

Interim results for the six months to 30 June 2023

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Argentex Group PLC

("Argentex" or the "Group")

Interim results for the six-month period ended 30 June 2023

Record half year driven by continued execution of Group strategy

Argentex Group PLC (AIM: AGFX), the service led, tech enabled provider of currency management and payment services to international institutions and corporates, today issues its results for the six-month period ended 30 June 2023.¹

Financial Highlights

- Group revenue increased by 28% to £25.0m (H122: £19.5m) with revenues from new products and geographies now representing 23% of revenues (H1 22 : 14%)
- Operating profit increased by 16% to £5.2m (H122: £4.5m) and adjusted operating profit² increased by 13% to £5.4m (H122: £4.8m)
- Group EBITDA margins maintained at 29% with a modest decrease in operating margins to 21% (H1 22: 23%) as a result of planned investment
- Earnings per share (EPS) of 2.8p basic and 3.1p adjusted (H1 22: 2.4p basic and 2.7p adjusted)
- Continued strong cash generation funding investment in growth with £3m net increase in cash
- Interim dividend of 0.75p per share reflecting strong performance over the six-month period and confidence in the Group's future prospects

¹ As previously announced, at the end of the last financial year, the Group transitioned from a 31 March year end to a 31 December year end. Comparisons with H122 included in financial highlights refer to the six-month period to 30 June 2022.

² Adjusted operating profit excludes one off costs in relation to the set-up of overseas offices and any restructuring costs incurred in the period, in line with accounting policy.

Operational Highlights

- Continued delivery of our three-pillar diversification and growth strategy, with enhanced higher-margin product mix and new geographies contributing to volume and client growth:
 - Despite an increasingly challenging macro-economic environment, clients³ trading increased by 8% to 1,493 (H1 22 : 1,381) with 305 new clients traded in the period (H1 22: 284)
 - Wallet share increasing evidenced by 18% growth in average revenue per client traded to £16.5k
 - New business revenue growth indicative of enhanced client quality driven by broader product offering, with average revenue per new client traded up by 55% to £18.6k
 - Investment in new higher margin products including Structured Solutions now contributing meaningfully, accounting for 15% of revenues (H1 22: 9%)
 - Alternative Transaction Banking, which launched in late March, is already outperforming management's expectations

³ Refers to clients as corporate or institutional, discounting private clients.

- Strong progress across Group's three strategic pillars:
 - *People*
 - Number of full-time employees increased by 28 to 165 over the period to support the Group strategy in either front office or growth-related Argentepositions.
 - Further investment planned to support technology development, international growth and anticipated market share gains
 - *Technology & Product*
 - Digital revenues have increased 100% during the period with 16% of clients using the platform (H1 22 : 11%)
 - Phase two of our technology and product strategy and the overall digital transformation programme continued with Alternative Transaction Banking successfully launching in late March and already trading ahead of expectations
 - Phase three is well underway, with the development of mass payments and hedging analysis tools in addition to ongoing digital transformation to support increased operational efficiency
 - Increase in Technology & Product investment to £2.6m (H1 22: £1.7m)
 - *International expansion*
 - Revenue contribution of Argentex Europe more than doubled to £1.8m (H1 22: £0.8m), providing a gateway to Continental Europe, with 24% of these revenues generated outside of The Netherlands
 - Through leveraging the credible licence from the Dutch National Bank, the Group has now launched its Alternative Transactional Banking product in Europe
 - Argentex Australia continues to generate revenue, pending grant of the wholesale Australian Financial Services License
- As announced, Nigel Railton (previously Senior Independent Director) was appointed Chair of Argentex on 1 September 2023. Lord Digby Jones stepped down as Chair on 1 September 2023 and will continue as a Non-Executive Director.

Outlook

Despite more challenging trading conditions post period end, the Group continues to deliver double digit growth of 20%, with revenues increasing to £35m to 05 September 2023 (same period 2022 - £29m). Whilst the core UK corporate currency management business remained resilient, our Institutional and European divisions have more recently experienced a greater season reduction in market activity.

The Board has implemented a focused strategy to develop an increasingly diversified business, underpinned by new higher margin products and investment in technology. This strategy is helping to drive improved customer adoption, which is abating the impact of short-term macroeconomic fluctuations, meaning the Group remains well positioned to deliver profitable growth through the cycle.

The Group continues to trade in-line with the Board's expectations for the full year. Our approach to balancing cost discipline with re-investment for growth remains unchanged, enabled by a strong balance sheet and continued high levels of cash generation.

Harry Adams, Chief Executive Officer, said:

"I am very pleased to announce another strong set of results for Argentex, despite a continuation of the prevailing macro-economic challenges, demonstrating significant progress in the diversification and growth of our offering both by product and geography. Our core business is driving double-digit revenue growth supported by the return on investments across new technology and product initiatives.

"Our business is attracting high quality corporates and institutions looking for a trusted, service-led and tech-enabled provider of currency management and payment services. The performance of our newly launched Alternative Transaction Banking product has exceeded initial expectations, demonstrating the potential of new tech-enabled products to increase our share of wallet while diversifying our revenue streams with new, higher-margin products. Phase three of our technology and product strategy provides further opportunity to enhance this trend, with a pipeline of new products in development.

"Our people are a key differentiator to the Group. We know that for our business to excel and deliver its ambition, the business needs to attract and retain a high quality and diverse team. We therefore place great value in investing in their wellbeing and our culture, as the business continues to grow.

"Our focus remains to capitalise on the significant market opportunities to grow wallet share across an increasing international, high quality client base whilst prioritising a sustainable model that delivers for all of our stakeholders.

"On behalf of everyone at Argentex, I would like to welcome Nigel Railton into his new position as Chair, taking over from Lord Digby Jones who left the role on 1 September with our thanks, remaining a Non-Executive Director of the Group."

For further information please contact:

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Analyst briefing

A meeting for analysts will be held virtually at 9.30am today, 13 September 2023. Analysts wishing to attend this event can register via email to argentex@fticonsulting.com. Argentex's Half Year results announcement will also be available today on the Group's website at www.argentex.com.

Retail investor presentation

Management will additionally host a presentation for retail investors via the Investor Meet Company platform at 16:00 on Thursday 14 September 2023. The presentation is open to all existing and potential shareholders. Questions can be submitted via the Investor Meet Company dashboard up until 09:00 on the day before the meeting, or at any time during the live presentation.

Investors who already follow Argentex Group PLC on the Investor Meet Company platform will automatically be invited. Those wishing to sign up for free, and meet Argentex, can do so via <https://www.investormeetcompany.com/argentex-group-plc/register-investor>

CEO review

Overview

I am pleased that the Group has maintained strong momentum over the six-month period to June 2023, delivering a record performance on the back of an exceptionally strong 2022. Despite a challenging macroeconomic backdrop with clients adjusting to the higher interest rate environment, the Group's continued delivery on its strategic objectives to invest in People, Technology & Product and International expansion is resulting in an exciting evolution of our business and its capabilities as a leading tech-enabled provider of currency management and payment services.

While the core business continues to strengthen, driving 28% revenue growth to £25 million (H1 22 : £19.5m), it is the contribution of our new products (including Alternative Transaction Banking which launched late March) that enhanced our performance over the period. These products are already outperforming management's initial expectations which reinforces the potential of our broader growth strategy and the significant opportunity as we gain greater wallet share from both new and existing clients.

Client demand for our evolving proposition is clear as demonstrated by the 8% increase in number of clients trading with Argentex over the period to 1,493 clients (H1 22 : 1,381). The business added 305 new clients in the first half of the financial period, compared with 284 in H1 22. We are attracting higher quality clients, which has resulted in an 18% increase in the revenue per client traded and a 55% increase in the average revenue per new client traded.

We remain focused on maintaining diversification by both client type and client industry with 38% of revenue represented by the top twenty customers (H1 22 : 36%). We are in the early stages of cross selling these new products to our existing clients with revenue contributing 15% in the six-month period (H1 22 : 9%).

The Group remains well-positioned to continue capitalising on new opportunities immediately apparent in our markets, whilst building a diversified business capable of outperformance and profitable growth over the long-term.

Market backdrop

The period has been defined by stubbornly high global inflation and while it appears that an anticipated global recession has been averted, Central Bank policies have remained changeable amongst a wave of monetary tightening as they take an agile approach to managing their economies. To date, however, this has not translated into significant moves in G7 currencies but has resulted in a reduction in volatility with sterling trading in a tight range against the euro and dollar for 2023.

Whilst these factors result in less favourable market conditions, our increasingly diversified business has proven its resilience, in continuing to win new and actively trading clients and the adoption of our new, higher margin products creates less reliance on short term macroeconomic fluctuations, meaning we are well positioned to perform and grow through this cycle.

Financial performance

Argentex is the only UK listed non-bank that is regulated to hold client money with both e-money and investment licences, meaning that we attract high quality clients looking for a trusted, service-led and tech-enabled provider. This is demonstrated by the growth in traded clients, with an increased emphasis on quality as evidenced by the 18% increase in average revenue per client to £16.5k (H1 22 : £14k).

The Group has remained highly focused on the continued and long-term investment into its three-pillar growth strategy whilst maintaining a disciplined approach to cost control. Despite this re-investment, we are pleased to have generated a 16% increase in operating profit to £5.2 million (H1 22 : £4.5 million). This includes contribution from the Group's new higher-margin products in addition to improved efficiencies across the business.

As a result of the strong performance over the six-month period and on account of the positive outlook for the prospects of the Group, I, along with the Board of Directors am pleased to announce an interim dividend of 0.75 pence per share.

Growth strategy

It is now two years since we initiated our three-pillar growth strategy of People, Technology & Product and International expansion and we are pleased to see revenues generated from new products and new geographies represent 23% of total revenues in the period (H1 22 : 14%).

As previously communicated, we are continuing to invest in technology to drive growth and efficiencies with associated margin benefits to come as these new products and geographies scale in combination with driving associated operating leverage across the business.

People

Whilst hiring at the senior level is substantially complete, Argentex remains committed to the development of its global teams with market-leading talent, increasing the number of full-time employees by 28 to 165 over the period in support of the growth strategy. We have sought opportunities to create new roles both in the UK and in our overseas offices, reflecting the evolving nature of our offering and business model, particularly as a result of our continued investment in technology.

Technology & Product

Investment in technology remains central to the Group's digital transformation and further product innovation while underpinning the strength of our financial performance. £2.6 million was invested in technology during the six-month period (H1 22 : £1.7 million) as our pipeline of innovative, 'right tech, right touch' client solutions developed to help grow wallet share.

Phase one and two of our Technology & Product strategy delivered £1.4m revenues in H1 23 representing 5% of total revenue (H1 22 : 2%). Client adoption of these new products increased by 62% to 396 clients (H1 22 : 244) as we progressed phase two of our Technology & Product strategy. March 2023 saw the launch of our Alternative Transaction Banking product, allowing customers to take advantage of a compelling alternative to currency accounts offered by traditional banks through our tech-enabled product. This product, which allows clients to collect, hold, pay and manage their currency exposure, has exceeded expectations in the period with 43 new clients onboarded in Q2.

Phase three is well underway, with our new mass payments and hedging analysis tools in advanced development, in-line with expectations.

International Expansion

Our international expansion continues as we pursue opportunities in new, highly regulated markets and pivot from a single-product, single-office business to a multi-product, global business.

Argentex Europe continues to gain traction with revenues of £1.8m in the period, more than double the same period last year (H1 22 : £0.8m) as the subsidiary capitalises on the electronic money licence which it was granted by the Dutch National Bank in 2022.

Argentex is now one of three non-bank providers of a Dutch Virtual IBAN, which gives the Group significant growth opportunities to roll out the Alternative Transaction Banking product, providing access to clients and currency markets across Europe.

Argentex Australia continues to generate revenue whilst we await the grant of our wholesale Australian Financial Services licence. We continue to explore further territories that represent strategic growth opportunities, with similar market dynamics.

Outlook

Despite more challenging trading conditions post period end, the Group continues to deliver double digit growth of 20%, with revenues increasing to £35m to 05 September 2023 (same period 2022 - £29m). Whilst the core UK corporate currency management business remained resilient, our Institutional and European divisions have more recently experienced a greater season reduction in market activity.

The Board has implemented a focused strategy to develop an increasingly diversified business, underpinned by new higher margin products and investment in technology. This strategy is helping to drive improved customer adoption, which is abating the impact of short-term macroeconomic fluctuations, meaning the Group remains well positioned to deliver profitable growth through the cycle.

The Group continues to trade in-line with the Board's expectations for the full year. Our approach to balancing cost discipline with re-investment for growth remains unchanged, enabled by a strong balance sheet and continued high levels of cash generation.

Board changes

On behalf of everyone at Argentex, I would like to extend my thanks to Lord Digby Jones, who leaves his role as Chairman of the business after more than ten years, for his guidance and expertise which oversaw our growth from inception to a sophisticated, public company. He remains a Non-Executive Director on our Board. As announced, we are delighted to welcome Nigel Railton as the Group's new Chairman (previously Senior Independent Director) and look forward to working closely with him on the next phase of our development. Our search for two new Non-Executive Directors continues and I look forward to updating the market in due course.

Above all I would like to thank our team, our clients, and our shareholders for their continued support and contribution to our ongoing success.

Harry Adams,

Chief Executive Officer

Financial Review

Argentex delivered 28% revenue growth in H1 23 alongside continuing to pursue its ambitious investment programme across all three pillars of its growth strategy: People, Technology & Product and International Expansion. Group EBITDA margins were largely maintained at 29% with a planned modest decrease in operating margins to 21% (H1 22 : 23%). Adjusted operating profit² in the period increased by 13% to £5.4m, a 22% margin (H1 22 : £4.8m / 25%). As a result of this strong performance throughout the period and positive outlook for the growth prospects of the Group, the Board is pleased to announce an interim dividend of 0.75p per share.

FINANCIAL PERFORMANCE

Argentex generated revenues of £25m in the six months to 30 June 23, representing an increase of 28% compared to the same period in the prior year. Revenues generated in the period were driven by an increase in clients trading, increasing share of wallet (18% increase in overall average revenue per client traded) underpinned by an enhanced product mix across hedging solutions and contributions from the Alternative Transaction Banking platform as well as growth in our international operations.

Revenues generated from new products and geographies represent 23% of total revenues (H1 22 : 14%). This enhanced higher product margin mix and geographical distribution has driven an increase in wallet share and enhanced operating leverage to fund future growth.

Clients traded increased by 8% to 1,493 (H1 22: 1,381), of which 305 (H1 22 : 284) were new clients trading in the period. Revenue from new clients increased by 63% to £5.7m in H1 23 (H1 22 £3.5m) representing a 55% increase in average revenue per new client traded in the period, demonstrating traction on growth initiatives and investments made to date.

As with other companies that can operate an e-money licence, Argentex benefited from interest income earned on these cash balances. This interest is classified as Other Income and, while the Group has benefited from this interest, it is not seen as a core part of the Group's three-pillar diversification and growth strategy.

The Group has maintained a disciplined approach to managing costs through the half-year resulting in an operating profit of £5.2m, an increase of 16% from the prior period. Adjusted operating profit² in the half was £5.4m, or 22% margin (H1 22: £4.8m / 25%). The planned and previously flagged decline in operating margins compared to the prior period reflects the previously communicated ambitious investment programme across all three facets of Argentex's growth strategy. The investment programme is on track, with 165 global employees in place at the end of June 2023 with Technology & Product and International Expansion developing in line with plan. Revenues in the prior period were ahead of expectation and contributed towards a higher than anticipated operating margin at this point in the investment cycle. Operating margins in H1 23 are in line management expectations.

People

In the six months to 30 June 2023 the average number of employees grew to 153 (H1 22 : 106) with a period end headcount of 165 (December 2022 : 137). Front office/Back-office split (excluding Senior Management) has shifted versus prior periods at 53%/47% (Dec 22 : 57%/43%) and reflects, in particular, the investment in technology in support of the growth strategy and further professionalisation in the support functions proportionate to the maturation of the business as well as a continued balanced approach to risk.

At 30/06/23	UK Headcount	Overseas Headcount	Total Headcount
Front Office	61	21	82
Support	66	8	74
Directors and Exec LLP Members	9	-	9
	<u>136</u>	<u>29</u>	<u>165</u>

At 31/12/22	UK Headcount	Overseas Headcount	Total Headcount
Front Office	57	16	73
Support	50	5	55
Directors and Exec LLP Members	9	-	9
	<u>116</u>	<u>21</u>	<u>137</u>

Of the 74 Support headcount, 16 were technology related (12 at 31 December 2022)

Technology & Product

Total investment in technology in the six-month period to 30 June 2023 was £2.6m (H1 22 : £1.7m). Of the £2.6m

technology spend, £0.8m was capitalised (H1 22 : £1.7m of which £1m capitalised) with the impact on operating profit margins mitigated by the fact that benefits of the technology development spend will be realised in future periods and as such investment spend is treated as capital investment and amortised over a three-year period in line with accounting policy. Technology spend that is not capitalised (H1 23 : £1.8m; H1 22 : £0.7m) or operating expense in nature is embedded within operating cashflows and is in relation to licences and other infrastructure support costs in support of the growth strategy in addition to ongoing programme management costs to manage execution risk.

International Expansion

Revenues generated from overseas operations totalled £2.0m in the period, with revenues generated in Argentex Europe for the six-month period to 30 June 2023 totalling £1.8m (H1 22: £0.8m). Overseas regions are making a small contribution to the overall cost base with Argentex Europe being the primary driver in the period. The Netherlands will be the central hub for European operations and licences granted and will act as a gold standard for the region to create further opportunities in the coming years.

FINANCIAL POSITION

Argentex views its ability to generate cash from its trading portfolio as a key indicator of performance within an agreed risk appetite framework. Total cash and cash equivalents include client balances pertaining to collection of any collateral and variation margin in addition to routine operating cash balances. Further, cash and cash equivalents does not include collateral placed with financial counterparties. Collateral placed with financial counterparties of £4.5m (FY 22 : £10.0m) is recorded in other assets of the statement of financial position.

	As at June 23	As at Dec 22
	£m	£m
Cash and Collateral		
Cash at bank	32.6	29.0
Less: amounts payable to clients	(13.4)	(12.8)
Net cash	<u>19.2</u>	<u>16.2</u>
Other assets	<u>4.5</u>	<u>10.0</u>

Excluding collateral held at financial counterparties, cash at bank less amounts payable to clients increased by £3m to £19.2m in the period (FY 22 : £16.2m). Other assets comprise collateral held at institutional counterparties which decreased over the period by £5.5m as a result of favourable movements in derivative positions held.

Before movements in client balances held (increase of £0.6m in the period) as shown in the Consolidated Financial Statements note 11, the Group generated £7.6m in cash from operating activities. This amount is inclusive of any operating expenditure including the aforementioned amounts in support of the growth strategy such as technology (H1 23 : £1.8m ; H1 22 : £0.7m). Of the £7.6m in cash generated from operating activities, a further £0.8m was used to invest in technology, £2.8m was used to fund growth in office footprints across London and The Netherlands and a further £1m was used to fund ongoing lease obligations.

Cash generation from the Group's revenues is a function of i) the composition of revenues (principally spot, forward option and swap revenues in the period) and ii) the average duration of the FX forwards in the portfolio. In the period, Argentex has generated revenues in a ratio of approximately 45:55 between spot and forward contracts outside of Structured Solutions, swaps and alternative transaction banking revenues. While spot FX contracts attract a smaller revenue spread, the inherent risk profile is much reduced, and cash is generated almost immediately. As such, having this proportion of revenues generated by spot trades with a minimal working capital cycle creates a strong positive immediate cash flow for the business compared to its operating cost base. Further, any options premiums are typically paid upfront, and therefore options revenues contribute positively toward maintaining healthy cash conversion ratios.

Argentex continues to enjoy a high percentage of trades converting to cash within a short time frame, which is a result of almost 50% on average of revenue from trades outside of Structured Solutions and swap trades being spot contracts in addition to forward contracts carrying a relatively short tenor on average. This in combination with premium on Structured Solutions contracts typically being paid upfront has led to consistent healthy cash conversion ratios for H1 23 :

CASH CONVERSION

	6 months to 30/06/23	6 months to 30/06/22
	£m	£m
Revenues	25.0	19.5
Revenues (swap adjusted S/A) (A)	23.2	18.1
Less		

Revenues settling beyond 3 months S/A	(5.2)	(3.7)
Net short-term cash generation (B)	18.0	14.4
Short-term cash return (B/A)	<u>77%</u>	<u>80%</u>

Derivative financial assets declined 13% in the period to £58.1m with current element being £50.8m (87% of total derivative financial assets). The Group diversifies liquidity requirements across five liquidity providers, the largest providing 59% of liquidity required (62% at FY 22).

PORTFOLIO COMPOSITION

Argentex's client base continues to grow with an increase in clients traded in the half year to 1,493 (H1 22 : 1,381), and 305 of these clients traded representing new business. Even when taking growth into account however the composition of our client portfolio remains consistent year-over-year, in that it consists of similar businesses with exposures in the major currencies of sterling, euro and US dollar. In line with prior year, the majority of the Group's trading activity was comprised of trades in those currencies at 77% (FY 22: 78%) and hence the Group's exposure to exotic currencies or currencies with higher volatility and less liquidity remains significantly limited. Further, client concentration has been maintained with 38% of revenue represented by the top twenty customers (H1 22 : 36%).

DIVIDEND

As a result of this strong performance throughout the period and positive outlook for the growth prospects of the Group, the Board is pleased to announce an interim dividend of 0.75p per share. The interim dividend will be payable on 13 November 2023 to shareholders on the register at 13 October 2023. The ex-dividend date will be 12 October 2023.

Jo Stent
Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the six months ended 30 June 2023

	6 months to 30 June 2023	6 months to 30 June 2022
	£m	£m
Revenue	25.0	19.5
Cost of sales	(0.9)	(1.2)
Gross profit	<u>24.1</u>	<u>18.3</u>
Administrative expenditure	(18.7)	(13.5)
Adjusted operating profit	5.4	4.8
Non-adjusted expenditure	-	(0.2)
Share-based payments charge	(0.2)	(0.1)
Operating profit	<u>5.2</u>	<u>4.5</u>
Finance costs	(0.4)	(0.2)
Profit before taxation	<u>4.8</u>	<u>4.3</u>
Taxation	(1.6)	(1.5)
Profit for the period and total comprehensive income	<u>3.2</u>	<u>2.8</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2023

	Notes	30 June 2023	31 December 2022
		£m	£m
Non-current assets			
Intangible assets		2.5	2.5
Property, plant and equipment	6	16.1	7.9
Derivative financial assets	10	7.3	8.8
Deferred tax asset		0.5	0.5
Total non-current assets		26.4	19.7
Current assets			
Cash and cash equivalents	8	32.6	29.0
Trade and other receivables	7	1.1	1.0
Other Assets	9	4.5	10.0
Derivative financial assets	10	50.8	57.7
Total current assets		89.0	97.7
Current liabilities			
Trade and other payables	11	(23.2)	(25.9)
Derivative financial liabilities	12	(35.2)	(42.0)
Total current liabilities		(58.4)	(67.9)
Non-current liabilities			
Trade and other payables	11	(11.3)	(5.5)
Derivative financial liabilities	12	(3.5)	(5.2)
Total non-current liabilities		(14.8)	(10.7)
Net assets		42.2	38.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
as at 30 June 2023

		30 June 2023	31 December 2022
		£m	£m
Equity			
Share capital	13	0.1	0.1
Share premium		12.7	12.7
Share option reserve		0.7	0.5
Merger reserve		4.5	4.5
Retained earnings		24.2	21.0
Total equity		42.2	38.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2023

	Share capital	Share premium	Share option reserve	Merger reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
Balance at 1 January 2022	0.1	12.7	0.3	4.5	14.3	31.9
Profit and total comprehensive income for the period	-	-	-	-	2.8	2.8
Dividends paid	-	-	-	-	(0.9)	(0.9)
Share-based payments charge	-	-	0.1	-	-	0.1
Balance at 30 June 2022	0.1	12.7	0.4	4.5	16.2	33.9
Balance at 1 January 2023	0.1	12.7	0.5	4.5	21.0	38.8
Profit for the period	-	-	-	-	3.2	3.2
Dividends paid	-	-	-	-	-	-
Share-based payments charge	-	-	0.2	-	-	0.2
Balance at 30 June 2023	0.1	12.7	0.7	4.5	24.2	42.2

CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months to 30 June 2023	6 months to 30 June 2022
	£m	£m
Profit before taxation	4.8	4.3
Taxation paid	(1.1)	(0.8)
Net finance expense	0.4	0.2
Depreciation of property, plant and equipment	0.6	0.3
Depreciation of right of use assets	0.6	0.4
Amortisation of intangible assets	0.8	0.7
Share-based payments charge	0.2	0.1
(Increase) in receivables	(0.6)	(0.2)
(Decrease) in payables	(3.0)	(1.1)
Decrease/(increase) in derivative financial assets	8.5	(7.9)
(Decrease)/increase in derivative financial liabilities	(8.5)	6.3
Decrease/(increase) in other assets	5.5	(5.1)
Net cash generated from/ (used in) operating activities	8.2	(2.8)
Investing activities		
Purchase of intangible assets	(0.8)	(1.0)
Purchase of plant and equipment	(2.8)	(0.1)
Net cash used in investing activities	(3.6)	(1.1)
Financing activities		
Payments made in relation to lease liabilities	(1.0)	(0.6)
Dividends paid	-	(0.9)
Net cash used in financing activities	(1.0)	(1.5)
Net increase/(decrease) in cash and cash equivalents	3.6	(5.4)
Cash and cash equivalents at the beginning of the period	29.0	37.9
Cash and cash equivalents at end of the period	32.6	32.5

1 General information

Argentex Group PLC ("the Company") is a public limited company, limited by shares, incorporated and domiciled in England and Wales. The address of the registered office of the Company is 25 Argyll Street, London, W1F 7TU. The Company's shares are listed on AIM, the London Stock Exchange's market for small and medium size growth companies. The Company is the ultimate parent company of the group into which the results of its subsidiaries are consolidated.

2 Basis of preparation

The consolidated financial information contained within this interim report is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

While the financial figures included in this interim report have been prepared in accordance with IFRS applicable to interim periods, this interim report does not contain sufficient information to constitute an interim financial report as defined in IAS 34. Financial information for the period ended 31 December 2022 has been extracted from the audited financial statements for that period.

The financial information has been prepared using the measurement bases specified by IFRS for each type of asset, liability or expense. The accounting policies applied in preparation of this interim report are consistent with the basis that was adopted for the preparation of the audited accounts for the 9 months ended 31 December 2022 and will be adopted for the Group's next audited accounts for the year ended 31 December 2023.

Statutory accounts for the period ended 31 December 2022 have been reported on by the Company's Independent Auditor and have been delivered to the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for December 2022 was unqualified, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The interim report is prepared on a going concern basis as the directors have satisfied themselves that, at the time of approving the interim report, the Group has adequate resources to continue in operational existence for at least the next twelve months from the date of this report.

3 Accounting policies

The accounting policies adopted in this interim report are identical to the those adopted in the Group's most recent annual financial statements for the period ended 31 December 2022, which are available from the Registrar of Companies and www.argentex.com/investor-relations.

4 Earnings per share

The Group calculates basic earnings to be net profit attributable to equity shareholders for the period. The Group also calculates an adjusted earnings figure, which excludes the effects of share based payments, and non-adjusted expenditure (net of a tax adjustment). The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options.

	Six months ended 30 June 2023	Six months ended 30 June 2022
Basic earnings per share	2.8p	2.4p
Diluted earnings per share	2.8p	2.4p
Underlying - basic	3.1p	2.7p
Underlying - diluted	3.1p	2.7p

The calculation of basic and diluted earnings per share is based on the following number of shares:

	Six months ended 30 June 2023	Six months ended 30 June 2022
	m	m
Basic weighted average shares	113.2	113.2
Contingently issuable shares	0.1	0.1
Diluted weighted average shares	113.3	113.3

The earnings used in the calculation of basic, diluted and underlying earnings per share are set out below:

Six months ended Six months ended

	30 June 2023	30 June 2022
	£m	£m
Earnings - basic and diluted	3.3	2.8
Non-underlying expenditure	0.0	0.2
Share-based payments	0.2	0.1
Earnings - underlying	3.5	3.1

5 Dividends

	6 months ended 30 June 2023	6 months ended 30 June 2022	6 months ended 30 June 2023	6 months ended 30 June 2022
	Pence per share	Pence per share	£m	£m
Amounts recognised as distributions to equity holders				
Interim dividend recommended by Directors	-	0.75	-	0.9
	-	0.75	-	0.9
Dividends declared in the period				
Final dividend recommended by Directors at previous period end	2.25	-	2.5	-
	2.25	-	2.5	-
Dividends proposed in the period				
Interim dividend for year ended 31 December 2023 of 0.75p per share (June 2022: nil per share)	0.75	-	0.9	-
	0.75	-	0.9	-

A final dividend of 2.25p per share (£2.5m) was declared in the period in respect of the period ended 31 December 2022. The dividend payment date is 4 August 2023.

The Directors propose an interim dividend in respect of the year ended 31 December 2023 of 0.75p (£0.9m).

6 Property, plant and equipment

	Leasehold improvements	Right of use asset	Office equipment	Computer equipment	Total
Cost	£m	£m	£m	£m	£m
At 1 January 2023	1.8	7.3	1.3	0.7	11.1
Additions	2.0	11.8	0.4	0.4	14.6
Disposals	-	(7.3)	-	-	(7.3)
At 30 June 2023	3.8	11.8	1.7	1.1	18.4
Depreciation					
At 1 January 2023	0.4	2.1	0.2	0.5	3.2
Charge for the period	0.2	0.6	0.2	0.2	1.2
Disposals	-	(2.1)	-	-	(2.1)
At 30 June 2023	0.6	0.6	0.4	0.7	2.3

Net book value

At 30 June 2023	3.2	11.2	1.3	0.4	16.1
At 31 December 2022	1.4	5.2	1.1	0.2	7.9

7 Trade and other receivables

	30 June 2023	31 December 2022
	£m	£m
Current		
Other receivables	0.5	-
Prepayments	0.6	1.0
	1.1	1.0

8 Cash and cash equivalents

	30 June 2023	31 December 2022
	£m	£m
Cash and cash equivalents		
Cash and cash equivalents	32.6	29.0
	32.6	29.0

Included within cash and cash equivalents are client held funds relating to margins received and client balances payable. These amounts are disclosed as amounts payable to clients of £13.4m (December 2022: £12.8m) in note 11 and are not available for the Group's own use. Client balances held as electronic money in accordance with the Electronic Money Regulations 2011 are held in accounts segregated from the firm's own bank balance.

The Directors consider that the carrying amount of these assets is a reasonable approximation of their fair value. Cash is held at authorised credit institutions and non-bank financial institutions with robust credit ratings (where published) and sound regulatory capital resources.

9 Other assets

	30 June 2023	31 December 2022
	£m	£m
Other assets		
Other assets	4.5	10.0
	4.5	10.0

Other assets is made up of collateral with banking and brokerage counterparties. Client margins received and disclosed within client balances payable are used to service margin calls with counterparties.

10 Derivative financial assets

	30 June 2023	31 December 2022
	£m	£m
Non-Current		
Derivative financial assets at fair value	7.3	8.8
Current		
Derivative financial assets at fair value	50.8	57.7

11 Trade and other payables

	30 June 2023	31 December 2022
	£m	£m
Non-Current		
Lease liabilities	11.0	5.3
Provisions	0.3	0.2
Trade and other payables	11.3	5.5
Current		
Amounts payable to clients	13.4	12.8
Corporation tax	1.1	0.7
Amounts due to members and former members of Argentex LLP	0.8	4.4
Trade payables	-	0.4
Accruals	6.6	6.1
Other taxation and social security	0.5	0.7
Lease liability	0.8	0.8
Trade and other payables	23.2	25.9

12 Derivative financial liabilities

	30 June 2023	31 December 2022
Non-Current	£m	£m
Derivative financial assets at fair value	3.5	5.2
<hr/>		
Current		
Derivative financial assets at fair value	35.2	42.0
<hr/>		

13 Share capital

	Ordinary shares No. (m)	Management shares No. (m)	Nominal value £
Allotted and paid up			
Ordinary shares of £0.0001 each	113.2	-	11,321
Management shares issued of £0.0025 each	-	23.6	58,974
At 30 June 2023	<u>113.2</u>	<u>23.6</u>	<u>70,295</u>

There were no changes to share capital during the period from 1 January 2023 to 30 June 2023.

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