

TUNGSTEN CORPORATION PLC

For Immediate Release

INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2014

Tungsten Corporation plc (LSE: TUNG) ("Tungsten" or collectively the "Tungsten Group"), a leading provider of automated invoice processing, supply chain finance and spend analysis, today announces its results for the six months ended 31 October 2014 ("H1-15").

Edmund Truell, Group Chief Executive, said: "The vision for Tungsten is now being realised. Our significant investment in all parts of the business means the building blocks are now in place for future growth, though this took longer than expected."

Financial Highlights for H1-15

- Completed acquisition and capitalisation of Tungsten Bank
- Total investment in H1-15 of over £47 million in Tungsten Bank acquisition, operational infrastructure improvements and capital expenditure to support the expansion of Tungsten Network and the launch of Tungsten Early Payment
- Revenue of £10.2 million (H1-14: £0.8 million)
- EBITDA loss of £13.3 million (H1-14: £5.5 million), including one-off set-up costs of £6 million (H1-14: £3 million), plus an additional £2 million of recurring investment in the Tungsten Network
- Loss before tax of £14.8 million (H1-14: £5.5 million) including one-off costs and recurring investment costs
- Raised £12 million of new equity at 340p/share in conjunction with the acquisition of DocuSphere
- Group resources strengthened and risk reduced through invoice financing agreement with Insight Investment (after period end) for Europe and North America

Operational Highlights for H1-15

- 168 buyers (April 2014: 124) and 171,000 suppliers (April 2014: 168,000) registered to transact over the Tungsten Network
- Estimated addressable market increased to \$2.7 trillion
- DocuSphere acquisition successfully integrated, bringing enhanced workflow capability to the Group's offerings
- Legal and tax compliant e-Invoicing in 47 countries (April 2014: 44 countries)
- First Tungsten Analytics contract signed, with 27 further multinationals and public sector agencies in trial
- Tungsten Bank authorised by the Prudential Regulation Authority ("PRA") and regulated by the PRA and Financial Conduct Authority
- Invoice financing systems fully tested and went live in the UK
- Tungsten now employs over 330 people (April 2014: 236 people)

Commenting on the results, Edmund Truell, Group Chief Executive, said:

"Our EBITDA loss for the six months to 31 October 2014 of £13.3 million, including £6 million of one-off set-up costs and £2 million of recurring investment in the enhancement of Tungsten, reflects the significant cash investment of over £47 million in the development of Tungsten Early Payment and Tungsten Analytics services and in the expansion of the Tungsten Network. As we have now assembled the team and tools to

execute our strategy to build the largest global electronic invoice network, we are now moving from this set-up phase to start to deliver on our objectives.

Our recently announced agreement with Insight Investment marks a significant turning point for the Group's future growth. Launching Tungsten Early Payment took six months longer than expected, and financing invoices is now fully operational in the UK. In December, we began to offer invoice financing to selected suppliers in the US.

Through the Insight arrangement, concluded after the end of the half-year period, we have secured the potential to finance the majority of approved-to-pay invoices on the Tungsten Network and we are already seeing our volumes through Tungsten Early Payment growing. We had used all the available capital in the Bank by 28 December 2014 and have been using Group cash resources pending the Insight transaction going live. This volume is not reflected in the interim results. We are optimistic about growth, now that we have the ability to grow our global financing service without requiring further capital or risk from Tungsten.

Tungsten Analytics, the supply chain analysis service, is now being piloted by 27 multinationals and government entities. Over 3,000 new suppliers joined Tungsten Network in the reporting period, with a further 3,000 added by 31 December 2014, and the Network continues to grow with significant new buyer clients including Caterpillar, GE and Siemens, and four German government departments.

Technologically, Tungsten is on the verge of completing the transformation of Tungsten Network, our global electronic invoicing platform. We have over 100 new staff to help deliver continuous improvements across the Tungsten Network and market Tungsten's products and services. These include solutions that encourage and make it easier for suppliers to join the Network, grow the number of buyers on the Network, deliver more services to our current customers, and so increase the volume and value of invoices transacted over Tungsten Network as well as the development of Tungsten Early Payment.

With the Insight funding arrangements in place, our ability to offer Tungsten Early Payment to suppliers is considerably strengthened. Our large and growing e-Invoice flow and positive initial experience with the Bank and with Analytics tests, supported by the acquisition of DocuSphere during the period for which we are reporting, underpins our confidence in Tungsten's ability to deliver our medium-term objectives of having \$1,000 billion of invoice flow on the network, \$100 billion of financed invoices and \$10 billion in cost savings identified for users.

Over the coming months, we will be working to complete the required infrastructure to offer Tungsten Early Payment internationally. Tungsten Bank has received regulatory passports for Germany, France and Italy as a key step to offering invoice finance in Continental Europe.

We have completed our systems integration with PNC Bank in the US to grow our business in this important market, which today accounts for approximately half of our e-Invoicing business. We are also working to attract deposits to Tungsten Bank before our financial year-end.

Since the period end we have signed the first Tungsten Analytics contract with a US multinational buyer, and we expect to sign up more, with the potential for meaningful revenues flowing from Q1 of the next financial year."

Business line review

Tungsten Network

Tungsten Network's e-Invoicing services deliver efficiencies to customers from touchless, paperless processing. During the period, the Network secured a number of global mandates from both new and renewing customers. These multinational and G20 government customers are in the process of being brought onto the Network, which is a lengthy and expensive process requiring significant investment by Tungsten.

Tungsten Network users benefit from a "network effect", in which both buyers and suppliers can transact on the Network with multiple counterparties. For example, 10 out of the top 12 global pharmaceutical companies now transact as buyers or suppliers on Tungsten Network.

Improvements recently introduced for buyers on the Tungsten Network include:

- Focus on increasing the implementation of Invoice Status Service (ISS) for buyers, which gives suppliers visibility of the progress of their invoices and payment dates and reduces accounts payable queries; 37 buyers are now taking ISS; of Tungsten's top 15 buyer customers, 5 already have ISS running today and 9 more have agreed to take ISS in the coming year
- Development of the DocuSphere capability for introduction to current buyers on the Network that will enable ISS tracking of all invoices, including those that were originally submitted on paper
- Integration with JD Edwards ERPs is now possible; Oracle and SAP are in development
- Quicker and simpler integration to accelerate multinational and divisional rollout
- Creation of dedicated sales and relationship management teams for buyers and the largest suppliers

In the US, Tungsten has an arrangement with PNC Bank, N.A., a member of The PNC Financial Services Group, through which PNC offers its customers an integrated procure-to-pay service that incorporates Tungsten Network's e-Invoicing platform. After extensive system integration work, PNC expects the integrated offering to go live this month, which could also lead to incremental invoice financing business in the US.

In July 2014, Tungsten launched a pilot programme in the UK that simplified invoice transaction fees for suppliers on the Network. After considerable success with the pilot, the new pricing has now being rolled out worldwide, which makes it easier for suppliers to join the Network. The new pricing provides 52 free invoices annually for small suppliers and 520 free for larger suppliers. Tungsten expects over 80% of suppliers will now transact for free on Tungsten Network. The simplified fee structure is already leading to increased adoption from suppliers, which in turn is anticipated to result in increased net revenue and improved working capital for Tungsten, as well as increased volumes across the Network.

In addition, the Group has focussed on introducing measures to simplify and accelerate the supplier on-boarding process, including:

- Ability to "Click-to-Accept" Network terms and conditions
- Suppliers will either direct debit or store credit card details to cover transaction costs, so will "Pay to Play"
- Buyers are offered ISS enrolment for all invoices, including paper, to give visibility to suppliers of invoice approval
- Simplified on-line enrolment for Tungsten Early Payment

Tungsten currently provides Tungsten Early Payment to suppliers for invoices shown as "approved to pay" by ISS. Were all buyers currently on the Tungsten Network to be ISS enabled and all their suppliers on-boarded, Tungsten estimates the annual value of invoices on the Network would be \$2.7 trillion, equivalent to approximately 12% of the \$23.3 trillion of all traded goods and commercial services, according to data from the World Trade Organization. This represents Tungsten's potential addressable market.

The investment required to enrol the hundreds of thousands of suppliers currently invoicing their customers by paper should not be underestimated, even if the enrolment is only to offer them Tungsten Early Payment. We are also making investments to bring tax and legally compliant e-Invoicing services to additional geographies such as India, Japan and the Middle East to deliver increased volume to Tungsten Network.

Tungsten Network highlights

- 47 new buyers, including 40 DocuSphere buyers; new buyers include Caterpillar, GE, Siemens and German government departments
- 3,000 new suppliers added to Tungsten Network, bringing the total number of suppliers registered to use Tungsten Network to 171,000 at 31 October 2014; this increased to over 174,000 by 31 December 2014
- 14.4 million invoices processed over the 12 months to 31 December 2014 (up from 13.4 million over the 12 months to 30 April 2014)
- £117 billion of invoices (net of credit notes processed), of which £94 billion were e-Invoices over the 12 months to 31 December 2014 (up from £90 billion over the 12 months to 30 April 2014)
- Continued transition of buyers away from paper invoice data capture (IDC), reflected in decline in IDC invoices processed to £17 billion over the 12 months to 31 December 2014 from £21 billion over the 12 months to 30 April 2014¹

¹ FX rates have varied considerably. At constant FX rate to April 2014 this reflects \$189 billion of invoices (net of credit notes processed), of which \$159 billion of e-Invoices processed over the 12 months to 31 December 2014 (up from \$152 billion over the 12 months to 30 April 2014). Decline in IDC invoices processed to \$29 billion over the 12 months to 31 December 2014 from \$35 billion over the 12 months to 30 April 2014

Tungsten Banking operations, including Tungsten Bank

Tungsten Bank is now operational, following the completion of the acquisition of a UK Bank in June 2014 and the launch of Tungsten Early Payment in the UK and a soft launch in the US after the period end. The investment in Tungsten Early Payment includes the total cash cost of Tungsten Bank of £36 million, including capital and acquisition costs, plus a further investment in operations of £7.5 million.

Whilst it took longer than planned to get the Bank and the Early Payment service up and running, by end-December 2014 the Group had advanced over £10 million, which substantially absorbed the available capital in Tungsten Bank at that time. Tungsten Corporation plc cash resources have been deployed to meet the requirement to continue to finance suppliers that have used the Tungsten Early Payment service and ensure suppliers can access finance. After the period end, Tungsten signed an agreement with Insight Investment through which Insight will finance eligible invoices originated by Tungsten in Europe and in North America. Insight, part of the BNY Mellon group, manages £318 billion of assets under management, including short-term funds.

Tungsten estimates that buyers currently transacting with Tungsten have hundreds of thousands of suppliers that could transact over the Network. The Group is working closely with buyers to bring these suppliers onto the Tungsten Network and register them for Tungsten Early Payment.

Tungsten Banking operations operational highlights (to 31 December 2014)

- Starting in November after the period end, Tungsten began to enrol suppliers for Tungsten Early Payment
- Tungsten improved the on-boarding process for suppliers making it easier to sign up for Early Payment by helping them change their bank account details for payments from their buyer customers
- Percentage of targeted suppliers signed up or in the process of signing up for Tungsten Early Payment: 9.9%
- Average invoice financing duration: 30 days

Tungsten Analytics

Tungsten Analytics is now fully developed and has been introduced to selected existing buyer clients on a pilot basis. These pilots extend to 27 companies and public sector organisations, and a US-based multinational has now contracted to take the service.

As Tungsten Analytics is trialled, so the combination of enormous data sets with real time analytics is proving to be uniquely powerful for its users. Tungsten Analytics can be used for:

- Replacement of procurement catalogues
- Management of suppliers
- Monitoring of spend compliance
- Reviewing and eliminating price variances
- Potential recovery of identified historical over-spending

The intention is to price Tungsten Analytics as a small percentage of total invoices analysed. During the pilot phase, buyers can trial the service and, at the end of the trial, can choose to retain the service under the pricing model or terminate the service.

Tungsten Analytics highlights

- Spend analysed across 27 pilot buyers: \$160 billion
- Average savings identified: 1.7%

People

We have recruited 105 staff since our IPO in October 2013. As planned from the outset, these employees include: the new team in Tungsten Banking operations, including Tungsten Bank; the new dedicated customer relationship and service delivery management teams for buyers and the largest suppliers; and new employees in the technical operations and development area. We now have 336 staff, of which nearly 40% of eligible employees joined Tungsten's share option and matched share purchase plan announced last year.

As Tungsten is transitioning into an execution and delivery phase, 22 people have left or are leaving the Group. This has led to changes in Tungsten's senior management:

Rick Hurwitz, CEO of Tungsten Corporation in the US, joined the Board as an Executive Director in October 2014. Rick has 30 years of experience with growth and technology companies, including his previous role as CEO of Pictometry International.

Frank McKay, former CEO at Travis Perkins and a past senior executive responsible for repositioning Brakes Group, joined Tungsten in December 2014 as senior adviser to the CEO.

Following the achievement of the past year in assembling the building blocks of Tungsten Corporation, notably Tungsten Bank and agreeing the Insight Investment funding milestone, Jeff Belkin has stepped down from his role as Chief Financial Officer at Tungsten and from the Board. David Williams, Deputy CFO, has been appointed Interim CFO, effective immediately, and Georgina Behrens, Chief Compliance Officer for Tungsten Bank, has been appointed Company Secretary. As previously announced, Michael Spencer decided that 31 December was an appropriate time to leave the Board.

Edmund Truell said: "Jeff's unstinting efforts have been key to the transformation of Tungsten Corporation from vision to reality over the past three years and our shared background in private equity investment and debt securitisation was instrumental as we built up the business. I'm grateful to him for his significant contribution to Tungsten's success and I wish him all the very best in the future. I also thank Michael for his service and wise counsel."

In June 2014 Tungsten welcomed a strong Board to oversee its fully owned subsidiary, Tungsten Bank plc. Chaired by Edmund Truell, the Bank Board added Rob Eddowes, Richard Olliver, Nick Parker and Tim Hall as

non-executive Directors. The Bank executive team has been strengthened with the following individuals: Gordon Payne, Head of Strategic Solutions; Georgina Behrens; Holger Beyer, CFO and COO for Tungsten Bank; and Peter Harris, Chief Technology Officer for Tungsten Bank.

In addition, Juliana Wheeler has recently been appointed as Global Head of Marketing and Communications of Tungsten Corporation. Juliana, a former financial journalist at Bloomberg and the Financial Times, previously held senior marketing and communications roles at J.P. Morgan, LCH.Clearnet and Apax Partners.

Chairman's statement

"I am delighted that we continue to show great progress as Tungsten passes its first year as a publicly listed company. We purchased a UK regulated bank through the acquisition of FIBI Bank (UK) Plc and in June Tungsten Bank was granted regulatory approval to provide banking services in the UK. We intend for Tungsten Bank to extend the provision of Tungsten Early Payment into key European jurisdictions under the EU Passporting Directive.

We completed the acquisition of DocuSphere to facilitate the connection of buyers to the Network, which should give a quicker payback for buyers and Tungsten alike. DocuSphere also enables the extraction of information from paper invoices. Over the medium term, this will provide the Group with further scope to provide both Tungsten Early Payment supplier financing and Tungsten Analytics services to buyers on the Network.

I welcome the strengthening of the senior management through the appointments of Rick Hurwitz and David Williams, and thank Jeff Belkin and Michael Spencer for their service. With the recruitment of high-calibre individuals throughout the Group, our business is well positioned for the next phase of our growth.

Prospects

Two key drivers of our growth are the uptake by suppliers of Tungsten Early Payment and by buyers of Tungsten Analytics. Early indications demonstrate that both services are highly valued by our customers. However, we launched both services later than initially planned and so the level of revenues from our Tungsten Early Payment and Tungsten Analytics products will not become clearer until the second half of this year.

The Group continues to invest heavily in the installation of the connectors and services required to increase the number of invoices available to be financed as well as in enrolling suppliers into Tungsten Early Payment. Similarly, investment continues to be made in Tungsten Analytics with regards to contractual engagement, connection and training of new customers. This investment will include additional one-off costs.

As a consequence of these factors, we expect our net financial performance for the six months ended 31 October 2014 to be broadly replicated in the subsequent six months, which will include the incurrence of additional one-off costs. Thereafter, with the progress being made in increasing the size of the Tungsten Network, the financing capability provided by the arrangements with Insight and the pipeline of opportunities for Tungsten Analytics, we are confident in the long-term growth prospects of the Group. We look forward to providing further updates on our progress in July at the time of our annual results for the year ending 30 April 2015."

Arnold Hoevenaars
Non-executive Chairman
13 January 2015

An analyst and investor webcast presentation will be held at 9.00 a.m. GMT on 14 January 2015. To register, please click [here](#).

To see a video interview with Tungsten Corporation CEO Edmund Truell, please visit the Investor Relations section of the Tungsten Corporation website: www.tungstencorporationplc.com.

Financial Review

Results Summary

The Group's loss before tax was £14.8 million for the six months ended 31 October 2014 (H1-14: £5.5 million).

Tungsten Network

Tungsten Network revenue of £10.2 million for the six months ended 31 October 2014 (H1-14 reported: £0.8 m; H1-14 pro-forma: £9.5 million) represents an increase of 7% over the prior period pro-forma revenue. EBITDA loss for the six months ended 31 October 2014 was £2.5 million (H1-14 reported: £0.1 million; H1-14 pro-forma: £1.1 million). This includes £1 million of one-off costs, primarily professional and consultancy fees, and £2 million of recurring costs incurred in the enhancement of Tungsten Network, primarily the costs of software upgrades.

Tungsten Banking operations

The Tungsten Network Finance segment has been renamed Tungsten Banking operations. Tungsten Banking operations EBITDA loss of £7.1 million, including a loss of £1.1 million in Tungsten Bank, for the six months ended 31 October 2014 (H1-14: £nil) represents the Group's investment in the systems, work force, processes, policies and procedures to develop the Tungsten Early Payment service. This included £4 million of one-off costs, primarily professional fees, incurred in respect of the set-up of the Tungsten Early Payment service.

Corporate

Corporate EBITDA loss totalled £3.7 million for the six months ended 31 October 2014 (H1-14: £5.4 million), a decline of £1.7 million, primarily attributed to the one-off Tungsten Network Limited acquisition costs incurred in the prior period. This included £1 million of one-off costs, primarily professional fees.

Balance sheet and cash flow

The Group balance sheet includes separately identifiable intangible assets arising on acquisition of £2.3 million in relation to the acquisition of DocuSphere and £3.3 million in relation to the acquisition of Tungsten Bank. These intangibles have been allocated to the Tungsten Network and Tungsten Banking operations segments respectively.

Cash utilised in operating activities (excluding £3.6 million outflow in relation to financial services, presented separately in the statement of cash flows) totalled £12.0 million (H1-14: £4.2 million). This reflects the Group's enhancements of the Tungsten Network, and investment in additional technology and workforce to support its current and future customer base.

Cash utilised in investing activities of £31.2 million (H1-14: £72.3 million) was primarily attributable to the acquisitions of Tungsten Bank and DocuSphere.

The equity fundraising in September 2014 contributed £11.8 million to cash generated from financing activities (H1-14: £148.5 million) and was primarily utilised to fund the acquisition of DocuSphere.

Going concern

The Directors have made an assessment of going concern, taking into account both current performance and the Group's outlook, including consideration of projections for the Group's capital and funding position, including Tungsten Bank. Further details are included in the Basis of Preparation on page 14.

As a result of this assessment the Directors consider the Group to be in a satisfactory financial position and confirm that the Group has adequate resources to continue in business for the foreseeable future.

Accordingly, the Directors continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

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 ending 30 April 2014. In particular, as outlined in the Prospects on page 6, the demand for and therefore level of revenues from our Tungsten Early Payment and Tungsten Analytics products will not become clearer until the second half of this year.

Condensed consolidated income statement

	Note	Six months ended	
		31 October 2014 (unaudited) £'000	31 October 2013 (unaudited) £'000
Revenue	2	10,227	829
Administrative expenses		(24,683)	(6,374)
Operating loss		(14,456)	(5,545)
Finance costs		(489)	(8)
Finance income		127	15
Net finance (costs)/income		(362)	7
Loss before taxation		(14,818)	(5,538)
Taxation		153	130
Loss for the period		(14,665)	(5,408)
Loss per share (expressed in pence per share):			
-Basic	8	(14.52)	(28.97)
-Diluted	8	(14.52)	(28.97)

Condensed consolidated statement of comprehensive income

	Six months ended	
	31 October 2014	31 October 2013
	(unaudited)	(unaudited)
	£'000	£'000
Loss for the period	(14,665)	(5,408)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on retranslation of the net assets of foreign subsidiaries	752	-
Total comprehensive loss for the period	(13,913)	(5,408)

Items in the statement above are disclosed net of tax.

Condensed consolidated Balance Sheet

	Notes	As at 31 October 2014 (unaudited) £'000	As at 30 April 2014 (audited) £'000
Assets			
Non-current assets			
Intangible assets	4	128,504	114,199
Property, plant and equipment	5	2,282	1,734
Trade and other receivables		621	-
Total non-current assets		131,407	115,933
Current assets			
Trade and other receivables		6,280	6,025
Loans and advances to banks due to Tungsten Banking operations		16,505	-
Investments - Tungsten Banking operations		9,597	-
Prepayments and other receivables		535	-
Deposit paid for acquisition		-	3,990
Cash and cash equivalents		27,668	62,646
Total current assets		60,585	72,661
Total assets		191,992	188,594
Capital and reserves attributable to the equity shareholders of the parent			
Share capital		454	438
Share premium		171,874	160,127
Shares to be issued		3,760	3,760
Merger reserve		28,035	28,035
Share based payment reserves		5,094	5,040
Other reserves		(4,620)	(5,372)
Accumulated losses		(35,605)	(20,940)
Total equity		168,992	171,088
Non-current liabilities			
Deferred taxation		4,141	2,935
Deferred consideration and acquisition related liabilities		313	-
Total non-current liabilities		4,454	2,935
Current liabilities			
Trade and other payables		6,687	6,774
Trade and other payables owed by Tungsten Banking operations		2,989	-
Deferred income		8,870	7,797
Total current liabilities		18,546	14,571
Total liabilities		23,000	17,506
Total equity and liabilities		191,992	188,594

Condensed consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Share- based payment reserve £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 May 2014	438	160,127	28,035	3,760	5,040	(5,372)	(20,940)	171,088
Currency translation differences	-	-	-	-	-	752	-	752
Loss for the period	-	-	-	-	-	-	(14,665)	(14,665)
Total comprehensive income/ (loss)	-	-	-	-	-	752	(14,665)	(13,913)
<i>Transactions with owners</i>								
Proceeds from shares issued	16	11,984	-	-	-	-	-	12,000
Issue cost	-	(237)	-	-	-	-	-	(237)
Shares-based payments	-	-	-	-	54	-	-	54
Transactions with owners	16	11,747	-	-	54	-	-	11,817
Balance as at 31 October 2014	454	171,874	28,035	3,760	5,094	(4,620)	(35,605)	168,992
Balance as at 1 May 2013	9,610	-	-	-	5,040	-	(9,925)	4,725
Currency translation differences	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(5,408)	(5,408)
Total comprehensive loss	-	-	-	-	-	-	(5,408)	(5,408)
<i>Transactions with owners</i>								
Reclassification	(9,560)	-	-	9,560	-	-	-	-
Proceeds from shares issued	312	159,688	-	-	-	-	-	160,000
TCGL ordinary B shares exchanged into Tungsten ordinary shares	22	11,228	-	(5,800)	-	(5,450)	-	-
Shares issued on acquisition of subsidiary	54	-	28,035	-	-	-	-	28,089
Issue cost	-	(10,789)	-	-	-	-	-	(10,789)
Transactions with owners	(9,172)	160,127	28,035	3,760	-	(5,450)	-	177,300
Balance as at 31 October 2013	438	160,127	28,035	3,760	5,040	(5,450)	(15,333)	176,617

Condensed consolidated statement of cash flows

	Six months ended 31 October 2014 (unaudited) £'000	31 October 2013 (unaudited) £'000
Cash flows used in operating activities		
Loss before taxation	(14,818)	(5,538)
Adjustments for:		
Depreciation and amortisation	1,206	58
Share based payment expense	54	-
Finance costs	489	8
Finance income	(127)	(15)
	(13,196)	(5,487)
Changes in working capital:		
Decrease in trade and other receivables	803	24
Increase in trade and other payables	318	1,238
Interest received	67	-
Interest paid	-	(23)
Tax paid	-	(1)
Movement in assets and liabilities in Tungsten banking operations	(3,562)	-
Net cash flows used in operating activities	(15,570)	(4,249)
Cash flows used in investing activities		
Purchases of property, plant and equipment	(714)	(2)
Purchases of intangibles	(161)	-
Loans to employees	(719)	-
Deposit paid for acquisition	-	(360)
Acquisition of subsidiaries, net of cash acquired	(29,577)	(71,942)
Net cash outflow used in investing activities	(31,171)	(72,304)
Cash flows from financing activities		
Net proceeds of share issue	11,763	153,365
Repayment of debt acquired	-	(4,838)
Net cash inflow generated from financing activities	11,763	148,527
Net increase in cash and cash equivalents	(34,978)	71,974
Cash and cash equivalents at start of period	62,646	3,397
Cash and cash equivalents at end of period	27,668	75,371

Accounting Policies

1. Basis of preparation

These condensed consolidated interim financial statements of the Tungsten Corporation plc for the six months ended 31 October 2014 ("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 2014 were approved by the Board for issue on 13 January 2015.

The condensed consolidated interim financial statements for the six months ended 31 October 2014 do not constitute the Group's statutory accounts. Statutory accounts for the year ended 30 April 2014 were approved by the Board of Directors on 7 July 2014 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 2006.

The condensed consolidated interim financial statements for the six months ended 31 October 2014 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 2014, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS Interpretations Committee (IFRS IC).

The condensed consolidated financial statements have been prepared applying the accounting policies, methods of computation and presentation consistent with those described in the Annual report and accounts for the year ended 30 April 2014 with the exception of the following new accounting standards and interpretations which have been adopted during the year:

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

The adoption of these standards have not had a significant impact on the Group's financial reporting.

In preparing this interim consolidated financial information the Directors have considered the resources required by the Group to remain in operation for the foreseeable future. This assessment has been made having considered a number of forecast trading scenarios for the Group. These scenarios include various strategic options available to the Group to develop Tungsten's business together with mitigating actions that could be taken to manage the impact of the regulatory capital requirements of Tungsten Bank on the liquidity of the Group.

On the basis of these forecasts, the Directors continue to adopt the going concern basis in preparing the interim consolidated financial information. In preparing the interim consolidated financial information, the Directors have also made other reasonable and prudent judgements and estimates.

2. Segment information

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

The Board of Directors reviews financial information for three segments: Tungsten Network (which includes the e-Invoicing and spend analytics business of Tungsten Network (formerly OB10 Limited), Tungsten Banking operations (formerly called Tungsten Network Finance and which includes the supply chain finance business and Tungsten Bank plc) and Corporate (which includes overheads and general corporate costs). Intersegment revenue from management fees is eliminated below.

Six months ended 31 October 2014

	Tungsten Network £'000	Tungsten Banking operations £'000	Corporate £'000	Intra Group eliminations £'000	Total £'000
Revenue	10,205	22	-	-	10,227
Inter-segment revenue	-	-	1,839	(1,839)	-
Segment revenue	10,205	22	1,839	(1,839)	10,227
EBITDA	(2,475)	(7,117)	(3,658)	-	(13,250)
Depreciation and amortisation					(1,206)
Finance income					127
Finance cost					(489)
Loss before taxation					(14,818)
Income tax					153
Loss for the year					(14,665)
Capital expenditure	5,683	10,271	468	-	16,422
Total assets	125,103	36,906	29,983	-	191,992
Total liabilities	16,402	3,649	2,931	-	23,000

Six months ended 31 October 2013

	Tungsten Network £'000	Tungsten Banking operations £'000	Corporate £'000	Intra Group eliminations £'000	Total £'000
Revenue	829	-	-	-	829
Inter-segment revenue	-	-	-	-	-
Segment revenue	829	-	-	-	829
EBITDA	(76)		(5,411)	-	(5,487)
Depreciation and amortisation					(58)
Finance income					15
Finance cost					(8)
Loss before taxation					(5,538)
Income tax expense					130
Loss for the year					(5,408)
Capital expenditure	-	-	-	-	-
Total assets	119,531	-	76,136	-	195,667
Total liabilities	13,790	-	5,260	-	19,050

3. Business combinations

Image Integration System, Inc ('DocuSphere')

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

In the period from 9 September 2014 to 31 October 2014, DocuSphere has contributed £457,000 of revenue and a £41,000 loss. If the acquisition had occurred on the first day of this reporting period, being 1 May 2014, the contributions would have been £1,267,000 of revenue and a £222,000 loss.

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

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

Provisional fair value at acquisition

£'000

Non-current assets

Goodwill arising on acquisition	2,697
IT platform	2,236
Customer relationships	93
Property, plant and equipment	42
Total non-current assets	5,068

Current assets

Trade and other receivables	484
Cash and cash equivalents	4
Total current assets	488

Total assets	5,556
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Current liabilities

Trade and other payables	(90)
Deferred revenue	(402)
Current taxation payable	(17)
Total current liabilities	(509)

Non-current liabilities

Deferred tax liabilities	(698)
Total non-current liabilities	(698)

Total liabilities	(1,207)
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Net attributable assets including goodwill	4,349
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Consideration satisfied by	
Cash paid	4,036
Deferred consideration	313

Total consideration	4,349
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3. Business combinations (continued)

Tungsten Bank plc

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

In the period from 10 June 2014 to 31 October 2014, Tungsten Bank plc has contributed £22,000 of revenue and a £1,080,000 loss. If the acquisition had occurred on the first day of this reporting period, being 1 May 2014, the contributions would have been £191,000 of revenue and a £1,073,000 loss.

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

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

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

4. Intangible assets

	Goodwill	Customer relationships	Bank licence	IT platform	Software licences	Software development	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
Balance at 1 May 2014	98,695	11,000	-	4,300	717	331	115,043
On acquisition of subsidiaries	9,507	93	3,300	2,236	-	-	15,136
Additions	-	-	-	-	161	-	161
Exchange differences	-	-	-	-	1	-	1
Balance at 31 October 2014	108,202	11,093	3,300	6,536	879	331	130,341
Accumulated amortisation							
Balance at 1 May 2014	-	297	-	330	217	-	844
Amortisation	-	280	-	374	8	331	993
Balance at 31 October 2014	-	577	-	704	225	331	1,837
Net asset value as at 30 April 2014	98,695	10,703		3,970	500	331	114,199
Net asset value as at 31 October 2014	108,202	10,516	3,300	5,832	654	-	128,504

5. Property, plant and equipment

	Leasehold improvements	Fixtures and fittings	Computer equipment	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 May 2014	1,867	300	1,625	3,792
On acquisition of subsidiaries	18	94	299	411
Additions	454	24	236	714
Exchange differences	-	-	5	5
Balance at 31 October 2014	2,339	418	2,165	4,922
Accumulated depreciation				
Balance at 1 May 2014	385	288	1,385	2,058
On acquisition of subsidiaries	15	86	268	369
Depreciation	87	6	120	213
Balance at 31 October 2014	487	380	1,773	2,640
Net asset value as at 30 April 2014	1,482	12	240	1,734
Net asset value as at 31 October 2014	1,852	38	392	2,282

6. Share capital and share premium

Issued and fully paid	Ordinary shares Number	Nominal value	Share capital £'000	Share premium £'000
Tungsten Corporation plc	500,010	£0.10	50	–
Ordinary B Class shares TCGL	5,800,000	£1.00	5,800	–
Ordinary C Class shares TCGL	3,760,000	£1.00	3,760	–
Balance as at 1 May 2013	10,060,010		9,610	–
Share consolidation prior to initial placement offering (IPO)	(500,010)	£0.10	(50)	–
Reclassification of TCGL Ordinary B Class and Ordinary C shares	(9,560,000)	£1.00	(9,560)	
Reorganised share capital prior to IPO	11,404,746	£0.00438	50	–
Ordinary shares issued on IPO	71,111,111	£0.00438	312	159,688
TCGL Ordinary B shares exchanged into Ordinary shares	5,000,000	£0.00438	22	11,228
Shares issued as consideration given	12,484,143	£0.00438	54	–
Share issue costs	–	–	–	(10,789)
Balance as at 1 May 2014	100,000,000		438	160,127
Ordinary shares issued	3,529,412	£0.00438	16	11,984
Share issue costs	–	–	–	(237)
Balance at 31 October 2014	103,529,412		454	171,874

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

For further details on the presentation of share capital and share premium, refer to the Annual Report and accounts for the year ended 30 April 2014.

7. Share-based payments

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

Employee Matched Share Scheme

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

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

7. Share-based payments (continued)

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

Save as you Earn scheme

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

The Tungsten board formally approved these options on 4 August 2014 and the Company has granted 261,244 options at an exercise price of £2.25. The SAYE scheme comprises equity-settled share-based payment transactions with options vesting on the third anniversary of the grant date.

Long-term incentive plan

For further details on long term incentive plans, please refer to the Annual Report and accounts for the year ended 30 April 2014.

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

	Employee Matched Share Scheme	Save as you earn
Risk-free interest rate	2.15%	2.15%
Expected dividend yield	–	–
Expected volatility	43.3%	43.3%
Vesting period	4.5 years	3 years

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

Share-based payment expense of £54,000 have been recognised in the consolidated income statement for the six months ended 31 October 2014 (31 October 2013: £nil). The table below sets out the movement in shares granted under the Company share schemes:

	Number	Founder shares	Founder Securities	Employee Matched Shares	Save as you earn shares	Total
As at 2 February 2012		–	–	–	–	–
Granted – May 2012		5,800,000	3,760,000	–	–	9,560,000
As at 30 April 2013		5,800,000	3,760,000		–	9,560,000
Exercised – 16 October 2013		(5,800,000)	–	–	–	(5,800,000)
As at 30 April 2014		–	3,760,000	–	–	3,760,000
Granted –August 2014		–	–	439,992	261,244	701,236
As at 31 October 2014		–	3,760,000	439,992	261,244	4,461,236

8. Loss per share

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

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

	For the six months ended	
	31 October 2014	31 October 2013
Loss for the period attributable to owners of the Company, in thousands of £	(14,665)	(5,408)
Basic weighted average number of shares	101,015,247	18,666,652
Adjusted for:		
Employee share option plans	24,998	-
Deferred share consideration	29,571	-
Diluted weighted average number of shares	101,069,816	18,666,652
Loss per share (pence)		
Basic	(14.52)	(28.97)
Diluted	(14.52)	(28.97)

9. Related-party transactions

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

	For the six months ended	
	31 October 2014 £'000	31 October 2013 £'000
Purchase of services	474	8,048

The outstanding balances with related parties were as follows:

	As at 31 October	
	2014 £'000	2013 £'000
Loans receivable	-	223
Other payables	-	1,440

9. Related-party transactions (continued)

Canaccord acted as sole book runner, financial adviser and joint broker to the Group on the additional share placing during September 2014 and IPO in the prior year. Additionally, Canaccord has been retained as joint broker to the Group. Peter Kiernan is the Chairman of European Investment Banking at Canaccord and, as a consequence of this role, Canaccord is considered a related party of the Tungsten Group. Mr Kiernan took no part in the negotiation of the terms of the Canaccord engagement letter or the terms of the Placing Agreement. The Group received services totalling £464,000 from Canaccord during the six months ended 31 October 2014 (31 October 2013: £5,430,000). At 31 October 2014, the amount payable to Canaccord by the Group was £nil (31 October 2014: £1,440,000).

Gentoo Fund Services Limited, an entity controlled by the Edmund Truell, provided administration services for certain Group companies totalling £10,000.

As described in Note 7 Share-based payments, RIL has made available to the Tungsten Corporation plc Employee Benefit Trust a call option over 439,992 ordinary shares of the Company. This represents 2.96% of the ordinary shares held by the interests of Edmund Truell and 0.4% of the total issued share capital of Tungsten. Until these options are exercised there are no changes to the holdings of Edmund Truell.

For further information please contact:

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About Tungsten Corporation plc

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

Buyer organisations that join Tungsten Network, the world's largest compliant electronic invoice network, can reduce their invoice-processing costs by 60%. Suppliers benefit from efficiencies, greater visibility of their invoice status and peace of mind. Tungsten offers supply chain financing through Tungsten Bank; and helps buying organisations profit by applying real-time spend analytics to its vast repository of line-level invoice data.

Tungsten serves 56% of the Fortune 500 and 67% of the FTSE 100 by connecting the world's largest companies and government agencies to their thousands of suppliers around the globe. It enables suppliers to submit tax compliant e-Invoices in 47 countries, and last year processed transactions worth over \$187bn for organisations such as Alliance Data, Aviva, Cargill, Deutsche Lufthansa, General Motors, GlaxoSmithKline, Henkel, IBM, Kellogg's, and the US Federal Government.