Less than 1 year £'000	1 to 5 years £'000	More than 5 years £'000
Cash and cash equivalents	35	35	35	–	–
Trade and other receivables[1]	778	778	91	99	588
Amounts owed by Group undertakings	53,631	53,631	53,631	–	–
Trade and other payables	(427)	(427)	(427)	–	–
Lease liabilities	(4,973)	(5,961)	(786)	(3,144)	(2,031)
Loan payable to Group undertakings	(45,755)	(45,755)	(45,755)	–	–
Amounts owed to Group undertakings	(42,356)	(42,356)	(42,356)	–	–
Net position	**(39,067)**	**(40,055)**	**(35,567)**	**(3,045)**	**(1,443)**

1 Excludes prepayments.

As at 30 April 2020	Carrying amount £'000	Total contractual cash flows £'000	Less than 1 year £'000	1 to 5 years £'000	More than 5 years £'000
Cash and cash equivalents	24	24	24	–	–
Trade and other receivables[1]	780	780	780	–	–
Amounts owed by Group undertakings	52,996	52,996	52,996	–	–
Trade and other payables	(464)	(464)	(464)	–	–
Lease liabilities	(5,456)	(6,229)	(650)	(2,600)	(2,979)
Loan payable to Group undertakings	(44,621)	(44,621)	(44,621)	–	–
Amounts owed to Group undertakings	(42,383)	(42,383)	(42,383)	–	–
Net position	**(39,124)**	**(39,897)**	**(34,318)**	**(2,600)**	**(2,979)**

(c) Foreign currency risk

Tungsten Corporation plc has amounts owed to and from Group undertakings with its US and Malaysian subsidiaries which are denominated in US Dollar and Malaysian Ringgit. The Company is therefore exposed to fluctuations in these currencies. No sensitivity analysis has been presented for changes in exchange rates as these do not have a material impact on the loss before tax.

14. 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.

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