TUNGSTEN NETWORK

Trusted connections. Streamlined transactions.

SECURE

CONNECT

AUTOMATE

VALUE

CREATING THE WORLD'S MOST TRUSTED BUSINESS TRANSACTION NETWORK

Tungsten Corporation plc

Annual report and financial statements 2017

INSIDE THIS REPORT

FINANCIAL HIGHLIGHTS

Group revenue £m

£31.3 million +21%

	£m
2017	31.3
2016	26.1
2015	22.5

Group EBITDA[1] loss[2] £m

£11.8 million -27%

	£m
2017	11.8
2016	18.7
2015	25.2

Statutory loss for the year[2] £m

£12.5 million -54%

	£m
2017	12.5
2016	27.9
2015	27.6

Total cash and invoice receivables £m

£21.8 million +135%

	£m
2017	21.8
2016	9.3
2015	13.1

KEY PERFORMANCE METRICS

- 1 million invoices added to increase total invoice volumes to 17.1 million (FY16: 16.1 million)
- Average revenue per invoice increased from £1.61 to £1.82
- Adjusted operating expenses[3] increased by £0.7 million (2%) but reduced by £1.7 million (4%) on a constant currency basis through cost discipline, internal reorganisation and greater automation. A further £2.8 million reduction in adjusted operating expenses following the sale of Tungsten Bank
- Tungsten Network Finance average invoice outstandings of £14.0 million in April 2017 (£12.2 million in April 2016)

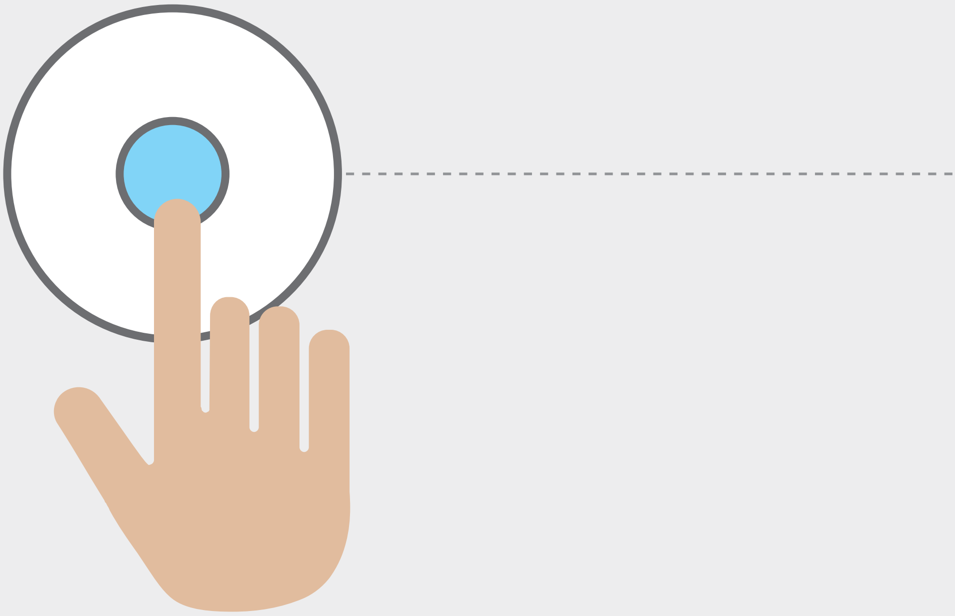
OPERATIONAL HIGHLIGHTS

- 10 new Buyers signed; 183 total Buyers as at 30 April 2017
- 41 existing Buyers renewed contracts with weighted average price increases of 49%; expected to add £1 million to revenue in FY18
- 48,000 net new Suppliers added to bring total Suppliers to 251,000
- Launched new Invoice Data Capture and purchase order products. Mobile application for Suppliers to view invoice status also released
- Restarted Tungsten Network Finance, concluding refreshed financing arrangements with Insight Investment and new funding partnerships with Orbian and BlueVine
- Completed initial phases of efficiency programme to set up Finance and Human Resources Shared Service Centre in Malaysia

1 EBITDA is defined as operating loss before other income, depreciation, amortisation, impairments and share-based payments charge
2 Restated – please refer to Note 2
3 Adjusted operating expenses defined as operating expenses from continuing operations excluding cost of sales and before depreciation, amortisation and share-based payments charge

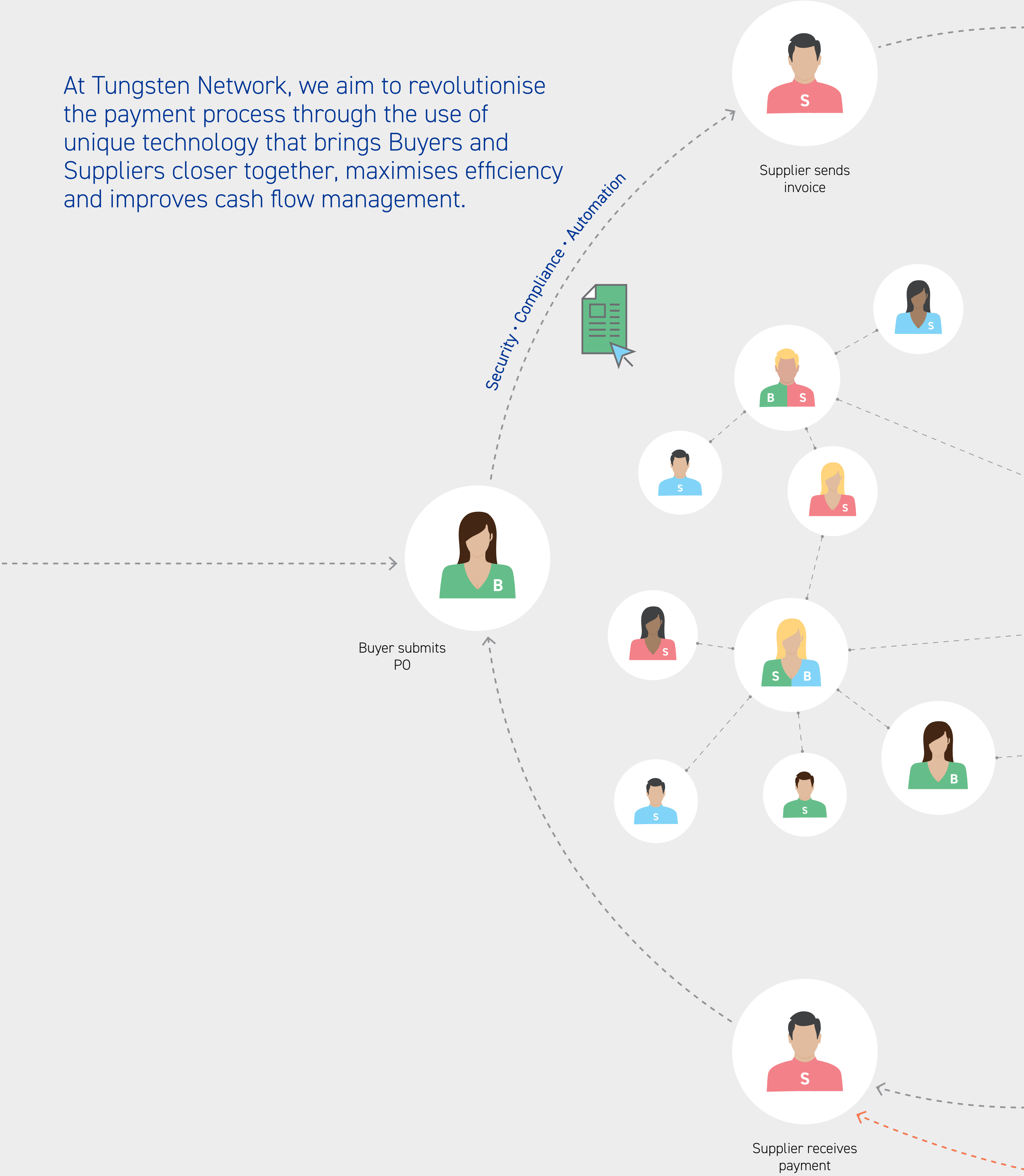
At the heart of global trade are the billions of transactions happening every day. There are multiple touch-points by the players in these goods and services supply chains – each of which cost time and carry the possibility of human error. Meanwhile, increasing compliance demands stem from ever more intricate regulation. In response, businesses and governments today are searching for ways to remove friction and become more agile.

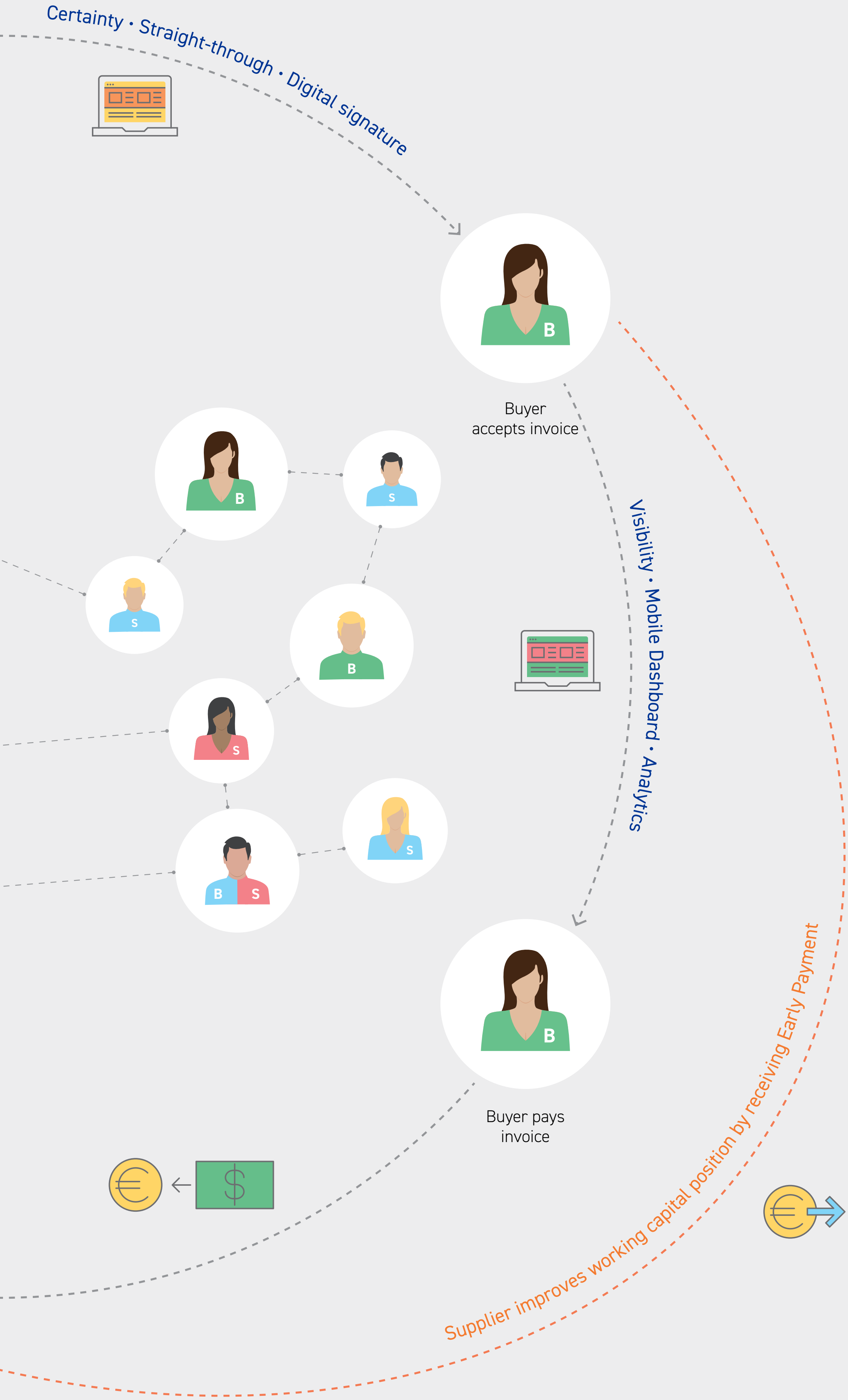
It starts with a click



THE TUNGSTEN NETWORK

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




Certainty • Straight-through • Digital signature
Buyer accepts invoice
Visibility • Mobile Dashboard • Analytics
Buyer pays invoice
Supplier improves working capital position by receiving Early Payment

OUR SOLUTIONS

Helping the global supply chain operate more efficiently and securely

Purchase Order services

Before an invoice exists, Buyers and their Suppliers agree what is traded and on what terms through a purchase order. Tungsten Network facilitates the delivery, acknowledgment, variation and conversion of purchase orders into invoices.

Benefits for Buyers
- Control over purchases
- Visibility of acceptance on orders and purchase status
- Ability to amend

Benefits for Suppliers
- Speed of receipt of order
- Ability to convert purchase order into an invoice
- Tighter collaboration with customers

Invoicing services

Eliminating paper from the accounts payable process through e-invoicing and Invoice Data Capture increases the efficiency and accuracy of accounts payable teams. This includes enabling the straight-through processing of invoices through an automated match with a purchase order.

Benefits for Buyers
- Automation of critical process
- Reduction of fraud
- Legal and tax compliance
- Reduction in cost

Benefits for Suppliers
- Confirmed invoice delivery
- Legal and tax compliance
- Visibility of invoice status – including on mobile application
- Secure invoice archiving

Workflow

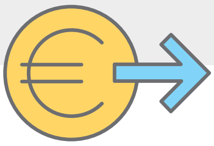
Workflow automates accounts payable processes, providing an audit of purchasing from the point of order to payment. It optimises procure-to-pay to achieve business goals.

Benefits for Buyers
- Automated three-way match
- Straight-through processing
- End-to-end visibility
- Exception management

Analytics

Analytics gives visibility into purchases that leads to better informed spending. Our analytics improves procurement controls, ensures compliance with contracts and reduces costs.

Benefits for Buyers
- Better buying decisions
- Actionable insights
- Easy to get started
- Simple and secure
- Customised reports



Supply chain financing

With Early Payment, Suppliers on Tungsten Network decide when to be paid. Buyers can take advantage of dynamic discounting or sponsor financing programmes.

Benefits for Buyers
- Deepens supply chain liquidity
- On or off balance sheet
- Maximises working capital
- Flexible cash management

Benefits for Suppliers
- Easy to enrol
- Easy to use
- Get paid early
- Maximises working capital

Cross-border payments

Tungsten Network has partnered leading payments provider Payoneer to offer cross-border payments in local currency at competitive rates.

Benefits for Buyers
- Low fees
- Quick payments
- Security
- Transparency

STRATEGY IN ACTION

Expanding our capabilities

Divya Eapen
Head of Operations & Risk, Tungsten Network Finance – London

"A year ago, Tungsten Network Finance had a single financing product, with one funder. This product was available to only a small subset of the vast number of Suppliers on our Network. Since then, under the stewardship of Prabhat Vira, we have expanded our capabilities, and are now able to provide simple, technology-driven financing solutions to a much wider range of Suppliers and Buyers.

We have been able to do this through a variety of relationships with influential counterparties, for example Insight Investment.

We are in a constant dialogue with our counterparties, brainstorming how we can expand our customer base, provide a wider financing solution to existing customers, and ensure a better user experience for our customers. Indeed, we are on the cusp of doubling the number of Suppliers that will have access to this user friendly, technology driven, and scalable, financing solution."

STRATEGIC REPORT

OUR APPROACH

Our vision is to be the world's most trusted business transaction network.

1

Customers
Tungsten Network makes connections. Over 250,000 of the world's companies and governments interact with each other over the Tungsten Network. We reduce friction in these interactions by facilitating quick, secure and efficient global trade.

2

Solutions
Tungsten Network's solutions connect accounts receivable and accounts payable teams across the world. Operating from the centre of the procure-to-pay process, Tungsten Network provides security, speed and surety to ensure the smooth running of global trade.

3

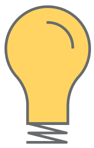
Security & Compliance
Transacting across Tungsten Network our customers can eradicate fraudulent transactions. Operating to the highest of industry standards, our products are secure, stable and reliable, complying with local tax and legal regimes in 48 countries.

4

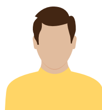
Community
Tungsten's interoperable network provides multi-modal connectivity between our customers, facilitating global trade. Through our portal customers can identify, transact with and send data to each other.

over
250,000
customers

17.1m
transactions processed



76%
of FTSE 100 live on Tungsten Network



over
180
complex, international buying organisations

STRATEGY IN ACTION

Driving best practice

Ryan Enright
Client Relationship Manager – Atlanta

"At Tungsten Network, Client Relationship Managers (CRMs) work with our service delivery organisation to understand customer requirements and provide them with our strategic solutions. As CRMs, we pride ourselves in being not just service providers but by being business partners as well. That is, rather than simply providing a piece of technology or a set of professional services, we challenge ourselves to understand our customers' businesses so we can help them remove friction from their processes through the application of digital solutions.

For example, Tungsten Network has helped one of my customers, Mohawk Industries, to deliver mass invoice digitisation over our multi-year relationship. Today, 95% of their total invoice volume is electronic, but we have not stopped there. Once we had achieved straight-through processing of over 75% of their invoices, Mohawk and Tungsten started working to implement a new service to make 100% invoice digitisation a reality. Invoice Data Capture will take all residual paper invoices for conversion into the digital Tungsten format."

OUR BUSINESS MODEL

Our resources and relationships

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

The value we create

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

OUR STRATEGIC OBJECTIVES

1 Focus on our core
Elevate our customer engagement by driving network benefits.

2 Improve operational performance
Use end-to-end digital processes to ensure that our people and processes deliver effectively.

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

4 Expand adjacent services
Increase the value we provide to customers through adjacent services.

STRATEGIC REPORT

OUR FRICTIONLESS MARKET

Friction remains in today's borderless, interconnected world. As both domestic and international trade continue to grow, so does the opportunity to support businesses and governments in their goods and services transactions by removing those frictions through digital solutions that automate processes, deliver efficiencies, increase transparency and combat fraud.

Pressure on operating margins

The need
Businesses and governments are increasingly seeking digital solutions to increase efficiency and reduce costs. The old labour-intensive processes of invoice creation, delivery, review, validation and processing have been improved through the adoption of modern enterprise resource planning systems and shared service environments. These only go so far in reducing the cost of operations.

The solution
Tungsten Network's products and services reduce the cost of sending, receiving and processing invoices. Lowering these costs frees resources for alternate uses such as increasing competitiveness or capital investment.

Security and global compliance

The need
Businesses and governments have to safeguard the security, integrity and validity of their data. Risks to this data increase when it flows between organisations and across international boundaries.

International rules governing supply chain invoicing requirements vary significantly. Ensuring adherence to these rules is critical to meeting local or regional tax and regulatory requirements.

The solution
Tungsten Network's information security is certified to ISO 27001 standard. It complies with local or regional tax and regulatory requirements in 48 of the most complex jurisdictions in the world, supported by PriceWaterhouseCoopers. There is no other invoicing solution provider that can offer such global coverage.

Invoice fraud

The need
Attempted and actual fraud is on the rise. Accounts payable teams need to be diligent to prevent fraud. A three-way match of invoice, purchase order and goods received documentation from an approved vendor is the proven process for overcoming supply chain fraud. However, exceptions occur and manual mistakes are still made.

The solution
With Tungsten Network, fraudulent invoicing is eradicated. Buyers can set their own rules to achieve an automated three-way documentation match. No supply chain invoices are able to slip through the net, resulting in no chance of fraud.

Late payments

The need
Cash is king. Late payments starve businesses of the cash they need to operate and to grow.

A 2016 study by the Federation of Small Businesses found that if late payments had been made on time and as promised, around 50,000 businesses in the UK would not have failed, contributing £2.5 million to the UK economy.

The solution
Tungsten Network reduces the time to send, receive and process an invoice, facilitating timely invoice payment.

Then, if required, our customers can take advantage of a simple, low cost option to receive early payment of their invoices.

* Federation of Small Businesses report on the effect of late payments.

73%

Reduction in the processing cost per invoice available through automation

ISO 27001
ISO 3402

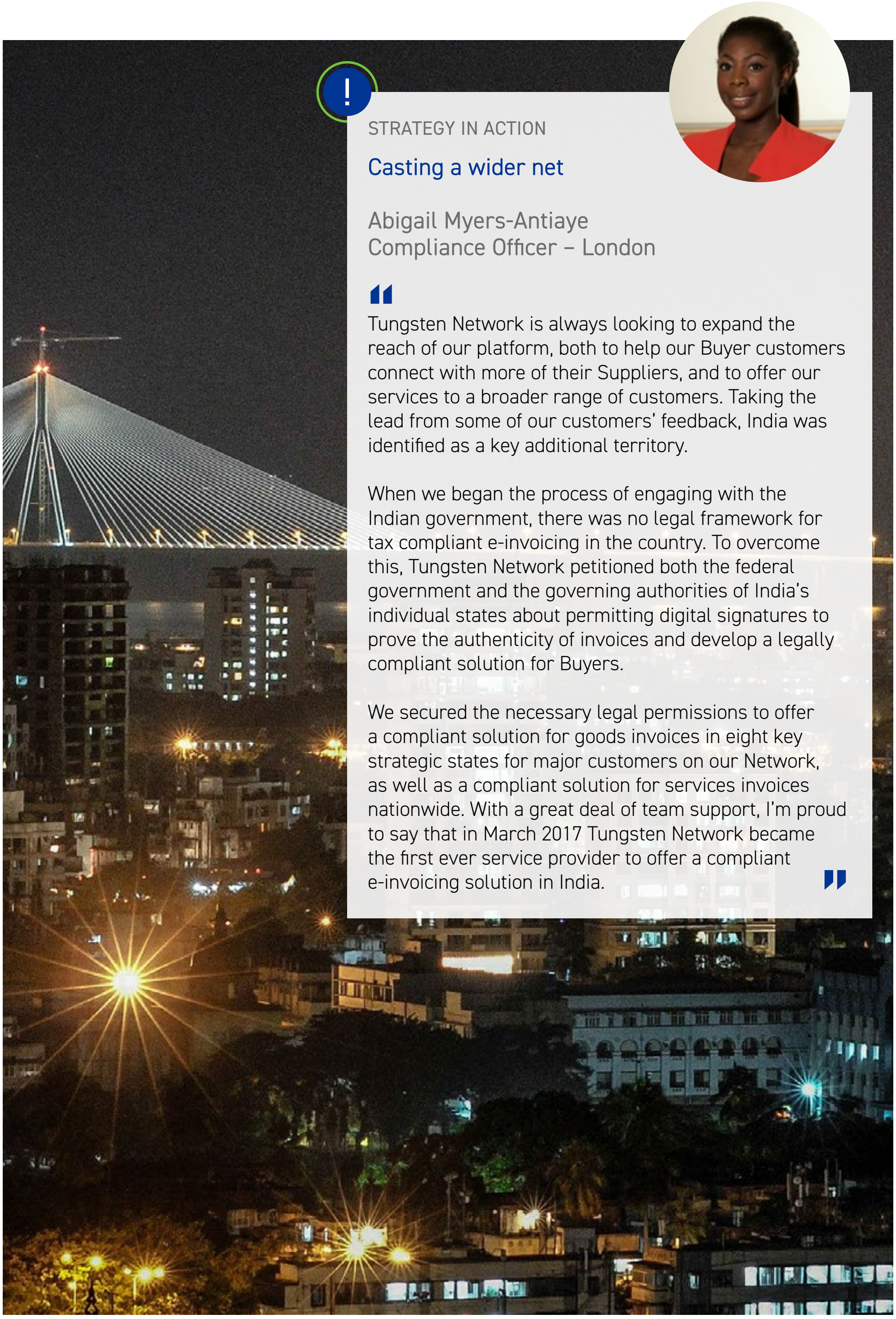
Tungsten is certified under international standards for information security and controls

£1.658bn

Average cost of fraud per SME in the UK per year

30%

Of payments made to UK SMEs are made late



STRATEGY IN ACTION

Casting a wider net

Abigail Myers-Antiaye
Compliance Officer – London

"Tungsten Network is always looking to expand the reach of our platform, both to help our Buyer customers connect with more of their Suppliers, and to offer our services to a broader range of customers. Taking the lead from some of our customers' feedback, India was identified as a key additional territory.

When we began the process of engaging with the Indian government, there was no legal framework for tax compliant e-invoicing in the country. To overcome this, Tungsten Network petitioned both the federal government and the governing authorities of India's individual states about permitting digital signatures to prove the authenticity of invoices and develop a legally compliant solution for Buyers.

We secured the necessary legal permissions to offer a compliant solution for goods invoices in eight key strategic states for major customers on our Network, as well as a compliant solution for services invoices nationwide. With a great deal of team support, I'm proud to say that in March 2017 Tungsten Network became the first ever service provider to offer a compliant e-invoicing solution in India."

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

// Tungsten is a secure, growing business which has the confidence of its people, customers and shareholders. Our next milestone is to become profitable and that goal is firmly within our sights. //

Many things have changed at Tungsten since my appointment in 2015. The Board's focus over this time has been to support the executive team in forming and executing a strategy to restore value to our shareholders and justify the confidence of our customers, our business partners and our employees. The results for the 2017 financial year demonstrate that we have made an excellent start in meeting these objectives: we now have a stable business with a strong balance sheet and a resolute focus on those elements that we believe will result in profitability.

Strategy

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

- elevate our customer engagement by realising network benefits for them;
- use end-to-end digital processes to ensure our people and processes are effective;
- use our Network and its data to provide distinctive financing products; and
- offer our customers valuable adjacent products and services.

Strong progress has been made in each of these areas in the 2017 financial year.

We have divided the transformation of Tungsten into three phases. The first phase, stabilisation, concluded with the sale of Tungsten Bank in December 2016. This provided Tungsten with the financial resources necessary to execute its strategy. Equally important, it removed the cultural conflict of a highly regulated and expensive bank that sat within an agile technology business.

Despite the sale of Tungsten Bank we retain significant ambitions for our supply chain financing activities. Indeed, with a reaffirmed commitment from our funding partner Insight Investment, new funding agreements with Orbian and BlueVine, and a customer relaunch of Tungsten Network Finance in November 2016, we remain committed to making a success of this market.

The second phase, achieving profitability through cash generative growth, is our primary focus for calendar year 2017, and thereafter we intend to focus on the third phase of accelerating that profitable growth.

Investment

Tungsten has to balance the ongoing investment in customers, products and internal systems with operating a cost base consistent with our foreseeable revenue opportunity. We now have increased visibility and control over our expenditure and rigorous return based criteria are applied to all our investment decisions.

The Board remains active in identifying inorganic opportunities to expand. Ensuring that any such opportunities will both accelerate our growth and add to shareholder value is central to our decision making.

Our people

We are a truly global operation with talented employees in each location where we operate. The changes we have made at Tungsten, while necessary, have been destabilising for some. Having now come through much of this, the Board and I offer all of our colleagues continued heartfelt thanks for their ongoing efforts and commitment.

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

Board change

As previously announced, Danny Truell, a founder of Tungsten, stepped down as a Non-Executive Director on 24 May 2017, after the end of the 2017 financial year. Throughout his tenure Danny contributed enormously to the development of Tungsten and we wish him well for the future.

Annual General Meeting

The Company's Annual General Meeting will be held at 2pm on 15 September 2017 at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA. We look forward to welcoming our shareholders to the event.

Dividend

The Company has no distributable reserves to declare a dividend.

The year ahead

Tungsten is once again becoming a vibrant and agile technology business. Although we still have a lot to achieve to reach profitability and make it sustainable, Tungsten possesses the attributes needed to become the world's most trusted business transaction network and that is our long-term goal. With our customers at the heart of what we do and talented people to take the business forward, we are confident of success.

Tungsten delivered on its promises in financial year 2017 and with hard work we will continue to do so in the year ahead.

Nick Parker
Non-Executive Chairman

24 July 2017

PHASES OF TUNGSTEN'S TRANSFORMATION

2016
STABILISATION

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

Concluded with the sale of Tungsten Bank in December 2016.

2017
ACHIEVE PROFITABILITY

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

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

2018
PROFITABLE GROWTH

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

Meaningful contribution to profits from Tungsten Network Finance.

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

STRATEGIC REPORT

CHIEF EXECUTIVE'S REVIEW

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

OUR STRATEGIC OBJECTIVES

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

1

Focus on our core

Elevate our customer engagement by driving network benefits.

See pg 13

2

Improve operational performance

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

See pg 14

3

Distinctive invoice financing

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

See pg 15

4

Expand adjacent services

Increase the value we provide to customers through adjacent services.

See pg 15

Tungsten's performance in the 2017 financial year demonstrates that the actions we have taken to transform the business are producing results. This gives me confidence to state that we have reached a turning point. In a year where our focus was to stabilise the business, we grew revenue by 21% (12% in constant currency terms). Importantly, we are fulfilling our promises to our customers, employees and shareholders.

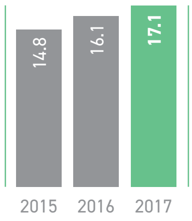
I have talked previously about finding the balance between repair and growth. While we still have repair work to do, our primary focus is now on the growth initiatives that will bring our revenues in line with, and subsequently exceed, our operating costs on a sustainable basis.

We are doing this in a period of uncertainty in global markets. In particular, with the changing political landscape in our largest market, the USA, and the impact of the UK referendum to leave the European Union in our home market, there are destabilising forces that could affect the achievement of our goals. However, uncertainty brings opportunities, and our increasing customer numbers and growing revenues suggest that Tungsten is taking advantage of those opportunities to secure a successful future.

We have continued to reshape our business, putting our customers at the centre of what we do, while exercising requisite control over our operating cost base. We have successfully embarked upon multi-year programmes that we will execute with appropriate care in order to strengthen the trust that our customers place in us.

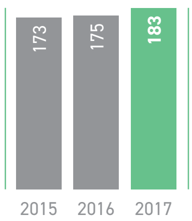
1 Focus on our core

Tungsten Network connects organisations around the world, processing transactions for them and delivering data between them. During the year, we processed 17.1 million invoice transactions, an increase of 1.0 million from the prior year, and many millions more purchase order transactions. By value the invoices totalled £155 billion, an increase of £22 billion.



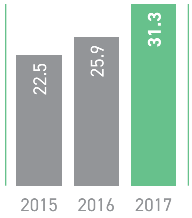
17.1 million ↑
total invoice volume increase since 2016

We ended the year with over 183 Buyer organisations as members of Tungsten Network. We welcomed 10 new members to the Network during the year, of which five are being implemented for e-invoicing, with the balance using our Workflow software. We want our Workflow software to serve as the gateway to wider accounts payable automation. Encouragingly, an increasing number of our Workflow customers have taken our Invoice Status Service product, meaning that their Suppliers register to use our portal. One of these has also taken our Invoice Data Capture product, which digitises their paper invoices. Our focus now is to encourage these Buyers to adopt end-to-end digitisation and use our e-invoicing and enhanced purchase order solutions.



183 million ↑
total Buyers increase since 2016

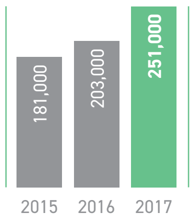
Our e-invoicing Buyer customers are typically on three-year contracts. We renewed 41 of these Buyer contracts during the year at a weighted average price lift of 49%. This compares with 34 contracts at 64% in the prior year. Our continued success in repricing our services reflects the relationships we have developed with our Buyers and their recognition of the value our services provide. We have committed to strengthening these relationships but will only do so in a manner that is mutually beneficial. As a result, two Buyers left the Network during the year.



£31.3m ↑
group revenue

Under the leadership of our SVP of AP Automation, Kevin Wilbur, we have continued to make adjustments to our organisation to focus on new customers and extend the value we create with current customers. We have brought new talent into our sales organisation and invested further in our indirect sales channels, including PNC Bank and Business Process Outsourcers.

We help our Buyer customers receive the most value from Tungsten Network through increasing connections to their supply chain. We increased the number of net connections by 48,000 during the year and, at the end of fiscal year 2017, had 251,000 Suppliers using Tungsten Network for a combination of delivering invoices to their customers, tracking the status of their invoices and having their invoices digitised using our Invoice Data Capture product.



251,000 ↑
number of Suppliers

The net growth in the number of Suppliers presents our customers with the opportunity to have greater interactions over our Network. Through our Digital Command Centre, run by our Chief Marketing Officer, Connie O'Brien, we are investing in our brand to increase awareness and support our efforts to do more business with each of our Suppliers.

STRATEGIC REPORT

CHIEF EXECUTIVE'S REVIEW continued

2 Improve operational performance

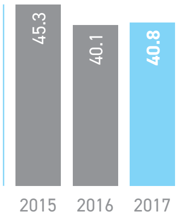
Nowhere is Tungsten's transformation better demonstrated than the considered approach taken to reshaping our operating expense base. To accomplish this we evaluated each area of our business in order to identify where we could increase efficiency, increase capacity and, where appropriate, invest in growth.

In some areas, this process is reaching its conclusion, with benefits already in place. This includes our Finance and Human Resources teams, which have moved to a centralised shared services environment with improved consistency and quality of output and an annualised cost saving of £1 million. In addition, our procurement team, set up in late 2015, achieved £1 million of annualised savings in the year.

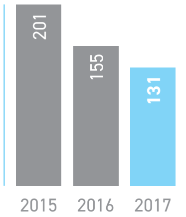
In other parts of the business, our transformation programmes will be implemented in stages. At the core of this activity is our technology, which we are rebuilding to simplify and upgrade and which will result in more efficient, stable and scalable infrastructure. Technology sits at the heart of what we do and carefully managing the upgrade of our systems is critical to our success.

A focus in the 2018 financial year will be on moving to a new, more agile, IT infrastructure provider. This transition is expected to result in operating cost savings, while at the same time upgrading service levels and the scalability of our technology platform. The one-off termination cost of these changes is expected to total approximately £1.5 million in FY18, which we will not include within our underlying EBITDA, and which will pay back in less than 18 months.

Our target is to maintain our annual adjusted operating expenses at approximately £40 million. This excludes non-cash items and direct costs of sale which vary with revenue. We intend to achieve this through continuous identification of opportunities to increase automation and reduce operating costs, which will generate cost savings that in turn can be used to support our sales, marketing and new product development activities.



£40.8m ↑
Adjusted operating expenses



131% ↑
Adjusted operating expenses % of revenue

STRATEGY IN ACTION

Working with Buyers to onboard Suppliers

Andrea Newlands
Project and Process Manager – London

"I have been with Tungsten Network for over seven years in various roles and am now part of a team that helps Suppliers to become part of Tungsten Network. We first work with Buyers to identify which of their Suppliers we will next bring on to the Tungsten Network, and identify which are suited to our Integrated Solution product. We then talk with each Supplier, so that we can appropriately consult on the portal option that best suits their needs. This approach has proven to be the optimal method of enrolling new Suppliers onto the Network, ensuring happy customers on both the Buyer and Supplier side.

E-invoicing as a new concept for a business can be quite confusing at first. This is why a dedicated onboarding team and clear processes are key for a campaign success. It means we can keep Suppliers well informed and ensure they have a smooth e-invoicing journey, using the portal that suits their corporate needs. The success rates, in comparison to email only campaigns, are impressive. This is what I believe sets Tungsten Network apart from other e-invoicing service providers."

3 Distinctive invoice financing

Tungsten Network Finance was relaunched in November 2016. Over the past year under its president, Prabhat Vira, we have agreed new funding partnerships, expanded the product range, simplified our product offering and recruited a new, highly skilled team.

Invoice financing remains an important part of Tungsten's business. The effective management of working capital is a strategic imperative for all the members of the Tungsten Network and we believe that Tungsten is well placed to deliver distinctive invoice financing products to Buyers and Suppliers.

Our customer base is diverse, comprising Buyers and Suppliers that are widely spread geographically. They may be sole traders or the largest companies in the world. They may operate in the private or public sectors. They may be government authorities, or they may be non-sector specific. We therefore need a range of invoice financing products to meet the differing requirements of our customers. A key focus in financial year 2017 was designing and securing funding partners for this wider product range.

We monitor the progress of our invoice financing activities through three primary metrics: the average outstanding amounts financed in a period ("average outstandings"); the gross yield of those invoices financed ("gross yield"); and Tungsten's return on those invoices financed ("net yield").

We are receiving interest in the range of products now offered by Tungsten Network Finance. Consequently our net yield will be impacted by product mix, as we expect to achieve a lower net yield on larger funding sizes.

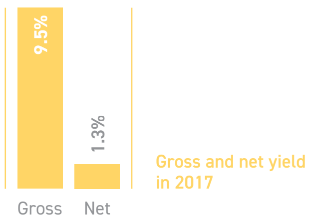
Tungsten Early Payment was relaunched in November 2016. With the extended support of our primary funding partner, Insight Investment, it has a new online customer portal, a simplified and more competitive pricing structure, and streamlined customer on-boarding.

Tungsten Network Finance product pipeline

Funding size	Target market	Product	Status
Small	• Micro Suppliers*	• Line of credit • Term loan (1 to 5 years)	• Live • To be confirmed in FY18
	• SME Suppliers	• Tungsten Early Payment	• To be confirmed in FY18
	• Mid-market Suppliers	• Structured Tungsten Early Payment • Receivables finance • Pool-based receivables	• Live • To be confirmed in FY18 • To be confirmed in FY18
	• Large corporate Suppliers	• Structured receivables finance	• To be confirmed in FY18
Large	• Large corporate Buyers	• Supply chain finance • Dynamic discounting	• Live • Live

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

By 30 April 2017, 85 Suppliers had used Tungsten Early Payment since its inception. Of these, 41 had an outstanding balance at the end of FY17. The average gross yield in the financial year was 6.7% (FY16: 6.3%) and the net yield was 1.3% (FY16: not material).



Including invoices financed by Tungsten Bank prior to its sale, a total of £380 million of invoices were paid through Supplier accounts (FY16: £170 million), of which Tungsten financed £120 million (FY16: £103 million). The average duration of financed invoices was 37 days (FY16: 38 days).

4 Expand adjacent services

Product innovation was reintroduced at Tungsten over the financial year 2017, with a range of new initiatives launched for our customers. This includes an Invoice Data Capture product, dynamic discounting functionality for our Buyers, and a mobile application to enable Suppliers to see the status of their invoices whilst on the move. Tungsten also became the first and only e-invoicing provider to offer compliant, paperless invoicing in India.

During the financial year we also launched our first adjacent services delivered through partners. Whilst still early in their development, our global payments offering, provided through Payoneer, and a flexible line of credit, in partnership with Blue Vine, are intended to be part of a range of adjacent services that enable us to engage more fully with our customers.

We have continued to make progress in identifying opportunities for our data analytics capabilities. This includes a significant sale of our Buyer procurement analytics tool. We have developed a Supplier analytics product, scheduled for launch in FY18, and continue to have discussions with a number of other partners to enhance our capabilities further.

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

STRATEGIC REPORT

CHIEF EXECUTIVE'S REVIEW continued

FY18 Priorities
Our focus in FY18 is to grow profitable revenues and to achieve our target of breaking even on a monthly basis. We intend to achieve this through broader and deeper engagement with our Network members and continuing to transform our cost base.

We expect the pace of new customer acquisitions to accelerate over the fiscal year. FY18 has started well, with four new Buyers contracted since 1 May 2017. This reflects a stronger start to the year than in past years.

We also have a healthy pipeline of new deal prospects, giving us confidence that this year we will exceed the 10 new Buyer sales achieved in FY17.

Already in FY18 we have had some successes in encouraging our current Buyers to adopt more of our products. The most notable is the early adoption of our new Invoice Data Capture service that we launched in March and have since sold to three Buyers. We are encouraged that the 99+% accuracy delivered through Invoice Data Capture is already proving attractive to our Buyers, acting as a stepping stone to the digital automation that comes from integrating with the Tungsten Network.

We are also seeing increased interest in our other new products, including enhanced purchase order services, dynamic discounting and compliant invoicing in India.

We continue to work closely with our Buyer customers to bring more of their supply chains onto the Network. Increasingly, this is taking the form of commitments from the Buyer that includes executive sponsorship, appropriate resources to implement required changes, and a mandate to reject paper invoices. With these commitments, we can deliver maximum benefits for our Buyers and we expect this to result in increased numbers of e-invoicing Suppliers joining the Network and, in particular, those purchasing our Integrated Solution product.

STRATEGY IN ACTION

Investing in our infrastructure

Mike Barbarelli
Senior Developer – London

"I've been Senior Developer and Business Analyst at Tungsten Network since 2005. Technology has always been the foundation of our business, so we know that investing in our technological infrastructure to keep it current with the latest advances is essential to maintain high performance standards within our systems. This empowers us to deliver the best possible user-experience to our customers.

Over the past two years, I've seen a significant increase in focus on the architecture of our systems, and we have undertaken a big project to move our systems to the cloud. This will not only improve the customer experience in terms of speed and performance, but build firmer foundations by freeing resources to focus on the delivery of value added services and integrate exciting new technologies into our products and services in the future.

An example of one such technology would be blockchain. This year I played a leading part in educating our leadership team about the potential of blockchain technologies. We can see they have exciting capabilities to support our key business focus on strengthening the global supply chain. We are actively exploring the technologies, and as part of that I completed this year a period of research participating in the Ethereum blockchain programming course."

The transformation of our operations will continue over the course of FY18. We have focussed in the preceding 18 months on increasing control over the business, repairing contractual anomalies and developing implementation plans. FY18 will see us commit to the extension of these plans. We expect to incur up to £2 million of one-off costs in the process, notably £1.5 million of exit fees associated with onerous contracts and £0.5 million of redundancies. We expect these costs to pay back in less than 18 months and they will be excluded from the calculation of our underlying EBITDA.

Further technology projects continuing in FY18 include harmonising and improving our customer facing online presence, and the rollout of automation and collaboration capabilities based on the Salesforce cloud platform.

These enhanced technologies will create opportunities for organisational change that will allow for delivery that is more effective and further cost reduction. FY18 will see the completion of the Finance and HR shared service transition. We will also undertake the next phase of the reorganisation of our service delivery teams, further centralising activity in our facility in Sofia, Bulgaria.

We are excited about the possibilities for our Tungsten Network Finance activities in FY18. With many new funding partnerships in place, we have products to appeal to a wide range of customers on our Network. Our focus in FY18 will be to increase the number of customers taking a financing product and, as a consequence, our average outstandings.

Outlook

We successfully delivered against our targets for FY17. Our targets for FY18 trading are as follows:

- Constant currency growth in revenue in excess of 15% (FY17[1]: 12%);
- Gross margin reduction to a minimum of 90% (FY17[1]: 92.8%), reflecting a higher mix of our lower margin Invoice Data Capture sales; and,
- Adjusted operating expenses of less than £40 million (FY17[1]: £40.8 million). This excludes one-off restructuring costs of approximately £2 million expected in FY18.

1 As re-presented

We remain on track to achieve monthly EBITDA breakeven in calendar 2017.

Richard Hurwitz
Chief Executive Officer

24 July 2017

STRATEGIC REPORT

COMMITTED TO OUR TALENT

We are a team of technologists, specialists, B2B commerce experts, process mavens and digital evangelists that are dedicated to making global trade frictionless through the intelligent use of data and the death of paper.

OUR VALUED STAFF

Tungsten Network employees are multicultural and multitalented, collaborating globally across five different offices, strategically located in London, Atlanta, Kuala Lumpur, Sofia and Toledo. We are a mixture of hard-won experience and fresh-faced enthusiasm, but we each share a commitment to working together to provide the best possible service for our customers. Through a combination of new hires and important retentions, we have put in place the people and skills to add real value to the supply chain through the connections that are made across Tungsten Network every day. Each member of the Tungsten Network team now plays a key role in creating a frictionless supply chain.

Internal promotions / role changes

37

Permanent staff %

84%

385
dedicated and skilled employees

The diversity of our Network is reflected by our people

30
languages we speak

TUNGSTEN NETWORK OFFICES

Head office
London
UK
177
number of employees

Perrysburg
USA
33
number of employees

Rest of world
8
number of employees

Atlanta
USA
34
number of employees

Sofia
Bulgaria
14
number of employees

Kuala Lumpur
Malaysia
119
number of employees

STRATEGIC REPORT

CHIEF FINANCIAL OFFICER'S REVIEW

//

We have demonstrated control over our operating costs and are focussed on achieving breakeven this year.

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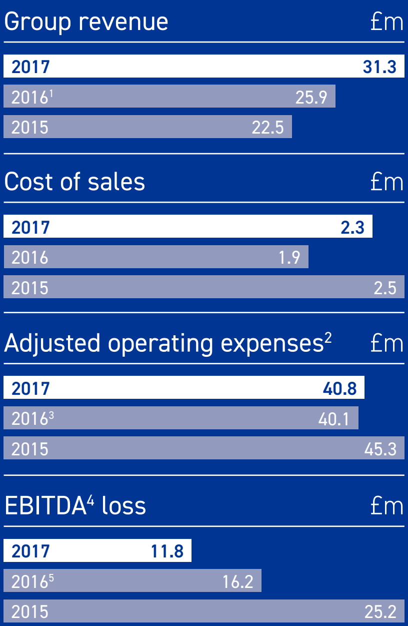
HIGHLIGHTS



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

Group overview
Tungsten's turnaround has been carefully executed to allow for continued investment in revenue enhancing activities, such as sales, marketing and product development, while systematically transforming the cost base to be both lower and more leveragable.

For these reasons our financial performance for FY17 was encouraging. Although the comparability of both reported revenues and costs were affected by foreign exchange movements and the sale of Tungsten Bank, the achievement of 21% revenue growth (12% on a constant currency basis) and a small increase in adjusted operating expenses of 2% (a reduction of 4% on a constant currency basis, or 11% on a constant currency basis when the reduction in adjusted operating expenses from the sale of Tungsten Bank is included), demonstrates that our plans are on track.

We completed the sale of Tungsten Bank in December 2016 for a total cash consideration of £29.6 million. We recorded a loss for the year from Tungsten Bank of £0.2 million (FY16: £9.4 million) but, importantly, reduced our adjusted operating expenses by £2.8 million and increased our available cash by £25 million.

Revenues

On a continuing operations basis[1]	Buyers	Suppliers	Tungsten Network Finance	Group
Revenue FY17	**£13.7m**	**£17.4m**	**£0.2m**	**£31.3m**
Revenue FY16	£10.1m	£15.8m	£0.0m	£25.9m
Change at constant exchange rate	24%	4%	850%	12%
Change at actual exchange rate	35%	11%	985%	21%

1 Excludes the results of Tungsten Bank from both reported periods

Group revenue was £31.3 million (FY16: re-presented: £25.9 million), representing an increase of 21% at actual exchange rates. At constant exchange rates revenue grew by 12%. The growth in revenues reflected the benefits of new customer sales, additional product sales to current customers and existing customer price increases.

Revenue from 183 Buyer customers grew 35% to £13.7 million. This includes 10 new Buyers, which contributed £1.0 million in the period.

We have continued the successful programme of Buyer contract renewals that had commenced in FY16. We achieved further price lift averaging 49% with 41 of our Buyer customers in FY17. These increased FY17 revenue by £0.6 million, with a further benefit expected in FY18 of £0.5 million. Buyer revenues represented 44% of total Tungsten Network revenues in the 2017 financial year.

KEY PERFORMANCE INDICATORS

Total invoice volume #m

17.1 million +6%

2017 17.1
2016 16.1

Revenue per invoice £

£1.82 +13%

2017 1.82
2016 1.61

Adjusted operating expenses £m

£40.8 million +2%

2017 40.8
2016 40.1

Average TNF outstandings £m

£13.7 million +23%

2017 13.7
2016 11.1

Revenue from our Supplier customers grew 11% to £17.4 million. This was split £14.3 million from Integrated Solution Suppliers (FY16: £12.7 million) and £3.1 million from Web Form Suppliers (FY16: £3.1 million). We increased the net number of Suppliers connected to our Network in FY17 by 48,000.

Tungsten purchases invoices from approved Suppliers on Tungsten Network, which are then sold to a funding partner. In the reporting period these funding partners were Tungsten Network Finance (self-funded), Insight Investment and Tungsten Bank.

The total gross Tungsten Network Early Payment fees in FY17 were £786,000 (FY16: £611,000), of which £152,000 (FY16: negligible) was attributable as revenue for Tungsten Network Finance. This excludes revenue recognised by Tungsten Bank until its sale on 21 December 2016 of £272,000 (£247,000 in respect of fees generated in FY17 and £25,000 in respect of fees generated in FY16). This is presented within discontinued operation.

The Tungsten Network Finance revenue included revenue from self-funded invoices and our share of revenue from Insight Investment funded invoices. In November 2016, Tungsten Network Finance started to operate with Insight Investment under a revised funding arrangement that will result in a higher proportion of revenues generated by the Tungsten Network Early Payment product being paid to Tungsten Network Finance.

Group EBITDA loss was £11.8 million (FY16 re-presented: £16.2 million), a reduction of 27%. The improvement of £4.4 million reflects a £5.4 million increase in revenue, offset by a £0.4 million increase in cost of sales and a £0.7 million increase in adjusted operating expenses.

On a constant currency basis, the Group EBITDA loss would have been £11.2 million, a reduction of 31%. On a constant currency basis revenue increased by 12% (£3.2 million), whilst cost of sales and adjusted operating expenses fell by 2% (£40,000) and 4% (£1.8 million) respectively. The net impact of the change in currencies was a reduction in the reported EBITDA by £0.6 million.

EBITDA

On a continuing operations basis[1]	Tungsten Network	Tungsten Network Finance	Corporate	Group
Revenue FY17	**£31.1m**	**£0.2m**	**–**	**£31.3m**
Revenue FY16	£25.9m	Neg	–	£25.9m
Change at constant exchange rate	12%	850%	n/a	12%
Change at actual exchange rate	21%	985%	n/a	21%
Cost of sales FY17	**£(2.3)m**	**Neg**	**–**	**£(2.3)m**
Cost of sales FY16	£(1.9)m	–	–	£(1.9)m
Change at constant exchange rate	(2)%	Neg	n/a	(2)%
Change at actual exchange rate	16%	Neg	n/a	16%
Adjusted operating expenses[2,3] FY17	**£(33.1)m**	**£(1.8)m**	**£(5.9)m**	**£(40.8)m**
Adjusted operating expenses FY16	£(29.7)m	£(3.8)m	£(6.6)m	£(40.1)m
Change at constant exchange rate	3%	(52)%	(11)%	(4)%
Change at actual exchange rate	11%	(52)%	(11)%	2%
EBITDA[2] FY17	**£(4.2)m**	**£(1.7)m**	**£(5.9)m**	**£(11.8)m**
EBITDA FY16	£(5.8)m	£(3.8)m	£(6.6)m	£(16.2)m
Change at constant exchange rate	(35)%	(55)%	(11)%	(31)%
Change at actual exchange rate	(28)%	(55)%	(11)%	(28)%

1 Excludes the results of Tungsten Bank from both reported periods
2 Adjusted operating expenses and EBITDA exclude depreciation, amortisation, impairment, discontinued operations, and share-based payments charges
3 Excludes Tungsten Bank adjusted operating expenses of £2.8 million in FY16. Including these, the variances are 11% reduction on a constant exchange rate and 5% reduction at the actual exchange rate

The reduction in constant currency adjusted operating expenses reflects disciplined changes resulting from the reorganisation and reengineering of the business. Our programmes of work include enhancing our procurement processes, increasing automation and rationalising activities into centres of excellence. Where the return is appropriate, we have increased operational expenditure, primarily in systems and development costs. These totalled an additional £1.5 million in the period. We also incurred one-off costs of £1.2 million, reflecting contract cancellation, write-offs and redundancy costs.

Adjusted operating expenses included a reduction in costs in Tungsten Network Finance by £2.0 million compared to the prior year, and reduced Corporate costs of £0.7 million. These were partly offset by an increase in costs in Tungsten Network of £3.4 million, where the additional systems and development and the one-off costs were incurred.

STRATEGIC REPORT

CHIEF FINANCIAL OFFICER'S REVIEW continued

Loss before tax:
The Group loss before tax from continuing operations was £12.7 million (FY16 re-presented and restated: loss of £18.5 million). This includes:

- Depreciation and amortisation of £2.8 million (FY16: £2.5 million)
- Share-based payment expense of £0.4 million (FY16: £0.5 million)
- Net finance income of £2.3 million (FY16 re-presented and restated: £0.4 million).

The comparative includes other income of £0.3 million.

The increase in depreciation and amortisation of £0.3 million primarily relates to the write-off of certain intangible assets which no longer met the criteria for capitalisation.

The net finance income represented £2.9 million of net gains on the revaluation of intercompany loans to overseas subsidiaries less £0.6 million of interest expenses and bank charges.

Loss for the year:
The statutory Group loss for the year was £12.5 million (FY16 re-presented and restated: £27.2 million). A tax credit of £0.4 million (FY16: £0.7 million) includes a reduction of £0.4 million in the deferred tax liability relating to the acquisition of Tungsten Network.

The Group has an unrecognised deferred tax asset of approximately £12.9 million that is available for offset against future tax expenses in the companies in which losses arise.

The statutory loss includes a loss from the discontinued operation of £0.2 million (FY16: £9.4 million). The loss from discontinued operation reflected a gain on the sale of Tungsten Bank of £1.9 million offset by a net loss of Tungsten Bank from the start of the financial year to the date of sale of £2.1 million.

Cash flow
Cash and cash equivalents at the end of FY17 were £17.5 million, or £21.8 million including self-funded invoice receivables of £4.3 million. The comparative at the end of FY16 was £9.3 million excluding Tungsten Bank and £27.0 million including Tungsten Bank.

!

STRATEGY IN ACTION

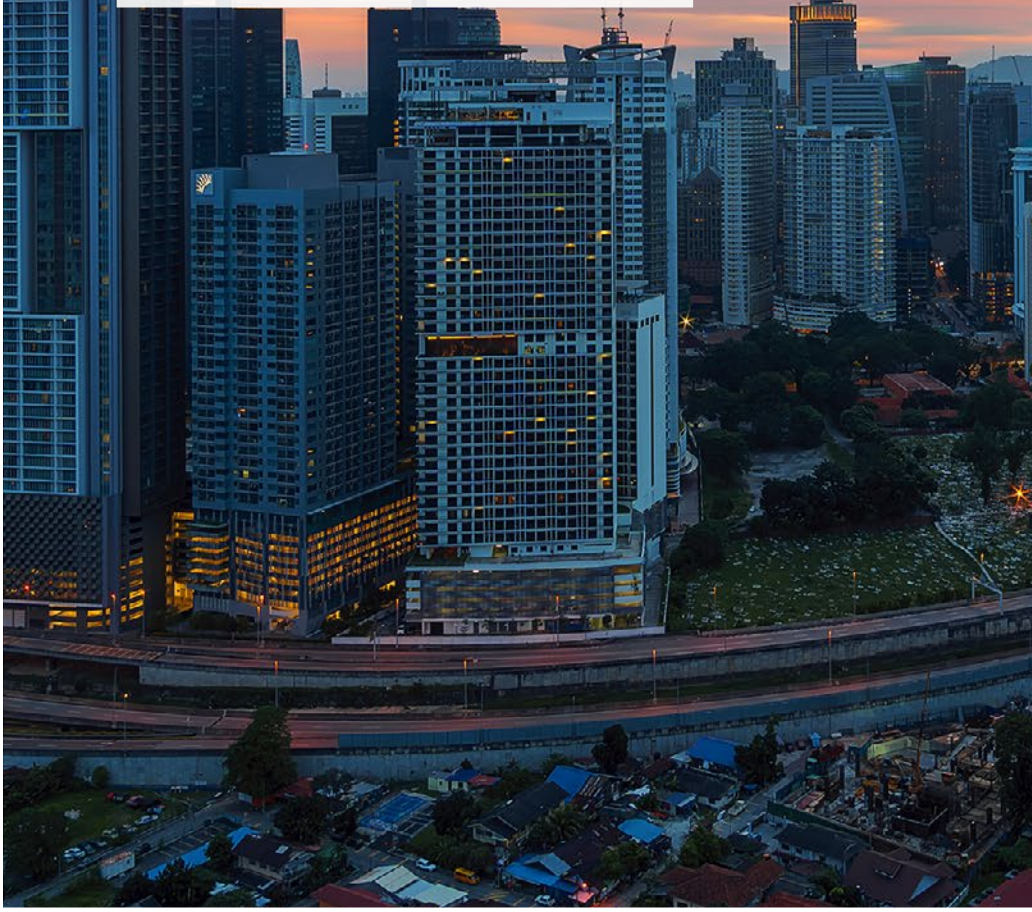
Centralising our operations

Lau Lee Koon
Head of Financial Shared Services – Kuala Lumpur

"When I joined the Company in April 2016 Tungsten Network offered me the opportunity to help oversee the creation of a Financial Shared Services Centre in Kuala Lumpur, and subsequently to head up this new centre of excellence within the Company.

Over the course of the last year we have successfully centralised the functions of Procure-to-Pay (P2P) and Record-to-Report (R2R). We are already beginning to operate more quickly and effectively, processing Supplier invoices faster, and closing our monthly accounts earlier. We will continue to digitise our finance function and are already in the process of automating our billing process and centralising our taxation work.

Our customers typically organise their finance teams functionally, to achieve greater process efficiencies. By embracing this strategy, Tungsten Network is able to work in the same way as our customers, and to feel the attendant benefits of digitisation and automation in the increased speed and effectiveness with which we execute our processes."



"I'm proud to be heading up a team that delivers so much value to the business, and excited about forthcoming opportunities to further expand the remit of Shared Services Centre to achieve greater efficiencies and savings for the Tungsten Network."

Continuing and discontinued operation cash flow:

FY17 Cash Flow	Continuing operations	Discontinued operation	Group
Net cash inflow / (outflow) from operating activities	£(18.5)m	£3.4m	£(15.2)m
Net cash inflow / (outflow) from investing activities	£(4.3)m	£29.7m	£25.4m
Net increase / (decrease) in cash & cash equivalents	£(22.9)m	£33.1m	£10.2m
Exchange adjustments	£0.9m	–	£0.9m
Cash and cash equivalents at the start of the period	£9.3m	£17.8m	£27.0m
Cash held in disposal group	–	£(20.6)m	£(20.6)m
Cash and cash equivalents at the end of the period	**£(12.8)m**	**£30.3m**	**£17.5m**

The cash outflow from operating activities was £15.2 million (FY16: £21.7 million). This included:

- A cash outflow generated from operations of £12.3 million (FY16: £18.1 million);
- An inflow from trade and other receivables of £0.3 million (FY16: £1.6 million outflow);
- An outflow in respect of invoice receivables of £4.3 million (FY16: nil);
- An outflow from a decrease in trade and other payables of £2.0 million (FY16: £0.8 million);
- Net interest paid of £0.4 million (FY16: £0.3 million); and
- A working capital inflow from discontinued operation of £3.6 million (FY16: outflow of £0.9 million).

There was a £0.3 million inflow from trade and other receivables (FY16: outflow of £1.6 million). This was primarily due to a reduction in trade receivables of £1.3 million, demonstrating the impact of people and process changes within our billing and credit control teams. This was offset by the unwind of the £1.1 million deposit paid by the purchasers of Tungsten Bank, held as a credit to trade and other receivables at 30 April 2016. The balance of the movement in trade and other receivables includes a number of other smaller movements.

Invoice receivables represent outstanding Early Payment invoices that were financed by the Group on a transitional basis prior to the implementation of additional funding arrangements with our partners. Subsequent to the year-end, all of these Early Payment invoices had been repaid except invoices totalling £35,000. The outstanding invoices are scheduled to be repaid by 2 August 2017.

An increase in trade and other payables of £2.0 million primarily reflects an increase in accrued expenses of £2.4 million. The balance of the movement in trade and other payables includes a number of other smaller movements.

The cash inflow from investing activities was £25.4 million (FY16: outflow of £1.2 million). This includes an outflow of £4.3 million from the purchase and capitalisation of fixed assets, and an inflow from the sale of Tungsten Bank of £29.7 million.

The total cash outflow from continuing operations was £22.9 million. This includes an outflow in respect of the purchase of invoice receivables of £4.3 million. Net of this movement, the total cash outflow from continuing operations was £18.6 million.

The total net cash impact of discontinued operations was £30.5 million. This reflects:

- An inflow from operating activities of £3.4 million (£0.2 million loss before taxation offset by a £3.6 million inflow from working capital);
- An inflow from investing activities of £29.7 million; and
- A change in the cash balance of Tungsten Bank of £2.8 million between the start of the reporting period and the date of sale.

Loss per share

The basic and diluted loss per share was 9.91p (FY16 re-presented and restated: 22.02p). On an adjusted basis excluding share-based payments, other income, impairments and acquisition-related amortisation, basic and diluted loss per share was 8.24p (FY16 re-presented and restated: 12.59p).

Net assets

The Group's financial position has been strengthened by the sale of Tungsten Bank. Net assets decreased by £14.8 million to £131.3 million during the year (FY16: £146.1 million) due to the Group's statutory loss of £12.5 million and currency translation differences of £2.7 million, offset by a movement in the share-based payment reserve of £0.4 million.

David Williams
Chief Financial Officer

24 July 2017

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

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

Our customers expect us to stay ahead of the risks and uncertainties that are inherent in business.

Risk management at Tungsten 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 executive management team oversee the management of the business utilising a wide range of controls, including financial, operational and compliance oversight, together with risk management. They ensure that the risk management strategy is implemented throughout the business.

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

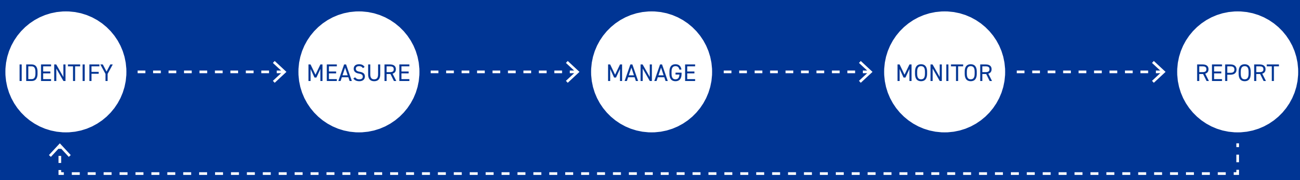
All significant sales opportunities are subject to technical and contractual review by senior members of our legal, financial, commercial and technology teams. There are strict internal controls applied to the development of our systems, products and services.

In order to assist with the management of risks, the Group continues to recruit individuals who are expert in our markets, technology and support disciplines. The Group has a delegation of authorities that clearly sets out the approval required for key activities, including those restricted to the Board and the Executive Directors.

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

Tungsten considers these risks in accordance with the governance procedures set out on page 28.

Our risk management process



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

The disclosure of the key risks and uncertainties in the table below reflects the approach of the Company to also look for the opportunities presented when addressing significant risks. This is not an exhaustive list of all the risks faced by the Company. Tungsten considers these risks in accordance with the governance procedures set out on page 34.

Key risks and their likelihood

1. Anti-fraud, bribery and corruption
2. Concentration on major customers
3. Failure of critical vendors
4. Availability of sufficient liquidity to meet growth expectations
5. Compliance with local tax, legal and regulatory regimes
6. Political, including the impact of the UK leaving the EU and GDPR
7. Commercial failure of products
8. Complexity of operational processes
9. Change to business execution
10. Retention of key personnel
11. Data protection and cyber security
12. IT system enhancements

Risk	Impact	Mitigation
Strategic		
Direction of change The Company is now more stable and is demonstrating progress in executing its business strategy. As a result of these changes, the overall level of strategic risk facing Tungsten has decreased from prior years.		
The business model fails to meet its strategic objectives.	• Failure to achieve targets for revenue, profit and earnings. • Damage to reputation.	• The strategy is regularly reviewed and challenged by the Executive Committee and Board, and communicated effectively to all staff. • The strategy forms the basis of the annual business planning process. • Performance targets are aligned to strategy.
Tungsten works with some of the world's biggest companies. There is a risk that Tungsten may fail to win and/or retain contracts on satisfactory terms and conditions with the existing as well as new targeted customers and markets.	• Failure to meet our growth plans. • Failure to achieve targets for revenue, profit and earnings.	• Active management in place to spread revenues across all customers. No one customer accounts for significant revenue or concentration of revenue. • Structured contracts approval process with clearly defined selection criteria to ensure contracts are taken on or renewed only where Tungsten 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's products and services.
Failure to invest in enhancements to the infrastructure and operating systems leading to loss of advantage over our competitors and failure to meet the expectation of our customers.	• Failure to meet our growth plans. • Failure to achieve targets for revenue, profit and earnings. • Products and services become unavailable. • Damage to reputation.	• The governance frameworks are key to ensuring successful implementation of all aspects of the planned enhancements and changes. • Detailed approval and planning process prior to project commencement. • The Executive Committee and Board review and challenge the status/progress of key change programmes and projects. • Experts in infrastructure projects and change programmes have been hired to achieve successful implementation. • Post-implementation reviews are undertaken once a project is completed so that lessons can be learned.
Technological & Operational		
Direction of change There are several multi-year projects to upgrade the underlying systems and infrastructure as well as improve operational processes. These changes can be significant and critical to the success of the business. Therefore, the overall level of technological and operational risk facing Tungsten remains high.		
Tungsten has a highly developed and complex operational and IT infrastructure, which is constantly developed and upgraded. A major incident as a result of an internal or external event could impact the ability of the Company to provide products and services to its customers.	• Products and services become unavailable. • Customer claims for losses. Loss of customers. • Damage to reputation. • Failure to meet our growth plans.	• The strategy is regularly reviewed and challenged by the Executive Committee and Board. • The strategy forms the basis of the annual business planning process. • Performance targets are aligned to strategy. • Strategy is regularly and effectively communicated to all staff. • Documented up-to-date disaster recovery and business continuity plans which are regularly tested. Use of multiple hosting centres. • IT recovery plans include website resilience and penetration tests. • Ongoing, real-time technology defence mechanisms in place. • Continuous monitoring of IT systems availability. • Governance frameworks in place to ensure appropriate management of the risks and mitigants. • New employees with the appropriate skills have been recruited and, where required, third party experts are used to review and validate both the planning and execution of programmes of work. • Training and employee awareness programmes in place.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES continued

Risk	Impact	Mitigation
Technological & Operational continued		
The Tungsten Group has a highly developed and complex IT infrastructure. There is a risk of information security breach including cyber attacks leading to loss of confidentiality, integrity or availability of data.	• Products and services become unavailable. • Customer claims for losses. Loss of customers. • Damage to reputation. • Failure to meet our growth plans.	• 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.
Tungsten is constantly developing and upgrading many aspects of its technology software and hardware. As a result, there is a risk of failure or inefficiencies in its operations, systems and infrastructure.	• Products and services become unavailable. • Customer claims for losses. Loss of customers. • Damage to reputation. • Failure to meet our growth plans. • Additional costs if projects not delivered on time or within budget or if additional work required.	• Processes in place to improve operational performance. • Documented up-to-date disaster recovery and business continuity plans which are regularly tested. Use of multiple hosting centres. • IT recovery plans include website resilience and penetration tests. • New employees with the appropriate skills have been recruited and, where required, third party experts are used to review and validate both the planning and execution of programmes of work. • Continuous monitoring of IT systems availability. • Continuing to enhance our technological and operational capabilities through investment in high quality staff and IT functionality. • Oversight of satisfactory completion of improvements and enhancements by Executive Committee.
Tungsten Network processed over 17 million invoices in FY16 and holds a significant volume of customer data. There is a risk of a data breach.	• Uninsured loss claims from customers. • Loss of customers. Damage to reputation. Financial penalties.	• Processes in place to ensure adherence to data protection and security awareness policies. • Training and employee awareness programmes in place. • No issues raised under the independent review of procedures and controls as part of the annual ISAE 3402 Reports.
Tungsten uses market-leading external IT vendors to support its businesses including software upgrades. There is a risk of failure/closure of a vendor which could impact the ability of the Company to provide products and services to its customers.	• Products and services become unavailable. • Customer claims for losses. Loss of customers. • Damage to reputation. • Failure to meet our growth plans.	• Prior to appointment, key vendors are subject to due diligence check and assessed for financial viability. • The relationship with and financial position of key vendors are reviewed on a regular basis. • Key vendors required to have ISO 27001 certification. Only leading vendors are engaged.

Financial

Direction of change
The level of financial risk facing Tungsten has decreased as revenues have grown, losses decreased and liquidity strengthened.

Risk	Impact	Mitigation
Tungsten may be subject to non-payment by its customers.	• Failure to meet our growth plans. Ability to invest or develop. • Litigation costs.	• Ongoing project to review whole credit management processes. • New credit monitoring process in place to address aged debtors. • Credit analytics reporting in place.
Exposure to foreign exchange fluctuations, resulting in a material impact on profit or cash balances.	• Failure to meet our growth plans. • Failure to achieve targets for revenue, profits or earnings.	• Tungsten reports in and holds the majority of its cash balances in British Sterling. • Revenues and costs for its other major currencies of US Dollar and the Euro are materially equal. • Currency exposure is forward managed and hedging products considered where appropriate.

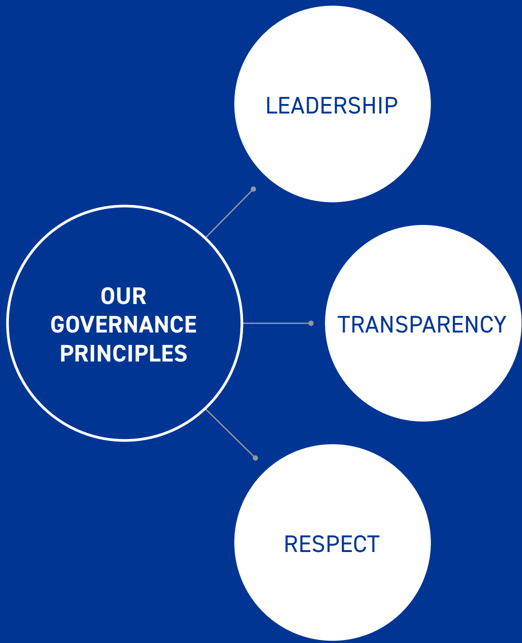
Risk	Impact	Mitigation
People		
Direction of change There has been a high turnover of staff at all levels as a result of changes to the business strategy. Many new high calibre people have joined the Group, and continuous succession planning has resulted in a reduction in the level of risk.		
Inability to retain, develop and motivate a highly skilled and knowledgeable senior management team.	• Failure to implement the strategy and achieve the business' targets. • Over-reliance on key senior personnel to lead the business. • Loss of knowledge/skills within the senior management team.	• Succession planning for all members of executive management is part of the Board agenda. • Competitive remuneration packages with oversight by the Remuneration Committee, including equity based long-term incentives. • Strategies for senior management retention.
Inability to attract, retain, develop and motivate the best people with the appropriate capabilities to create a high quality, diverse and flexible workforce.	• Failure to maintain satisfactory customer service levels. • Loss of knowledge/skills within the business. • Over reliance on key personnel.	• 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.
Regulatory/Political		
Direction of change Although the markets in which we operate and their legal and political environments are constantly evolving, the overall level of regulatory/political risk facing Tungsten has not changed materially and remains stable.		
Tungsten has customers in 175 countries around the world. Our business model and our services are affected by legal, political and regulatory changes that restrict access to markets and customers. These changes include implementation of the EU General Data Protection Regulation (GDPR) in May 2018 and the UK's exit from the European Union.	• Financial loss as a result of restricted access to the markets. • Damage to reputation. Regulatory censure. • Increased compliance costs.	• Comprehensive documented policies relating to business conduct, financial crime, bribery, corruption and whistleblowing in place. • Working with external advisers to ensure that we remain up to date and receive appropriate advice, including assessing our readiness to implement GDPR. • Oversight and monitoring including reporting of any deviations and exceptions to the Executive Committee. • Strategy to ensure that business model remains flexible and responsive to change and is regularly reviewed. • Horizon scanning by the Executive Committee for upcoming potential changes including product/diversification strategy to reduce impact.

Richard Hurwitz
Chief Executive Officer

24 July 2017

GOVERNANCE

INTRODUCTION TO GOVERNANCE



Dear Shareholder,

The Board
As a Board we recognise the importance of high standards of corporate governance. The Company is listed on AIM and is therefore not required to comply with the UK Corporate Governance Code 2016 ('the Code'). The Company considers the Code as a basis for guiding its governance structures but also recognises that some aspects of the Code are not relevant for AIM companies such as Tungsten.

We therefore also measure our governance policies and structure against the Quoted Companies Alliance corporate governance code for small and mid-sized companies 2013 (the QCA Code) as we consider that the QCA Code is more applicable for small and mid-sized companies. We believe we have achieved the 12 principles of corporate governance recommended by the QCA Code. The policies and procedures put in place at the time of admission to AIM in October 2013 gave us a firm foundation for our governance structures and we continue to build on these each year. We aim to work towards full compliance with the Code in the medium term.

The role of the Board
The Board has in place a Schedule of Matters Reserved for the Board, which sets out the Board's responsibilities. The key tasks of the Board are:

- Responsibility for the overall leadership of the Group and setting the Group's values and standards
- Approval of the Group's strategic aims and objectives
- Approvals of the annual operating and capital expenditure budgets and any material changes to them
- Oversight of the Group's operations ensuring competent and prudent management, sound planning, maintenance of sound management and internal control systems, adequate accounting and other records and compliance with statutory and regulatory obligations
- Review of performance in light of the Group's strategic aims, objectives and business plans and budgets and ensuring that any necessary corrective action is taken
- Extension of the Group's activities into new areas
- Decisions to cease to operate any material part of the Group's business
- Changes to the Group's capital structure
- Approval of the financial statements, Annual Report and financial statements, material contracts and major projects
- Approval of the dividend policy and dividend payments
- Approval of the Group's internal control and risk management systems and structures
- Approval of major capital projects, contracts and investments
- Approval of communications with shareholders and the market
- Approval of Board membership and other senior appointments and any changes.

Nick Parker
Non-Executive Chairman

24 July 2017

Our Board and Committee structure

Chairman

Nick Parker

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

Chief Executive Officer

Richard Hurwitz

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

Tungsten Corporation Board of Directors

Six Directors – Two Executive Directors and four Independent Non-Executive Directors

Key objectives
Responsible for the overall conduct of the business setting strategy.

Audit Committee

Chair: Peter Kiernan

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

See **pg 37**

Nomination and Remuneration Committee

Chair: Nick Parker

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

See **pg 38**

Ad hoc Committee/s

Executive Committee

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

Business units and operational staff

GOVERNANCE

BOARD OF DIRECTORS

Nick Parker
Non-Executive Director

Year appointed
2015

Key strengths
- Over 30 years' experience in corporate finance advisory roles
- Public sector strategy
- Start-up and turnaround experience

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

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

Committee
A NR

Peter Kiernan
Senior Independent Director

Year appointed
2012

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

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

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

Committee
A NR

Richard Hurwitz
Chief Executive Officer

Year appointed
2014

Key strengths
- Proven track record of building and successfully exiting high growth companies
- Strong acumen in general management and capital raising in the financial and technology sectors in Europe and abroad
- Emphasises talent development

Previous experience
- Pictometry International – Chief Executive, 2010-2013
- Aegis Investment Partners – Partner, 2007-2010
- Bancorp Services – Managing Partner, 1996-2005
- Bridge Information Systems, 1985-1996

David Benello
Independent Non-Executive Director

Year appointed
2015

Key strengths
- Strong experience in the industrial, high tech/telecom and insurance sectors
- Wealth of knowledge in strategy
- Experience in international business

Previous experience
- McKinsey & Company – Director Emeritus

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

Committee
A

Ian Wheeler
Independent Non-Executive Director

Year appointed
2015

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

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

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

Committee
NR

David Williams
Chief Financial Officer

Year appointed
2015

Key strengths
- Responsible at Tungsten for Finance, HR, Procurement, Facilities and Investor Relations
- Over 19 years' proven track record
- Strong financial control & reporting disciplines
- Executed significant organisational change and rationalisation programmes

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

Committee key

A Audit Committee
NR Nomination and Remuneration Committee

Member
Chairman

GOVERNANCE

LEADERSHIP TEAM

Richard Hurwitz
Chief Executive Officer

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

Patrick Clark
General Counsel

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

David Williams
Chief Financial Officer

David joined Tungsten Corporation in 2013 and is now CFO. David is also a member of Tungsten's Board of Directors. At Tungsten, David is responsible for Finance, Human Resources, Procurement, Facilities and Investor Relations. Prior to joining Tungsten, David served as a finance executive with multiple firms. He also spent five years at FTI Consulting, advising organisations in both the public and private sector on corporate finance and restructuring. Previously, he was with the Corporate Finance division of Ernst & Young. David received his training as a Chartered Accountant while at Arthur Andersen and is a Fellow of the ICAEW.

Alec Holmes
Senior Vice President, Service Delivery

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

Connie O'Brien
Chief Marketing Officer

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

Guy Miller
Head of Corporate Development

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

Brian Proffitt
Chief Technology Officer

As CTO, Brian is responsible for delivering a fast, efficient, digital, end-to-end experience for our customers. Before joining Tungsten in 2015, Brian held Board-level technology roles in a variety of industries. Most recently, he was CTO in the UK Cabinet Office where he was responsible for creating the digital strategy for transforming procurement across the UK Government. He previously held CIO/CTO roles at BT, Corus, Marsh, Prudential and Cargill. In between, he spent four years at PA Consulting, a strategy firm, working in the CIO role at Corus and at British Airways, where he was Head of Technology Innovation.

Prabhat Vira
President, Tungsten Network Finance

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

Kevin Wilbur
Senior Vice President, AP Automation

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

COMPOSITION AND INDEPENDENCE OF THE BOARD

The composition of the Board has been structured to ensure that no one individual can dominate its decision-making processes. Following the departure of Danny Truell the Board consists of six Directors: the Non-Executive Chairman, two Executive Directors, and three Non-Executive Directors. All of the Non-Executive Directors are considered to be independent. David Benello and Ian Wheeler are considered independent, assessed by reference to Provision B.1.1 of the Code and also the QCA Code. As a consequence of holding LTIP Securities Peter Kiernan is not considered independent under the Code or the QCA Code. However, the Board considers Peter Kiernan to be independent in character and judgement not withstanding these LTIPs and he has accordingly been appointed as Senior Independent Director.

Details of each Director's experience and background are given in their biographies on pages 30 and 31. The skill-set and experience of Board members is relevant for the current position of the Company and covers areas including finance, capital raising, financial services, banking, pension industry, marketing, network platforms and general management.

Appointments to the Board and re-election

The Board has delegated the tasks of reviewing Board composition, searching for appropriate candidates and making recommendations to the Board on candidates to be appointed as Directors to the Nomination and Remuneration Committee. Further details on the role of the Remuneration and Nomination Committee may be found on page 38.

With regard to re-election of Directors, the Company is governed by its Articles of Association ('Articles'). Under the Articles, the Board has the power to appoint a Director during the year but any person so appointed must stand for election at the next Annual General Meeting. At each Annual General Meeting, one-third (or the number nearest to one-third) of the Directors must retire from office and, if willing, may offer themselves for re-election.

Governance

David Williams and Ian Wheeler will retire and stand for re-election at the next AGM. The Board considers that both Directors offering themselves for re-election continue to make a valuable contribution to the deliberations and continue to demonstrate commitment.

Division of responsibilities

Chairman and Chief Executive

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

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

Role of the Chairman

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

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

Senior Independent Director

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

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

Non-Executive Directors

Each of the Non-Executive Directors has entered into a letter of appointment with the Company. The appointment of each of the Non-Executive Directors is stated to be for a fixed term, expiring after 12 months of the date of renewal or appointment. The Non-Executive Directors' letters of appointment set out the duties of the Director and commitment expected. They are expected to commit around 24 days per annum to their role. Key elements of the Non-Executive Director's role are to constructively challenge and help provide the Board with effective leadership in relation to the Company's strategy, performance, risk and people management, and ensuring high standards of financial probity and corporate governance.

Development, information and support

The Directors are encouraged to attend training and continuing professional development courses as required. Updates are given to the Board on developments in governance and regulations at each Board meeting. An induction programme is provided for any Directors joining during the year. Patrick Clark is the Company Secretary and supports the Chairman in ensuring that the Board receives the information and support it needs to carry out its roles.

Directors' induction

When Directors join the Board they receive an induction covering topics such as the operation of the Board, Directors' responsibilities, insider dealing, AIM Rules and governance documents. Each Director also receives an induction pack including all of the key Company documents.

Conflicts of interest

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

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

Board meetings

	Board meetings	Audit Committee	Nomination and Remuneration Committee
Nick Parker	4/4	3/3	3/3
Richard Hurwitz	4/4	–	–
David Benello	4/4	3/3	–
Peter Kiernan	4/4	3/3	3/3
Danny Truell[1]	4/4	–	–
Ian Wheeler	4/4	–	2/3
David Williams	4/4	–	–

1 Resigned from the Board on 24 May 2017

Performance evaluation

The Chairman considers the operation of the Board and performance of the Directors on an ongoing basis as part of his duties and will bring any areas of improvement he considers are needed to the attention of the Board. A formal external Board evaluation process has recently commenced and recommendations arising from this review will be considered by the Board in due course.

How the Board operates

The Board meets at regular intervals and met six times during the period under review. Directors also have contact on a variety of issues between formal meetings.

This year the Board moved to a new pattern of regular quarterly Board meetings, with a standing agenda focusing on key business and governance issues. Recent Board meetings have included presentations from 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.

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

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

Attendance at Board and Committee meetings by the Directors is shown above. In addition there were eight ad hoc Board meetings and Board Committee meetings, to approve share awards and transactional issues at short notice.

GOVERNANCE

COMPOSITION AND INDEPENDENCE OF THE BOARD continued

The main activities of the Board during the year

There are a number of standing and routine items included for review on each Board agenda. These include the CEO's report and operations reports, financial reports, consideration of reports from the Board Committees and investor relations updates. In addition key areas put to the Board for consideration and review included:

- Strategy presentations
- Presentations from various parts of the business
- Consideration of financing structures
- Approval of annual report and financial statements
- Review of Budget
- Going concern and cash flow
- Briefing and review of conflicts of interest
- Review of AGM business
- Market Abuse Regulation Compliance
- Share Dealing Code
- Disclosure Policy

The Board Committees

There are two Board Committees. These are composed of the Chairman and two Non-Executive Directors.

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

Accountability

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

Risks throughout the Group are considered and reviewed on a regular basis. Risks are identified and mitigating actions put into place as appropriate. Principal risks identified are set out in the Strategic report on pages 24 to 27. Internal control and risk management procedures can only provide reasonable and not absolute assurance against material misstatement. The internal control procedures were in place throughout the financial year and up to the date of approval of this report.

Financial and business reporting

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

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

Anti-fraud, bribery and corruption

The Group's anti-corruption procedures state that the Company and its subsidiaries intend to conduct business in an honest and ethical manner. A zero-tolerance approach is taken to bribery and corruption and the Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates and to implementing and enforcing effective systems to counter bribery and corruption.

Whistleblowing

The Company has a whistleblowing procedure under which staff may report any suspicion of fraud, financial irregularity or other malpractice to any Executive Director.

Shareholders

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

The Annual Report and financial statements is a key communication document and is also available on the Company's website. This year's Annual General Meeting of the Company will be held on 15 September 2017. The Notice of Annual General Meeting will be available on the Company's website at www.tungsten-network.com. The Notice of Annual General Meeting will be sent out at least 20 working days before the meeting. Separate resolutions are provided on each issue so that they can be given proper consideration.

AUDIT COMMITTEE REPORT

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

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

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

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

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

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

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

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

Role of the external auditor
The Audit Committee monitors the relationship with the external auditors, PricewaterhouseCoopers LLP, to ensure that auditors' independence and objectivity are maintained. As part of its review the Committee monitors the provision of non-audit services. The engagement of the external audit firm to provide non-audit services to the Group can impact on the independence assessment, and the Group has a policy for the approval of any such non-audit services. The policy specifies services which cannot be carried out by the external auditors and sets the framework within which non-audit services may be provided. All requests to utilise the external auditors for non-audit services must be reviewed by the Finance Director and, above a certain limit, must be approved by the Audit Committee. The breakdown of fees between audit and non-audit services is provided in Note 7. The Committee also has a formal policy on its responsibilities in relation to the external auditors. This policy includes recommendations on appointment, tendering, scope and remuneration as well as the assessment of external auditors' independence. The PricewaterhouseCoopers audit partner was rotated for the year ended 30 April 2015.

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

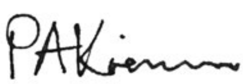
In assessing independence and objectivity, the Committee considers the level and nature of services provided by the external auditors as well as the confirmation from the external auditors that it has remained independent within the meaning of the APB Ethical Standards of Auditors.

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

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

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

Audit process
The external auditors prepare an Audit Plan for their review of the full year and half year financial statements. The Audit Plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following their review the auditors presented their findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditors during the year. Significant issues considered by the Audit Committee from the audit process included impairment of intangible assets.



Peter Kiernan
Chairman of the Audit Committee

24 July 2017

GOVERNANCE

NOMINATION AND REMUNERATION COMMITTEE REPORT

Members of the Nomination and Remuneration Committee

The Committee consists of Non-Executive Directors as follows:

- Nick Parker (Chairman)
- Peter Kiernan
- Ian Wheeler

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

Duties

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

Remuneration:

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

Nomination:

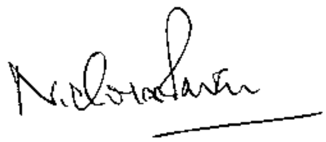
- To keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace
- To keep up to date and fully informed about strategic issues and commercial changes affecting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

The main activities of the Nomination and Remuneration Committee during the year

- Consideration of Executive Directors' bonuses and criteria for the year
- Review of Executive Directors' salaries
- Review of the share option plans and plan rules
- Approval of award of shares under the Company share option plans schemes
- Preparation for review of total remuneration packages of the Executive Directors
- Succession planning
- Consideration of continuing training needs for Directors and induction course for new Directors
- Board balance
- Re-election of Directors at the AGM
- Review of Terms of Reference
- Review of Board composition for Group companies
- Appointment of external advisers to conduct a Board effectiveness review

Diversity

The Group has in place anti-discrimination policies and encourages the promotion of women into senior management positions. This will widen the pool of executives from which to make senior appointments. The Board believes that appointments to the Board should be made relative to a number of criteria, including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise. All appointments take these criteria into account.



Nick Parker
Chairman of the Nomination and Remuneration Committee

24 July 2017

DIRECTORS' REMUNERATION REPORT

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

The Nomination and Remuneration Committee

The Board has delegated certain responsibilities for executive remuneration to the Nomination and Remuneration Committee. Details of the Nomination and Remuneration Committee, its remit and activities are set out on page 38.

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

Remuneration policy

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

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

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

Executive Directors

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

Base salary

Base salary is reviewed annually by the Nomination and Remuneration Committee. There was no increase in salary for 2016 or 2017.

Annual bonus

The Nomination and Remuneration Committee has agreed performance conditions for the annual bonuses of the Executive Directors based on the achievement of certain financial and operational KPIs. All Executive Directors have performance conditions relating to the profitable growth of the Group and the increase in volume of invoices processed by Tungsten Network. Each Executive Director has additional performance conditions relevant to their own areas of responsibility including cost control.

Other benefits

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

Service agreements and termination payments

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

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

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

Employees' pay

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

Non-Executive Directors

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

Fees are designed to ensure the Company attracts and retains high calibre individuals. They are reviewed on an annual basis and account is taken of the level of fees paid by other companies of a similar size and complexity. Non-Executive Directors do not participate in any annual bonus, share options or pension arrangements. The Company repays the reasonable expenses that Non-Executive Directors incur in carrying out their duties as Directors.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT continued

Terms of appointment

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

Director	Date of letter of appointment	Term	Notice
David Benello	24 September 2015	12 months	N/A
Peter Kiernan	16 October 2014	12 months	3 months by either side
Nick Parker	13 May 2015	12 months	N/A
Ian Wheeler	24 September 2015	12 months	N/A

Annual remuneration report

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

Directors' remuneration table (audited)

Director	Base salary £'000	Benefits in kind £'000	Pensions £'000	Annual performance bonus £'000	**Total FY2017 £'000**	Total FY2016 £'000
Executive Directors						
Richard Hurwitz[1]	424	139	43	339	**945**	648
David Williams	210	1	–	25	**236**	290
Non-Executive Directors						
David Benello[2]	60	–	–	–	**60**	30
Peter Kiernan	80	–	–	–	**80**	90
Nick Parker[3]	138	–	–	–	**138**	207
Danny Truell[4]	60	–	–	–	**60**	80
Ian Wheeler[5]	60	–	–	–	**60**	30

Notes:

1 Base salary of $550,000. This translated to £351,000 in FY16 and £424,000 in FY17. Benefits in kind reflect expatriate costs
2 Appointed as a Director 24 September 2015
3 £100,000 as Chairman of Tungsten Corporation and £38,000 as Non-Executive Director of Tungsten Bank from the period until his resignation from the Board of Tungsten Bank on 21 December 2016
4 Resigned as a Director 24 May 2017
5 Appointed as a Director 24 September 2015

Share option schemes (audited)

Director	Number of options held as at 1 May 2016	Awards granted during the year	Date of grant	Option price	Awards exercised during the year	Balance as at 30 April 2017	Vesting and exercise period
Rick Hurwitz	535,000	200,000 455,000	26 July 2016 19 September 2016	43.45p 62.7p	Nil	1,190,000	See below
David Williams	100,000	80,000 250,000	26 July 2016 19 September 2016	43.45p 62.7p	Nil	430,000	See below

Each option grant vests in four tranches over four years from date of grant and is exercisable for 10 years from date of grant.

Directors' interests in the share capital of the Company

Director	Number of ordinary shares held on 1 May 2016	Acquired/disposed during the year	Number of ordinary shares held on 30 April 2017	Percentage of issued share capital in issue on 30 April 2017
Executive Directors				
Richard Hurwitz	664,000	50,000	714,000	0.57%
David Williams[1]	3,200	100,000	103,000	0.08%
Non-Executive Directors				
David Benello[2]	–	250,000	250,000	0.2%
Nick Parker[2]	350,000	450,000	800,000	0.63%
Peter Kiernan	194,699	–	194,699	0.15%
Danny Truell	1,247,802	–	1,247,802	0.99%
Ian Wheeler	–	–	–	–

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

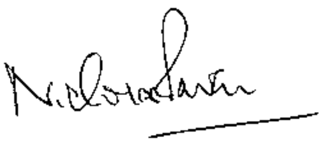
LTIP (audited)

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

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

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

Director	Number of shares held as at 1 May 2016	Acquired/(disposed) during the year	Number of shares held as at 30 April 2017
David Benello	–	–	–
Richard Hurwitz	–	–	–
Peter Kiernan	72,915	–	72,915
Nick Parker	–	–	–
Danny Truell	526,400	–	526,400
Ian Wheeler	–	–	–
David Williams	–	–	–



Nick Parker
Chairman of the Nomination and Remuneration Committee

24 July 2017

GOVERNANCE

DIRECTORS' REPORT

The Directors of Tungsten Corporation plc present their report for the year ended 30 April 2017. Particulars of important events affecting the Company and its subsidiaries and likely future developments may be found in the Strategic Report on pages 6 to 27.

Directors
Biographical details of the Directors currently serving on the Board and their dates of appointment are set out on pages 30 and 31.

The Directors who served throughout the year are as follows:

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

1 Resigned from the Board 24 May 2017

The Company's approach to the appointment and replacement of Directors is governed by its Articles of Association (together with relevant legislation) and takes into consideration any recommendations of the UK 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 2017 are set out in the consolidated income statement on page 47. The Company has no distributable reserves to declare a dividend for the year ended 30 April 2017.

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

- The LTIP Securities will become exchangeable into ordinary shares in Tungsten, with a value equal to 15% of the increase in the actual market capitalisation of Tungsten since admission, subject to:
  1. The value of Tungsten having risen by over 8.25% per annum since admission (the 'Threshold Price'); and

  2a. Where the change of control results from, or triggers, an offer to holders of the ordinary shares of the Company, that offer being at an equivalent price per ordinary share of the Company equal to (or greater than) the Threshold Price; or

  2b. Where the change of control results from, or in, the removal of either of Danny Truell or Edmund Truell (the Founders) from the Board of the Company, and the Threshold Price having been previously reached for any 20 trading days out of 30 successive trading days
- Richard Hurwitz's executive service agreement provides that in the event that he resigns within six months of a change of control he will entitled to receive 18 months' salary and bonus

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

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

Share capital
Details of the Company's share capital are set out in Note 17 to the consolidated financial statements. The Company's share capital consists of one class of ordinary shares that do not carry rights to fixed income. As at 30 April 2017, there were 126,069,397 ordinary shares of £0.00438p each in issue. Ordinary shareholders are entitled to receive notice and to attend and speak at general meetings.

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

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

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

Authority to purchase own shares
The Company was authorised by shareholder resolution at the 2016 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 2017 is set out in the Directors' Remuneration Report on pages 39 to 41.

Director indemnities and insurance

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

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

Significant shareholders

As at 7 July 2017, the latest practicable date prior to publication, Tungsten is aware of the following holdings of significant shareholders in the Company (as defined in the AIM Rules). These figures are based on its most recent analysis of shareholders as at 7 July 2017, and other notifications to the Company. For clarity, shareholdings are shown separately from holdings in financial instruments, where disclosed.

	Shareholdings as at 7 July 2017		Financial instruments notified since 1 January 2016		Total	
	Shares	%	Number[2]	%	Holdings	%
Odey Asset Management	21,087,082	16.73	3,428,518[3]	2.72	24,515,600	19.45
Mr. Edmund Truell[1]	17,466,388	13.85	4,188,697[4]	3.32	21,655,085	17.18
Indus Capital Partners	11,506,104	9.13	1,366,446[5]	1.08	12,872,550	10.21
Artemis Investment Management	9,345,000	7.41	–	–	9,345,000	7.41
Hadron Capital	7,177,185	5.69	360,700[6]	0.29	7,537,885	5.98
Morgan Stanley	5,591,203	4.44	–	–	5,591,203	4.44
TBF Global Asset Management	4,749,829	3.77	–	–	4,749,829	3.77
Hargreaves Lansdown Asset Management	4,174,995	3.31	–	–	4,174,995	3.31

1 Edmund Truell's holdings disclosed above represent both his direct and indirect holdings including investments via Disruptive Capital Investments Limited
2 Total voting rights, or share equivalent
3 Holding notified on 10 January 2017
4 CFD over 4,188,697 shares, and Loan Facility over 6,000,000 shares, notified on 19 October 2016
5 Swap notified on 7 April 2016
6 CFD notified on 25 July 2016

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 21 to the financial statements and in the managing Group Principal Risks and Uncertainties Section on pages 24 to 27.

Political donations

The Company has made no political donations during the year.

Going concern statement

The Audit Committee reviewed financial forecasts provided by management, including sensitivity analysis, to assess downside risk and its reasonable possible impact on committed liquidity. In addition, the Committee reviewed detailed reporting from the external auditor. The Committee concluded, taking into account reasonable possible changes in trading performance and possible mitigating actions, that the Group has sufficient committed liquidity to fund its committed expenditure.

Audit

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

Annual General Meeting

The Company's Annual General Meeting will be held at 2pm on 15 September 2017 at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA. Details of the venue and the resolutions to be proposed are set out in a separate Notice of Meeting which accompanies this report.

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

Patrick Clark
General Counsel and Company Secretary

24 July 2017

GOVERNANCE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

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) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report, confirm that, to the best of their knowledge:

- the Parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

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

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

P Clark.

Patrick Clark
General Counsel and Company Secretary

24 July 2017

INDEPENDENT AUDITORS' REPORT
to the members of Tungsten Corporation plc

Report on the Group financial statements

Our opinion

In our opinion, Tungsten Corporation plc's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 30 April 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated Statement of Financial Position as at 30 April 2017;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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 addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities on page 44, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT
to the members of Tungsten Corporation plc continued

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter
We have reported separately on the Parent Company financial statements of Tungsten Corporation plc for the year ended 30 April 2017.

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

24 July 2017

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 30 April 2017 £'000	Year ended 30 April 2016 (re-presented) (restated) (note 2) £'000
Revenue	4	**31,269**	25,903
Operating expenses	5	**(46,259)**	(44,774)
Operating loss		**(14,990)**	(18,871)
EBITDA		**(11,784)**	(16,154)
Depreciation and amortisation	5	**(2,801)**	(2,520)
Share-based payment	6	**(405)**	(478)
Other income	5	**–**	281
Operating loss		**(14,990)**	(18,871)
Finance income	9	**6,449**	1,387
Finance costs	9	**(4,153)**	(1,020)
Net finance income		**2,296**	367
Loss before taxation		**(12,694)**	(18,504)
Taxation	10	**433**	705
Loss for the year from continuing operations		**(12,261)**	(17,799)
Loss for the year from discontinued operation	8	**(230)**	(9,439)
Loss for the year		**(12,491)**	(27,238)
Loss per share (expressed in pence per share):			
Basic and diluted loss per share	11	**(9.91)**	(22.02)

The notes on pages 52 to 76 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 30 April 2017 £'000**	Year ended 30 April 2016 (restated) (note 2) £'000
Loss for the year	4	**(12,491)**	(27,238)
Other comprehensive (loss)/income:			
Currency translation differences		**(2,709)**	(300)
Total comprehensive loss for the year		**(15,200)**	(27,538)

Items in the statement above are disclosed net of tax.

The notes on pages 52 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 April 2017 £'000**	As at 30 April 2016 (restated) (note 2) £'000	As at 30 April 2015 (restated) (note 2) £'000
Assets				
Non-current assets				
Intangible assets	12	**118,452**	116,770	128,126
Property, plant and equipment	13	**1,856**	1,924	2,211
Trade and other receivables	14	**469**	539	624
Total non-current assets		**120,777**	119,233	130,961
Current assets				
Trade and other receivables	14	**8,790**	8,726	7,783
Invoice receivables	15	**4,304**	–	6,392
Cash and cash equivalents	16	**17,498**	9,268	32,603
Assets held for sale	8	**–**	28,737	–
Total current assets		**30,592**	46,731	46,778
Total assets		**151,369**	165,964	177,739
Capital and reserves attributable to the equity shareholders of the parent				
Share capital	17	**553**	553	454
Share premium	17	**188,794**	188,794	171,875
Shares to be issued	20	**3,760**	3,760	3,760
Merger reserve		**28,035**	28,035	28,035
Share-based payment reserve		**5,815**	5,419	5,237
Other reserve		**(8,964)**	(6,255)	(5,955)
Accumulated losses		**(86,663)**	(74,172)	(46,934)
Total equity		**131,330**	146,134	156,472
Non-current liabilities				
Deferred taxation	10	**2,630**	3,010	4,006
Total non-current liabilities		**2,630**	3,010	4,006
Current liabilities				
Trade and other payables	18	**9,529**	7,490	8,628
Deferred income	19	**7,880**	8,318	8,633
Liabilities directly associated with assets held for sale	8	**–**	1,012	–
Total current liabilities		**17,409**	16,820	17,261
Total liabilities		**20,039**	19,830	21,267
Total equity and liabilities		**151,369**	165,964	177,739

The notes on pages 52 to 76 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 47 to 76 were authorised for issue by the Board of Directors on 24 July 2017 and were signed on its behalf by:

Richard Hurwitz
Chief Executive Officer

David Williams
Chief Financial Officer

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserve (restated) £'000	Accumulated losses (restated) £'000	Total equity £'000
Balance as at 1 May 2016	**553**	**188,794**	**28,035**	**3,760**	**5,419**	**(6,255)**	**(74,172)**	**146,134**
Currency translation differences	–	–	–	–	–	(2,709)	–	(2,709)
Loss for the year	–	–	–	–	–	–	(12,491)	(12,491)
Balance as at 30 April 2017 excluding transactions with owners	**553**	**188,794**	**28,035**	**3,760**	**5,419**	**(8,964)**	**(86,663)**	**130,934**
Transactions with owners								
Shares issued during the year	–	–	–	–	–	–	–	–
Share-based payment expense	–	–	–	–	396	–	–	396
Balance as at 30 April 2017	**553**	**188,794**	**28,035**	**3,760**	**5,815**	**(8,964)**	**(86,663)**	**131,330**

Year ended 30 April 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserve (restated) £'000	Accumulated losses (restated) £'000	Total equity (restated) £'000
Balance as at 1 May 2015	454	171,875	28,035	3,760	5,237	(5,955)	(46,934)	156,472
Currency translation differences	–	–	–	–	–	(300)	–	(300)
Loss for the year	–	–	–	–	–	–	(27,238)	(27,238)
Balance as at 30 April 2016 excluding transactions with owners	454	171,875	28,035	3,760	5,237	(6,255)	(74,172)	128,934
Transactions with owners								
Shares issued during the year	99	16,919	–	–	–	–	–	17,018
Share-based payment expense	–	–	–	–	182	–	–	182
Balance as at 30 April 2016	553	188,794	28,035	3,760	5,419	(6,255)	(74,172)	146,134

The notes on pages 52 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 30 April 2017 £'000	Year ended 30 April 2016 (restated) £'000
Cash flows from operating activities			
Loss before taxation from continuing operations		**(12,694)**	(18,504)
Loss before taxation from discontinued operation		**(230)**	(9,439)
Adjustments for:			
Depreciation and amortisation	4	**2,801**	2,520
Impairment loss provision of trade receivables	14	**(262)**	711
Impairment of goodwill	4	**–**	6,810
Finance costs	9	**4,153**	1,020
Finance income	9	**(6,449)**	(1,387)
Share-based payment expense	6	**405**	478
Other income	4	**–**	(281)
Cash used in operations		**(12,276)**	(18,072)
Changes in working capital:			
Decrease/(increase) in trade and other receivables		**268**	(1,569)
Increase in invoice receivables		**(4,304)**	–
Decrease in trade and other payables		**(2,039)**	(786)
Net interest paid		**(428)**	(307)
Discontinued operation	8	**3,615**	(937)
Net cash outflow from operating activities		**(15,164)**	(21,671)
Cash flows from investing activities			
Capitalisation of software development costs		**(3,570)**	–
Purchases of other intangibles	12	**(503)**	(912)
Purchases of property, plant and equipment	13	**(266)**	(255)
Discontinued operation	8	**29,713**	–
Net cash inflow/(outflow) from investing activities		**25,374**	(1,167)
Cash flows from financing activities			
Proceeds of shares issued		**–**	16,721
Net cash inflow from financing activities		**–**	16,721
Net increase/(decrease) in cash and cash equivalents		**10,210**	(6,117)
Cash and cash equivalents at start of year		**27,023**	32,603
Exchange adjustments		**865**	537
Cash and cash equivalents including cash held in disposal group at end of the year		**38,098**	27,023
Cash held in the disposal group		**(20,600)**	(17,755)
Cash and cash equivalents at end of the year	16	**17,498**	9,268

The notes on pages 52 to 76 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

2. Accounting policies

(a) Basis of preparation

The consolidated financial statements of Tungsten Corporation plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS Interpretations Committee (IFRS IC). The principal accounting policies have been applied consistently throughout the year, other than as noted in the Prior Year Adjustment section below. The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements have been prepared on a going concern basis. Further detail is included within the Report of the Directors.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Re-presentation

Final completion of the sale of Tungsten Bank occurred on 21 December 2016. Its results and comparatives are presented as a discontinued operation.

Restatement

In accordance with IAS 21, exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements should be recognised in profit or loss in the period in which they arise. Prior year financial information reflected such exchange differences in 'other comprehensive income' and 'other reserves'. Accordingly, prior year financial information has been restated for an amount of £0.6 million of net exchange losses to be reclassified from 'other comprehensive income' to 'finance income and expenses'. Opening equity has also been corrected to reflect a reclassification of accumulated net income from 'other reserves' to 'accumulated losses' for an amount of £1.6 million.

(b) New standards, amendments and interpretations adopted

There were no new IFRSs or interpretations issued by the IFRS Interpretation Committee (IFRS IC) that required implementation during the year that significantly affects these financial statements.

New standards, amendments and interpretations issued but not yet effective in 2016 and not early adopted:
As at the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The Group has not applied these standards and interpretations in the preparation of these financial statements.

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

The impact on the Group's financial statements of the future adoption of these and other new standards and interpretation is still under review. The Group does not expect, with the potential exception of IFRS 15, 'Revenue from contracts with customers', that any of these changes will have a material effect on the results or net assets of the Group.

There were no other new IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

None of the above standards and interpretations is expected to have a significant impact on the financial reporting of the Group.

2. Accounting policies continued

(c) Basis of consolidation

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

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

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

(d) Revenue services rendered

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

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

Revenue is recognised as follows:

Transaction fees are recognised in the period in which the customer transacts unless there is evidence that transactions sold will never be utilised in which case revenue is recognised immediately such evidence arises.

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

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

(e) Employee benefits defined contribution plans

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

Share-based payments

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

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

(f) Foreign currency translation

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

Transactions and balances

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

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

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Accounting policies continued

(f) Foreign currency translation continued

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency other than sterling are translated into sterling as follows:

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

All resulting exchange differences are recognised in other comprehensive income.

The following closing rates were applied for £1:

	As at 30 April 2017	As at 30 April 2016
United States Dollar	**1.2949**	1.4611
Euro	**1.1883**	1.2865
Mexican Peso	**24.3665**	25.2181
Bulgarian Lev	**2.3224**	2.5167
Malaysian Ringgit	**5.6233**	5.6747
Swiss Franc	**1.2883**	1.4120

(g) Finance income and costs

Finance costs comprise interest payable on borrowings, interest expense on unwinding of discount on deferred income, direct issue costs and foreign exchange losses. Finance income comprises interest receivable on funds invested, and foreign exchange gains. Interest income and expenses are recognised on a time apportioned basis, using the effective interest method.

(h) Current and deferred income tax

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

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

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

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

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

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

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

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

2. Accounting policies continued

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

(j) Property, plant and equipment

Owned assets

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

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

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

Leased assets

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

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

Depreciation

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

- Leasehold improvements: depreciated over term of lease
- Fixtures and fittings: 25% on cost
- Computer equipment: 20% to 50% on cost

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

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Accounting policies continued

(k) Intangible assets

Goodwill

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

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

Non-financial assets purchased or acquired in a business combination

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

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

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

Computer software

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

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

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

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

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

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed seven years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Computer software costs are amortised over their estimated useful lives, which does not exceed five years.

(l) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

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

Invoice receivables

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

Trade and other payables

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

Investments in debt and equity securities

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

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

Cash and cash equivalents

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

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

Derivative financial instruments and hedging

At 30 April 2017 and 30 April 2016, the Group had no derivatives in place for cash flow hedging purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Accounting policies continued

(m) 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.

(n) Prepaid consideration

Deposits paid for acquisitions are held as prepayments until such time as the acquisition is completed (i.e. meets the definition of an acquisition under IFRS 3, Business Combinations) or a decision is reached by the Board not to proceed with the acquisition, at which time the deposit is either refunded or charged to the income statement if not refundable.

(o) Trade and other receivables

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

(p) Trade and other payables

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

(q) Leases

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

(r) Share capital

Ordinary shares are classified as equity.

3. Critical accounting estimates and judgements

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

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

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

Revenue recognition

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

Going concern

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

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

Deferred taxation

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

Impairment of goodwill and other intangible assets

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

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

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. Segment report

Management have determined the operating segments based on the operating reports reviewed by the Board of Directors that are used to assess both performance and strategic decisions. Management has identified that the Board of Directors is the Chief Operating Decision Maker (CODM). During the year, Tungsten Bank was disposed and the sale was completed on 21 December 2016. Refer to Note 8, discontinued operations, for further information.

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

Year ended 30 April 2017

(excluding discontinued operation)	Tungsten Network £'000	Tungsten Network Finance £'000	Corporate £'000	Total £'000
Revenue	31,117	152	–	31,269
Segment revenue	31,117	152	–	31,269
EBITDA[1] – excluding non-cash share-based payments	(4,251)	(1,682)	(5,851)	(11,784)
EBITDA – including non-cash share-based payments	(4,251)	(1,682)	(6,256)	(12,189)
Depreciation, amortisation and impairment	(1,409)	(93)	(1,299)	(2,801)
Share-based payment	–	–	(405)	(405)
Finance income	5,483	84	882	6,449
Finance cost	(3,294)	(286)	(573)	(4,153)
Loss before taxation	(3,471)	(1,977)	(7,246)	(12,694)
Income tax credit				433
Loss for the year from continuing operations				**(12,261)**
Loss for the year from discontinued operation				(230)
Loss for the year				**(12,491)**
Capital expenditure	3,737	–	602	4,339
Total assets	133,849	5,064	12,456	151,369
Total liabilities	14,960	460	4,619	20,039

1 EBITDA is calculated as earnings before other income, interest, tax, depreciation and amortisation

4. Segment report continued

Year ended 30 April 2016

(excluding discontinued operation)	Tungsten Network £'000	Tungsten Network Finance £'000	Corporate £'000	Total £'000
Revenue	25,889	14	–	25,903
Segment revenue	25,889	14	–	25,903
EBITDA[1] – excluding non-cash share-based payments	(5,768)	(3,779)	(6,607)	(16,154)
EBITDA – including non-cash share-based payments	(5,770)	(3,779)	(7,083)	(16,632)
Depreciation, amortisation and impairment	(2,259)	(89)	(172)	(2,520)
Share-based payment	(2)	–	(476)	(478)
Finance income	1,058	–	329	1,387
Finance cost	(832)	(185)	(3)	(1,020)
Other income	281	–	–	281
Loss before taxation	(7,522)	(4,053)	(6,929)	(18,504)
Income tax credit				705
Loss for the year				(17,799)
Capital expenditure	900	31	66	997
Total assets	127,488	292	9,447	137,227
Total liabilities	15,862	580	2,376	18,818

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 2017 £'000	Year ended 30 April 2016 (re-presented) £'000
United Kingdom	**14,712**	12,714
United States of America	**14,273**	11,463
Rest of Europe	**1,320**	1,093
Malaysia	**964**	633
Total	**31,269**	25,903

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 2017 £'000	As at 30 April 2016 £'000
United Kingdom	**115,715**	117,429
United States of America	**4,996**	1,760
Malaysia	**66**	44
Total	**120,777**	119,233

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. Operating expenses

	Note	Year ended 30 April 2017 £'000	Year ended 30 April 2016 (re-presented) £'000
Staff costs	6	**20,720**	20,314
Professional support		**7,821**	3,952
Office accommodation and services		**2,331**	2,739
IT costs		**5,830**	5,932
Irrecoverable VAT		**177**	16
Amortisation	12	**2,451**	2,017
Depreciation	13	**350**	503
Other administrative expenses		**6,579**	7,636
Setup fees		**–**	1,946
Other income		**–**	(281)
Total operating expenses		**46,259**	44,774

6. Employee benefit expenses

	Note	Year ended 30 April 2017 £'000	Year ended 30 April 2016 (re-presented) £'000
Wages and salaries		**17,495**	17,002
Social security costs		**1,701**	1,750
Other pension costs		**1,119**	1,084
Share-based payments	23	**405**	478
Total employee benefit expenses	5	**20,720**	20,314

	Year ended 30 April 2017	Year ended 30 April 2016
Number of employees		
The average monthly number of people employed:		
Tungsten Network	**294**	313
Tungsten Network Finance	**14**	10
Corporate	**19**	17
Total average headcount	**327**	340

Refer to Note 23 for details of remuneration in respect of key management.

7. Auditors' remuneration

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

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Audit of the Parent Company and the consolidated financial statements	**188**	219
Audit-related assurance services	**25**	33
Taxation compliance services	**79**	37
Taxation advisory services	**199**	123
Services relating to corporate finance transactions	**4**	16
All other non-audit services	**9**	282
Total auditors' remuneration	**504**	710

8. Discontinued operation and assets held for sale

On 16 November 2016, Tungsten announced that the sale of Tungsten Bank had received the regulatory approval with final completion of 21 December 2016.

The sale was completed on 21 December 2016 and is reported in the current year as a discontinued operation. The financial performance and cash flow information relating to the discontinued operation for the period to the date of disposal is set out below.

The table below shows the financial performance and cash flow information of the discontinued operation which are included in the Group income statement and Group cash flow respectively.

	Period ended 21 December 2016 £'000	Year ended 30 April 2016 £'000
Revenue	272	180
Operating expenses	(2,236)	(9,584)
Operating loss	(1,964)	(9,404)
EBITDA	(1,964)	(2,594)
Impairment	–	(6,810)
Operating loss	(1,964)	(9,404)
Finance costs	(134)	(35)
Loss before taxation	(2,098)	(9,439)
Taxation	–	–
Loss for the year	(2,098)	(9,439)
Gain on sale of the subsidiary	1,868	–
Loss from discontinued operation	(230)	(9,439)
Net cash inflow/(outflow) from operating activities	3,615	(3,836)
Net cash inflow from investing activities (21 December 2016 includes an inflow of £29.6m from the sale of the subsidiary)	29,713	–
Net cash outflow from financing activities	–	(170)
Net increase/(decrease) in cash generated by the discontinued operation	33,328	(4,006)
Cash and cash equivalent at start of year	17,755	19,495
Cash held in the disposal group	(20,600)	(17,755)
Cash and cash equivalents at end of the year from disposal group	30,483	(2,266)

	Period ended 21 December 2016 £'000	Year ended 30 April 2016 £'000
Consideration received	29,635	–
Cost associated with the sale	(1,042)	–
	28,593	–
Carrying amount of net assets sold	(26,725)	–
Gain on sale before taxation	1,868	–
Taxation	–	–
Gain on sale after taxation	1,868	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8. Discontinued operation and assets held for sale continued

The carrying amounts of assets and liabilities as at the date of sale, 21 December 2016 were:

	As at 21 December 2016 £'000
Intangible assets	3,316
Fixed assets	29
Trade and other receivables	3,864
Cash and cash equivalents	20,600
Total assets of the disposal group	27,809
Liabilities directly associated with assets held for sale	
Trade and other payables	424
Deferred taxation	660
Total liabilities of the disposal group	1,084
Total net assets of the disposal group	26,725

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 April 2016.

	As at 30 April 2016 £'000
Intangible assets	10,280
Impairment	(6,810)
Trade and other receivables	183
Invoice receivables	7,329
Cash and cash equivalents	17,755
Total assets of the disposal group	28,737
Liabilities directly associated with assets held for sale	
Trade and other payables	352
Deferred taxation	660
Total liabilities of the disposal group	1,012
Total net assets of the disposal group	27,725

9. Finance income and costs

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 (restated) £'000
Finance income		
Interest income on short-term deposits	**4**	83
Foreign exchange gains	**6,445**	1,304
Total finance income	**6,449**	1,387
Finance costs		
Interest expense and bank charges	**(642)**	–
Foreign exchange losses	**(3,511)**	(1,020)
Total finance cost	**(4,153)**	(1,020)
Net finance income	**2,296**	367

10. Taxation

Income tax comprises the following:

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Current tax		
Research and development tax credits	**(284)**	(369)
Deferred tax		
Origination and reversal of temporary differences	**(149)**	(336)
Total income tax credit for tax year	**(433)**	(705)
Tax credit reconciliation		
Loss before tax	**(12,924)**	(18,504)
Loss before tax multiplied by the rate of corporation tax in the UK 19% (2016: 20%)	**(2,456)**	(3,701)
Items not deductible for tax purposes	**237**	2,291
Gains in Guernsey subject to 0% corporation tax	**–**	(322)
Research and development tax credits	**(284)**	(369)
Origination and reversal of temporary differences	**(149)**	(336)
Tax losses for which no deferred income tax asset was recognised	**2,219**	1,732
Total income tax credit	**(433)**	(705)

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10. Taxation continued

Deferred tax

Deferred tax movement for the year:

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

	Deferred tax liability £'000
As at 1 May 2015	(4,006)
Charged to income statement	336
Assets held for sale	660
As at 30 April 2016	(3,010)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The Group has unrecognised deferred tax assets of £12.9 million (2016: £11.4 million) in respect of losses that can be carried forward against future taxable income for the period between one-year and an indefinite period of time.

No deferred tax related to components of Other Comprehensive Income.

11. Loss per share

Basic 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.

	Year ended 30 April 2017			Year ended 30 April 2016		
	Loss £'000	**Shares '000**	**Loss per share p**	Loss £'000	Shares '000	Loss per share p
Basic and diluted	**(12,491)**	**126,069**	**(9.91)**	(27,238)	123,715	(22.02)

EPS may be subject to future dilution as a result of the issue of shares pursuant to the LTIP Securities and SAYE scheme.

12. Intangible assets

As at 30 April 2017

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

As at 30 April 2016

(re-presented)	Goodwill £'000	Customer relationships £'000	IT platform £'000	Software £'000	Software development under construction £'000	Total £'000
Cost						
Balance at 1 May 2015	108,338	11,098	6,712	4,635	–	130,783
Reclassified as held for sale	(6,810)	–	–	(3,470)	–	(10,280)
Additions	–	–	–	912	–	912
Disposals	–	–	–	(131)	–	(131)
Exchange differences	140	5	244	(38)	–	351
Balance at 30 April 2016	101,668	11,103	6,956	1,908	–	121,635
Accumulated amortisation						
Balance at 1 May 2015	–	859	1,244	554	–	2,657
Amortisation charge	–	569	987	461	–	2,017
Impairment charge	6,810	–	–	–	–	6,810
Impairment reclassified as held for sale	(6,810)	–	–	–	–	(6,810)
Exchange differences	–	3	183	5	–	191
Balance at 30 April 2016	–	1,431	2,414	1,020	–	4,865
Net asset value as at 30 April 2015	108,338	10,239	5,468	4,081	–	128,126
Net asset value as at 30 April 2016	101,668	9,672	4,542	888	–	116,770

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12. Intangible assets continued

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

	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Tungsten Network	**102,049**	101,668
Total goodwill	**102,049**	101,668

Tungsten Network

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

- Revenue growth from Buyers and Suppliers using the Tungsten Network, including Tungsten Workflow and Tungsten Analytics at a compound annual growth rate of 15%
- Pre-tax discount rate of 11.75% (2016: 14.4%), being based on the Group's weighted average cost of capital (WACC)
- Growth rate used in the annuity of 2.0% (2016: 2.0%). This does not exceed the long-term expected economic average growth of the territories in which the Group operates in.

Based on the above assumptions, Tungsten Network exceeded the carrying value of the CGU by £69.7 million (2016: £21.3 million). The recoverable amount of the Tungsten Network CGU was particularly sensitive to changes in the compound annual revenue growth rate. Assuming that there is a reduction in the compound annual growth rate to 9.0% the recoverable amount would equal the carrying value of the CGU.

13. Property, plant and equipment

As at 30 April 2017

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

13. Property, plant and equipment continued

As at 30 April 2016

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
Balance at 1 May 2015	2,384	383	2,086	4,853
Additions	18	113	124	255
Disposals	–	(25)	(9)	(34)
Exchange differences	(36)	92	331	387
Balance at 30 April 2016	2,366	563	2,532	5,461
Accumulated depreciation				
Balance at 1 May 2015	568	312	1,762	2,642
Charge for the year	188	35	280	503
Disposals	–	–	–	–
Exchange differences	12	82	298	392
Balance at 30 April 2016	768	429	2,340	3,537
Net book value				
At 30 April 2015	1,816	71	324	2,211
At 30 April 2016	1,598	134	192	1,924

14. Trade and other receivables

	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Non-current assets		
Loans to employees under EMSS scheme	**469**	539
Trade and other receivables	**469**	539

	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Current assets		
Trade receivables	**6,185**	7,522
Less: impairment loss provision	**(1,192)**	(1,454)
Prepayments	**1,492**	1,402
VAT receivables	**348**	–
Accrued income	**503**	142
Other receivables	**1,454**	1,114
Trade and other receivables	**8,790**	8,726

15. Invoice receivables

The invoice receivables represent outstanding Early Payment invoices that were financed by the Group on a transitional basis prior to the implementation of additional funding arrangements with our partners.

Tungsten purchases invoices from approved suppliers on Tungsten Network, which are then sold to a funding partner. In the reporting period these funding partners were Tungsten Network Finance (self-funded), Insight Investment and Tungsten Bank.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

16. Cash and cash equivalents

	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Cash at bank	**17,498**	9,268
Cash and cash equivalents	**17,498**	9,268

17. Share capital and share premium

Issued and fully paid	Ordinary shares Number	Nominal value	Share capital £'000	Share premium £'000
Balance as at 1 May 2015	103,529,412	£0.004385	454	171,875
Shares issued during the year	22,539,985	£0.004392	99	16,919
Balance as at 30 April 2016	126,069,397	£0.004386	553	188,794
Shares issued during the year	–	–	–	–
Balance as at 30 April 2017	**126,069,397**	**–**	**553**	**188,794**

18. Trade and other payables

	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Trade payables	**2,548**	2,535
Social security and other taxes	**351**	618
Accrued expenses	**6,592**	4,188
Provision for lease obligations	**–**	42
Other payables	**38**	107
Trade and other payables	**9,529**	7,490

19. Deferred income

	Total £'000
As at 1 May 2016	8,318
Invoiced during the year	30,770
Released to revenue	(31,251)
Impairment provision	(412)
Exchange differences	455
As at 30 April 2017	**7,880**

	Total £'000
As at 1 May 2015	8,633
Invoiced during the year	26,230
Released to revenue	(26,083)
Impairment provision	(468)
Exchange differences	6
As at 30 April 2016	8,318

20. Share-based payment

In May 2012, the Group established Founder Securities Scheme. The Founder Securities are designed to encourage the subscribers to use their best efforts to grow the company within five to ten years. The Founder Securities were 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.

In August 2014, the Group established an Employee Matched Share Scheme (EMSS) and a Save As You Earn (SAYE) share option scheme for the employees of the Company.

In December 2014, the Group established the Tungsten Corporation PLC UK Share Option Scheme (UK Scheme) and the Tungsten Corporation US Stock Option Plan (US Plan).

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

Employee Matched Share Scheme

The Employee Matched Share Scheme is part of Tungsten's plans to encourage share ownership among its employees, and incentivise and align their interests with existing shareholders.

The Tungsten Board formally approved these options on 7 August 2014 and the options were granted on 8 August 2014 at the option price of 336p per share. The option is exercisable at any time between 8 February 2019 and 8 August 2019.

As part of the scheme's terms, any participating employee is required to acquire Tungsten shares in the market at an arm's length price and hold them for the same period as the life of the option.

Save As You Earn scheme

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

The Tungsten Board formally approved these options on 4 August 2014 at an exercise price of £2.25. The SAYE scheme comprises equity-settled share-based payment transactions with options vesting on the third anniversary of the grant date.

UK Scheme and US Plan

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

- Options to be granted at an option price equal to fair market value at grant
- The options vest over 3-4 years, on each anniversary of the date of grant
- The options have a 10 year term
- On an exit event involving a sale or change of control of Tungsten Corporation PLC, any unvested options are accelerated and can be exercised in full

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

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

			Number of shares granted			
Grant date	Vesting period	Issue price (p)	UK Scheme	US Plan	SARs	Total
21 January 2015	4 years	237.75	515,000	440,000	–	955,000
23 July 2015	4 years	67.50	735,150	270,850	58,000	1,064,000
07 January 2016	4 years	39.00	–	100,000	–	100,000
15 April 2016	4 years	58.00	–	300,000	–	300,000
26 July 2016	4 years	43.45	647,201	466,693	72,169	1,186,063
19 September 2016	3-4 years	62.70	995,000	1,510,000	–	2,505,000
16 December 2016	4 years	53.45	125,000	–	–	125,000
			3,017,351	**3,087,543**	**130,169**	**6,235,063**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20. Share-based payment continued

UK Scheme and US Plan continued

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

	Employee Matched Share Scheme	Save As You Earn	UK Scheme	US Plan	SARs
Risk-free interest rate	2.15%	2.15%	1.28%-1.54%	1.28%-1.54%	1.28%-1.54%
Expected dividend yield	–	–	–	–	–
Expected volatility	43.3%	43.3%	75.15%-76.39%	75.15%-76.39%	75.15%-76.39%
Vesting period	4.5 years	3 years	4 years	3-4 years	4 years
Market value of underlying shares	£0.61	£0.61	←	Share price on the date of grant	→

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

A share-based payment expense of £0.4 million has been recognised in the consolidated income statement for the year ended 30 April 2017 (30 April 2016: £0.5 million), which comprises equity-settled and cash-settled share-based payment. The table below sets out the movement in shares granted under the Company share schemes:

Number	Founder Securities	Employee Matched Shares	Save As You Earn Shares	UK Scheme	US Plan	SARs	Total
As at 1 May 2015	3,760,000	420,958	257,344	10,515	440,000	–	4,888,817
Granted during the year	–	–	–	750,150	370,850	58,000	1,179,000
Lapsed during the year	–	(169,471)	(191,424)	(114,790)	(62,100)	(2,000)	(539,785)
As at 30 April 2016	3,760,000	251,487	65,920	645,875	748,750	56,000	5,528,032
Granted during the year	–	–	–	1,767,201	2,276,693	72,169	4,116,063
Lapsed during the year	–	(62,047)	(34,320)	(171,102)	(17,793)	–	(285,262)
As at 30 April 2017	**3,760,000**	**189,440**	**31,600**	**2,241,974**	**3,007,650**	**128,169**	**9,358,833**

21. Financial instruments, risk management and exposure

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

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

(a) Credit risk

Cash and cash equivalents are held with reputable financial institutions.

The fair value of trade and other receivables and invoice receivables (financial assets) approximates their carrying value. As at 30 April 2017, total trade and other receivables and invoice receivables of £2.7 million (2016: £4.5 million) were past due but not impaired. With respect to these receivables that are neither impaired nor past due, there are no indications as at the reporting date that the counter-parties will not meet their payment obligations.

The overdue analysis of these receivables is as follows:

	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Current and not impaired	**6,078**	4,226
Less than 1 month overdue	**752**	1,363
Between 2-3 months overdue	**590**	882
Over 3 months overdue	**1,370**	2,255
Total past due but not impaired	**2,712**	4,500
Individually determined to be impaired	**1,192**	1,454
Total trade and other receivables	**9,982**	10,180
Less impairment loss provision	**(1,192)**	(1,454)
Total trade and other receivables	**8,790**	8,726

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

	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Cash and cash equivalents	**17,498**	9,268
Trade and other receivables	**8,790**	8,726
Invoice receivables	**4,304**	–
Total	**30,592**	17,994

Below credit ratings were obtained from Moody's Corporate's website

Cash and cash equivalents

	As at 30 April 2017 £'000	As at 30 April 2016 £'000
AAA	**5,000**	–
AA	**11,870**	2,129
A	**315**	7,011
B	**313**	128
Total	**17,498**	9,268

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

21. Financial instruments, risk management and exposure continued

(b) Liquidity risk

Non-derivative financial assets and liabilities

As at 30 April 2017	Carrying amount £'000	Total contractual cash flows £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000
Cash and cash equivalents	**17,498**	**17,498**	**17,498**	**–**	**–**
Trade and other receivables[1]	**7,298**	**7,298**	**6,338**	**960**	**–**
Invoice receivables	**4,304**	**4,304**	**4,304**	**–**	**–**
Trade and other payables	**(9,529)**	**(9,529)**	**(9,529)**	**–**	**–**
Net position	**19,571**	**19,571**	**18,611**	**960**	**–**

1 Excludes prepayments

As at 30 April 2016	Carrying amount £'000	Total contractual cash flows £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000
Cash and cash equivalents	9,268	9,268	9,268	–	–
Trade and other receivables	7,324	7,324	5,481	1,843	–
Trade and other payables	(7,490)	(7,490)	(7,490)	–	–
Net position	9,102	9,102	7,259	1,843	–

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

(c) Foreign currency risk

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

(d) Capital risk management

The aim of the Group is to maintain sufficient funds to enable it to meet working capital requirements, make suitable investments and incremental acquisitions while minimising recourse to external funders and/or shareholders. Capital managed by the Group at 30 April 2017 consists of cash and cash equivalents and equity attributable to equity holders of the parent. The capital structure is reviewed by management through regular internal financial reporting and forecasting.

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

	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Share capital and premium	**189,347**	189,347
Accumulated reserves[1]	**(58,040)**	(43,213)
Total	**131,307**	146,134

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

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

22. Commitments

Operating leases

The table below sets out the future minimum lease commitments:

	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Less than 1 year	**1,021**	1,016
Between 1 and 2 years	**861**	979
Between 3 and 5 years	**2,484**	2,503
After 5 years	**4,562**	5,374
Total operating leases	**8,928**	9,872

23. Related-party transactions

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

	For the year ended 30 April 2017 £'000	For the year ended 30 April 2016 £'000
Purchase of services	**64**	1,094

Canaccord Genuity Limited is corporate broker to the Group and acted as the sole book runner on the placing that took place during the year ended 30 April 2016. Peter Kiernan held the position of Chairman of European Investment Banking at Canaccord Genuity until June 2015 and subsequently became a senior adviser to the firm from which position he stepped down on 30 September 2016. As a consequence of these roles, Canaccord Genuity was considered a related party of the Tungsten Group until 30 September 2016. Mr. Kiernan took no part in the negotiation of the terms of Canaccord Genuity's engagement or the terms of the Placing Agreement for the share placing which took place during the year ended 30 April 2016. During the year ended 30 April 2017, the Group paid fees for services received from Canaccord Genuity totalling £64,000 (2016: £0.7 million).

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

Key management personnel

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

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Short-term employee benefits	**1,579**	1,763
Share-based payment	**405**	478
Total	**1,984**	2,241

For further details with respect to Directors' remuneration, please refer to the Directors' Remuneration Report on pages on 39 to 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24. 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	Proportion of ordinary shares held by the Group %
Tungsten Corporation Guernsey Limited	Intermediate holding company	Saint Peter Port	Guernsey	100
Tungsten Network Limited	Electronic invoice delivery	London	UK	100
Tungsten Network Inc (US Inc)	Electronic invoice delivery	Atlanta, Georgia	USA	100
Tungsten Network Sdn Bhd	Electronic invoice delivery Shared service centre	Petaling Jaya	Malaysia	100
Tungsten Network GmbH	Electronic invoice delivery	Hamburg	Germany	100
Tungsten Network (Schweiz) GmbH	Shared services office	Gubelstrasse	Switzerland	100
Tungsten Network S.A.P.I de CV	Electronic invoice delivery	Bosques De Las Lomas	Mexico	100
Tungsten Network EOOD	Shared services office	Sofia	Bulgaria	100
Tungsten Network Private Limited	Electronic invoice delivery	Delhi	India	100
Image Integration Systems, Inc	Software	Perrysburg	USA	100
Tungsten Network Finance Limited	Intermediate holding company	London	UK	100
Tungsten Purchaser UK Limited	Invoice acquisition	London	UK	100
Tungsten Account Trustee Limited	Trustee services	London	UK	100
Tungsten Investment Management Limited	Investment management	London	UK	100
Tungsten Purchaser (US), Inc	Invoice acquisition	City of Wilmington	USA	100
Tungsten Purchaser (Canada) Ltd	Invoice acquisition	Calgary	Canada	100

INDEPENDENT AUDITORS' REPORT
to the members of Tungsten Corporation plc

Report on the Parent Company Financial statements

Our opinion

In our opinion, Tungsten Corporation plc's Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Parent Company's affairs as at 30 April 2017 and of its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Parent Company Balance Sheet as at 30 April 2017;
- the Parent Company Statement of Cash Flows for the year then ended;
- the Parent Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law, and as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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 addition, in light of the knowledge and understanding of the Parent Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities on page 44, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

INDEPENDENT AUDITORS' REPORT to the members of Tungsten Corporation plc continued

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter
We have reported separately on the Group financial statements of Tungsten Corporation plc for the year ended 30 April 2017.

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

24 July 2017

PARENT COMPANY BALANCE SHEET

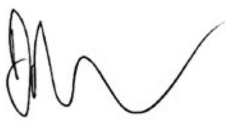
Registered number: 07934335

	Note	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Fixed assets			
Investments in subsidiaries	5	**162,040**	189,756
Property, plant and equipment	6	**1,490**	1,628
Intangible assets		**601**	–
Trade and other receivables	7	**482**	538
Total non-current assets		**164,613**	191,922
Current assets			
Trade and other receivables	7	**62,758**	41,932
Cash and cash equivalents		**12,613**	195
Total current assets		**75,371**	42,127
Total assets		**239,984**	234,049
Capital and reserves attributable to the equity shareholders			
Share capital		**553**	553
Share premium		**188,794**	188,794
Shares to be issued		**3,760**	3,760
Other reserve		**(5,450)**	(5,453)
Share-based payment reserve		**774**	379
Accumulated losses		**(33,141)**	(30,075)
Total equity		**155,290**	157,958
Current liabilities			
Trade and other payables	8	**84,694**	76,091
Total current liabilities		**84,694**	76,091
Total equity and liabilities		**239,984**	234,049

The notes on pages 82 to 85 are an integral part of these financial statements.

The financial statements on pages 79 to 85 were authorised for issue by the Board of Directors on 24 July 2017 and were signed on its behalf by:

Richard Hurwitz
Chief Executive Officer



David Williams
Chief Financial Officer

FINANCIAL STATEMENTS

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2017

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 May 2016	553	188,794	3,760	379	(5,453)	(30,075)	157,958
Loss for the year	–	–	–	–	–	(3,066)	(3,066)
Movement for the year	–	–	–	395	–	–	395
Currency translation differences	–	–	–	–	3	–	3
Balance as at 30 April 2017	**553**	**188,794**	**3,760**	**774**	**(5,450)**	**(33,141)**	**155,290**

Year ended 30 April 2016

	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 2015	454	171,875	3,760	197	(5,450)	(15,788)	155,048
Loss for the year	–	–	–	–	–	(14,287)	(14,287)
Shares issued during the year	99	16,919	–	–	–	–	17,018
Movement for the year	–	–	–	182	–	–	182
Currency translation differences	–	–	–	–	(3)	–	(3)
Balance as at 30 April 2016	553	188,794	3,760	379	(5,453)	(30,075)	157,958

The notes on pages 82 to 85 are an integral part of these consolidated financial statements.

PARENT COMPANY STATEMENT OF CASH FLOWS

	Note	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Cash flows from operating activities			
Loss before taxation		**(3,066)**	(14,287)
Adjustments for:			
Depreciation and amortisation	6	**138**	160
Share-based payment expense	4	**405**	476
Impairment	5	**–**	11,640
Finance income		**(1)**	(41)
Finance costs		**1,485**	1,291
Loss on disposal of business unit		**230**	–
Cash used in operations		**(809)**	(761)
Changes in working capital:			
Increase in trade and other receivables		**(20,770)**	(1,159)
Increase/(decrease) in trade and other payables		**7,368**	(15,590)
Net interest (paid)/received		**(0)**	52
Net cash outflows from operating activities		**(14,211)**	(17,458)
Cash flows from investing activities			
Capitalisation of software development costs		**(601)**	–
Purchases of property, plant and equipment		**(1)**	(53)
Net proceeds from disposal of a subsidiary		**28,594**	–
Investment in subsidiary		**(1,150)**	–
Gain on disposals		**–**	1
Net cash inflow/(outflow) from investing activities		**26,842**	(52)
Cash flows from financing activities			
Proceeds of share issue net of expenses		**–**	16,724
Bank charges associated with loan facility		**(210)**	–
Net cash (outflow)/inflow from financing activities		**(210)**	16,724
Net increase/(decrease) in cash and cash equivalents		**12,421**	(786)
Cash and cash equivalents at start of the period		**195**	984
Exchange adjustments		**(3)**	(3)
Cash and cash equivalents at end of the year		**12,613**	195

The notes on pages 82 to 85 are an integral part of these consolidated financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. General information
Tungsten Corporation plc (the Company) and its subsidiaries (together, the Group) is a global e-invoicing network that offers supply chain financing and spend analytics. The Company is a public limited company, which is incorporated and domiciled in the UK. The address of its registered office is Pountney Hill House, 6 Laurence Pountney Hill, London EC4R 0BL, UK.

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

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

Critical accounting estimates and judgements
Critical accounting estimates and judgements are set out in Note 3 to the consolidated financial statements.

Significant accounting policies
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, on a straight-line basis over the vesting period with a corresponding increase in equity. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on service and other non-market performance conditions. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

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

Further details on the share-based payments can be found in Note 20 to the consolidated financial statements of this Annual Report and financial statements.

Tangible assets
Tangible assets are stated at cost less accumulated depreciation. Depreciation is charged to profit or loss on a straight-line basis of the estimated useful lives of each item of tangible asset. Depreciation commences when an asset is brought into use over the following estimated useful lives:

- Leasehold improvement: depreciated over the term of lease
- Computer equipment: 50% on cost

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

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

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

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.

Share capital
Ordinary shares are classified as equity.

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

Foreign currency translation
The accounting policy for foreign currency translation is the same as that for the Group and is set out on pages 53 and 54.

3. Profit for the year

As permitted by the exemption in Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The loss attributable to shareholders dealt with in the financial statements of the Company was £3.1m (2016: £14.3m).

4. Employee benefit expenses

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Wages and salaries	**2,501**	2,130
Social security costs	**284**	230
Other pension costs	**178**	113
Share-based payments	**405**	476
Total employee benefit expenses	**3,368**	2,949

	Year ended 30 April 2017	Year ended 30 April 2016
Number of employees		
The average number of people (including Executive Directors) employed:		
Corporate	**19**	17
Total average headcount	**19**	17

Refer to Note 23 in the consolidated financial statements for details of remuneration in respect of key management.

Share-based payments expense include expenses relating to cash-settled share options. Cash-settled share-based awards are recognised as an expense in profit or loss with a corresponding credit to liabilities (see Note 2).

5. Investments in subsidiaries

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Balance as at 1 May	**189,756**	199,096
Additions	**1,150**	2,300
Impairment	**–**	(11,640)
Disposal	**(28,866)**	–
Balance as at 30 April	**162,040**	189,756

FINANCIAL STATEMENTS

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

5. Investments in subsidiaries continued

The Company has the following subsidiaries:

Subsidiary	Nature of business	Registered office	Country of incorporation	Direct or indirect owned	Proportion of ordinary shares held by the Company %
Tungsten Corporation Guernsey Limited	Intermediate holding company	Saint Peter Port	Guernsey	Direct	100
Tungsten Network Limited	Electronic invoice delivery	London	UK	Direct	100
Tungsten Network Inc (US Inc)	Electronic invoice delivery	Atlanta, Georgia	USA	Indirect	100
Tungsten Network Sdn Bhd	Electronic invoice delivery Shared service centre	Petaling Jaya	Malaysia	Indirect	100
Tungsten Network GmbH	Electronic invoice delivery	Hamburg	Germany	Indirect	100
Tungsten Network (Schweiz) GmbH	Shared services office	Gubelstrasse	Switzerland	Indirect	100
Tungsten Network S.A.P.I de CV	Electronic invoice delivery	Bosques De Las Lomas	Mexico	Indirect	100
Tungsten Network EOOD	Shared services office	Sofia	Bulgaria	Indirect	100
Tungsten Network Private Limited	Electronic invoice delivery	Delhi	India	Indirect	100
Image Integration Systems, Inc	Software	Perryburg	USA	Indirect	100
Tungsten Network Finance Limited	Intermediate holding company	London	UK	Direct	100
Tungsten Purchaser UK Limited	Invoice acquisition	London	UK	Indirect	100
Tungsten Account Trustee Limited	Trustee services	London	UK	Indirect	100
Tungsten Investment Management Limited	Investment management	London	UK	Indirect	100
Tungsten Purchaser (US), Inc	Invoice acquisition	City of Wilmington	USA	Indirect	100
Tungsten Purchaser (Canada) Ltd	Invoice acquisition	Calgary	Canada	Indirect	100

The Directors have reviewed the carrying value of the investments and there is no impairment required. There had been a capital injection to Tungsten Bank during the year totalling £1.15m. Tungsten Bank was then disposed of on 21 December 2016.

6. Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
Balance at 1 May 2016	1,800	91	43	1,934
Additions	–	1	–	1
Disposals	–	(2)	(42)	(44)
Balance at 30 April 2017	**1,800**	**90**	**1**	**1,891**
Accumulated depreciation				
Balance at 1 May 2016	240	24	42	306
Charge for the year	124	13	1	138
Disposals	–	(1)	(42)	(43)
At 30 April 2017	**364**	**36**	**1**	**401**
Net book value				
At 30 April 2017	**1,436**	**54**	**0**	**1,490**
At 30 April 2016	1,560	67	1	1,628

7. Trade and other receivables

Non-current assets	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Loans to employees under EMSS scheme	**482**	538
Trade and other receivables	**482**	538

Current assets	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Amounts owed by Group undertakings	**61,363**	41,422
VAT	**140**	81
Other receivables	**874**	83
Invoices receivable	**113**	-
Prepayments and accrued income	**268**	346
Trade and other receivables	**62,758**	41,932

The amounts owed by Group undertakings are due from Tungsten Network Limited and Tungsten Network Finance Limited as at 30 April 2017. These are non-interest bearing and are repayable on demand.

8. Trade and other payables

	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Trade payables and other payables	**84**	312
Taxation and social security	**104**	159
Accrued expenses and deferred income	**2,191**	1,861
Amounts owed to Group undertakings	**82,315**	73,759
Trade and other payables	**84,694**	76,091

The amounts owed to Group undertakings are due to Tungsten Corporation Guernsey and Tungsten Network Inc as at 30 April 2017. These are non-interest bearing and are repayable on demand.

9. Commitments

Operating leases

The table below sets out the future minimum lease commitments:

	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Less than 1 year	**650**	745
Between 1 and 2 years	**650**	723
Between 3 and 5 years	**1,950**	1,968
After 5 years	**4,279**	4,929
Total commitments	**7,529**	8,365

10. Related-party transactions

Key management personnel

Key management includes Directors – Executive and Non-Executive. There were no key management personnel in the Company apart from the Directors. The compensation paid or payable to key management for employee services is set out in Note 23 to the consolidated financial statements.

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

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