Interim Results for six months to 31 October 2018

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Tungsten Corporation PLC
13 December 2018

TUNGSTEN CORPORATION PLC

("**Tungsten**", the "**Company**" or "**Group**")

13 December 2018

INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

Financial Highlights

- Revenue increased 3% in H1-FY19 to £17.6 million (H1-FY18: £17.1 million); up 3% at constant exchange rates
- £4.2 million improvement in EBITDA[1] to £752,000 loss (H1-FY18: £5.0 million loss)
- Gross margin of 93.2%, a 220 basis point improvement from 91.0% in H1-FY18
- £7.8 million improvement in operating loss to £1.2 million (H1-FY18: £9.0 million loss). Statutory loss of £24,000 (H1-FY18: £8.5 million loss)
- £4.5 million cash outflow (H1-FY18: £9.5 million outflow), including £2.9 million of non-recurring payments
- Working capital remains adequate, with net cash of £2.0 million at 31 October 2018 (30 April 2018: £6.4 million), excluding undrawn £4.0 million HSBC facility

Key Performance Metrics

- 0.2 million transactions added in H1-FY19; last 12 months total transaction volume of 17.9 million (FY18: 17.7 million)
- Average revenue per invoice increased to £1.91 in H1-FY19 (H1-FY18: £1.86)
- Adjusted operating expenses[2] reduced by 16% to £17.2 million (H1-FY18: £20.5 million)
- In October 2018, Tungsten Network Finance average outstandings of £68.5 million (April 2018: £43.4 million)

Operational Highlights

- Five new accounts payable (AP) customers, 17 contracts renewed of which 12 renewed at mean 24% rate rise; launch of e-billing to accounts receivable (AR) customers
- Increase in AR revenue by 8%
- Reduction in total spend of adjusted operating and capital expenditure to £19.2 million (H1-FY18: £22.7 million); H1-FY19 capital expenditure of £2.0 million focused on product enhancements
- Tungsten Network will be an intermediary for the Italian tax authority from 1 January 2019 when B2B e-invoicing becomes mandatory; 42 customers contracted for revenue of £0.5 million in FY19
- Highest value achieved to date for a sale of Tungsten Network Analytics to a top-10 (by revenue) customer
- Launch partner of Mastercard to offer its Mastercard Track directory services to customers on Tungsten Network from early 2019

Board and Strategy Highlights

- New appointments to Board of Tony Bromovsky and Duncan Goldie-Morrison; retirement of Nick Parker and Peter Kiernan and, since period-end, retirement of David Benello and Ian Wheeler and appointment of Andrew Doman (the "New Board")
- New Board now has wide range of relevant skills and experience to support Tungsten's growth plans
- Board governance enhanced through separating remuneration and nomination committees; new operating review committee formed
- Non-executive director fees reduced to the median of AIM quoted companies; executive remuneration to be brought in line with Quoted Companies Alliance code. New Board has approved the principles of revised remuneration practices, subject to shareholder consultation

- Operating review committee to report to the Board by the end of Q1 calendar 2019. Comprehensive review of Tungsten's markets, products, operations and cost base, including the support of external consultants, to assess opportunities to increase revenue and profit growth rates; phase one conclusions indicate Tungsten retains a strong market position

FY19 Outlook

- FY19 revenue expectation now £36.0 million to £36.5 million, representing full year constant currency growth of 7% to 10%. This reflects H2-FY19 revenue growth over H1-FY19 of 5% to 8% (10% to 16% annualised), both at constant rates of exchange
- Stable gross margin and a reduction in adjusted operating expenses to £34.0 million arising from further cost savings and proposed changes to the Group's remuneration structures
- EBITDA profit for the full financial year, as a result of reduced adjusted operating expenses
- Existing capital sufficient to deliver current plans

Richard Hurwitz, Chief Executive Officer

"We have achieved much in the first half of the financial year to support future revenue growth, including the new customers that we have signed, securing our Italian SdI registration and our partnership with Mastercard. However, these have not had a significant effect on Tungsten's first half revenue and growth at 3% is disappointing.

"The initial conclusions of our market review support the size of the opportunity and strength of our market position. Many customers at our recent conference demonstrated their enthusiasm for our broader service offering. Under new leadership, our sales teams are better focused on developing relationships with new and current customers. These factors give us confidence that the revenue growth rate in the second-half of the financial year will surpass the first half and establish momentum for higher growth and EBITDA in the future."

Tony Bromovsky, Non-Executive Chair

"Duncan and I are grateful for the welcome that we have received from the Board, our Tungsten Network colleagues, shareholders, customers and other stakeholders. Today, we are delighted to extend that welcome to Andrew Doman, who will join the Board as a Non-Executive Director.

"The revenue growth for H1-FY19 reported today underscores the need for refreshed focus in a business that has unquestionable potential. We have begun a root and branch operating review to deliver increased revenue and profit growth rates, and make the organisational modifications required to support these.

"We are committed to the highest levels of transparency and corporate governance. One immediate task of the new Board was to commission an external review of the Company's remuneration practices. The Board has approved the implementation of the recommendations of this review, subject to shareholder consultation.

"We look forward to concluding our strategic plan in 2019 and sharing this with our shareholders. We are confident that this will demonstrate attractive revenue growth rates and operating margins."

[1] EBITDA excludes interest, tax, depreciation, amortisation, foreign exchange gain or loss, share-based payments charges and exceptional items.

[2] Adjusted operating expenses excludes cost of sales, interest, tax, depreciation, amortisation, foreign exchange gain or loss, share-based payments charges and exceptional items.

Analyst Presentation

The Company will today host a conference call and webcast at 9.00am UK time. To access the live slide webcast please click here.

To access the webcast audio, or for participants unable to join the webcast, the dial-in number for the conference call will be +44 (0)808 109 0700 / +1 866 966 5335 / +44 (0)20 3003 2666 with the password 'Tungsten' and a presentation will be available on the Tungsten website.

A replay facility will be available until 27 December 2018. The dial-in number for the replay facility is +44 (0) 20 8196 1998 with PIN number 7938519#.

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.

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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 business transaction network 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 access to trade finance through Tungsten Network Finance.

Tungsten Network processes invoices for 74 percent of the FTSE 100 and 71 percent of the Fortune 500. It enables suppliers to submit tax compliant e-invoices in 48 countries, and last year processed transactions worth over £164bn for organisations such as Alliance Data, Cargill, Deutsche Lufthansa, General Motors, GlaxoSmithKline, Mondelēz International, Henkel, IBM, Kellogg's and the US Federal Government.

Business and Strategic Update

Revenue growth of 3% in the six-months ended 31 October 2018, compared with the same period in the prior year, is disappointing. However, your New Board is confident that change made across the business will enable higher revenue growth and EBITDA profitability, starting in the second half of this financial year.

Despite the modest growth over the comparable period in the prior year, revenue grew 6% compared with the prior six-month period (H2-FY18: £16.6 million). While this does not meet the Board's expectations, it demonstrates that the Group is closer to double-digit revenue growth and has reversed the previous six-month-on-six-month decline.

Our EBITDA performance reflects our continued expectations over the course of FY19, recording a loss in the first half of the year followed by an expected profit in the second half equating to an overall profit. This is primarily due to the planned increase in adjusted operating expenses reported in H1-FY19 compared with the previous six months, which was required to invest in future revenue growth. Therefore, following the reporting of EBITDA profitability over the first four months of calendar 2018, we report today an EBITDA loss of £0.8 million for H1-FY19.

Over the last three six-month periods our operating loss has improved from £9.0 million (H1-FY18) to £3.1 million (H2-FY18) and most recently to £1.2 million (H1-FY19).

Total transaction volumes in the 12 months to 31 October 2018 amounted to 17.9 million, an increase of 0.2 million from the 17.7 million transactions processed in the 12 months to 30 April 2018.

The business achieved a number of customer successes in the first six months of the financial year. This includes closing five new accounts payable contracts (excluding sales of our new Italy Sistema di Interscambio (SdI) connectivity product), adding £0.4 million in H1-FY19 revenue and £0.6 million in FY19. These customers include Nice-Pak International, a new global account. In addition, 42 customers have contracted to use Tungsten Network to connect to the SdI, adding £0.1 million of H1-FY19 revenue and £0.5 million in FY19.

As important as signing new customers is retaining and developing our relationships with our existing customer base. In the reporting period we sold new accounts payable products to ConAgra, DR Horton and our Tungsten Network Analytics product to a top-10 revenue customer. We also renewed 17 accounts payable customer contracts, of which 12 were actively renegotiated at a mean price increase of 24%, reflecting the value our solutions provide.

Our recurring revenue in H1-FY19 was £16.1 million (91% of total revenue), an increase of 7% over H2-FY18 recurring revenue of £15.1 million. Recurring revenue represents revenues under contract including subscription, maintenance, transaction and financing fees.

Sales reconfiguration

In November 2018 we brought Tungsten's sales activities together under new leadership. Andy Bass, our new SVP, Commercial Development, is a former executive of Lenovo, Toshiba UK and Toshiba Europe, and has responsibility for a newly aligned global customer development and sales team.

Over the second half of FY19 and into FY20, we expect the results of this to be demonstrated in the signing of high-value new customers, expanding adoption among existing customers and growth from trade finance solutions and Mastercard Track.

New product rollout

Tungsten has broadened its service offering and today offers a suite of products to support our customers in increasing automation across accounts payable and receivable.

Enhanced Purchase Order (PO) Services allow customers to send, receive, amend, reject and accept POs using the same system they use for e-invoicing. The integration of these two processes also allows customers to convert digital POs into corresponding digital invoices at the click of a button.

E-billing enables accounts receivable customers to use the Tungsten Network system to send invoices to their clients who are not members of Tungsten Network. Through distribution partners, Tungsten can deliver these invoices in the recipient's required format, whether digital, pdf or even paper, so customers can increase the volume of outbound invoices they send using a digital system up to 100%, while meeting the needs of their clients who have not yet adopted a digital invoicing system.

Invoice Data Capture (IDC) is a cloud-based solution that enables accounts payable customers to use the Tungsten Network system to receive paper invoices from suppliers who are not members of Tungsten Network. Tungsten scans paper invoices, validates the data, and then delivers them directly into the customer's accounting system, so customers can increase the volume of inbound invoices they receive using a digital system even where their suppliers do not have digital invoicing capabilities.

When taken as a suite, these services allow Tungsten Network customers to increase the amount of validated, digital invoice data in their systems without needing their clients or suppliers to change their own invoicing processes. Where customers choose to accelerate the process of digital adoption in this way it also offers significant revenue upside to Tungsten. Already we have successfully sold one accounts payable customer a suite of services on top of the core e-invoicing solution, multiplied revenues from the core proposition by a multiple of three times.

Tungsten's increasingly flexible platform means that the Company is also well-placed to develop solutions that meet the rapidly growing demands placed upon companies by governments, whether this is from expanding Know Your Customer (KYC), strengthening tax legislation or mandating the use of e-invoicing services. In fact, these regulatory requirements represent significant opportunities for new revenue streams and future growth, as will shortly be the case in Italy.

Tungsten is one of very few international e-invoicing providers to register successfully as an intermediary of the Italian tax authority (SdI) ahead of their B2B e-invoicing mandate, which comes into effect on 1 January 2019. Tungsten's solution enables customers transacting in Italy to send and receive 100% of those invoices via Tungsten Network, while meeting the demands of the new government legislation. As a number of other governments have indicated their intention to implement similar e-invoicing mandates, the Company anticipates the value of these intermediary services to magnify for our customers who will be able to transact across multiple tax jurisdictions using a global service provider.

Tungsten is a launch partner of Mastercard for their new Track product and has started sales and marketing of its Trade Directory, expected to be available in early calendar 2019. Mastercard Track will help customers to manage supply chain information and risk and we will have the future opportunity to work with Mastercard on payments. This product leverages one of our key strengths, supporting an accounts payable team to manage relationships with the tail of low volume suppliers.

Technology transformation

Our new CTO, Martyn Arbon, joined in April 2018. Under his stewardship, Tungsten completed two of its major technology transition projects in H1-FY19. First, all of Tungsten Network's technology is now fully in the cloud, enabling the platform to benefit from the scale and elasticity this provides. Secondly, Tungsten Network's core processing engine has been rebuilt on new architecture, designed for the cloud, which is delivering scalable and secure processing capabilities. Each of these changes enable us to deliver better service to our customers at a lower price.

Other improvements to our technology have enabled Tungsten Network to be at the vanguard of the first of many expected new market openings. The Tungsten Network platform has been modified to support the Italian tax mandate and we also responded to a new legal requirement in Mexico for our customers to send payment receipts to their suppliers in Mexico.

With our major infrastructure projects complete our focus now is on delivering further systems improvements to enhance our customers' experience, provide high service availability and continue to improve efficiency.

In H1-FY19 this involved the implementation of the first phase of Tungsten Network's move to a new service automation platform based around Salesforce.com and New Voice Media, enabling a highly automated omni-channel service offering.

Over H2-FY19 and into FY20 we will enhance our customer portal to improve customer experience, reduce support calls and therefore lower costs. The future work on these projects will all be completed within our current technology spend level.

Tungsten Network Finance

Every metric we track of Tungsten Network Finance's trade finance services continued to grow in H1-FY19. Revenue of £365,000 was 108%

higher than in H2-FY18, average monthly outstandings grew from £43.4 million in April 2018 to £68.5 million in October 2018, with a high of total outstandings of £73.6 million in September 2018, and the number of users now exceeds 100 for the first time.

However, this part of our business remains in start-up mode, contributing an EBITDA loss of £1.2 million in the period. As part of the new Board's work to assess revenue growth opportunities we will be looking at the most effective ways of taking Tungsten Network Finance forward.

Operating expenses

Tungsten's adjusted operating expenses in H1-FY19 of £17.2 million compare to £20.5 million in H1-FY18 and £15.5 million in H2-FY18. Total adjusted operating and capital expenditure was £22.7 million in H1-FY18, £20.9 million in H2-FY18 and £19.2 million in H1-FY19, representing a reduction in total spend of 15% compared with H1-FY18 and 8% compared with H2-FY18. This reflects the impact of the cost reductions achieved in FY18, including the impact of the technology transformation on the cost of processing transactions and the reduction and outsourcing of technology headcount.

Statutory operating expenses have fallen from £26.0 million in H1-FY18, to £19.7 million in H2-FY18 and further to £18.8 million in H1-FY19. These include a £2.2 million foreign exchange gain in H1-FY19 (H1-FY18: £0.2 million loss; H2-FY18: £1.4 million loss). The increase is due to the strengthening of USD currency over the past six months.

Cash and liquidity

Tungsten had net cash of £2.0 million at 31 October 2018 (30 April 2018: £6.4 million), excluding our £4.0 million HSBC facility, which we drew on for the first time after the period end.

The Board considers that the Group has sufficient liquidity to deliver its current plans. £2.9 million of the £4.5 million cash outflows in H1-FY19 are not expected to reoccur in H2-FY19 or beyond. Excluding the settlement of £0.6 million of exceptional costs, the Group was cash positive over November 2018. Future cash flow will reflect the ongoing business performance improvement and the seasonal positive working capital in our fiscal third quarter from annual maintenance renewals of our Workflow product.

Current priorities

Following the Company's 2018 Annual General Meeting, the Board undertook to review Directors' remuneration and to consult shareholders further on the conclusions of that review. The Board has taken advice from specialist remuneration consultants in this regard and has implemented changes to the remuneration of Non-Executive Directors to align fees with the median of AIM companies, a net reduction in total quantum.

Additionally, the Board has taken advice on the level and structure of total employee remuneration. It intends to consult shareholders on a move from a structure of share options to awarding free restricted shares and from performance-based cash bonus to performance-based free restricted shares. The Board considers this important to appropriately align the remuneration structure with shareholder objectives.

While not the reason for the proposals, the new structure would have a positive impact on EBITDA. Were it to have been implemented in H1-FY19, Tungsten would have achieved EBITDA breakeven and, excluding Tungsten Network Finance, the Group would have recorded an EBITDA profit in the period of £1.2 million.

Over H2-FY19 the Company intends to:

1. Deliver accelerated revenue growth through increasing activity with current and new customers
2. Conclude the shareholder consultation and execution of changes to Board remuneration and the Group's remuneration structures
3. Complete our operating review and our business planning work for FY20 and beyond

Changes to the Board

In August 2018, the Board of Tungsten welcomed Tony Bromovsky and Duncan Goldie-Morrison Non-Executive Directors, with Tony Bromovsky subsequently appointed Deputy Chair. Nick Parker and Peter Kiernan retired from the Board on 31 October 2018, at which point Tony Bromovsky was appointed Chair. David Benello and Ian Wheeler have today retired as Non-Executive Directors of the Company.

In addition, Tungsten today announced that Andrew Doman has been appointed to the Board. The new Board wishes to express its gratitude to each of its members that have retired this year for their service to the Company.

Outlook

The new Board is confident that Tungsten can deliver attractive revenue growth rates and operating margins. Following disappointing growth rates in H1-FY19, the Board expects growth rates to accelerate over H2-FY19 and into FY20 through disciplined execution from our people and the identification and delivery of additional opportunities to increase revenue growth rates.

The updated expectations for FY19 are:

- FY19 revenue expectation now £36.0 million to £36.5 million, representing full year constant currency growth of 7% to 10%. This reflects H2-FY19 revenue growth over H1-FY19 of 5% to 8% (10% to 16% annualised), both at constant rates of exchange
- Stable gross margin and a reduction in adjusted operating expenses to £34.0 million arising from further cost savings and proposed changes to the Group's remuneration structures

- EBITDA profit for the full financial year, as a result of reduced adjusted operating expenses
- Existing capital sufficient to deliver current plans

The Group is currently updating its business plan for FY20 and beyond. The Board and management are being supported by consultants in this work to help provide an external perspective on the market, opportunities and Tungsten's position. The total cost of this support is expected to be £0.25 million. The initial work on this business plan suggests that an increase in revenue and profit growth rates is achievable in FY20.

The new Board is determined to return Tungsten to double-digit growth through strong management and strategic focus. To achieve this, our operating review will help us get a better understanding of the Company's products and market positioning, feedback from lost tenders and why Tungsten may not be invited to tender processes. The review committee will assess opportunities to increase revenue growth rates, operating changes required to deliver higher growth rates and further openings to reduce costs in the business. This work is expected to be concluded by the end of the first quarter of calendar 2019.

As part of the operating review, the Board is assessing forming additional strategic partnerships that can increase our services without the need for significant investment, as well as other opportunities that may require additional resources.

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 2018.

In summary, the Group is subject to the same general risks as many other businesses; for example, changes in general economic conditions, currency and interest rate fluctuations, changes in taxation legislation, cyber-security breaches, failure of our IT infrastructure, the impact of competition, political instability and the impact of natural disasters.
The Board has identified risks in relation to the United Kingdom's exit from the European Union. Given the range of possible scenarios it is impossible for us to be specific, however the risk surrounding foreign exchange rate volatility is considered to be the most significant. We will continue with our regular risk mitigation process and will prepare for all likely scenarios until the outcome becomes clear.

Financial Results

Group overview

Tungsten recorded an EBITDA loss of £752,000 in H1-FY19 on revenue of £17.6 million. The operating loss has improved to £1.2 million.

In H1-FY19 gross profit of £16.4 million represents an increase of £0.9 million from H1-FY18 and £0.5 million from H2-FY18. Gross margin in H1-FY19 was 93.2%, an increase of 220 basis points from H1-FY18 and a decrease of 260 basis points from H2-FY18. Gross margin in FY18 was 93.1%.

Group EBITDA loss was £0.8 million (H1-FY18: loss of £5.0 million; H2-FY18: profit of £0.4 million). Adjusted operating expenses of £17.2 million were £3.3 million, or 16%, lower than H1-FY18. The £1.7 million increase in H1-FY19 adjusted operating expenses compared with the previous six months was required to invest in future revenue growth.

	£m H1-FY18	£m H2-FY18	£m H1-FY19	Variance to H1-FY18	Variance to H2-FY18
Revenue	**17.1**	**16.6**	**17.6**	**3%**	**6%**
Cost of sales	(1.6)	(0.7)	(1.2)	25%	(71%)
Gross profit	15.5	15.9	16.4	6%	3%
Gross margin	*91.0%*	*95.8%*	*93.2%*		
Adjusted operating expenses	(20.5)	(15.5)	(17.2)	16%	(11%)
EBITDA	**(5.0)**	**0.4**	**(0.8)**	**84%**	**(300%)**

Operating loss	(9.0)	(3.1)	(1.2)	87%	61%

Revenues:

	£m H1-FY18	£m H2-FY18	£m H1-FY19	Variance to H1-FY18	Variance to H2-FY18
Recurring revenue	15.3	15.1	16.1	5%	7%
One-off revenue	1.7	1.5	1.5	(12%)	0%
Total revenue	**17.1**	**16.6**	**17.6**	**3%**	**6%**
Recurring %	*89%*	*91%*	*91%*		
Split by product group:					
Accounts payable	7.7	6.8	7.3	(5%)	7%
Accounts receivable	9.2	9.6	9.9	8%	3%
Tungsten Network Finance	0.2	0.2	0.4	100%	100%

Group revenue was £17.6 million (H1-FY18: £17.1 million), representing an increase of 3% at actual and constant rates of exchange. In general, there is no seasonality between the two halves of our financial year and the underlying growth rate compared to the prior period of H2-FY18 was 6%. Average revenue per invoice in H1-FY9 was £1.91, an increase of 2.7% from £1.86 in H1-FY18.

Recurring revenue

Recurring revenue represents revenue under contract including subscription, maintenance, transaction and financing fees. This grew 5% over H1-FY18 and 7% over H2-FY18 and totalled 91% of H1-FY19 revenue.

One-off revenue represents licence fees for our Workflow product, set-up fees and professional services fees. These have remained broadly constant over the last three six-month reporting periods.

Revenue by product group

Revenue from accounts payable products of £7.3 million fell by 5% from H1-FY18 and grew by 7% from H2-FY18. In the first quarter we closed five new accounts payable contract sales to customers of Tungsten Network, which added £0.5 million of revenue in H1-FY19. There was a revenue reduction of £0.2 million between H1-FY18 and H1-FY19 from accounts payable customers who are no longer on Tungsten Network.

The contracts of 44 of Tungsten Network's accounts payable automation customers are scheduled to renew in FY19. These customers contributed £3.6 million of revenue on aggregate in FY18. In H1-FY19 pricing was renegotiated for 12 of these customers at an average increase of 24%, contributing additional revenue of £0.3 million in FY19. A further five customers had contracts that allowed for renewal at the same price and five customers that contributed total revenue of £0.2 million in FY18 have chosen not to renew their contracts. There are a further 22 accounts payable contracts that are scheduled to be renewed in H2-FY19.

Revenues from accounts receivable products of £9.9 million grew by 8% and 3% from H1-FY18 and H2-FY18 respectively. This revenue accrued from 23,000 of the 300,000 accounts receivable customers on Tungsten Network, reflecting the free service that we provide the majority of our Web Form customers. As we progress the operating review we intend to identify opportunities to monetise a higher proportion of the users of our services.

Tungsten Network Finance recorded fees of £365,000 in H1-FY19 (H1-FY18: £167,000; H2-FY18: £175,000). This represents an average of £3,600 from 102 users of the service.

Revenue at constant exchange rates

	Tungsten Network	Tungsten Network Finance	Group
Revenue H1-FY19	£17.2m	£0.4m	£17.6m
Revenue H1-FY18	£16.9m	£0.2m	£17.1m
Change at constant exchange rate	1.4%	119.0%	2.5%
Change at actual exchange rate	1.9%	119.0%	3.0%

Operating and capital expenditure:

	£m H1-FY18	**£m H2-FY18**	**£m H1-FY19**	**Variance to H1-FY18**	**Variance to H2-FY18**
Adjusted operating expenses	(20.5)	(15.5)	(17.2)	16%	(11%)
Capital expenditure	(2.2)	(5.4)	(2.0)	9%	63%
Total adjusted operating and capital expenditure	**22.7**	**20.9**	**19.2**	**(15%)**	**(8%)**
Exceptional items	(2.3)	(0.1)	(0.5)	78%	(400%)

The Group spent £3.5 million, or 15%, less on adjusted operating and capital expenditure in H1-FY19 compared to H1-FY18 and £1.7 million, or 8%, less than H2-FY18.

H2-FY18 included capital expenditure on an operational transformation programme which resulted in a significant increase in capital expenditure in that period. The primary elements of this plan were completed over H2-FY18 and the early part of H1-FY19, representing £0.5 million of the £2.0 million of total H1-FY19 capital expenditure. All contracts associated with these projects have now ended. The balance of the H1-FY19 capital expenditure represents investment in current product enhancements, new products and tangible fixed assets.

In H1-FY19 the Group increased its expenditure in sales, marketing and product related costs by a total of £1.8 million. The £1.7 million increase in H1-FY19 adjusted operating expenses compared with the previous six months was required to invest in future revenue growth. The H1-FY19 adjusted operating expenses run rate is expected to continue through H2-FY19, excluding any adjustments to the structure of remuneration.

The Group incurred exceptional items of £0.5 million in H1-FY19. These include £0.3 million cost of professional fees associated with the shareholder request for a general meeting and £0.2 million additional onerous contract termination costs.

EBITDA at constant exchange rates

	Tungsten	Tungsten	Corporate	Group

	Network	Network Finance		
Revenue H1-FY19	**£17.2m**	**£0.4m**	-	**£17.6m**
Revenue H1-FY18	**£16.9m**	**£0.2m**	-	**£17.1m**
Change at constant exchange rate	**1.4%**	**119.0%**	**n/a**	**2.5%**
Change at actual exchange rate	**1.9%**	**119.0%**	**n/a**	**3.0%**
Cost of sales H1-FY19	**£(1.2)m**	-	-	**£(1.2)m**
Cost of sales H1-FY18	**£(1.5)m**	**£(0.0)m**	-	**£(1.5)m**
Change at constant exchange rate	**(25.9)%**	**(100.0)%**	**n/a**	**(25.9)%**
Change at actual exchange rate	**(23.4)%**	**(100.0)%**	**n/a**	**(23.4)%**
Adjusted operating expenses[1] H1-FY19	**£(12.5)m**	**£(1.6)m**	**£(3.1)m**	**£(17.2)m**
Adjusted operating expenses[1] H1-FY18	**£(16.3)m**	**£(1.1)m**	**£(3.1)m**	**£(20.5)m**
Change at constant exchange rate	**(24.7)%**	**42.1%**	**1.1%**	**(17.2)%**
Change at actual exchange rate	**(23.5)%**	**42.1%**	**1.1%**	**(16.2)%**
EBITDA[2] H1-FY19	**£3.5m**	**£(1.2)m**	**£(3.1)m**	**£(0.8)m**
EBITDA[2] H1-FY18	**£(0.9)m**	**£(0.9)m**	**£(3.1)m**	**£(5.0)m**
Change at constant exchange rate	**(516.5)%**	**28.3%**	**1.1%**	**(87.8)%**
Change at actual exchange rate	**(499.8)%**	**28.3%**	**1.1%**	**(84.8)%**

[1] Adjusted operating expenses excludes cost of sales, interest, tax, depreciation, amortisation, foreign exchange gain or loss, share-based payments charges and exceptional items.

[2] EBITDA excludes interest, tax, depreciation, amortisation, foreign exchange gain or loss, share-based payments charges and exceptional items.

Loss before tax:

The Group loss before tax was £1.1 million (H1-FY18: £9.1 million). This includes:

- Depreciation and amortisation of £2.0 million (H1-FY18: £1.2 million)
- Net foreign exchange gain on operating items of £2.2 million (H1-FY18: loss £0.1 million). The increase is due to the strengthening of USD currency over the past six months. The comparative has been reclassified from finance income and finance costs to operating expenses as they relate to exchange differences generated on operating transactions
- Share-based payment expense of £0.2 million (H1-FY18: £0.4 million); and
- Net finance income of £0.2 million (H1-FY18: net cost of £0.1 million).

The total net finance income represented £0.4 million of net gains on the revaluation of intercompany loans to overseas subsidiaries (H1-FY18: net gain of £0.1 million) plus £0.2 million of interest expenses and bank charges (H1-FY18: £0.2 million).

Loss for the period:

The statutory Group loss for the period was £24,000 (H1-FY18: loss of £8.5 million). A tax credit of £1.1 million (H1-FY18: £0.6 million) includes a £0.6 million research and development tax credit and a reduction of £0.5 million in the deferred tax liability relating to the acquisition of Tungsten Network.

Cash flow:

Cash and cash equivalents at the end of H1-FY19 were £2.0 million (April 2018: £6.4 million).

H1-FY19 Cash Flow	Group
Net cash outflow from operating activities	£(2.5)m
Net cash outflow from investing activities	£(2.0)m
Net cash inflow from financing activities	-
Net decrease in cash & cash equivalents	£(4.5)m
Exchange adjustments	£0.1m
Cash and cash equivalents at the start of the period	£6.4m
Cash and cash equivalents at the end of the period	£2.0m

The cash outflow from operating activities was £2.5 million (H1-FY18: £7.3 million outflow). This included:

- An outflow generated from operations of £1.5 million (H1-FY18: £4.5 million)
- An inflow from trade and other receivables of £0.7 million (H1-FY18: £1.8 million outflow)
- An outflow from trade and other payables of £1.5 million (H1-FY18: £0.9 million outflow)
- Net interest paid of £0.2 million (H1-FY18: £0.2 million)
- An inflow from taxation of £0.6 million (H1-FY18: nil)

The outflow generated from operations of £1.5 million reflects the EBITDA loss of £0.8 million, exceptional items of £0.5 million and other balance sheet movements of £0.2 million.

The outflow from trade and other payables of £1.5 million reflects the seasonality to the Group's cash bonus payments in July / August 2018, and the reduction in third-party creditors following the end of a number of technology projects. The Group typically generates a working capital inflow over the second half of each financial year due to the seasonality of both receipts and payments.

The cash outflow from investing activities was £2.0 million (H1-FY18 £2.2 million). This primarily reflects expenditure on capitalised software development costs of £1.7 million (H1-FY18: £2.0 million).

Loss per share:

The basic loss per share was 0.02p (H1-FY18: 6.73p).

Net assets:

Net assets decreased by £2.1 million to £119.4 million during the period (April 2018: £121.5 million) due to the Group's net loss of £24,000 and currency translation differences of £2.2 million being offset by a movement in the share-based payment reserve of £0.1 million.

Condensed consolidated income statement

	Note	Six months ended 31 October 2018 (unaudited) £'000	Six months ended 31 October 2017 (unaudited) £'000

Revenue	5	17,575	17,055
Operating expenses		(18,813)	(26,041)
Operating loss		**(1,238)**	**(8,986)**
EBITDA		**(752)**	**(4,952)**
Depreciation and amortisation	7,8	(1,981)	(1,151)
Foreign exchange gain/(loss)		2,151	(156)
Share based payment expense	11	(188)	(383)
Exceptional items	6	(468)	(2,344)
Operating loss		**(1,238)**	**(8,986)**
Finance income	12	866	1,242
Finance costs	12	(704)	(1,363)
Net finance income / (costs)		**162**	**(121)**
Loss before taxation		**(1,076)**	**(9,107)**
Taxation	14	1,052	626
Loss for the period		**(24)**	**(8,481)**
Loss per share attributable to the equity holders of the parent during the period (expressed in pence per share):			
Basic loss per share	13	(0.02)	(6.73)

The notes on pages 18 to 26 are an integral part of these condensed interim financial statements.

Condensed consolidated statement of comprehensive income

	Six months ended 31 October 2018 (unaudited)	Six months ended 31 October 2017 (unaudited)
	£'000	£'000
Loss for the period	(24)	(8,481)
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(2,180)	106
Total comprehensive loss for the period	**(2,204)**	**(8,375)**

Items in the statement above are disclosed net of tax.

The notes on pages 18 to 26 are an integral part of these condensed interim financial statements.

Condensed consolidated statement of financial position

As at
30 April

	Note	As at 31 October 2018 (Unaudited) £'000	2018 (Audited) (restated) (note 2) £'000
Assets			
Non-current assets			
Intangible assets	7	123,693	123,397
Property, plant and equipment	8	2,840	2,646
Trade and other receivables		330	464
Total non-current assets		**126,863**	**126,507**
Current assets			
Trade and other receivables		7,904	8,214
Cash and cash equivalents		2,029	6,418
Total current assets		**9,933**	**14,632**
Total assets		**136,796**	**141,139**
Capital and reserves attributable to the equity shareholders of the parent			
Share capital	9	553	553
Share premium	9	188,802	188,794
Merger reserve		28,035	28,035
Shares to be issued		3,760	3,760
Share-based payment reserve		6,588	6,442
Other reserve		(9,721)	(7,541)
Accumulated losses		(98,606)	(98,582)
Total equity		**119,411**	**121,461**
Non-current liabilities			
Deferred taxation		1,692	2,110
Provisions	10	1,155	1,459
Other payables		250	250
Total non-current liabilities		**3,097**	**3,819**
Current liabilities			
Trade and other payables		7,590	8,607
Provisions	10	633	759
Deferred income		6,065	6,493
Total current liabilities		**14,288**	**15,859**
Total liabilities		**17,385**	**19,678**
Total equity and liabilities		**136,796**	**141,139**

The notes on pages 18 to 26 are an integral part of these condensed 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 2018	**553**	**188,794**	**28,035**	**3,760**	**6,442**	**(7,541)**	**(98,582)**	**121,461**
Currency translation differences	-	-	-	-	-	(2,180)	-	(2,180)
Profit for the period	-	-	-	-	-	-	(24)	(24)
Balance as at 31 October 2018 excluding transaction with owners	**-**	**-**	**-**	**-**	**-**	**(2,180)**	**(24)**	**(2,204)**
Transaction with owners								
Share issued during the year	-	8	-	-	-	-	-	8
Share based payment expense	-	-	-	-	146	-	-	146

Transactions with owners	**-**	**8**	**-**	**-**	**146**	**-**	**-**	**154**
Balance as at 31 October 2018	**553**	**188,802**	**28,035**	**3,760**	**6,588**	**(9,721)**	**(98,606)**	**119,411**

(Unaudited)	Share capital	Share premium	Merger reserve	Shares to be issued	Share based payment reserve	Other reserve	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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)
Balance as at 31 October 2017 excluding transaction with owners	**-**	**-**	**-**	**-**	**-**	**106**	**(8,481)**	**(8,375)**
Transaction with owners								
Share based payment expense	-	-	-	-	369	-	-	369
Transaction 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**

The notes on pages 18 to 26 are an integral part of these condensed interim financial statements.

Condensed consolidated statement of cash flows

	Note	Six months ended 31 October 2018 (unaudited) £'000	Six months ended 31 October 2017 (unaudited) £'000
Cash flows from operating activities			
Loss before taxation		(1,076)	(9,107)
Adjustments for:			
Depreciation and amortisation	7,8	1,981	1,150
(Increase)/decrease in provision of trade receivables		(272)	496
Finance costs	12	704	1,363
Finance income	12	(866)	(1,242)
Foreign exchange (gain)/loss		(2,151)	156
Share based payment expense	11	188	383
Provision for onerous contracts		-	2,344
Cash used in operations		**(1,492)**	**(4,457)**
Changes in working capital:			
Decrease/(Increase) in trade and other receivables		714	(1,763)
Increase in trade and other payables		(1,488)	(899)
Provision settlement for onerous contracts	10	(592)	-
Net interest paid		(247)	(193)
Net tax refund	14	621	-
Net cash outflows from operating activities		**(2,484)**	**(7,312)**

Cash flows from investing activities

Capitalisation of software development costs	7	(1,699)	(1,969)
Purchases of other intangibles	7	(9)	(35)
Purchases of property, plant and equipment	8	(295)	(168)
Net cash outflows from investing activities		**(2,003)**	**(2,172)**
Cash flows from financing activities			
Decrease in invoice receivables		2	24
Proceeds from issues of shares		8	-
Net cash inflow from financing activities		**10**	**24**
Net decrease in cash and cash equivalents		(4,477)	(9,460)
Cash and cash equivalents at start of the period		6,418	17,498
Exchange adjustments		88	(73)
Cash and cash equivalents at the end of the period		**2,029**	**7,965**

The notes on pages 18 to 26 are an integral part of these condensed 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 trade finance and spend analytics.

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

2. Basis of preparation
These condensed consolidated interim financial statements of Tungsten Corporation plc for the six months ended 31 October 2018 ("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 2018 were approved by the Board for issue on 13 December 2018.

The condensed consolidated interim financial statements for the six months ended 31 October 2018 do not constitute the Group's statutory accounts for the year ended 30 April 2018, which were approved by the Board of Directors on 23 July 2018 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 2018 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 2018, 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 interim 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 2018.

Comparatives
Comparative figures have been reclassified to conform with the current six months presentation so that they appropriately reflect the nature of the balances and transactions.

In particular foreign exchange gains of £0.09 million and foreign exchange losses of £0.25 million have been reclassified respectively from finance income and finance expenses to operating expenses as they relate to exchange differences generated on operating transactions.

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

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 adopted

The accounting policies adopted are consistent with those of the previous financial year except as described below.

The group has changed its accounting policies and has made material retrospective adjustments in the statement of financial position as a result of adopting IFRS 15 'Revenue from Contracts with Customers'. There is no material impact to the income statement.

The statement of financial position has been adjusted by the requirement to net-down deferred income against trade receivables for amounts that have been invoiced and where services have not yet been provided and amounts are not yet due.

The following table summarises the impact of adopting IFRS 15 on the Group's consolidated statement of financial position as at 30 April 2018.

Balance Sheet (extract)	As at 30 April 2018 original presentation £'000	IFRS 15 Adjustment £'000	As at 30 April 2018 Restated £'000
Current assets			
Trade receivable	7,458	(2,108)	5,350
Current liabilities			
Deferred income	8,601	(2,108)	6,493

IFRS 9 'Financial Instruments'. The classification and measurement basis for the Group's financial assets and liabilities is unchanged by adoption of IFRS 9. There was no impact on the group's accounting policies and this did not require retrospective adjustments.

Standards issued but not yet applied

IFRS 16 'Leases' is effective and will be applied for the financial year beginning on 1 May 2019 ("FY20"). The interim results for FY20 will be IFRS 16 compliant and the first annual report published in accordance with IFRS 16 will be the 30 April 2020 report.

On the adoption of IFRS 16, lease agreements will give rise to both a right-of-use asset and a lease liability for future lease payables. The lease liability will be initially measured based on the present value of lease payments to be made, excluding any contingent rentals, over the lease term. The lease term includes any extension options reasonably certain of being exercised. The right-of-use asset will be initially measured at the value of the lease liability plus any initial direct costs, less any impairment provisions and will be depreciated on a straight-line basis over the life of the lease. Interest will be recognised on the lease liability as the discount unwinds, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the Income Statement over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

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 2018.

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 2018. 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.

Six months ended 31 October 2018

	Tungsten Network	Tungsten Network Finance	Corporate	Total
	£'000	£'000	£'000	£'000
Revenue	17,210	365	-	17,575
Segment revenue	17,210	365	-	17,575
EBITDA - excluding non-cash share based payment	3,599	(1,203)	(3,148)	(752)
EBITDA - including non-cash share based payment	2,878	(1,221)	(2,597)	(940)
Depreciation and amortisation				(1,981)
Foreign exchange gain				2,151
Share based payment income				(188)
Exceptional items	(83)		(385)	(468)
Finance income				866
Finance costs				(704)
Loss before taxation				**(1,076)**
Income tax credit				1,052
Loss for the period				**(24)**
Capital expenditure	2,004	-	-	2,004
Total assets	132,834	257	3,705	136,796
Total liabilities	11,051	572	5,762	17,385

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)
Foreign exchange loss				(156)
Share based payment charge				(383)
Exceptional items	(2,136)	(186)	(22)	(2,344)
Finance income				1,242
Finance costs				(1,363)
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

6. Exceptional items

	Six months ended 31 October 2018 (unaudited) £'000	Six months ended 31 October 2017 (unaudited) £'000
Provision for onerous contracts	162	1,974
Restructuring costs	-	370
Shareholder action costs	306	-
Total exceptional items	**468**	**2,344**

The Group incurred a number of exceptional items during this period.

Provision for onerous contracts includes a final settlement for technology contract termination costs of £0.2 million. Shareholder action costs of £0.3 million were incurred in respect of professional advice received following a requisition request for a General Meeting. The H1-FY18 exceptional items mainly related to technology contract termination costs of £1.2 million, onerous lease provisions of £0.7 million which reflecting future amounts owed to a property now vacated in the US and £0.4 million 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 2018	101,848	11,109	7,014	2,960	8,556	**131,487**
Additions	-	-	-	9	1,699	**1,708**
Reclassification	-	-	-	7,367	(7,367)	**-**
Exchange differences	240	8	206	13	-	**467**
Balance at 31 October 2018	**102,088**	**11,117**	**7,220**	**10,349**	**2,888**	**133,662**
Accumulated amortization						
Balance at 1 May 2018	-	2,575	4,760	755	-	**8,090**
Charge for the period	-	289	598	822	-	**1,709**
Exchange differences	-	6	156	8	-	**170**
Balance at 31 October 2018	**-**	**2,870**	**5,514**	**1,585**	**-**	**9,969**
Net book value as at 31 October 2018	**102,088**	**8,247**	**1,706**	**8,764**	**2,888**	**123,693**
Net book value as at 30 April 2018	101,848	8,534	2,254	2,205	8,556	123,397

Pursuant to IAS 36, management is required to perform an annual impairment review of the goodwill held in the Group. An impairment assessment was performed as at 30 April 2018 and management is not required to perform another impairment at the half year unless there is considered to be a trigger event. Management has considered whether any impairment indicators exist to trigger a review in relation to the goodwill of the Tungsten Network cash generating unit (CGU) and has concluded that there are no such triggers.

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 accounts payable and accounts receivable customers using the Tungsten Network, including Tungsten Network Workflow and Tungsten Network Analytics at a compound annual growth rate of 9%
- Pre-tax discount rate of 12.5% (FY2018: 11.75%), being based on the Group's weighted average cost of capital (WACC)
- Growth rate used in the annuity of 2.0% (FY2018: 2.0%)

Based on the above assumptions, Tungsten Network exceeded the carrying value of the CGU by £2.0 million (FY2018: £68.3 million). The recoverable amount of the Tungsten Network CGU was particularly sensitive to changes in the compound annual revenue growth rate and discount rate. Assuming that there is a reduction in the compound annual growth rate to 11% or the WACC increased to 12.8% the recoverable amount would equal the carrying value of the CGU.

8. Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	**Total £'000**
Cost				
Balance at 1 May 2018	3,194	264	599	**4,057**
Additions	336	6	113	**455**
Exchange differences	5	8	17	**30**
Balance at 31 October 2018	**3,535**	**278**	**729**	**4,542**
Accumulated depreciation				
Balance at 1 May 2018	914	126	371	**1,411**
Charge for the period	160	27	85	**272**
Exchange differences	2	3	14	**19**
Balance at 31 October 2018	**1,076**	**156**	**470**	**1,702**
Net Book Value				
At 31 October 2018	**2,459**	**122**	**259**	**2,840**
At 30 April 2018	2,280	138	228	2,646

9. 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 2017	126,069,397	£0.004386	553	188,794
Shares issued during the year	-	-	-	-
Balance as at 30 April 2018	126,069,397	£0.004386	553	188,794
Shares issued during the period	18,750	£0.004386	-	8
Balance as at 31 October 2018	**126,088,147**	£0.004386	**553**	**188,802**

10. Provisions

	Leasehold property dilapidations £'000	Onerous contracts £'000	Total £'000
As at 1 May 2018	1,204	1,014	2,218
Additions	160	-	160
Utilised during the year	-	(621)	(621)
Exchange differences	2	29	31
As at 31 October 2018	1,366	422	1,788

	As at 31 October 2018 £'000	As at 30 April 2018 £'000
Analysis of total provisions:		
Non-current	1,155	1,459
Current	633	759
Total	1,788	2,218

11. Share based payments

Share based payments expenses of £188,000 have been recognised in the consolidated income statement for the six months ended 31 October 2018 (31 October 2017: £383,000). 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 2018	3,760,000	184,083	3,600	2,750,749	4,392,162	195,419	**11,286,013**
Granted during the period	-	-	-	838,414	735,250	93,579	**1,667,243**
Lapsed during the period	-	(38,028)	(3,600)	(174,766)	(629,620)	(18,250)	**(864,264)**
As at 31 October 2018	**3,760,000**	**146,055**	**-**	**3,414,397**	**4,497,792**	**270,748**	**12,088,992**

12. Finance Income and Costs

	Six months ended 31 October 2018 (unaudited) £'000	Six months ended 31 October 2017 (unaudited) £'000
Finance income		
Interest income on short-term deposits	-	110
Foreign exchange gains on financing activities	866	1,132
Total finance income	**866**	**1,242**
Finance costs		
Interest expense and bank charges	(247)	(303)
Foreign exchange losses on financing activities	(457)	(1,060)
Total finance costs	**(704)**	**(1,363)**
Net finance income / (costs)	**162**	**(121)**

13. 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.

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

	Six months ended 31 October 2018			**Six months ended 31 October 2017**		
	Profit £'000	Shares '000	EPS P	Loss £'000	Shares '000	EPS P
Basic loss per share	(24)	126,088	(0.02)	(8,481)	126,069	(6.73)

14. Taxation

During the period ended 31 October 2018, a tax credit of £1.1 million (31 October 2017: £0.6 million) includes a £0.6 million research and development tax credit and a reduction of £0.5 million in the deferred tax liability relating to the acquisition of Tungsten Network.

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 2018 £'000	Six months ended 31 October 2017 £'000
Purchase of services	14	14

Richard Hurwitz held the position of Director of The Witz Company (USA). During the period ended 31 October 2018, this includes the services received from The Witz Company (USA) totalling £13,000 (31 October 2017: £13,000). Other related-party transactions totalled £1,000 (H1-FY18: £1,000).

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)
(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 2018. 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 2018;
- 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
13 December 2018

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