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TUNGSTEN CORPORATION PLC

("Tungsten" or the "Company")

RESULTS FOR FINANCIAL YEAR ENDED 30 APRIL 2020

Tungsten Corporation plc (AIM: TUNG), a leading provider of digital financial management products and software solutions, announces results for the year ended 30 April 2020:

	Group results	
£m	FY20	FY19
Revenue	36.8	36.0
Gross profit [(1)]	35.2	34.1
Adjusted operating expenses [(2)]	(32.5)	(33.5)
Adjusted EBITDA [(3)]	2.7	0.6
Adjusted EBITDA margin [(4)]	*7%*	*2%*
Operating loss	(25.5)	(5.2)
Net cash [(5)]	3.2	2.8
New sales billings [(6)]	4.0	4.0
Transaction volumes	19.0	18.2

Financial highlights

- Group revenue grew 2% to £36.8 million; excluding Tungsten Network Finance[7] (TNF), revenue grew 3% to £36.3 million
- 94% of revenue was repeatable and recurring, up from 92% in FY19
- Adjusted EBITDA of £2.7 million, up £2.1 million on FY19; adjusted EBITDA margin increased to 7%
- Operating loss of £25.5 million predominantly reflects a non-cash goodwill impairment of £23.0 million relating to a legacy acquisition
- Positive full year cash generation of £0.4 million[8]; net cash of £3.2 million reflects £5.2 million of gross cash offset by £2.0 million of RCF drawdown

Operational highlights

- Key executive appointments made during the year included new Chief Executive Officer, Chief Financial Officer and Chief People Officer. A new Chief Commercial Officer and Chief Sales Officer were appointed post period end
- New sales billings of £4.0 million; 35% increase in second half run rate reflecting early benefit from investment in the sales function
- Transaction volumes grew 4% to 19.0 million
- 6 new customer wins; 4 wins to our new Total AR[9] product
- Launched our new supply chain financing partnership with Orbian and successful wind down of the TNF portfolio

FY21 trading update and full year outlook

- Trading performances in Q1
  - 3 new customer wins for AP and AR products from large multinational corporations
  - Concluded our largest ever single AP[10] partnership agreement with a leading US bank; expected to launch later in September
  - In conjunction with Orbian, we recently signed an agreement with a major UK retailer to access their supplier base

- Despite more challenging market conditions, resulting in transactions declining 8% in Q1, our current pipeline visibility and expected new sales performance means the Board still expects to meet external forecasts for FY21
- However, revenues and EBITDA would be impacted if transaction volumes remain at a similar percentage decline to that of Q1 levels for the remainder of FY21
- Successfully renewed our £4.0 million Revolving Credit Facility with HSBC until December 2023 on similar terms; £2.0 million of the facility remains available for drawdown

Andrew Lemonofides, Chief Executive Officer of Tungsten Corporation plc, said:

"Tungsten has undergone significant corporate and operational enhancements this year delivering improved revenue growth and cash flow generation. Despite the challenges of Covid-19, the business has produced a solid financial performance which reflects the new team in place and the focus on improved sales execution, cost management and the high recurring revenue model.

"Trading performance in Q1 FY21 has been robust despite the impact of Covid-19 and we have secured further new customer wins and a strategic partnership agreement to expand our product offering. Although these are uncertain times, we continue to expect to deliver growth in FY21 as we benefit from improved sales performance."

1 Gross profit is calculated as revenue less cost of sales

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

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

4 Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue

5 Net cash is calculated as cash and cash equivalents on the balance sheet less drawings under the HSBC Revolving Credit Facility

6 New sales billings represents implementation, subscription, licence, transaction and professional services fees to be billed in the period from new sales made in that period. Implementation and subscription fees are recognised to revenue over the 6 months and 12 months respectively from billing month. Subscription licence and transaction fees are recognised in the month sold. Professional services fees are recognised on work completion milestones

7 Tungsten announced its intention to divest Tungsten Network Finance, its legacy trade finance division, ("TNF") on 30 April 2019

8. Cash Generation is net increase/(decrease) in cash and cash equivalents less increase in borrowing less exchange adjustment; see the Group's consolidated cash flow

9 Total AR is the automating of invoice processing for 100% of invoices, in an Accounts Receivable department, across all types and formats

10 Total AP is the automating of invoice processing for 100% of invoices, in an Accounts Payable department, across all types and formats

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About Tungsten Corporation plc

Tungsten Corporation (AIM: TUNG) is the world's largest, compliant business transaction network. A leading global electronic invoicing and purchase order transactions network, Tungsten's mission is centred on enabling a touchless invoice process allowing businesses around the globe to gain maximum value from their invoice process.

Tungsten processes invoices for 74% of the FTSE 100 and 71% of the Fortune 500. It enables suppliers to submit tax compliant e-invoices in 50 countries, and last year processed transactions worth £195bn for organisations such as Caesars Entertainment, Computacenter, GlaxoSmithKline, Kraft Foods, Mohawk Industries, Mondelēz International, Procter & Gamble, Shaw Industries, Unilever and the US Federal Government.

Founded in 2000 and headquartered in London, Tungsten has offices in the US, Bulgaria and Malaysia, employing over 300 people.

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.

CEO Statement

Overview

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

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

Our purpose

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

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

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

Covid-19 response

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

We took a number of swift actions including:

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

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

Our strategic focus areas

In the current rapidly changing environment, we continue to invest and strengthen the capabilities and skills of our teams to support the growing needs of our customers around the world, especially as their own customers (buyers and suppliers) are also looking to speed up the rate of invoice digitisation. We remain committed to supporting our customers with solutions which meet the demands being placed on them and which meet all of the regulatory requirements.

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

- **Driving the network effect – Total AR**
  The key objective here is to handle 100% of the outgoing invoices in all formats. Following launch in July 2019, we signed 4 new deals across the year, proving the concept and customer requirements. We enter FY21 with a growing pipeline.

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

- **Interconnecting with other leading e-invoice platforms**
  This is designed to improve the scale and reach for our customers and in turn boost turnover, volume and income. We have signed a major partnership with a US Bank which is expected to add up to 28 new buyers and 40,000 suppliers to our network.

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

Performance

Our core business has performed well over the year, with transaction volumes growing 4%. 94% of revenue was repeatable and recurring (up from 92% in FY19) and we had net cash of £3.2m reflecting positive full year cash generated from operations of £4.6m. We had 6 new AP and AR customer wins, 4 of which were with our new Total AR product. Accounts Payable (AP) is Tungsten transmitting e-invoices from buyer to supplier, Accounts Receivable (AR) is the opposite, in which suppliers are sending their invoices to a number of buyers. In both cases, we look to handle 100% of the invoice volume to maximise efficiencies and cost savings.

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

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

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

Expansion of our customer base and network remain key, not only through our existing and new customer base, but through extending the offerings we give to our customers, for example Supply Chain Finance. We also have our Workflow offering and are looking at how to monetise our data through the provision of analytics.

Foundations for growth

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

1. Our **global network** – this remains a significant differentiator as the overall network effect is multiplied as more buyers and suppliers are connected through and transact across the network. Clearly our goals are around maximising those connections and interconnecting with other networks to broaden reach.

2. **Innovation** remains key to our long-term success. This year the successful launch of our Total AR product and the new Orbian platform underlined the importance of continuing to innovate. Ahead of us we need to look both at further augmenting our product set and also at platform usability as these will become increasingly important differentiators.

3. Our **people** are fundamental to our long-term success. Whilst much of my initial focus was around creating the right organisational structure, this has been balanced with changing the culture to one which is more value driven and inclusive. We have significantly increased the level of internal communication and engagement, as we seek to show how much we value the contributions that our team are making and how important they are to our future success.

An evolving competitive landscape

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

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

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

Our people

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

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

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

Enhancing our approach

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

- The **Tungsten Portal** used by our Buyers and Suppliers has been a key focus during the year. We adopted an evolutionary approach which has been taken to redesign the User Experience focusing on known customer pain points. During the year we have also delivered a re-designed supplier onboarding experience along with a new look and feel to the overall portal.

- **Supplier Connect** – one of the key drivers for Tungsten is to onboard increasing numbers of suppliers, but once on boarded we want to encourage these suppliers to expand their usage on the network by increasing their connections to new buyers. We have introduced exciting new capability “Customer Connect” which allows our suppliers to connect to buyers using a self-service option which allows them to transact in minimal time and with minimal effort. We have seen significant uptake and very positive feedback from our suppliers since launch.

- **Touchless Campaigns** – supplier onboarding is our "white glove" process which has always been popular with buyers. We have enhanced this with a "touchless campaigns" capability which allows buyers to integrate their vendor management solution directly with Tungsten to enable a touchless onboarding process. This allows a continual cycle of supplier onboarding as and when new suppliers are added to the buyer's vendor management system

- **Service Cloud** – as part of the rollout of Salesforce.com, the service platform Service Cloud has been adopted across our back-office to further enhance the customer journey and visibility if customer engagement across the business.

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

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

Looking ahead

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

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

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

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

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

Andrew Lemonofides

Chief Executive Officer

CFO Statement

Income statement

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

(1) The 2019 income statement has been restated to amend the recognition of a deferred tax charge (see note 7).

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

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

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

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

Revenue

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

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

(1) Revenue is shown to the nearest £0.1 million. Movement is calculated on figures to the nearest £1.
(2) Recurring revenue represents annual subscription and maintenance fees on contracts typically ranging from 1 to 3 years and billed annually in advance.
(3) Repeatable revenue represents transaction-based fees from contracted customers, typically billed at the point of usage or at the end of the month of usage.
(4) Other revenue represents implementation, modification and professional services fees, billed either in advance or on completion of project stages.
(5) TNF revenue relates to revenue generated by the trade finance business announced for disposal but not treated as an asset held for disposal at the end of FY20.
(6) Recurring revenue is revenue from annual subscription and maintenance fees as a % of revenue excluding TNF.
(7) Recurring and repeatable revenue is total recurring and repeatable revenue as a % of revenue excluding TNF.

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

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

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

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

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

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

Revenue by type of customer

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

Supplier revenue represented 58% of Tungsten Network revenue in the 2020 financial year (FY18: 57%). Total Supplier revenue grew 4.4% to £21.0 million (FY19: £20.1 million). This reflected a growth in recurring and discretionary revenue of 4.1% (£0.8 million) as well as a growth in one-off revenue of 12.0% (£0.1 million).

Expenses

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

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

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

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

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

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

- Goodwill impairment of £23.0 million relating to the carrying value of the goodwill associated with the OB10 acquisition in 2013, reflecting unprecedented economic conditions brought about by the Covid-19 pandemic. This does not reflect a change in the overall Group's strategic outlook for its longer term future
- Reduction in the foreign exchange translation gain of £0.9 million reflecting the revaluation at year-end of monetary assets and liabilities denominated in foreign currencies
- Reduction in loss on disposal of £1.6 million related to the write-off of internally generated intangible assets
- Share-based payment expense increase of £0.3 million due to the issuance of share options for new senior management
- Depreciation and amortisation increase of £0.3 million due to the commencement of amortising software development costs incurred in FY19 and FY20
- Exceptional items increased by £0.5 million primarily due to restructure activity

Loss before tax

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

Taxation

There is a tax charge of £0.1 million for the year (FY19 restated: credit £1.4 million). Last year's tax credit included a £1.5 million research and development tax credit. The rest of the year-on-year change in the tax credit is due to the offset of the previously recognised deferred tax liability with a deferred tax asset.

Loss per share

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

Dividends

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

Prior year adjustments

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

The Group also identified three liabilities totalling £0.9 million that arose in previous years, but which were not recorded on the 30 April 2019 statement of financial position. The liabilities reflected a more appropriate revenue recognition policy from our Web Form supplier revenue, the booking of a compensated absence accrual and the booking of an additional indirect tax accrual relating to the Group's global activities. These have resulted in the restatement of the consolidated statements of financial position at 30 April 2019 and 30 April 2018 to include these liabilities. The effect of these items on the 2019 income statement is not material and so they have no effect on either the loss for the year or the loss per share in 2019. Further details are set out in Note 7.

Funding and liquidity

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

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

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

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

Capital expenditure

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

Balance sheet items

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

Following the adoption of IFRS16 'Leases' the Group recognised £6.4m right of use assets and £7.0m of lease liabilities.

The Group has increased contract liabilities by £1.8m to £8.9m.

Related parties

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

Going concern

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

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

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

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

Chris Allen
Chief Financial Officer

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2020

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

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

(2) The 2019 income statement has been restated to amend the recognition of deferred tax (see Note 7).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 APRIL 2020

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

(1) 2019 and 2018 statements of financial position have been restated to amend the recognition of deferred tax and deferred income, include a holiday accrual and include an additional indirect tax accrual (see Note 7).

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2020

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2020

Year ended 30 April 2020

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2020 *CONTINUED*

Year ended 30 April 2019

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Share-based payment reserve £'000	Other reserve £'000	Currency Translation Reserve £'000	Accumulated losses (restated) £'000	Total equity (restated) £'000
Balance as at 30 April 2018 as previously stated	**553**	**188,794**	**28,035**	**3,760**	**6,442**	**(5,450)**	**(2,091)**	**(98,582)**	**121,461**
Prior year adjustment (Note 7)	-	-	-	-	-	-	-	(1,857)	(1,857)
Balance as at 1 May 2018 restated	**553**	**188,794**	**28,035**	**3,760**	**6,442**	**(5,450)**	**(2,091)**	**(100,439)**	**119,604**
Loss for the year	-	-	-	-	-	-	-	(3,927)	(3,927)
Other comprehensive expense	-	-	-	-	-	-	(1,872)	-	(1,872)
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(1,872)**	**(3,927)**	**(5,799)**
Transaction with owners in their capacity as owners:									
Issue of treasury shares to employees	-	8	-	-	-	-	-	-	8
Share based payment expense	**-**	**-**	**-**	**-**	**96**	**-**	**-**	**-**	**96**
Transactions with owners	**-**	**8**	**-**	**-**	**96**	**-**	**-**	**-**	**104**
Balance as at 30 April 2019	553	188,802	28,035	3,760	6,538	(5,450)	(3,963)	(104,366)	113,909

NOTES

1. Basis of Preparation

The financial information set out in this document does not constitute the Company's statutory accounts for the years ended 30 April 2020 or 2020. Statutory accounts for the years ended 30 April 2019 and 30 April 2020, which were approved by the directors on 6 September 2020, have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for each of 2019 and 2020 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 30 April 2019 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 April 2020 will be delivered to the Registrar in due course, and are available from the Company's registered office at Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL and will be available from the Company's website https://www.tungsten-network.com/about-us/investor-relations/

The financial information set out in these results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The accounting policies adopted in these results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the financial statements for the year ended 30 April 2019, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2019. The new standard impacting the Group that has been adopted in the annual financial statements for the year ended 30 April 2020 is IFRS 16: Leases, further details of which appear in Note 6 below. Other new standards, amendments and interpretations to existing standards, which have been adopted by the Group have not been listed, since they have no material impact on the financial statements.

2. Going Concern

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

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

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

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

NOTES *CONTINUED*

2. Going Concern, continued

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

3. Segmental Analysis

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

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

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

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

Year ended 30 April 2020

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

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

NOTES *CONTINUED*

3. Segmental Analysis, continued

Year ended 30 April 2019

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

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

Revenue by category

The Group's revenue by category is detailed below.

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

NOTES *CONTINUED*

3. Segmental Analysis, continued

Revenue by category, continued

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

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

Non-current assets are allocated based on the geographical location of those assets and exclude other financial assets, loans receivables and deferred tax.

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

4. Earnings per share

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

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

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

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

NOTES *CONTINUED*

5. Goodwill & Intangibles

As at 30 April 2020

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

NOTES *CONTINUED*

5. Goodwill & Intangibles, continued
As at 30 April 2019

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

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

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

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

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

NOTES *CONTINUED*

5. Goodwill & Intangibles, continued

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

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

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

6. IFRS 16 – Leases

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

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

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

The movements in the lease liability were as follows:

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

NOTES *CONTINUED*

6. IFRS 16 – Leases, continued

The lease liabilities at 30 April 2020 were as follows:

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

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

7. PY Adjustments

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

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

For the year ended 30 April 2019	**Loss for the period £'000**	Basic and undiluted loss per share pence
As reported	**(3,350)**	(2.65)
Increase in tax charge from amortisation of deferred tax asset	**(577)**	(0.46)
As restated	**(3,927)**	(3.11)

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

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

NOTES *CONTINUED*

7. PY Adjustments, continued

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

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

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

In the above 3 cases the effect on the 2019 income statement is not material. These adjustments therefore have no effect on the 2019 loss for the year or on the 2019 basic and diluted loss per share. A restated statement of financial position as at 30 April 2018 has also been presented.

8. Cautionary Statement

This document contains certain forward-looking statements relating to Tungsten Corporation plc (the "Company"). The Company considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the Company to differ materially from those contained in any forward-looking statement. These statements are made by the Directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.