TUNGSTEN
Trade with confidence

Tungsten Corporation plc
Annual report and accounts 2015

Tungsten Corporation plc accelerates global trade by enabling customers to streamline invoice processing, improve cash-flow management and make better buying decisions from their detailed spend data.

Our key business areas

TUNGSTEN
NETWORK

Connecting buyers and suppliers through our global, fully compliant electronic invoicing network.

TUNGSTEN
EARLY PAYMENT

Facilitating early payment of approved invoices at a lower cost than many banks or factoring providers.

TUNGSTEN
ANALYTICS

Line-level and real-time spend analysis enabling better buying decisions.

We have built the first global, integrated network combining e-Invoicing, supply chain finance and spend analytics. With these capabilities, we aim to monetise the world's supply chain.

Contents

"We are focusing on enhancing and adding to our AP automation services, while monetising our base of suppliers, which is one of the largest for an invitation-only and globally compliant network."

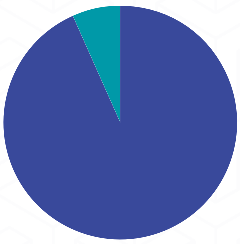
Richard Hurwitz, Tungsten Corporation CEO

Highlights

Tungsten Corporation plc, combines Tungsten Network, the global e-Invoicing network, Tungsten Early Payment, our supply chain finance service and Tungsten Analytics, a powerful on-line tool that identifies cost saving opportunities in real time.

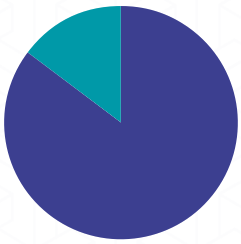
Financial highlights

- Raised £12m in an equity placing in September 2014 to support the acquisition of DocuSphere
- Raised £17.5m in an equity placing in May 2015, after the financial year ended, to support company growth
- Group revenue up 18% at £23.1m vs. FY14 £10.8m (FY14 pro-forma[1]: £19.5m)
- Tungsten Group EBITDA loss of £24.8m vs. £10.8m FY14 loss of £10.2m
- Group loss after tax of £26.1m vs. FY14: £11.0m loss



Invoice volume 2015

13.8m	e-Invoicing
1.0m	Other – paper/PDF
14.8m Total	



Invoice value 2015

£103bn	e-Invoicing
£18bn	Other – paper/PDF
£121bn Total	

1. FY14 pro-forma includes Tungsten Network results for the year to 30 April 2014, including the period prior to acquisition.

Operational highlights

- Acquired DocuSphere, renamed Tungsten Workflow
- Completed the acquisition of a fully regulated and licensed UK bank, rebranded as Tungsten Bank
- Financed the first invoices through Tungsten Network Finance, an automated supply chain finance offering, built on and integrated with Tungsten Network
- First customers trialling our revolutionary Tungsten Network Analytics product

173

BUYERS

International and national corporations, and government bodies

+39.5%

181,000

SUPPLIERS

Small, medium and large corporations, government bodies and NGOs

+7.7%

Chairman's statement

Arnold Hoevenaars
Group Non-Executive Chairman

Financial year 2015 was a transitional one for Tungsten Corporation. We put the building blocks in place for our future and began to execute on our vision to accelerate global trade by enabling customers to streamline compliant invoice processing, improve cash-flow management, and make better buying decisions from their detailed spend data.

We began the year as a company beginning to execute on the previous year's vision of creating a company with three business lines. We ended the year with strong growth in Tungsten Network, welcoming the first customer to use Tungsten Analytics, and demonstrating that Tungsten Early Payment is an attractive source of funding to the supplier companies that are using it.

Growth in Tungsten Network, the most mature of our businesses, was strong, with new buyers and suppliers joining throughout the year, and with Tungsten increasing support to governments and public sector agencies with their process automation and tax compliance objectives.

The newer parts of our business, Tungsten Analytics and Tungsten Early Payment, were slower to take off than we had hoped, though the reception from customers using the services has been strong and gives us the confidence that these businesses will grow.

To support this growth, we successfully raised £17.5 million in an oversubscribed share placing after the financial year ended, which was supported by our largest shareholders. We were delighted with the continued support from these anchor investors. The funds will be used for the continued enhancement of Tungsten Network and Tungsten Early Payment, and to improve the ease of use and deliverability of these products to both existing and potential customers.

On behalf of the Board I would like to thank our shareholders for their support through this transitional year.

The Board

Our Board continued to evolve as the business entered an execution phase and moved on from the phase during which we built on our vision. Michael Spencer, Phil Ashdown and Jeffrey Belkin left the Board, all of who were instrumental in helping to build the company as we developed Tungsten. We welcome as a non-executive director Nick Parker, who also became Chairman of Tungsten Bank's Board, and David Williams, who I am pleased to say has stepped up to become an Executive Director as well as Chief Financial Officer.

The year ahead

I am delighted Richard Hurwitz is now Chief Executive, having demonstrated his strong ability to execute on a strategy and deliver results in his previous dual role as Chief Executive, Americas, and head of our buyer business. Rick's experience as CEO of Pictometry, a similar growth company, means he is the ideal person to assume the role at this time to execute on the strategy we have in place. I have worked closely with Rick since he joined the Board as an Executive Director during the financial year and I am looking forward to working more closely with him in his new role.

In addition, I am grateful to Edi Truell for his significant contribution to Tungsten as the Company's founder and Group CEO up until Rick's appointment. During this time he worked tirelessly and closely with the management team to build and develop the Company to where we are today.

"We put the building blocks in place for our future and began to execute on our vision to accelerate global trade."

We continue to develop Tungsten Analytics and Tungsten Early Payment and expect to welcome new customers to each of these services during the current financial year. We will do this by working with customers to find the most attractive proposition for Tungsten Analytics. We are streamlining our processes to make it easier for suppliers to enrol and use Tungsten Early Payment. We will continue to ensure Tungsten Network remains best in class for security and compliance; and look forward to welcoming new buyer and supplier organisations onto the Network as well as extending the scope of services to our considerable customer base.

I would also like to thank our employees for their hard work and dedication during the year.

Annual General Meeting

Our AGM will take place on 24 September 2015 at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA.

Arnold Hoevenaars
Group Non-Executive Chairman

Investing in people

- Recruited 105 new people
  - new service delivery managers and relationship managers
  - technology development
  - banking marketing and operations
- 22 people have left or are leaving the Group due to improved efficiencies
- Senior leadership team moving from acquisition-focused to experienced operational senior executives, as integration of building blocks is completed
  - Richard Hurwitz, CEO
  - David Williams, CFO
  - Nick Parker, Non-Executive Director of the Tungsten Board

Tungsten corporate strategy

Tungsten Corporation aims to monetise its Network and increase revenues from the buyers and suppliers transacting over Tungsten Network.

We have clear areas of growth that will be our focus for the year ahead. These include:

Tungsten Network

- Increase the number of suppliers that are registered on Tungsten Network
- Increase the number of suppliers that are active on Tungsten Network
- Increase revenues from buyers on Tungsten Network through enhanced pricing and the provision of Tungsten Analytics

These areas of focus will enhance the Network Effect for the benefit of Tungsten Network users.

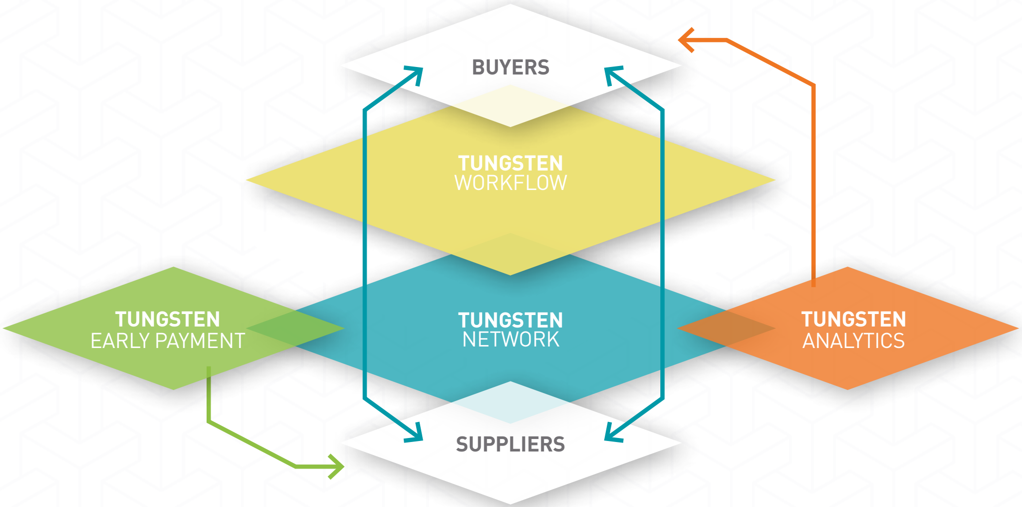
Tungsten Early Payment

- Increase the number of suppliers that are signed-up for Tungsten Early Payment
- Increase the number of suppliers that are live for Tungsten Early Payment
- Increase the total value of invoices financed.

Group at a glance

Tungsten Corporation transforms the world's supply chains by connecting buyers and suppliers through its global e-Invoicing network, enabling better buying decisions through line-level spend analysis, and providing automated invoice financing.

Our business model



Our business areas

TUNGSTEN NETWORK

Tungsten Network is the global e-Invoicing platform that sits at the heart of the Tungsten offering. It simplifies and streamlines the complex invoice-to-pay process, offering legal and tax-compliant invoicing across multiple jurisdictions.

Buyers can reduce invoice-processing costs by 60%, while suppliers gain efficiencies and peace of mind from greater visibility of the status of their invoices, including payment date.

Tungsten acquired DocuSphere, a provider of accounts payable automation and workflow solutions, in September 2014. Combining Tungsten's global supplier portal and e-Invoicing services with DocuSphere's workflow and connectivity solutions enables even more companies to reduce invoice exceptions and improve straight-through processing rates. This service is now called Tungsten Workflow.

Tungsten's Customer Connect service was launched during the financial year, which enables suppliers to find additional customers already transacting on the Network, and over 3,700 new connections were added in the six weeks following its launch in April 2015.

FY2015 highlights

- 173 buyers on the network of which 43 are using Tungsten Workflow
- 181,000 suppliers registered to send invoices through the network
- 14.8m invoices processed
- Over $187bn of total invoice value

TUNGSTEN EARLY PAYMENT

Tungsten aims to disrupt traditional lending institutions by offering supplier customers access to early payment on their approved invoices on the Tungsten Network.

Tungsten Early Payment is bringing balance to buyer customers' supply chain by helping to maximise their suppliers' cash flow. Tungsten Early Payment enables suppliers to get paid when they want, for a small fee. It is enabled through e-Invoicing on the Tungsten Network and provides access to cash from invoices that have been approved by a customer but not yet paid.

FY2015 highlights

- 188 suppliers signed a contract to use Tungsten Early Payment of which 38 had completed the registration process
- Total invoices financed were £32 million
- 42 buyers signed up for the standard Tungsten Invoice Status Service enabling Tungsten Early Payment for their suppliers who use Tungsten Network to send e-Invoices

TUNGSTEN ANALYTICS

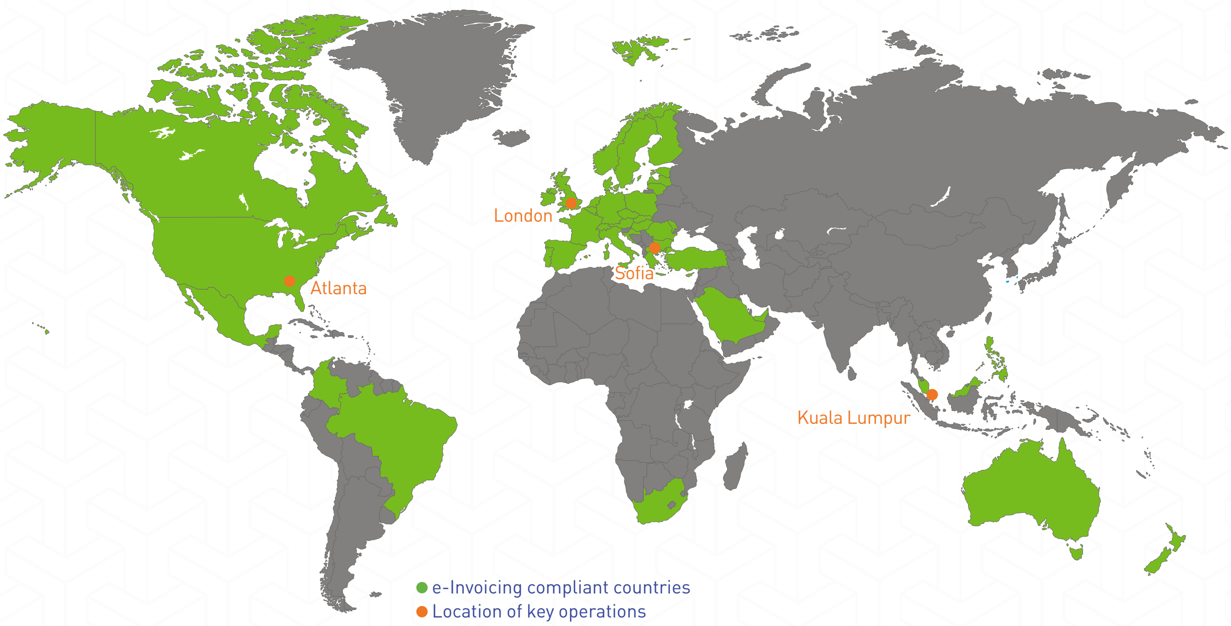
Tungsten Analytics combines Tungsten's archive of invoices with a value of $900bn with sophisticated spend analytics technology and a powerful reporting interface.

Tungsten Analytics examines line-level invoice data in real time to quickly identify price variances on individual items and opportunities for cost savings. It can also be used to ensure compliance with procurement policy and contracts.

FY2015 highlights

- Formation of the Tungsten Centre for Intelligent Data Analytics in partnership with Goldsmiths University
- The first buyer in trial with Tungsten Analytics contracted for the service
- A further 40 buyers are taking part in trial programmes

Our global business network



Our business highlights

Tungsten continues to add new territories to the 47 countries where we are compliant with e-Invoicing regulations. We pride ourselves on our global reach and operations. With key offices in the UK, US, Bulgaria and Malaysia, we communicate with customers in 12 core languages while using many more on a daily basis.

47

COUNTRIES

We are compliant with e-Invoicing regulations in 47 countries

355

EMPLOYEES

Skilled diverse people across our global network

Chief Executive's review

Richard Hurwitz
Tungsten Corporation CEO

The transition in leadership at Tungsten gives our organisation the chance to take stock of our many accomplishments even as we redefine expectations and put in place new operating processes.

e-Invoicing is one of the few industries in the burgeoning B2B sector of disruptive e-commerce to boast a 20% annual growth rate, according to the 2015 Billentis e-Invoicing/e-billing market report. Combined with our sophisticated spend analytics tool, Tungsten Analytics, and invoice financing offering through Tungsten Early Payment, we have a compelling proposition for procurement professionals, finance directors and accounts payable (AP) teams.

As a global leader in business process improvement, Tungsten is well positioned to be one of the winners in this growing industry by introducing a broader suite of in AP automation tools. We continue to bring new multinational buyers onto Tungsten Network, and as of 30 April 2015 we had 173 of them receiving 14.8 million invoices worth £121 billion from some 181,000 suppliers in 142 countries.

Future prospects

We remain cautiously optimistic about our prospects. We have had some setbacks in the last year in our newest product offerings, Tungsten Early Payment and Tungsten Analytics. Processes we initially put in place meant the take-up of Tungsten Early Payment was slower than we would have liked. It also took us longer than planned to build a sales team to bring suppliers onto Tungsten Network and offer them Tungsten Early Payment, and we needed to supplement our marketing spend to support the sales efforts.

With regard to Tungsten Analytics, we continue to talk to our buyer customers about the benefits and value of this sophisticated spend analysis offering. We have identified an average 1.6% cost savings in pilots with 40 of our customers, and we are talking to a number of these customers about contracting for the service. We are looking forward to further developing Tungsten Analytics' "big data" potential through our venture with Goldsmiths University, the benefits of which we expect to start to see next year.

Execution

Looking ahead, FY16 will be one of execution. We spent the last year building the Group and putting the foundation of our business model in place. We will now demonstrate that the foundation will support revenue growth.

As we consider the challenges we face to execute on our strategy of bringing as many suppliers as we can onto Tungsten Network, financing more invoices for suppliers, and increasing take-up of Tungsten Analytics, we are confident that we know what changes we need to make and are already working on these modifications and enhancements.

In addition, my leadership team is being structured to successfully execute on our strategy and drive customer value by taking advantage of the wealth of experience and knowledge that already exists and introducing new skills where there are clear gaps. We have made some strong hires in our supplier sales team and brought in an experienced Chief Technology Officer.

"As a global leader in business process improvement, Tungsten is well positioned to be one of the winners in this growing industry."

Building on success

This year we will also build on our product and other successes. We introduced a sizable Client Relationship Manager team for the first time to nurture our existing buyer customers and quickly identify where we can strengthen the relationship and deliver additional services to them.

Suppliers can send their customers compliant e-Invoices from 47 countries, more than any of our competitors. This gives our buyer customers the confidence that their invoices are compliant, and also gives suppliers the assurance that transacting over Tungsten Network means fewer rejected invoices.

Our newest product offering, Customer Connect, was a resounding success when we launched it in April.

We also continue to work with buyers to install Invoice Status Service, which gives transparency of the lifecycle of an invoice to buyers and their suppliers, and already has more than 40 buyers using it. This transparency enables suppliers to finance invoices where their customer has Invoice Status Service and has also been credit approved.

We secured the first customer through our partnership with PNC Bank in the US, which offers our AP automation service to its mid-size US-based treasury services customers.

The public sector is a focus for us as we talk to UK and US government agencies about using our AP automation and Analytics services. We are building on our work with public sector agencies, who can work with us easily through the UK government's updated framework for government suppliers, G-Cloud 6.

To support these successes and to hit new milestones, we raised £17.5 million from existing shareholders in May, after the financial year closed.

Using the funds raised, we aim to enhance the Tungsten Network product suite, including Tungsten Early Payment, and improve the ease of use and deliverability of these products to both existing and potential customers. We continue to improve the effectiveness of the Network and our approach to leveraging buyers and suppliers on the Network and to capitalise fully on the strong pipeline of new buyers and suppliers. For Tungsten Early Payment, our focus is to simplify and shorten the process for suppliers to be approved for Tungsten Early Payment.

Next steps

We are focusing on enhancing and adding to our AP automation services, while monetising our base of suppliers, which is one of the largest for an invitation-only and globally compliant network.

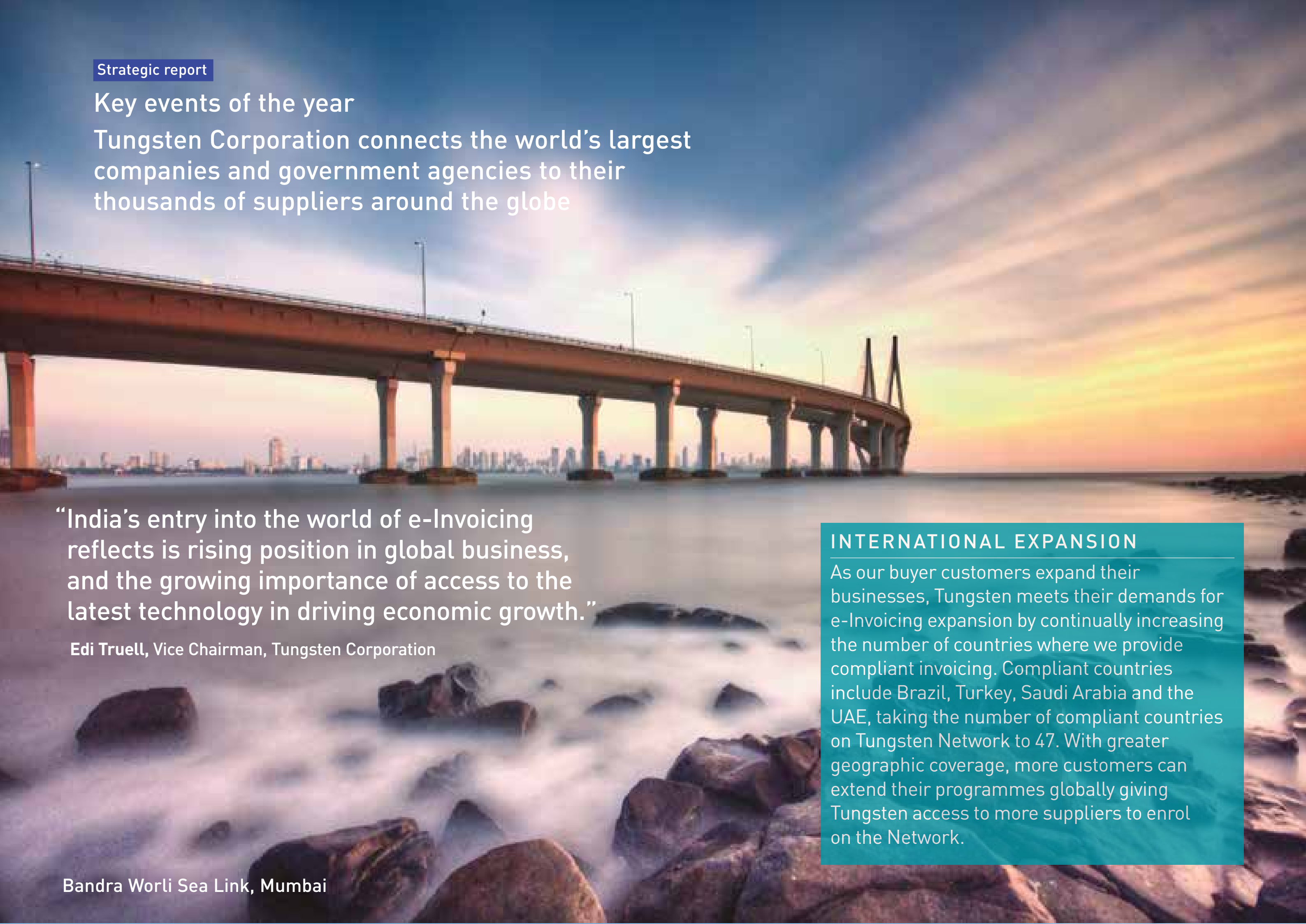
While I know we face some hurdles in the coming months, my experience as Tungsten Americas CEO prepared me well for my position as CEO. The US is our largest market after the UK. Some of the world's largest and most demanding companies are there, as are some of our key customers: Caterpillar, GE, P&G and many others. The US will continue to be an important market for us, and we now have in place a US-based sales team to offer Tungsten Early Payment to suppliers on the Network and extend our invoice finance offering there.

I'm looking forward to working with our talented team to grow Tungsten to the heights I know it can reach.

Richard Hurwitz
Tungsten Corporation CEO

Key events of the year

Tungsten Corporation connects the world's largest companies and government agencies to their thousands of suppliers around the globe



"India's entry into the world of e-Invoicing reflects is rising position in global business, and the growing importance of access to the latest technology in driving economic growth."

Edi Truell, Vice Chairman, Tungsten Corporation

Bandra Worli Sea Link, Mumbai

INTERNATIONAL EXPANSION

As our buyer customers expand their businesses, Tungsten meets their demands for e-Invoicing expansion by continually increasing the number of countries where we provide compliant invoicing. Compliant countries include Brazil, Turkey, Saudi Arabia and the UAE, taking the number of compliant countries on Tungsten Network to 47. With greater geographic coverage, more customers can extend their programmes globally giving Tungsten access to more suppliers to enrol on the Network.

"Tungsten was the logical choice for Royal Caribbean, and we are delighted to work with them now that DocuSphere is fully integrated into Tungsten Corporation."

Richard Hurwitz, Tungsten Corporation CEO

Quantum of the Seas, Royal Caribbean cruise ship

GROWING OUR NETWORK

We continue to attract new buyer customers that are among the largest and most successful multi-national companies, including **GE**, which intends to rollout a multi-year global e-Invoicing programme, and **Royal Caribbean**, which is providing e-Invoicing to suppliers in the UK and Poland. Six buyers are at the implementation stage. We have redefined how we work with our buyer customers to be aligned with our new client relationship management (CRM) strategy. Tungsten Network currently has 173 buyers accepting e-Invoices from their suppliers.

Vice Chairman's review

Edmund Truell
Vice Chairman

"We are continuing to invest in our people, systems and products, which is yielding results."

Looking back over the last eighteen months, I am proud of Tungsten and what we have achieved during our short existence. The original management team created Tungsten from a concept to a successful IPO, combining the acquisition of the OB10 electronic invoicing network and of Tungsten Bank, plus the creation of market-leading analytics capabilities.

We are executing on that vision and have built an industry-leading proposition for finance directors, procurement professionals, and accounts departments to enable them to transact invoices electronically and seamlessly with their counterparties, analyse detailed line-level spend in real time, or monetise invoices to maximise their working capital.

We have invested in our people, systems and products, which is now beginning to yield results. Albeit more slowly than would have been the case in the private equity world from which I come, we have transformed the businesses.

We have changed the leadership team to move to the delivery of our corporate strategy to grow our business and deliver a best in class service. Having myself previously stepped in to the breach for a year or so, I am delighted that Richard Hurwitz has now stepped up into the role of Group CEO. I am confident he has the requisite skills, experience and business acumen to lead the charge at this critical point in Tungsten's development. I am looking forward to working closely with Rick as Vice Chairman. I shall pursue the wide range of strategic opportunities available to Tungsten, including enhancing our relationships with major clients, providers of capital and other potential strategic partners.

Also during the year, David Williams rose from Deputy CFO to CFO, Britt Lintner joined to head global supplier sales, Juliana Wheeler joined to lead marketing and communications, and Ed St Amour moved over to become global head of HR after heading our US-based HR team for many years. As laid out at the time of the IPO, we put in place a global customer relationship management team to focus on the ongoing relationships with our buyer customers, and we added to our supplier sales team to bring a new focus to this critical group of customers.

I look back on the year as a successful one for the development of our systems and products. The acquisition of DocuSphere has given us a workflow capability that is already speeding up the connection of buyers to the Network.

We invested significantly during the year in the supplier experience to make it easier for them to join the Network. Customer Connect, launched in April, led to 3,700 new connections between existing buyers and suppliers in its first six weeks: another step towards making the Tungsten Network truly many-to-many.

I'd like to thank our employees for their hard work to achieve these milestones, all of which required a great effort by people working together across the business. That said, like most new companies with ambitious objectives, we also had some setbacks during the year. It took longer than expected to obtain regulatory approval for Tungsten Bank, which led to a later than planned launch of Tungsten Early Payment.

We are pleased to have secured access to the enormous funding base of Insight Investment 'IIFIG Securities S.A.'. We continue to negotiate with customers to find the right pricing point for Tungsten Analytics, from the strong position that those using the service in trials are enthusiastic about the benefits it provides. The development of such a disruptive product is testament to the skills of Stefan Foryszewski and his team. We are not resting on our laurels and are already developing the next generation with the Tungsten Centre for Intelligent Data Analysis joint venture with Goldsmiths.

While these issues are reflective of the early stage of development of our vision, we recognise that investors had hoped our progress would be further along by now. So had the management team and I.

I look forward to this next phase of growth.

Edmund Truell
Vice Chairman

Our markets

The global opportunity

e-Invoicing is at an exciting time in the industry's evolution with more businesses and governments around the world adopting it as the cornerstone for efficient, accurate and transparent invoice processing.

There is a €2.3tr global market for receivables financing, primarily in the form of factoring, with 170bn invoices sent globally.

Tungsten operates in a number of markets around the world with varying and significant political, commercial and regulatory activity that impacts our business.

We aim to expand our reach into new markets, first by supporting suppliers, then by achieving compliance in a market and lastly through putting people on the ground if the potential is significant enough.

Estimated market sizes

Electronic invoicing

There is limited reliable research into the precise size of the global e-Invoicing market. Billentis, a consulting firm, estimates that at least 170bn invoices (excluding invoices to consumers) will be exchanged around the world in 2015 with over 16% (28bn) of these sent electronically.[1] The level of penetration across territories varies greatly with a significant proportion contributed from Latin America, followed by North America and Europe.

PDFs (electronic paper) are included in Billentis's estimate, though PDFs offer few process efficiencies to buyers. Billentis estimates that in 2014 the proportion of PDF invoices in Europe accounted for 75% of all electronic invoices.

The European E-Invoicing Service Providers Association (EESPA) reported that 840 million electronic invoices were processed and delivered to invoice receivers in 2013 by its members.[2] This represented a significant growth of 19% compared to the previous year.

Billentis and Spend Matters, an industry website predict that the proportion of e-Invoicing will continue to show strong growth by replacing paper.[3] We expect electronic data interchange (EDI) connections to move to network-based e-Invoicing. While PDF usage will continue to grow, it will primarily be low-value transactions between SMEs.

Tungsten is ideally placed to benefit from the expected growth in global e-Invoicing with our unique proposition of bringing together e-Invoicing, spend analysis and invoice financing. Our customers including governmental bodies, global and national corporates will continue to benefit from the market's continued growth as more of their suppliers send them invoices electronically.

Receivables financing

Tungsten Early Payment aims to disrupt the market for receivables financing, driven by the constrained availability of traditional forms of financing and the ease of use and low operational cost advantages of Tungsten's technology platform.

The global market for receivables financing in the form of factoring was over €2.3tr in 2014, an increase of 6.3% from 2013.[4] Of this, €1.46tr was in the EU, including €350bn in the UK. Factoring excludes other forms of receivables financing, therefore the total addressable market for supply chain financing globally is in excess of €2.3tr.

Businesses in the UK received an all-time high £19.4bn of funding through asset-based finance in Q4 2014, an increase of £1.6bn on the same period in 2013. Businesses are using 38% more asset-based finance than at the height of the recession in December 2009, when £14.1bn was provided.[5]

Spend analytics

Gartner, the consulting and research firm, predicts 2015 will be a critical year in which democratising access to analytics will continue to dominate market requirements. Next-generation data discovery capabilities that leverage advanced analytics, while remaining easy to use, are likely to be more important enablers.[6]

Billentis says electronic and automated invoice processes increase visibility, which enables finance directors and corporate treasurers to better manage cash flow and working capital. Data analytics and reporting features can enable better financial decisions and maximise potential savings from suppliers.[8]

Tungsten Analytics is the only spend analytics provider that can offer invoice line-level analysis in real time.

Other market dynamics

Governments around the world are helping to develop the e-Invoicing market by mandating the use of electronic invoicing, which improves tax collection rates. Tungsten is ideally placed to benefit from this trend.

> "It very well could be the future of how procurement and finance organisations together look at spend and supplier analytics on a near real-time basis using network data exhaust rather than taking an 'extract, transform, load' or batch-based approach to manually extracting data from systems."

Process efficiency

Governments have a responsibility to taxpayers to operate efficiently. The EU Directive on e-Invoicing in Public Procurement requires that all EU administrations accept electronic invoices based on a common standard by 2018.

In the US, certain government departments have mandated electronic submission, including the Department of Veterans Affairs, which directs its suppliers to Tungsten Network.

The UK government also recognised the cost savings from e-Invoicing in the its Parliamentary Inquiry into the slow adoption of e-Invoicing in the public sector, to which Tungsten contributed.[9]

The European Commission's Digital Agenda sets objectives for smart, sustainable and inclusive growth of the European Union (EU) by 2020.[10] Four key priorities on this topic were:

- Ensuring a consistent legal environment for e-Invoicing
- Achieving mass-market adoption by getting SMEs to adopt electronic invoicing
- Stimulating an environment that creates maximum reach between trading partners who exchange invoices
- Promoting a common e-Invoicing standard.

Tax collection

The use of e-Invoicing supports government visibility of all invoices and tax obligations before goods are delivered to the customer. This fiscal 'clearance' model has already been mandated in Mexico and Brazil. In Mexico, between 2007 and 2009, the Tax Administration Service lost $3.4bn through 'apocryphal invoicing'.[11] With estimates that £1 in every £10 of sales in the UK are undeclared to tax authorities we expect more countries to follow.[12]

The results of mandating e-Invoicing can be significant for governments: Brazil's e-Invoicing mandate has helped to reduce the shadow economy from 20.1% of GDP in 2006 to 16.2% in 2013.[13]

Tungsten will continue to actively work with governments and influential industry bodies to promote the e-Invoicing mandate and the promotion of alternative sources of finance.

"It very well could be the future of how procurement and finance organisations together look at spend and supplier analytics on a near real-time basis using network data exhaust rather than taking an 'extract, transform, load' or batch-based approach to manually extracting data from systems."[7], says Jason Busch at Spend Matters.

Notes:

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Chief Financial Officer's review

David Williams
Chief Financial Officer

Group trading performance

The year to 30 April 2015 was a year of growth and transformation for Tungsten and a period in which we completed two acquisitions, launched our Tungsten Early Payment product and continued the expansion of our e-Invoicing network.

On 10 June 2014, Tungsten completed the acquisition of FIBI Bank (UK) plc (subsequently renamed Tungsten Bank plc). The total consideration of £29.5 million was paid, of which £25.4 million was paid in the period. £1 million of this will be held in escrow for 18 months.

On 9 September 2014 Tungsten acquired Image Integration Systems, Inc ('DocuSphere'), now renamed Tungsten Workflow. Consideration of $6.5 million (£4.0 million) was settled in cash with deferred consideration of $500,000 (£313,000) payable after 18 months. The Group raised new equity of £12 million gross of costs to fund the acquisition and other business expansion activities.

In November 2014 Tungsten launched Tungsten Early Payment, a product that allows suppliers transacting on our e-Invoicing network to take early payment on approved invoices.

In addition to our acquisitions we continued our significant investment in people and infrastructure in FY15. We spent £11.3 million on the one-off costs of acquisition, development of our Tungsten Early Payment product and systems, e-Invoicing product enhancements and restructuring. We expect our investments in these areas to significantly decrease in FY16.

At 30 April 2015, the Group had cash and cash equivalent balances of £32.6 million (30 April 2014: £62.6 million). This included £1.0 million of cash equivalents held by Tungsten Bank not previously reported with the cash balance. In May 2015, we raised an additional £17.5 million of new equity, gross of transaction costs.

Group revenue in FY15 grew 19% to £23.1 million from £19.5 million on a proforma basis. Tungsten Network contributed £23.0 million of total revenue, with the balance of £120,000 from Tungsten Network Finance.

Tungsten Group EBITDA loss for the year to 30 April 2015 was £24.8 million (FY14: £10.2 million).

Tungsten Network

Revenue for Tungsten Network for FY15 was £23.0 million (FY14 reported: £10.8m) an increase of 18% over FY14 pro-forma of £19.5 million. Tungsten Network revenue in the period includes Tungsten Workflow revenue of £1.9 million. Excluding Tungsten Workflow, Tungsten Network's revenue grew by £1.7 million (9%).

In FY15, 11 buyers were signed up to the e-Invoicing Network. The proportion of total Tungsten Network revenue from our Buyer customers increased from 37% in FY14 to 43% in FY15, in part as a result of the inclusion of Tungsten Workflow revenue.

Buyer revenue in FY15 of includes set-up fees of £0.9 million, Tungsten Workflow fees of £1.9 million and annual licence fees / transaction fees of £6.9 million. Three buyers left Tungsten Network during the year. These buyers had previously contributed minimal revenue.

Supplier revenue includes annual licence fees / transaction fees from suppliers using our integrated product and transaction fees from suppliers using our portal product ("Web Form"). During FY15 we changed the pricing structure for our Web Form suppliers so that each supplier receives 52 free transactions per year, with a higher per-transaction fee charged above that level. On a net basis this change did not materially impact our supplier revenue in FY15.

Tungsten Network EBITDA loss of £5.1 million (FY14: £1.3 million loss) reflects in part the increase in headcount, notably in the introduction of Client Relationship Managers to drive the development of our buyer relationships. We expect further headcount increases over FY16 to support additional customer acquisitions and their associated implementation.

The Tungsten Network FY15 EBITDA loss of £5.1 million includes one-off costs of approximately £2.8 million.

Tungsten Network Finance

Tungsten Network Finance, which includes Tungsten Early Payment and Tungsten Bank, earned £120,000 of revenue in FY15. This reflects the amount recognised in the period for the difference between the price paid to a customer for the purchase price of an invoice and the face value of the invoice (the "Gross Yield").

The significant majority of invoices purchased by Tungsten Network Finance in FY15 were sold to Tungsten Bank plc. In FY16 we expect a greater proportion of invoices to be made available to IIFIG Securities S.A. Revenue from IIFIG Securities S.A. will be recognised in the form of a fee calculated as a percentage of the Gross Yield, with that percentage varying depending on the Gross Yield.

Tungsten Network Finance incurred costs totalling £12.8 million in FY15 (FY14: £1.9 million). This includes one-off costs totalling £6.4 million, including regulatory costs, costs of the development of policies and procedures, software development and staffing costs. The majority of the underlying FY15 Tungsten Network Finance cost base was payroll costs. Tungsten Network Finance employed 45 people as at 30 April 2015.

Corporate

The FY15 Corporate EBITDA loss totalled £7.0 million (FY14: £7.0 million). This included £2.1 million of one-off costs, relating to restructuring and to the acquisitions of Tungsten Bank and DocuSphere.

The underlying Corporate EBITDA loss of £4.9 million reflects the Board, Group management and Group costs (including marketing, head office, AIM related costs).

Highlights

- Revenue of £23.1 million (FY14 reported: £10.8 million) vs FY14 pro-forma £19.5 million, an increase of 19%
- Completed acquisition of Tungsten Bank for £29.5 million and DocuSphere (now Tungsten Workflow) for $7 million (£4.3 million)
- Raised new equity of £12 million gross of transaction costs in September 2014 and a further £17.5 million after the year-end in May/June 2015
- Tungsten Group EBITDA loss of £24.8 million (FY14: loss of £10.2 million), including one-off costs of £11.3 million (FY14: n/a)
- Post-tax loss of £27.0 million (FY14: £11.0m)

Balance sheet

Non-current assets increased over FY15 by a net amount of £15.0 million to £130.9 million, driven by the acquisitions of Tungsten Bank (£10.1 million) and DocuSphere (£5.1 million).

The Group capitalised software costs of £0.3 million in FY15 (FY14: £0.3 million).

The Group capitalised £0.5 million of costs associated with the continued development of our head office, Pountney Hill House, which houses Tungsten Corporation, Tungsten Network Finance and the operation of Tungsten Network London.

Total current assets decreased by £25.2 million over FY15 to £47.4 million. This was primarily due to the decrease in cash and cash equivalents from £62.6 million to £32.6 million over FY15. £32.6 million represented £13.1 million of cash resources held outside of Tungsten Bank plc and available to the Group. The balance of £19.5 million represented cash or cash equivalent items held by Tungsten Bank plc and not available to the Group.

The increase in current assets also included an increase of £1.6 million in trade receivables. We expect trade receivables to decrease over FY16 as a result of the impact of changing the payment terms with the majority of our supplier customers.

At 30 April 2015 the Group held £6.4 million of invoice receivables, representing invoices purchased through our Tungsten Early Payments product.

Current liabilities increased by £2.7 million in FY15 to £17.3 million. This includes a decrease in trade and other payables of £1.9 million and an increase in deferred income balances of £0.8 million.

Cash flow

Cash outflow from operating activities increased to £31.6 million in FY15 (FY14: £8.1 million), reflecting the EBITDA loss of £24.8 million and the acquisition of £6.4 million of Tungsten Early Payment invoice receivables.

Net cash inflow from financing activities of £11.8 million, representing the issue of additional share capital, was primarily used to fund the acquisition of Tungsten Bank plc, DocuSphere and other fixed assets totalling £10.6 million.

Liquidity and going concern

At 30 April 2015, the Group had cash on hand and short-term deposits of £32.6 million. £13.1 million of this was freely available to the Group. On 21 May 2015 the Group raised additional gross equity of £17.5 million. The Group has no borrowings.

We expect to have sufficient cash resources to fund the committed activities of the Group for at least 12 months from the date of these financial statements.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance and the timing of the growth in Tungsten Network Finance, show that the Group has sufficient liquidity to fund its committed expenditure. Accordingly, the Group continues to adopt the going concern basis.

David Williams
Chief Financial Officer

Business review

Tungsten Network

The Network, which is the key part of Tungsten's business, continued to add new buyers and suppliers during the year, with a total of 173 buyer groups at 30 April 2015, up from 124 a year earlier. Of those, 43 are buyers using Tungsten Workflow, a service added during the year through the DocuSphere acquisition. Three buyers left the Network during the year, one due to a corporate action and two that lacked sufficient scale.

During the year, 28,000 suppliers were added to the Network, while 18,000 suppliers that transact mostly in paper invoices ceased transacting over the Network, as we focused on transitioning the Network away from non e-Invoicing suppliers. As a result, at the end of the financial year the Network had 181,000 suppliers, an increase of 7.7% over the previous year. Momentum of supplier releases picked up in the second half of the year when buyers sent Tungsten 25% more suppliers to bring onto the Network than in the first half.

An important focus for us has been to offer a fuller product suite to buyer customers and improve the effectiveness of our approach to leveraging the existing buyers and suppliers on the Network. The rate at which suppliers connect to multiple buyers already on the Network has been encouraging. This helped increase the total e-Invoicing volume on the Network by 10% over the prior year to 13.8 million invoices out of a total of 14.8 million invoices transacted over the Network. The e-Invoicing value conducted over the Network grew by 8% to £103 billion, out of a total of £121 billion of transaction value.

The pipeline of new customers for the Network, both buyers and suppliers, remained strong. Growth is coming from buyers sending us additional supplier releases and from adding new buyers to the Network. During the year, we invested heavily in the on-boarding process and in how we price the Network for suppliers, which is improving the rates of new and multiple connections. Users continue to benefit from a network effect in which they connect to multiple customers on the Network. Suppliers have made over 3,700 new connections to buyers in the first six weeks after a new service, Customer Connect, was launched in early April 2015. Customer Connect enables suppliers to find buyer customers already on the Network.

We are in the process of on-boarding the new buyers who became customers during the year. On-boarding includes connecting the buyers' ERP systems to the Tungsten Network, as well as inviting and bringing onto the Network their suppliers.

Tungsten Analytics, with real-time line level spend analysis, continues to receive positive feedback from buyer trialists. Tungsten is in negotiations about bundling e-Invoicing, Workflow and Analytics products into one combined package for buyers, which would support a considerably higher price point. These discussions will continue over the next three years as each buyer approaches contract renewal. We expect that this combined package will be well received by buyers, and should improve future revenues.

In addition, we continue to develop Tungsten Analytics functionality, following the previously announced formation of the Tungsten Centre for Intelligent Data Analysis in partnership with Goldsmiths University. We expect the output from this venture to take 18 months before it is realised.

Tungsten Early Payment

We launched Tungsten Early Payment in November 2014, nine months behind schedule in large part due to a six month delay in launching Tungsten Bank. In December 2014 we agreed an arrangement with 'IIFIG Securities S.A.' to fund our Tungsten Early Payment business, which is sufficient to fund Tungsten Early Payment demand. As a result of this and following discussions with the Prudential Regulatory Authority ("PRA") about Tungsten Bank's governance following the departure of the Bank's CEO in April 2015, the Tungsten Bank Board decided in May 2015 not to take deposits for the time being. This will not impact the Company's invoice financing capacity.

At 30 April 2015, 188 suppliers had signed a contract to use Tungsten Early Payment, and 38 suppliers had completed the registration process to become a customer of Tungsten Early Payment. Total invoices financed were £32 million.

Tungsten's experience has shown our two distinct markets, large corporates and SMEs, have different average yields, with large corporate invoice financing having an average yield of 4.5% p.a. and SMEs having an average yield of 12.4% p.a.

The penetration rate was 6.6% of SME suppliers targeted, while the penetration rate for large corporates may be higher but has a smaller population. Customers using Tungsten Early Payment finance repeatedly use the service, financing an average of 79% of the value of their available invoices.

Since launching Tungsten Early Payment in November 2014, we have determined that the sales and enrolment processes take longer than is desirable; require more sales people and marketing resources; and need a simpler supplier financing approval process to gain traction. As a result, we have increased our sales effort with Britt Lintner joining as Head of Supplier Sales, a new sales team structure in place and new sales people have been hired.

We have increased the marketing budget in the current financial year, and are simplifying and shortening the process for suppliers to be approved for Tungsten Early Payment, which currently takes several months before a supplier can finance their invoices.

Invoice Status, which enables buyers and suppliers to see the approval status of an invoice and the payment date, must be in place with a buyer before its suppliers can use Early Payment. At the end of April, 42 buyers were live with Invoice Status, up from 37 at the mid-year.

Highlights post financial year-end

New CEO

As Tungsten executes on its strategy, the Company announced senior management changes at the time of our pre-close statement on 14 May 2015.

Richard Hurwitz is now CEO, reporting to the Board of Tungsten Corporation, effective 13 July 2015. He was previously Executive Director, CEO (Americas) and Head of Global Client Development. Edmund Truell, previously CEO, has moved to the newly created role of Vice Chairman.

This allows Edi to develop the wide range of strategic opportunities available to Tungsten, including enhancing the Group's relationships with major clients, providers of capital and strategic and joint venture partners, and driving the global roll-out, which will involve considerable international presence. In addition, in order to allow Edi to concentrate on these important strategic matters, Nick Parker, previously an Independent Non-Executive Director of Tungsten Bank plc, has replaced Edi as Non-Executive Chairman of Tungsten Bank and Edi has become Deputy Chairman of Tungsten Bank.

Outlook

Revenue is expected to grow over the course of the year, supported by increased numbers of suppliers using both Tungsten Network and Tungsten Early Payment; and by buyers using the full suite of Tungsten services including Analytics. We expect new products to accelerate the pace of adoption.

We expect to increase significantly the size and margin of Tungsten Network, working with our current buyer customers to transition more of their suppliers onto e-Invoicing on an increasingly global basis, and we expect to continue to attract more new multi-national buyers. Through the introduction of a revised pricing model for our buyers, supported by our Tungsten Analytics proposition, we expect to increase the profitability of our buyer customers.

In the early part of the current financial year we have focused particularly on developing the Tungsten Early Payment product, processes and sales force, as we have gained greater insight into the customer requirements. We expect to sign up more SMEs and large corporate suppliers for this product, although the mix of large vs smaller suppliers will determine the value of invoices financed and our return on this business.

Tungsten previously announced discussions about a proposed joint venture arrangement with a global financial institution and that we are actively exploring strategic options for Tungsten Bank. The discussions are ongoing.

We have been through a period of significant investment in our products and markets, incurring a number of one-off costs, such as professional services fees for Tungsten Bank and the invoice financing business. The majority of these have now been incurred and paid for. Further investment will be made to support growth, particularly in sales and marketing.

Principal risks and uncertainties

Managing the financial, operational, legal and reputational risks across each of our businesses and operations continues to be critical to our success. The disclosure of risks and uncertainties in the table below reflects the approach of the Group to also look for the opportunities presented when addressing significant risks. We consider these risks in accordance with our governance procedures set out on page 26.

Our risk management processes

Our risk management processes include having employees dedicated to:

Our customers and other stakeholders expect us to maintain the highest standards of risk management. The principal risks are formally reviewed twice per year by the Board. Updates in terms of emerging risks or significant actions undertaken are addressed as and when required at Board meetings and monitored by the Audit Committee. Below we highlight the key areas of risk that we have identified in our business and on the following pages provide further detail.

INCREASING	STABLE	DECREASING
• Retention of key personnel • Governance and oversight • Data protection and security • Compliance with local tax, legal and regulatory regimes	• IT system • Political • Commercial failure of products • Complexity of operational processes • Availability of sufficient liquidity to meet growth expectations	• Concentration on major customer(s) • Failure of critical supplier • Anti-fraud, bribery and corruption Impact

RISK	IMPACT	MITIGATION
Strategic		
In accordance with the Tungsten Group strategy, Tungsten Network Finance and Tungsten Analytics have developed new products and services to meet market opportunities identified. There is a risk that these products and/or services are not commercially successful as a result of failure to meet customer requirements and/or inadequate execution.	Failure to meet our growth plans.	We have designed our products to meet the market needs and received positive feedback. We will continue to monitor and where appropriate amend our products and services. At every Board meeting, strategic issues including risks and opportunities are discussed. Furthermore, time is dedicated to strategic reviews at the various executive meetings across the Group. There are also regular reviews of performance against strategic targets.
Tungsten's strategy is to deliver innovative and market-changing products and services that rely on legal frameworks to permit use of its services. There is a risk that political factors influence and/or restrict the development of products or services.	Government changes or actions restricts our growth. Failure to meet growth plans.	We have expert employees and use external advisers to work with governments in our key operating jurisdictions to support policy development. There continues to be ever increasing governmental support for both e-Invoicing and alternative sources of finance.
Customers use Tungsten Network as it offers full tax and legal compliance for e-Invoicing. There is a risk we could fail to comply with changes in these areas.	Loss claims from customers. Damage to reputation. Significant fines.	Our knowledgeable and professional staff continue to closely work with some of the world's leading tax and compliance advisers who support our country compliance and new country roll-out programme.
In many global jurisdictions there is currently no regulation of supply chain finance. There is a risk that regulation is introduced and we fail to comply with the new requirements.	Our products become unavailable. Failure to meet our growth plans. Reputational damage. Significant fines.	As a Group, we monitor legislative proposals and consult external advisors to understand and address any newly introduced global regulation as part of our risk infrastructure. We continue to develop our Tungsten Network Finance products and policies to comply with the relevant regulatory regimes. Tungsten Bank has a proactive relationship with the PRA.
Tungsten's intends to further enhance our project management capabilities during the year ahead. There is a risk of delay or failure to manage and implement key business and infrastructure projects effectively.	Our products and services become unavailable. Failure to meet our growth plans. Damage to reputation	Our governance frameworks are key to ensuring successful delivery of all aspects of these changes. We have a detailed approval and planning process prior to project commencement. The Board and Executive review the status/progress of key change programmes and projects. We have significant management expertise in project management and change programmes. Post implementation reviews are undertaken once a project is completed so that learning can be captured.

Principal risks and uncertainties continued

RISK	IMPACT	MITIGATION
Strategic		
Tungsten Group has been rapidly changing and developing over the past 12 months. As a result of the rapid changes, there is a risk of significant failure or inefficiencies in our operations, systems and infrastructure.	Our products and services become unavailable. Failure to meet our growth plans. Damage to reputation.	We are undertaking a detailed review of all operational activities across all functions to improve workflows and operational efficiencies to provide an efficient and effective service and better increase capacity. Once complete, a programme will be put in place to undertake ongoing reviews of our operations, IT infrastructure and conduct regular testing of our systems. Our governance frameworks are key to ensuring successful management of the risks and mitigants.
Tungsten works with some of the world's biggest companies. There is a risk that these companies may stop doing business with Tungsten.	Failure to meet our growth plans.	Tungsten has a diversified revenue base and is not dependent on any one customer for its revenues. We have further developed our Client Relationship Management structure to improve service to our existing customer base. We are continuously listening and responding to our customers to enhance their experience of using Tungsten's products and services.
Technological & Operational		
The Tungsten Group has a highly developed and complex operational and IT infrastructure. A major incident could impact the ability of the Group to provide products and services to its customers.	Our products and services become unavailable. Reputational damage. Loss claims. Loss of customers.	We manage this risk by maintaining and regularly testing our business continuity plans and by having multiple hosting centres. The IT recovery plans include website resilience and penetration tests We undertake ongoing, real-time technology defence mechanisms.
The Tungsten Group has a highly developed and complex IT infrastructure. There is a risk of information security breach or cyber attack.	Our products and services become unavailable. Reputational damage. Loss claims.	Mitigating against cyber-attacks is taken seriously by the Group to maintain confidence in the security and availability of our products and services. To achieve this we use multiple hosting centres and have a detailed disaster recovery plan. We comply with the ISO 27001 certification, the international standard describing best practice for an Information Security Management System.
Tungsten Network has processed over £121bn of invoices and holds a significant volume of customer data. There is a risk of data protection breach.	Uninsured loss claims from customers. Reputational damage. Loss of customers.	We have extensive controls to ensure adherence to data protection and security awareness policies. We received a clean report under International Standards for Assurance Engagements (ISAE) 3402 Assurance Reports on Controls at a Service Organisation.

RISK	IMPACT	MITIGATION
Technological & Operational		
Tungsten has built Tungsten Network with the support of market-leading external IT suppliers. There is a risk of failure/closure of a supplier.	Our products and services become unavailable. Reputational damage.	Only leading suppliers are engaged. Prior to appointment, our key suppliers are the subject of a due diligence check and assessed for financial viability. We review the relationship with and financial position of our key suppliers on a regular basis. Our key suppliers have ISO 27001 certification.
Tungsten Network uses third-party software to interact with some buyers. There is a risk of failure or underperformance of this software.	Our products become unavailable. Reputational damage. Reduced development returns.	Prior to appointment, our key suppliers are the subject of a due diligence check, required to have the ISO 27001 certification and assessed for financial viability. We review the relationship with and financial position of our key suppliers on a regular basis. Furthermore, we constantly review ways to develop our software to reduce reliance on third parties.
Financial		
Tungsten Early Payment is still a relatively new offering to the lending market. We could have insufficient financial resources to meet demand.	Liquidity constraints. Failure to meet our growth plans. Ability to invest or develop.	We have agreed liquidity levels with the PRA. In addition we have an agreement in place with Insight which should meet all of our financial needs. We are in discussions with interested funding providers which will be progressed at the appropriate time to meet liquidity requirements.
The additional liquidity that Tungsten will seek to meet growth plans will be subject to unknown pricing or availability.	Failure to meet our growth plans. Cost of borrowing. Ability to invest or develop.	We have had successful pricing discussions with our external funding provider which is in line with our appetite and requirements. As we are able to demonstrate a fully operational and mature business model, we believe that the pricing of funding will decrease.
Tungsten Network Finance may be subject to non-payment by its customers.	Failure to meet our growth plans. Litigation costs.	Tungsten Early Payment advances are against invoices that have been approved for payment by the buyers on Tungsten Network. We have a robust credit analytics procedures to assess the credit of both buyers and suppliers and the pricing of lending will be flexed to recognise this. We undertake close monitoring of facility limits.
The Tungsten Group will not have adequate working capital to remain a going concern for the next 12 months.	Pervasive. Failure to meet our growth plans.	The Directors regularly stress-test the business model to ensure the Group has adequate working capital. There is adequate working capital for the foreseeable future.

Principal risks and uncertainties continued

RISK	IMPACT	MITIGATION
People		
Tungsten has customers in 166 countries around the world. While we have anti-money laundering and financial crime identification processes in place to mitigate the risk of fraud, corruption and other unethical behaviour, these do not guarantee this will not take place.	Fraudulent acts could result in financial loss. Reputational damage. Regulatory censure.	We have documented policies relating to business conduct, adopt a zero-tolerance approach to deviations and have whistle-blowing procedures in place. Tungsten Network Finance conducts 'know your customer' and anti-money laundering checks on all customers.
Tungsten relies on high-performing personnel to manage and develop our business. We could suffer unplanned departures and struggle to recruit talented staff.	Loss of knowledge/skills within the business and delayed project delivery. Over reliance on key personnel. Lack of availability of specialist skills.	We seek actively to engage and retain employees by focusing on training and development, customer relationships, leadership, social responsibility and communications. We actively encourage and develop promotion from within to maintain the knowledge and expertise. The current CEO and CFO are examples of this approach. Our existing talent base is continually reviewed and strengthened if required. We have competitive remuneration packages with oversight by the Remuneration Committee. We have developed strategies for recruitment/development of talent to deliver strategic priorities. Succession planning for key management is an important issue on the Board agenda.

Our employees

Tungsten Corporation is an international company on its way to becoming global. We support our customers in 12 languages with employees based in the UK, US, Bulgaria and Malaysia. We value our high-calibre, culturally diverse employees, leveraging their skills and knowledge to the benefit of our customers and partners.

Values and culture

We completed the integration of our acquisitions during FY2015, and we began to execute on our strategic objectives to accelerate global trade by enabling customers to streamline invoice processing, improve cash-flow management and make better buying decisions from their detailed spend data. To do this, we are developing a culture where we welcome and reward people's ideas, collaboration, accountability and diligence to help deliver the highest quality service offering to our customers.

Our values have evolved since last year's annual report, which was important to keep up with the changing requirements and nature of the business. They describe our underlying code of practice and behaviour as members of the Tungsten organisation.

- Foster an environment of **inclusiveness** and **respect** where talent thrives
- Be open and **honest** with ourselves, our colleagues, our shareholders and other stakeholders
- Be **accountable** – own the outcome, act with conviction and responsibility
- Inspire **excellence**, empower others to eliminate inefficiencies, provide a **best in class** service for our customers
- **Collaborate** – be a team, and operate globally with **flawless execution**
- Hire, train and retain **great employees**

HR strategy for a growing company

This year we relocated the head of HR role to the US, in-line with our strategic focus on global expansion.

The HR priority was to hire employees in areas of the business that will support our growth objectives. We created 72 net new jobs throughout Tungsten Corporation, both in and outside the UK. 26 employees were hired to support the supplier sales and marketing efforts, including sales people to target large suppliers that are in the FTSE 250 or are of similar size, and sales staff to demonstrate the value of Tungsten Network and Tungsten Early Payment to SME suppliers. Tungsten Bank added 5 employees to support its credit and compliance functions.

We have hired people who value teamwork, innovation and integrity, and display passion for delivering the best results. New senior employees have joined from industry-leading organisations in industries including hedge funds, investment and commercial banks and market infrastructure companies.

Senior executives and board members who were instrumental in the acquisition and development of Tungsten left as the Group entered a new phase of growth now that the building blocks for future success are in place.

In FY2016, we will continue to add sales and compliance staff to support our objectives to execute and deliver on our stated objectives.

- Performance management: Our upgraded performance management approach is in place, with an objective and rating process to ensure we are transparent in how we review, evaluate and motivate staff at regular intervals throughout the year
- Compensation review: We have amended our compensation plans to promote superior client service, transparency, and greater collaborative working and alignment with our objectives
- Spot bonus plan: We have introduced the ability for managers to quickly and visibly recognise specific achievements or behaviours by teams or individuals
- Employee options plans are being introduced in the current financial year to reward our strongest performers
- Introduced banding and job classifications across the group to drive fair compensation and reward

Number of employees (30 April 2015)

	UK	Europe	US	Bulgaria	Asia	Total
Full time	160	6	83	11	93	353
Part time	2	0	0	0	0	2
Total	162	6	83	11	93	355

Board of Directors

Arnold Hoevenaars
Non-Executive Chairman

Among other positions, Arnold is Chairman of the Internal Supervisory Committee for Pensioenfonds Zorg & Welzijn (PFZW), which had over €177.7bn of assets at 31 March 2015. Arnold is also a member of the Supervisory Board of the Unilever Pension Fund.

Arnold has previously held the following positions: from 2003 to 2004 Chief Financial Officer of Royal Boskalis Westminster; from 2002 to 2003 Chief Executive Officer and Chairman of Eureko B.V.; from 1992 to 2000 various roles to become Executive Chairman of Achmea.

Edmund Truell
Vice Chairman, Tungsten Corporation, and Deputy Chairman, Tungsten Bank

Edmund has over 30 years of financial services experience including leadership positions in banking, private equity, pensions, insurance and debt investment. He trained at Bankers Trust Co in New York, following which he was appointed a Director of Hambros Bank in 1991; Chief Executive of Hambro European Ventures in 1994; led the 1998 buyout and formation of Duke Street Capital (DSC); and was responsible in 2000 for creating and building DSC Debt Management, which was sold to Babson Capital in 2004.

He was Chairman of the British Venture Capital Association from 2001 to 2002. After selling out of DSC in March 2007, he co-founded a regulated insurance company, Pension Insurance Corporation, which now has over £13.4bn in assets under management and has insured over 100,000 pension fund members. In January 2013, he was appointed as Chairman of the London Pension Fund Authority, which has grown to £4.8bn of assets. He is qualified as a Chartered Financial Analyst and is a Trustee of The Truell Charitable Foundation.

Peter Kiernan
Non-Executive Director

Peter has over 30 years of experience in professional services including 29 years in investment banking.

He is currently a Senior Adviser to Canaccord Genuity Ltd., a Senior Adviser to the UK Board Practice of Hedrick & Struggles and a member of the Advisory Board of Bell Pottinger. Previously, Peter was Chairman of European Investment Banking at Canaccord Genuity, a Managing Director at Lazard, where he was Head of UK Investment Banking between 2004 and 2006, and a Managing Director at Goldman Sachs.

He started his investment banking career at SG Warburg & Co. Ltd. where he was a Director and he became a Managing Director of UBS Warburg. Peter qualified as a Chartered Accountant (FCA) with Peat, Marwick, Mitchell & Co. and read Natural Sciences (Chemistry) at Downing College, Cambridge.

Danny Truell
Non-Executive Director

Danny Truell serves in a diverse range of roles in the investment and charitable community. He is the Chief Investment Officer and a member of the Board of the Wellcome Trust, a leading medical research charitable foundation based in London. He and his team are responsible for assets exceeding $30bn, which are invested in a broad range of investments.

Danny is also a co-founder of Pension Insurance Corporation, an insurer with assets exceeding £13.4bn, where he chairs the Asset/Liability Committee.

Danny is the Chair of the World Economic Forum's Long-Term Investment Council and a co-Chair of the G20/B20 Investment Group. He is a Trustee of The Truell Charitable Foundation and Chair of the charity Debate Mate. He is a member of the Investment Committees of the Wellington College Endowment and is a graduate of Balliol College, Oxford University.

Nick Parker
Non-Executive Director

Nick has more than 30 years of corporate finance advisory experience. As a partner at PwC, he led the Project Finance and Privatisation group, focusing on public sector strategy. He currently serves as a Non-Executive Director of Pension Insurance Corporation, and is also a director and Chair of The Wastepack Group Limited.

Nick was part-time head of Performance & Innovation at the Scottish Executive from 2004–2007, which delivered aspects of public service reform and efficiency. He was a trustee of The College of Optometrists from 2002–2009 and Project Scotland from 2005–2007, and was trustee and treasurer of the European Academy of Optometry and Optics from 2009–2012.

Richard Hurwitz
Chief Executive

Richard Hurwitz's proven track record of building and successfully exiting high growth companies spans 30 years and includes extensive experience in talent development, general management and capital raising with financial services and technology companies in the US and abroad.

As Chief Executive of Pictometry International from 2010–2013, Richard led the strategic transformation of this category-defining company in the changing geospatial industry. Earlier, Richard was a Partner at Aegis Investment Partners, private investment firm which focuses on buying and turning distressed assets, a Managing Partner with Bancorp Services, where he led the firm's subsidiary broker-dealer, and Chief Executive of Bridge Information Systems' European operations where he also ran all non-US institutional equity and derivatives trading.

Richard has demonstrated his commitment to boardroom excellence by completing the National Association of Corporate Director's comprehensive program of study for corporate directors to become a Board Leadership Fellow. Because of his broad investing and operating experience, Richard serves as a Director on the boards of Manning & Napier, Inc (NYSE: MN) and Symbility Solutions (TSX.V: SY).

Lincoln Jopp
Group Chief Operating Officer

A former career soldier, Lincoln has a wealth of experience in running international operations across the globe and led the 1st Battalion Scots Guards in Afghanistan. After command he became Assistant Head of the UK Ministry of Defence's Strategy Unit.

Lincoln joins Tungsten from Truell International Permit Systems Ltd where he was CEO. In June 2014, he stood down from his role as Non-Executive Director of AIM-listed Impellam to concentrate on his main board responsibilities at Tungsten.

David Williams
Chief Financial Officer

David has 16 years of financial experience working in professional practice and consultancy with public and private companies. After training as a Chartered Accountant with Arthur Andersen, David spent five years in the Corporate Finance division of Ernst & Young, followed by five years at FTI Consulting, advising both the public and private sector. He subsequently left to assume a variety of senior management roles. David has strong financial control and reporting disciplines and is a Fellow of the ICAEW.

Corporate governance report

Chairman's introduction to governance

Dear Shareholder,

Principles of corporate governance

As a Board we recognise the importance of high standards of corporate governance. The Company considers the UK Corporate Governance Code (the UK Code) as a basis for guiding its governance structures. However, it is recognised that some aspects of the UK Code are not relevant for AIM companies such as Tungsten. We therefore also measure our governance policies and structure against the Quoted Companies Alliance corporate governance code (the QCA Code) as we consider that the QCA Code is more applicable for small and medium-sized companies. We believe we have achieved the 12 principles of corporate governance recommended by the QCA Code. The new policies and procedures put in place at the time of admission to AIM in October 2013 gave us a firm foundation for our governance structures and we continue to build on these. We aim to work towards compliance with the UK Code in the medium term.

The Board

A number of changes have been made to the composition of the Board during the year. Richard Hurwitz, CEO of Tungsten Corporation in the US, joined the Board as an Executive Director in October 2014. Jeff Belkin stepped down from this role of CFO and David Williams was appointed as CFO in March 2015 having acted as interim CFO since January 2015. After the year end, Nick Parker was appointed in May 2015 as an additional Non-Executive Director. Michael Spencer also left the Board in December 2014. On 13 July 2015 Edmund Truell moved from his role as Group CEO to a newly created role of Vice Chairman and Richard Hurwitz was appointed Group CEO reporting to the Board of Tungsten Corporation. These changes reflect the continued evolution of Tungsten into a delivery phase and I am confident we have the right skill set to take the business forward.

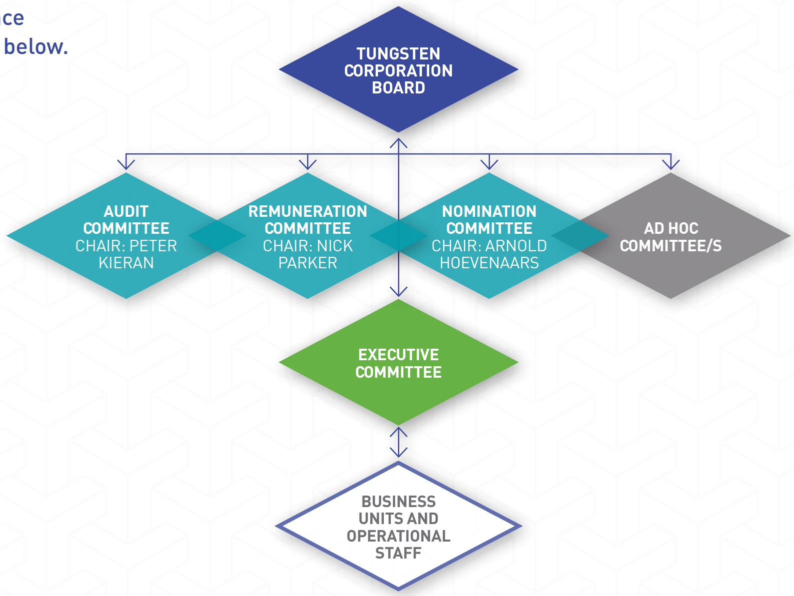
The Board consists of the Chairman, four Executive Directors and three Non-Executive Directors. As a consequence of their holdings of LTIP Securities, Arnold Hoevenaars, Peter Kiernan and Nick Parker are not considered to be independent under the QCA Code. However, on account of their robustness of character and judgement, the Board considers these Directors to be independent notwithstanding their holdings of LTIP Securities.

As Chairman I should like to state my full commitment to maintaining high standards of corporate governance and to being transparent about our arrangements. We continue to improve and refine our governance processes as the Group evolves.

Arnold Hoevenaars

Group Non-Executive Chairman
21 July 2015

The Group's governance structures are shown below.



The role of the Board

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

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

- Approval of communications with shareholders and the market
- Approval of Board membership and other senior appointments and any changes

Composition of the Board

The Board consists of eight Directors: the Non-Executive Chairman, four Executive Directors, and three Non-Executive Directors. Details of each of the Directors' experience and background is given in their biographies on pages 24 to 25. The skill set and experience of Board members is geared towards the current position of the Company and covers finance, capital raising, financial services, banking, pension industry 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 30.

With regard to re-election of Directors the Company is governed by its Articles of Association ('Articles'). Under the Articles, the Board has the power to appoint a Director during the year but any person so appointed must stand for election at the next Annual General Meeting. At each Annual General Meeting, one-third (or the number nearest to one-third) of the Directors must retire from office and, if willing, may offer themselves for re-election. Richard Hurwitz, Nicholas Parker and David Williams will stand for election at the 2015 Annual General Meeting having been appointed as Directors since the last Annual General Meeting. The following Directors will also retire and stand for re-election at the next Annual General Meeting: Danny Truell and Arnold Hoevenaars. The Board considers that each Director offering himself for election or re-election continues to make a valuable contribution to the deliberations and continues to demonstrate commitment.

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

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

Senior Independent Director

The Company does not have a Senior Independent Director. Given the small number of Non-Executive Directors, the appointment of a Senior Independent Director would not currently add value to the operation of the Board. In addition, the Chairman and Non-Executive Directors are available to shareholders as communication channels if required. The appointment of a Senior Independent Director will be kept 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 (in the case of Peter Kiernan, Arnold Hoevenaars and Nicholas Parker) or after 36 months of the date of Admission to AIM (in the case of Danny Truell). The Non-Executive Directors' letters of appointment set out the duties of the Director and commitment expected. They are expected to commit around 24 days per annum to their role. Key elements of the Non-Executive Director's role are to constructively challenge and help provide the Board with effective leadership in relation to the Company's strategy, performance, risk and people management, and ensuring high standards of financial probity and corporate governance.

Development, information and support

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

Directors' Induction

The Directors appointed during the year received an induction covering topics such as the operation of the Board, Directors' responsibilities, insider dealing and governance documents. Each Director also receives an induction pack including all of the key company documents.

Conflicts of interest

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

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

Performance evaluation

A formal performance evaluation has not been carried out during the year due to the relatively short period from admission to AIM and the changes to Board membership since this time. There needs to be a reasonable period of time over which the Board operates together before any meaningful assessment can be made. An evaluation exercise will therefore be considered by the Board and its committees during 2016. 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.

How the Board operates

The Board meets at regular intervals and met twelve times during the period under review. Directors also have ongoing contact on a variety of issues between formal meetings. 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 a Executive Committee composed of the CEO and CFO and representatives from senior management whose responsibilities are to implement the decisions of the Board and review the key business objectives and status of projects.

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

What were the main activities of the Board during the year?

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

- Strategy presentation
- Consideration of acquisition proposals
- Consideration of financing structures
- Approval of annual report and financial statements
- Review of Budget
- Going concern and cash flow
- Briefing and review of conflicts of interest
- Approval of new whistle blowing policy
- Approval of new share schemes
- Approval of appointment of new Directors
- Review of AGM business
- Review of Disclosure Policy
- Anti-Bribery and corruption policy

The Board Committees

Membership of all three Board Committees is composed of the Chairman and two Non-Executive Directors. Each Board Committee has approved Terms of Reference setting out their responsibilities. The Terms of Reference were approved and updated by the Board during the year, where necessary, and are available on the Company's website www.tungstencorporationplc.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.

	Board Committee 12 meetings	Audit Committee Committee 6 meetings	Remuneration Committee 4 meetings	Nomination Committee 3 meetings
Arnold Hoevenaars	12/12	6/6	4/4	3/3
Edmund Truell	10/12	–	–	–
Philip Ashdown[1]	11/12	–	–	–
Jeffrey Belkin[2]	8/10	–	–	–
Richard Hurwitz[3]	4/6	–	–	–
Lincoln Jopp	12/12	–	–	–
Peter Kiernan	12/12	6/6	4/4	3/3
Danny Truell	9/12	–	–	–
Michael Spencer[4]	5/9	2/2	1/1	–
David Williams[5]	2/2	–	–	–

Notes:
The number of meetings attended is reported out of the number of the meetings that the Director was eligible to attend

1. Resigned from the Board 24 April 2015
2. Resigned from the Board 13 January 2015
3. Appointed to the Board 22 October 2014
4. Resigned from the Board 31 December 2014
5. Appointed to the Board 17 March 2015

Audit Committee report

Members of the Audit Committee

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

- Peter Kiernan (Chairman)
- Arnold Hoevenaars
- Nick Parker

Duties

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

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

What were the main activities of the Audit Committee during the year?

The principal areas of focus for the Committee included the following items:

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

Role of the external auditor

The Audit Committee monitors the relationship with the external auditor, PricewaterhouseCoopers LLP, to ensure that auditor independence and objectivity are maintained. As part of its review the committee monitors the provision of non-audit services by the external auditor and has adopted a policy on non-audit services that clearly sets out prohibited services and also a financial quantum of services that must be approved by the Audit Committee. The breakdown of fees between audit and non-audit services is provided in note 9. The Audit Committee also assesses the auditor's performance. The Committee has adopted a formal policy on its responsibilities in relation to the external auditors. This policy includes recommendations on appointment, tendering, scope and remuneration as well as the assessment of external auditor independence. The PricewaterhouseCoopers audit partner was rotated during the year.

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

Internal audit

Following a review by the Audit Committee of the need to establish an internal audit function in light of the expected development of the business the Group has employed an internal auditor. In addition in light of the acquisition of Tungsten Bank, KPMG was appointed to provide interim internal audit services for Tungsten Bank.

Audit process

The external auditors prepare an Audit Plan for their review of the full year and half year financial statements. The Audit Plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following their review the auditors presented their findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditors during the year. Significant issues considered by the Audit Committee from the audit process were going concern and impairment. Liquidity risks are discussed in more detail in the review of principal risks and uncertainties on pages 18 to 22 and further information is also given in the Chief Financial Officer's Review on pages 14 to 15.

Remuneration Committee report

Members of the Remuneration Committee

The Committee consists of Non-Executive Directors as follows:

- Nick Parker (Chairman)
- Arnold Hoevenaars
- Peter Kiernan

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 ongoing appropriateness and relevance of the remuneration policy
- To appoint and determine the terms of reference for any remuneration consultants who advise the committee
- To approve the design of and determine the targets for any schemes of performance-related remuneration and approve the total remuneration paid under such schemes
- To review the design of all share incentive plans for approval by the Board
- To determine the policy and scope of pension arrangements for Executive Directors and other designated senior executives
- To oversee any major changes in employee benefits structure throughout the Group
- To agree the policy for authorising claims for expenses from the Executive Directors and Chairman

What were the main activities of the Remuneration Committee during the year?

The principal areas of focus for the Committee included the following items:

- Consideration of Executive Directors' bonuses and criteria for the year
- Review of Executive Directors' salaries
- Review of remuneration of Tungsten Bank Non-Executive Directors
- Review of new proposals for share option plans and plan rules
- Approval of award of shares under the EMSS, SAYE and Executive Option schemes
- Preparation for review of total remuneration packages of the Executive Directors

Nomination Committee report

Members of the Nomination Committee

The members of the Committee consist of Non-Executive Directors:

- Nick Parker (Chairman)
- Peter Kiernan
- Arnold Hoevenaars

Duties

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

- To regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board compared to its current position and make recommendations to the Board with regard to any changes
- To give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future
- To keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace
- To keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates
- To be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise
- To formulate plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chairman and Chief Executive
- To assess the reappointment of any Non-Executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the 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 the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board

What were the main activities of the Nomination Committee during the year?

The principal areas of focus for the Committee included the following items:

- Succession planning
- Consideration of continuing training needs for Directors and induction course for new directors
- Recommendation for approval of new Directors to be appointed to the Board
- Board balance
- Appointment of new Remuneration Committee chair
- Process for search for new Non-Executive Directors
- Appointment of CEO for Tungsten Bank plc
- Election and re-election of Directors at the AGM
- Review of Terms of Reference

Diversity

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

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. A Financial Procedures Manual sets out minimum reporting standards. 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 18 to 22. 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 to the date of approval of this report and have been reviewed by the Board in accordance with the Financial Reporting Council's guidance on internal control.

Improvements have been made to strengthen the internal control process with the appointment of an internal auditor who has put in place a more robust structure to identify risks and cascade ownership and management of risks to an operational level.

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

Anti-fraud, bribery and corruption

A new anti-bribery policy was approved during the year and an extensive programme put in place for training throughout 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.

Whistleblowing

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

Shareholders

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

The Annual Report and Accounts 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 24 September 2015. The Notice of Annual General Meeting will be available on the Company's website at www.tungstencorporationplc.com. The Notice of AGM will be sent out at least 20 working days before the meeting. Separate resolutions are provided on each issue so that they can be given proper consideration. Proxy votes are counted and the level of proxies lodged on each resolution reported after it has been dealt with on a show of hands.

Directors' remuneration report

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

The Remuneration Committee

The Board has delegated certain responsibilities for executive remuneration to the Remuneration Committee. Details of the Remuneration Committee, its remit and activities are set out on page 30.

The Remuneration Committee is responsible for reviewing the performance of the Executive Directors and senior employees of the Group and for determining the terms and conditions of their employment, level of remuneration including short-term and long-term incentives, having due regard to the interest of shareholders. The Committee plays an important role in ensuring that remuneration policy underpins strategy and the long-term visionary goals of the Company.

Remuneration policy

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;
- link individual remuneration packages to the group's long term performance and continued success of the group through the award of annual bonuses and share-based incentive schemes.

The objective of the remuneration policy is to attract, retain and motivate executive management of the quality required to run the Group successfully.

Executive Directors

Current components of the Executive Directors remuneration are base salary, annual bonus and LTIP.

Base salary

Base salary is reviewed annually by the Remuneration Committee. There was no increase in salary for 2014 or 2015.

Annual bonus

The Remuneration Committee has agreed performance conditions for the annual bonuses of the Executive Directors based on certain KPIs.

Service agreements and termination payments

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

Director	Date of contract	Unexpired term	Notice period by Company	Notice period by Director
Edmund Truell, Chief Executive Officer	16 October 2013	Rolling contract	12 months	12 months
Richard Hurwitz	22 October 2014	Rolling contract	12 months	12 months
Lincoln Jopp	28 April 2014	Rolling contract	12 months	12 months
David Williams, Chief Financial Officer	17 March 2015	Rolling contract	12 months	12 months

The Executive Directors may be put on gardening leave during their notice period, and the Company can elect to terminate their employment by making a payment in lieu of notice of up to 12 months' basic salary.

Employees' pay

Employees' pay and conditions across the Group are considered when reviewing remuneration policy for Executive Directors. The Remuneration Committee has focused on considering and developing a new structure for Group compensation that is designed to achieve staff alignment, engagement and collaboration.

Non-Executive Directors

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

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

Terms of appointment

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

Director	Date of letter of appointment	Term	Notice
Arnold Hoevenaars	16 October 2014	12 months	3 months by either side
Peter Kiernan	16 October 2014	12 months	3 months by either side
Nicholas Parker	13 May 2015	12 months	3 months by either side
Danny Truell	16 October 2013	36 months from date of admission	3 months by either side

Annual remuneration report

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

Directors' remuneration table

Director	Base salary £'000	Benefits in kind £'000	Pensions £'000	Annual performance bonus £'000	Total FY2015 £'000	Total FY2014 £'000
Executive Directors						
Edmund Truell	360	–	–	–	360	242
Philip Ashdown[1]	207	–	3	–	210	115
Jeffrey Belkin[2]	199	–	–	–	199	115
Richard Hurwitz[3]	98	–	–	82	180	–
Lincoln Jopp	172	–	9	–	181	1
David Williams[4]	26	–	1	3	30	–
Non-Executive Directors						
Arnold Hoevenaars	125	–	–	–	125	125
Peter Kiernan	100	–	–	–	100	100
Michael Spencer[5]	67	–	–	–	67	100
Danny Truell	100	–	–	–	100	100
Nicholas Parker[6]	–	–	–	–	–	–

Notes:

1. Resigned as a Director 24 April 2015
2. Resigned as a Director 13 January 2015. Jeff Belkin also received a settlement amount of £257,500.00 paid on 21 April 2015.
3. Appointed as a Director 22 October 2014
4. Appointed as a Director 17 March 2015
5. Resigned as a Director 31 December 2014
6. Appointed as a Director 13 May 2015

Operation of LTIP

Pursuant to the LTIP, in FY2013 Directors acquired interests in the B ordinary shares (the "LTIP Shares") and C ordinary shares (the "LTIP Securities") of Tungsten Corporation Guernsey Limited, a subsidiary of the Company. The LTIP Shares were all exchanged into ordinary shares of the Company as part of the admission process. The LTIP Securities are exchangeable into ordinary shares of the Company once the price per ordinary share of the Company has reached (for any 20 trading days out of 30 successive trading days, the last of such days falling not less than five and not more than 10 years following admission) a closing price equal to the price resulting from applying an equivalent of a compound rate of return from the date of the admission to the adjusted issue price equal to 8.25% per annum accrued daily and compounded quarterly.

The LTIP Securities exchange into ordinary shares of the Company worth 15% of the increase in the share price (adjusted for any capital reorganisations or issues).

Director	Held as at 1 May 2014	Acquired/(disposed) during the year	Held as at 30 April 2015
Arnold Hoevenaars	7,052	–	7,052
Edmund Truell[1]	2,563,354	–	2,563,354
Richard Hurwitz	–	–	–
Lincoln Jopp	–	–	–
Peter Kiernan	72,915	–	72,915
Nick Parker	–	–	–
Danny Truell[1]	526,400	–	526,400
David Williams	–	–	–

1. Edmund Truell's holdings disclosed above represent both his direct and indirect holdings including investments via Disruptive Capital Investments. Danny Truell also has an interest in Disruptive Capital Investments, although this is not aggregated with his holdings.

Share option schemes

Director	Date of grant or exercise	Awards held 1 May 2014	Awards granted during the year	Option price	Awards exercised during the year	Balance as at 30 April 2015	Exercise period
Rick Hurwitz	25 February 2015	–	440,000[1]	237.75p	–	440,000	Between 1 – 4 years from date of grant
Edmund Truell	4 August 2014	–	8,000[3]	225p	–	8,000	04.08.17 to 03.02.18
Lincoln Jopp	8 August 2014	–	41,334[2]	336p	–	41,334	08.02.19 to 08.08.19
	4 August 2014	–	8,000[3]	225p	–	8,000	04.08.17 to 03.02.18
David Williams	4 August 2014	–	8,000[3]	225p	–	8,000	04.08.17 to 03.02.18

1. Granted under the Company's US Stock Option Plan
2. Granted under the Company's Employee Matched Share Scheme
3. Granted under the Save As You Earn (SAYE) share option plan

Directors' interests in the share capital of the Company

Director	Number of ordinary shares held on 1 May 2014	Acquired/(disposed) during the year	Number of ordinary shares held on 30 April 2015	Percentage of issued share capital is issue on 30 April 2015
Executive Directors				
Edmund Truell[1]	14,829,146	2,113,439	16,942,585	16.4%
Richard Hurwitz	–	–	–	–
Lincoln Jopp	8,720	13,778	22,498	0.022%
David Williams	–	–	–	–
Non-Executive Directors				
Arnold Hoevenaars	15,472	–	15,472	0.015%
Peter Kiernan	175,987	6,212	182,199	0.176%
Nick Parker[2]	40,000	–	40,000	0.04%
Danny Truell[1]	400,000	30,000	430,000	0.42%

1. Edmund Truell's holdings disclosed above represent both his direct and indirect holdings including investments via Disruptive Capital Investments. Danny Truell also has an interest in Disruptive Capital Investments, although this is not aggregated with his holdings.
2. Nick Parker was appointed on 13 May 2015, his shareholdings are shown from the date of appointment and include shares held in his SIPP.

Following a placing of Ordinary Shares on 21 May 2015 and 16 June 2015 respectively the Directors Interests in the Share Capital of the Company are now as follows:

Director	Number of ordinary shares held on 1 May 2015	Acquired at the Placing	Number of ordinary shares held on 20 July 2015	Percentage of issued share capital is issue on 20 July 2015
Executive Directors				
Edmund Truell[1]	16,942,585	3,762,500	20,705,085	16.51%
Richard Hurwitz	–	–	–	–
Lincoln Jopp	22,498	25,000	47,498	0.04%
David Williams	–	–	–	–
Non-Executive Directors				
Arnold Hoevenaars	15,472	–	15,472	0.01%
Peter Kiernan	182,199	12,500	194,699	0.16%
Nick Parker[2]	40,000	31,250	71,250	0.06%
Danny Truell[1]	430,000	–	430,000	0.34%

1. Edmund Truell's holdings disclosed above represent both his direct and indirect holdings including investments via Disruptive Capital Investments. Danny Truell also has an interest in Disruptive Capital Investments, although this is not aggregated with his holdings.
2. Nick Parker was appointed on 13 May 2015, his shareholdings are shown from the date of appointment and include shares held in his SIPP.

This report was approved by the Board of Directors and signed on its behalf by:

N. Parker

Nicholas Parker
Chairman of the Remuneration Committee
21 July 2015

Directors' report

The Directors of Tungsten Corporation PLC present their report for the year ended 30 April 2015. Particulars of important events effecting the Company and its subsidiaries and likely future developments may be found in the strategic report on pages 02 to 23.

Directors

Biographical details of the Directors currently serving on the Board and their dates of appointment are set out on pages 24 and 25.

The Directors who served throughout the year are as follows:

Executive Director	Non-Executive Directors
Philip Ashdown[1]	Arnold Hoevenaars
Jeffrey Belkin[2]	Peter Kiernan
Richard Hurwitz[3]	Michael Spencer[5]
Lincoln Jopp[3]	Daniel Truell
Edmund Truell	
David Williams[4]	

1 Resigned from the Board 24 April 2015

2 Resigned from the Board 13 January 2015

3 Appointed to the Board 22 October 2014

4 Appointed to the Board 17 March 2015

5 Resigned from the Board 31 December 2014

Nick Parker was appointed to the Board as a Non-Executive Director on 13 May 2015 after the financial year end.

Having been appointed as Directors since the 2014 Annual General Meeting, the Company's Articles of Association require (i) Richard Hurwitz, (ii) David Williams and (iii) Nick Parker to seek election at the 2015 Annual General Meeting.

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

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

Results and Dividend

Results for the year ended 30 April 2015 are set out in the consolidated income statement on page 41.

The Board is not recommending the payment of a dividend for the year ended 30 April 2015.

Change of Control/Significant Agreements

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

- The LTIP Securities will become exchangeable into ordinary shares in Tungsten, with a value equal to 15% of the increase in the actual market capitalisation of Tungsten since admission, subject to:
  1. The value of Tungsten having risen by over 8.25% per annum since admission (the 'Threshold Price') and
  2a. Where the change of control results from, or triggers, an offer to holders of the ordinary shares of the Company, that offer being at an equivalent price per ordinary share of the Company equal to (or greater than) the Threshold Price or
  2b. Where the change of control results from, or in, the removal of either of Danny Truell or Edmund Truell (the Founders) from the Board of the Company, and the Threshold Price having been previously reached for any 20 trading days out of 30 successive trading days
- Control of a UK financial services institution requires the approval of the PRA and, accordingly, any proposed bid for Tungsten Corporation plc would require the approval from the PRA with regard to its holding in its subsidiary Tungsten Bank plc. Accordingly, any potential bidder would have to take this consideration into account in its strategy for gaining control of Tungsten Corporation plc

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 is set out in note 18 to the consolidated financial statements. The Company's share capital consists of one class of ordinary shares which do not carry rights to fixed income. As at 30 April 2015, there were 103,529,412 ordinary shares of £0.00438 pence each in issue. On 21 May 2015, the Company announced a firm placing of 5,000,000 new Ordinary Shares at a price of 80 pence per share on a non pre-emptive basis to raise gross proceeds of £4 million. The firm placing shares were admitted to trading on AIM on 28 May 2015.

Following shareholder approval at an General Meeting on 15 June, 16,875,985 Conditional Placing Shares were issued and admitted to trading on AIM on 16 June 2015. ("Second Admission"). As at 16 June 2015 the Company had 125,405,397 Ordinary Shares 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 2014 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 1 May 2014 or date of appointment if later is set out in the Directors' Remuneration Report on pages 32 to 35.

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.

Employee policies and involvement

The Company's disclosures on employee policies and involvement can be found in the strategic report and financial statements on pages 23 and 56 respectively.

Vendor payment policies

The company values its vendors and acknowledges the importance of paying invoices in a timely manner. We have a standard payment terms policy of 45 days from invoice date with vendors. We might agree other payment terms with vendors on an individual basis in accordance with the vendor requirements and procurement needs. The company ensures that vendors are aware of those terms and our obligations are met accordingly.

Significant Shareholders

As at 20 July 2015 the Company had been advised of the following notifiable direct and indirect interests in the share capital of the Company.

Notification received from:	Number of ordinary shares of £0.00438 pence each	% of total voting rights
Edmund Truell[1]	21,283,623	16.97%
Odey Asset Management LLP	15,571,352	12.42%
FIL Investment International	12,049,912	9.61%
Sanlam Four Investments UK	7,024,390	5.60%
Indus Capital Partners LLC	6,988,745	5.57%
Hargreaves Lansdown Asset Management	4,507,641	3.59%

1 Edmund Truell's holding disclosed above represent both his direct and indirect holdings including investments via Disruptive Capital Investments Limited.

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 is set out in note 22 to the accounts and in the managing Group Principal risks and uncertainties section on pages 18 to 22.

Political donations

The Company has made no political donations during the year.

Going Concern statement

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

Audit

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

Annual General Meeting

The Company's Annual General Meeting will be held at 2pm on 24 September 2015 at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA. Details of the venue and the resolutions to be proposed are set out in a separate Notice of Meeting which accompanies this report.

This report was approved by the Board of Directors of Tungsten Corporation PLC and signed on its behalf by:

P. Clark.

Patrick Clark
General Council and Company Secretary
21 July 2015

Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the Parent company and group for that period. The Directors are also required to prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Financial review contained in Strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In accordance with Section 418, each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

(a) so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) that the Director has taken all the steps that he ought to have taken as a Director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Patrick Clark
General Council and Company Secretary
21 July 2015

Independent auditors' report to the members of Tungsten Corporation plc

Report on the group financial statements

Our opinion

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

- give a true and fair view of the state of the group's affairs as at 30 April 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the consolidated statement of financial position as at 30 April 2015;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

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

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

Independent auditors' report continued

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

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

In addition, we read all the financial and non-financial information in the Annual report and accounts 2015 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the parent company financial statements of Tungsten Corporation plc for the year ended 30 April 2015.

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

21 July 2015

Consolidated income statement

	Note	Year Ended 30 April 2015 £'000	Year Ended 30 April 2014 £'000
Revenue	3,4,6	23,138	10,769
Operating expenses	7	(50,237)	(21,708)
Operating loss		(27,099)	(10,939)
Finance income	10	108	122
Finance costs	10	(332)	(323)
Net finance costs		(224)	(201)
Loss before taxation		(27,323)	(11,140)
Taxation	11	302	125
Loss for the year		(27,021)	(11,015)
Loss per share (expressed in pence per share):			
Basic and diluted loss per share	12	(26.34)	(18.60)

The notes on pages 46 to 67 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Year Ended 30 April 2015 £'000	Year Ended 30 April 2014 £'000
Loss for the year	(27,021)	(11,015)
Other comprehensive income:		
Currency translation differences	1,033	78
Total comprehensive loss for the year	(25,988)	(10,937)

Items in the statement above are disclosed net of tax.

The notes on pages 46 to 67 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	As at 30 April 2015 £'000	As at 30 April 2014 £'000
Assets			
Non-current assets			
Intangible assets	13	128,126	114,199
Property, plant and equipment	14	2,211	1,734
Trade and other receivables	15	624	–
Total non-current assets		130,961	115,933
Current assets			
Trade and other receivables	15	8,372	6,025
Deposit paid for acquisition	16	–	3,990
Invoice receivables	22	6,392	–
Cash and cash equivalents	17	32,603	62,646
Total current assets		47,367	72,661
Total assets		178,328	188,594
Capital and reserves attributable to the equity shareholders of the parent			
Share capital	18	454	438
Share premium	18	171,875	160,127
Shares to be issued		3,760	3,760
Merger reserve		28,035	28,035
Share-based payment reserve		5,237	5,040
Other reserve		(4,339)	(5,372)
Accumulated losses		(47,961)	(20,940)
Total Equity		157,061	171,088
Non-current liabilities			
Deferred taxation	11	4,006	2,935
Total non-current liabilities		4,006	2,935
Current liabilities			
Trade and other payables	19	8,628	6,774
Deferred income	20	8,633	7,797
Total current liabilities		17,261	14,571
Total liabilities		21,267	17,506
Total equity and liabilities		178,328	188,594

The notes on pages 46 to 67 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 41 to 67 were authorised for issue by the Board of Directors on 21 July 2015 and were signed on its behalf by:

Richard Hurwitz
Group Chief Executive Officer

David Williams
Group Chief Financial Officer

Consolidated statement of changes in equity

Year ended 30 April 2015

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserve £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 May 2014	438	160,127	28,035	3,760	5,040	(5,372)	(20,940)	171,088
Currency translation differences	–	–	–	–	–	1,033	–	1,033
Loss for the period	–	–	–	–	–	–	(27,021)	(27,021)
Balance as at 30 April 2015	–	–	–	–	–	1,033	(27,021)	25,988
Transactions with owners								
Shares issued during the year	16	11,748	–	–	–	–	–	11,764
Share based payment expense	–	–	–	–	197		–	197
Transactions with owners	16	11,748	–	–	197	–	–	11,761
Balance as at 30 April 2015	454	171,875	28,035	3,760	5,237	(4,339)	(47,961)	157,061

Year ended 30 April 2014

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 May 2013	9,610	–	–	–	5,040	–	(9,925)	4,725
Currency translation differences	–	–	–	–	–	78	–	78
Loss for the period	–	–	–	–	–	–	(11,015)	(11,015)
Transactions with owners								
Reclassification	(9,560)	–	–	9,560	–	–	–	–
Proceeds from shares issued	312	159,688	–	–	–	–	–	160,000
TCGL ordinary B shares exchanged into Tungsten ordinary A shares	22	11,228	–	(5,800)	–	(5,450)	–	–
Shares issued on acquisition of subsidiary	54	–	28,035	–	–	–	–	28,089
Issue costs	–	(10,789)	–	–	–	–	–	(10,789)
Transactions with owners	(9,172)	160,127	28,035	3,760	–	(5,450)	–	177,300
Balance as at 30 April 2014	438	160,127	28,035	3,760	5,040	(5,372)	(20,940)	171,088

The notes on pages 46 to 67 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Cash flows from operating activities			
Loss before taxation		(27,323)	(11,140)
Adjustments for:			
Depreciation and amortisation		2,263	765
Finance costs		332	323
Finance income		(108)	(122)
Share-based payment expense		197	–
		(24,639)	(10,174)
Changes in working capital:			
Increase in trade and other receivables		(2,270)	(1,329)
Increase in invoice receivables		(6,392)	–
Increase in trade and other payables		1,639	3,287
Net interest (paid)/received		108	122
Net cash outflow from operating activities		(31,554)	(8,094)
Cash flows from investing activities			
Purchases of property, plant and equipment		(825)	(1,492)
Purchases of intangibles		(271)	(805)
Deposit paid for acquisition		–	(2,790)
Acquisition of subsidiary, net of cash acquired		(9,573)	(71,943)
Net cash outflow from investing activities		(10,669)	(77,030)
Cash flows from financing activities			
Proceeds of share issue		11,765	149,211
Repayment of debt		–	(4,838)
Net cash inflow from financing activities		11,765	144,373
Net (decrease)/increase in cash and cash equivalents		(30,458)	59,249
Cash and cash equivalents at start of year		62,646	3,397
Exchange adjustments		415	–
Cash and cash equivalents at end of year	17	32,603	62,646

The notes on pages 46 to 67 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

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

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

2. Accounting policies

(a) Basis of preparation

The consolidated financial statements of Tungsten Corporation plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS Interpretations Committee (IFRS IC). The principal accounting policies have been applied consistently throughout the period. 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. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

(b) Going concern

The consolidated financial statements for the year ended 30 April 2015 have been prepared under the assumption that the Group will continue as a going concern. The Directors have prepared detailed cash flow forecasts for a period of 24 months from the balance sheet date. The forecasts are based on reasonable assumptions concerning the future trading performance of the business and take into account the successful equity raise of £17.5m on 21 May 2015. Such assumptions also contemplate the realisation of assets and the satisfaction of liabilities in the normal course of business. On the basis of these cash flow forecasts, the directors are satisfied that the Group has sufficient resources to meet their liabilities as they fall due for a period of at least one year from the date of these financial statements. The consolidated financial statements do not include any adjustments that might be necessary should the Group be unable to continue as a going concern as the directors do not consider these necessary.

(c) New standards, amendments and interpretations

Standards, amendments and interpretations effective

These financial statements have been prepared in accordance with the EU-adopted International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations and with those parts of the Companies Act 2006 which are applicable to companies reporting under IFRS. They have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of derivative instruments at fair value through the statement of comprehensive income.

New accounting standards and interpretations have been adopted during the year as follows:

- IFRS 10, 'Consolidated financial statements' (effective 1 January 2014);
- Amendments to IAS 36, 'Impairment of assets' (effective 1 January 2014);
- Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities (effective 1 January 2014);

There was no impact on the financial reporting of the Group arising from the adoption of these new standards.

Standards, amendments and interpretations effective in 2015 but not relevant:

The following standards, amendments and interpretations are mandatory for the first time for the current accounting period but are not relevant to the Group's operations:

- Amendments to IFRS 10, 'Consolidated financial statements'
- IFRS 12, 'Disclosure of interest in other entities';
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting;
- Amendment to IAS 19 regarding defined benefit plans.
- IFRS 11, 'Joint arrangements'.

Interpretations and amendments to standards that are not yet effective and not relevant for the Group's operations:

The following interpretations to existing standards have been published that are mandatory for the Group's future accounting periods but which are not relevant to the Group's operations:
IFRS 14, 'Regulatory deferral accounts'.

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

2. Accounting policies continued

(d) Basis of consolidation

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

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Revenue

Services rendered

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

Revenue is recognised as follows:

- Transaction fees in the period in which the customer transacts unless there is evidence that transactions sold will never be utilised.
- Initial fees, annual subscriptions and other e-Invoicing delivery related services over the period that the service is delivered.

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

(f) Employee benefits

Defined contribution plans

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

Share-based payments

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

(g) Foreign currency translation

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

Transactions and balances

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

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

2. Accounting policies continued

Group companies

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

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

All resulting exchange differences are recognised in other comprehensive income.

The following exchange rates were applied for £1:

	As at 30 April 2015	As at 30 April 2014
United States Dollar	1.5333	1.6886
Euro	1.3980	1.2178
Mexican Peso	23.4077	22.1015
Bulgarian Lev	2.7341	2.3818
Malaysian Ringgit	5.4172	5.5140
Swiss Franc	1.4664	1.4862

(h) Finance income and costs

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

(i) Current and deferred income tax

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

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

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

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

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

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

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

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

2. Accounting policies continued

(j) Business combinations

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

Acquisition-related costs are expensed as incurred.

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

(k) Property, plant and equipment

Owned assets

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

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

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

Leased assets

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

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

Depreciation

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

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

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

(l) Intangible assets

Goodwill

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

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

Non-financial assets purchased or acquired in a business combination

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

2. Accounting policies continued

(l) Intangible assets continued

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

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

Computer software

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

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

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

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

(m) Impairment of non-financial assets

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

(n) Prepaid consideration

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

(o) Trade and other receivables

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

(p) Trade and other payables

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

(q) Cash and cash equivalents

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

2. Accounting policies continued

(r) Leases

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

(s) Share capital

Ordinary shares are classified as equity.

3. Critical accounting estimates and judgements

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

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

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

Revenue recognition

The Group recognises revenue in respect of e-Invoicing related services over the period the services are delivered. Where transactions are paid for but not processed, such revenue is deferred according to contractual terms representing the anticipated period for transactions being processed. Management reviews the historical record of transactions processed under each contract and relevant estimates to determine whether the deferral period for the revenue recognition is appropriate or any changes to the existing deferral period are required. In relation to transaction fees, management considers that a period of inactivity of more than 12 months indicates that any unutilised transactions on that account will never be redeemed and as such any deferred revenue is released to the profit or loss.

Impairment of assets

The Group assesses the carrying value of its intangible assets at the end of each reporting period to determine whether there is an indication of impairment. The recoverable amount of those assets is measured at the higher of their fair value less costs to sell or value in use. Management applies judgement in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates and useful economic lives to be used in value in use calculation. Refer to note 13, Intangible assets, for further information.

Going concern

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

Deferred taxation

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

4. Segment report

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

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

Year ended 30 April 2015

	Tungsten Network £'000	Tungsten Network Finance £'000	Corporate £'000	Total £'000
Revenue	23,018	120	–	23,138
Inter-segment revenue	–	–	–	–
Segment revenue	23,018	120	–	23,138
EBITDA[1] – excluding non-cash share-based payments	(5,143)	(12,692)	(6,804)	(24,639)
EBITDA – including non-cash share-based payments	(5,143)	(12,692)	(7,001)	(24,836)
Depreciation and amortisation	(1,747)	(370)	(146)	(2,263)
Finance income	(449)	(7)	564	108
Finance cost	5	–	(337)	(332)
Loss before taxation	(7,334)	(13,069)	(6,920)	(27,323)
Income tax credit	–	–	–	302
Loss for the year	–	–	–	(27,021)
Capital expenditure	15,844	5	518	16,367
Total assets	126,160	36,328	15,839	178,328
Total liabilities	15,787	3,605	1,876	21,267

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

Year ended 30 April 2014

	Tungsten Network £'000	Tungsten Network Finance £'000	Corporate £'000	Intra Group eliminations £'000	Total £'000
Revenue	10,767	–	2	–	10,769
Inter-segment revenue	–	–	750	(750)	–
Segment revenue	10,767	–	752	(750)	10,769
EBITDA[1] – excluding non-cash share-based payments	(1,288)	(1,851)	(7,035)	–	(10,174)
Depreciation and amortisation	–	–	–	–	(765)
Finance income	–	–	–	–	122
Finance cost	–	–	–	–	(323)
Loss before taxation	–	–	–	–	(11,140)
Income tax credit	–	–	–	–	125
Loss for the year	–	–	–	–	(11,015)
Capital expenditure	117,194	–	1,721	–	118,915
Total assets	120,087	–	68,507	–	188,594
Total liabilities	14,613	–	2,893	–	17,506

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 2015 £'000	Year ended 30 April 2014 £'000
United Kingdom	12,085	6,383
United States of America	9,507	3,448
Rest of Europe	1,018	706
Malaysia	528	232
	23,138	10,769

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 2015 £'000	As at 30 April 2014 £'000
United Kingdom	126,403	115,821
United States of America	4,517	71
Malaysia	41	41
	130,961	115,933

5. Business combinations

Image Integration System, Inc ('DocuSphere')

On 9 September 2014 the Group acquired, through its wholly owned subsidiary Tungsten Network Inc, the entire share capital and voting equity interests of Image Integration Systems, Inc ('DocuSphere'). This acquisition significantly extends Tungsten's invoice-automation technologies to help companies streamline their accounts payable functions, adhere to tax and regulatory compliance, and have greater transparency of the entire invoice-to-pay process. Consideration of £4,036,000 ($6,500,000) was settled in cash with deferred consideration of £313,000 ($500,000) payable after 18 months.

In the period from 9 September 2014 to 30 April 2015, DocuSphere contributed £1,913,000 of revenue and a £284,000 loss. If the acquisition had occurred on the first day of this reporting period, being 1 May 2014, the contributions would have been £2,870,000 of revenue and a £425,000 loss.

The table below sets out the provisional fair values at the acquisition date. The goodwill of £2,697,000 arising on acquisition principally relates to skills and know how present within the assembled workforce, customer service capability and the future opportunities available, having now acquired a financing platform. The fair value adjustments consist of the harmonisation with the Group's IFRS compliant accounting policies and the recognition of intangible assets (customer relationships and IT platform).

Transaction costs of £372,000 have been expensed and are included in administrative expenses.

	Final fair value at acquisition £'000
Non-current assets	
Goodwill arising on acquisition	2,697
IT platform	2,236
Customer relationships	93
Property, plant and equipment	42
Total non-current assets	5,068
Current assets	
Trade and other receivables	484
Cash and cash equivalents	4
Total current assets	488
Total assets	5,556
Current liabilities	
Trade and other payables	(90)
Deferred revenue	(402)
Current taxation payable	(17)
Total current liabilities	(509)
Non-current liabilities	
Deferred tax liabilities	(698)
Total non-current liabilities	(698)
Total liabilities	(1,207)
Net attributable assets including goodwill	**4,349**
Consideration satisfied by	
Cash paid	4,036
Fair value of shares issued	313
Total consideration	**4,349**

5. Business combinations continued

Tungsten Bank plc

On 10 June 2014 the Group completed the acquisition of the entire share capital and voting equity interests of FIBI Bank (UK) plc (subsequently renamed Tungsten Bank plc). Total consideration of £29,535,000 was paid on or prior to completion with £1,000,000 held in escrow for 18 months in lieu of any warranty claims. The acquisition of Tungsten Bank provides the Group a secure financing platform which fully integrates with Tungsten Network.

In the period from 10 June 2014 to 30 April 2015, Tungsten Bank plc contributed £120,000 of revenue and a £2,115,000 loss. If the acquisition had occurred on the first day of this reporting period, being 1 May 2014, the contributions would have been £289,000 of revenue and a £2,150,000 loss.

The table below sets out the final fair values at the acquisition date. The bank licence represents the ability to function as a bank authorised by the PRA. Goodwill of £6,810,000 arising on acquisition predominantly relates to the skills and know how present within the assembled workforce, customer service capability and future opportunities available to the Group.

Transaction costs of £134,000 have been expensed and are included in administrative expenses.

	Provisional fair value at acquisition £'000
Non-current assets	
Bank licence	3,300
Goodwill arising on acquisition	6,810
Total non-current assets	10,110
Current assets	
Loans and advances to banks	13,151
Investments	7,995
Prepayments and other receivables	217
Total current assets	21,363
Total assets	31,473
Current liabilities	
Amounts owed to credit institutions	(49)
Customer Deposits	(1,049)
Trade and other payables	(180)
Total current liabilities	(1,278)
Non-current liabilities	
Deferred tax liabilities	(660)
Total non-current liabilities	(660)
Total liabilities	(1,938)
Net attributable assets including goodwill	**29,535**
Consideration satisfied by	
Cash paid in current period	25,545
Cash paid in previous period	3,990
Total consideration	**29,535**

6. Revenue

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Provision of services	23,138	10,769

7. Operating expenses

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Staff costs	19,171	7,457
Professional support	3,470	4,022
Office accommodation and services	4,266	1,978
Transaction costs	506	2,376
IT costs	4,502	2,048
Irrecoverable VAT	592	740
Amortisation	1,798	636
Depreciation	465	129
Other administrative expenses	9,255	2,322
Set-up fees	6,212	–
	50,237	21,708

8. Employee benefit expenses

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Wages and salaries	16,483	6,432
Social security costs	1,568	684
Other pension costs	923	341
Share based payments	197	–
	19,171	7,457
Number of employees		
The average monthly number of people employed:		
Tungsten Network	257	225
Tungsten Network Finance	29	2
Corporate	12	8
Total average headcount	298	235

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

9. Auditors' remuneration

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

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Audit of the parent company and the consolidated accounts	222	119
Audit-related assurance services	75	26
Taxation compliance services	365	6
Taxation advisory services	250	260
Services relating to corporate finance transactions	–	1,877
All other non-audit services	803	196
	1,715	2,484

10. Finance income and costs

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Finance income		
Interest income on short-term deposits	108	122
Total finance income	108	122
Finance costs		
Unwinding of discount on deferred revenue	(171)	(109)
Foreign exchange losses	(161)	(214)
Total finance cost	(332)	(323)
Net finance cost	(224)	(201)

11. Taxation

Income tax comprises the following:

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Current tax		
Corporate income tax	–	–
Deferred tax		
Deferred tax	(302)	(125)
Total income tax credit for tax year	(302)	(125)

Tax charge reconciliation		
Loss before tax	(27,323)	(11,140)
Loss before tax multiplied by the rate of corporation tax in the UK 20.9% (2014: 23.1%)	(5,711)	(2,573)
Items not deductible for tax purposes	769	766
Gains in Guernsey subject to 0% corporation tax	(293)	(8)
Tax losses for which no deferred income tax asset was recognised	4,933	1,690
Income tax credit	(302)	(125)

The standard rate of Corporation Tax in the UK changed from 23% to 21% with effect from 1 April 2014 and changed to 20% with effect from 1 April 2015.

Deferred tax

Deferred tax liability movement for the year

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
As at 1 May 2014	2,935	–
On acquisition of subsidiaries	1,373	3,060
Credited to income statement	(302)	(125)
As at 30 April 2015	4,006	2,935

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The Group has unrecognised deferred tax assets of £17.8m (2014: £12.9m) in respect of losses that can be carried forward against future taxable income for the period between one year and an indefinite period of time.

12. Loss per share

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

	30 April 2015			30 April 2014		
	Loss £'000	Shares	EPS p	Loss £'000	Shares	EPS p
Basic and diluted	(27,021)	102,582	(26.34)	(11,015)	59,222	(18.60)

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

13. Intangible assets

Cost	Goodwill £'000	Customer relationships £'000	IT platform £'000	Software licences £'000	Software development £'000	Total £'000
Balance at 1 May 2014	98,695	11,000	4,300	717	331	115,043
On acquisition of subsidiaries						
Docusphere	2,697	93	2,371	–	–	5,161
FIBI Bank	6,810	–	–	3,300	–	10,110
Additions:	–	–	–	271	–	271
Exchange differences	136	5	41	16	–	198
Balance at 30 April 2015	108,338	11,098	6,712	4,304	331	130,783
Accumulated amortisation						
Balance at 1 May 2014	–	297	330	217	–	844
On acquisition of subsidiaries	–	–	–	–	–	–
Amortisation	–	561	900	6	331	1,798
Exchange differences	–	1	14	–	–	15
Balance at 30 April 2015	–	859	1,244	223	331	2,657
Net asset value 30 April 2014	98,695	10,703	3,970	500	331	114,199
Net asset value 30 April 2015	108,338	10,239	5,468	4,082	–	128,126

Year ended 30 April 2014

Cost	Goodwill £'000	Customer relationships £'000	IT platform £'000	Software licences £'000	Software development £'000	Total £'000
Balance at 1 May 2013	–	–	–	–	–	–
On acquisition of subsidiaries	98,695	11,000	4,300	248		114,243
Additions:	–	–	–	474	331	805
Exchange differences	–	–	–	(5)	–	(5)
Balance at 30 April 2014	98,695	11,000	4,300	717	331	115,043
Accumulated amortisation						
Balance at 1 May 2013	–	–	–	–	–	–
On acquisition of subsidiaries	–	–	–	–	–	–
Amortisation	–	297	330	217	–	844
Exchange differences	–	–	–	–	–	–
Balance at 30 April 2014	–	297	330	217	–	844
Net asset value 30 April 2013	–	–	–	–	–	–
Net asset value 30 April 2014	98,695	10,703	3,970	500	331	114,199

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:

	April 2014 £'000	April 2013 £'000
Tungsten Network	101,528	98,695
Tungsten Bank	6,810	–
Total goodwill	108,338	98,695

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

13. Intangible assets continued

Tungsten Network
- Revenue growth from buyers and suppliers using the Tungsten Network, including Tungsten Workflow and Tungsten Analytics revenue at a compound annual growth rate of 19.3%.
- Pre-tax discount rate of 9.7% (FY14: 12.5%), being based on the Group's weighted average cost of capital (WACC)
- Growth rate used in the annuity of 2% (FY14: 2%). This does not exceed the long-term economic average growth of the territories that the Group operates in

Tungsten Bank
- The build-up of a customer deposit base to £110 million
- Pre-tax discount rate of 15.7% (FY14: n/a), being based on Tungsten Bank's weighted average cost of capital (WACC)
- Growth rate used in the annuity of 2.0% (FY14: n/a). This does not exceed the long-term economic average growth of the territories that the Group operates in

Based on the above assumptions, Tungsten Network exceeded the carrying value of the CGU by £143.7million (FY14: £54.0 million) and Tungsten Bank exceeded the carrying value of the CGU by £0.6 million (FY14: n/a).

Sensitivity to changes in key assumptions
The recoverable amount of the Tungsten Network CGU was particularly sensitive to changes in the increase in the number of suppliers, the increase in revenue from existing buyers and the pre-tax discount rate. The values assigned to the buyer and supplier assumptions in the models are an increase in revenue from existing buyers of 61% and an increase in the number of new suppliers on the Network by 246,000 over the period of the model. Whilst the Directors are confident in the assumptions used in the impairment models, reasonably possible changes in these assumptions could result in the carrying value of the CGU exceeding its recoverable amount. Assuming that there is no increase in revenue from existing buyers, a reduction in the number of new suppliers of 21% and an increase in the pre-tax discount rate to 14.4% the recoverable amount would equal the carrying value of the CGU.

The recoverable amount of the Tungsten Bank CGU was particularly sensitive to changes in the level of customer deposits and the pre-tax discount rate. Whilst the Directors are confident in the assumptions used in the impairment models, any change in these assumptions would result in the carrying value of the CGU exceeding its recoverable amount.

14. Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
Balance at 1 May 2014	1,867	300	1,625	3,792
Additions	463	70	292	825
Exchange differences	54	13	169	236
Balance at 30 April 2015	2,384	383	2,086	4,853
Accumulated depreciation				
Balance at 1 May 2014	385	288	1,385	2,058
Charge for the year	180	12	273	465
Exchange	3	12	104	119
At 30 April 2015	568	312	1,762	2,642
Net Book Value				
At 30 April 2015	1,816	71	324	2,211
At 30 April 2014	1,482	12	240	1,734

Year ended 30 April 2014

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
Balance at 1 May 2013	–	–	–	–
On acquisition of subsidiaries	543	303	1,529	2,375
Additions	1,332	6	154	1,492
Exchange differences	(8)	(9)	(58)	(75)
Balance at 30 April 2014	1,867	300	1,625	3,792
Accumulated Depreciation				
Balance at 1 May 2013	–	–	–	–
On acquisition of subsidiaries	355	292	1,351	1,998
Depreciation	38	5	86	129
Exchange differences	(8)	(9)	(52)	(69)
At 30 April 2014	385	288	1,385	2,058
Net Book Value				
At 30 April 2014	1,482	12	240	1,734
At 30 April 2013	–	–	–	–

15. Trade and other receivables

Non-current assets	As at 30 April 2015 £'000	As at 30 April 2014 £'000
Loans to employees under EMSS scheme	624	–
Trade and other receivables	624	–

Current assets	As at 30 April 2015 £'000	As at 30 April 2014 £'000
Trade receivables	5,874	3,802
Less: impairment loss provision	(743)	(273)
Prepayments	1,171	1,114
VAT	78	385
Other receivables	1,992	997
Trade and other receivables	8,372	6,025

16. Deposit paid for acquisition

	As at 30 April 2015 £'000	As at 30 April 2014 £'000
Prepaid consideration for acquisition	–	3,990

The prepaid consideration in the year ended 30 April 2014 related to the acquisition of Tungsten Bank plc (formerly FIBI Bank (UK) plc) and was non-refundable. During the year ended 30 April 2015, the acquisition of Tungsten Bank plc was completed.

17. Cash and cash equivalents

	As at 30 April 2015 £'000	As at 30 April 2014 £'000
Cash at bank	31,604	4,632
Short-term deposits	999	58,014
Cash and cash equivalents	32,603	62,646

18. Share capital and share premium

Issued and fully paid	Ordinary shares Number	Nominal value	Share capital £'000	Share premium £'000
Balance as at 1 May 2014	100,000,000	£0.00438	438	160,127
Shares issued during the year	3,529,412	£0.00438	16	11,748
Balance as at 30 April 2015	103,529,412	–	454	171,875

On 9 September 2014, the Company issued 3,529,412 shares for total proceeds of £12m. Transaction costs of £237,000 associated with the raising of the share capital have been recognised against the share premium account.

19. Trade and other payables

	As at 30 April 2015 £'000	As at 30 April 2014 £'000
Trade payables	1,529	2,615
Social security and other taxes	760	309
Accrued expenses	6,253	201
Provision for lease obligations	32	3,549
Other payables	54	100
	8,628	6,774

20. Deferred income

	As at 30 April 2015 £'000	As at 30 April 2014 £'000
As at 1 May	7,797	–
On acquisition of subsidiaries	523	7,700
Invoiced during the year	23,120	10,858
Released to revenue	(23,138)	(10,769)
Exchange differences	160	(101)
Unwinding of discount	171	109
As at 30 April	8,633	7,797

21. Share-based payments

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

Employee Matched Share Scheme

The Employee Matched Share scheme is part of Tungsten's plans to encourage share ownership among its employees, and incentivise and align their interests with existing shareholders. Rockhopper Investments Limited ("RIL"), the family vehicle of Edmund Truell, Vice Chairman of Tungsten, has offered to make available to the Tungsten Corporation plc Employee Benefit Trust a call option over 439,992 ordinary shares of the Company at an option price of 336p per share. The option is exercisable at any time between 8 February 2019 and 8 August 2019.

The Tungsten board formally approved these options on 7 August 2014 and the options were granted on 8 August 2014.

As part of the scheme's terms, any participating employee is required to acquire Tungsten shares in the market at an arm's length price and hold them for the same period as the life of the option. As a result, 412,436 shares have been acquired on behalf of participating employees.

Save as you Earn scheme

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

The Tungsten board formally approved these options on 4 August 2014 and the Company has granted 261,344 options at an exercise price of £2.25. The SAYE scheme comprises equity-settled share-based payment transactions with options vesting on the third anniversary of the grant date.

21. Share-based payments continued

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

	Employee Matched Share Scheme	Save as you earn
Risk-free interest rate	2.15%	2.15%
Expected dividend yield	–	–
Expected volatility	43.3%	43.3%
Vesting period	4.5 years	3 years
Market value of underlying shares	£0.61	£0.61

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

Share-based payment expense of £197,000 have been recognised in the consolidated income statement for the year ended 30 April 2015 (30 April 2014: £nil). The table below sets out the movement in shares granted under the Company share schemes:

Number	Founder shares	Founder Securities	Employee Matched Shares	Save as you earn Shares	Share-based payments	Total
As at 30 April 2013	5,800,000	3,760,000		–		9,560,000
Exercised – 16 October 2013	(5,800,000)	–	–	–		(5,800,000)
As at 30 April 2014	–	3,760,000	–	–		3,760,000
Granted during the year	–	–	454,026	261,344	450,515	1,165,885
Lapsed during the year	–	–	(33,068)	(4,000)		(37,068)
As at 30 April 2015	**–**	**3,760,000**	**420,958**	**257,344**	**450,515**	**4,888,817**

22. Financial instruments, risk management and exposure

The Group's activities expose it to a variety of financial risks, predominantly credit, liquidity and foreign currency risk. Risk management is carried out by the Board of Directors. The Group uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed. Transactions are only undertaken if they relate to actual underlying exposures and hence cannot be viewed as speculative.

(a) Credit risk

The Group considers credit risk as the risk of financial loss, impacting earnings and capital, arising from the failure of a counterparty to meet their contractual obligations as and when due. Credit risk is a significant risk that the Group faces and as such it is central to the successful long-term development of the business.

The credit risk the Group is exposed to relates principally to the management of credit risk in respect of the portfolio of Tungsten Bank, arising from interaction with counterparties including:

- Entities to which the Tungsten Bank has provided a credit facility;
- Entities of which Tungsten Bank has purchased an invoice receivable;
- Issuers of Money Market Instruments with which the Bank has entered into a financial contract; and
- Issuers of off-balance sheet instruments, including derivatives;

These transactions give rise to the following credit risks which are defined below:

- Counterparty risk – the risk of loss from the failure of customers or other counterparties, including individuals, corporate entities, banks or other institutions, to meet their obligations. This risk is incurred in the context of the existing products of the Tungsten bank and will include a range of counterparties;
- Default risk – the risk of loss from a customer failing to settle outstanding amounts in accordance with contractual obligations agreed with the Tungsten Bank as a result of a specified credit event or bankruptcy. This generally means that a facility is more than 90 days in arrears and an impairment process has been initiated;
- Asset quality risk – the risk that assets held by Tungsten Bank are of an inferior quality relative to expectations, leading to potential financial losses as adverse effects materialise; and
- Concentration risk – the risk of loss due to the concentration of credit risk within a specific customer or other counterparty, industry sector, region and product. In the context of Tungsten Bank's business, such concentration leads to a failure to realise the diversification benefits across its portfolio. In order to mitigate any concentration risk, i.e. the risk where all of Tungsten Bank's assets are invested with/exposed to a specific buyer, industry or region, it is critical for Tungsten Bank to achieve a portfolio which is widely diversified.

22. Financial instruments, risk management and exposure continued

Cash and cash equivalents maintain relationships with reputable financial institutions. It is policy to invest surplus funds with good quality banks.

The fair value of trade and other receivables and invoice receivables (financial assets) approximates their carrying value. As at 30 April 2015, total trade and other receivables and invoice receivables of £2.1m (2014: £1.4m) were past due but not impaired. With respect to these receivables that are neither impaired nor past due, there are no indications as at the reporting date that the counter-parties will not meet their payment obligations. The overdue analysis of these receivables is as follows:

	As at 30 April 2015 £'000	As at 30 April 2014 £'000
Current and not impaired	12,623	4,604
Less than 1 month overdue	694	782
Between 2 and 3 months overdue	707	349
Over 3 months overdue	740	290
Total past due but not impaired	2,141	1,421
Individually determined to be impaired	743	273
Total trade and other receivables	15,507	6,298
Less impairment loss provision	(743)	(273)
Total trade and other receivables	14,764	6,025

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

	Note	As at 30 April 2015 £'000	As at 30 April 2014 £'000
Cash and cash equivalents	17	32,603	62,646
Trade and other receivables	15	8,372	6,025
Invoice receivables		6,392	–
Deposit paid for acquisition	16	–	3,990
		47,367	72,661

(b) Liquidity risk

Non-derivative financial assets and liabilities

As at 30 April 2015	Note	Carrying amount £'000	Total contractual cash flows £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 months £'000	Over 5 years £'000
Cash and cash equivalents	17	32,603	32,603	32,603	–	–	–
Trade and other receivables[1]	15	7,201	7,201	6,192	1,009	–	–
Deposit paid for acquisition	16	–	–	–	–	–	–
Invoice receivables[2]		6,392	6,392	6,392	–	–	–
Trade and other payables	19	(8,628)	(8,628)	(8,557)	(71)	–	–
Net position		37,568	37,568	36,630	938	–	–

1 Excludes prepayments

2 Invoice receivables represent amounts owed to the Group arising from the Tungsten Early Payment product.

As at 30 April 2014	Note	Carrying amount £'000	Total contractual cash flows £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 months £'000	Over 5 years £'000
Cash and cash equivalents	17	62,646	62,646	62,646	–	–	–
Trade and other receivables	15	4,911	4,911	4,911	–	–	–
Deposit paid for acquisition	16	3,990	3,990	3,990	–	–	–
Trade and other payables	19	(6,774)	(6,774)	(5,930)	(844)	–	–
Net position		64,773	64,773	65,617	(844)	–	–

22. Financial instruments, risk management and exposure continued

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

Tungsten Bank's liquidity is managed by management within guidelines laid down by the Board of Tungsten Bank and within the framework set by the regulatory authorities.

The fundamental business strategy for Tungsten Bank is that the invoice financing operates on a match funded basis. This removes liquidity risk to the extent that there are only funding liabilities to the extent there are assets to be financed, whether these are financed from deposits or committed secured facilities and that the maturity profile of the liabilities is such that the stressed repayment profile of the invoices can fund the redemption of the liabilities.

It is not expected that the build out of the deposit book will give rise to the situation that deposits exceed the amount of financeable assets. The liquidity risk that remains is the risk of an absence or a reduction in available sources of funds.

The Treasurer of Tungsten Bank, operating to the guidelines provided by the Board of Tungsten Bank, will ensure that the bank's funding requirements can be met at all times and that a stock of high quality liquid assets is maintained in a form and at a level which reflects prudent banking practice and meets supervisory requirements. Liquid bonds are currently comprised entirely of UK Government instruments.

The following table summarises the maturity of the Group's non-derivative financial assets and liabilities based on contractual undiscounted cash flows.

(c) Foreign currency risk

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

Capital risk management

The aim of the Group is to maintain sufficient funds to enable it to meet working capital requirements, make suitable investments and incremental acquisitions while minimising recourse to external funders and/or shareholders. Capital managed by the Group at April 2015 consists of cash and cash equivalents and equity attributable to equity holders of the parent. The capital structure is reviewed by management through regular internal financial reporting and forecasting.

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

	Note	As at 30 April 2015 £'000	As at 30 April 2014 £'000
Share capital and premium	18	172,329	160,565
Reserves[1]/(Accumulated reserves)		(15,268)	10,523
		157,061	171,088

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

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

23. Commitments

Operating leases

The table below sets out the future minimum lease commitments:

	As at 30 April 2015 £'000	As at 30 April 2014 £'000
Less than 1 year	891	441
Between 1 and 2 years	811	724
Between 3 and 5 years	2,040	1,980
After 5 years	5,579	6,879
	9,321	10,024

Capital commitments

	As at 30 April 2015 £'000	As at 30 April 2014 £'000
PPE	37	443
Intangibles	–	157
	37	600

24. Related-party transactions

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

	For the year ended 30 April 2015 £'000	For the period 2 February 2012 to 30 April 2014 £'000
Purchase of services	427	8,311

Canaccord acted as sole bookrunner, financial adviser and joint broker to the Group on the IPO and continues to be retained as joint broker to the Group. Peter Kiernan held the position of Chairman of European Investment Banking at Canaccord during the year and as a consequence of this role, Canaccord is considered a related party of the Tungsten Group. Mr Kiernan took no part in the negotiation of the terms of the Canaccord engagement letter or the terms of the Placing Agreement for the share placing undertaken during the year. The Group received services from Canaccord totalling £0.34m for the year ended 30 April 2015 (2014: £5.5m). The outstanding balance as at 30 April 2015 was £0.03m (2014: Nil).

Ice Floe Limited (Ice Floe) is a financial advisory company controlled by Edmund Truell. During the year, Ice Floe provided services to the Group totalling £0.08m (2014: Nil) for the purposes of furthering the management and strategic development of the Group. This amount was outstanding at the year end.

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

Key management personnel

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

	For the year ended 30 April 2015 £'000	For the year ended 30 April 2014 £'000
Short-term employee benefits	1,552	1,043
Share-based payments	197	–
Total	1,749	1,043

Further details of the Directors' remuneration can be found in the table on page 33 of the Annual report and accounts 2015.

25. Subsidiary undertakings of the Group

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

Subsidiary	Nature of business	Country of incorporation	Proportion of ordinary shares held by the Group %
Tungsten Corporation Guernsey Limited	Intermediate holding company	Guernsey	100
Tungsten Network Limited	Electronic invoice delivery	UK	100
Tungsten Network Inc (US Inc)	Electronic invoice delivery	USA	100
Tungsten Network Sdn Bhd	Electronic invoice delivery Shared services office	Malaysia	100
Tungsten Network GmbH	Electronic invoice delivery	Germany	100
Tungsten Network (Schweiz) GmbH	Shared services office	Switzerland	100
Tungsten Network S.A.P.I de CV	Electronic invoice delivery	Mexico	100
Tungsten Network EOOD	Shared services office	Bulgaria	100
Image Integration Systems, Inc	Software	USA	100
Tungsten Bank plc	Banking	UK	100
Tungsten Network Finance Limited	Intermediate holding company	UK	100
Tungsten Purchaser UK Limited	Invoice acquisition	UK	100
Tungsten Account Trustee Limited	Trustee services	UK	100
Tungsten Investment Management Limited	Investment management	UK	100
Tungsten Purchaser (US), Inc	Invoice acquisition	USA	100
Tungsten Purchaser (Canada) Ltd	Invoice acquisition	Canada	100

26. Events after balance sheet date

Capital Raising

On 21 May 2015, the Group successfully placed a total of 21,875,985 New Ordinary Shares at a price of 80 pence per share, raising total gross proceeds of £17.5 million.

Independent auditors' report to the members of Tungsten Corporation plc

Report on the parent company financial statements

Our opinion

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

- give a true and fair view of the state of the parent company's affairs as at 30 April 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the parent company balance sheet as at 30 April 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual report and accounts 2015 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of Tungsten Corporation plc for the year ended 30 April 2015.

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

21 July 2015

Parent Company balance sheet

Registered number: 07934335

	Note	As at 30 April 2015 £'000	As at 30 April 2014 £'000 (as restated)
Fixed Assets			
Investments	2	199,096	150,223
Tangible assets	3	1,736	1,363
Intangible assets	4	–	355
Total fixed assets		200,832	151,941
Current assets			
Debtors	5	23,891	11,909
Cash at bank and in hand		984	301
Total current assets		24,875	12,210
Creditors – amounts falling due within one year			
Creditors	6	70,659	15,792
Total creditors falling due within one year		70,659	15,792
Net current liabilities		(45,784)	(3,582)
Total assets less current liabilities		155,048	148,359
Capital and reserves			
Called up share capital	7	454	438
Share premium	8	171,875	160,127
Shares to be issued	8	3,760	3,760
Other reserves	8	(5,450)	(5,450)
Share-based payment reserve	8	197	–
Profit and loss account	8	(15,788)	(10,516)
Total shareholders' funds		155,048	148,359

The financial statements on pages 69 to 72 were authorised for issue by the Board of Directors on 21 July 2015 and were signed on its behalf by:

Richard Hurwitz
Group Chief Executive Officer

David Williams
Group Chief Financial Officer

Notes to the Parent Company financial statements
for the year ended 30 April 2015

1. Accounting policies

Accounting basis

These separate financial statements of the Parent Company are presented as required by the Companies Act 2006. The separate financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies have been applied consistently throughout the period. The financial statements are prepared on a going concern basis and under the historical cost convention.

The Tungsten Corporation plc consolidated financial statements for the period ended 30 April 2015 contain related party disclosures. The Company has taken advantage of the exemption in FRS 8, 'Related Party Disclosures' not to disclose transactions with other members of the Tungsten Group.

As permitted by section 408 of the Companies Act 2006, the Parent Company's profit and loss account has not been presented separately in these financial statements. The loss for the year is shown in Note 8.

In accordance with the exemption under FRS 1 (Revised 1996), "Cash Flow Statements", the Company's cash flow statement has not been separately presented in these financial statements.

Going concern

The financial statements for the year ended 30 April 2015 have been prepared under the assumption that the Group will continue as a going concern. The directors have prepared detailed cash flow forecasts for a period of 24 months from the balance sheet date. The forecasts are based on reasonable assumptions concerning the future trading performance of the business and take into account the successful equity raise of £17.5m on 21 May 2015. Such assumptions also contemplate the realisation of assets and the satisfaction of liabilities in the normal course of business. On the basis of these cashflow forecasts, the directors are satisfied that the Group has sufficient resources to meet their liabilities as they fall due for a period of at least one year from the date of these financial statements. The consolidated financial statements do not include any adjustments that might be necessary should the Group be unable to continue as a going concern as the Directors do not consider these necessary.

Share-based payments

The Company issues equity-settled share-based awards to certain employees. The fair value of share-based awards is determined at the date of grant and expensed based on the Company's estimate of the shares that will eventually vest, on a straight-line basis over the vesting period with a corresponding increase in equity. At each balance sheet date the Company revises its estimates of the number of options that are expected to vest based on service and 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.

Further details on the share-based payments can be found in note 21 to the Consolidated financial statements of this Annual Report and financial statements.

Tangible assets

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

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

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed seven years. Acquired computer software licences are amortised over their estimated useful lives, which does exceed five years. Amortisation commences when an intangible asset is brought into use.

Prepaid consideration

Deposits paid for acquisitions are held as prepayments until such time as the acquisition is completed or a decision is reached by the Board not to proceed with the acquisition, at which time the deposit is either refunded or charged to the profit and loss account if not refundable.

Debtors

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

Creditors

Creditors are initially stated at fair value and subsequently measured at amortised cost.

Investments in subsidiary undertakings

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

Share capital

Ordinary shares are classified as equity.

2. Investments

	As at 30 April 2015 £'000
Balance at 1 May 2014	150,223
Additions	48,873
Balance at 30 April 2015	199,096

The Company has the following subsidiaries:

Name	% ownership in ordinary shares	Country of incorporation	Principal activity
Tungsten Corporation Guernsey Limited	100	Guernsey	Intermediate holding company
Tungsten Bank Plc	100	UK	Holding company

The Directors believe that the carrying value of the investments is supported by the underlying net assets of the subsidiaries.

3. Tangible assets

	Computer equipment £'000	Leasehold improvements £'000	Office equipment £'000	Total £'000
Cost				
Balance at 1 May 2014	34	1,332	–	1,366
Additions	12	453	54	519
Disposals	(3)	–	–	(3)
Balance at 30 April 2015	43	1,785	54	1,882
Accumulated depreciation				
Balance at 1 May 2014	3	–	–	3
Depreciation	22	117	5	144
Disposals	(1)	–	–	(1)
Balance at 30 April 2014	24	117	5	146
Net asset value as at 30 April 2014	31	1,332	–	1,363
Net asset value as at 30 April 2015	19	1,668	49	1,736

4. Intangible assets

	Software development £'000	Software licences £'000	Total £'000
Cost			
Balance at 1 May 2014	331	24	355
Transfer to group company	(331)	(24)	(355)
Balance at 30 April 2015	–	–	–
Accumulated amortisation			
Balance at 1 May 2014	–	–	–
Charge for the year	–	–	–
Balance at 30 April 2015	–	–	–
Net asset value as at 30 April 2014	331	24	355
Net asset value as at 30 April 2015	–	–	–

5. Debtors

	As at 30 April 2015 £'000	As at 30 April 2014 £'000
Trade debtors	–	3
Amounts owed by Group Undertakings	21,701	6,820
Prepaid Consideration for acquisition	–	3,990
VAT	136	275
Other debtors	1,217	600
Invoice receivables	490	–
Prepayments and accrued income	347	221
	23,891	11,909

The amounts owed by Group Undertakings are due from Tungsten Network Limited as at 30 April 2015 is non-interest bearing and is repayable on demand. Other debtors includes an amount due after more than one year in respect of loans issued to employees under the EMSS scheme (2014: Nil).

The prepaid consideration relates to the acquisition of Tungsten Bank plc (formerly FIBI Bank (UK) plc). Upon completion of the Purchase, the prepaid consideration was reclassified as an investment.

Other debtors includes an amount due after more than one year in respect of loans issued to employees under the EMSS Scheme (2014: Nil).

6. Creditors

	As at 30 April 2015 £'000	As at 30 April 2014 £'000
Trade creditors	296	568
Taxation and social security	–	101
Accrued expenses	3,102	2,124
Amounts owed to Group Undertakings	67,261	12,999
	70,659	15,792

The amounts owed to Group Undertakings are due to Tungsten Corporation Guernsey Limited as at 30 April 2015 is non-interest bearing and is repayable on demand.

7. Called up share capital

Issued and fully paid	Ordinary shares number	Nominal value	Share capital £'000	Share premium £'000
Balance as at 1 May 2014	100,000,000	£0.00438	438	160,127
Shares issued during the year	3,529,412	£0.00438	16	11,748
Balance as at 30 April 2015	103,529,412	–	454	171,875

Ordinary shares

On 9 September 2014, the Company issued 3,529,412 shares for total proceeds of £12,000,000. Transaction costs of £237,000 associated with the raising of the share capital have been recognised against the share premium account.

8. Reconciliation of reserves and movement in shareholders' funds

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 30 April 2014	438	160,127	3,760	–	(5,450)	(10,516)	148,359
Loss for the period	–	–	–	–	–	(5,272)	(5,272)
Shares issued during the year	16	11,748	–	–	–	–	11,764
Movement for the year	–	–	–	197	–	–	197
Balance as at 30 April 2015	454	171,875	3,760	197	(5,450)	(15,788)	155,048

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

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