# Full year results for period ended 31 March 2022

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**Argentex Group PLC**

("Argentex" or the "Group")

**Full year results for the year ended 31 March 2022**

*Strong revenue and profit growth with investment in newly defined priority areas to position Argentex for future growth*

Argentex Group PLC (AIM: AGFX), the international provider of foreign exchange services to institutions, corporates and high net worth private individuals, today issues its full year results for the year ended 31 March 2022.

**Financial Highlights**

- Group revenue increased by 23% to £34.5m (2021: £28.1m), including £8.0m from new clients
- Adjusted operating profit(1) up 26% to £11.0m (2021: £8.7m)
- Earnings per share (EPS) 6.6p (basic) and 7.0p (adjusted) (2021: 5.2p basic and 5.9p adjusted)
- Final dividend of 1.25p per share to be paid, bringing the total for FY22 to 2.0p per share (2021: 2.0p per share)

**Operational Highlights**

- Strong client activity with improved trading volumes driving revenue growth
    - Record 1,624 corporates actively traded(2) in 2022, up 17% (2021: 1,385)
    - 528 new corporate clients traded during the year, up 6% (2021: 499)
    - Client trading volumes recovered throughout period as market confidence rebounded from 2021 and volatility remained high
    - In line with prior years, H2 contributed 54% of annual revenues as volumes increased through the year

- Consistency of business mix continues
    - Over 80% of volumes comprised trades in sterling, euro and US dollar, significantly limiting impact of risks in emerging market currencies
    - Spot/forward revenue mix remains balanced (Forward 51%, Spot 49%)
    - Increasingly diversified client base with 36% of revenue represented by top twenty customers, down from 41% in FY21

- Defined growth strategy underpinned by three priority areas
    - **Significant investment in people**
        - Average headcount grew by 19 staff year-on-year, with total headcount surpassing 100 at period end
        - Continued to attract industry leading expertise throughout business, including senior leaders; ratio of front and back-office staff consistent with 2021
        - Expansion of London office expected over the medium term, to reflect increase in front office staff

- **Evolving our technology offering to align with client need and optionality**
    - Launch of online platform in February 2022 with refreshed interface and navigation; first in a suite of planned proprietary tech-enabled product enhancements
    - Initial tech platform rollout contributed to record month for Argentex in March 2022, with 391 trades completed (March 2021: 123 trades)
    - Following strong initial feedback from existing clients, there will be an acceleration of investment in new products to seek to capture new customers, gain further international reach and enable improved efficiency and improved share of client wallet

- **Internationalisation through expansion to new geographies with high quality regulatory regimes**
    - Amsterdam office continued increasing contribution to Group revenues, generating half-on-half growth since inception helped by doubling of front office headcount
    - Management team recruited in Australia with trading beginning once regulatory approvals have been obtained
    - 9 new front office hires made in non-UK markets to lead this strategic growth area

**Outlook**

- Current trading has been positive with first quarter revenue increasing by 22% to £10.1m (Q122: £8.3m)
- Continued investment into people and technology expected, underpinning momentum in client base growth and accumulation of market share from incumbent banks which account for 85% of the cross-border market
- The combination of the above initiatives is expected to generate a strong return on investment in the medium term through growth in revenues, boost in profitability and improvement in quality and visibility of earnings
- The Board announces its intention to change the Group's financial year end from 31 March to 31 December. Historically, results have been strongly weighted to towards the second half of the year. Changing the financial year will address this imbalance

**Harry Adams, Chief Executive Officer, said:**

"Against a backdrop of ongoing market uncertainty as global economies emerge from the pandemic with new economic challenges, I am pleased that Argentex has performed strongly, delivering double digit revenue and profit growth driven by a resurgence in trading volumes as companies recover their confidence in the post-Covid era.

"The results demonstrate strong progress against our long-term strategic initiatives and the quality of our growing talent base as we continue to invest to meet the growing demands of our clients, drive efficiencies and uncover new opportunities, both domestically and internationally.

"In becoming sole Group CEO a year ago, I identified the importance of refocusing our growth strategy into clear priorities that evolve our service offering and capitalise on the huge market opportunity that lies in front of Argentex. I am pleased to report positive progress in all three of our growth pillars - people, technology and internationalisation - which will deliver sustainable and profitable growth into the future as our business broadens. We are confident in the future prospects of the business and remain well positioned to generate long-term value for all of our stakeholders."

**Lord Digby Jones, Non-Executive Chairman, said:**

"Alongside a strong financial and operational performance as volumes have rebounded from pandemic lows, I am proud of the Group's strategic refocus as part of its ongoing measured approach to long-term growth. Building a sustainable future has always been a priority for the management team and the defined growth priorities outlined and decision to accelerate strategic investment demonstrate a fantastic opportunity to strengthen our market position, bolster resilience and drive profitable growth regardless of the economic uncertainties apparent today."

(1) Adjusted operating profit excludes non-recurring expenditure of £0.4m (FY21 £0.7m) and a further £0.2m (FY21 £0.2m) related to share based payments.

(2) Any client with a trade executed in the financial year (contract date within FY), excluding private clients.

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**Analyst briefing**

A meeting for analysts will be held virtually at 9.30am today, 6th July 2022. Analysts wishing to attend this event can register via email to argentex@fticonsulting.com. Argentex's Full Year results announcement will also be available today on the Group's website at www.argentex.com.

**Chairman's statement**

As societies have emerged from the Covid-19 pandemic, businesses are at a point of introspection.

Good businesses will reflect on the learnings of the last two years and turn them into opportunities when embarking on the next phase of growth.

I am proud to be the Chairman of a business which embodies this active, measured and long-term approach to growth. With an eye on continually building a sustainable future, the business has used the last financial year to evolve further, invest in its teams, technology and breadth of client offering to strengthen its market position and ensure continued resilience and outperformance amid changeable and unpredictable macroeconomic conditions.

It has always been a privilege to work with Harry Adams, the leadership team and the Board of Directors. This year has been no different, indeed more so, as they have steered the business through a significant period of uncertainty, preserving company operations, supporting employee wellbeing and constantly innovating the service delivered to its clients.

This has been made possible by the oversight of a strengthened Argentex leadership team. Jo Stent's appointment as Chief Financial Officer and David Christie joining as Chief Operating Officer over the period are testament to the company's unwavering focus on talent as a means for optimising the market position we occupy.

Despite continued volatility, we have emerged from the recent period strongly, with an enhanced and increasingly efficient service offering. Ultimately, this means the business is well-positioned to capitalise on the opportunities that new markets present.

Argentex has worked hard at creating stronger foundations and a refined strategic plan to prioritise profitable growth, and I am confident it will unlock a significant untapped market opportunity - with people, technology and internationalisation at its core.

*MARKET BACKDROP*

As the clouds of the pandemic lift, we face fresh challenges in our response to the tragic ongoing war and humanitarian crisis in Ukraine. Despite now carrying no corporate exposure to Russia and no client exposure in the region, the swift steps taken to exit all Rouble currency before the invasion reflects our unrelenting approach to risk management and a quality over quantity approach to relationships.

It is undeniable that this volatile geopolitical picture, compounded by significant macro-economic pressures felt globally as the cost-of-living soars for many, will impact market and business sentiment over the next 12 months. Global businesses will face long-term economic challenges as a result of the conflict and the rising inflationary environment, but whatever winds of challenge or opportunity blow, Argentex is well set to face them.

While the near-term outlook remains unclear, we are confident in the ability of our proven business model to continue navigating a changeable business environment, while meeting the expectations of our valued clients and shareholders.

*KEY ACHIEVEMENTS*

Our strong financial performance is supported by a three-pronged strategic approach to our activity, embedded in people, technology and internationalisation. Although the global economy has faced unprecedented challenges in recent years, our business has not stood still. The continued targeted investment across these three areas is translating into positive operational and financial momentum across the business.

We remain committed to opening new offices in key international locations. Our office in the Netherlands is already showing strong performance, driven by an expert team and a local market ripe with opportunity. I am also pleased to report that our new office in Australia is following in similar footsteps, with regulatory approvals at an advanced stage and teams onboarded. Client-led expansion into new, highly regulated international markets remains a pillar of our growth strategy looking forward.

Our investment in people continues to gather pace. The quality of the individuals running Argentex, and those delivering the market-leading service we are known for, is fundamental to our ability to remain resilient and continue driving shareholder value. We were delighted to welcome the team back to the safe working environment of the office after a prolonged period of remote working and are encouraged by the continued high standard of delivery as a result.

The future of our industry is embedded in technologically enabled products - a truly sustainable business needs to have an ability to provide a 24/7, 'always-on' service for clients, wherever they are based. Over the period, we have focused on creating a leading technology platform that meets the increasingly complex needs of clients in a user-friendly product and high quality service that is underpinned by the face-to-face relationships for which we are known. We understand the need to enhance our traditional broking offering, transitioning towards a technology-enabled service provider. We are excited about the optionality, efficiency and scalability this will bring to the business, including our ability to efficiently cross-sell services as we internationalise our offering.

*OUTLOOK*

Flexibility and confidence have been two of the most crucial characteristics of businesses that have navigated and emerged successfully from recent operational challenges, defined by the ongoing impact of the Covid-19 pandemic. While the global economy faces uncertain times ahead, I strongly believe the Company is well positioned to embark on its next evolutionary phase of growth.

Through our targeted investment we have built a stronger platform, based on greater efficiency and a broader service offering both geographically and operationally. I would like to thank all of our shareholders, clients and fantastic employees for their continued support that is instrumental in driving our business forward. As democratic capitalism weathers the global assaults of the crisis in supply chains, significantly higher inflation than for decades and the enduring fall-out from the war in Ukraine, your Company is set fair to succeed and deliver for all its many stakeholders.

Lord Digby Jones Kb.
Non-Executive Chairman

**<u>CEO statement</u>**

*OVERVIEW*

The twelve months to 31 March 2022 constituted a defining and strategically significant period for Argentex. Despite the continued macro-economic uncertainty, the Company has delivered further double-digit revenue and profit growth, underpinned by our proven business model, best-in-class client service, balance sheet strength and measured approach to risk.

When I became sole CEO in July 2021, I sought to undertake a top to bottom review of the business. It was important to reflect on and evolve our strategy, taking action in areas we could influence to ensure we are well positioned, not only to deliver against our growth targets, but also optimise our service offering and capitalise on the ever-changing B2B financial services market.

In the period, I am pleased to say, we have delivered further progress against our long-term strategic initiatives and growth in our client base which has contributed to the Group's revenue of £34.5m for the 12 months to 31 March 2022, representing growth of 23% year-on-year (2021: £28.1m). This continued momentum delivered adjusted operating profit of £11.0m, up 26% year-on-year (2021: £8.7m) and a statutory operating profit of £10.4m (2021: £7.8m). The Board is pleased to announce a final dividend of 1.25p per share bringing the total for FY22 to 2.0p per share, flat on 2021.

I would like to thank the whole team at Argentex for their hard work and continued commitment which has given us a strong foundation to embark on the next chapter of our growth story. We continue to invest to drive efficiencies and bring new opportunities, both domestically and abroad. In addition, our commitment to bringing improved expertise and experience into our business, supported by a newly refined strategy, means we remain well positioned to deliver value for all stakeholders in the years to come.

*MARKET BACKDROP*

Over the last financial year, companies around the globe have taken steps to return to normal life, post-pandemic. As confidence has returned, the global economy has shown signs of recovery. We have observed a progressive uptick in business sentiment and activity, driven by a recovery following the post-COVID unlocking of the global economy, and consequently we are experiencing further demand for our services.

However, trading conditions in the second half of the financial year have been more volatile as central banks grappled with sustained inflationary pressures, compounded by growing geopolitical tensions and Russia's invasion of Ukraine. Our service-led offering and approach to market risk - a key differentiator that has served us well since inception - has once again positioned the Company strongly in challenging markets. Our policy of matching every trade with a blue-chip institutional counterparty continues to be effective in eliminating residual proprietary market risk.

Volatility does, however, present opportunities for our clients. It has led to them not only trading more frequently with higher notional values, but also hedging for a longer tenor. These themes have allowed the Company to grow its breadth and depth of customer relationships that will be further enhanced by our evolving service offering, with notable new launches due in the current financial year. In addition, as interest rates rise, we expect that this trend will continue into FY23 and beyond.

Although volatility can be beneficial, it is our high levels of customer service and ability to meet client needs in any market environment that defines Argentex.

We recognise that our industry does not stand still, which is why we are continuing to invest in our people, global reach and technological capabilities. As a result, we are more agile in our ability to deliver for clients and their changing needs and requirements, irrespective of the trading environment.

The opportunity in the $6.6tn a day global foreign exchange market is vast. Our specialist, high touch, personalised service and superior pricing enables us to continue accumulating market share from incumbent banks, which account for 85% of the cross-border market. We continue to position ourselves to attract new clients in need of specialist, often sophisticated, commercial FX services.

*FINANCIAL AND STRATEGIC PROGRESS*

Our performance has been driven by our commitment to providing high-quality outcomes for our clients. Businesses across all sectors continue to identify Argentex as a trusted partner for their trading requirements against a dynamic market backdrop. As companies are rebuilding confidence in the post-Covid era, a record 528 new clients traded with the Group this year (2021: 499). The launch of our new online platform in H2 led to a record number of clients trading online during the period and we expect this demand to continue. Our client mix across industries, showcases the high-quality and diverse nature of our book with revenue concentration further reducing, as our top 20 clients now make up 36% of total revenue (2021: 41%).

In order to maximise the significant market opportunity ahead, we have evolved our strategy around three growth pillars: *people, technology and international expansion*. We are confident these long-term focus areas will deliver deeper and more sustainable growth into the future as our client demand broadens, and we make strides towards becoming a technology-enabled financial services provider with foreign exchange at its core.

We have made good progress with each pillar:

- The strategic investment in strengthening our team at all levels continued during the year. Not only have we attracted senior leaders in finance, operations, compliance and risk to broaden our expertise and help drive our new strategy forward, we expect our front office capability to grow over the medium term, such that we are expanding the footprint of our London office. We have also fulfilled our commitment to building out our trading, execution and relationship management teams, recruiting 19 new hires across the Group with 4 in the Netherlands. We continue to optimise the service we provide to clients.

- The momentum behind the broadening of the Group's geographic reach continues to build as we seek to unlock new markets and revenue sources in highly regulated geographies where there is latent demand for our products and services. The business in the Netherlands is trading well and in line with expectations, just 24 months since inception. We have also onboarded a management team in Australia and, once the customary regulatory approvals have been obtained, expect to begin trading during the first half of FY23.

- In February 2022 we launched our online platform enhancements. We are now poised to add future products which will further enhance our customers' experience. In addition, our structured solutions product - catering for clients with more complex needs - continues to grow and is now responsible for 3% of total revenue (2021: 1%). The Board's decision to accelerate investment in our platform should allow for a more agile and efficient business, able to take on smaller clients and take a greater share of client wallets over time.

*CHANGE IN ACCOUNTING PERIOD END*

Historically, the Group has experienced its most active quarter in the final quarter of its financial year, i.e. for the quarter ending on 31 March, and therefore our results have always been strongly weighted towards the second half of the financial year. The Board believes that the Group would benefit from a change of financial year to 31 December which would address this imbalance. The Board therefore announces its intention to change the Group's financial year end from 31 March to 31 December. Argentex therefore intends to present its next unaudited interim results for the 6 months ended 30 September 2022 in November 2022 and its next audited final results for the 9 months ended 31 December 2022 no later than April 2023. From the beginning of calendar year 2023, interim and final results will then be prepared for the 6 month period to 30 June and 12 month period to 31 December.

*PRIORITY GROWTH AREAS*

*Investment in people*

Investment in our people has always been central to our success. We remain committed to ensuring our sales team has the resources to unlock opportunities, while simultaneously bolstering our senior management and operational teams to promote sustainable growth.

The period has been the first full financial year since Jo Stent, Chief Financial Officer, joined the Company (February 2021). Her experience has helped rebuild the finance function, while also innovating the ways in which we drive shareholder value. More recently, the Group has made two further significant leadership team hires with David Christie joining as Chief Operating Officer (March 2022), and David Winney as Global Chief Compliance and Risk Officer (April 2022).

As our client-led expansion continues, driven by the aforementioned sales team hires, we have reorganised our internal sales team structure to a pod model, which drives accountability and performance transparency while also supporting clear progression across the team. To provide the infrastructure for this front office expansion, the Company is expecting to increase its footprint at our office in London.

We continue to attract high-quality, experienced individuals and we are proud that our graduate scheme continues to be effective in helping us identify and channel early-stage talent into our business. We are passionate about investing in the next generation of financial services professionals, as part of our commitment to fostering organic growth and nurturing the future leaders of Argentex.

*International expansion*

We have continued to pursue opportunities in new markets as we transform Argentex from a single-product, single-office business into a multi-product, global business. Over the period, this internationalisation has been bolstered particularly by the establishment of on-the-ground presence in our chosen global markets. I'm delighted that this strategy is starting to bear fruit and contribute to Group revenue.

The Amsterdam office, the EU headquarters of Argentex, continues to grow in line with expectations. The team has delivered positive half-on-half revenue growth since inception
in January 2020, helped by a doubling of front-office staff to 8. We look forward to seeing the momentum behind the office and client growth build over time.

Furthermore, the Company's planned entry into the Australian market in FY23 and near-term commencement of trading is at an advanced stage, with key hires onboarded and customary regulatory approvals being sought. This remains a key objective in maximising growth opportunities outside our core UK and European markets.

*Evolving our technology*

Industry dynamics shift in alignment with client needs. Therefore, the strategic importance of a complementary tech-enabled service that gives clients optionality, flexibility and drives efficiency has grown. Over the period, Argentex has launched an enhanced online platform with a refreshed interface and intuitive navigation - the beginnings of a new, forward-looking technology strategy.  It will enable our clients to tailor the service levels they require as well as increasing functionality and driving real time engagement.

This optimised platform will be supported by a mobile responsive interface, providing further flexibility to the Group's client base and enabling us to take a greater share of client wallet. It will also seek to capture new customers and gain further international reach.

The platform has been rolled out to a subset of existing Argentex customers, with positive feedback and results. We're proud that our technology enhancements have helped us deliver a record month for the business in March 2022, with 391 trades completed (March 2021: 123 trades). We look forward to making the new trading and client service platform available to all customers in the current financial year.

The Company is now accelerating its investment in its proprietary platform and in-house capability. I expect this investment to increase efficiency of onboarding and monitoring of client activity and trends. It is also likely to be recognised in our financial results over the shorter term, with a positive return on investment over the medium term as volume of trades and revenues increase.

This recent phase of investment constitutes the first in a planned suite of proprietary tech-enabled product enhancements. It is a sure step forward in the Company's journey towards becoming a technology-led financial services provider, with improved client accessibility, experience and scope to broaden our product offer. The continued digitisation of the platform will support the Group's aims to create a more efficient and scalable platform with diversified revenues to help drive profitable growth.

*SUSTAINABILITY STRATEGY*

We are committed to putting the right focus on environment, social and governance issues to support our growth and yield greater business benefits. Our sustainability strategy is centred around three key pillars: People, Partners and the Planet.  We have outlined our intentions and look forward to reporting on progress against our goals in the months and years ahead.

*OUTLOOK*

Argentex is a growing company in a dynamic industry. We have clear ambitions to continue to grow our top-line and continuously attract market-leading talent, supporting our overall performance despite an uncertain market backdrop.

We are embracing the digital revolution and the transformative effect it is having on the financial services industry. By continuing to invest in our technology to ensure our capabilities meet the increasingly digitalised requirements of our stakeholders, we're confident we will continue to deliver value to our clients and shareholders.

The end-to-end review of our entire business that was undertaken this year has shone a spotlight on where opportunities exist for us to scale up our activity, and consequently, our ambitions for Argentex. We are strongly capitalised with sufficient financial flexibility to support us as we pursue our growth ambitions and continue to build market share in this very large and exciting sector.

The Board remains confident that the level of revenue growth will continue as expected in FY23 with associated enhanced quality of earnings over the medium term.

The combination of the above initiatives are expected to generate a strong return on investment in the medium term through growth in revenues, boost in profitability and improvement in earnings quality.

I would like to thank our employees, business partners and shareholders for their continued support. I look forward to sharing more updates with you in the coming period.

Harry Adams
Chief Executive Officer

**Financial Review**

The 12 months to 31 March 2022 represented a pivotal year for Argentex. As referenced earlier, Harry Adams appointment as sole CEO in July 2021 initiated an end to end review of the Group's operations, resulting in an evolved strategy supported by three key growth pillars: people, technology and international expansion. Although these growth pillars are consistent with prior years, the redefined strategy identified an opportunity for technology to play a greater role in the delivery of our high touch customer service offering and enhance the Group's ability to prosper in the years ahead. This meant an increase in the Group's investment in software development (FY22: £1.7m, FY21: £1.2m), including an upgrade to the online platform. In addition, investment in people continued not only in the front office but in technology and operations, including at the senior executive level with the appointment of David Christie as COO.

At the same time, the Group delivered year on year revenue growth of 23%, adding 528 new traded corporates in the year (FY21 499) with 23% of revenue represented by new business. Adjusted operating margins improved modestly to 31.9% (FY21 30.9%), delivering an increase in earnings per share of 1.4p (operating margin was 30.1% (FY21: 27.8%)). The Group's robust approach to risk remains unchanged, which is demonstrably reflected in the consistently low instances of client default.

*FINANCIAL PERFORMANCE*

In FY22, revenues increased by 23% to £34.5m (2021: £28.1m). As has been the case in the past, revenue tends to be weighted towards the second half of the year with H2 revenues contributing 54% of total annual revenues. H1 delivered a higher year on year growth in percentage terms compared to H2, (H1 33%, H2 15%) however this was driven by the impact of the pandemic on H1 FY21 in particular, where the Group witnessed a significant slow-down in trading volumes as many customers adjusted to a markedly different set of macro factors. The total number of corporate clients traded in FY22 was 1624, representing an increase of 17% on the prior year. 528 of these represent new customers, in turn demonstrating strong customer acquisition.

Earnings of £7.4m in FY22 represents an increase of £1.5m or 25% versus FY21 (FY21 £5.9m). This increase in earnings coupled with the Group's strong balance sheet has enabled the continued investment in growth in line with the now evolved strategy across people, technology and international expansion. Overall, administrative expenses increased by £4.0m compared to FY21. This is primarily driven by the investment in people. Average headcount grew from 67 in FY21 to 86 in FY22 including directors, with headcount at 31 March 2022 surpassing 100. The front office: back office split remained broadly consistent year on year. We expanded international teams including 4 new hires in Holland across the year and the appointment of the management team in Australia in February 2022. In addition, we increased our investment in technology to £1.7m in FY22 (FY21 £1.2m) in support of our service-led customer offering. Our investment in technology, in line with our accounting policy, is capitalised on our balance sheet as an intangible asset and amortised over a three year period.

Operating profit increased 33% to £10.4m (FY21: £7.8m). Adjusted operating profit of £11m (FY21: £8.7m) excludes £0.6m (FY21: £0.9m) of one-off items that do not form part of ongoing operating costs. In line with our accounting policy as stated on page 122, these are made up of legal and other set up costs for overseas subsidiaries as well as restructuring costs.

Net earnings in FY22 were £7.4m, representing a year over year increase of £1.5m (FY21:£5.9m) resulting in a 1.4p increase in earnings per share to 6.6p.

*FINANCIAL POSITION*

Argentex views its ability to generate cash from its trading portfolio is a key indicator of performance within an agreed risk appetite framework. As at 31 March 2022, Argentex has cash and cash equivalents of £37.9m, an increase of £11.1m on prior year. 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 which is a change from historical practice. Historically, this has been included in cash and cash equivalents but disclosed specifically in the financial statements disclosure notes, and in FY22 any collateral placed with financial counterparties is now classified as £7.2m in other assets (FY21:£11.6m).

The Group generated £17.2m in cash from operating activities in FY22 (FY21 £10.8m). Of this amount, £6.2m relates to an increase in client balances held, as shown in payables of the financial statements. Of the remaining £11m in cash generated from operating activities, £1.7m was used to invest in technology including an enhanced online platform and a further £3.1m was returned to shareholders in the form of a dividend.

Cash generation from the Group's revenues is a function of i) the composition of revenues (spot, forward and option and swap revenues) and ii) the average duration of the FX forwards in the portfolio. To date, Argentex has generated revenues in a ratio of approximately 50:50 between spot and forward contracts outside of options and swap 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.

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 trades outside of option and swap trades being spot contracts in addition to forward contracts carrying a relatively short tenor on average. Over 75% of revenue converts to cash within 6 months. Excluding swap revenue, 85% of revenue converts to cash within 3 months which is consistent with prior years as follows:

*CASH CONVERSION*

| | **2022** | **2021** | **2020** | **2019** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| Revenues for the last 12 months | 34.5 | 28.1 | 29.0 | 21.9 |
| Revenues for the last 12 months (swap adjusted S/A) **(A)** | 31.5 | 27.2 | 27.6 | 20.4 |
| Less | | | | |
| *Revenues settling beyond 3 months S/A* | (4.6) | (3.1) | (4.0) | (2.4) |
| Net short-term cash generation **(B)** | 26.9 | 24.1 | 23.7 | 18.1 |
| Short term cash return **(B/A)** | 85% | 88% | 86% | 88% |

*PORTFOLIO COMPOSITION*

Argentex's client base continues to grow with an increase in corporate clients traded in the year to 1,624 (FY21: 1,385), and 528 of these corporate 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, as at the year-end over 80% of the Group's portfolio was comprised of trades in those currencies and hence the Group's exposure to exotic currencies or currencies with higher volatility and less liquidity remains significantly limited. Further, client concentration has declined year on year with 36% of revenue represented by the top twenty customers, a reduction to the prior year (FY21 41%).

Argentex has put in place a low risk approach to managing collateral requirements with institutional counterparties to mitigate significant volatility risk which, when coupled with a selective and robust client acceptance process, has ensured that Argentex continues to avoid any material issues over settlement. In addition, as a result of a conservative approach to risk, Argentex continues to enjoy immaterial occurrence of bad debt.

*CHANGE IN FINANICAL REPORTING PERIOD*

In line with the Group's transition to a global financial solutions provider, the financial reporting timetable will move to a calendar year with the first new reporting period ending 31 December 2022.

*DIVIDEND*

Argentex is pleased to declare a final dividend for the year ended 31 March 2022 of 1.25p per share. The final dividend record date will be 26th August 2022 and will be paid on 26th September 2022. The ex-dividend date is 25th August 2022. Together with the interim dividend paid on 7th January 2022 of 0.75p per share, this brings the total amount of dividend payable for the year to 2p per share, in line with prior years.

Jo Stent
Chief Financial Officer

## Consolidated Statement of Profit or Loss and other comprehensive income for the year ended 31 March 2022

| | Notes | 2022<br>£m | 2021<br>£m |
|---|---|---|---|
| Revenue | 5 | **34.5** | 28.1 |
| Cost of sales | | **(0.6)** | (0.5) |
| **Gross profit** | | **33.9** | 27.6 |
| Administrative expenses | | **(22.9)** | (18.9) |
| **Adjusted operating profit** | 2.13 | **11.0** | 8.7 |
| Non-adjusted expenditure | 8 | **(0.4)** | (0.7) |
| Share-based payments charge | 22 | **(0.2)** | (0.2) |
| **Operating profit** | | **10.4** | 7.8 |
| Finance costs | 11 | **(0.4)** | (0.4) |
| **Profit before taxation** | | **10.0** | 7.4 |

| | | | |
|---|---|---|---|
| Taxation | 12 | **(2.6)** | (1.5) |
| **Profit for the year and total comprehensive income** | | **7.4** | 5.9 |
| **Earnings per share** | | | |
| Basic | 13 | 6.6p | 5.2p |
| Diluted | 13 | 6.6p | 5.2p |
| *Adjusted - Basic* | 13 | 7.0p | 5.9p |
| *Adjusted - Diluted* | 13 | 7.0p | 5.9p |

## Consolidated Statement of Financial Position as at 31 March 2022

| | Notes | 2022 £m | 2021 £m (restated)[1] | 2020 £m (restated)[1] |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | 14 | 2.2 | 1.7 | 1.8 |
| Property, plant and equipment | 15 | 8.3 | 9.1 | 0.2 |
| Derivative financial assets | 16 | 3.1 | 3.8 | 8.2 |
| Total non-current assets | | 13.6 | 14.6 | 10.2 |
| **Current assets** | | | | |
| Trade and other receivables | 16 | 0.6 | 0.6 | 0.3 |
| Cash and cash equivalents | 17 | 37.9 | 26.8 | 22.7 |
| Other assets | 28 | 7.2 | 11.6 | 26.5 |
| Derivative financial assets | 16 | 38.0 | 38.7 | 34.5 |
| Total current assets | | 83.7 | 77.7 | 84.0 |
| **Current liabilities** | | | | |
| Trade and other payables | 18 | (34.2) | (28.5) | (36.5) |
| Derivative financial liabilities | 18 | (21.6) | (27.1) | (27.9) |
| Total current liabilities | | (55.8) | (55.6) | (64.4) |
| **Net current assets** | | 27.9 | 22.1 | 19.6 |
| **Non-current liabilities** | | | | |
| Trade and other payables | 18 | (6.0) | (5.9) | - |
| Derivative financial liabilities | 18 | (2.3) | (2.1) | (4.9) |

| | | | | |
|---|---|---|---|---|
| Total non-current liabilities | | (8.3) | (8.0) | (4.9) |
| **Net assets** | | 33.2 | 28.7 | 24.9 |
| **Equity** | | | | |
| Share capital | 20 | 0.1 | 0.1 | 0.1 |
| Share premium account | 21 | 12.7 | 12.7 | 12.7 |
| Share option reserve | 22 | 0.4 | 0.2 | - |
| Merger reserve | 21 | 4.5 | 4.5 | 4.5 |
| Retained earnings | 21 | 15.5 | 11.2 | 7.6 |
| **Total Equity** | | 33.2 | 28.7 | 24.9 |

1) Restatements relate to disclosure formats of derivative netting and cash collateral. There is no impact on net assets. See note 28.

## Consolidated Statement of Changes in Equity for the year ended 31 March 2022

| | Share capital | Share premium | Share option reserve | Merger reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **Balance at 1 April 2020** | **0.1** | **12.7** | **-** | **4.5** | **7.6** | **24.9** |
| *Comprehensive income for the year* | | | | | | |
| Profit for the year | - | - | - | - | 5.9 | **5.9** |
| **Total comprehensive income for the year** | - | - | - | - | 5.9 | **5.9** |
| *Transactions with owners:* | | | | | | |
| • Dividends paid | - | - | - | - | (2.3) | **(2.3)** |
| • Share-based payments charge | - | - | 0.2 | - | - | **0.2** |
| **Balance at 31 March 2021** | **0.1** | **12.7** | **0.2** | **4.5** | **11.2** | **28.7** |
| *Comprehensive income for* | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| *the year* | | | | | | |
| Profit for the year | - | - | - | - | 7.4 | **7.4** |
| **Total comprehensive income for the year** | - | - | - | - | 7.4 | **7.4** |
| *Transactions with owners:* | | | | | | |
| • Dividends paid | - | - | - | - | (3.1) | **(3.1)** |
| • Share-based payments charge | - | - | 0.2 | - | - | **0.2** |
| **Balance at 31 March 2022** | **0.1** | **12.7** | **0.4** | **4.5** | **15.5** | **33.2** |

## CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 March 2022

| | Notes | 2022 £m | 2021 £m[1] *restated* |
|---|---|---|---|
| Profit before taxation | | 10.0 | 7.4 |
| Taxation paid | | (2.2) | (2.1) |
| Net finance expense | | 0.4 | 0.4 |
| Depreciation of property, plant and equipment | | 0.5 | 0.2 |
| Depreciation of right of use assets | | 0.8 | 0.8 |
| Amortisation of intangible assets | | 1.2 | 1.3 |
| Share-based payment charge | | 0.2 | 0.2 |
| Decrease in receivables | | - | (0.3) |
| Increase/(decrease) in payables | | 5.8 | (8.6) |
| Decrease in derivative financial assets | | 1.4 | 0.2 |
| (Decrease) in derivative financial liabilities | | (5.3) | (3.6) |
| Decrease in other assets | | 4.4 | 14.9 |
| **Net cash generated from operating activities** | | 17.2 | 10.8 |
| **Investing activities** | | | |
| Purchase of intangible assets | 14 | (1.7) | (1.2) |
| Purchases of plant and equipment | 15 | (0.4) | (2.7) |
| **Net cash used in investing activities** | | (2.1) | (3.9) |
| **Financing activities** | | | |

| | | | |
|---|---|---|---|
| Payments made in relation to lease liabilities | 19 | (0.9) | (0.5) |
| Dividends paid | 10 | (3.1) | (2.3) |
| **Net cash used in financing activities** | | (4.0) | (2.8) |
| **Net increase in cash and cash equivalents** | | 11.1 | 4.1 |
| Cash and cash equivalents at the beginning of the year | | 26.8 | 22.7 |
| **Cash and cash equivalents at the end of the year[1]** | 17 | 37.9 | 26.8 |

1)Collateral deposits removed from prior year cash and cash equivalents total and derivative financial assets and liabilities updated to reflect netting. Further details given in Note 28.

## 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 is 25 Argyll Street, London, W1F 7TU.

On 25 June 2019, the Company listed its shares on AIM, the London Stock Exchange's market for small and medium size growth companies ("the IPO").

The Company is the ultimate parent company into which the results of all subsidiaries are consolidated. The Consolidated Financial Statements for the years ended 31 March 2022 and 31 March 2021 comprise the financial statements of the Company and its subsidiaries (together, "the Group").

The Consolidated Financial Statements are presented in Pounds Sterling (£), which is the currency of the primary economic environment in which the Group operates.

## 2 Significant accounting policies

The principal accounting policies are summarised below.

### 2.1 Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements are set out below. The policies have been consistently applied to all of the years presented, unless otherwise stated.

The Consolidated Financial Statements have been prepared under the historical cost convention, modified by the measurement at fair value of certain financial assets and liabilities and derivative financial instruments as stated in note 2.7.

The Group has reviewed its relationship with counterparty banks and as a result, restated its derivative financial assets, derivative financial liabilities and cash and cash equivalents FY21 and FY20 balances on the Consolidated Statement of Financial position. Further details given on note 28.

**2.2 Adoption of new and revised standards**

In the prior year, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended because of the interest rate benchmark reform.

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group has not restated the prior period. Instead, the amendments have been applied retrospectively with any adjustments recognised in the appropriate components of equity as at 1 April 2021. Implementation had no material impact on the Group.

No upcoming changes under IFRS are likely to have a material effect on the reported results or financial position. Management continues to monitor upcoming changes.

**2.3 Going concern**

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and have assessed the Group's prospects over a 12 months period from the approval date of these Consolidated Financial Statements. The Group's principal trading subsidiary, Argentex LLP, has been profitable since inception in 2011, the Group has no external debt, and the LLP continues to generate sufficient cash to support the activities of the Group. Budgets and cash flow forecasts are prepared to cover a variety of scenarios and are subsequently reviewed by the Directors to ensure they support the Group's continuing ability to operate as a going concern.

Sensitivity analysis has been performed in respect of specific scenarios which could negatively impact the future performance of the Group, including lower levels of revenue, compression in profitability margins, extensions to the Group's working capital cycle, and significant increases in volatility requiring further collateral to be placed with the Group's institutional counterparties.

In addition, the Directors have also considered mitigating actions such as lower capital expenditure and other short-term cash management activities within their control (see note 23.3 for further disclosures relating to liquidity risk).

The Board of Directors is confident that in context of the Group's financial requirements these measures give sufficient liquidity to the Group to ensure that the Group can withstand significant shocks, whilst remaining as a going concern for the next twelve months from the date of approval of the Directors' report and financial statements.

For these reasons, the Directors adopt the going concern basis of accounting in preparing these financial statements.

### 2.4 Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 31 March each year. Control is achieved where the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration the existence and effect of potential voting rights that currently are exercisable or convertible.

The Consolidated Financial Statements comprise the Company and the results, cash flows and changes in equity of the following subsidiary undertakings:

| Name of undertaking | Nature of business | Country of incorporation |
|---|---|---|
| Argentex LLP | Foreign exchange broking | England |
| Argentex Capital Limited | Holding company | England |
| Argentex Foreign Exchange Limited | Holding Company | England |
| Argentex B.V. | Inactive pending regulatory authorisation | Netherlands |
| Argentex PTY Ltd | Inactive pending regulatory authorisation | Australia |

All subsidiary undertakings are owned 100% either directly or indirectly by Argentex Group PLC.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

### 2.5 Accounting for merger on formation of the Group

In June 2019, immediately prior to the Company's admission to AIM, Argentex Group PLC acquired all equity interests in Argentex LLP. This was effected through the acquisition of equity interests by a newly formed subsidiary, Argentex Capital Limited, and the acquisition of Pacific Foreign Exchange Limited (now Argentex Foreign Exchange Limited). Argentex LLP, Argentex Capital Limited and Argentex Foreign Exchange Limited are 100% owned (either directly or indirectly) subsidiaries of Argentex Group PLC and consolidated into these financial statements.

In applying merger accounting when preparing these Consolidated Financial Statements, to the extent the carrying value of the assets and liabilities acquired under merger accounting is different to the cost of investment, the difference is recorded in equity within the merger reserve.

### 2.6 Revenue recognition

Revenue represents the difference between the cost and selling price of currency and is recognised after receiving the client's authorisation to undertake a foreign exchange transaction for immediate or forward delivery. Derivative assets and liabilities are initially measured at fair value at the date the derivative contract is entered into and are subsequently remeasured to fair value at each financial period end date. The resulting gain or loss is recognised within revenue immediately.

The difference between the costs and selling price of currency is recognised as revenue as this reflects the consideration to which the Group expects to be entitled in exchange for those services.

In relation to currency options, the Group recognises the net option premium receivable as revenue on the date that the option is executed. The execution date is when a binding contract is entered into with the client. The revenue is fixed and determined representing the difference between the premium paid by the client and the premium paid by the Group to its banking counterparties.

### 2.7 Financial instruments

The Group operates as a riskless principal deliverable foreign exchange broker therefore financial instruments are significant to its financial position and performance.

#### 2.7.1 Initial recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### 2.7.2 Derivative financial instruments

Forward foreign exchange contracts and foreign exchange options are classified as financial assets and liabilities at fair value through profit or loss (FVTPL). Derivative assets and liabilities are initially measured at fair value at the date the derivative contract is entered into and are subsequently remeasured to fair value at each financial period end date. The resulting gain or loss is recognised within revenue immediately. The Group does not apply hedge accounting.

A derivative with a positive fair value is recognised as a financial asset and a derivative with a negative fair value is recognised as a financial liability. Where there is a legally enforceable right to set off the recognised amounts and an intention to settle on a net basis or to realise the asset and the liability simultaneously, financial assets and financial liabilities are offset, and the net amount presented in the statement of Financial Position. Management have presented the derivative assets and liabilities with banking and brokerage counterparties and with clients on a gross basis.

### 2.7.3 Foreign exchange gains and losses on derivative financial assets and liabilities

Assets and liabilities are measured at their fair value based on the transaction price agreed with the customer or counterparty and their observable fair value in the foreign exchange market, and any assets or liabilities in a foreign currency are revalued at the balance sheet date. Management consider the potential impact of exchange rate movements on positions held to be immaterial as substantially all of the Group's positions are fully matched with a number of counterparty banks.

### 2.7.4 Derecognition of derivative financial assets and liabilities

The Group derecognises derivative financial assets and liabilities when they reach maturity and the contractual cashflows are exchanged between the client and the Group or the Group and the institutional counterparty. At this point, the assets and liabilities have expired and the obligations of the Group, the client and the institutional counterparty have been discharged.

### 2.7.5 Amortised cost and effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial liability or debt instrument.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financial asset or liability.

The Group has not purchased or originated any credit-impaired financial assets.

### 2.7.6 Classification of financial assets

Recognised financial assets within the scope of IFRS 9 are required to be classified as subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL) on the basis of both the Group's business model and the contractual cash flow characteristics of the financial assets.

### 2.7.7 Financial assets at FVTPL

Forward foreign exchange contracts and foreign exchange options are measured at FVTPL (see note 24).

Other financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL (see note 24).

Fair value is determined in the manner described in note 24.

### 2.7.8 Other financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Cash held as collateral with banking counterparties is shown as other assets on the Consolidated Statement of Financial Position.

### 2.7.9 Impairment of financial assets

The Group has applied the simplified approach in IFRS 9 to measure applicable loss allowances at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The Group writes off receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over two years past due, whichever occurs earlier.

### 2.7.10 Derecognition of other financial assets

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

### 2.7.11 Classification of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest rate method or at FVTPL.

### 2.7.12 Financial liabilities at FVTPL

Derivative financial liabilities are automatically held at FVTPL. Other financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss.

Fair value is determined in the manner described in note 24.

### 2.7.13 Other Financial liabilities

Other financial liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

The Group holds amounts payable to customers at amortised cost. These are short term balances that do not attract interest.

### 2.7.14 Derecognition of other financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### 2.8 Cash and cash equivalents

For the purpose of presentation in the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand or deposits held at call with financial institutions. Cash and cash equivalents includes client funds disclosed in note 17.

### 2.9 Leases

At inception of a contract the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of the identified asset the Group considers whether:

1. The Group has the right to operate the asset
2. The Group designed the asset in a way that predetermines how and for what purpose it will be used.

In accordance with IFRS 16, lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. It is remeasured when there is a change in future lease payments arising from a change in rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, either a corresponding adjustment is made to the carrying amount of the right of use asset and the revised carrying amount is amortised over the remaining (revised) lease term, or it is recorded in the statement of profit or loss if the carrying amount of the right to use assets has been reduced to zero.

Right of use assets are initially measured at the amount of the lease liability.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if judged to be shorter than the lease term.

### 2.10 Intangible assets and amortisation

Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured.

Software development costs comprise the Group's bespoke dealing system. Costs that are directly associated with the production of identifiable and unique dealing system controlled by the Group, and are probable of producing future economic benefits, are recognised as intangible assets. Direct costs of software development include employee costs and directly attributable overheads.

Costs are capitalised to the extent that they represent an improvement, enhancement or update to the intangible asset. Maintenance costs are expensed through the Consolidated Statement of Comprehensive Income.

Amortisation is charged to the statement of Consolidated Statement of Comprehensive Income over the estimated useful live of three years of the dealing system from the date developments are available for use, on a straight-line basis.

The amortisation basis adopted reflects the Group's consumption of the economic benefit from that asset.

**2.11 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets to their residual values, over their estimated useful lives, using the straight-line method, on the following bases:

| | | |
|---|---|---|
| Office equipment | - | Three to five years |
| Computer equipment | - | Three years |
| Leasehold improvements | - | Over the period of the lease |
| Right of use assets | - | Over the period of the lease |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**2.12 Foreign currencies**

Non-derivative monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**2.13 Adjusted operating profit**

The Group presents adjusted operating profit as an Alternative Performance Measure on the face of the Consolidated Statement of Comprehensive Income. Adjusted operating profit excludes those items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to align with management's evaluation of financial performance in the year. Non-adjusted expenditure will typically relate to one off costs and structural set up costs.

Adjusted operating profit also excludes the share-based payments charge due its non-trading nature.

**2.14 Employee benefits**

*(i) Short term benefits*

Short term employee benefits including holiday pay and annual bonuses are accrued as services are rendered.

*(ii) Defined contribution pension plans*

The Group operates a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

### 2.15 LLP Members' remuneration

LLP Members' remuneration is determined by reference to the nature of the participation of rights of Members of Argentex LLP, the Group's main trading subsidiary. It includes both remuneration where there is a contract of employment and any profits that are automatically divided between members by virtue of the members' agreement, to the extent that the Group does not have an unconditional right to avoid payment. To the extent that these profits remain unpaid at the year end, they are shown as liabilities in the Consolidated Statement of Financial Position.

### 2.16 LLP Members' interests

LLP equity capital is only repaid to outgoing members in accordance with the provision in the Members' Deed where the Group has both sufficient capital for FCA regulatory requirements, and the capital is replaced by new capital contributions from existing or new members. As such it is accounted for as equity.

Other amounts due to Members classified as a liability relate to undistributed profits and Members' taxation reserves.

### 2.17 Share-based payments

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of share options, is recognised as an employee benefit expense in the Consolidated Statement of Comprehensive Income . Where the entity settling the share options differs from the entity receiving the benefit of the share options (in the form of employee services), the entity's separate financial statements reflect the substance of the arrangement.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non-market-based vesting conditions) at the date of grant.

At the end of each reporting period the assumptions underlying the number of awards expected to vest are adjusted for the effects of non market-based vesting conditions to reflect the conditions prevailing at that date. The impact of any revisions to the original estimates is recognised in the Consolidated Statement of Comprehensive Income , with a corresponding adjustment to equity. Fair value is measured by the use of a Black-Scholes option pricing model.

When share options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

### 2.18 Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

Tax currently payable is based on taxable profit for the year. Taxable profit may differ from operating profit as reported in the Consolidated Statement of Comprehensive Income as it may exclude items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the date of the Consolidated Statement of Financial Position.

Deferred tax is calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable future taxable profits will be available against which the temporary differences can be utilised.

## 3 Critical accounting judgements and key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### 3.1 Accounting judgements

(i) Capitalisation of costs to intangible assets

The extent to which costs should be capitalised to intangible assets is a key judgement. The Group capitalise costs as intangible assets if they have a value that will benefit the performance of the Group over future periods.

(ii) Derivative financial asset and liability netting

Management have assessed the classification and presentation of derivative transactions and determined that although the Group has a legal right of offset of such assets and liabilities in certain circumstances, it does not have the intent in all cases to settle such transactions on a net basis.

### 3.2 Key sources of estimation uncertainty

Useful economic life of intangible assets (see note 14)

Technology within the financial services sector is in a perpetual state of development and evolution, providing uncertainty over the useful economic life of the Group's bespoke dealing system. Extending the estimated useful life of the intangible costs from 3 years to 4 years would result in increased operating profit of £0.7m (2021: £0.5m), decreasing the estimated useful life from 3 years to 2 years would result in decreased operating profit of £1.6m (2021: £1m).

## 4 Segment reporting

The Directors consider that the Group consists of a single operating segment (being Argentex LLP's foreign currency dealing business) and that it operates in a market that is not bound by geographical constraints.

There is no reliance on an individual customer and no customer contributed to more than 10 per cent of revenues in the year ended 31 March 2022 or 31 March 2021.

## 5 Revenue

| An analysis of the Group's revenue is as follows: | 2022 £m | 2021 £m |
|---|---|---|
| **Continuing operations** | | |
| Spot foreign exchange contracts | 6.4 | 9.1 |
| Forward foreign exchange contracts | 27.2 | 18.1 |
| Option premiums | 0.9 | 0.9 |
| | 34.5 | 28.1 |

## 6 Operating profit

| Operating profit for the period is stated after charging: | 2022 £m | 2021 £m |
|---|---|---|
| Depreciation of plant and equipment | 0.5 | 0.2 |
| Depreciation of Right of Use assets | 0.8 | 0.8 |
| Amortisation of intangibles | 1.2 | 1.3 |
| Staff costs (see note 9) | 15.2 | 12.6 |
| Net foreign exchange (gains)/losses | (0.2) | 0.5 |

## 7 Auditor's remuneration

| Fees payable to the Group's auditor and its associates for services to the Group: | 2022 £m | 2021 £m |
|---|---|---|
| The audit of financial statements of the Group and subsidiaries | 0.2 | 0.1 |
| Other assurance and advisory services | 0.1 | - |

## 8 Non-adjusted expenditure

The Directors have classified certain costs as non-adjusted in accordance with the accounting policy set out in note 2.13. These costs amount to £0.4m (2021: £0.7m) and for 2022 relate to: i) costs related to the creation of and regulatory applications for overseas operations and; ii) fees incurred in the year in relation to Director changes in the Group.

In 2021, non-adjusted expenditure related to: i) moving the Group's headquarters which are ineligible for capitalisation; ii) staff costs in relation to Director changes in the Group and iii) costs related to the creation of and regulatory applications for overseas operations.

Costs relating to the creation of overseas operations are infrequent despite inclusion in FY21 and FY22 as these costs will not be recurring once the operations are fully functional. The director change costs are non-recurring and inclusion in both FY21 and FY22 is due to the timing of the change.

## 9 Staff costs

The average number of employees employed by the Group, including executive and non-executive directors, was:

| | 2022 Number | 2021 Number |
|---|---|---|
| Directors | 8 | 8 |
| LLP members (excl. executive directors) | 6 | 4 |
| Sales and dealing | 45 | 37 |
| Operations | 27 | 18 |
| | **86** | **67** |

| | 2022 £m | 2021 £m |
|---|---|---|
| Staff costs for the above persons were: | | |
| Wages and salaries | 8.4 | 7.2 |
| Social security costs | 0.9 | 0.9 |
| Pension costs | 0.1 | 0.1 |
| Share-based payments | 0.2 | 0.2 |
| LLP members' remuneration* | 4.1 | 3.2 |
| Directors' remuneration | 1.5 | 1.0 |
| | **15.2** | **12.6** |

**Directors' remuneration**

| | 2022 £m | 2021 £m |
|---|---|---|
| Directors' remuneration comprised: | | |
| Salaries and LLP members' remuneration | 1.5 | 1.0 |

*Excludes Directors of Argentex Group PLC who are/were also members of Argentex LLP.

Prior to IPO, profits from Argentex LLP were distributed according to individual equity holdings in the LLP. Following Admission, the self-employed LLP members who are members of the LLP Executive Committee will be remunerated under the Amended and Restated LLP Agreement by a combination of (i) fixed annual remuneration (ii) participation in revenue commission schemes (iii) annual bonuses and (iv) other variable compensation based on the LLPs performance.

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group, or in relation to the Company. In the opinion of the Board, the Group and Company's key management are the Directors of Argentex

Group plc. Information regarding their compensation is provided in the Remuneration Committee report.

## 10 Dividends

| | 2022 £m | 2021 £m |
|---|---|---|
| *Amounts recognised as distributions to equity holders:* | | |
| Final Dividend for the year ended 31 March 2021 of 2p per share (2021: Dividend for the year ended 31 March 2020 of 2p per share) | 2.3 | 2.3 |
| Interim dividend declared of 0.75p per share (2021: nil) | 0.8 | - |
| | **3.1** | **2.3** |
| Proposed Final Dividend for the year ended 31 March 2022 of 1.25p per share (2021: 2p per share) | **1.5** | **2.3** |

## 11 Finance costs and finance income

| | 2022 £m | 2021 £m |
|---|---|---|
| Interest on lease arrangements | 0.4 | 0.4 |
| Finance Costs | 0.4 | 0.4 |

Total interest expense for financial liabilities that are not at fair value through profit or loss is equal to the amount of interest payable disclosed above.

## 12 Taxation

| | 2022 | 2021 |
|---|---|---|
| | £m | £m |
| **Current tax** | | |
| In respect of the current year | 2.6 | 1.5 |
| Total tax expense for the year | **2.6** | **1.5** |

Tax has been calculated using an estimated annual effective tax rate of 19% (2021: 19%) on profit before tax. The UK main rate of corporation tax is set to increase to 25% for Financial Year 2023.

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

| | 2022 | 2021 |
|---|---|---|
| | £m | £m |
| Profit before taxation | 10.0 | 7.4 |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 19% | 1.9 | 1.4 |
| Effects of: | | |
| Other amounts charged | 0.6 | 0.1 |
| Adjustments in respect of prior period | 0.1 | - |
| Total tax expense for the year | **2.6** | **1.5** |

Other items charged relate to adjustments for tax purposes including non-allowable expenses and capital allowances.

### 13 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 as described further in note 2.13.

| | 2022<br>£ m | 2021<br>£ m |
|---|---|---|
| **Earnings** | | |
| Earnings for the purposes of basic and diluted earnings per share | | |
| - basic and diluted | 7.4 | 5.9 |
| *Adjustments for:* | | |
| Non-adjusted expenditure | 0.4 | 0.7 |
| Shared based payments | 0.2 | 0.2 |
| Tax impact | (0.1) | (0.1) |
| Adjusted earnings (basic and diluted) | 7.9 | 6.7 |

**Number of shares**

The calculation of basic and earnings per share is based on the following number of shares (m).

| | 2022 | 2021 |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 113.2 | 113.2 |
| Number of dilutive shares under option | 0.2 | 0.1 |
| Weighted average number of ordinary shares for the purposes of dilutive earnings per share | 113.4 | 113.3 |
| **Earnings per share** | | |
| Basic | **6.6p** | **5.2p** |
| Diluted | **6.6p** | **5.2p** |
| Adjusted - Basic | **7.0p** | **5.9p** |
| Adjusted - Diluted | **7.0p** | **5.9p** |

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options. A calculation is performed to determine the number of share options that are potentially dilutive based on the number of shares that could have been acquired at fair value, considering the monetary value of the subscription rights attached to outstanding share options.

## 14 Intangible fixed assets

| | Software development costs £ m |
|---|---|
| **Cost** | |
| At 1 April 2020 | 4.5 |
| Additions | 1.2 |
| At 31 March 2021 | 5.7 |
| Additions | 1.7 |
| At 31 March 2022 | 7.4 |
| **Amortisation** | |
| At 1 April 2020 | 2.7 |
| Charge for year | 1.3 |
| At 31 March 2021 | 4.0 |
| Charge for year | 1.2 |
| At 31 March 2022 | 5.2 |
| **Net book value** | |
| At 31 March 2022 | 2.2 |
| At 31 March 2021 | 1.7 |

### 15 Property, plant and equipment

| | Leasehold improvements | Right of use Asset | Office equipment | Computer equipment | Total |
|---|---|---|---|---|---|
| | £ m | £ m | £ m | £ m | £ m |
| **Cost** | | | | | |
| At 1 April 2020 | 0.4 | 1.2 | 0.2 | 0.4 | 2.2 |
| *Additions* | *1.7* | *7.2* | *0.6* | *0.4* | *9.9* |
| *Disposals* | *(0.4)* | *(1.2)* | *(0.2)* | *(0.2)* | *(2.0)* |
| At 31 March 2021 | 1.7 | 7.2 | 0.6 | 0.6 | 10.1 |
| *Additions* | *0.1* | *0.1* | *0.2* | *0.1* | *0.5* |
| *Disposals* | - | - | - | - | - |
| At 31 March 2022 | 1.8 | 7.3 | 0.8 | 0.7 | 10.6 |
| **Depreciation** | | | | | |
| At 1 April 2020 | 0.4 | 1.1 | 0.2 | 0.3 | 2.0 |
| *Charge for the year* | *0.1* | *0.8* | - | *0.1* | *1.0* |
| *Disposals* | *(0.4)* | *(1.2)* | *(0.2)* | *(0.2)* | *(2.0)* |
| At 31 March 2021 | 0.1 | 0.7 | - | 0.2 | 1.0 |
| *Charge for the year* | *0.2* | *0.8* | *0.1* | *0.2* | *1.3* |
| *Disposals* | - | - | - | - | - |
| At 31 March 2022 | 0.3 | 1.5 | 0.1 | 0.4 | 2.3 |
| **Net book value** | | | | | |
| At 31 March 2022 | **1.5** | **5.8** | **0.7** | **0.3** | **8.3** |
| At 31 March 2021 | 1.6 | 6.5 | 0.6 | 0.4 | 9.1 |

Right of use Asset relates to head office lease disclosed in note 19.

## 16 Trade and other receivables

| | 2022 | 2021 |
|---|---|---|
| | £ m | £ m |
| | | *Restated[1]* |
| *Non-Current* | | |
| Derivative financial assets at fair value (note 23) | **3.1** | 3.8 |
| *Current* | | |
| Derivative financial assets at fair value (note 23) | **38.0** | 38.7 |
| Other debtors | 0.1 | 0.1 |
| Prepayments | 0.5 | 0.5 |
| Trade and other receivables | **0.6** | 0.6 |

## 17 Cash and cash equivalents

| | 2022 | 2021 |
|---|---|---|
| | | *Restated[1]* |
| | £ m | £ m |
| Cash and cash equivalents | 37.9 | 26.8 |

Included within cash and cash equivalents are client held funds relating to margins received and client balances payable (See note 18). 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 accounts.

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.

1) Please refer to note 28.

## 18 Trade and other payables

| | 2022 £ m | 2021 £ m *Restated[1]* |
|---|---|---|
| *Non-Current* | | |
| Derivative financial liabilities at fair value (note 23) | **2.3** | **2.1** |
| Provisions | 0.2 | 0.2 |
| Lease Liability (note 19) | 5.8 | 5.7 |
| Trade and other payables | **6.0** | **5.9** |
| *Current* | | |
| Derivative financial liabilities at fair value (note 23) | **21.6** | **27.1** |
| Amounts payable to clients | 24.9 | 18.7 |
| Other creditors | 0.1 | 0.7 |
| Corporation tax | 1.9 | 1.5 |
| Amounts due to members and former members of Argentex LLP | 2.8 | 3.8 |
| Accruals | 3.4 | 2.3 |
| Other taxation and social security | 0.3 | 0.3 |
| Lease liability (note 19) | 0.8 | 1.2 |
| Trade and other payables | **34.2** | **28.5** |

1) Please refer to note 28.

## 19 Leases

In May 2020, the Group signed a ten-year lease for its head office premises at Argyll Street, London. As a lessee, the Group has recognised a lease liability representing the present value of the obligation to make lease payments, and a related right of use (ROU) asset, in accordance with note 2.9. The rent is subject to a rent review after five years and contains a break clause at this same anniversary. The rate implicit in the lease is not evident and so the Group's incremental borrowing rates have been used. Management have assessed the incremental borrowing rate to be 6% (2021: 6%). Information about the lease liability is presented below:

| | 2022 £m | 2021 £m |
|---|---|---|
| Lease liability at beginning of financial year | 6.9 | - |
| Additions | 0.1 | 7.0 |
| Payments made in the year | (0.9) | (0.5) |
| Unwinding of finance costs | 0.5 | 0.4 |
| Lease liability at end of financial year | 6.6 | 6.9 |
| *Of which* | | |
| Current (note 18) | 0.8 | 1.2 |
| Non-current (note 18) | 5.8 | 5.7 |

Amounts recognised in the consolidated statement of comprehensive income is presented below:

| | 2022 £m | 2021 £m |
|---|---|---|
| Depreciation charge on right-of-use assets (note 15) | 0.8 | 0.8 |
| Interest on lease liabilities (note 11) | 0.4 | 0.4 |
| At 31 March | **1.2** | **1.2** |

## 20 Share Capital

| Allotted and paid up | Ordinary shares No. | Management shares No. | Nominal value £m |
|---|---|---|---|
| At 1 April 2021 and 31 March 2022 | 113,207,547 | 23,589,212 | 0.1 |

On 19 June 2019, 23,589,212 Management shares were issued with nominal value of £58,974 to establish the minimum allotted share capital for a public limited company. So long as there are shares of any other class in issue, Management shares have no voting rights or rights to receive dividends or other distributions of profit.

On 25 June 2019, 113,207,547 Ordinary shares of £0.0001 each were issued for trading on AIM at a price of 106p per share. 100,000,000 shares were issued to the former owners of Argentex LLP as part of the Group formation. Subsequently, the Group issued 13,207,547 at 106p per share, generating share premium of £13,988,679 before issuance costs.

## 21 Reserves

Details of the movements in reserves are set out in the Consolidated Statement of Changes in Equity. A description of each reserve is set out below.

**Share premium**

The share premium account is used to record the aggregate amount or value of premiums paid in excess of the nominal value of share capital issued, less deductions for issuance costs. Where an equity issuance is accounted for using merger relief, no share premiums are recorded.

**Merger reserve**

The merger reserve represents the difference between carrying value of the assets and liabilities acquired under merger accounting to the cost of investment (the fair value).

**Share Option reserve**

The Group operates a share option scheme that is explained in note 22 of these Consolidated Financial Statements. The Group recognises the services received from eligible scheme participants as charge through the Consolidated Statement of Profit or Loss, with the corresponding entry credited to the Share option reserve.

**Retained earnings**

Retained earnings are the accumulated undistributed profits of the Group that have been recognised through the Consolidated Statement of Profit or Loss, less amounts distributed to shareholders.

## 22 Share-based payments

The cost of group share-based employee compensation arrangements, whereby employees receive remuneration in the form of share options, is recognised as an employee benefit expense in the statement of profit or loss. Where the entity settling the share options differs from the entity receiving the benefit of the share options (in the form of employee services), the entity's separate financial statements reflect the substance of the arrangement.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market-based vesting conditions) at the date of grant.

At the end of each reporting period the assumptions underlying the number of awards expected to vest are adjusted for the effects of non market-based vesting conditions to reflect the conditions prevailing at that date. The impact of any revisions to the original estimates is recognised in the statement of profit or loss, with a corresponding adjustment to equity. Fair value is measured by the use of a Black-Scholes option pricing model.

When share options are exercised, the Group issues new shares.

In June 2019, the Group issued 311,311 share options under Part I of an approved Group share option plan ("CSOP") to participating employees. The share options have an exercise price of £1.06, being the IPO issue price, and vest three years after issuance. The fair value of these options at issuance has been derived using a Black-Scholes model, with expected volatility of 30%, based on derived volatilities of the AIM index and the similar listed entities to the Group. The risk free rate at the time of issuance was 0.54% for UK Government Bonds with a similar term to the vesting period of the CSOP.

During the previous financial year, the Group issued a total of 4,981,130 share options under

Parts I, II and III of the Group share option plan ("CSOP") to participating employees and LLP members. The share options have an exercise price of £1.35, and vest in tranches three, four and five years after issuance. The fair value of these options at issuance has been derived using a Black-Scholes model, with expected volatility of 34%, based on derived volatilities of the Group and the similar listed entities to the Group. The risk free rate at the time of issuance was 0.12% for UK Government Bonds with a similar term to the vesting period of the CSOP.

The total share-based payment reserve at 31 March 2022 is £0.4m (2021: £0.2m). The Group has recognised a total expense of £0.2m (2021: £0.2m) based on the estimated number of share options expected to vest across all parts of the CSOP.

Movements in the number of outstanding share options during the year and their weighted average exercise prices are shown in the following table:

| | **2022** | | **2021** | |
|---|---|---|---|---|
| | **Average exercise price (£)** | **Number of options outstanding** | **Average exercise price (£)** | **Number of options outstanding** |
| **At 1 April** | **1.34** | **4,754,708** | **1.06** | **226,408** |
| Granted | - | - | 1.35 | 4,981,130 |
| Forfeited | 1.06 | (28,301) | 1.35 | (452,830) |
| Exercised | - | - | - | - |
| **31 March** | **1.34** | **4,726,407** | **1.34** | **4,754,708** |

## 23 Financial instruments

The Directors have performed an assessment of the risks affecting the Group through its use of financial instruments and believe the principal risks to be: capital risk; credit risk; market risk, including interest rate risk and foreign exchange risk.

### 23.1 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return. Capital is repayable in accordance with the terms set out in the partnership agreement. Management regularly review the adequacy of the Group's capital. The level of capital is in excess of the capital requirement set by the Financial Conduct Authority.

### 23.2 Categories of financial instruments

The Group operates as a deliverable foreign exchange broker therefore financial instruments are significant to its financial position and performance. Where the Group enters into a foreign exchange contract for a client, a matching deal is immediately executed with one of the Group's institutional counterparties.

The table below sets out the Group 's financial instruments by class.

| | 2022 | 2021 |
|---|---|---|
| | £m | £m |
| | | (restated)[1] |
| Derivative financial assets | 41.1 | 42.5 |
| Other debtors | 0.1 | 0.1 |
| Derivative financial liabilities | (23.9) | (29.2) |
| Amounts payable to clients | (24.9) | (18.7) |
| Other creditors | (1.9) | (0.7) |
| Amounts due to members and former members of Argentex LLP | (2.8) | (3.8) |
| Accruals | (1.2) | (2.3) |
| Lease liabilities | (6.6) | (6.9) |
| Non-derivative financial liabilities[2] | (37.4) | (32.4) |

1) Refer to note 28.

2) Provision relating to lease dilapidation removed from prior year comparative (£0.2m).

## 23.3 Financial risk management objectives

The Group's principal risk management objective is to avoid financial loss and manage the Group's working capital requirements to continue in operations.

**Market risk**

Market risk for the Group comprises foreign exchange risk and interest rate risk.

*Foreign exchange risk* is mitigated through the matching of foreign currency assets and liabilities between clients and institutional counterparties which move in parity. The Group maintains non-sterling currency balances with institutional counterparties only to the extent necessary meet its immediate obligations with those institutional counterparties.

*Foreign exchange risk - sensitivity analysis*

The Group's significant cash balances other than those denominated in Pounds sterling are foreign currency balances held in Euros and US Dollars.

The table below shows the impact on the Group's operating profit of a 10% change in the exchange rate of euros and US dollars against pounds sterling.

| **At 31 March** | **2022** | **2021** |
|---|---|---|
| | **£m** | **£m** |
| 10% weakening in the GBP/EUR exchange rate | 0.8 | 0.6 |
| 10% strengthening in the GBP/EUR exchange rate | (0.6) | (0.5) |
| 10% weakening in the GBP/USD exchange rate | 1.1 | 0.3 |
| 10% strengthening in the GBP/USD exchange rate | (0.9) | (0.3) |

*Interest rate risk* affects the Group to the extent that forward foreign exchange contracts and foreign exchange options have an implied interest rate adjustment factored into their price, which is subject to volatility. This risk is mitigated in the same way as foreign currency risk.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group has extensive controls to ensure that is has sufficient cash or working capital to meet the cash requirements of the Group in order to mitigate this risk. The Group monitors its liquidity requirement daily, and the Group stress tests its liquidity position to review the sufficiency of its liquidity in stressed market scenarios. It is management's responsibility to set appropriate limits to the liquidity risk appetite of the Group, as well as ensuring that a robust system of internal controls is implemented and enforced. The table below summarises the maturity profile of the Group's derivative financial assets and liabilities based on contractual (undiscounted payments).

**Derivative financial assets at balance sheet date by contractual maturity**

| **31 March 2022** | **£m** | **£m** | **£m** | **£m** | **£m** |
|---|---|---|---|---|---|
| | 0-3 months | 3-6 months | 6-12 months | 12 months + | Total |
| Derivative financial assets | 908.1 | 436.5 | 700.9 | 232.3 | **2,277.8** |

| **31 March 2021** (restated)[1] | £m | £m | £m | £m | £m |
|---|---|---|---|---|---|
| | 0-3 months | 3-6 months | 6-12 months | 12 months + | Total |
| Derivative financial assets | 1,198.6 | 563.5 | 445.3 | 187.0 | **2,394.4** |

**Derivative financial liabilities at balance sheet date by contractual maturity**

The following table details the profile of the Group's derivative financial liabilities. The amounts are based on the undiscounted cashflows based on the earliest date on which the Group can be required to pay.

| **31 March 2022** | £m<br>0-3 months | £m<br>3-6 months | £m<br>6-12 months | £m<br>12 months + | £m<br>Total |
|---|---|---|---|---|---|
| Derivative financial liabilities | 902.9 | 433.7 | 693.7 | 230.9 | **2,261.2** |

| **31 March 2021** (restated)[1] | £m<br>0-3 months | £m<br>3-6 months | £m<br>6-12 months | £m<br>12 months + | £m<br>Total |
|---|---|---|---|---|---|
| Derivative financial liabilities | 1,193.0 | 560.8 | 442.4 | 185.3 | **2,381.5** |

**Other Financial Liabilities**

The table below summarises the maturity profile of the Group's other financial liabilities based on contractual (undiscounted) payments.

| **31 March 2022** | Up to 1 year | 1 year + | Total |
|---|---|---|---|
| Amounts payable to clients | 24.9 | - | **24.9** |
| Other payables | 8.0 | - | **8.0** |
| Lease liabilities | 1.2 | 7.1 | **8.3** |
| | 34.1 | 7.1 | **41.2** |

| **31 March 2021 (restated)[1]** | Up to 1 year | 1 year + | Total |
|---|---|---|---|
| Amounts payable to clients | 18.7 | - | **18.7** |
| Other payables | 6.8 | 0.2 | **7.0** |
| Lease liabilities | 0.9 | 8.3 | **9.2** |
| | 26.4 | 8.5 | **34.9** |

**Credit risk**

The failure of a client to settle a contracted trade carries the risk of loss equal to the prevailing fair value of the trade. Argentex employs rigorous procedures and ongoing monitoring to ensure that client risk exposures fit within the Group's risk appetite. Before accepting any new client, a dedicated team responsible for the determination of credit risk assess the potential client's credit quality and defines credit limits by clients. Limits and scoring attributed to customers are reviewed on an ongoing basis.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debtor at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced. Trade receivables consist of a large number of clients, spread across diverse industries and geographical areas.

[1] Refer to note 28.

Management review financial and regulatory disclosures of the Group's institutional counterparties to ensure its cash balances and derivative assets are maintained with creditworthy financial institutions. The Group does not have any significant concentration of exposures within its client base. At institutional counterparty level, trade volumes and trading cash balances are concentrated to a small selection of institutional counterparties. A degree of concentration is necessary for the Group to command strong pricing and settlement terms with these institutions and is not considered a material risk to the Group.

### 23.4 Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations in relation to financial derivative assets resulting in financial loss to the Group. As at 31 March 2022, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the Consolidated Statement of Financial Position.

If deemed appropriate, the Group will make a valuation adjustment to the estimated fair value of a financial instrument. In the opinion of the Directors, the carrying amount of the Group's financial assets best represents the maximum exposure.

The carrying amount of the Group's financial assets at FVTPL as disclosed in (note 24) best represents their respective maximum exposure to credit risk. Note 23.6 details the Group's credit risk management policies.

### 23.5 Counterparty risk

Argentex relies on third party institutions in order to trade and clear settlement funds through client accounts. To reduce counterparty credit risk to acceptable levels, Argentex only trades with institutional counterparties with robust balance sheets, high credit ratings and sound capital resources (as disclosed in accordance with the CRR and CRD IV of Basel III) and monitors the creditworthiness of institutional counterparties on an ongoing basis. The Group's business continuity procedures have established trading and settlement lines with several institutional counterparties which means that the withdrawal of services from a banking provider will have a negligible effect on the business.

### 23.6 Credit risk management

Note 23.4 details the Group's maximum exposure to credit risk and the measurement bases used to determine expected credit losses.

The Group undertakes continuous robust credit analysis before setting and varying trading limits and accepting trades from each client. All open positions are monitored automatically in real time and if deemed necessary collateral (in the form of cash deposits) is taken from clients to mitigate the Group's exposure to credit risk.

## 24 Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

### 24.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

**Level 1:** The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

| Financial assets/ financial liabilities | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|---|
| | **2022** | **2021** *Restated*[1] | | |
| Foreign exchange forward and option contracts | Assets **£41.1m**; and Liabilities **£23.9m** | Assets £42.5m; and Liabilities £29.2m | Level 2 | The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.<br>The fair value of foreign exchange forward and option contracts is measured using observable market information provided by third party market data providers. |

### 24.2 Fair value of financial assets and financial liabilities that are not measured at fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements is a reasonable approximation of their fair value.

1) Please refer to Note 28.

## 25 Related party transactions

Included in other creditors is £0.1m (2021: £0.6m) owed to Pacific Investments Management Limited, the former owner of Argentex Foreign Exchange Limited.

## 26 Contingent liabilities

As at 31 March 2022 there were no capital commitments or contingent liabilities (2021: none).

## 27 Controlling party

In the opinion of the Directors there is no ultimate controlling party of Argentex Group PLC.

## 28 Restatements

### 28.1. Derivative financial assets and derivative financial liabilities

In previous years the Group offset derivative financial assets and derivative financial liabilities on the Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. Management have reassessed the classification and presentation of derivative transactions and determined that although the Group has a legal right of offset of such assets and liabilities in specific circumstances, however in most cases it does not have the legal right of offset. As a result, in the current financial year Management have presented the derivative assets and liabilities with banking and brokerage counterparties and with clients on a gross basis. Comparative figures have also been presented on this basis and there is no impact to the Statement of Profit or Loss or to Net Assets.

Disclosure impact on prior years is as follows:

| | | **2021** | | | **2020** | |
|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| | **Net** | **Reclassification** | **Restated** | **Net** | **Reclassification** | **Restated** |
| Current Financial Assets | 21.0 | 17.7 | **38.7** | 17.6 | 16.9 | **34.5** |
| Current Financial Liabilities | (9.3) | (17.8) | **(27.1)** | (10.9) | (17.0) | **(27.9)** |
| Non Current Financial Assets | 4.2 | (0.4) | **3.8** | 7.2 | 1.0 | **8.2** |
| Non Current Financial Liabilities | (2.6) | 0.5 | **(2.1)** | (4.0) | (0.9) | **(4.9)** |
| Net Financial Assets | 13.3 | 0.0 | **13.3** | 9.9 | 0.0 | **9.9** |

The FY21 Consolidated Statement of Cash Flows has been restated to include updated movements of £0.2m and £(3.6)m in the derivative financial assets and derivative financial liabilities (previously £(0.4)m and £(3.0)m).

### 28.2. Undiscounted contractual cashflows

In prior years the Financial Assets and Liabilities on the Consolidated Statement of Financial

Position have been analysed by contractual maturity date. In the current financial year, the undiscounted contractual cash flows have been disclosed. Comparative figures have also been disclosed on this basis. Undiscounted cashflows disclosed in note 23.3.

**28.3. Collateral balances**

In previous years the cash held as collateral with banking and brokerage counterparties has been included in the cash and cash equivalents balance and disclosed as such in the cash and cash equivalents note. In the current year, management have included cash held as collateral with banking and brokerage counterparties £7.2m (2021: £11.6m, 2020: £26.5m) as Other Assets on the Consolidated Statement of Financial Position resulting in a corresponding decrease in cash and cash equivalents figures. There is no impact to the Consolidated Statement of Comprehensive Income or to Net Assets. The Consolidated Statement of Cash Flows has been restated to reconcile to the restated cash and cash equivalents figure.