Interim Results for six months to 31 October 2017

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TUNGSTEN CORPORATION PLC
("TUNGSTEN", the "Company" or "Group")

INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

14 December 2017

Tungsten Corporation plc (LSE: TUNG), the global e-invoicing, purchase order services, analytics and financing company, today announces its results for the six months ended 31 October 2017 ("H1-FY18").

Financial Highlights

- Revenue increased 10% to £17.1 million (H1-FY17: £15.5 million[1]); third consecutive half-year period of growth to give 18 month revenue increase of 32%, following three prior half-year periods of flat revenue
- Gross profit up 11% to £15.5 million (H1-FY17: £14.0 million), resulting in a gross margin of 91%
- EBITDA[2] loss decreased to £5.0 million, a £1.3 million YoY improvement (H1-FY17: £6.3 million loss[1]); monthly EBITDA declined from a peak period loss of over £1.5 million to a loss of £0.6 million in October 2017
- Statutory loss of £8.5 million (H1-FY17: loss of £4.5 million); prior year comparative included positive £4.8 million revaluation of intercompany loans to overseas subsidiaries
- Net cash and on balance-sheet invoice receivables were £12.2 million as at 31 October 2017 (30 April 2017: £21.8 million)

Key Performance Metrics

- 0.5 million invoices added in H1-FY18; total annualised invoice volumes now 17.8 million (FY17: 17.1 million)
- Average revenue per invoice increased to £1.86 (FY17: £1.82)
- Adjusted operating expenses[3] steady at £20.5 million (H1-FY17: £20.3 million)
- Tungsten Network Finance average invoice outstandings of £22.4 million in October 2017 (£14.0 million in April 2017 and £12.0 million in October 2016)

Operational Highlights

- New Buyer sign-ups, including five signed in H1-FY18 and one further new Buyer signed in November 2017. H1-FY18 new buyers represent signed contract value of £1.1 million
- 16 existing Buyers renewed contracts with weighted average price increases of 30%; expected to add nearly £0.5 million to revenue in FY18
- A further seven existing Buyers contracts renewed automatically at current pricing. In total 98% of renewing invoice volume and 96% of renewing invoice revenue secured under new contracts
- 13,000 net new Suppliers added to bring total Suppliers to 264,000
- Further progress by Tungsten Network Finance; new peak outstandings achieved in September 2017 of £28.8 million and three new funding partnerships, including one with BNP Paribas
- Launched new Supplier Analytics product suite with initial take-up. Enhanced outbound e-Billing capabilities
- Significant progress on technology infrastructure projects, including transition to new US core transaction processing network. Additional major projects will be completed over the next six months

[1] Prior year excludes Tungsten Bank as a discontinued operations.

[2] EBITDA loss is defined as operating loss from continuing operations before other income, depreciation, amortisation, share-based payments charge, and exceptional items.

[3] Adjusted operating expenses defined as operating expenses from continuing operations excluding cost of sales and before depreciation, amortisation, share-based payments charge and exceptional items.

Outlook

On track to deliver in FY18:

- Constant currency growth in revenue of at least 15% (FY17: 12%);
- Gross margin of at least 90% (FY17: 92.8%); and
- Adjusted operating expenses of less than £40 million (FY17: £40.8 million). This excludes one-off costs of approximately £3 million. One-off costs are now expected to be £1 million higher, primarily due to the cost of reducing our property footprint in the USA.

Trading in H1-FY18 was in line with our budget. We expect monthly EBITDA to continue at the H1-FY18 average run rate until the end of calendar 2017. Over the first four months of the 2018 calendar year we expect to achieve overall EBITDA breakeven in each month, with slight variances dependent on the timing of new customer sales.

The improved performance over H1-FY18 is expected to result from:

- the cumulative benefit of the new sales achieved in H1-FY18 and additional forecasted sales, including the Buyer sale concluded in November 2017;
- the phased completion of technology projects resulting in implementation cost reduction and productivity enhancements that are a consequence of these projects;
- additional new product sales; and
- growth in our trade finance solutions.

Richard Hurwitz, Chief Executive Officer, commented:

"Over the first half of FY18 we demonstrated further progress in Tungsten's turnaround. Our results evidence the success we are having in delivering against our plans to drive strategic value.

"Revenue growth of 10% in the period was achieved with marginal increase in our adjusted operating expenses and we have now achieved 32% total revenue growth over the past three half-year reporting periods, a CAGR of 20%. This revenue growth rate was in line with our projections and our operating expenses demonstrate continued robust financial control.

"In particular, five new buyer customer wins demonstrate that our product offerings remain strong. The advancements made in our Tungsten Network Finance business encourage us that we are developing sustainable, scalable financing activities.

"We are progressing well with our essential remediation activities to put in place an infrastructure that will support emerging demand and the new opportunities we have opened. This includes achieving important milestones such as transitioning to a new core transaction processing capability in the USA and the implementation of a new cloud-based disaster recovery platform.

"We are close to achieving our near-term aim of run-rate EBITDA profitability. To be in this position reflects the strength of Tungsten's customer proposition and the hard work undertaken by our people to transform all areas of the business. More importantly, however, we are well positioned to accelerate profitable growth and do great things with our customers."

Nick Parker, Non-Executive Chairman, added:

"Our Board is focussed on the creation of long term value for our shareholders and we are happy with the continued improvement across the business, which is reflected in these results. We are making good progress with our transformation, but while focus may be on the imminent achievement of EBITDA breakeven, we will not take short-term actions that may impact long-term growth prospects'

"The changes made to Tungsten over the last two years were vital to position ourselves for profitable growth. As we continue to improve our capabilities, we also look outside Tungsten to determine how best to take advantage of the opportunities presented by a vibrant market, in which Tungsten intends to protect and grow its strong position."

Analyst Presentation

Richard Hurwitz, Chief Executive Officer, and David Williams, Chief Financial Officer, will today host a conference call and webcast at 9.00am UK time. To access the webcast please click here. For participants unable to join the webcast, the dial-in number for the conference call will be +44 (0) 20 3003 2666 / +1 212 999 6659 with the password 'Tungsten' and a presentation will be available on the Tungsten Network website.

A replay facility will be available until 28 December 2017. The dial-in number for the replay facility is +44 (0) 20 8196 1998 with PIN number 9843374#.

Enquiries

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About Tungsten Corporation plc

Tungsten Corporation (LSE: TUNG) aims to be the world's most trusted business transaction network by using data intelligently to strengthen the global supply chain.

Tungsten Network is a secure e-invoicing, purchase order services and workflow platform that brings businesses and their suppliers closer together with unique technology that revolutionises invoice processing, maximises efficiency and improves cash flow. Delivering trusted connections and streamlined transactions, the network also provides users with real-time spend analysis and offers suppliers access to invoice financing through Tungsten Network Finance, a form of alternative finance for businesses.

Tungsten Network processes invoices for 70 percent of the FTSE 100 and 72 percent of the Fortune 500. It enables suppliers to submit tax compliant e-invoices in 48 countries, and last year processed transactions worth over £133bn for organisations such as Alliance Data, Cargill, Deutsche Lufthansa, General Motors, GlaxoSmithKline, Mondelēz International, Henkel, IBM, Kellogg's and the US Federal Government.

Trusted, passionate and proven, Tungsten is making the digitisation of global commerce between buyers and suppliers faster, easier and smarter.

Forward looking statements

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

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Business and Strategic Update

We are close to achieving our aim of EBITDA breakeven on a run rate basis, and we expect to pass this milestone in the near future. A focus on the point in time that this is reached loses sight of the progress Tungsten is making on its corporate transformation. We have chosen not to accelerate breakeven through an arbitrary reduction of expenditure on any of our sales, marketing, product development, customer services or the projects that will bring further automation to our service delivery, as this would restrict our future growth potential. Our ultimate aspirations and those of our shareholders extend far further than breakeven.

Revenue growth of 10% with marginal increase in our adjusted operating expenses reflects the decoupling of cost increase from revenue growth that we have achieved. Indeed, we have now delivered five consecutive half-year periods where we have maintained our expenses at a constant level, whilst increasing our revenue by 32% at a 20% compound annual growth rate (CAGR) of our revenue over the past three half-year periods. We expect revenue growth to accelerate over the second half of FY18. While we remain subject to the vagaries around the timing of new customer contracts, we retain guidance of at least 15% revenue growth.

We continue to see proof of the strength in our business with strong new customer signups and retention rates as well as completion of some of the ongoing technology projects that will transform our business infrastructure. As we look to the next stage of Tungsten's evolution, we can adjust our focus to taking advantage of growth opportunities in a market that is constantly seeking ways to remove friction from the back office. We will continue to do this in the framework of our four strategic priorities, against which we have previously reported.

Focus on our core

Tungsten Network connects 264,000 global organisations around the world, processing transactions for them and delivering data between them. Transactions volumes grew 5% in H1-FY18 from the same period in the prior year, an increase from 8.4 million to 8.9 million. On an annualised basis, we processed 17.8 million transactions. We see transaction volumes as a lagging indicator, following Buyer sign-up and implementation and Supplier sign-up and implementation. Therefore, new customers signed in the H1-FY18 will impact transaction volume growth rates in future periods.

Five new Buyer organisations contracted to join Tungsten Network in H1-FY18, with another joining subsequent to the period end. Encouragingly, these were from across our sales channels (direct, PNC Bank, and BPO relationships), and subscribed to a wide range of our services (Work Flow, Invoice Data Capture, E-Invoicing and PO services). The combined signed contract value of the new Buyers totalled £1.1 million, of which £0.7 million of revenue is expected to be recognised in FY18.

We completed renewal discussions with 30 current Buyer customers in H1-FY18, representing 5.0 million of annual transactions and £2.0 million of recurring revenue (both based on FY17; recurring revenue excludes one-off fees). We continue to enjoy strong retention rates, with over 98% of renewing invoice volume and 96% of renewing invoice revenue re-contracted, the majority on multi-year agreements of services. Of the 23 Buyers that renewed, 16 agreed average price increases of 30% and a further six had contracts that allowed for automatic renewals on the same terms as previously agreed. One Buyer had its contract merged with another, and the five Buyers that we did not renew represent just 80,000 transactions per year and £112,000 of revenue. These reflect our focus on higher volume or growth accounts. We ended the period with 185 Buyers.

We increased the number of net connections by 13,000 during the period and at the end of H1-FY18 had 264,000 Suppliers using Tungsten Network for a combination of delivering invoices to their customers, tracking the status of their invoices and having their invoices digitised using our Invoice Data Capture product.

Suppliers leave Tungsten Network primarily where the Buyer chooses to change the source of supply for goods or services. As a result, Supplier attrition is higher than Buyer attrition. The net increase of Suppliers of 13,000 reflects

the loss of 18,000 (7%) Suppliers, replaced by 32,000 new members. We are focussed on minimising the loss of Suppliers, primarily by connecting them to more Buyers.

Improve operational performance

Our core transaction processing network is nearing end of life, being based on legacy technology. It had been hosted in managed data centres that were costly to operate and inflexible. We are transitioning legacy databases to a cloud-based provider and at the same time rebuilding the technology that processes invoices for our customers.

As a result, we will upgrade service levels and the scalability of our technology platform, reduce running costs by just over £1 million per year, and avoid an estimated £3.0 million imminent capital cost in replacing obsolete equipment.

We have now completed the initial phases of this exercise, having commenced processing at our new hosting provider and completed a full switch over to our new US core technology platform. By the end of FY18 we expect to have moved substantially all other processing and completed the transition to our new EU / rest of world core technology platform. As at 31 October 2017 we have recognised provisions of £1.1 million in respect of termination costs of legacy technology providers.

Two further projects are expected to be completed in early FY19; the replacement of Tungsten's legacy bespoke customer relationship management software, enabling a fuller rollout of Salesforce capabilities across the business, and the upgrade of our customer facing web technologies and experience, including rebuilding our customer sign-up process and portals.

Tungsten's technology transformation will result in a more efficient, stable and secure infrastructure, enabling us to more effectively implement and serve our customers, and do so at lower cost. Each of these projects have been carefully planned, budgeted and managed and all are on schedule. In H1-FY18 the majority of our £2.0 million intangible asset additions were incurred on these projects, and we expect a similar amount to be spent over the second half of the year.

Our target is to maintain our annual adjusted operating expenses at approximately £40.0 million. The H1-FY18 cost of £20.5 million is expect to decrease in the second half, in part as a result of the completion of some of our technology projects.

Distinctive invoice financing

We restarted Tungsten Network Finance one year ago. Over this time, we have developed additional funding partner relationships and each now represent a new business development channel as well as an alternate source of capital.

We are delighted to have launched a collaboration with BNP Paribas to offer e-invoicing linked receivables purchase and e-invoicing linked supply chain finance to large corporates in the USA and Canada. As a result, we now offer four distinct trade finance products, some with multiple financing partners, which address different areas of the market: Tungsten Early Payment; receivables purchase; supply chain finance; and flexible lines of credit.

We have made funded sales of the first three are in the midst of implementing a supply chain finance program with a global corporation. In September 2017 we achieved a new peak outstandings of £28.8 million, reflecting a combination of Tungsten Early Payment and receivables purchase balances.

Tungsten Early Payment

Average outstandings over the period were £16.3 million and in October 2017 this was £22.4 million, reflecting the continued growth in Tungsten Early Payment. Customers paid an average of 5.38% (the gross yield) and our return was 1.9% (the net yield).

Receivables purchase

As previously announced, we secured three structured receivables financing mandates in Q1-FY18 totalling approximately $75.0 million (£56 million). One of these was funded and drawn in H1-FY18, to a total of £5.9 million. Our return on this was 0.13%. One of the other receivables purchase deal was funded after the period end.

We expect our receivables purchase arrangement to be regularly redrawn over time, giving us an opportunity to continue to earn revenue.

Supply chain finance

We hope to shortly conclude our first supply chain finance deal with a global corporation.

Flexible lines of credit

Tungsten Network's U.S.-based customers have access to additional financing options through BlueVine's business line of credit solution, called Flex Credit. This offering was launched in H1-FY18, with initial sales made.

Expand adjacent services

Our product innovation in H1-FY18 focussed on the launch of our new Supplier analytics product and the expansion of our e-billing capabilities.

Supplier analytics has been designed to be relevant to all Suppliers, large or small, on Tungsten Network. Our beta launch has focussed on larger Suppliers and we are delighted that a number have purchased the product. Built in modules it gives Suppliers real-time analysis of trading with their Buyers. We are currently preparing for the full launch of the product to all Suppliers on Tungsten Network.

We also launched an enhancement to our e-billing capabilities in H1. Distinct from e-invoicing which provides automation for accounts payable (AP), e-billing is a product for accounts receivable (AR) departments that electronically delivers Supplier outbound invoices, irrespective of whether its Buyer is on Tungsten Network. Our enhancements have supported incremental sales of this product in H1, and we expect to further develop our capabilities in this area as we seek to expand Tungsten Network.

Tungsten remains at the forefront of providing tax compliant e-invoicing, and our service enhancements in this regard in H1-FY18 included adapting our unique compliant, paperless invoicing in India to accommodate the country's new GST regime, and the development of payment receipts in response to a new legal requirement in Mexico for a *Complemento de Pagos.*

Outlook

On track to deliver in FY18:

- Constant currency growth in revenue of at least 15% (FY17: 12%);
- Gross margin of at least 90% (FY17: 92.8%); and
- Adjusted operating expenses of less than £40 million (FY17: £40.8 million). This excludes one-off costs of approximately £3 million. One-off costs are now expected to be £1 million higher, primarily due to the cost of reducing our property footprint in the USA.

Trading in H1-FY18 was in line with our budget. We expect monthly EBITDA to continue at the H1-FY18 average run rate until the end of calendar 2017. Over the first four months of the 2018 calendar year we expect to achieve overall EBITDA breakeven in each month, with slight variances dependent on the timing of new customer sales.

The improved performance over H1-FY18 is expected to result from:

- the cumulative benefit of the new sales achieved in H1-FY18 and additional forecasted sales, including the Buyer sale concluded in November 2017;
- the phased completion of technology projects resulting in implementation cost reduction and productivity enhancements that are a consequence of these projects;
- additional new product sales; and
- growth in our trade finance solutions.

Principal Risks and Uncertainties

The Group's principal risks and uncertainties remain the same as those set out in the Tungsten Corporation plc Annual report and accounts for the year ended 30 April 2017.

Financial Results

The impact of foreign exchange movements on the results was immaterial. We therefore present the results at actual exchange rates only.

Revenues:

On a continuing operations basis[1]	Buyers	Suppliers	Tungsten Network Finance	Group
Revenue H1-FY18	**£7.7m**	**£9.2m**	**£0.2m**	**£17.1m**
Revenue H1-FY17	**£6.7m**	**£8.8m**	**£0.0m**	**£15.5m**
Change at actual exchange rate	**14%**	**4%**	**1536%**	**10%**

[1]Excludes the results of Tungsten Bank from prior period comparative

Group revenue was £17.1 million (H1-FY17: £15.5 million), representing an increase of 10%. The growth in revenues reflected the benefits of new customer sales, additional product sales to current customers and existing customer price increases.

Revenue from 185 Buyer customers grew 14% to £7.7 million. This includes five new Buyers, which contributed £0.3 million in the period.

We have continued the successful programme of Buyer contract renewals. We achieved further price lift averaging 30% with 16 of our Buyer customers in H1-FY18. Buyer revenues represented 45% of total Tungsten Network revenues in the H1-FY18, compared to 43% in H1-FY17.

Revenue from our Supplier customers grew 4% to £9.2 million. This was split £7.9 million from Integrated Solution Suppliers (H1-FY17: £7.2 million) and £1.3 million from Web Form Suppliers (H1-FY17: £1.6 million). We increased the net number of Suppliers connected to our Network in H1-FY18 by 13,000.

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

The total gross Tungsten Network Early Payment fees in H1-FY18 were £401,000 (H1-FY17: £nil), of which £165,000 (H1-FY17: £nil) was attributable as revenue for Tungsten Network Finance.

EBITDA:

On a continuing operations basis[1]	Tungsten Network	Tungsten Network Finance	Corporate	Group
Revenue H1-FY18	**£16.9m**	**£0.2m**	**-**	**£17.1m**
Revenue H1-FY17	**£15.5m**	**-**	**-**	**£15.5m**
Change at actual exchange rate	**10%**	**1536%**	**n/a**	**10%**
Cost of sales H1-FY18	**£(1.5)m**	**Neg**	**-**	**£(1.5)m**
Cost of sales H1-FY17	**£(1.5)m**	**Neg**	**-**	**£(1.5)m**
Change at actual exchange rate	**-**	**-**	**n/a**	**-**
Adjusted operating expenses[2] H1-FY18	**£(16.3)m**	**£(1.1)m**	**£(3.1)m**	**£(20.5)m**
Adjusted operating expenses H1-FY17	**£(16.3)m**	**£(0.8)m**	**£(3.2)m**	**£(20.3)m**
Change at actual exchange rate	**(0)%**	**(38)%**	**3%**	**(1)%**
EBITDA[2] H1-FY18	**£(0.9)m**	**£(0.9)m**	**£(3.1)m**	**£(5.0)m**
EBITDA H1-FY17	**£(2.2)m**	**£(0.8)m**	**£(3.3)m**	**£(6.3)m**
Change at constant exchange rate	**(60)%**	**25%**	**(6)%**	**(21)%**

[1]Excludes the results of Tungsten Bank from both reported periods.
[2]Adjusted operating expenses and EBITDA exclude discontinued operations, other income, depreciation, amortisation, share-based payments charge, and exceptional items.

Group EBITDA loss was £5.0 million (H1-FY17: £6.3 million), a reduction of 21%. The improvement of £1.3 million reflects a £1.6 million increase in revenue, offset by a £0.3 million increase in adjusted operating expenses.

Exceptional items:

We had previously indicated that we would incur a number of exceptional items in FY18 as a result of the restructuring of the Group.

H1-FY18 restructuring costs of £2.3 million include:

- Technology contract termination costs of £1.1 million;
- Onerous lease provision of £0.7 million, reflecting future amounts owed on a property now vacated in the USA. This property is being marketed for sub-lease. Should we be successful in obtaining a sub-tenant, we will reduce the provision accordingly;
- Termination contract due to service performance of £0.2 million;

- Redundancy costs of £0.3 million

Loss before tax:

The Group loss before tax was £9.1 million (H1-FY17: loss of £3.1 million). This includes:

- Depreciation and amortisation of £1.2 million (H1-FY17: £1.4 million)
- Share based payment expense of £0.4 million (H1-FY17: £0.2 million)
- Net finance loss of £0.3 million (H1-FY17: net finance gain of £4.8 million).

The comparative period net finance gain includes a one-off gain on the revaluation of intercompany balances.

Loss for the period:

The Group loss for the period was £8.5 million (H1-FY17: £4.5 million). A tax credit of £0.6 million (H1-FY17: £0.1 million) includes VAT refund of £0.3 million and a release of £0.3 million in the deferred tax liability which related to the technology acquired on the acquisition of OB10.

The comparative period net loss includes a loss from the discontinued operations of £1.5million.

Cash flow:

Cash and cash equivalents at the end of H1-FY18 were £8.0 million; £12.2 million including self-funded invoice receivables of £4.2 million. The comparative at the end of FY17 was £17.5 million, or £21.8 million including self-funded invoice receivables of £4.3 million.

The cash outflow from operating activities was £7.3 million in the six-month period to 31 October 2017 (H1-FY17: £5.4 million). This included:

- An outflow generated from operations of £4.5 million (H1-FY17: £6.3 million);
- An outflow from trade and other receivables of £1.8 million (H1-FY17: £2.0 million);
- An outflow from trade and other payables of £0.9 million (H1-FY17: £2.5 million inflow);
- Net interest paid of £0.2 million (H1-FY17: £0.4 million); and
- No flows from discontinued operations (H1-FY17: inflow of £0.8 million).

There was a £1.8 million outflow from trade and other receivables (H1-FY17: £2.0 million). This was primarily due to an increase in invoicing over the later part of the period. Overdue amounts as at 31 October 2017 are at a similar level to the end of FY17.

An increase in trade and other payables of £0.9 million primarily reflects the provisions made for exceptional items.

The cash outflow from investing activities was £2.2 million (H1-FY17: £0.8 million). This includes an outflow of £2.0 million from the capitalisation of software development costs, reflecting the ongoing technology infrastructure enhancements. A further £0.2 million outflow reflects the purchase and capitalisation of fixed assets.

The cash inflow from financing activities was £24,000 (H1-FY17: £1.2 million). The comparative reflects discontinued operations.

Loss per share

The basic and diluted loss per share was 6.73p and 6.62p respectively (H1-FY17: 3.53p; 3.42p). On an adjusted basis excluding share-based payments, other income, impairments and acquisition-related amortisation, basic and diluted loss per share was 5.29p (H1-FY17: 6.09p).

Net assets

Net assets decreased by £8.0 million to £123.3 million during the period (FY17: £131.3 million) due to the Group's statutory loss of £8.5 million offset by a movement in the share based payment reserve of £0.4 million.

Condensed consolidated income statement

	Note	Six months ended 31 October 2017 (unaudited) £'000	Six months ended 31 October 2016 (unaudited) £'000

	Note	Six months ended 31 October 2017	Six months ended 31 October 2016
Continuing operations:			
Revenue	5	17,055	15,538
Operating expenses		(25,885)	(23,400)
Operating loss		**(8,830)**	**(7,862)**
EBITDA		**(4,952)**	**(6,295)**
Depreciation and amortisation		(1,151)	(1,396)
Share based payment expense	5	(383)	(171)
Exceptional items	6	(2,344)	-
Operating loss		**(8,830)**	**(7,862)**
Finance income	13	1,331	6,907
Finance costs	13	(1,608)	(2,125)
Net finance (costs) / income		**(277)**	**4,782**
Loss before taxation		**(9,107)**	**(3,080)**
Taxation		626	127
Loss for the period from continuing operations		**(8,481)**	**(2,953)**
Discontinued operations			
Loss for the period from discontinued operations		-	(1,504)
Loss for the period		**(8,481)**	**(4,457)**
Loss per share from continuing and discontinued operations attributable to the equity holders of the parent during the period (expressed in pence per share):			
Basic			
From continuing operations	14	(6.73)	(2.34)
From discontinued operations	14	-	(1.19)
		(6.73)	(3.53)
Diluted			
From continuing operations	14	(6.62)	(2.27)
From discontinued operations	14	-	(1.15)
		(6.62)	(3.42)

The notes on pages 16 to 23 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income

	Six months ended 31 October 2017 (unaudited) £'000	Six months ended 31 October 2016 (unaudited) £'000
Loss for the period	(8,481)	(4,457)
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	106	(4,032)
Total comprehensive loss for the period	**(8,375)**	**(8,489)**

Items in the statement above are disclosed net of tax.

The notes on pages 16 to 23 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of financial position

	Note	As at 31 October 2017 (Unaudited) £'000	As at 30 April 2017 (Audited) £'000
Assets			
Non-current assets			
Intangible assets	7	119,411	118,452
Property, plant and equipment	8	1,852	1,856
Trade and other receivables		439	469
Total non-current assets		**121,702**	**120,777**
Current assets			
Trade and other receivables		10,058	8,790
Invoice receivables	9	4,280	4,304
Cash and cash equivalents		7,965	17,498
Total current assets		**22,303**	**30,592**
Total assets		**144,005**	**151,369**
Capital and reserves attributable to the equity shareholders of the parent			
Share capital	10	553	553
Share premium	10	188,794	188,794
Shares to be issued		3,760	3,760
Merger reserve		28,035	28,035
Share based payment reserve		6,184	5,815
Other reserve		(8,858)	(8,964)
Accumulated losses		(95,144)	(86,663)
Total equity		**123,324**	**131,330**
Non-current liabilities			
Deferred taxation		2,315	2,630
Total non-current liabilities		**2,315**	**2,630**
Current liabilities			
Trade and other payables		8,528	9,529
Provisions	11	2,193	-
Deferred income		7,645	7,880
Total current liabilities		**18,366**	**17,409**
Total liabilities		**20,681**	**20,039**
Total equity and liabilities		**144,005**	**151,369**

The notes on pages 16 to 23 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

(Unaudited)	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 2017	**553**	**188,794**	**28,035**	**3,760**	**5,815**	**(8,964)**	**(86,663)**	**131,330**
Currency translation differences	-	-	-	-	-	106	-	106
Loss for the period	-	-	-	-	-	-	(8,481)	(8,481)
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**106**	**(8,481)**	**(8,375)**

Transaction with owners								
Share based payment expense	-	-	-	-	369	-	-	369
Transactions with owners	**-**	**-**	**-**	**-**	**369**	**-**	**-**	**369**
Balance as at 31 October 2017	**553**	**188,794**	**28,035**	**3,760**	**6,184**	**(8,858)**	**(95,144)**	**123,324**

(Unaudited)	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 2016	**553**	**188,794**	**28,035**	**3,760**	**5,419**	**(5,221)**	**(75,206)**	**146,134**
Currency translation differences	-	-	-	-	-	(4,032)	-	(4,032)
Loss for the period	-	-	-	-	-	-	(4,457)	(4,457)
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(4,032)**	**(4,457)**	**(8,489)**
Transaction with owners								
Share based payment expense	-	-	-	-	171	-	-	171
Transaction with owners	**-**	**-**	**-**	**-**	**171**	**-**	**-**	**171**
Balance as at 31 October 2016	**553**	**188,794**	**28,035**	**3,760**	**5,590**	**(9,253)**	**(79,663)**	**137,816**

The notes on pages 16 to 23 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

	Six months ended 31 October 2017 (unaudited) £'000	Six months ended 31 October 2016 (unaudited) £'000
Cash flows from operating activities		
Loss before taxation from continuing operations	(9,107)	(3,080)
Adjustments for:		
Depreciation and amortisation	1,150	1,396
Impairment loss provision of trade receivables	496	-
Finance costs	1,608	2,125
Finance income	(1,331)	(6,907)
Share based payment expense	383	171
Exceptional items	2,344	-
Cash used in operations	**(4,457)**	**(6,295)**
Changes in working capital:		
Increase in trade and other receivables	(1,763)	(2,021)
Decrease in trade and other payables	(899)	2,505
Net interest paid	(193)	(394)
Discontinued operations	-	800
Net cash outflows from operating activities	**(7,312)**	**(5,405)**
Cash flows from investing activities		
Capitalisation of software development costs	(1,969)	(238)
Purchases of other intangibles	(35)	(31)
Purchases of property, plant and equipment	(168)	(63)
Discontinued operations	-	(429)
Net cash outflows from investing activities	**(2,172)**	**(761)**
Cash flows from financing activities		
Decrease in invoice receivables	24	-

Discontinued operations	-	1,150
Net cash inflow from financing activities	**24**	**1,150**
Net decrease in cash and cash equivalents	(9,460)	(5,016)
Cash and cash equivalents at start of the period	17,498	27,023
Exchange adjustments	(73)	(183)
Cash and cash equivalents including cash held in disposal group at the end of the period	**7,965**	**21,824**
Cash held in the disposal group	-	(19,247)
Cash and cash equivalents at the end of the period	**7,965**	**2,577**

The notes on pages 16 to 23 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed 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. Basis of preparation

These condensed consolidation interim financial statements of Tungsten Corporation plc for the six months ended 31 October 2017 ("the interim financial statements") comprise the company and its subsidiaries (together referred to as the "Group").

The condensed consolidated interim financial statements for the six months ended 31 October 2017 were approved by the Board for issue on 14 December 2017.

The condensed consolidated financial statements for the six months ended 31 October 2017 do not constitute the Group's statutory accounts for the year ended 30 April 2017, which were approved by the Board of Directors on 24 July 2017 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2016.

The condensed consolidated interim financial statements for the six months ended 31 October 2017 have been prepared in accordance with International Accounting Standard ('IAS') 34 'Interim Financial Reporting' as adopted by the European Union ('EU'). These interim financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 April 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS Interpretations Committee (IFRS IC).

The condensed consolidated financial statements have been prepared applying the accounting policies, methods of computation and presentation consistent with those described in the Annual Report and accounts for the year ended 30 April 2017.

Adjusted Measure of Performance

The Group considers adjusted EBITDA, which is defined as operating profit or loss before depreciation, amortisation, impairments and share based payment charge as the most appropriate measure of the Group's underlying performance.

Exceptional items

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

New standards, amendments and interpretations issued but not yet effective in 2017 and not early adopted

The interim financial statements have been prepared with the same accounting policies and methods of computation followed in the most recent annual financial statements. This includes consideration of the new accounting standards issued but not yet effective. The impact on the group's financial statements of the future adoption of these and other new standards and interpretation is still under review.

The impact of the following standard is being assessed by the Group.

IFRS 15, 'Revenue from contracts with customers' is effective from 1 January 2018. This standard establishes principles for reporting the nature, amount and timing of revenue arising from an entity's contracts with customers. The Group has conducted an initial review to assess the full impact of IFRS 15 and the current view is that it will have potentially effect in the way revenues are reported.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

The standard is effective for accounting periods beginning on or after 1 January 2018. The Group does not apply hedge accounting and has limited financial assets therefore this standard is not expected to be a significant impact on the Group.

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

3. Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 April 2017.

Going Concern

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

4. Financial Risk Management

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 interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 30 April 2017. There have been no changes in the risk management department or in any risk management policies since the year end.

5. Segment information

Management has 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 have identified that the Board of Directors are the Chief Operating Decision Maker (CODM).

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

5. Segment information (continued)

Six months ended 31 October 2017

	Tungsten Network	Tungsten Network Finance	Corporate	Total
	£'000	£'000	£'000	£'000
Revenue	16,888	167	-	17,055
Segment revenue	16,888	167	-	17,055
EBITDA - excluding non-cash share based payment	(901)	(937)	(3,114)	(4,952)
EBITDA - including non-cash share based payment	(901)	(937)	(3,497)	(5,335)
Depreciation and amortisation				(1,151)
Share based payment				(383)
Exceptional items				(2,344)
Finance income				1,331
Finance costs				(1,608)
Loss before taxation				**(9,107)**
Income tax credit				626
Loss for the period				**(8,481)**
Capital expenditure	1,940	-	232	2,172
Total assets	135,487	4,325	4,193	144,005
Total liabilities	16,035	385	4,261	20,681

Six months ended 31 October 2016

(Including discontinued operations)	Tungsten Network	Tungsten Network Finance	Corporate	Bank (discontinued)	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	15,528	10	-	241	15,779
Segment revenue	15,528	10	-	241	15,779

EBITDA - excluding non-cash share based payment	(2,246)	(791)	(3,258)	(1,338)	(7,633)
EBITDA - including non-cash share based payment	(2,246)	(791)	(3,429)	(1,338)	(7,804)
Depreciation, amortisation and impairment					(1,466)
Share based payment					(171)
Finance income					6,907
Finance costs					(2,221)
Loss before taxation					**(4,584)**
Income tax credit					127
Loss for the period					**(4,457)**
Capital expenditure	62	-	1	-	63
Total assets	129,557	226	1,946	28,535	160,264
Total liabilities	58,014	18,874	(55,655)	1,215	22,448

6. Exceptional items

	Six months ended 31 October 2017 (unaudited) £'000	Six months ended 31 October 2016 (unaudited) £'000
Provision for onerous contracts	1,974	-
Restructuring costs	370	-
Total exceptional items	**2,344**	**-**

The Group incurred a number of exceptional items during this period as a result of the restructuring of the Group. They are mainly technology contract termination costs of £1.1m, onerous lease provision of £0.7m which reflecting future amounts owed to a property now vacated in the US, restructuring costs due to contract termination and other redundancy costs.

7. Intangible assets

	Goodwill	Customer relationships	IT platform	Software	Software development under construction	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost						
Balance at 1 May 2017	102,049	11,116	7,188	660	3,570	**124,583**
Additions	-	-	-	35	1,969	**2,004**
Reclassification	-	-	-	46	(46)	**-**
Exchange differences	(47)	(2)	(41)	-	1	**(89)**
Balance at 31 October 2017	**102,002**	**11,114**	**7,147**	**741**	**5,494**	**126,498**
Accumulated amortisation						
Balance at 1 May 2017	-	2,007	3,694	430	-	**6,131**
Charge for the period	-	289	597	93	-	**979**
Exchange differences	-	(1)	(21)	(1)	-	**(23)**
Balance at 31 October 2017	**-**	**2,295**	**4,270**	**522**	**-**	**7,087**
Net book value as at 31 October 2017	**102,002**	**8,819**	**2,877**	**219**	**5,494**	**119,411**
Net book value as at 30 April 2017	102,049	9,109	3,494	230	3,570	118,452

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

- Revenue growth from buyers and suppliers using the Tungsten Network, including Tungsten Workflow and Tungsten Analytics at a compound annual growth rate of 15%
- Pre-tax discount rate of 11.75% (FY2017: 11.75%), being based on the Group's weighted average cost of capital (WACC)
- Growth rate used in the annuity of 2.0% (FY2017: 2.0%).

Based on the above assumptions, Tungsten Network exceeded the carrying value of the CGU by £68.3 million (FY2017: £69.7 million). The recoverable amount of the Tungsten Network CGU was particularly sensitive to changes in the compound annual revenue growth rate.

Assuming that there is a reduction in the compound annual growth rate to 9.1% the recoverable amount would equal the carrying value of the CGU.

8. Property, plant and equipment

	Leasehold improvements	Fixtures and fittings	Computer equipment	**Total**
	£'000	£'000	£'000	**£'000**
Cost				
Balance at 1 May 2017	1,823	220	324	**2,367**
Additions	116	2	50	**168**
Exchange differences	4	11	154	**169**
Balance at 31 October 2017	**1,943**	**233**	**528**	**2,704**
Accumulated depreciation				
Balance at 1 May 2017	373	70	68	**511**
Charge for the period	70	23	78	**171**
Exchange differences	4	12	154	**170**
Balance at 31 October 2017	**447**	**105**	**300**	**852**
Net Book Value				
At 31 October 2017	**1,496**	**128**	**228**	**1,852**
At 30 April 2017	1,450	150	256	1,856

9. Invoice receivables

The invoice receivables represent outstanding Early Payment invoices that were financed by the Group on a transitional basis prior to the implementation of additional funding arrangements with our partners. Tungsten purchases invoices from approved Suppliers on Tungsten Network, which are then sold to a funding partner. In the reporting period these funding partners were Tungsten Network Finance (self-funded), Insight Investment and Tungsten Bank.

10. 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 2016	126,069,397	£0.004386	553	188,794
Shares issued during the year	-	-	-	-
Balance as at 30 April 2017	126,069,397	-	553	188,794
Shares issued during the period	-	-	-	-
Balance as at 31 October 2017	**126,069,397**	**-**	**553**	**188,794**

11. Provisions

	Six months ended 31 October 2017 (unaudited) £'000	Six months ended 31 October 2016 (unaudited) £'000
Onerous contracts	1,848	-
Legal fee	345	-
Total provisions	**2,193**	**-**

The provisions for onerous contracts include a settlement provision for an early termination system support contract of £1.1m and a vacant leased property of £0.7m.

12. Share based payments

Share based payment expenses of £383,000 have been recognised in the consolidated income statement for the six months ended 31 October 2017 (31 October 2016: £171,000). The table below sets out the movement in shares granted under the Company share schemes:

Number	Founder Securities	Employee Matched Shares	Save as you earn shares	UK Scheme	US Plan	SARs	**Total**
As at 1 May 2017	3,760,000	189,440	31,600	2,241,974	3,007,650	128,169	**9,358,833**
Granted during the period	-	-	-	1,047,250	1,426,750	99,000	**2,573,000**
Lapsed during the period	-	(8,928)	(3,200)	(150,750)	-	(14,500)	**(177,378)**
As at 31 October 2017	**3,760,000**	**180,512**	**28,400**	**3,138,474**	**4,434,400**	**212,669**	**11,754,455**

13. Finance Income and Costs

	Six months ended 31 October 2017 (unaudited) £'000	Six months ended 31 October 2016 (unaudited) £'000
Finance income		
Continuing operations		
Interest income on short-term deposits	110	3
Foreign exchange gains	1,221	6,904
Total finance income	**1,331**	**6,907**
Finance costs		
Continuing operations		
Interest expense and bank charges	(303)	(404)
Foreign exchange losses	(1,305)	(1,721)
Total finance costs	**(1,608)**	**(2,125)**
Net finance (costs) / income from continuing operations	**(277)**	**4,782**
Discontinued operations:		
Interest expense and bank charges	-	(96)
Net finance (costs) / income	**(277)**	**4,686**

14. 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 period.

Diluted loss per share amounts are calculated by dividing the loss attributable to ordinary equity shareholders by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares.

Loss per share from continuing and discontinued operations attributable to the equity holders of the parent during the period:

	Six months ended 31 October 2017			**Six months ended 31 October 2016**		
	Loss £'000	Shares '000	EPS P	Loss £'000	Shares '000	EPS P
Basic						
Continuing operations	(8,481)	126,069	(6.73)	(2,953)	126,069	(2.34)
Discontinued operations	-	-	-	(1,504)	126,069	(1.19)
Loss per share			**(6.73)**			**(3.53)**
Diluted						
Continuing operations	(8,481)	128,125	(6.62)	(2,953)	130,290	(2.27)
Discontinued operations	-	-	-	(1,504)	130,290	(1.15)
Loss per share			**(6.62)**			**(3.42)**

15. Related-party transactions

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

	Six months ended 31 October 2017 £'000	Six months ended 31 October 2016 £'000
Purchase of services	14	-

Richard Hurwitz held the position of Director of The Witz Company (US). During the period ended 31 October 2017, this includes the services received from The Witz Company (US) totalling £13,000 (2016: nil).

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

16. Responsibility Statement

We confirm that to the best of our knowledge

(a) The interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting';
(b) The interim financial statements include a fair review of the information required by DTR 4.2.7R (identification of important events during the first six months and their impact on the condensed set of financial statements and description of principal risks and uncertainties for the remaining six months of the year); and
(c) The interim financial statements include a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and charges therein).

By order of the Board
Richard Hurwitz, Chief Executive Officer
David Williams, Chief Finance Officer

Independent review report to Tungsten Corporation plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Tungsten Corporation plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim financial report of Tungsten Corporation plc for the 6 month period ended 31 October 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 31 October 2017;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim financial report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

Our responsibility is to express a conclusion on the interim financial statements in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, 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 a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants
London
14 December 2017

a) The maintenance and integrity of the Tungsten Corporation plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.