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TUNGSTEN CORPORATION PLC

The network built to last

Annual Report & Accounts 2020

The foundation to world-class performance

Our purpose: We exist to enable organisations to optimise their working capital, accelerating the global economy. We digitise and deliver purchase orders and invoices between organisations. Through our global network, we provide accurate and timely data improving decision-making and efficiency. It's not just about processing invoices, it's about maximising the value across the global supply chain. Using data to make better decisions and drive our clients forward.

Establishing the digital foundation for global customers

Years connecting companies, enabling tax compliant e-invoicing
20

Buyers
175

Suppliers
273,000

Transaction volumes
19m

Revenue
£36.8m

Adjusted EBITDA[1]
£2.7m

Net cash
£3.2m

1 Adjusted EBITDA is defined as operating profit before other income, depreciation, amortisation, goodwill impairment, gain or loss on sale, foreign exchange gain or loss, share-based payments charge, exceptional items and is adjusted to include rental expenses and rental income.

Creating value for our stakeholders

CONTENTS

We have been re-evaluating our brand, refocusing our core messaging and style. Check out our new website at:
www.tungsten-network.com

CHAIRMAN'S STATEMENT

"The past year has been one of transformation and consolidation for Tungsten."

Tony Bromovsky
Chairman

The past year has been one of transformation and consolidation for Tungsten. We have nonetheless continued to deliver on our strategic objectives, whilst recording growth in revenue and a reduction in costs, as reflected in our significant adjusted EBITDA improvement.

The impact of Covid-19 in the last two months of FY20 meant, however, that we have had little time to celebrate our successes. Instead, from March onwards, we concentrated all our attention and skills on supporting our team members and customers during a demanding and uncertain time. We have taken action to ensure that our business remains strong and resilient throughout this period and we are confident that we are now emerging from this crisis in a position to deliver against our long-term growth strategy.

Strong strategic progress

We are committed to delivering long-term value to shareholders and understand this depends, on executing against a strategy which provides value for all our stakeholders: customers, partners, employees and communities as well as shareholders.

After a rigorous process of selection, the arrival of Andrew Lemonofides as the new Chief Executive in September 2019 was a pivotal moment.

He has diligently focused on delivering on the agreed set of strategic initiatives whilst also bringing a focused operational approach to accountability and execution in the business.

He has reshaped the senior team, the sales capability, the internal organisation, the reporting lines and roles, and the back-office functions, bringing in outside consultants as needed. Employee efficiency and morale is up, HR churn is down.

"The impact of Covid-19 in the last two months of FY20 meant, however, that we have had little time to celebrate our successes. Instead, from March onwards, we concentrated all our attention and skills on supporting our team members and customers during a demanding and uncertain time."

Covid-19 pandemic

On behalf of the Board I want to say how grateful I am to our team members across the world for their commitment and dedication during the Covid-19 pandemic. While all working remotely, they have maintained high levels of service to our customers as well as supporting the well-being of their families and colleagues. It is a credit to them and the senior management team that we have been able to operate so effectively in light of the challenging conditions. I am justly proud of all their efforts.

The Chief Executive's report covers these points in more detail. The Board and its committees have functioned as effectively as usual, albeit via a new online medium. Senior management and the Board have cooperated closely on a range of matters relating to Covid-19, not least contingency planning for the eventual reopening of our offices.

A particular area of focus for the management team has been the drive to improve our core technology functions across the whole spectrum of our e-invoice services. These include, inter alia, client user experience, supplier onboarding and ticket support.

Andrew and the Executive team have also delivered well on each of the four key strategic targets that the Board laid down in July 2019, following the Strategic Review that year.

These were: driving the network effect by, for the first time, approaching major global suppliers to handle all their outgoing invoices in myriad forms; implementing strategic partnerships with e-procurement providers to ensure our USP service received the widest possible attention; interconnecting with other leading e-invoice platforms; and finally the launch

How we engage

We recognise that each of our stakeholder groups has a high impact on our business. They are imperative to achieving our ambitious goals and driving value for our customers, and we have structured communications channels to ensure they are kept informed regularly and transparently.

Stakeholder feedback

Engage

Listen

Review

Respond

Tangible long-term value

Our Directors engage with all our key stakeholder groups on an ongoing basis: **Our People**, **Our Customers** and **Our Investors**. The Directors continually review the impact any company decision will have on key stakeholders.

For more information **turn to page 18**

CHAIRMAN'S STATEMENT continued

of our dramatically enhanced and effective supply chain trade finance platform to better access the considerable Trade flows across our global platform.

Further details around the progress and results of these initiatives are given in the CEO's review.

As a result of all this, it is fair to say that this company and this business, both operationally and strategically, are now almost unrecognisable to what they were 18 months ago.

"FY20 will be remembered as the year in which we put the basics right, whilst maintaining the right direction of travel."

Financial performance

Against a challenging backdrop of unprecedented global uncertainty, we delivered a good financial performance in-line with our revised guidance. Group revenue grew 2% to £36.8 million, adjusted EBITDA grew to £2.7 million and we had net cash at year end of £3.2 million, reflecting a positive full year cash generation of £0.4 million. Our operating loss of £25.5m increased from £5.2 million because of a £23.0 million goodwill impairment charge booked against the 2013 OB10 Ltd acquisition.

Over the last two years we have worked hard to strengthen our financial position. The extension of our existing revolving credit facility post year end has ensured that we have no short-term refinancing needs and good liquidity.

Given the challenging circumstances at the end of the year, this is a good financial performance, driven by the radical approach and bold steps I have outlined above.

Our goal remains to deliver a scalable and agile business model in a fast-changing online landscape. The solid achievements in FY20 provide confidence that we can meet our shared growth aspirations in the coming years.

Board composition

During the year we completed our search for our new Chief Executive, Andrew Lemonofides, who joined the Company on 2 September 2019. Following wa period of transition, I stepped back from the role of Executive Chairman in December 2019, allowing Andrew freedom to lead his executive team. We also appointed Chris Allen as our new Chief Financial Officer on 27 April 2020.

In January, following the successful selection of Orbian as our preferred supply chain financing partner, Duncan Goldie-Morrison agreed to step down from the Board. After a thorough search, I was pleased that we were able to appoint Nick Wells, Head of Corporate Finance at Cenkos, as our new Non-Executive Director. Nick has brought a wealth of market knowledge and experience to the Board and has already made a significant contribution in his role as the head of the Remuneration Committee.

AGM

In light of current and anticipated Covid-19 public health guidelines, Tungsten Corporation is asking shareholders to comply with certain unprecedented but urgent measures for this year's AGM. These measures, which follow current best practice, are being taken to safeguard the safety and well-being of shareholders and other participants and to make the AGM as safe as possible.

As the UK Government has imposed measures restricting public gatherings, the meeting will unfortunately be closed to external shareholder attendees. The notice of meeting sent out in mid-September will state that the meeting will be held on a closed basis, and that all votes on the resolutions before the meeting will need to be submitted by the proxy deadline, two days before the meeting itself.

Further details and instructions will be detailed in the AGM notice issued to shareholders and subject to any subsequent Government advice. Given this new state of affairs at the AGM, we shall of course take extra care and trouble over the coming months to ensure our shareholders, both institutional and retail, are kept fully informed on our progress.

The year ahead

FY20 will be remembered as the year in which we put the basics right, whilst maintaining the right direction of travel.

This is an evolving business and it is now much closer to being fit for purpose in markets where the potential is great. Covid remains a threat, although invoice digitisation and remote working play massively to our strengths. Our new strategy, as described above, is playing out well and we believe that FY21 may well allow us to move into some new e-invoice adoption sectors.

We anticipate that our transaction volumes will recover as more organisations increase their demand for invoice digitisation in response to Covid.

We remain confident in the longer-term prospects of the Company thanks to a combination of a well-established growth strategy, significant market opportunity, diversified customer base and world-class products.

On behalf of the Board, I would like to thank Duncan Goldie-Morrison for his excellent services to the Company as a Non-Executive Director over 18 months and, in particular, Andrew Lemonofides, his Executive team and all of our team members for their hard work in achieving the result for 2020. I am grateful for their commitment and dedication during this difficult time. I would also like to thank our shareholders and customers for their continued support.

Tony Bromovsky
Chairman

6 September 2020

THE TUNGSTEN NETWORK

The key to unlocking the global supply chain

The Network

Our solutions

Total AP
100% invoice digitisation from day one

Total AR
Complete solution for AR departments

Tungsten Network Workflow
Full AP process automation

Trade Finance
Custom supply chain finance programme

Supplier Enrolment
White glove onboarding to ensure a successful e-invoicing programme

For more information **turn to page 08**

Built to last

Within a constantly changing and dynamic business environment, digitisation is key to staying agile and achieving world-class performance. Tungsten Network delivers digital invoice solutions for accounts payable (AP) and accounts receivable (AR) departments that bring transformative benefits throughout the supply chain.

Our touchless invoice process allows businesses around the globe to stay agile, receive tangible cost benefits and become a strategic partner to their organisations.

Our technology

Since 2000, our technology has evolved but our mission has remained the same: to enable our customers to maximise the value of their invoice processes through our digital network of buyers, suppliers and other business ecosystems.

Effortless transacting without manual, human intervention is possible, and Tungsten Network is the way to get there.

Why choose Tungsten Network?

Tungsten Network digital invoicing processes allow you to:

Increase visibility
Total visibility of spend across all enterprise resource planning (ERP) systems with line-level detail provides full insight, control and enhanced performance.

Intelligently manage exceptions
Handle exceptions at the point of invoice submission, reducing delays and avoiding errors.

Remain compliant around the globe
Government mandates and country regulations are on the rise. Through Tungsten Network solutions you can be prepared, manage growing demand before it happens and handle local compliance requirements – all through a single connection.

Achieve agility
For both AP and AR, you optimise your costs, maximise your invoice value and enhance front office decision-making.

"We couldn't be happier with our association with Tungsten. Tungsten Network has accelerated our global invoice process, helped us to reduce labour costs significantly, and allowed us to maintain and even strengthen our relationships with our valued suppliers."

Mark Dailey
Director Shared Services, Mohawk Industries

The Best-in-Class effect

Time to process a single invoice

3.1 days

(All others: 11.7 days)

Invoice exception rate

10.6%

(All others: 27.3%)

Invoices processed "straight through"

67.2%

(All others: 21.2%)

Cost to process a single invoice

$2.56

All others: $12.88 (all-inclusive cost)

Suppliers that submit invoices electronically

54.0%

(All others: 25.2%)

Invoices linked to a purchase order (PO)

80.2%

(All others: 44.3%)

A stronger network

At Tungsten Network, we believe that the new world of business is about outcomes for our customers, and not ownership by us.

For more information **turn to page 12**

THE TUNGSTEN SOLUTION

Streamlining P2P transactions across the world

Tungsten Network technology brings a wealth of insightful data, strategic value and revenue optimisation to our customers' invoice processes. Historic challenges require innovative solutions, and our key motivation is to deliver tangible value to the global businesses we serve.

PDF

Country mandates

Paper/post

Tax requirements

Total AR for accounts receivable

Invoice created

Exceptions managed

Other networks

Online portal

Government gateways

EDI

Over the last 20 years, we have had the privilege of working with some of the world's most respected organisations across a variety of industries, turning their digital ambitions into reality and helping them move away from the cost and complexity of multiple legacy systems.

For all our solutions, our clients gain enhanced efficiencies through total invoice automation, real-time reports and analytics, secure invoice archiving, and mitigation against potential fraud and error.

Unlike many legacy systems, Tungsten Network applications are easily scalable to any size organisation, providing them with a future-proof solution. They can choose from a suite of products to suit their exact requirements, and transacting around the world ensuring tax and regulatory compliance in 54 countries.

Total AR

Through Total AR, we digitise 100% of outbound sales invoices, converting paper and PDF to standardised electronic formats for guaranteed delivery to our customers' clients.

Easily scalable to specific operational needs, this solution unburdens AR departments from complex customer and government requirements and provides complete visibility across multiple distribution channels.

Tungsten Network's Total AR solution gives our clients complete control of cash flow, and real-time visibility to when their invoice has been received and when it is due for payment.

More than just an AR function, it is a strategic financial asset.

01. Invoice created by supplier, and uploaded in a number of different formats

02. The invoice is then processed

"Tungsten Network brings a global, standardised approach to all our suppliers, which permits us to standardise our own processes. End-to-end solutions and partnerships also solve our procurement issues, too."

Yasmine Deparre
Head of Performance & Catalog,
Sanofi

Translation

Compliance check

Archive

Invoice data

Total AP for accounts payable

Analytics

03. Invoice data is then supplied to the buyer for fulfillment

Total AP

Designed with buyers and suppliers in mind, Total AP represents a paradigm shift for accounts payable and shared services departments.

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

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

Workflow

Through our fully automated Tungsten Network Workflow technology, businesses save valuable time in matching purchase order (PO) based invoices, approving non-standard invoices and processing exceptions.

Compatible with multiple legacy applications, it automatically posts transactions into existing ERP systems with no human intervention and distributes invoices with no manual coding.

By linking Tungsten Network Workflow to their e-invoicing system, our customers improve the efficiency of their working capital and can reduce AP costs by 60% or more. It removes their headaches and helps them optimise their buyer-supplier relationships.

GROWTH STRATEGY

Clear objectives for sustained growth & success

It is estimated that the global e-invoicing and enablement market in 2019 was €4.3 billion, and that it will reach around €18 billion in 2025.

E-invoicing landscape

Key

Leading
Average
Emerging
Non-existent

Source: The Billentis Report

Market overview
2019 Market Highlights

Invoices sent annually

550bn

Electronic invoices issued in 2019

1.3bn

Estimated value

€4.3bn

Key trends in 2019

From a compliance perspective, 2019 and early 2020 is characterised by three main trends:

- A focus from local tax authorities on reducing indirect tax gaps and simplifying tax filing for businesses
- The full enforcement of the EU e-invoicing Directive
- The immediate impact of Covid-19 on fiscal policies

We expand on each of these below:

Indirect tax gaps
Tax gaps are detrimental to a country's ability to invest in and maintain public infrastructure. They also negatively affect the ability to borrow money. Several countries announced legislation and invoicing models during 2019 that allow governments to step into the business-to-business (B2B) invoicing cycle, capture tax early and eventually fully automate and simplify the tax filing process. This has been accelerated by technology that allows for early visibility of tax obligations on B2B invoices. It has also been inspired by the success of Italy's e-invoicing mandate that went live on 1 January 2019. Turkey and some countries in Latin America have already deployed such models, also known as mandates.

EU E-invoicing Directive
The European Union (EU) e-invoicing Directive (2014/55/EU) also came into force during 2019. It states that all public sector contracting entities must accept electronic invoices which are compliant with the European norm. The deadline for full compliance with the Directive was 18 April 2020 and public authorities across the EU should now be able to process e-invoices that comply. The Directive is driving several countries to make e-invoicing compulsory for suppliers to the public sector, often mandating the invoice format.

Covid-19 impact

The last two months of the financial year ending April 2020 saw significant emergency fiscal relief measures in countries partially or completely locking down to stem the spread of Covid-19. Tungsten Network's flexibility in dealing with tax rate changes and new compliance requirements has helped many of our multinational customers deal with fast-changing regulation.

Country mandates

We work closely with ur compliance partner, PricewaterhouseCoopers (PwC), and with local tax authorities so we can proactively plan for new country mandates or other regulation, inform our customers in a timely manner and ensure continuity in our compliant territories. During 2019, Tungsten Network was actively engaged in legislation changes across several countries:

- **India** announced mandatory invoice registration to a government platform for companies with annual revenues in excess of 100CrRn (17 Million USD) from 1 April 2020. Three weeks before implementation, the mandate was delayed until October 2020. Tungsten Network was ready for the April 2020 implementation date and was already going through final testing with customers.
- **France** passed a law for the phased implementation of mandatory e-invoicing between 2023 and 2025. The French Ministry of Finance initiated a first pilot in March 2020 aimed at understanding best practice. Tungsten Network successfully participated in this pilot and had the opportunity to provide feedback to the French government.
- **Germany** announced that invoices into any public sector entity must be electronic from 27 November 2020, following countries such as the Netherlands, Sweden, Denmark, Italy and France. Tungsten Network is ready for the German legislation through our Pan-European Public Procurement Online (PEPPOL) capabilities. Our ability to support business-to-government (B2G) connections in the EU and elsewhere is critical for the success of Total AR.
- **Hungary** has implemented real-time invoice reporting requirements that initially caused ambiguity over the permissibility to use e-invoicing networks. Tungsten Network obtained two rulings from the Hungarian Ministry of Finance that remove the lack of clarity and provide confidence to customers in the region.
- **Vietnam** had advanced plans to implement mandatory e-invoicing in November 2020, but in March 2020 the Vietnamese government decided to postpone this until July 2022.
- **Poland and the Baltic States** are amongst a growing number of countries considering mandatory e-invoicing or invoice reporting. Tungsten Network compliance is working very closely with PwC to stay on top of developments.
- In the **Philippines**, Tungsten Network has supported a major network buyer in obtaining a permit to use a computerised accounting system (CAS). This is a major development, as only very few e-invoicing providers have succeeded in obtaining this permit for their customers. The buyer can now release suppliers in the Philippines region.

Strategic focus for 2020

Our strategy remains one of achieving sustainable growth through delivering on the four main strategic initiatives that were agreed at the start of the financial year.

Drive the network effect

Drive more value from our customer base

Deepen relationships with existing customers

Strategic partnerships

"The past financial year has been transformational for Tungsten Network. We have maintained resilient performance against the backdrop of a challenging business environment. Our continued focus on sales execution drove good billing momentum in the second half, while we invested in building out our capabilities and delivering on our strategic objectives. We maintained strong expense management and achieved positive cash generation. All these factors position the business well for future growth."

Andrew Lemonofides
Chief Executive Officer

PARTNERSHIPS

Trusted partners, stronger network

At Tungsten Network, we believe that the new world of business is about outcomes for our customers, and not ownership by us.

Tungsten's mission is centred on enabling a touchless invoice process – we remain focused on expanding the Network to facilitate the delivery of a cross-border, tax and business compliant e-invoice from suppliers to their customers around the world.

But that is just the beginning.

Through our strategic partnerships, we are creating the ecosystem to allow our customers to realise greater value from their digital foundation, propelling them on their journey to world-class performance.

From government portals, business ecosystems, e-procurement solutions to value-add service providers, we have built a dedicated team focused on building relationships with leading providers to jointly deliver our services resulting in better outcomes for our customers. These partnerships will allow Tungsten Network customers to realise greater value from their investment.

"We've been with Tungsten Network for five years now, they are a major part of our journey to 'net-cost zero.' They're our key partner, our only partner, for electronic invoice submission."

Paul Harvey,
Head of Procurement Operations & Infrastructure,
Marsh McLennan and Companies

FY20 highlights:

In FY20, our team has progressed partnership discussions with leading e-procurement, payment and vendor master data providers. Tungsten became the first certified e-invoicing partner with one of the largest e-procurement players globally, and collaboration discussions are underway with multiple other players.

Trade finance remains an important and complementary service to our core offering, and during FY20 we engaged in a financing partnership with Orbian to provide this important service to our global customer base. Formally shared with our customers at Insights 2020, we have already seen a major retailer go live and begin offering much-needed financing opportunities to their supply base during the Covid-19 pandemic.

Outlook

Our dedicated team is just getting started. In FY21 they will continue to focus on building partnerships that support our customers and their ambitions to build a world-class finance function, and also accelerate Network growth.

More information

For more information check out our website:

www.tungsten-network.com/about-us/partners

OUR PEOPLE & CULTURE

Embedded in our operations & central to what we do

To deliver against our strategy and growth ambitions, we recognise the need to cultivate new ways of working. Particularly in the technology sector, businesses evolve every day and new uncertainties arise. Tungsten Network continuously strives to develop a culture that inspires every individual to deliver excellence in everything they do, every single day, and foster a workforce that is agile to the changing dynamics of the digital world and evolving customer needs.

This responsibility for creating an environment where this culture can thrive begins and ends with the Tungsten Network leadership team. If we expect our people to go above and beyond for our customers, we must do the same for them. This is why our employees remain at the heart of our wider strategy – in their personal aspirations, professional development and in shaping the Company's future.

Our people across the world

134
London UK

94
Kuala Lumpur Malaysia

40
Toledo USA

5
Offices

14
Sofia Bulgaria

04
Rest of the world

286
Total headcount

Our values

During 2020, we identified areas where we can develop interventions to support a people-centric strategy. We needed a common language and vision to support new innovative ways of working. Integral to this was the rebrand of our internal values proposition, focused on the input of our people and the things most important to them. Our rebranded values are based on four major pillars:

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

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

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

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

Our stakeholders
For more information **turn to page 18**

Personal and professional development

Employee development remains at the top of our agenda. Now, at the time of joining, each employee attends an induction programme delivered through a series of recorded modules and live webinars which take them through every aspect of what Tungsten Network does.

We have also implemented a new agile performance management approach. Instead of one major annual review, we run a quarterly objectives-based employee review system.

Through structured two-way conversations, employees receive constructive feedback and work with their manager to ensure their objectives remain aligned to the priorities for the organisation. These reviews also provide an opportunity to discuss employees' career aspirations and how Tungsten Network can support them in achieving these.

Employee recognition

Our employee survey in January 2020 yielded invaluable input from employees and resulted in several initiatives which will form part of our growth platform through 2020 and beyond.

We have fantastic people who deliver day in and day out for our customers and shareholders.

We are Connected

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

I Contribute

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

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

The Tungsten Network leadership team has focused on showing our appreciation and recognising the great work happening across the organisation, improving two-way communications at all levels.

As part of our People Strategy, we have developed a new recognition programme, linked to our rebranded company values. It includes intranet-based peer-to-peer social recognition, quarterly nominations and annual Tungsten Hero awards. This is supported by a new intranet which drives improved communication and social engagement globally.

These initiatives have already been well received across our international workforce. We are confident that by reinforcing our people values throughout the organisation, we will continue to enhance delivery across all areas of our business.

Sales Excellence programme

Continuing to recruit and develop salespeople with the right skills and attributes remained a key focus area for H2 of FY20. To grow the business during 2020, we needed to accelerate our recruitment activity without compromising on the quality of people we brought into the team. With this in mind, we have developed a Sales Excellence programme to continuously develop our sales professionals.

Aimed at unifying the sales team within a consistent operational framework, the Sales Excellence programme focuses on core selling and strategic skills. It includes a competency framework and growth development path for each role, helping our sales teams improve their individual skills and work at peak performance levels.

OUR PEOPLE & CULTURE continued

Life in lockdown

It is often said the only constant in life is change, but nothing could have prepared businesses and communities globally for Covid-19.

Highlights

New joiners

60

At Tungsten Network, we quickly reacted to ensure business continuity while keeping our people and customers safe. Our robust business continuity processes stood us in good stead to manage the transition quickly and effectively.

Like many organisations, our offices have been closed since March and our employees have been working remotely – a new experience for many. Our challenge was to make sure everyone stayed engaged, productive, motivated and continued to feel part of the Tungsten Network community even from afar. 'We are Connected' is one of our core values, so it was important for us to make it as easy as possible for our people to communicate and collaborate as they did when they worked from a physical office.

The launch of our new intranet, where news and updates from around the Company are posted daily, has played an important role in keeping everyone in the loop and focused on achieving our company objectives. In response to employee feedback, we also added a social feed to the site, which makes it easy to connect with colleagues around the world, and a virtual recognition scheme where you can send kudos to someone to thank them for great work. This has been an excellent means of fostering a sense of community across our locations, keeping everyone connected and motivated. Our CEO, a staunch believer in the power of the handwritten note, has also adapted to the new situation. The messages he normally pens and posts to employees to congratulate them on birthdays, work anniversaries and other achievements, are now being sent electronically with the help of a scanner.

With offices closed, the importance of technology and connectivity quickly emerged so we could do our jobs and access the information we needed. Video conferencing is the standout service that has made the transition to remote working easier for everyone, and many of our teams organise virtual events to keep in contact with their colleagues. In Sofia, Bulgaria, members of the Service Delivery and Support teams often have informal catch ups where they discuss non-work topics, introduce their pets, and have a laugh. Our Technical Operations team has set up an online pub quiz, and Marketing holds virtual coffee breaks every week.

In May, we used video conferencing to hold a series of virtual kick-off meetings, where we brought everyone together to celebrate our people, highlight our business priorities, and lay out our company strategy for the year. Although we originally planned for these sessions to be run in person, they were very popular even in virtual format, and dozens of departments sent in hundreds of fantastic team collages from all around the world. These pictures highlighted the brilliant personalities and spirit of our employees and brought us all together as one team, even though we were physically apart.

However, few would disagree that a video call is no substitute for face-to-face relationship building, especially for those who are new to Tungsten Network. Being in the office allows you to take in sounds, body language and nuances that help you begin to understand and assimilate to a new company culture. With our offices still closed, this is not possible - so new joiners find themselves in a unique situation that presents a new challenge both for them and the business.

To date, we have welcomed 60 new joiners during lockdown, all of whom joined remotely. These new recruits must adapt not only to a new company, team and culture, but they are also navigating an entirely new way of working. To tackle these challenges, our HR team has established a special remote onboarding process that aims to be both thoughtful and practical, and is carefully tailored to the virtual nature of current working.

Our IT department has worked tirelessly behind the scenes to make the remote onboarding process as easy as possible for new employees. The team used to build laptops for new employees in the office. This was an automated process that required little attention, but with our offices closed they had to adapt quickly. Our Global IT Support Manager turned his own home into a laptop-building factory during lockdown. He would have the machines delivered to his house, build them, then have a courier collect them and ship them to the new employee with all the software installed and ready to go. With 60 laptops to ship, it didn't take long for him to be on first name terms with his local courier.

It's clear that 2020 is not 'business as usual' for any company - ours included. However, it is how you deal with challenges that really shows your mettle. Everyone in the Company has met this monumental change with poise, pragmatism and positivity. If this pandemic has proved anything, it has to be the resilience, drive and calibre of our employees and the robustness of our company. We will emerge from this experience a stronger and more united organisation.

OUR STAKEHOLDERS

Embedded in our operations & central to what we do

We recognise that each of our stakeholder groups has a high impact on our business. They are imperative to achieving our ambitious goals and driving value for our customers, and we have structured communications channels to ensure they are kept informed regularly and transparently.

Like all UK companies, Tungsten Network's Board of Directors must act in accordance with a set of general duties as detailed in section 172 of the UK Companies Act 2006 and summarised as follows:

Our Directors engage with all our key stakeholder groups on an ongoing basis: Our People, Our Customers and Our Investors. The Directors continually review the impact any company decision will have on key stakeholders.

Our people

We continuously engage with our people on several levels. Central to our people culture is to gain their valuable input which we do through employee surveys and regular 'Lunch and Learn' sessions. For general communications and company updates, we use various channels that include our company intranet, weekly communications, quarterly staff meetings and annual kick-offs.

We recognise that supporting our people so they can meet their professional and personal aspirations is crucial to their morale and also the success of the Company. In this regard, we have changed our performance management process from annual to quarterly reviews so employees can receive constructive feedback, voice their concerns and update their objectives on a regular basis. In addition, our recently updated recognition system includes intranet-based peer-to-peer social recognition, quarterly nominations and our annual Tungsten Hero awards. We go into more detail on both our performance management and people recognition in the People & Culture section of this report.

Our customers

Like every business, our customers are crucial to Tungsten Network's ongoing success and strategic growth. And like our people, they are therefore central to everything we do. We continuously communicate with our customers through annual events and monthly newsletters, while our dedicated Client Management team is engaged in constant customer liaison.

Through our Sales Excellence programme, our sales teams are able to optimise their own engagement levels with our customers, understanding their needs and ensuring they gain the maximum value from the solutions we provide. In turn, through Tungsten Network solutions our customers are able to engage with their own clients and stakeholders across the supply chain transparently and efficiently.

Our investors

It is top of our agenda to maintain strong relationships with our investors and shareholders, and we maintain high levels of trust through transparent engagement and open communications.

As well as regular meetings, we stay engaged with our investors and shareholders through channels such as annual general meetings (AGMs) and regulatory news service (RNS) announcements. These could be monthly or quarterly, depending on the purpose or context.

CEO'S REVIEW

"Our continued focus on sales execution has driven good billing momentum in the second half, as we have invested in building out our capabilities and delivering on our strategic objectives."

Andrew Lemonofides
Chief Executive Officer

Overview

FY20 was a year of transformation for Tungsten in which, although we reported an operating loss of £25.5 million, we delivered revenue and adjusted EBITDA growth whilst also making strong progress against our key strategic objectives. We had a robust approach to the Covid-19 crisis which gives us the confidence to face the challenges and embrace the opportunities ahead of us.

Covid-19 response

The Covid-19 crisis has had a limited financial impact on FY20 as it escalated toward the end of our financial year. Our priorities have been to protect our team members and to protect their health and well-being; to look after our customers; and to make our business secure both financially and operationally.

We took a number of swift actions including:

"With our market experience and stable suite of products that are both innovative and global, we help our customers benefit and succeed in the digital economy by digitising their invoice flows, enabling invoice processing to be faster and allowing greater flexibility around cash flow management."

Our continued focus on sales execution has driven good billing momentum in the second half as we have invested in building out our capabilities and delivering on our strategic objectives. We maintained strong expense management and achieved positive cash generation, which positions the business well for future growth.

Our purpose

With our market experience and stable suite of products that are both innovative and global, we help our customers benefit and succeed in the digital economy by digitising their invoice flows, enabling invoice processing to be faster and allowing greater flexibility around cash flow management.

Whilst it is too early to draw definitive conclusions on the impact of Covid-19, initial indications are that we see Covid-19 providing a potential catalyst to accelerate the need to digitise invoices as a response to the crisis and also to reflect the new way of working going forward.

Many organisations have yet to fully digitise their invoice flows and we are now seeing customers looking at ways to speed up their digitisation plans as we play our part of being an essential partner on their journey to best-in-class digital invoice processing.

- Achieving a smooth transition to full remote working across all our sites: London; Atlanta; Sofia; Kuala Lumpur and Toledo ahead of formal lockdowns being implemented in each country;
- We took prudent and early action to preserve liquidity and reduce discretionary costs which included an immediate Group-wide pay freeze as well as pausing all non-essential recruitment. We also decided that we would not pay a management bonus to staff for FY20; and
- We formed a Covid-19 team in March and have held regular management and Company-wide updates. These meetings will continue as we work to define our "new operating model" to meet these new challenges and opportunities.

Although the impact of Covid-19 has not been as marked as with many other organisations, the full effect on the business is still unfolding.

Our strategic focus areas

In the current rapidly changing environment, we continue to invest and strengthen the capabilities and skills of our teams to support the growing needs of our customers around the world, especially as their own customers (buyers and suppliers) are also looking to speed up the rate of invoice digitisation.

Performance highlights

New deals

4

Expected new buyers

28

Expected new suppliers

40,000

Growth in transaction volume

4%

Repeatable and recurring revenue

94%

We remain committed to supporting our customers with solutions which meet the demands being placed on them and which meet all of the regulatory requirements.

Our strategy remains one of achieving sustainable growth through delivering on the four main strategic initiatives that were agreed at the start of the financial year.

Driving the network effect – Total AR

The key objective here is to handle 100% of the outgoing invoices in all formats. Following launch in July 2019, we signed four new deals across the year, proving the concept and customer requirements. We enter FY21 with a growing pipeline.

Strategic partnerships with e-procurement providers

Ensures our service receives the widest possible attention. We have integrated with the Coupa network and gained CoupaLink certification. This provides a platform to explore further opportunities for working with Coupa and their buyers and suppliers. Additionally, we are exploring partnerships with a number of other key P2P players.

Interconnecting with other leading e-invoice platforms

This is designed to improve the scale and reach for our customers and in turn boost turnover, volume and income. We have signed a major partnership with a US bank which is expected to add up to 28 new buyers and 40,000 suppliers to our network.

Trade Finance Reset

Focused on accessing the considerable trade flows across our global platform. Our exclusive partnership with Orbian was successfully launched in March following two months of technical integration. Our launch customer signed in April and we are expecting to advance up to c. £100 million of finance to this one customer's suppliers. We have a strong pipeline of further opportunities for the coming year, from what is proving to be an exciting profitable revenue stream.

CEO'S REVIEW continued

Performance

Our core business has performed well over the year, with transaction volumes growing 4%. 94% of revenue was repeatable and recurring (up from 92% in FY19) and we had net cash of £3.2 million reflecting positive full year cash generated from operations of £4.6 million. We had six new AP and AR customer wins, four of which were with our new Total AR product. Accounts Payable (AP) is Tungsten transmitting e-invoices from buyer to supplier, Accounts Receivable (AR) is the opposite, in which suppliers are sending their invoices to a number of buyers. In both cases, we look to handle 100% of the invoice volume to maximise efficiencies and cost savings.

We also successfully wound down our TNF portfolio, replacing it with our new partnership with Orbian where we were able to replace our legacy approach to Trade Finance for one which sees our systems integrated and the request for financing made at the point of need. The flexibility and simplicity of this approach has proved highly successful with our launch customer and we have high expectations for the success of this product going forward.

We have a considerable opportunity to continue to work with our existing customers to build out and fully digitise their existing invoice flows. In addition, we plan to achieve further success in bringing new customers to our network, whilst leveraging the network effect which our global network provides as we look to connect buyers to their suppliers and in reverse (allowing for the first time, suppliers to transmit 100% of their outbound invoices through the Tungsten Network in a variety of formats to their buyers), making it easy for suppliers to connect to multiple buyers.

Tungsten has continued to invest in robust and efficient processes to swiftly onboard new buyers and suppliers to the network, in addition to providing leading exception handling processes that seek to maximise the straight through processing of invoices for customers. This allows them to maximise the potential savings associated with invoice digitisation.

Risk management
For more information **turn to pages 28 to 30**

Expansion of our customer base and network remain key, not only through our existing and new customer base, but through extending the offerings we give to our customers, for example supply chain finance.

We also have our Workflow offering and are looking at how to monetise our data through the provision of analytics.

Foundations for growth

As we continue to execute against our strategic priorities, they will provide a solid foundation to the growth aspirations that we have for Tungsten. We have three fundamental pillars of success:

"The changing dynamics of the market mean that network interconnection and interoperability form the foundation of future success which we will continue to address through our strategic initiatives."

1. Our **global network** - this remains a significant differentiator as the overall network effect is multiplied as more buyers and suppliers are connected through and transact across the network. Clearly our goals are around maximising those connections and interconnecting with other networks to broaden reach.
2. **Innovation** remains key to our long-term success. This year the successful launch of our Total AR product and the new Orbian platform underlined the importance of continuing to innovate. Ahead of us we need to look both at further augmenting our product set and also at platform usability as these will become increasingly important differentiators.
3. Our **people** are fundamental to our long-term success. Whilst much of my initial focus was around creating the right organisational structure, this has been balanced with changing the culture to one which is more value driven and inclusive. We have significantly increased the level of internal communication and engagement, as we seek to show how much we value the contributions that our team are making and how important they are to our future success.

An evolving competitive landscape

As we look to leverage our global network effect, we will make an investment in building out our partner business to provide greater reach over the coming year. We need to have the capability to deliver our model both directly and indirectly to allow us to most effectively meet the increasing demands of our customers.

The changing dynamics of the market mean that network interconnection and interoperability form the foundation of future success which we will continue to address through our strategic initiatives.

Equally with the increasing complexity of the regulatory frameworks being introduced by individual countries, we remain heavily focused on building out our compliant network to give presence in those countries that introduce mandates for invoice processing to ensure that we continue to offer our comprehensive service to our customers.

Our people

In this year of transformation, there have been a number of notable changes since I joined in September 2019. I was keen to strengthen my leadership team to give the needed focus around driving both accountability and execution. Chris Allen joined as our new Chief Financial Officer, in addition to Eric Craig being appointed as Chief Sales Officer and Ian Kelly as our new Chief Commercial Officer. All have hit the ground running and have elevated the commerciality and professionalism within the business.

The sales team has also been reshaped, to ensure that we had capable sales professionals focused on delivering the right results for our customers and able to build the right relationships. Equally our back office has been transformed as we have sought to establish a more collaborative environment, with everyone, at all levels, focused around delivering customer-oriented results.

We also launched our first employee engagement survey, the results of which were interesting and very encouraging as they highlighted what a truly passionate and committed team we have. We have launched a number of initiatives aimed at leveraging this internal passion and focusing attention around meeting and exceeding customer needs and expectations.

Enhancing our approach

We have delivered on four new technological steps which further help our clients integrate and work with the Tungsten Network.

- The **Tungsten Portal** used by our buyers and suppliers has been a key focus during the year. We adopted an evolutionary approach which has been taken to redesign the user experience focusing on known customer pain points. During the year we have also delivered a re-designed supplier onboarding experience along with a new look and feel to the overall portal.
- **Supplier Connect** – one of the key drivers for Tungsten is to onboard increasing numbers of suppliers, but once on boarded we want to encourage these suppliers to expand their usage on the network by increasing their connections to new buyers. We have introduced exciting new capability "Customer Connect" which allows our suppliers to connect to buyers using a self-service option which allows them to transact in minimal time and with minimal effort. We have seen significant uptake and very positive feedback from our suppliers since launch.
- **Touchless Campaigns** – supplier onboarding is our "white glove" process which has always been popular with buyers. We have enhanced this with a "touchless campaigns" capability which allows buyers to integrate their vendor management solution directly with Tungsten to enable a touchless onboarding process. This allows a continual cycle of supplier onboarding as and when new suppliers are added to the buyer's vendor management system.
- **Service Cloud** – as part of the rollout of Salesforce.com, the service platform Service Cloud has been adopted across our back-office to further enhance the customer journey and visibility of customer engagement across the business.

With our focus on **simplicity** and **scalability**, we have also launched an updated version of our website, designed to more effectively position the Tungsten USPs and our product set. We also appointed Tavistock as our Financial PR agency and have been working with them to implement a cohesive strategy focused on both institutional and retail investors, both in Europe and particularly the US.

We will continue to evolve our offerings across FY21, with an increased focus on the user experience.

Looking ahead

FY20 was a transformational year for Tungsten. We made significant progress in further reducing costs and putting the right sales and support structures in place to drive sustainable growth over the medium term.

We continue to have a loyal customer base who are keen to work with us to address many of the challenges which the market is facing in the post Covid-19 world. Covid-19 if nothing else, has acted as a catalyst to encourage companies to view their paper invoice streams as a risk which can be mitigated through the acceleration of the digitisation of their invoices.

We will continue to work closely with our partners, develop our network, invest in innovative new revenue streams and in our people. We will continue to deliver on our four strategic initiatives to ensure that we remain the leading player in our industry.

"Our people are fundamental to our long-term success. Whilst much of my initial focus was around creating the right organisational structure, this has been balanced with changing the culture to one which is more value driven and inclusive."

Finally, I would like to thank all of our customers, suppliers and employees for their dedication and commitment in what has been a challenging year. I am very proud of the contribution and achievements of the entire team at Tungsten, who have proved their ability to be flexible and agile in focusing on delivering to customer expectations. We have achieved a great deal in a short time and have built a strong foundation from which to deliver growth in our business.

As we exit our "transition phase" we are well placed to take advantage of the opportunities which the "new ways of doing business" in the post-Covid-19 era will undoubtedly present.

Andrew Lemonofides
Chief Executive Officer

6 September 2020

CFO'S REVIEW

Revenue excluding TNF for the year was £36.3 million (FY19: £35.4 million), representing an increase of 2.6%. The growth in revenue reflected the net benefits of new customer sales, additional product sales to current customers and increased transaction volumes. Revenue including TNF for the year was £36.8 million (FY19: £36.0 million), representing an increase of 2.1%.

Total new sales billings in FY20 were £4.0 million, representing year one billings for new services sold to current and new buyers. £3.2 million of this was recognised in FY20, with the balance of £0.8 million to be recognised in FY21.

Recurring revenue increased by £0.6 million, or 3%, to £19.6 million (FY19: £19.0 million) due to a combination of six new sales across our AP and AR solutions, offset by the loss of one AP buyer.

Repeatable revenue increased by £0.9 million, or 7%, to £14.4 million (FY19: £13.5 million) due to increased transaction volumes processed for new and existing customers, as well as targeted supplier price increases.

Other revenue decreased by £0.6 million to £2.3 million (FY19: £2.9 million) due to fewer AP and AR sales in the year, as well as the benefit in FY19 from increased set up fees following the regulatory changes enforced by the Italian tax authority.

TNF revenue generated fees of £0.5 million in FY20 (FY19: £0.6 million), a decrease of £0.1 million due to a decrease in the average outstanding as the business is being wound down.

Revenue by type of customer
Buyer revenue represented 42% of Tungsten Network revenue in FY20 (FY19: 43%). Total Buyer revenue was £15.3 million (FY19: £15.2 million), reflecting a growth in recurring and discretionary revenue of 8.6% (£1.1 million) and a fall in one-off revenue of 41.1% (£1.0 million).

Supplier revenue represented 58% of Tungsten Network revenue in the 2020 financial year (FY19: 57%). Total Supplier revenue grew 4.4% to £21.0 million (FY19: £20.1 million). This reflected a growth in recurring and discretionary revenue of 4.1% (£0.8 million) as well as a growth in one-off revenue of 12.0% (£0.1 million).

Income statement

£m	Group	
	FY20	FY19 (Restated)[1]
Revenue	**36.8**	36.0
Cost of sales	**(1.6)**	(1.9)
Gross profit	**35.2**	34.1
Adjusted operating expenses[2]	**(32.5)**	(33.5)
Adjusted EBITDA[3]	**2.7**	0.6
Rent adjustment[4]	**1.0**	-
EBITDA[5]	**3.7**	0.6
Other operating expenses	**(29.2)**	(5.8)
Operating loss	**(25.5)**	(5.2)
Net finance income/(costs)	**(0.4)**	(0.1)
Loss before taxation	**(25.9)**	(5.3)
Taxation	**(0.1)**	1.4
Loss for the year	**(26.0)**	(3.9)

1 The 2019 income statement has been restated to amend the recognition of a deferred tax charge.

2 Adjusted operating expenses exclude cost of sales, other income, interest, tax, depreciation, amortisation, impairment of intangible assets, loss on disposal of assets, foreign exchange gains or losses, share-based payments charges, and exceptional items, and is adjusted to include cash rental expenses and rental income.

3 Adjusted EBITDA is calculated as earnings before net finance cost, tax, depreciation and amortisation, impairment of intangible assets, loss on disposal of assets, foreign exchange gain or loss, share-based payment expense and exceptional items, and is adjusted to include cash rental expenses and rental income.

4 Rent adjustment includes both cash rental expenses and rental income. The adoption of IFRS 16 results in this expense falling below EBITDA in FY20.

5 EBITDA is calculated as earnings before net finance cost, tax, depreciation and amortisation, impairment of intangible assets, loss on disposal of assets, foreign exchange gain or loss, share-based payment expense and exceptional items. The most directly comparable IFRS measure to segment EBITDA is operating loss for the period. Management utilises EBITDA to monitor performance as it illustrates the underlying performance of the business by excluding items management considers to be not reflective of the underlying trading operations of the Group, or adding items which are reflective of the overall trading operations, as applicable.

Revenue

£m	FY20	FY19	Movement[1]
Recurring revenue[2]	**19.6**	19.0	4%
Repeatable revenue[3]	**14.4**	13.5	5%
Total recurring and repeatable revenue	**34.0**	32.5	4%
Other revenue[4]	**2.3**	2.9	-17%
Tungsten Network total revenue	**36.3**	35.4	3%
TNF revenue[5]	**0.5**	0.6	-17%
Group revenue	**36.8**	36.0	2%

Recurring revenue % of total Tungsten Network revenue[6]	54%	54%	-
Total recurring & repeating revenue % of total Tungsten Network revenue[7]	94%	92%	2%

1 Revenue is shown to the nearest £0.1 million. Movement is calculated on figures to the nearest £1.

2 Recurring revenue represents annual subscription and maintenance fees on contracts typically ranging from one to three years and billed annually in advance.

3 Repeatable revenue represents transaction-based fees from contracted customers, typically billed at the point of usage or at the end of the month of usage.

4 Other revenue represents implementation, modification and professional services fees, billed either in advance or on completion of project stages.

5 TNF revenue relates to revenue generated by the trade finance business announced for disposal but not treated as an asset held for disposal at the end of FY20.

6 Recurring revenue is revenue from annual subscription and maintenance fees as a % of revenue excluding TNF.

7 Recurring and repeatable revenue is total recurring and repeatable revenue as a % of revenue excluding TNF.

Expenses

£m	FY20	FY19	Movement[1]
Sales & marketing	**(5.8)**	(7.3)	1.5
Service delivery	**(7.2)**	(6.8)	0.4
Technology & product	**(10.3)**	(10.0)	(0.3)
Finance, administration, Board & central overheads	**(9.2)**	(9.4)	0.2
Adjusted operating expenses[1]	**(32.5)**	(33.5)	1.0
Rent adjustment	**1.0**	-	1.0
Cost of sales	**(1.6)**	(1.9)	0.3
Depreciation and amortisation	**(4.4)**	(4.1)	(0.3)
Loss on disposal of assets	**(0.6)**	(2.2)	1.6
Foreign exchange gain/(loss)	**0.8**	1.7	(0.9)
Share based payment expense	**(0.5)**	(0.2)	(0.3)
Exceptional items	**(1.5)**	(1.0)	(0.5)
Impairment	**(23.0)**	-	(23.0)
Statutory operating expenses	**(62.3)**	(41.2)	(21.1)

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

Expenses

The Group's adjusted operating expenses reduced by 3% to £32.5 million (FY19: £33.5 million).

Sales and marketing expenses reduced by £1.5 million to £5.8 million. This primarily reflects reductions to ineffective marketing spend in the second half of the financial year and savings in payroll.

Service delivery expenses increased by £0.4 million, largely due to increased staff costs. Technology and product costs increased by £0.3 million year-on-year largely due to investment in our technical operations and development resources. Finance, administration, Board and central overheads reduced by £0.2 million, or 2%, to £9.2 million due to savings from professional support and office costs.

Statutory operating expenses increased by £21.1 million to £62.3 million (FY19: £41.2 million). Key movements include:

- *Goodwill impairment of £23.0* million relating to the carrying value of the goodwill associated with the OB10 acquisition in 2013, reflecting unprecedented economic conditions brought about by the Covid-19 pandemic. This does not reflect a change in the overall Group's strategic outlook for its longer-term future.
- Reduction in the foreign exchange translation gain of £0.9 million reflecting the revaluation at year-end of monetary assets and liabilities denominated in foreign currencies.

Financial Statements
For more information **turn to pages 66 to 119**

- Reduction in loss on disposal of £1.6 million related to the write-off of internally generated intangible assets.
- Share-based payment expense increase of £0.3 million due to the issuance of share options for new senior management.
- *Depreciation and amortisation* increase of £0.3 million due to the commencement of amortising software development costs incurred in FY19 and FY20.
- Exceptional items increased by £0.5 million primarily due to restructure activity.

Loss before tax

The Group generated a loss before tax of £26.0 million (FY19: £5.3 million). The reduction primarily reflects the £23.0 million impairment charge for goodwill, reflecting unprecedented economic conditions brought about by the Covid-19 pandemic. This does not reflect a change in the overall Group's strategic outlook for its longer-term future.

Taxation

There is a tax charge of £0.1 million for the year (FY19 restated: credit £1.4 million). Last year's tax credit included a £1.5 million research and development tax credit.

Loss per share

The basic and diluted loss per share was 20.62p (FY19 restated: 3.11p).

Dividends

The Company has not paid, and does not propose to pay, a dividend in relation to FY20.

Prior year adjustments

During the year the Group identified a deferred tax liability that had been incorrectly recorded in 2013 following the acquisition of OB10 Ltd and the incorrect unwinding of a deferred tax liability created following the acquisition of DocuSphere Inc., in 2014. Both liabilities have been offset with an equal and opposite deferred tax asset which has been unwound through the prior year accounts in line with the historic treatment of the deferred tax liability.

The Group also identified three liabilities totalling £0.9 million that arose in previous years, but which were not recorded on the 30 April 2019 statement of financial position. The liabilities reflected a more appropriate revenue recognition policy from our Web Form supplier revenue, the booking of a compensated absence accrual and the booking of an additional indirect tax accrual relating to the Group's global activities. These have resulted in the restatement of the consolidated statements of financial position at 30 April 2019 and 30 April 2018 to include these liabilities. The effect of these items on the 2019 income statement is not material and so they have no effect on either the loss for the year or the loss per share in 2019. Further details are set out in Note 26 to the consolidated financial statements.

Funding and liquidity

Cash and cash equivalents at the end of FY20 were £5.2 million (FY19: £3.8 million). Net cash (including borrowings under the revolving credit facility) at the end of FY20 was £3.2 million (FY19: £2.8 million).

The Group had a cash inflow in FY20 of £1.5 million, with cash and cash equivalents at the end of FY20 of £5.2 million. Including borrowings, cash was £3.2 million. Liquidity, including £2 million of undrawn revolving credit facility with a maturity date of July 2021, was £7.2 million.

CFO'S REVIEW continued

Cash flows from operating activities
Cash generated from operating activities was £4.6 million (FY19: -£0.3 million). The improvement on the prior year was due to lower operating losses and improved working capital, particularly around invoice billing and cash collection.

Cash flows from investing activities
Cash spent on investing activities decreased by £0.3m to £3.0 million (FY19: £3.3 million), reflecting a higher mix of maintenance work as opposed to the development work of our technology team.

Cash flows from financing activities
Cash flow from financing activities of £(0.1)m (FY19: £1.0 million) relates to the partial draw down of another £1 million of the revolving credit facility in March 2020, offset by £1.1 million of office rental payments. The office rental payments were included in operating activities prior to the adoption of IFRS 16.

The FY20 movement in the Group's cash, excluding drawings from the revolving credit facility (RCF), was a £0.5 million inflow. This included a £1.8 million outflow in H1-FY20, offset by a £2.4 million inflow in H2-FY20 (£3.4 million inflow, less £1.0 million drawings on the RCF).

Capital expenditure
During the year, the Group spent £3.0 million on capital expenditure, being £0.2 million in relation to property, plant and equipment, and £2.8 million in relation to internally capitalised software development. This compares to £3.3 million in total in FY19. Our significant internally-generated software development expenditure was in relation to the development of new functionality and a more modern look and feel for our customer portal and updates to our core transaction processing software.

Cash flow £m	FY20	FY19
Net cash flow from operating activities	**4.6**	(0.3)
Net cash flow from investing activities	**(3.0)**	(3.3)
Net cash flow from financing activities	**(0.1)**	1.0
Net movement in cash & cash equivalents	**1.5**	(2.6)
Exchange adjustments	**(0.1)**	-
Cash & cash equivalents at the start of the period	**3.8**	6.4
Cash & cash equivalents at the end of the period	**5.2**	**3.8**

Balance sheet items

Goodwill has reduced by £22.9 million to £76.1 million (FY19 restated: £99.0 million), reflecting the £23.0 million impairment charge which is partially offset by foreign exchange translation movements.

Following the adoption of IFRS 16 'Leases' the Group recognised £6.4 million right-of-use assets and £7.0 million of lease liabilities, more details of which are disclosed in Note 2 of the Group accounts.

The Group has increased contract liabilities by £1.8 million to £8.9 million, details of which are disclosed in Note 22.

Related parties

The Group entered into transactions with related parties in the ordinary course of business, more details of which are disclosed in Note 25 of the Group accounts.

Going concern

Although the impact of Covid-19 has not been as marked as with many other organisations, the full effect on the business is still unfolding. Revenue since the year end has been in line with our expectations with only limited adverse effects of Covid-19 being apparent, and the move to remote working has increased the importance of e-invoicing to our customers and potential customers. However, we have no experience of a similar crisis and so it is difficult to predict the extent to which Covid-19 may affect future revenues. It is not yet clear how long the pandemic will last and what the medium to long-term effect will be on business behaviour.

We must therefore prepare the business for varying levels of sales decline. To that end, we have modelled the effects of differing levels of sales decline along with the measures we can take to ensure that the Group remains within its covenants, and we have prepared cash flow forecasts for a period in excess of 12 months.

We anticipate revenues meeting budget over FY21 but recognise that there is a risk that the Group will be impacted by reductions in the number of invoices our customers process and by prospective customers delaying implementation projects. If sales and settlement of existing debts are not in line with cash flow forecasts, the Directors have identified cost savings associated with the reduction in revenues and have the ability to identify further cost savings if necessary.

The Directors have no reason to believe that customer revenues and receipts will decline to the point that the Group no longer has sufficient resources to fund its operations. However, in the unlikely event that this should occur, the Group will have to adjust its working capital positions, as well as making significant reductions in its fixed cost expenses.

Chris Allen
Chief Financial Officer

6 September 2020

RISK MANAGEMENT

Principal risks & uncertainties

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

Risk management at Tungsten Corporation Plc starts at Board level 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.

For more information
Audit Committee report: **page 42**

The Executive Directors and senior management team oversee the management of the business utilising a wide range of controls, including financial, operational, compliance and risk management oversight. They ensure the implementation and execution of our risk management strategy across the business.

Tungsten Corporation Plc's dedicated compliance and cyber security teams are accountable for sustaining the Company's ISO 27001 (information security management) and ISAE 3402 (controls at a service organisation) certifications. Chaired by Tungsten Network's General Counsel/Data Protection Officer, our Security Committee includes members of the senior management team and 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, and commercial and technology teams, and we develop all our systems, products and services under strict controls. As part of our risk strategy, we 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 conducted by the Board and Executive Directors.

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

While not exhaustive, the tables below show Tungsten Network's key risks and our mitigation strategies.

Risk	Impact	Mitigation
Customer Relationships Tungsten Network works with some of the world's biggest companies. There is a risk that we may fail to win or retain contracts on satisfactory terms and conditions with existing as well as new targeted customers and markets. **Risk level** Risk change: Unchanged Impact on strategy: Medium	• Failure to meet our growth plans. • Failure to achieve revenue, profit and earnings targets.	• Active management in place to spread revenues across all customers. No one customer accounts for significant revenue or concentration of revenue. • Structured contracts approval process with clearly defined selection criteria, to ensure contracts are taken on or renewed only where Tungsten Network can provide a good service and manage any risks involved. • Continual review and development of the client relationship management structure and function to improve services to the existing customer base. • Robust process to continuously listen and respond to customers so we can enhance their experience of using Tungsten Network's products and services.
Market Geopolitical issues around global trade wars, regulation, Brexit and global recession could lead to catastrophic loss of business by our large customers. **Risk level** Risk change: NEW Impact on strategy: Medium	• Failure to meet our revenue, profit and earnings targets. • Failure to meet our growth plans. • Impact on the viability of doing business in some countries.	• Timely Executive Committee reviews on market movement. • Regular communications with our main buyers to understand how any potential geopolitical factors are affecting their businesses.

Risk	Impact	Mitigation
Pandemic Covid-19 virus. **Risk level** Risk change: NEW Impact on strategy: High	• Failure to meet our growth plans. • Failure to achieve our revenue, profit and earnings targets. • Products and services becoming unavailable.	• Since late February, Tungsten Network's Executive Management team has closely monitored the Covid-19 situation and observed reports from the World Health Organization (WHO), local governments and agencies – particularly within the countries where we operate. • Stress testing on employees' capability to work from home, completed with minimal interruption to day-to-day operations. • Close monitoring on reported cases and observing country regulations to combat Covid-19. • Regular updates to all employees on the pandemic and on company measures to ensure business as usual while keeping the employees safe. • Close monitoring on service delivery by high-risk vendors that provide processing services to our customers. • After continuous monitoring, Covid-19's impact on the business has been minimal. And even though all employees have worked remotely since mid-March, full business across all services and operations has continued to expected service level agreements.
Technology Failure to invest in enhancements to our infrastructure and operating systems could lead to a loss of competitor advantage and inability to meet customer expectations. **Risk level** Risk change: Increased Impact on strategy: High	• Failure to meet our growth plans. • Failure to achieve revenue, profit and earnings targets. • Unavailability of products and services. • Reputational damage and loss of customers.	• Governance frameworks for the successful implementation of planned enhancements and changes. • Detailed approval and planning process prior to project commencement. • Executive Committee and Board reviews on the status of key change programmes and projects. • Hiring of experts in infrastructure projects and change programmes to achieve successful implementation. • Post-implementation reviews after project completion so that lessons can be learned.
Business Continuity Tungsten Network has a highly developed and complex operational and IT infrastructure, which is constantly developed and upgraded. A major incident as a result of an internal or external event could impact the Company's ability to provide products and services to our customers. **Risk level** Risk change: Unchanged Impact on strategy: Medium	• Unavailability of products and services. • Customer claims for losses. • Reputational damage and loss of customers. • Failure to meet our growth plans.	• Regular Executive Committee and Board review of business continuity strategy. • The strategy forms the basis of the annual business planning process. It aligns to performance targets and is regularly communicated to all staff. • Documented, up-to-date and regularly tested disaster recovery and business continuity plans. Use of multiple hosting centres. • IT recovery plans including 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 risk mitigation management. • Recruitment of new employees with the appropriate skills. And where required, third party experts to review and validate both the planning and execution of programmes of work. • Training and employee awareness programmes in place.

RISK MANAGEMENT continued

Risk	Impact	Mitigation
Cyber Security Tungsten Network has a highly developed and complex IT infrastructure. There is a risk of information security breach including cyber-attacks, leading to loss of confidentiality, integrity or data availability. **Risk level** Risk change: Unchanged Impact on strategy: Medium	• Unavailability of products and services. • Damage to reputation and loss of customers. • *Failure to meet our* growth plans. • Loss of ISO accreditation.	• Mitigating cyberattacks to ensure customer confidence in the security and availability of our products and services. • Well-defined IT security procedures. • Documented, up-to-date and regularly tested disaster recovery and business continuity plans. Use of multiple hosting centres. • Comprehensive review of procedures and controls as per International Standards for Assurance Engagements (ISAE) 3402 Assurance Reports on Controls at a Service Organisation. • Comprehensive review of procedures and controls as per the ISO 27001 international standard describing best practice for an Information Security Management System. • Training and employee awareness programmes in place.
Liquidity and Financing Inability to finance the Group businesses. **Risk level** Risk change: Unchanged Impact on strategy: Medium	• Failure to continue in business or meet liabilities. • Failure to meet our growth plans.	• Our Executive Directors regularly stress test the business model to ensure the Group has adequate working capital. • Robust procedures to monitor effective cash and debt management, including cash reports and cash forecasting. • A cash mitigation plan, should liquidity fall below expected levels. • The Group has secured and extended its revolving credit facility with its bank.
Retention and Succession Planning Inability to attract, retain, develop and motivate the best people with the appropriate capabilities to create a high quality, diverse and flexible workforce. **Risk level** Risk change: Unchanged Impact on strategy: Medium	• Failure to maintain satisfactory customer service levels. • Loss of knowledge and skills within the business. • Overreliance 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 overseen by our 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.

Chris Allen
Chief Financial Officer

6 September 2020

STATEMENT OF COMPLIANCE WITH SECTION 172 OF THE COMPANIES ACT 2006

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

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

b) the interests of the company's employees;

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

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

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

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

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

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

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

(i) Operating Review

Following the announcement on 30 April 2019 of the initial conclusions of the Board's Operating Review, the Board and Operating Review Committee continued work on defining the key strategic focuses for the Company going forwards.

This culminated in the further announcement on 22 July 2019, in which the Company reiterated its commitment to three key strategic objectives, i.e. (i) driving the Network effect, including introducing Total AR; (ii) strategic partnerships with e-procurement providers to provide an additional channel to market, and (iii) connecting with other platforms to improve automation, customer service and user experience.

The announcement on 22 July 2019 also identified several continuous improvements in day-to-day operations that were identified and implemented as part of the Operating Review with a view to increasing the effectiveness of our operations and service delivery and of our ongoing investment in the platform.

These included, in particular, the process that ultimately led to the wind-down of the Company's existing Tungsten Network Finance trade finance business and its replacement with a new partnership with Orbian Corporation, allowing Tungsten to focus on its core focus areas of electronic invoicing solutions for accounts payable and receivables and other associated services, while still leveraging the Tungsten Network to offer tailored supply chain finance and other trade finance products and solutions to its customers.

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

(ii) Working capital management

Following net cash outflow of £1.8 million in the first half of the year, the Board was presented with a plan early in the second half of the year to improve cash generation. This plan involved improving significantly the Group's ability to bill amounts due to customers in line with contractual terms, improving significantly cash collection procedures from suppliers on the network and engaging with vendors to facilitate better payment terms on large items of expenditure. The plan also proposed to delay paying any cash bonuses, subject to final approval by the Remuneration Committee, until November 2020 and to defer any annual salary uplift until the FY22 financial year. The Board debated the impact of these measures on our customers, key vendors and employees and decided that they were an appropriate response in order to safeguard the future of the business.

Neither of the key decisions considered by the Board in FY20 had an environmental impact and the Directors are satisfied that decisions made by the Board promote the long-term interest of Tungsten for the benefit of its members as a whole.

The Strategic Report was approved by the Board on 6 September 2020 and signed on its behalf by:

Andrew Lemonofides
Chief Executive Officer

6 September 2020

Corporate Governance

In this section

CHAIRMAN'S GOVERNANCE OVERVIEW

"As a Board we recognise the importance of high standards of corporate governance and their importance and support to our strategic goals and long-term success."

Tony Bromovsky
Non-Executive Chairman

Dear Shareholder,

The Principles of Corporate Governance

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

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

The QCA's Ten Principles of Corporate Governance

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

Deliver growth

The Board has collective responsibility for setting the strategic aims and objectives of the Group. These growth aims are articulated in the CEO's statement in the Annual Report and on our website along with our business model. In the course of implementing these strategic aims, the Board takes into account the expectations of the Company's shareholder base and also its wider stakeholder, environmental and social responsibilities. The Board also has responsibility for the Group's internal control and risk management systems and structures. Our risk management process is embedded into the business and starts at the Board and is delivered throughout the Group.	1	Establish a strategy and business model which promote long-term value for shareholders.
	2	Seek to understand and meet shareholder needs and expectations.
	3	Take into account wider stakeholder and social responsibilities and their implications for long-term success.
	4	Embed effective risk management, considering both opportunities and threats, throughout the organisation.

Maintain a dynamic management framework

As Chairman, I continually consider the operation of the Board as a whole and the performance of the Directors individually. During the last year, we have appointed two new Executive Directors and one new Non-Executive Director. Together with the new appointments made in the previous year, this maintained the focus, momentum, diversity and relevant technology industry experience of the Board and provides a strong platform moving forwards. It is fundamental to me as Chairman to see that the Board and its Committees adhere to best practices pursuant to the QCA Code. We challenge ourselves to ensure continuous improvement of our performance in this respect and to promote a corporate culture that is based on ethical values and behaviours. Responsibility for the overall leadership of the Group and setting the Group's values and standards sits with the Board.	5	Maintain the Board as a well-functioning, balanced team led by the chair.
	6	Ensure that between them the Directors have the necessary up-to date experience, skills and capabilities.
	7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.
	8	Promote a corporate culture that is based on ethical values and behaviours.
	9	Maintain governance structures and processes.

Build trust

During the year the Company has undertaken a number of investor relations activities. These include several investor roadshows and many investor meetings, participation at investor conferences and attending other events where investors have the opportunity to meet and talk to the Executive Directors and other members of the Board. Investors are actively encouraged to attend our AGM and each member of our Board sees this as an important event in the annual calendar to meet and talk to shareholders. During the year the Board has continued to review governance and the Group's corporate governance framework. We reviewed our governance against the new QCA Code in July 2020 and will do so annually, as required by AIM Rule 26.	10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

Tony Bromovsky
Non-Executive Chairman

6 September 2020

BOARD OF DIRECTORS

Strong leadership

Membership key

A Audit Committee

N Nomination Committee

R Remuneration Committee

Committee chair

Committee member

Andrew Lemonofides

Chief Executive Officer

Andrew served as Chief Strategy and Transformation Officer at IWG plc, having previously worked as Chief Strategy Officer and a valued member of the IWG Senior Leadership team since 2012. Andrew has extensive experience of the technology sector, having held a number of senior roles in global technology companies for a total of 23 years. Most recently Andrew spent 13 years at Dell Corporation in various senior finance and operations roles, including COO Emerging Markets, European Commercial Operations Director and Finance Director UK LCA.

He has focused on the execution of transformational change through a detailed, systematic and customer-centric approach to deliver simple and effective business models. Importantly he has also led reengineering programmes encompassing both AR and AP systems, allowing him a deep understanding of the solutions which Tungsten offers from all customer perspectives.

Andrew holds a degree in Business Studies with Marketing, a postgraduate degree in Economics and also an MBA.

Tony Bromovsky

Non-Executive Chairman

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

Membership

N R

Chris Allen

Chief Financial Officer

Chris is a highly motivated finance and strategy professional with over 10 years' experience in dynamic, innovative environments for high growth companies including BSkyB, LOVEFiLM, and NOW TV.

Most recently, he served as Chief Financial Officer for the UK and Europe at Worldpay where he provided finance leadership across this market-leading UK business unit.

Throughout his career, Chris has focused on executing change delivery and business transformation, investor management, and acquisitions.

Committee reports

Audit Committee **on page 42**

Nomination Committee **on page 50**

Remuneration Committee **on page 52**

Vivienne Maclachlan

Non-Executive Director

Vivienne is the Chief Financial Officer for ThomasLloyd, a global asset management group focused on the investment in renewable energy infrastructure assets in south east Asia and headquartered in Zurich. She oversees all of the core finance function responsibilities, as well as being a key member of the Executive Leadership Team. Prior to this, Vivienne was the CFO of Alfa Financial Software, a technology company based in London and was a capital markets specialist for more than 12 years at PwC in London, assisting management teams and owners of companies to raise capital in the UK and US markets. Vivienne is a member of the Institute of Chartered Accountants of Scotland.

Membership

A N R

Nick Wells

Non-Executive Director

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

Membership

A N R

Andrew Doman

Non-Executive Director

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

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

Membership

A N R

COMPOSITION AND INDEPENDENCE OF THE BOARD

The composition of the Board has been structured to ensure that no one individual can dominate its decision-making processes. The Board consists of six Directors: the Chairman (acting in a Non-Executive capacity), two Executive Directors, and three Non-Executive Directors. All of the Non-Executive Directors are considered by the Board, and regularly demonstrate, that they are independent.

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

Appointments to the Board and re-election

The Board has delegated the tasks of reviewing Board composition, searching for appropriate candidates and making recommendations to the Board on candidates to be appointed as Directors to the Nomination Committee. Further details on the role of the Nomination Committee may be found on page 50.

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. Nick Wells and our new Chief Financial Officer Chris Allen will therefore stand for election at the next AGM.

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

Division of responsibilities Chairman and Chief Executive Officer

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

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

Role of the Chairman

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

Role of the Chief Executive Officer

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

From February 2019 until the arrival of Andrew Lemonofides as Chief Executive Officer in September 2019, the responsibilities of the Chief Executive Officer were divided between the Chairman, acting in an Executive capacity, and the former Chief Financial Officer, David Williams, acting as Interim Chief Executive Officer. The Chairman continued in an Executive capacity until 12 December 2019, when he reverted back to a Non-Executive role.

Senior Independent Director

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

Non-Executive Directors

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

Development, information and support

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

Board meetings

	Board (Full Board)	Audit Committee	Remuneration Committee	Nomination Committee
Tony Bromovsky	8/8	-	4/4	1/1
Andrew Lemonofides[1]	6/6	-	-	-
Chris Allen[2]	-	-	-	-
Andrew Doman	7/8	2/3	4/4	1/1
Vivienne Maclachlan	8/8	3/3	3/4	1/1
Nick Wells[3]	-	-	-	-
Duncan Goldie-Morrison[4]	4/4	3/3	3/3	-
David Williams[5]	6/6	-	-	-

1 Appointed 2 September 2019.
2 Appointed 27 April 2020.
3 Appointed 31 March 2020.
4 Resigned 28 February 2020.
5 Resigned 28 February 2020.

Conflicts of interest

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

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

Performance evaluation

The Chairman considers the operation of the Board and performance of the Directors on an ongoing basis as part of his duties and will bring any areas of improvement he considers are needed to the attention of the Board. The Chairman's performance for this year has also been reviewed by the other Non-Executive Directors as part of the business of the Remuneration Committee. In terms of governance, this year there has been particular focus on further improving the quality of Board papers, and the Company engaged with external consultants Board Intelligence to provide a new set of templates for key reports that have now been fully adopted. The improvement in the Board papers has also increased the effectiveness of Board meetings and the Board is looking for further ways of continuing this improvement in FY21.

The Board will conduct a further internal review of its progress in the course of FY21. The Board also has in place a programme of assessments for individual Board members, with the Chairman responsible for Board member evaluations, and the Board responsible for evaluation of the Chairman.

How the Board operates

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

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

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

COMPOSITION AND INDEPENDENCE OF THE BOARD continued

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

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

Attendance at Board and Committee meetings by the Directors is shown below. In relation to the eight full Board meetings mentioned above, five were regularly scheduled Board meetings, in line with the Board calendar agreed at the beginning of the each year, and three were ad hoc meetings called to review and agree matters required to be dealt with in between the regularly scheduled Board meetings. There were also three Board sub-committee meetings to approve the FY19 year-end accounts and awards made under the Company's Deferred Share Bonus Plan and Long Term Incentive Plan.

The main activities of the Board during the year

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

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

- Implementation and ongoing review of the new strategy and other initiatives arising out of the Operating Review.
- Review and approval of new trade finance strategy, including entry into new partnership with Orbian Corporation and wind-down of existing Tungsten Network Finance operations.
- Review of implications of Covid-19 on the Company and Group.
- Strategy presentations.
- Presentations from various parts of the business.
- Approval of Annual Report and financial statements.
- Review of budgets and business plans.
- Implementation of new remuneration plan.
- Going concern and cash flow.
- Systems and internal controls.
- Risk.
- Briefings and review of conflicts of interest.
- Review of AGM business.

The Board Committees

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

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

External advisers

The Board seeks advice on various matters from its Broker and Nomad, Canaccord Genuity, its lawyers, Memery Crystal LLP, Ashurst LLP and Shepherd and Wedderburn LLP, accountants Grant Thornton UK LLP, communications and investor relations advisers Tavistock Communications Limited and remuneration advisers Aon Hewitt Limited.

Accountability

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

Risks throughout the Group are considered and reviewed on a regular basis. Risks are identified and mitigating actions put into place as appropriate. Principal risks identified are set out in the Strategic Report on pages 2 to 31. Internal control and risk management procedures can only provide reasonable and not absolute assurance against material misstatement. The internal control procedures were in place throughout the financial year and up to the date of approval of this report.

Financial and business reporting

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

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

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

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

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

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

The Board intends to further develop its assessment of the recognition of corporate culture and ethical values during the year, and will enhance disclosures in these areas on our website and in our 2021 Annual Report.

Modern slavery

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

Shareholders

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

During FY20, the Board engaged communications and investor relations advisers Tavistock Communications Limited to support it further in this area, and as a result a number of new initiatives are planned for FY21.

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 16 October 2020. The Notice of Annual General Meeting will be available on the Company's website at https://www.tungsten-network.com/about-us/investor-relations/. The Notice of Annual General Meeting will be sent out at least 21 days before the meeting. Separate resolutions are provided on each issue so that they can be given proper consideration.

AUDIT COMMITTEE REPORT

Continual review of internal controls and risk management

I am pleased to present the Audit Committee report for the year ended 30 April 2020, which summarises our activities during the year, as well as setting out intended key areas of focus for FY21.

FY20 has been a period of change with the appointment of our new CEO and new CFO, and I would like to take this opportunity to welcome Nick Wells to the Committee as of April 2020. I would also like to thank Duncan Goldie-Morrison for his service over the last year.

We have also appointed BDO LLP as our external auditor for the FY20 financial year. In this year of change and evolution, the Committee has spent time continuing to assess the Company's risk management framework, internal controls and management information systems and in assessing the ongoing application of IFRS 15 "Revenue from Contracts with Customers".

This year we have continued to review the internal controls and risk management throughout the business, including business continuity planning which was tested and evidenced as successful during the period of lockdown across the world. In August 2019, I had the opportunity to visit the shared service centre in Kuala Lumpur, Malaysia to meet key individuals within the finance team and risk management. This has given the Committee greater insight into the workings of the global team and we also continue to meet with key individuals within the executive team throughout the year.

"In this year of change and evolution, the Committee has spent time continuing to assess the Company's risk management framework, internal controls and management information systems."

Membership of the Committee and meetings attended

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

I would like to take this opportunity to welcome Nick Wells to the Committee as of April 2020 and thank Duncan Goldie-Morrison for his service over the last year.

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

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

Role of the Audit Committee

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

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

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

Committee highlights

Members of the Committee

The Committee consists of Non-Executive Directors.

Members	Meeting attendance
Vivienne Maclachlan (Chair)	(4/4)
Andrew Doman	(4/4)
Duncan Goldie-Morrison	(3/4)
Nick Wells	N/A

Members during the year were as follows:

Name
Vivienne Maclachlan (Chair) Appointed February 2019 – Current
Andrew Doman Appointed December 2018 – Current
Duncan Goldie-Morrison Appointed October 2018 – Feb 2020
Nick Wells Appointed April 2020 – Current

AUDIT COMMITTEE REPORT continued

Principal activities of the Audit Committee in FY20

Meeting	Area of focus
July 2019	• FY19 Annual Report and accounts – review focused on whether the report was fair, balanced and understandable. • Going concern and goodwill impairment. • Review of the impact of the application of IFRS 15 "Revenue from Contracts with Customers". • Review of the impact of the application of IFRS 16 "Leases". • Review of impairment in relation to goodwill and subsidiary and intercompany receivables. • Review of exceptional items. • Review of internal controls and risk management processes. • Review of principal risks and uncertainties. • Appointment of new auditors.
September 2019	• Review of principal risks and uncertainties. • Review of internal controls and risk management processes. • Review of treasury and foreign exchange issues. • Review of initial FY20 interim audit plan.
December 2019	• Review of the FY20 interim financial statements and interim release. • Review of principal risks and uncertainties. • Review of going concern. • Review of internal controls and risk management processes. • Review of treasury and foreign exchange issues.
June 2020 (Postponed due to Covid-19 pandemic)	• Review of principal risks and uncertainties disclosure for the Annual Report. • Review of key accounting judgements and estimates. • Review of the Trading Update statement. • Review of FY20 external audit plan.

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

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

Revenue recognition

Management's assessment
Following adoption of IFRS 15 from 1 May 2018, management has reviewed the critical estimates and judgements to gain comfort on the recognition policies. Management prepared documentation that identified the main performance obligations and provided a more detailed rationale for the treatment of each obligation under IFRS 15. Management are comfortable that revenue is recognised in accordance with these obligations for set up, analytics, transactions, archiving, professional services, integrated suppliers, workflow and the Orbian supply chain financing partnership.

Management reviewed the treatment of revenue from Webform suppliers, in particular the method used to estimate the deferral relating to transactions purchased but not utilised. Following that review, a change has been made to the deferred revenue calculation which has led to an increased liability as at 30 April 2020, resulting in a restatement of the FY19 statement of financial position but no impact on the FY19 income statement.

Audit Committee's response
The Committee reviewed in detail, with the external auditor, management's analysis of IFRS 15, as applied to the different types of customer contracts during FY20. The auditors reviewed the approach to revenue recognition and challenged the basis of key assumptions. The Committee is satisfied with the conclusions made, specifically the determination of the timing of revenue recognition on Webform sales and therefore is satisfied that management's assessment is in compliance with IFRS 15, the disclosure in the consolidated financial statements is appropriate, specifically around the restatement of the opening statement of financial position and that the Group has applied the relevant standard appropriately.

Capitalised internal development costs

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

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

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

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

(i) whether development costs met the capitalisation criteria under IAS 38;

(ii) where development costs had been capitalised in relation to ongoing projects, that these were in relation to commercially viable projects and therefore remained on balance sheet; and

(iii) whether satisfied that all other expenditure, with the exception to those projects capitalised, should be expensed.

The Committee has reviewed and is satisfied with judgements applied by management in determining the value of the costs relating to projects that have been capitalised during FY20. These judgements have also been discussed with the external auditor.

AUDIT COMMITTEE REPORT continued

Key matters considered in relation to the consolidated financial statements continued

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

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

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

Impairment of goodwill

Management's assessment
Goodwill of £101.8 million was recorded on the acquisition of OB10 in 2013 and DocuSphere in 2014. The goodwill balance is reviewed annually for impairment based on an estimated value-in-use of the cash-generating unit ("CGU"). The key assumptions were WACC, revenue growth, cost inflation and taxation rate. The base case was then sensitised for each of these assumptions. The combination of this analysis, combined with other qualitative factors (in particular the broader UK economic environment), has led management to propose an impairment charge of £23.0 million against the carrying value of goodwill associated with the OB10 acquisition.

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

Going concern

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

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

Audit Committee's response
The Committee reviewed management's budget and forecasts, including an overview of the assumptions made in the preparation of the base case supporting the going concern statement. This included the Group's FY21 budget and also the high level plans for FY22. The Committee discussed, and challenged as appropriate, and assessed this in light of the principal risks and uncertainties, including the impact of Covid-19. The Committee discussed and challenged the downside scenarios modelled by management, the funding headroom available and the feasibility of mitigating actions and the speed of implementation of any cost-saving measures following management decision making. The Committee noted the requirement for the Directors to state whether they consider it appropriate to adopt the going concern basis of accounting for a period of at least 12 months from the date of approval of the FY20 financial statements. The Committee considered the additional downside stress testing performed by management. Following this evaluation and analysis, the Committee was satisfied with the judgements made and that the continued use of the going concern basis was appropriate.

Newly applicable accounting standards – IFRS 16

Management's assessment
The Group adopted IFRS 16, Leases from 1 May 2019. The Group applied IFRS 16 using the modified retrospective approach which does not require the restatement of comparative information. The application of IFRS 16 requires management to apply judgement in setting an appropriate incremental borrowing rate to be used in calculating the lease liability on transition. Management prepared an Audit Committee paper documenting the basis for the rate selected.

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

Assessment of the Annual Report

The Board has charged the Audit Committee with reviewing the contents of this FY20 Annual Report to assess whether, when taken as a whole, it is fair, balanced and understandable and provides the necessary information for shareholders to assess the consolidated position, performance, business model and strategy. As such, the Audit Committee has reviewed the contents of this FY20 Annual Report and when forming its opinion in respect of the above matters, the Audit Committee assessed the following:

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

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

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

Following the Audit Committee's review, the Directors confirm that the FY20 Annual Report, when taken as a whole, is fair, balanced and understandable and presents the information necessary for a shareholder to assess the Company's position and performance, business model and strategy.

Internal controls and risk management

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

Overview of the internal control environment

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

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

AUDIT COMMITTEE REPORT continued

Developments to the control environment in FY20

The most significant activities during FY20 relate to the following:

- Further progress of a project to enhance the Group's end-to-end Order-To-Cash processes;
- Development of a centralised accounting controls manual; and
- Commercial review of contracts.

Order-To-Cash processes

Commencing in late FY19, the Company has been implementing new processes and systems that will have a positive impact on the speed, efficiency and effectiveness of the Company's Order-To-Cash processes. Work on this project is at an advanced stage, and is expected to be completed in December 2020.

Controls manual

Following discussion and review by the Audit Committee, the Company is in the process of compiling a definitive centralised accounting controls manual, which will bring together the various policies already existing within the organisation. This is expected to be completed in March 2021.

Review of effectiveness of the internal control environment

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

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

Risk management process

In addition to management's risk management process as highlighted on page 28 of this Annual Report, the Audit Committee has, and will continue to, review the risk register a minimum of twice-annually and assess the actions taken by management to manage and mitigate the risks. The Group's principal risks and uncertainties are laid out on pages 28 to 30 in the Strategic Report.

Independence and performance of the external auditor

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

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

There were no non-audit fees paid or payable to BDO in FY20. Details of audit, audit-related fees and non-audit fees are included in Note 8 to the consolidated financial statements. The external auditor is prohibited from providing internal audit services. No former employee of the external or internal audit providers is employed by the Group. BDO has confirmed its independence to the Audit Committee.

Effectiveness of the external auditor

The Audit Committee has reviewed the quality of the audit plan and related reports for the FY20 audit and is satisfied with the quality of these documents. Due to the recent appointment of BDO LLP, an internal evaluation will be undertaken in early FY21.

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

Focus for FY21

Moving into FY21, we will continue to discuss and give healthy challenge to management on their key judgements and estimates in relation to financial accounting and review and assess the performance of the business in line with the plan. We also look forward to supporting management as they further develop and enhance their IT systems, specifically in the area of billing, which will support the expected future growth of the business.

Specifically, we will:

- Review the changes to the financial control environment as the billing system enhancements are implemented;
- Review the budgeting process and the enhancement of development of a three - five year planning process and the interplay with the newly formed Commercial department;
- Review the appropriateness of KPIs and timeliness of production of non-financial reporting metrics; and
- Continue to review risk management systems and IT security arrangements to ensure that they are appropriately robust to support the strategies of a high growth business.

Viv Maclachlan
Chair of the Audit Committee

6 September 2020

NOMINATION COMMITTEE REPORT

A globally diverse business

The Committee met formally on one (1) occasion in FY20. The business of the Committee was also subject to several ad hoc discussions involving all Committee members in spring and summer 2019 in connection with the recruitment process for the new Chief Executive Officer, resulting in the appointment of Andrew Lemonofides, who joined the Company on 2 September 2019.

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

Duties

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

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

"The 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."

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

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

Diversity

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

Tony Bromovsky
Chair of the Nomination Committee

6 September 2020

Committee highlights

Members of the Committee

The Committee consists of Non-Executive Directors.

Members	Meeting attendance
Tony Bromovsky (Chair)	(1/1)
Andrew Doman	(1/1)
Vivienne Maclachlan	(1/1)
Nick Wells	N/A

Members during the year were as follows:

Name	Member since/until
Tony Bromovsky (Chairman) Appointed October 2018 - Current	
Andrew Doman Appointed December 2018 - Current	
Vivienne Maclachlan Appointed February 2019 - Current	
Nick Wells Appointed April 2020 - Current	

REMUNERATION COMMITTEE REPORT

Thorough and independent policy setting

The Committee usually meets at least three (3) times a year and at such other times during the year as is necessary to discharge its duties. During the course of FY20, the Remuneration Committee met on four (4) occasions.

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

Duties

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

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

"The Committee usually meets at least three times a year and at such other times during the year as is necessary to discharge its duties."

- To determine the policy and scope of pension arrangements for Executive Directors and other designated senior executives.
- To oversee any major changes in employee benefits structure throughout the Group.

The main activities of the Remuneration Committee during the year:

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

- Consideration of Executive Directors' and Exco bonuses, and in particular reviewing performance for FY19 and setting objectives and outcomes for FY20.
- Review and approval of remuneration packages for the new Chief Executive Officer and Chief Financial Officer.
- Review and approval of remuneration package for the Chairman.
- Approval of awards made under the Company's new Deferred Share Bonus Plan and Long Term Incentive Plan.
- Review of potential mechanism for conversion of awards made under the previous UK Share Option Scheme and US Stock Option Plan into shares in the Company.
- Review of Terms of Reference.

Nick Wells
Chair of the Remuneration Committee

6 September 2020

Committee highlights

Members of the Committee

The Committee consists of Non-Executive Directors.

Members	Meeting attendance
Duncan Goldie-Morrison (Chair until 28 February 2020)	(3/3)
Tony Bromovsky	(4/4)
Andrew Doman	(4/4)
Vivienne Maclachlan	(3/3)
Nick Wells (Chair)	N/A

Members during the year were as follows:

Name	Member since/until

Duncan Goldie-Morrison (Chair until 28 February 2020)
Appointed October 2018 – Resigned February 2020

Tony Bromovsky
Appointed October 2018 – Current

Andrew Doman
Appointed December 2018 – Current

Vivienne Maclachlan
Appointed February 2019 – Current

Nick Wells (Chair)
Appointed April 2020 – Current

REPORT OF DIRECTORS' REMUNERATION

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

The Remuneration Committee

The Board has delegated certain responsibilities for executive remuneration to the Remuneration Committee. Details of the Remuneration Committee, its remit and activities are set out on pages 52 to 53.

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

Remuneration policy

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

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

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

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

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

The key elements of the Remuneration Plan adopted in FY19 are as follows:

Base Salary	Base salary is reviewed annually by the Remuneration Committee. Going forwards, base salaries for Executive Directors and other senior employees are being benchmarked and will be awarded in line with the median level for comparable companies.
Bonus	The Remuneration Committee has agreed performance conditions for the annual bonuses of the Executive Directors based on the achievement of certain financial and operational KPIs. Each Executive Director has performance conditions relating to the profitable growth of the Group, specifically in relation to growth in Company revenue and EBITDA. Each Executive Director has additional performance conditions relevant to their own areas of responsibility. The new Remuneration Plan encourages a move from payment of bonuses 100% in cash to a mix of cash and deferred bonus shares under the Company's Deferred Share Bonus Plan (the "**DSBP**"). The DSBP was adopted by the Board by resolution on 29 April 2019, the key points of which are: • Deferred bonus shares under the DSBP are typically one or two year vesting. If two year vesting they would vest 50% after 12 months, 100% after 24 months. • DSBP is targeted at Executive Directors, Exco members and senior level employees. • Deferred bonus shares are awarded subject to performance over the period under assessment, though vesting of awarded deferred bonus shares is not subject to performance conditions. • Deferred bonus shares lapse if the recipient leaves before vesting, subject to discretion for good leavers to receive on pro-rated basis. Early vesting upon M&A and other corporate events. • Malus and clawback provisions apply. • Deferred bonus shares under the DSBP are structured as options with a nominal exercise price. Bonuses for Executive Directors and Exco members for FY19 performance were awarded on the basis of 50% cash and 50% deferred bonus shares, with the deferred bonus shares vesting after 12 months. Due to the financial performance of the Company in FY20, no bonuses were awarded to Executive Directors and Exco members for FY20 performance.

LTIP	The Long Term Incentive Plan (the "**LTIP**") was introduced to incentivise senior management and encourage retention. The LTIP replaces awards under the Company's UK Share Option Scheme and US Stock Option Plan. The LTIP was adopted by the Board by resolution on 29 April 2019, the key points of which are: • LTIPs are typically three year vesting subject to agreed performance criteria. • Performance criteria for LTIPs are to be assessed for each financial year under review, and will focus on revenue growth, EBITDA growth and increase in share price. KPIs to be weighted and vesting subject to sliding scale of assessment. • LTIP is targeted at Executive Directors and Exco members. • LTIPs lapse if the recipient leaves before vesting, subject to discretion for good leavers to receive shares on pro-rated basis. Early vesting upon M&A and other corporate events. • Malus and clawback provisions apply. • LTIPs are structured as options with a nominal exercise price. Details of LTIP awards made in relation to FY20 are set out below.
Other Benefits	A range of benefits may be provided including pension, private medical insurance, life assurance, long-term disability insurance, general employee benefits and travel and related expenses. The Remuneration Committee also retains the discretion to offer additional benefits as appropriate, such as assistance with relocation, tax equalisation and overseas tax advisory fees.

Directors' service agreements

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

Director	Date of contract	Unexpired term	Notice period by Company	Notice period by Director
Andrew Lemonofides	2 July 2019	Rolling contract	6 months for first year, and then 12 months thereafter	6 months for first year, and then 12 months thereafter
Chris Allen	16 April 2020	Rolling contract	3 months for first year, and then 6 months thereafter	3 months for first year, and then 6 months thereafter

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

Employees' pay

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

Non-Executive Directors

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

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

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

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

REPORT OF DIRECTORS' REMUNERATION continued

Terms of appointment

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

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

Annual remuneration report

The annual remuneration report sets out details of Directors' remuneration payments during FY20 and information in respect of share awards and Directors' shareholdings.

Directors' remuneration table (audited)

Director All amounts £'000	Base salary £'000	Benefits in kind £'000	Annual Performance Bonus[1] £'000	Pensions £'000	**Total FY20 £'000**	Total FY19[9] £'000
Executive Directors						
Andrew Lemonofides[2]	330	2	-	28	**360**	-
Chris Allen[3]	4	-	-	-	**4**	-
David Williams[4]	198[5]	1	-	21	**220**	287
Non-Executive Directors						
Tony Bromovsky	350[6]	-	-	38	**350**	100
Andrew Doman	42	-	-	-	**42**	27
Duncan Goldie-Morrison[7]	50	-	-	-	**50**	42
Vivienne Maclachlan	56	-	-	-	**56**	9
Nick Wells[8]	4	-	-	-	**4**	-
Total	1,034	3	-	49	**1,086**	465

Notes:
1 *The figures above show the amounts paid, or accrued to be paid, in relation to performance in FY20.*
2 Appointed on 2 September 2019.The base salary includes a sign-on bonus of £71,000.
3 Appointed on 27 April 2020.
4 Resigned on 28 February 2020. In addition to the above, Mr Williams received a termination payment totalling £259,000 in July 2020 in respect of his departure from the Company.
5 David Williams received a salary uplift of 20% of his base salary for the period 13 February 2019 to 2 September 2019 in respect of his role as Interim Chief Executive Officer.
6 FY20 fees include an additional element in recognition of the additional responsibility assumed as Executive Chairman on an interim basis until 12 December 2020 pending the appointment of the new Chief Executive Officer. The fees payable to Mr Bromovsky following his return to Non-Executive Chairman are £120,000 per annum.
7 Resigned on 28 February 2020.
8 Appointed on 31 March 2020.
9 The total of FY19 excluded Directors that are no longer engaged. Total actual cost of salaries, bonuses and other short-term employee benefits was £1,254,000.

FY20 Deferred Share Bonus Awards to Directors (audited)

Director	Number of deferred bonus shares held as at 1 May 2019	Awards granted during the year	Date of grant	Option price	Awards exercised during the year	Awards lapsed during the year	Balance as at 30 April 2020	Vesting and exercise period
Andrew Lemonofides	-	250,000	19 September 2019	Nominal	-	-	250,000	See below[1]
David Williams[2]	-	*51,867*	*31 July 2019*	*Nominal*	-	-	*51,867*	*See below*[3]

1 This award was granted as an exceptional award of nominal cost options granted on identical terms to an award under the DSBP. The award will vest over a two year period (50% vesting on the first anniversary of the date of grant, and the remaining 50% will vest on the second anniversary of the date of grant), subject to the grantee's continued service with the Tungsten group.
2 Resigned on 28 February 2020.
3 The award vested on 31 July 2020, 12 months after the date of award.

In addition to the above, a further exceptional award of nominal cost options granted on identical terms to an award under the DSBP was made to Tony Bromovsky in recognition of his work as Executive Chairman, reflecting his contribution to the performance of the Group in FY20. Deferred bonus shares to the value of £114,843.75 will be awarded to Mr Bromovsky in September 2020. These deferred bonus shares will vest over a two year period (50% vesting on the first anniversary of the date of grant, and the remaining 50% will vest on the second anniversary of the date of grant). No future service is required to be provided in order to be entitled to these shares and, as such, the full cost has been recorded in FY20. However, the deferred bonus shares will be forfeit in circumstances where Mr Bromovsky's appointment is terminated for cause or where he leaves as a good leaver but then starts working for a direct competitor to Tungsten.

FY20 LTIP Awards to Directors (audited)

Director	Number of LTIPS held as at 1 May 2019	Awards granted during the year	Date of grant	Option price	Awards exercised during the year	Awards lapsed during the year	Balance as at 30 April 2020	Vesting and exercise period
Andrew Lemonofides	-	531,632	19 September 2019	Nominal	0	-	531,632	See below
David Williams[1]	-	478,469	19 September 2019	Nominal	0	478,469	-	See below

1 Resigned on 28 February 2020. LTIPs forfeited on 21 January 2020.

The above LTIP awards were granted as nominal cost options which would be exercisable on 19 September 2022, subject to satisfaction of performance conditions in relation to revenue growth, EBITDA growth and increase in share price over three financial years (FY20, FY21 and FY22, the "Performance Period"), and also to the grantee's continued service with the Tungsten group.

REPORT OF DIRECTORS' REMUNERATION continued

FY20 LTIP awards to Directors (audited) continued

The performance conditions for the FY20 LTIP awards were as follows:

Revenue Performance Condition		**EBITDA Performance Condition**		**Share Price Performance Condition**	
CAGR %		**£m**		**Pence per share**	
1/3 of total award		**1/3 of total award**		**1/3 of total award**	
CAGR	**Vesting**	**EBITDA**	**Vesting**	**Price**	**Vesting**
Below 12%	0%	Below £11.375m	0%	Below 80p	0%
12%	25%	£11.375m	25%	80p	25%
16%	50%	£16.25m	50%	100p	50%
18.5%	100%	£21.125m	100%	120p	100%
Between 12% and 16%, or between 16% and 18.5%	Between 25% and 50% or 50% and 100% (as applicable) on a straight-line basis	Between £11.375m and £16.25m, or between £16.25m and £21.125m	Between 25% and 50% or 50% and 100% (as applicable) on a straight-line basis	Between £0.80 and £1.00, or between £1.00 and £1.20	Between 25% and 50% or 50% and 100% (as applicable) on a straight-line basis
Note: Measures the compound annual growth in the Company's revenue over the Performance Period.		**Note:** Measures the Company's earnings before interest, tax, deductions and amortisation ("EBITDA") in the 2021/22 financial year.		**Note:** Measures the Company's average share price over the one-month period ending on 19 September 2022 (i.e. the third anniversary of the Grant Date).	

Following a review of the Company's strategy and performance in FY20 against the targets set for the FY20 LTIP and in recognition of the Company's current dilution position, Mr Lemonofides and other participants agreed in August 2020 to waive their FY20 LTIP awards. No consideration was offered in return for the waiver of these awards. The Company intends that the next grant of awards under the LTIP will take place in FY21.

Share option schemes (audited)

Director	Number of options held as at 1 May 2019	Awards granted during the year	Awards exercised during the year	Awards lapsed during the year	Balance as at 30 April 2020	Vesting and exercise period
David Williams	680,000	-	-	-	680,000[1]	See below

1 Following Mr William's departure on 28 February 2020, 187,500 unvested options forfeited on 31 July 2020. The remaining 492,500 options will lapse on 31 October 2020 if not exercised before that date.

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

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

Director	Number of ordinary shares held on 1 May 2019	Acquired/disposed during the year	Number of ordinary shares held on 30 April 2020	Percentage of issued share capital in issue on 30 April 2020
Executive Directors				
Andrew Lemonofides	-	-	-	-
Chris Allen	-	-	-	-
David Williams[1]	250,255	-	250,255	0.20%
Non-Executive Directors				
Tony Bromovsky	219,339	714,765	934,104	0.74%
Andrew Doman	251,339	-	251,649	0.20%
Duncan Goldie-Morrison	219,339	-	219,339	0.17%
Vivienne Maclachlan	-	-	-	-
Nick Wells	-	100,000	100,000	0.08%

1 Includes 3,200 shares held by his son.

Founders LTIP Scheme

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

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

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

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

This Directors' Remuneration Report will be put to an advisory vote at the forthcoming 2020 AGM.

Nick Wells
Chairman of the Remuneration Committee

6 September 2020

DIRECTORS' REPORT

The Directors of Tungsten Corporation Plc present their report for the year ended 30 April 2020. Particulars of important events affecting the Company and its subsidiaries and likely future developments may be found in the Strategic Report on pages 2 to 31.

Directors

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

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

Executive Directors	Non-Executive Directors
Andrew Lemonofides[1]	Tony Bromovsky[4]
Chris Allen[2]	Andrew Doman
David Williams[3]	Duncan Goldie-Morrison[5]
	Vivienne Maclachlan
	Nick Wells[6]

Notes:
1 Appointed on 2 September 2019.
2 Appointed on 27 April 2020.
3 Resigned on 28 February 2020.
4 Executive Chairman from 13 February 2019 to 12 December 2019. Non-Executive Chairman from 12 December 2019.
5 Resigned on 28 February 2020.
6 Appointed on 31 March 2020.

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

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

Results and dividend

Results for the year ended 30 April 2020 are set out in the consolidated income statement on page 74. The Company has no distributable reserves to declare a dividend for the year ended 30 April 2020.

Change of control/significant agreements

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

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

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

Articles of Association

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

Share capital

Details of the Company's share capital are set out in Note 16 to the consolidated financial statements. The Company's share capital consists of one class of ordinary shares that do not carry rights to fixed income. As at 30 April 2020, there were 126,088,147 ordinary shares of £0.00438 each in issue. Ordinary shareholders are entitled to receive notice and to attend and speak at general meetings.

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

Other than the general provisions of the Articles (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 2019 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 2020 is set out in the Directors' Remuneration Report on page 59.

Director indemnities and insurance

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

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

DIRECTORS' REPORT continued

Significant shareholders

As at 4 September 2020, the latest practicable date prior to publication, Tungsten Corporation Plc is aware of the following holdings of significant shareholders in the Company (as defined in the AIM Rules). These figures are based on its most recent analysis of shareholders as at 4 September, and other notifications to the Company. For clarity, shareholdings are shown separately from holdings in financial instruments, where disclosed.

	Shareholdings as at 4 September 2020		Financial instruments notified		Total	
	Shares	%	Number[1]	%	Holdings	%
Odey Asset Management	17,675,661	14.02	3,213,972	2.55	20,889,633	16.57
Mr Edmund Truell[3]	16,483,199	13.07	–[4]	–	16,483,199	13.07
AXA Framlington Investment Management	9,243,807	7.33			9,243,807	7.33
Chelverton Asset Management	7,340,202	5.82	–	–	7,340,202	5.82
Majedie Asset Management	5,308,554	4.21	–	–	5,308,554	4.21
Invesco	5,136,230	4.07	–	–	5,136,230	4.07
Archon Capital Management	4,222,000	3.35	–	–	4,222,000	3.35
Herald Investment Management	3,960,000	3.14	–	–	3,960,000	3.14

1 Total voting rights, or share equivalent.
2 3,213,972 shares equivalent held via CFDs, reported to the Company on 2 July 2020.
3 Edmund Truell's holdings disclosed above represent both his direct and indirect holdings including investments via Disruptive Capital Investments Limited ("DCIL").
4 DCIL previously notified the Company of its interest in relation to 6,000,000 shares that are subject to a Loan Facility entered into with Equities First Holdings LLC ("EFH") in October 2016 ("the Loan Shares"), as most recently reported to the Company on 19 April 2018. DCIL has notified the Company that it does not have voting rights in relation to the Loan Shares until such shares are returned to DCIL under the Loan Facility. The Loan Facility was due to mature on 11 January 2020.

Financial risk management

The Company's objectives and policies on financial risk management including information on the exposure of the Company to credit risks, liquidity risks and capital management risks are set out in Note 23 to the financial statements and in the managing Group Principal Risks and Uncertainties section on pages 28 to 30.

Research & development

The Company capitalised £2.8 million during the year (FY19: £2.9 million) of software development costs relating to the in-house e-commerce software platform. Amortisation of the software platform totalled £1.8 million in the period (FY19: £1.8 million).

Greenhouse gas emissions

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

Brexit

The UK formally left the EU on 30 January 2020. The UK is now in a transition period, being an intermediary arrangement covering matters like trade and border arrangements, citizens' rights and jurisdiction on matters including dispute resolution. The transition period is currently due to end on 31 December 2020 and negotiations are ongoing to determine and conclude a formal agreement. As the Group operates subsidiaries in other countries, there are alternative channels available to us to continue business with the same customers, should the need arise, with little to no effect from Brexit changes. As such, while the Directors are closely monitoring the situation, they currently deem that the effects of Brexit will not have a significant impact on the Group's operations.

Going concern statement

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

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

The Covid-19 pandemic has so far had limited impact on our business and the Board believes that the business is able to navigate through the impact of Covid-19 due to the strength of its customer proposition, its statement of financial position and the net cash position of the Group.

However, the rapid emergence of the coronavirus pandemic has caused significant disruption to many businesses where the implementation of social distancing measures is not practical or is deemed ineffective and this had implication for the wider global economy and specifically to the supply chain within which we reside – be it our customers' willingness to use our services in the volumes planned prior to the pandemic or where customers will have the ability to settle their debts to the value of sales already recorded and to the originally agreed settlement terms. The move to remote working has increased the importance of e-invoicing to our customers and potential customers. There is however a risk that the Group will be impacted by reductions in the number of invoices our customers process and by prospective customers delaying implementation projects. If sales and settlement of existing debts are not in line with cash flow forecasts, the Directors have identified cost savings associated with the reduction in revenues and have the ability to identify further cost savings if necessary.

While the Directors have no reason to believe that customer revenues and receipts will decline to the point that the Group no longer has sufficient resources to fund its operations, should this occur, the Group may need to seek additional funding beyond the facilities that are currently available to it, as well as making significant reductions in its fixed cost expenses. See Note 2 to the consolidated financial statements for further information on going concern.

DIRECTORS' REPORT continued

Post balance sheet event

The Covid-19 pandemic and the initial lockdown measures introduced by governments in response were conditions in existence at the year-end date and have therefore been treated as adjusting post-statement of financial position events. The disruption has had material implications for the wider global economy, although the Group has been less impacted than many companies. The Directors continue to monitor the ongoing implications of Covid-19. Further information is given in the Directors' report.

On 14 August 2020, the Group renewed its £4.0 million revolving credit facility with HSBC. The new facility expires in December 2023.

Independent auditors

BDO 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 3 pm on 16 October 2020.

As a result of the continuing Covid-19 pandemic, and the Government's current guidelines on social distancing and public gatherings, we are currently planning that this year's AGM will be held on a closed basis. We therefore regret that physical attendance of shareholders and other usual participants will therefore not be possible. All valid proxy votes, whether submitted electronically or in hard copy form, will be included in the poll to be taken at the meeting.

Details of the resolutions to be proposed are set out in a separate Notice of Meeting which will be sent out in advance of the meeting.

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

Patrick Clark
General Counsel and Company Secretary

6 September 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

Directors' confirmations

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

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

The Directors' report was approved by a duly authorised committee of the Board of Directors on 6 September 2020 and signed on its behalf by:

Patrick Clark
General Counsel and Company Secretary

6 September 2020

Financial Statements

In this section

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TUNGSTEN CORPORATION PLC

Opinion

We have audited the financial statements of Tungsten Corporation plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2020 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company cash flow statements, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Key Audit Matters

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

<table>
<tr><th>Key audit matter</th><th>How the key audit matter was addressed in our audit</th></tr>
<tr><td>
Revenue Recognition
The group generates revenue from the provision of e-invoicing services primarily via subscription fees for access to the service and per-transaction fees. Details of the group's revenue streams and accounting policies applied during the period are given in note 2 on page 82.

We considered there to be a significant audit risk arising from inappropriate or incorrect recognition of revenue.

The key audit matters related to revenue recognition are as follows:

The risk of material misstatement in relation to revenue recognition concerns the recognition around the year end, particularly in relation to the adjustments recorded with respect to subscription fees for which revenue is recognised over time.
There is also a risk that revenue streams have not been recognised appropriately in line with the performance obligations, and that the policy itself is not in accordance with IFRS as adopted by the European Union.
There is a risk that accounts receivable and deferred income are shown gross in the financial statements where there is not an unconditional right to consideration.

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With regards to the risk of material misstatement related to the inappropriate or incorrect recognition of revenue we performed the following specific testing:

During the planning phase, discussions are held in relation to the revenue approach, and the senior members of the audit team are responsible for procedures that are performed around revenue.
We performed walkthroughs involving understanding the design of the controls, including IT general controls, over the group's revenue cycle and checking that those controls appear to have been implemented, in order to assess the appropriateness of the processes and controls in place that impact upon revenue recognition.
We obtained a selection of contracts to confirm the nature of the obligations and the appropriateness of the method used to recognise revenue, either at a point in time or over time.
The engagement team used digital analytical procedures, with the assistance of IT specialists, to reconcile the amounts recorded as revenue with the underlying transactions captured in the company's operational systems. These procedures covered 100% of the underlying transactions, billings, and amounts recorded in the general ledger before any manual journal entries to record movements in contract liabilities related to deferred revenue.
To address the risk of revenue being recognised in the incorrect financial year, we obtained support for the manual journal entries to record adjustments to revenue for movements in contract liabilities and for a sample of transactions and tested the accuracy of the amounts recognised and deferred by reference to supporting documentation such as invoices and customer agreements.
Finally, our procedures, in relation to IFRS 15, also considered the presentation of trade receivable and contract liabilities to ensure that both balances reflect the required presentation position. This being the earlier of either, the date the payment becomes due (i.e. when the 'receivable' is recognised), or the date the goods or services are delivered (i.e. when a 'contract asset' is recognised).

We assessed whether the revenue recognition policies adopted by the Group comply with IFRS as adopted by the European Union and Industry Standards. The relevant IFRS is International Financial Reporting Standard 15 Revenue from Contracts with Customers.

Key observations:
Based on the procedures performed, we noted no material instances of management bias or error associated with the inappropriate or incorrect recognition of revenue, nor with the accounting of any associated components to the sales agreements. Based on the work performed we consider that revenue has been materially recognised appropriately and in accordance with the group's revenue recognition accounting policy.
</td></tr>
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INDEPENDENT AUDITORS' REPORT continued
TO THE MEMBERS OF TUNGSTEN CORPORATION PLC

Key audit matter	How the key audit matter was addressed in our audit
Intangible Assets: Development Costs, amortisation and impairment The group capitalises costs in relation to the development of the software used in the delivery of services to its clients. See accounting policy in Note 2 and intangible assets in Note 12 on pages 94 to 95 respectively. In accordance with IAS 38, management's policy is to capitalise development expenditure on internally developed software products if the costs can be measured reliably and the resulting asset meets the criteria per the standard. The key audit matters related to these financial statement areas are as follows: • Development costs not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the income statement as incurred. Furthermore, that development costs are incorrectly capitalised; • Capitalised development costs are amortised over the period within which the group expects to benefit from selling the product developed. This is deemed to be between 3 and 5 years; and • That assets not available for use have not been impaired as required.	With regards to the risk of material misstatement related to the inappropriate or incorrect capitalisation of developments costs, the incorrect calculation of amortisation and the inaccurate evaluation of impairment related to this financial statement area, we performed the following specific testing: • Discussions were held by senior members of the audit teams with the Group's technology officer to understand the group's processes and procedures and projects in relation to development costs. • We considered whether the development costs capitalised met the criteria for capitalisation under IAS 38 and subsequently whether the mechanics over capturing time spent and translating that cost into an accounting entry operated accurately. Utilising the underlying timecard information for a samples of items, the underlying hours and cost were agreed back through to the timecard system. • For costs incurred with third parties, these have been agreed to supporting documentation to ensure they are suitable for capitalisation and related to the development project. • Any capitalised projects with a material net book value ("NBV") on the balance sheet were selected for testing. • We considered the ability for the asset to generate future economic benefits for the business by analysing future expected cash flows and cost efficiencies that internal projects are expected to generate. • For each intangible asset all inputs were agreed back to supporting documentation for each of the samples selected for testing, ensuring the existence and accuracy of the intangible asset created. • As an extension of the above, we considered management's estimate of the amortisation period applied to the software development asset. • Finally, in line with IAS 36 we ensured that assets that were not yet available for use (such as projects in development) had undertaken an impairment review as required. There were no instances where this was an issue in the year. **Key observations:** Based on the procedures performed, we noted no instances of material numerical or presentational misstatements in the year relating to the accounting for development costs, including the calculation of the related amortisation charge and the evaluation of impairment.

Key audit matter	How the key audit matter was addressed in our audit
Going Concern As discussed in note 2 on page 79, there is a continued uncertainty due to the current economic conditions caused by the Covid-19 pandemic. The Directors have prepared forecasts and applied various sensitivity analyses to reflect a variety of possible cash flow scenarios. These scenarios indicate the Group has sufficient cash and cash equivalents to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements. The estimates, inputs and calculations supporting the going concern assessment require the Directors to make significant judgements.	The senior members of the audit team are responsible for completing the work in relation to going concern and our audit procedures included the following: • We reviewed the internal forecasting process to confirm the projections are prepared by an appropriate level of staff that is aware of the detailed figures included in the forecast but also has a high level understanding of the entity's market, strategy and changes in the customer base and the potential impact that Covid-19 might have on these projections. • We considered whether the projections were consistent with those approved by the directors and with other information obtained during our audit, for example in connection with the impairment of goodwill; • We reviewed the forecasts prepared and challenged the key assumptions and inputs within the model so as to determine whether there is adequate support for the assumptions underlying the forecasts. • The Directors have applied downwards sensitivities to the more variable aspects of the forecasts and also modelled a number of mitigating cash saving initiatives. This includes, taking account of the Covid-19 pandemic, reverse stress testing to ascertain what levels of cost increases or revenue decline cause a cash shortage at any point in management's post balance sheet assessment period and considering the likelihood that those fact patterns could occur; • We have considered the appropriateness of the sensitivities applied and confirmed that they have suitably addressed the inputs which are most susceptible to change. We have also considered the feasibility of each of the possible expenditure reductions identified. • We reviewed of post year end management accounts, specifically comparing the cash position against that budgeted. • We made inquiries of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern. • We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards. **Key observations:** Based on the procedures performed, we concur with management's conclusions and the disclosures included in the financial statements.
Impairment of Intangibles (including Goodwill) As disclosed in note 12 on page 95, the Directors have determined that an impairment of goodwill exists. This has been determined based on a value in use model, which includes consideration of probability adjusted scenarios based on difference revenue and cost growth assumptions, to assess the recoverability of the Goodwill There is significant judgement involved in the estimation of the recoverable amount of the intangibles (including goodwill).	The senior members of the audit team are responsible for completing the work in relation to going concern and our audit procedures included the following: • We reviewed management's impairment assessment, based on our knowledge of the group's business, performance to date and from discussions with management. • We have considered whether the methodology applied to value the recoverable amount of the investment is appropriate. • We reviewed and challenge of the assumptions underpinning the forecasts and the other inputs into the value in use model. This included a recalculation of the discount rate applied. • We checked that the forecast figures included within the model had been approved by the Board and the base case scenario was consistent with information obtained in other audit procedures. • We have also reviewed the different scenarios used to determine the recoverability of goodwill. • We assessed the adequacy of the related accounting policies and disclosures in the financial statements. **Key observations:** Based on the procedures performed, we noted no instances of material misstatements in the year under audit.

INDEPENDENT AUDITORS' REPORT continued
TO THE MEMBERS OF TUNGSTEN CORPORATION PLC

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage we set an overall level of materiality for the financial statements as a whole based on our understanding of the elements of the financial statements that are likely to be of greatest significance to users. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Level of materiality applied and rationale

We determined materiality for the group financial statements as a whole to be £353,000 which represents 1% of revenue. We used revenue as a benchmark as this is the primary KPI which is used to address the performance of the business by the board, and is consistently referenced within the RNS announcements released by the group, in addition to transaction volume, both of which feed into the revenue figure.

Materiality for the parent company was set at 35% of group materiality paying due consideration to aggregation risk in relation to group materiality, being £120,000. Individual component audits were carried out using component materialities of between 35 - 70% of overall financial statement materiality.

Performance materiality was set at 75%. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements and management's attitude towards proposed adjustments.

We agreed with the audit committee that we would report to all individual audit differences in excess of £17,650 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An Overview of the Scope of Our Audit

Our group audit was scoped by obtaining an understanding of the group and its environment and assessing the risks of material misstatement at the group level. The group consists of ten trading entities based in Europe, North America and Asia. There are four entities based in the UK, one being the holding company. Further to this there are two trading entities incorporated in Europe based in Germany and Bulgaria, two trading entities is incorporated in Asia based in Malaysia and India with the remaining two trading entities incorporated in North America.

Based on our assessment of the group, we focused our group audit scope primarily over the significant components, being Tungsten Corporation plc, Tungsten Network Limited, Tungsten Network Inc and Tungsten Network Finance Limited. For these significant components BDO LLP completed detailed audit testing, and performed desktop reviews for the remaining group entities.

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

The graphs below demonstrate the coverage of our audit work over the components within the group. Revenue has been tested in detail across each entity within the group, regardless of the level of review performed in relation to that entity. The full scope audit work performed has therefore provided coverage over 90% of the group from a revenue perspective, and also covers 97% of the total assets of the group. The elements of the group that were not covered by full scope work were reviewed to group materiality.

Revenue

Full scope: 90.4%
Covered at
group level: 9.6%

Net/Assets liabilities

Full scope: 97%
Covered at
group level: 3%

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

Matters on Which We are Required to Report by Exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities statement in respect of the financial statements set out on page 65, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

BDO LLP

Iain Henderson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

6 September 2020

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

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 30 April 2020 £'000	Year ended 30 April 2019 (restated)[2] £'000
Revenue	4	**36,812**	36,045
Operating expenses	5	**(62,356)**	(41,256)
Operating loss		**(25,544)**	(5,211)
EBITDA[1]		**3,743**	607
Depreciation and amortisation	5	**(4,451)**	(4,103)
Loss on disposal of intangible assets	5	**(612)**	(2,216)
Impairment of goodwill	5,12	**(23,040)**	-
Foreign exchange gain	5	**869**	1,738
Share-based payment expense	6,17	**(534)**	(244)
Exceptional items	7	**(1,519)**	(993)
Operating loss		**(25,544)**	(5,211)
Finance income	9	**1,910**	1,576
Finance costs	9	**(2,321)**	(1,650)
Net finance costs	9	**(411)**	(74)
Loss before taxation		**(25,955)**	(5,285)
Taxation (charge)/credit	10	**(47)**	1,358
Loss for the year		**(26,002)**	(3,927)
Loss per share attributable to the equity holders of the parent during the year (expressed in pence per share):			
Basic and diluted	11	**(20.62)**	**(3.11)**

1 EBITDA is calculated as earnings before net finance cost, tax, depreciation and amortisation, impairment of intangibles assets, loss on disposal of assets, foreign exchange gain or loss, share-based payment expense and exceptional items.
2 The 2019 income statement has been restated to amend the recognition of deferred tax (see Note 26).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 April 2020 £'000	Year ended 30 April 2019 (restated) £'000
Loss for the year	**(26,002)**	(3,927)
Other comprehensive expense:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(1,115)**	(1,872)
Total comprehensive loss for the year	**(27,117)**	**(5,799)**

Items in the statement above are disclosed net of tax.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 April 2020 £'000	As at 30 April 2019 (restated)[1] £'000	As at 30 April 2018 (restated)[1] £'000
Assets				
Non-current assets				
Goodwill	12	**76,088**	98,997	98,788
Intangible assets	12	**17,666**	18,733	21,549
Property, plant and equipment	13	**1,578**	2,506	2,646
Right-of-use assets	13, 19	**5,518**	–	–
Trade and other receivables	14	**755**	775	1,052
Total non-current assets		**101,605**	121,011	124,035
Current assets				
Trade and other receivables	14	**6,199**	6,876	7,626
Cash and cash equivalents	15	**5,208**	3,810	6,418
Total current assets		**11,407**	10,686	14,044
Total assets		**113,012**	**131,697**	**138,079**
Non-current liabilities				
Provisions	18	**1,160**	1,568	1,459
Lease liabilities	19	**5,471**	–	–
Other payables	20	**–**	250	250
Total non-current liabilities		**6,631**	1,818	1,709
Current liabilities				
Trade and other payables	20	**7,822**	7,717	9,235
Provisions	18	**96**	158	759
Lease liabilities	19	**776**	–	–
Borrowings	21	**2,006**	1,000	–
Contract liabilities	22	**8,868**	7,095	6,772
Total current liabilities		**19,568**	15,970	16,766
Total liabilities		**26,199**	**17,788**	**18,475**
Capital and reserves attributable to the equity shareholders of the parent				
Share capital	16	**553**	553	553
Share premium	16	**188,802**	188,802	188,794
Merger reserve		**28,035**	28,035	28,035
Shares to be issued	17	**3,760**	3,760	3,760
Share-based payment reserve		**7,184**	6,538	6,442
Other reserve		**(5,450)**	(5,450)	(5,450)
Currency translation reserve		**(5,078)**	(3,963)	(2,091)
Accumulated losses		**(130,993)**	(104,366)	(100,439)
Total equity		**86,813**	113,909	119,604
Total equity and liabilities		**113,012**	**131,697**	**138,079**

1 2019 and 2018 statements of financial position have been restated to amend the recognition of deferred tax and deferred income, include a holiday accrual and include an additional indirect tax accrual (see Note 26).

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

The consolidated financial statements on pages 74 to 107 were authorised for issue by the Board of Directors on 6 September 2020 and were signed on its behalf:

Chris Allen
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserve £'000	Currency translation reserve £'000	Accumulated losses £'000	Total equity £'000
Balance as at 30 April 2019 as previously stated	**553**	**188,802**	**28,035**	**3,760**	**6,538**	**(5,450)**	**(3,963)**	**(104,366)**	**113,909**
Adoption of IFRS 16 (see Note 2)	–	–	–	–	–	–	–	(625)	(625)
Balance as at 1 May 2019 as restated	553	188,802	28,035	3,760	6,538	(5,450)	(3,963)	(104,991)	113,285
Loss for the year	–	–	–	–	–	–	–	(26,002)	(26,002)
Other comprehensive expense	–	–	–	–	–	–	(1,115)	–	(1,115)
Total comprehensive expense for the year	–	–	–	–	–	–	**(1,115)**	**(26,002)**	**(27,117)**
Transaction with owners in their capacity as owners:									
Share-based payment expense	–	–	–	–	646	–	–	–	646
Transactions with owners	–	–	–	–	**646**	–	–	–	**646**
Balance as at 30 April 2020	**553**	**188,802**	**28,035**	**3,760**	**7,184**	**(5,450)**	**(5,078)**	**(130,993)**	**86,813**

Year ended 30 April 2019

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserve £'000	Currency translation reserve £'000	Accumulated losses £'000	Total equity £'000
Balance as at 30 April 2018 as previously stated	**553**	**188,794**	**28,035**	**3,760**	**6,442**	**(5,450)**	**(2,091)**	**(98,582)**	**121,461**
Prior year adjustment (Note 26)	–	–	–	–	–	–	–	(1,857)	(1,857)
Balance as at 1 May 2018 restated	**553**	**188,794**	**28,035**	**3,760**	**6,442**	**(5,450)**	**(2,091)**	**(100,439)**	**119,604**
Loss for the year	–	–	–	–	–	–	–	(3,927)	(3,927)
Other comprehensive expense	–	–	–	–	–	–	(1,872)	–	(1,872)
Total comprehensive expense for the year	–	–	–	–	–	–	**(1,872)**	**(3,927)**	**(5,799)**
Transaction with owners in their capacity as owners:									
Issue of treasury shares to employees	–	8	–	–	–	–	–	–	8
Share-based payment expense	–	–	–	–	96	–	–	–	96
Transactions with owners	–	**8**	–	–	**96**	–	–	–	**104**
Balance as at 30 April 2019	**553**	**188,802**	**28,035**	**3,760**	**6,538**	**(5,450)**	**(3,963)**	**(104,366)**	**113,909**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Cash flows from operating activities			
Loss before taxation		**(25,955)**	(5,285)
Adjustments for:			
Depreciation and amortisation	5	**4,451**	4,103
Impairment of goodwill		**23,040**	-
Loss on disposal of intangible assets		**609**	2,216
(Decrease) in provision for trade receivables	14	**(840)**	(522)
Finance costs	9	**2,321**	1,650
Finance income	9	**(1,910)**	(1,576)
Foreign exchange (gain)	4	**(869)**	(1,738)
Share-based payment expense	17	**534**	244
Changes in working capital:			
Decrease in trade and other receivables		**746**	2,421
Increase/(decrease) in trade and other payables and contract liabilities		**2,112**	(1,346)
(Decrease) in provisions		**(108)**	(520)
Cash generated from/(used in) operations		**4,131**	(353)
Net interest paid		**(311)**	(430)
Net tax refunded		**751**	473
Net cash inflow/(outflow) from operating activities		**4,571**	(310)
Cash flows from investing activities			
Software development costs	12	**(2,758)**	(2,940)
Purchases of other intangibles	12	**(5)**	(9)
Purchases of property, plant and equipment	13	**(199)**	(322)
Net cash outflow from investing activities		**(2,962)**	(3,271)
Cash flows from financing activities			
Lease payments - payments of principal	19	**(743)**	-
Lease payments - payments of interest	19	**(331)**	-
Increase in borrowings	21	**1,000**	1,000
Proceeds from issues of shares		**-**	8
Net cash (outflow)/inflow from financing activities		**(74)**	1,008
Net increase/(decrease) in cash and cash equivalents		**1,535**	(2,573)
Cash and cash equivalents at start of the year		**3,810**	6,418
Exchange adjustments		**(137)**	(35)
Cash and cash equivalents at the end of the year	15	**5,208**	**3,810**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

These consolidated financial statements were authorised for issue by the Directors on 6 September 2020. All press releases, financial reports and other information are available on the investor relations page of our website: www.tungsten-network.com.

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

2. Accounting policies

(a) Basis of preparation

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

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

These policies have been consistently applied to all the years presented with the exception of the adoption of IFRS 16 (see Note 2(e)).

(b) Going concern

The consolidated financial statements have been prepared on a going concern basis. The ability of the Company to continue as a going concern is contingent on the ongoing viability of the Group. The Group meets its day-to-day working capital requirements through its cash balances and also has a bank facility that it can use. The current economic conditions continue to create uncertainty, particularly over (a) foreign exchange rates; and (b) the level of new sales to new customers. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group expects to be able to operate within the level of its current cash resources and bank facilities. Having assessed the principal risks and the other matters discussed in connection with the going concern statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. Further information on the Group's borrowings and available facilities is given in Note 21 to these consolidated financial statements.

Various sensitivity analyses have been performed to reflect a variety of possible cash flow scenarios, taking into account the Covid-19 pandemic, where the Group achieves significantly reduced revenues for the 12 months following the date of this Annual Report. Overall, the Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of the financial statements, which foresee that the Group will be able to operate within its existing facilities.

The Covid-19 pandemic has so far had limited impact on our business and the Board believes that the business is able to navigate through the impact of Covid-19 due to the strength of its customer proposition, its balance sheet and the net cash position of the Group.

However, the rapid emergence of the coronavirus pandemic has caused significant disruption to many businesses where the implementation of social distancing measures is not practical or is deemed ineffective and this has implications for the wider global economy and specifically to the supply chain within which we reside – be it our customers' willingness to use our services in the volumes planned prior to the pandemic or where customers will have the ability to settle their debts to the value of sales already recorded and to the originally agreed settlement terms. The move to remote working has increased the importance of e-invoicing to our customers and potential customers. There is however a risk that the Group will be impacted by reductions in the number of invoices our customers process and by prospective customers delaying implementation projects. If sales and settlement of existing debts are not in line with cash flow forecasts, the Directors have identified cost savings associated with the reduction in revenues and have the ability to identify further cost savings if necessary.

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

(c) Adjusted measure of performance

The Group considers EBITDA, which is defined as operating profit or loss before interest, tax, depreciation and amortisation, impairment of assets, foreign exchange gain or loss from operations, share-based payment expense and exceptional items, as the most appropriate measure of the Group's underlying performance.

2. Accounting policies continued

(d) New standards, amendments and interpretations adopted

The Group adopted the following new or amended IFRSs and IFRIC interpretations from 1 May 2019:

- IFRS 16, Leases
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- IAS 19, Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)
- IFRIC 23, Uncertainty over Income Tax Treatments.

Other than IFRS 16 which is discussed below, these new standards have not had a material impact on the Group's consolidated financial statements.

(e) IFRS 16 Leases

The Group adopted IFRS 16, Leases from 1 May 2019. IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidation financial statements is described below.

The Group has applied IFRS 16 using the modified retrospective approach and comparative information has not been restated. The Group has:

- Recognised the lease liabilities as the present value of the remaining lease payments, discounted using the borrowing rate at the date of initial application;
- Elected to measure its right-of-use assets using the approach set out in IFRS 16.C8(b)(i) calculating the carrying value as if IFRS 16 had applied at the lease commencement date but discounted using the borrowing rate at the date of initial application; and
- *Recognised the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date* of initial application.

The weighted average incremental borrowing rate applied to lease liabilities as at 1 May 2019 is 5.0%.

The Group has applied the following practical expedients available on transition to IFRS 16:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 May 2019 as short-term leases.
- The exclusion of initial direct costs from the measurement of the right-of-use assets at the date of initial application.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected to apply the recognition exemptions to all:

- Leases with a term of 12 months or less and containing no purchase options ("short-term leases"); and
- Leases where the underlying asset has a value of less than $5,000 ("low-value leases").

No finance leases were recognised immediately prior to the transition. The table below presents a reconciliation from the operating lease commitments disclosed at 30 April 2019 to the lease liabilities recognised at 1 May 2019.

	£'000
Operating lease commitments disclosed as at 30 April 2019	7,477
Less commitments on short-term and low value leases	(16)
Less discounting using the incremental borrowing rate at 1 May 2019	(500)
Lease liabilities recognised at 1 May 2019	**6,961**

The following table sets out the impact of adopting IFRS 16 on the statement financial position as at 1 May 2019:

	As at 30 April 2019 (restated) £'000	Impact of IFRS 16 £'000	As at 1 May 2019 £'000
Assets			
Property, plant and equipment[1]	2,506	(771)	1,735
Right-of-use assets[2]	-	6,365	6,365
Other non-current assets	117,917	-	117,917
Total non-current assets	120,423	5,594	126,017
Total current assets	11,274	9	11,283
Total assets	**131,697**	**5,603**	**137,300**
Liabilities			
Provisions[3]	1,726	(361)	1,365
Lease liabilities[4]	-	6,961	6,961
Other liabilities[5]	16,062	(372)	15,690
Total liabilities	17,788	6,228	24,016
Total equity[6]	113,909	(625)	113,284
Total equity and liabilities	**131,697**	**5,603**	**137,300**

1 Property, plant and equipment was adjusted to reclassify dilapidations to right-of-use assets.
2 The adjustment to right-of-use asset is related to all operating type lease assets and the dilapidations reclassification noted in (1).
3 The adjustment to provisions relates to an onerous lease provision reclassified to the right-of-use asset on the adoption of IFRS 16.
4 The table above reconciles the minimum lease commitments disclosed in the Group's 30 April 2019 annual financial statements to the amount of lease liabilities recognised on 1 May 2019.
5 The adjustment was to reclassify rent-free accrual previously recognised.
6 Retained earnings were adjusted to record the net effect of all other adjustments noted.

Lease policies applicable from 1 May 2019
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (where the underlying asset has a value of less than $5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

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

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

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

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

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

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

Lease policy applied to periods up to 30 April 2019
Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Accounting policies continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All resulting exchange differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. Accounting policies continued

(j) Foreign currency translation continued

Group companies continued

The following exchange rates were applied:

	As at 30 April 2020	As at 30 April 2019
Closing rates:		
United States Dollar	**1.244**	1.292
Euro	**1.1479**	1.1587
Mexican Peso	**30.2115**	24.4774
Bulgarian Lev	**2.2450**	2.2663
Malaysian Ringgit	**5.4239**	5.3397
Swiss Franc	**1.2109**	1.3171
Indian Rupee	**94.877**	90.269
Average rates:		
United States Dollar	**1.2690**	1.3007
Euro	**1.1437**	1.1354
Mexican Peso	**25.0773**	25.1965
Bulgarian Lev	**2.2378**	2.2207
Malaysian Ringgit	**5.3049**	5.3407
Swiss Franc	**1.2480**	1.2923
Indian Rupee	**90.7460**	91.7431

(k) Finance income and costs

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

(l) Exceptional items

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

(m) Current and deferred income tax

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

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

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

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is calculated using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are not recognised to the extent that it is no longer probable that the related tax benefit will be realised.

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

(n) Research and development tax credit

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

(o) Business combinations

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

Acquisition-related costs are expensed as incurred.

(p) 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.

Dilapidations

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

Depreciation

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

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

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

(q) Intangible assets

Goodwill

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

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

Intangible assets acquired in a business combination

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

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

Software

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

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

2. Accounting policies continued

(q) Intangible assets continued

Software continued

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

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

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

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

(r) Financial assets and financial liabilities

Non-derivative financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

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

(s) Impairment of non-financial assets

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

(t) Trade and other receivables

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

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

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

(u) Trade and other payables

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

(v) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the amount required to settle the obligation.

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

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

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

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

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

3. Critical accounting estimates and judgements

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

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

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

Revenue recognition
The Group recognises revenue in respect of e-invoicing related services over the period the services are provided. Where buyer transactions are paid for but not processed, a contract liability is recorded according to contractual terms representing the anticipated period for transactions being processed.

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

The key judgements are as follows:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. Segment report

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

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

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

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

Year ended 30 April 2020

	Tungsten Network £'000	Tungsten Network Finance £'000	Corporate £'000	Total £'000
Segment revenue	36,288	524	-	36,812
EBITDA[1]	8,579	(986)	(3,853)	3,740
Depreciation and amortisation	(3,599)	(87)	(765)	(4,451)
Loss on disposal of assets	2	(611)	-	(609)
Impairment of goodwill	(23,040)	-	-	(23,040)
Foreign exchange gain	828	40	1	869
Share-based payment (expense)/credit	(146)	7	(395)	(534)
Exceptional items	(479)	(233)	(807)	(1,519)
Finance income	1,195	-	715	1,910
Finance costs	(1,555)	-	(766)	(2,321)
(Loss) before taxation	**(18,215)**	**(1,870)**	**(5,870)**	**(25,955)**
Income tax credit				(47)
Loss for the year				**(26,002)**
As at 30 April 2020				
Capital expenditure	**2,822**	**-**	**140**	**2,962**
Total assets	**105,255**	**193**	**7,564**	**113,012**
Total liabilities	**14,652**	**732**	**10,815**	**26,199**

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

Year ended 30 April 2019

	Tungsten Network £'000	Tungsten Network Finance £'000	Corporate £'000	Total (restated) £'000
Segment revenue	35,371	674	-	36,045
EBITDA[1]	8,115	(1,885)	(5,623)	607
Depreciation and amortisation	(3,668)	(144)	(291)	(4,103)
Loss on disposal of assets	(2,216)	-	-	(2,216)
Foreign exchange gain	1,792	(54)	-	1,738
Share-based payment (expense)/credit	(399)	(381)	536	(244)
Exceptional items	(285)	14	(722)	(993)
Finance income	938	3	635	1,576
Finance costs	(1,186)	(184)	(280)	(1,650)
Profit/(loss) before taxation	**3,091**	**(2,631)**	**(5,745)**	**(5,285)**
Income tax credit				1,358
Loss for the year				**(3,927)**
As at 30 April 2019				
Capital expenditure	2,464	836	3	3,303
Total assets	127,470	998	3,229	131,697
Total liabilities (restated)	9,630	909	5,431	15,970

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

Revenue by category

The Group's revenue by category is detailed below.

	Revenue from external customers	
	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Subscription	**18,163**	17,305
Maintenance	**1,909**	1,810
Transaction	**11,559**	10,889
Archiving	**2,781**	2,620
Implementation	**793**	1,317
Professional services	**1,083**	1,430
Tungsten Network Finance	**524**	674
Total	**36,812**	**36,045**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. Segment report continued

Geographical information

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

	Revenue from external customers	
	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
United Kingdom	**18,538**	18,573
United States of America	**15,203**	14,596
Rest of Europe	**1,674**	1,619
Malaysia	**1,397**	1,257
Total	**36,812**	**36,045**

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 2020 £'000	As at 30 April 2019 £'000
United Kingdom	**97,128**	116,793
United States of America	**4,255**	4,000
Malaysia	**222**	218
Total	**101,605**	**121,011**

5. Operating expenses

	Note	**Year ended 30 April 2020 £'000**	Year ended 30 April 2019 £'000
Staff costs	6	**16,524**	16,774
Professional support		**8,153**	7,003
Office costs		**1,224**	2,333
IT costs		**4,081**	4,165
Marketing costs		**1,382**	1,962
Travel and entertainment		**915**	966
Exceptional items	7	**1,519**	993
Amortisation	12	**3,233**	3,600
Depreciation	13	**1,218**	503
Impairment of goodwill	12	**23,040**	-
Loss on disposal of intangible assets	12	**612**	2,216
Foreign exchange gain		**(869)**	(1,738)
Other operating expenses		**1,324**	2,479
Total operating expenses		**62,356**	**41,256**

6. Employee benefits expenses

	Note	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Wages and salaries		**13,459**	14,149
Social security costs		**1,479**	1,423
Pension – defined contribution		**1,052**	958
Share-based payment expense	17	**534**	244
Total employee benefits expenses		**16,524**	**16,774**

The total share-based payment charge to equity is £646,000 (2019: £96,000). The total charge above reflects movements in employment taxes connected with the share-based payment.

	Year ended 30 April 2020	Year ended 30 April 2019
Number of employees		
The yearly average number of people employed:		
Tungsten Network	**267**	284
Tungsten Network Finance	**13**	16
Corporate	**9**	10
Total average headcount	**289**	**310**

Refer to Note 25 for details of remuneration in respect of key management.

7. Exceptional items

	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Restructuring costs[1]	**916**	238
Board operating review[2]	**434**	-
Professional advice[3]	**135**	-
Covid-19 related staff costs	**34**	-
Provision for onerous contracts[4]	**–**	222
Shareholder action costs[5]	**–**	533
Total exceptional items	**1,519**	**993**

1 Restructuring costs consist of contract terminations and other redundancy costs and recruitment costs. Restructuring is expected to be complete by the end of FY21 with an additional spend of around £0.2 million.
2 An Operating Review Committee was initiated by the Board. This covers a comprehensive review of Tungsten's market, products, operation and cost base. This committee has appointed consultants to perform parts of the review. The programme is expected to be complete by the end of FY21 at additional costs of around £0.4 million.
3 Professional advice consists of professional fees in respect of the divestment of TNF.
4 Provision for onerous contracts in 2019 consisted of a final settlement for technology contract termination costs and a discontinued contract.
5 Shareholder action costs in 2019 consisted of professional adviser costs incurred in respect of the requisition request for a General Meeting and other corporate finance matters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8. Auditors' remuneration

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

	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Audit of the Parent Company and the consolidated accounts	**70**	93
Audit of subsidiary financial statements	**76**	103
Audit-related assurance services	**24**	40
Taxation compliance services	**-**	51
E-invoicing product support	**-**	212
All other non-audit services	**-**	65
Total auditors' remuneration	**170**	**564**

The amounts disclosed for the year ended 30 April 2020 are payable to BDO LLP. Fees disclosed for the year ended 30 April 2019 were payable to PricewaterhouseCoopers LLP.

9. Finance income and costs

	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Finance income		
Interest income on short-term deposits	**3**	29
Foreign exchange gains on financing activities	**1,907**	1,547
Total finance income	**1,910**	**1,576**
Finance costs		
Interest expense and bank charges	**(320)**	(460)
Interest expense on lease liabilities (Note 19)	**(331)**	-
Foreign exchange losses on financing activities	**(1,670)**	(1,190)
Total finance costs	**(2,321)**	(1,650)
Net finance costs	**(411)**	**(74)**

10. Taxation

The tax charge/(credit) for the year comprises:

	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Current tax		
UK current tax	**-**	(1,513)
UK adjustment in respect of prior periods	**(1)**	-
Foreign current tax	**50**	169
Deferred tax		
Deferred tax - current year	**(2)**	(14)
Total tax charge/(credit)	**47**	**(1,358)**

Tax reconciliation		
Loss before tax	**(25,955)**	(5,285)
Loss before tax at the standard rate of UK corporation tax 19% (2019: 19%)	**(4,931)**	(1,004)
Differences in overseas tax rates	**(100)**	-
Expenses not deductible for tax purposes	**4,654**	826
Research and development tax credits	**-**	(1,513)
Overseas tax	**-**	169
Origination and reversal of temporary differences	**-**	(14)
Tax losses for which no deferred tax asset was recognised	**424**	178
Total tax charge/(credit)	**47**	**(1,358)**

The standard rate of Corporation Tax in the UK is 19%. The UK current tax credit in 2019 is a research and development tax credit relating to FY18 (£0.6 million) and FY19 (£0.9 million).

Deferred tax

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The Group has unrecognised deferred tax assets of £19.9 million (2019: £19.5 million) in respect of losses that can be carried forward against future taxable income for the period between one year and an indefinite period of time.

No deferred tax related to components of other comprehensive income.

11. Loss per share

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

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

	Year ended 30 April 2020			Year ended 30 April 2019		
	Loss £'000	**Shares '000**	**Loss per share p**	Loss £'000	Shares '000	Loss per share p
Basic and diluted	**(26,002)**	**126,088**	**(20.62)**	**(3,927)**	**126,088**	**(3.11)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12. Intangible assets

As at 30 April 2020

	Goodwill (restated see Note 26) £'000	Customer relationships £'000	IT platform £'000	Software £'000	Software development under construction £'000	**Total restated £'000**
Cost						
Balance at 1 May 2019	98,997	11,116	7,194	8,202	3,624	**129,133**
Additions	-	-	-	5	2,758	**2,763**
Reclassification	-	-	-	4,117	(4,117)	**-**
Disposal	-	-	-	(837)	-	**(837)**
Exchange differences	131	5	113	16	(5)	**260**
Balance at 30 April 2020	**99,128**	**11,121**	**7,307**	**11,503**	**2,260**	**131,319**
Accumulated amortisation and impairment						
Balance at 1 May 2019	-	3,153	6,084	2,166	-	**11,403**
Charge for the year	-	560	834	1,837	-	**3,231**
Impairment charge (Note 5)	23,040	-	-	-	-	**23,040**
Disposal	-	-	-	(225)	-	**(225)**
Exchange differences	-	4	104	8	-	**116**
Balance at 30 April 2020	**23,040**	**3,717**	**7,022**	**3,786**	**-**	**37,565**
Net book value						
As at 1 May 2019 (restated)	98,997	7,963	1,110	6,036	3,624	117,730
As at 30 April 2020	**76,088**	**7,404**	**285**	**7,717**	**2,260**	**93,754**

As at 30 April 2019

	Goodwill restated £'000	Customer relationships £'000	IT platform £'000	Software £'000	Software development under construction £'000	**Total restated £'000**
Cost						
Balance at 1 May 2018	98,788	11,109	7,014	2,960	8,556	**128,427**
Additions	-	-	-	9	2,940	**2,949**
Reclassification	-	-	-	7,872	(7,872)	**-**
Disposal	-	-	-	(2,650)	-	**(2,650)**
Exchange differences	209	7	180	11	-	**407**
Balance at 30 April 2019	**98,997**	**11,116**	**7,194**	**8,202**	**3,624**	**129,133**
Accumulated amortisation						
Balance at 1 May 2018	-	2,575	4,760	755	-	**8,090**
Charge for the year	-	573	1,189	1,838	-	**3,600**
Disposal	-	-	-	(434)	-	**(434)**
Exchange differences	-	5	135	7	-	**147**
Balance at 30 April 2019	**-**	**3,153**	**6,084**	**2,166**	**-**	**11,403**
Net book value						
As at 1 May 2018 (restated)	98,788	8,534	2,254	2,205	8,556	120,337
As at 30 April 2019 (restated)	**98,997**	**7,963**	**1,110**	**6,036**	**3,624**	**117,730**

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 2020 £'000	As at 30 April 2019 £'000
Tungsten Network	**76,088**	98,997
Total goodwill	**76,088**	**98,997**

During the year the Group's share price declined and management are now projecting lower revenue growth than that used in last year's impairment assessment. The Group has reassessed the recoverability of goodwill on the Tungsten Network CGU and this resulted in an impairment of goodwill of £23,040,000.

The Group has estimated the recoverable amount of the Tungsten Network CGU at £101.1 million using a value-in-use model by projecting cash flows for the next five years together with a terminal value using a growth rate. The five-year projections used in the model are based on the Board approved budget which took into account the anticipated impact of Covid-19 on FY21 performance. Given the uncertainty involved in predicting the longer-term effect of the pandemic on the general economy, management developed expectations of future performance under a range of scenarios with different levels of future revenue growth. The value in use was estimated by probability weighting the value in use under each scenario as summarised below:

Scenario	Annual revenue growth FY22 to FY25 %	Annual cost growth FY22 to FY25 %	Headroom/ Value in use £ million	(impairment) £ million	Probability %
Upside	10%	4% to 6%	131.7	7.7	12%
Base case	8%	4% to 6%	106.0	(18.0)	50%
Downside	5%	2%	92.6	(31.5)	28%
Severe downside	0% to 3%	2%	63.3	(60.8)	10%
Probability weighted average			**101.1**	**(23.0)**	**100%**

The single most likely scenario assumed revenue growth of 8% per annum over the period (2019: 14.5%). The other key assumptions used were:

- Post-tax discount rate of 11% (2019: 12%) equivalent to a pre-tax discount rate of 13.2%. An increase of 1% in the post-tax discount rate would result in a £10.9 million increase in the impairment recognised.
- Long-term growth rate of 2.0% (2019: 2.0%). An increase of 1% in the long-term growth rate would result in a £10.8 million reduction in the impairment recognised.
- Cost growth of 4% pa (2019: 2.6%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

13. Property, plant and equipment

As at 30 April 2020

	Right-of-use assets £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	**Total £'000**
Cost					
Balance at 1 May 2019	–	3,409	278	750	**4,437**
Impact of IFRS 16	9,824	(1,205)	–	–	**8,619**
Additions	–	140	17	42	**199**
Disposals	–	–	(1)	(3)	**(4)**
Exchange differences	29	(2)	4	6	**37**
Balance at 30 April 2020	**9,853**	**2,342**	**298**	**795**	**13,288**
Accumulated depreciation					
Balance at 1 May 2019	–	1,199	183	549	**1,931**
Impact of IFRS 16	3,459	(434)	–	–	**3,025**
Charge for the year	860	195	49	114	**1,218**
Disposals	–	–	(1)	(3)	**(4)**
Exchange differences	16	(2)	3	6	**23**
Balance at 30 April 2020	**4,335**	**958**	**234**	**666**	**6,193**
Net book value					
At 1 May 2019	–	2,210	95	201	2,506
At 30 April 2020	**5,518**	**1,384**	**65**	**129**	**7,096**

As at 30 April 2019

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

14. Trade and other receivables

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Non-current assets		
Loans to employees under EMSS scheme	**167**	187
Rent deposit	**588**	588
Other receivables	**755**	775

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Current assets		
Trade receivables	**3,847**	4,569
Less: loss allowance	**(102)**	(941)
Net trade receivables	**3,745**	3,628
Prepayments	**1,547**	1,619
VAT receivables	**123**	123
Contract assets	**393**	361
Corporate tax receivables	**104**	904
Other receivables	**287**	241
Trade and other receivables	**6,199**	**6,876**

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

Furthermore, in the year to 30 April 2019, the rent deposit was presented within current assets; it has been reclassified to non-current assets.

	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Movements in the trade receivables loss allowance		
At the beginning of the period	**(941)**	(1,463)
Credit to income statement	**173**	276
Credit to contract liabilities	**453**	-
Utilisation of provision	**231**	247
Foreign exchange	**(18)**	(1)
At the end of the period	**(102)**	**(941)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14. Trade and other receivables continued

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Currency of trade receivables		
GBP	**2,188**	1,935
USD	**1,254**	1,320
EUR	**139**	147
Other	**164**	226
Net trade receivables	**3,745**	**3,628**

15. Cash and cash equivalents

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Cash at bank	**5,208**	**3,810**

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Currency of cash and cash equivalents		
GBP	**1,925**	338
USD	**1,069**	2,554
EUR	**1,716**	603
Other	**498**	315
Cash and cash equivalents	**5,208**	**3,810**

16. Share capital and share premium

Issued and fully paid	Ordinary shares Number	Nominal Value p	Share capital £'000	Share Premium £'000
Balance as at 1 May 2018	126,069,397	0.438	553	188,794
Shares issued during the year	18,750	0.438	–	8
Balance as at 30 April 2019	126,088,147	0.438	553	188,802
Shares issued during the year	–	–	–	–
Balance as at 30 April 2020	**126,088,147**	**0.438**	**553**	**188,802**

17. Share-based payments

The Group's share-based payment plans with effect from FY20 are as follows:

Long Term Incentive Plan ('LTIP')

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

Deferred Share Bonus Plan ('DSBP')

The DSBP provides for the grant of share awards to Executive Directors and Executive Committee members to defer 50% of the participant's bonus. Awards are in the form of options with a nominal exercise price. They vest 12 months after grant date subject only to remaining employed up to the vesting date. Deferred shares were also granted in FY20 to the new Chief Executive Officer which vest over a two-year period (50% vesting on the first anniversary of the grant date and the remaining 50% on the second anniversary).

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

UK Scheme and US Plan
Options at market value vesting over one to four years subject only to remaining employed up to the vesting date.

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

Employee Matched Share Scheme (EMSS)
Options were granted in August 2014 to match shares acquired by participating employees in the market. The vesting period was 54 months and all had lapsed or expired by 30 April 2020.

Founder Securities Scheme
In May 2012, the Group established the Founder Securities Scheme. The Founder Securities were designed to encourage the subscribers to use their best efforts to grow the Company within five to ten years following admission to AIM by entitling the founders to 15% of the increase in the Company's share price once a hurdle TSR rate of 8.25% has been achieved. The Founder Securities have been treated as equity-settled share-based payments and are considered to have vested at time of grant as there are no service conditions attaching to them.

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

	Year ended 30 April 2020		Year ended 30 April 2019	
	Number of options	**Weighted average exercise price £ per share**	Number of options	Weighted average exercise price £ per share
Outstanding at 1 May	**10,717,428**	**0.48**	11,286,013	0.50
Granted	**2,742,162**	**0.02**	1,667,243	0.53
Lapsed	**(1,163,725)**	**0.31**	(2,781,828)	0.60
Expired	**(146,055)**	**3.36**	-	-
Exercised	**-**	**-**	-	-
Outstanding at 30 April	**11,603,810**	**0.35**	10,171,428	0.48
Exercisable at 30 April	**7,322,267**	**0.29**	7,202,466	0.45
Weighted average fair value of awards granted (£ per share)	**-**	**0.37**	-	0.27

The average share price over the year was £0.41 (2019: £0.43). The share price of the Company at 30 April 2020 was £0.35.

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

Range of exercise prices	**As at 30 April 2020 Number of options**	As at 30 April 2019 Number of options
Nil	**3,760,000**	3,760,000
30p to 40p	**75,000**	75,000
40p to 50p	**2,566,275**	647,309
50p to 60p	**2,490,860**	2,938,639
60p to 70p	**2,271,675**	2,164,425
70p and above	**440,000**	586,055
Total	**11,603,810**	10,171,428
Weighted average remaining contractual life	**6.1 years**	6.4 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

17. Share-based payments continued

Valuation assumptions

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

Grants in the year ended 30 April 2019 of options under the UK Scheme and US Plan and of Share Appreciation Rights were valued using the Black Scholes model.

The principal assumptions used in these valuations were:

	Year ended 30 April 2020 LTIP with share condition	Year ended 30 April 2019 Options and SARs
Share price at date of grant	**£0.43**	£0.54
Exercise price	**-**	£0.53
Expected life	**3 years**	various
Expected volatility	**50%**	87%
Risk free rate	**1%**	1.3%
Dividend yield	**nil**	nil
Fair value	**£0.18**	£0.26 to £0.34

The total share-based payment charge to equity is £646,000 (2019: £96,000). The charge in the income statement of £534,000 (2019: £244,000) includes movements in employment taxes connected with the share-based payment charge.

18. Provisions

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

On adoption of IFRS 16, the estimated loss on the sub-lease of a US office is subsumed in the IFRS 16 right-of-use asset.

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Analysis of total provisions:		
Non-current	**1,160**	1,568
Current	**96**	158
Total	**1,256**	1,726

The provisions for dilapidations include the estimated costs of removal of installed assets under lease contracts, which includes a provision for the London office of £1,160,000 which is expected to be utilised in FY29 and for the Malaysia office of £76,000 expected to be utilised in FY21.

19. Leases

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

	£'000
As at 1 May 2019	6,365
Depreciation	(860)
Exchange differences	13
As at 30 April 2020	**5,518**

The movements in the lease liability were as follows:

	£'000
As at 1 May 2019	6,961
Interest charge	331
Payments made on lease liabilities	(1,074)
Exchange differences	29
As at 30 April 2020	**6,247**

The lease liabilities at 30 April 2020 were as follows:

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

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

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

	£'000
Depreciation	860
Interest expense	331
Short-term lease expense	16
Low-value lease expense	11
Income from subleasing right-of-use assets	(110)
	1,108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20. Trade and other payables

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Non-current liabilities		
Other payables	-	**250**

	As at 30 April 2020 £'000	As at 30 April 2019 (restated) £'000
Current liabilities		
Trade payables	**2,255**	2,593
Other taxation and social security	**976**	709
Accrued expenses	**4,140**	4,385
Other payables	**451**	30
Trade and other payables	**7,822**	**7,717**

The other payables include three-year convertible loan notes worth £250,000 issued to settle disputes in FY18 between the Company, Disruptive Capital Advisory Limited and the Company's former Chief Executive Officer Edmund Truell. During the year the liability was reclassified from non-current to current.

21. Borrowings

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Drawn under revolving credit facility	**2,006**	1,000
Borrowings	**2,006**	**1,000**

At 30 April 2020, the Group had a £4 million revolving credit facility expiring in July 2021. Interest is payable at a rate of LIBOR +3.5%. At 30 April 2020 the amount undrawn was £2 million (30 April 2019: £3 million). In August 2020, this facility was renewed and now expires in December 2023 (see Note 27).

The movements in borrowings were as follows:

	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Borrowings at 1 May	**1,000**	-
Cash flows - proceeds of new borrowings	**1,000**	1,000
Non-cash changes - accrued interest	**6**	-
Borrowings at 30 April	**2,006**	**1,000**

22. Contract liabilities

	As at 30 April 2020 £'000	As at 30 April 2019 (restated) £'000
As at 1 May	**7,095**	6,772
Invoiced during the year	**41,468**	39,730
Released to revenue	**(37,577)**	(36,045)
Amounts invoiced in advance but not yet due	**(2,374)**	(2,723)
Loss allowance	**(25)**	(534)
Exchange differences	**281**	(105)
As at 30 April	**8,868**	**7,095**

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

23. Financial instruments, risk management and exposure

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

(a) Credit risk

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

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Cash and cash equivalents	**5,208**	3,810
Net trade receivables	**3,745**	3,628
Other receivables	**1,042**	1,016
Total	**9,995**	**8,454**

Cash and cash equivalents are held with reputable financial institutions.

The fair value of trade and other receivables (financial assets) approximates their carrying value. As at 30 April 2020, total trade and other receivables of £1.2 million (2019: £1.2 million) were past due but not impaired. With respect to these receivables that are neither impaired nor past due, there are no indications as at the reporting date that the counterparties will not meet their payment obligations.

The overdue analysis of trade receivables is as follows:

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Current and not impaired	**2,495**	2,455
Less than 1 month overdue	**689**	613
Between 2-3 months overdue	**236**	339
Over 3 months overdue	**325**	221
Total past due but not impaired	**1,250**	1,173
Individually determined to be impaired	**102**	941
Trade receivables	**3,847**	4,569
Less: loss allowance	**(102)**	(941)
Net trade receivables	**3,745**	**3,628**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23. Financial instruments, risk management and exposure continued

(b) Liquidity risk

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

Financial assets and liabilities at amortised cost

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

As at 30 April 2019	Carrying amount £'000	Total contractual cash flows £'000	Less than 1 year £'000	1 to 5 years £'000	Over 5 years £'000
Cash and cash equivalents	3,810	3,810	3,810	-	-
Net trade receivables	3,628	3,628	3,628	-	-
Other receivables	1,016	1,016	829	187	-
Trade payables	(2,593)	(2,593)	(2,593)	-	-
Other payables	(280)	(280)	(30)	(250)	-
Borrowings	(1,000)	(1,000)	(1,000)	-	-
Net position	**4,581**	**4,581**	**4,644**	**(63)**	**-**

(c) Foreign currency risk

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

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

A 10% strengthening of the US dollar against Sterling would increase revenue by £1.6 million and increase operating profit by £0.3 million.

(d) Capital risk management

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

The Group's sources of funding currently comprise cash flows generated from operations, equity contributed by shareholders and borrowings under the Group's revolving credit facility. The revolving credit facility contains a financial covenant limiting the ratio of borrowings to EBITDA to 2.5:1.

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

24. Commitments

Operating leases

The Group adopted IFRS 16, Leases for the current year using the modified retrospective approach as set out in Note 2. The comparatives for the prior year have not been restated and are presented under IAS 17. The amounts disclosed below relate only to those comparatives.

The table below sets out the future minimum lease rental commitments under IAS 17 at 30 April 2019:

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

25. Related-party transactions

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

	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Purchase of services	**80**	**34**

Anne Hill, the wife of Andrew Lemonofides who was appointed CEO in September 2019, provided consultancy services to the Group totalling £80,000 in the year ended 30 April 2020.

Richard Hurwitz who was CEO up to February 2019 also held the position of director of The Witz Company (USA). During the year ended 30 April 2019, The Witz Company (USA) provided services to the Group totalling £30,000. Other related-party transactions in 2019 totalled £4,000.

Key management personnel

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

	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Salaries, bonuses and other short-term employee benefits	**1,037**	1,254
Post-employment benefits	**49**	-
Termination benefits	**259**	-
Share-based payment expense	**288**	(32)
Total	**1,633**	**1,222**

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

For further details with respect to Directors' remuneration, please refer to the Directors' Remuneration Report on pages 54 to 59.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26. Prior year adjustments

In 2013 a deferred tax liability was recorded as part of the acquisition accounting relating to the purchase of OB10 Ltd. This liability should have been offset immediately by an equal and opposite deferred tax asset because it was considered likely that the intangible assets recorded at the acquisition date would give rise to taxable profits such that the accumulated tax losses held by OB10 at the time of acquisition would have been utilised. In 2014 a deferred tax liability was recorded as part of the acquisition accounting relating to the purchase of DocuSphere, Inc. In subsequent years, this liability should have been offset by an equal and opposite deferred tax asset because of the tax losses the company had incurred post acquisition for which the Group had a right of offset against the deferred tax liability.

Consequently, the prior year income statement has been restated as if the deferred tax liabilities had been offset by deferred tax assets. The following table summarises the impact of the prior year adjustment on the income statement and loss per share.

For the year ended 30 April 2019

	Loss for the period £'000	Basic and undiluted loss per share pence
As reported	(3,350)	(2.65)
Increase in tax charge from amortisation of deferred tax asset	(577)	(0.46)
As restated	(3,927)	(3.11)

As at 30 April 2018 the effect in the statement of financial position is to reduce the carrying value of goodwill by £3,060,000 and reduce the deferred tax liability by £2,110,000 and increase accumulated losses at 1 May 2018 by £950,000.

As at 30 April 2019 the effect in the statement of financial position is to reduce the carrying value of goodwill by £3,060,000 and reduce the deferred tax liability by £1,533,000 and increase accumulated losses at 1 May 2019 by £1,527,000.

In 2020 it was identified that in previous years a compensated absence accrual had not been made for holiday pay that could be carried forward and used in future periods. The comparative figures for 2019 have therefore been restated to correct accrued expenses. The effect is to increase accrued expenses at 30 April 2019 and 30 April 2018 by £297,000 (included in Current liabilities – Trade and other payables on the statement of financial position) and increase accumulated losses at 1 May 2018 by £297,000.

An amendment was also made in the recognition of deferred revenue in previous years from Webform suppliers, to ensure revenue is recognised only when the supplier has used the transaction or after 12 months if the transaction has not been used. Historically only the cost to deliver the transaction had been deferred when a transaction had not been used. The comparative figures for 2019 have therefore been restated to correct contract liabilities. The effect is to increase contract liabilities at 30 April 2019 and 30 April 2018 by £279,000 (included in Current liabilities on the statement of financial position) and increase accumulated losses at 1 May 2018 by £279,000.

Management has also identified an under accrual of indirect tax exposure relating to the global activities of the Group, of which an amount of £331,000 arose in previous years. The comparative figures for 2019 have therefore been restated to correct other taxation and social security. The effect is to increase other taxation and social security at 30 April 2019 and 30 April 2018 by £331,000 (included in Current liabilities - Trade and other payables on the statement of financial position) and increase accumulated losses at 1 May 2018 by £331,000.

In the above three cases the effect on the 2019 income statement is not material. These adjustments therefore have no effect on the 2019 loss for the year or on the 2019 basic and diluted loss per share. A restated statement of financial position as at 30 April 2018 has also been presented.

27. Post-balance sheet event

The Covid-19 pandemic and the initial lockdown measures introduced by governments in response were conditions in existence at the year-end date and have therefore been treated as adjusting post-balance sheet events. The disruption has had material implications for the wider global economy, although the Group has been less impacted than many companies. The Directors continue to monitor the ongoing implications of Covid-19. Further information is given in the Directors' report.

On 14 August 2020, the Group renewed its £4.0 million revolving credit facility with HSBC. The new facility expires in December 2023.

28. Subsidiary undertakings of the Group

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

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

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

PARENT COMPANY BALANCE SHEET

Registered number: 07934335

	Note	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Assets			
Non-current assets			
Investments in subsidiaries	5	**100,947**	127,040
Property, plant and equipment	6	**1,292**	2,033
Right-of-use assets	6	**5,113**	-
Other receivables	7	**769**	789
Total non-current assets		**108,121**	129,862
Current assets			
Trade and other receivables	7	**53,335**	53,466
Cash and cash equivalents		**24**	36
Total current assets		**53,359**	53,502
Total assets		**161,480**	**183,364**
Capital and reserves attributable to the equity shareholders			
Non-current liabilities			
Provisions	8	**1,160**	1,160
Lease liabilities	9	**4,974**	-
Other payables	10	**-**	250
Total non-current liabilities		**6,134**	1,410
Current liabilities			
Lease liabilities	9	**482**	-
Trade and other payables	10	**88,540**	87,327
Total current liabilities		**89,022**	87,327
Total liabilities		**95,156**	**88,737**
Share capital		**553**	553
Share premium		**188,802**	188,802
Shares to be issued		**3,760**	3,760
Share-based payment reserve		**2,144**	1,497
Other reserves		**(5,450)**	(5,450)
Accumulated losses		**(123,485)**	(94,535)
Total equity		**66,324**	94,627
Total liabilities and equity		**161,480**	**183,364**

The loss attributable to shareholders dealt with in the financial statements of the Company was £28.4 million (FY19: £58.9 million).

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

The financial statements on pages 108 to 119 were authorised for issue by the Board of Directors on 6 September 2020 and were signed on its behalf:

Chris Allen
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2020

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance as at 30 April 2019 as previously stated	553	188,802	3,760	1,497	(5,450)	(94,535)	94,627
Adoption of IFRS 16	-	-	-	-	-	(537)	(537)
Balance as at 1 May 2019 as restated	553	188,802	3,760	1,497	(5,450)	(95,072)	94,090
Loss for the year	-	-	-	-	-	(28,413)	(28,413)
Share-based payment expense	-	-	-	647	-	-	647
Balance as at 30 April 2020	**553**	**188,802**	**3,760**	**2,144**	**(5,450)**	**(123,485)**	**66,324**

Year ended 30 April 2019

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

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

PARENT COMPANY STATEMENT OF CASH FLOWS

	Notes	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Cash flows from operating activities			
Loss before taxation		**(28,413)**	(58,908)
Adjustments for:			
Depreciation	6	**765**	290
Share-based payment (income)/expense	4	**394**	(536)
Impairment in investment in subsidiary	5	**27,000**	35,000
Increase in loss allowance	7	**707**	22,909
Finance costs		**1,647**	1,358
Changes in working capital:			
Increase in trade and other receivables		**(544)**	(1,832)
Increase in trade and other payables		**1,375**	2,688
Net interest paid		**(1,361)**	(1,358)
Net cash inflow/(outflow) from operating activities		**1,570**	**(389)**
Cash flows from investing activities			
Purchases of property, plant and equipment	6	**(140)**	(163)
Investment in subsidiary	5	**(694)**	-
Net cash inflow/(outflow) from investing activities		**(834)**	**(163)**
Cash flows from financing activities			
Lease payments		**(748)**	-
Proceeds from issues of shares		**-**	8
Net cash (outflow)/inflow from financing activities		**(748)**	**8**
Net decrease in cash and cash equivalents		**(12)**	(544)
Cash and cash equivalents at start of the year		**36**	580
Exchange adjustments		**-**	-
Cash and cash equivalents at the end of the year		**24**	**36**

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2020

1. General information

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

The Company financial statements were authorised for issue by the Directors on 6 September 2020. All press releases, financial reports and other information are available on the investor relations page of our website: www.tungsten-network.com

2. Accounting policies

(a) Basis of preparation

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

(b) New standards, amendments and interpretations adopted:

The Company has applied the following standard for the first time for their annual reporting period commencing 1 May 2019:

IFRS 16 Leases

The Company also adopted IFRS 16 from 1 May 2019, the accounting policy for IFRS 16 'Leases' is the same as that for the Group and is set out in Note 2 to the consolidated financial statements.

No finance leases were recognised immediately prior to the transition. The table below presents a reconciliation from the operating lease commitments disclosed at 30 April 2019 to the lease liabilities recognised at 1 May 2019.

	£'000
Operating lease commitments disclosed as at 30 April 2019	7,468
Less commitments on short-term and low value leases	-
Less discounting using the incremental borrowing rate at 1 May 2019	(1,562)
Lease liabilities recognised at 1 May 2019	**5,906**

The following table sets out the impact of adopting IFRS 16 on the statement financial position as at 1 May 2019:

	As at 30 April 2019 £'000	Impact of IFRS 16 £'000	As at 1 May 2019 £'000
Assets			
Property, plant and equipment [(a)]	2,033	(743)	1,290
Right-of-use assets [(b)]	-	5,740	5,740
Other non-current assets	127,829	-	127,829
Total non-current assets	129,862	4,997	134,859
Total current assets	53,502	-	53,502
Total assets	**183,364**	**4,997**	**188,361**
Liabilities			
Provisions [(c)]	1,160	-	1,160
Lease liabilities [(d)]	-	5,906	5,906
Other liabilities [(e)]	87,577	(372)	87,205
Total liabilities	88,737	5,534	94,271
Total equity [(f)]	94,627	(537)	94,090
Total equity and liabilities	**183,364**	**4,997**	**188,361**

(a) Property, plant and equipment was adjusted to reclassify dilapidations to right-of-use assets.
(b) The adjustment to right-of-use asset is related to all operating type lease assets and the dilapidations reclassification noted in (a).
(c) The adjustment to provisions relates to an onerous lease provision reclassified to the right-of-use asset on the adoption of IFRS 16.
(d) The table above reconciles the minimum lease commitments disclosed in the Company's 30 April 2019 annual consolidated financial statements to the amount of lease liabilities recognised on 1 May 2019.
(e) The adjustment was to reclassify rent-free accrual previously recognised.
(f) Retained earnings were adjusted to record the net effect of all other adjustments noted.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 APRIL 2020

2. Accounting policies continued

(c) New standards, amendments and interpretations issued but not yet effective:
Certain new accounting standards and interpretations have been published that are not mandatory for 1 May 2019 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

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

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

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

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

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

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

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

(e) Significant accounting policies
The accounting policies adopted are consistent with those of the previous financial year.

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

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

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

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

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

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

- Leasehold improvement: depreciated over the term of lease
- Fixture and fittings: 3 to 5 years
- Computer equipment: 2 to 5 years

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

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

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

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

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

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

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

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

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 APRIL 2020

2. Accounting policies continued

(l) Reserves

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

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

(m) Investments in subsidiary undertakings

In the Company's financial statements, investments in subsidiaries are stated at cost less provision for impairment in value.

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

(n) Foreign currency translation

The accounting policy for foreign currency translation is the same as that for the Group and is set out on pages 83 and 84.

3. Loss for the year

As permitted by the exemption in Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The loss attributable to shareholders dealt with in the financial statements of the Company was £28.4 million (FY19: loss of £58.9 million).

4. Employee benefits expenses

	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Wages and salaries	**1,423**	1,922
Social security costs	**246**	185
Pension-defined contributions	**133**	110
Share-based payment expense/(income)	**394**	(536)
Total employee benefits expenses	**2,196**	**1,681**

	Year ended 30 April 2020	Year ended 30 April 2019
Number of employees		
The yearly average number of people (including Executive Directors) employed:		
Corporate	**10**	10
Total average headcount	**10**	**10**

Refer to Note 25 in the consolidated financial statements for details of remuneration in respect of key management.

5. Investments in subsidiaries

	2020 £'000	2019 £'000
Balance as at 1 May	**127,040**	162,040
Additions	**907**	-
Impairment	**(27,000)**	(35,000)
Disposal	**-**	-
Balance as at 30 April	**100,947**	**127,040**

The Company's subsidiaries are the same as those for the Group and are set out in Note 28 to the consolidated financial statements.

The carrying value represents the Company's investment in Tungsten Corporation Guernsey Limited through which the Company indirectly holds the Tungsten Network sub-group and a £1 investment in Tungsten Network Finance Limited. An impairment charge of £27 million has been booked to write down the carrying value to £101.1 million being the value in use of the Tungsten Network CGU. See Note 12 to the consolidated financial statements for further information on the value in use.

6. Property, plant and equipment

As at 30 April 2020

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

As at 30 April 2019

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 APRIL 2020

7. Trade and other receivables

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Non-current assets		
Loans to employees under EMSS scheme	**181**	201
Deposit	**588**	588
Other receivables	**769**	**789**

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Current assets		
Amounts owed by Group undertakings	**76,612**	76,002
Less: Loss allowance	**(23,616)**	(22,909)
Net amounts owed by Group undertakings	**52,996**	53,093
VAT	**79**	97
Other receivables	**25**	-
Prepayments	**235**	276
Trade and other receivables	**53,335**	**53,466**

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

8. Provisions

	Leasehold property dilapidation £'000
At 1 May 2019	1,160
Addition	-
At 30 April 2020	**1,160**

Analysis of total provision:

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Non-current	**1,160**	**1,160**

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

9. Lease liabilities

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

	As at 30 April 2020 £'000
Maturity analysis:	
Year 1	**743**
Year 2 - 5	**2,971**
Year 5 onwards	**2,564**
Total future lease payments	**6,278**
Total future interest payments	**(822)**
Total lease liabilities	**5,456**

10. Trade and other payables

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Non-current liabilities		
Other payables	**-**	**250**

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

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Current liabilities		
Trade and other payables	**450**	214
Taxation and social security	**78**	225
Accrued expenses	**1,008**	1,329
Loan payable to Group undertakings	**44,621**	43,260
Amounts owed to Group undertakings	**42,383**	42,299
Trade and other payables	**88,540**	**87,327**

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 APRIL 2020

11. Commitments

Operating leases

The Company adopted IFRS 16, Leases for the current year using the modified retrospective approach as set out in Note 2. The comparatives for the prior year have not been restated and are presented under IAS 17. The amounts disclosed below relate only to those comparatives.

The table below sets out the future minimum lease rental commitments under IAS 17 at 30 April 2019:

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

12. Related-party transactions

During the year the Company invoiced and/or incurred management charges from specific Group companies. Furthermore at 30 April 2020:

- Owed to the Company
  - Tungsten Network Limited - £51,354,000 (FY19: £51,354,000)
  - Tungsten Network Sdn Bhd - £1,642,000 (FY19: £1,739,000)
- Owed by the Company
  - Tungsten Corporation Guernsey Limited - £84,712,000 (FY19: £83,267,000)
  - Tungsten Network Inc - £2,267,000 (FY19:£2,267,000)
  - Tungsten Network GmbH - £25,000 (FY19: £25,000)

Key management personnel

Key management includes Executive Directors. There were no key management personnel in the Company apart from the Directors.
The compensation paid or payable to key management for employee services is set out in Note 25 to the consolidated financial statements.

13. Capital management

The aim of the Company is to maintain sufficient funds to enable it to meet working capital requirements, make suitable investments and incremental acquisitions while minimising recourse to external funders and/or shareholders. Capital managed by the Company at 30 April 2020 consists of cash and cash equivalents and equity attributable to equity holders of the parent. The capital structure is reviewed by management through regular internal financial reporting and forecasting.

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

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Share capital and premium	**189,355**	189,355
Accumulated deficit[1]	**(123,403)**	(94,728)
Cash and cash equivalents	**24**	36
Total	**65,976**	**94,663**

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

14. Financial instruments, risk management and exposure

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

(a) Credit risk

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

	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Cash and cash equivalents	**24**	36
Trade and other receivables	**780**	773
Amounts owed by Group undertakings	**52,996**	53,093
Total	**53,800**	**53,902**

Cash and cash equivalents are held with reputable financial institutions.

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

(b) Liquidity risk

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

Financial assets and liabilities at amortised cost

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

As at 30 April 2019	Carrying amount £'000	Total contractual cash flows £'000	Less than 1 year £'000	1 to 5 years £'000	More than 5 years £'000
Cash and cash equivalents	36	36	36	-	-
Trade and other receivables[1]	773	773	773	-	-
Amounts owed by Group undertakings	53,093	53,093	53,093	-	-
Trade and other payables	(450)	(450)	(450)	-	-
Loan payable to Group undertakings	(43,260)	(43,260)	(43,260)	-	-
Amounts owed to Group undertakings	(42,299)	(42,299)	(42,299)	-	-
Net position	**(32,107)**	**(32,107)**	**(32,107)**	-	-

1 Excludes prepayments.

(c) Foreign currency risk

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

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

NOTES

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