Full Year Results For the Year Ended 31/12/2023

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Argentex Group PLC

("Argentex" or the "Group")

Final results for the year ended 31st December 2023

Strategic Review to reposition the business is now complete; focused growth plan ready to be enacted

Argentex Group PLC (AIM: AGFX), the provider of currency management and payment solutions to international institutions and corporates, today issues its final results for the year ended 31 December 2023.

Financial summary

- Group revenue of £49.9m (12 months to 31 December 2022: £50.4m; 9 months to 31 December 2022: £41.0m), with growth in the number of clients offset by a reduction in average spend (1)
- Operating profit of £8.1m (12 months to 31 December 2022: £11.3m; 9 months to 31 December 2022: £8.1m), with margin reduction as a result of continued investment in the business
- Debt free and cash generative with net cash increasing by £2.1m in FY23 to £18.3m (2)
- Earnings per share (EPS) of 4.6p (9 months to 31 December 2022: 6.2p)
- Total dividend of 0.75p per share (9 months to 31 December 2022: 2.25p per share)

Operational summary

- Launch of strategic review in Q4 FY23 led by new management team to deliver a focused growth plan centred on diversifying the product portfolio, improving revenue visibility, identifying further efficiencies and, in turn, delivering higher quality earnings.

- Total number of clients increased by 11% to 1,938 (12 months to 31 December 2022: 1,750)
- Average revenue per client fell by 10% in FY23 compared to the previous 12 months due to less volatile market.
- International expansion continued in the Netherlands and Australia, and a new office was opened in Dubai. Our Australian entity received its Australian Financial Services Licence (AFSL) on 1 May 2024 and our Dubai entity is expected to be granted a licence to operate later this year.

[1] In 2022, the Group transitioned from a 31 March year end to a 31 December year end, reporting results for the 9 months ended 31 December 2022. To assist investors, relevant additional pro forma information is also provided for the 12 months to 31 December 2022.

2 Net cash represents cash and cash equivalents less amounts payable to clients

Update on Strategic Review

We commenced our strategic review in Q4 2023 to determine the best course of action to reposition the business for profitable growth whilst continuing to utilise our strong brand and reputation to strengthen our market proposition.

With the review now complete, the Board has approved a strategic plan to drive growth within our existing FX market whilst expanding into adjacent complementary markets, both domestically and internationally.

The plan will be delivered over the next 5 years, and is centred around three key pillars:

1. Operational and Financial efficiencies, including enhanced client retention:
    - Implementation of near-term measures to better align costs with revenues
    - Focus on customer segmentation and aligning service levels by customer tier
    - Streamlining of our sales processes and align them to focus on customer lifetime value
2. Product diversification:
    - Diversification of our product suite including continued investment in Alternative Banking (virtual iBans) and other payment services such as Mass Payments
    - Development of a fully automated platform which can be scaled globally
3. Geographic expansion:
    - Leverage of our existing locations to continue to grow our international footprint within an efficient licence regime
    - Ongoing appraisal of new geographies that offer complementary market dynamics to accelerate and enhance growth

New equity raise and investment plans

We have today announced plans to raise additional capital to accelerate our progression into Alternative Banking solutions. Please see this separate announcement which gives additional information.

Appointment of Jim Ormonde as CEO

The Board is pleased to announce that interim CEO Jim Ormonde has been appointed as permanent CEO of the Company, effective from 1st May 2024. Mr. Ormonde, who has been serving as Interim CEO since October 2023, was made a member of the Company's Board of Directors at the time of his appointment as Interim CEO and will remain on the Board going forward.

Nigel Railton (Non-executive Chairman) commented:

"Since his appointment in October, Jim has led a comprehensive strategic review of the business. His permanent appointment will ensure continuity for the business and the investment case as we reposition ourselves and implement the actions for change which he has identified. Given his deep understanding of the business and expertise in the markets in which we operate, the Board and I are confident that Jim is the best person to develop and implement the new strategy to ensure continued growth as we accelerate our transformation into a true Cross Border Financial Solutions expert".

Outlook(3)

Following the completion of our strategic review, we are excited by the multiple opportunities for future growth which we have identified. The business operates within a large addressable market and benefits from a strong brand and reputation, as demonstrated by the fact that we have continued to grow the number of active customers during the period.

Near term outlook: FY24

The adverse market conditions experienced during 2023 continued into the first quarter of 2024. More recently however, we have been encouraged by our trading momentum. In the near term, as we focus on repositioning and restructuring the business for profitable growth, we expect FY24 revenues to be in the mid £40s million, with an EBITDA margin in the low single digits.

Medium term outlook: FY26 onwards

In the absence of any additional capital and the acceleration of investment plans referred to above, we believe revenue growth in FY26 and beyond is likely to remain in the single digits, with EBITDA margins in the high single digits.

On raising additional capital to accelerate our progression into Alternative Banking, however, we expect growth in the business to accelerate. With the additional investments envisaged, we would anticipate revenue growth in FY26 in the 15% - 20% range, with EBITDA margins in the mid-teens.

3 The forecasts are the Board's estimates only, using internal assumptions which have not been independently verified or reported on and actual results may differ. The forecasts are not a representation of facts and should not be regarded as such by prospective investors. Rather, the forecasts are statements about the forward-looking expectations of the Board with respect to the revenue, revenue growth and EBITDA margin of the Group.

Jim Ormonde, Chief Executive Officer said:

"I am excited to be joining the team as permanent CEO and to have the opportunity to lead the company through the next stage of its development.

"We have spent six months undertaking a thorough review of the business, which continues to benefit from a strong reputation and a successful legacy in providing large corporates and institutions with high-quality FX services.

"We now wish to leverage our experience and key strengths to diversify into the broader, adjacent payments and alternative banking markets more progressively than previously envisaged. This will complement our existing FX offering, enabling us to offer a wider range of services to both new and existing customers. The business operates in a large and fragmented market and there remain multiple opportunities to expand internationally, both organically and through acquisition, to further increase our addressable market.

"We believe there is a significant opportunity to transform the business into a true Cross Border Financial Solutions Expert and to be part of the historic coalescence between Payments, Alternative Banking and FX. This will make our earnings more predictable, improve our margins, and make us less susceptible to market dynamics compared to a traditional agency business.

"We thank shareholders for their ongoing support during a period of significant change within the business and look forward to implementing a significantly more dynamic growth agenda over the next three to five years."

For further information, please contact:

Argentex Group PLC
Jim Ormonde - Chief Executive Officer
Guy Rudolph - Interim Chief Financial Officer
investorrelations@argentex.com

Teneo (Financial PR)
James Macey-White / Victoria Boxall / Rashida Salemahomed
argentex@teneo.com, 020 7260 2700

Singer Capital Markets (Nominated Adviser and Broker)
Tom Salvesen / James Maxwell / Angus Campbell
020 7496 3000

This announcement contains inside information for the purposes of the UK version of the Market Abuse Regulation ("MAR") which forms part of UK law by virtue of the European Union (Withdrawal) Act 2018; as amended. Upon publication of this announcement, the inside information is now considered to be in the public domain for the purposes of MAR.

Chairman's Statement

A year of change

During the period, we recognised the need to transform our strategic thinking, which in turn meant changing our senior management team in order to take full advantage of what remains a significant global opportunity. The new management team has undertaken a full strategic review of the business, culminating in the development of a multi-year operational plan focused on driving profitable growth across the business and improved shareholder returns.

Trading conditions in 2023 were benign in comparison with 2022 due to the steadier macro-economic backdrop, resulting in reduced currency volatility and suppressed activity, particularly in the institutional sector. In light of the challenges faced by the business, we have embarked on a period of meaningful change with the aim of diversifying the product offering, improving customer economics, and driving operational and financial efficiencies.

Service provision continues to be dominated by banks in this segment and we are now seeing a much wider opportunity as clients recognise the advantages of addressing their FX, payments and alternative banking needs via an expert Fintech business specialising in the provision of these services.

The Board is therefore committed to diversifying the business in order to better serve our customers, build revenue visibility and, through scale and further efficiencies, deliver higher margin growth and increased market share. Going forward, our renewed ambition manifests in a need for greater executive accountability and better visibility of our route to creating shareholder value. Jim and his team share my passion for having a clear and coherent strategy including not just "who we want to be" but also "how we are going to get there."

Dividend

During the year ended 31 December 2023, we declared and paid an interim dividend of 0.75p per share. However, in light of the Company's financial performance and trading conditions during the second half of FY23, the Board have decided that no further dividends will be declared for FY23. Full particulars of the dividends are contained within the Financial Review on pages 7 to 9.

Governance

We are committed to keeping our stakeholders informed and taking their views into consideration as we drive the business forward. We also acknowledge our responsibilities with regard to governance and sustainability and recognise the ongoing need for high standards in these matters.

In terms of Board changes during the period, I took over from Digby (Lord Jones of Birmingham) as Chairman in September after he announced his forthcoming retirement. The Board and I would like to thank him for supporting the business since it came to the market in 2019. We also welcome Jim Ormonde and Tim Haldenby to the Board, and I look forward to working with them as we implement our new strategy. The Board continues to review the skills and experience required, to ensure that we can support the management team and provide robust advice and challenge for the future.

Conclusion

Notwithstanding the challenges faced by the business throughout 2023, the Board remains encouraged by the strong brand and reputation of the Group as the foundation for delivery against its future growth strategy. The recently completed strategic review undertaken by the new management team has created a clear roadmap to scale the business, reduce earnings volatility and expand our customer offering, whilst driving a more efficient operating model. Delivery against this plan will ensure a return to profitable growth and the restoration of shareholder value. I am therefore confident that the changes which we began to embrace in 2023 will allow Argentex to evolve at a much faster pace over the longer term and ensure we are able to build a strong and profitable future.

I should like to thank everyone at Argentex for their hard work and contribution in what has been a challenging year but one which allows us to face the future with optimism.

Nigel Railton
Chairman
1 May 2024

CEO's Statement

Overview

After a robust performance in 2022, the Group made significant investments in people, technology and overseas expansion for anticipated growth in 2023 and beyond.

In 2022 FX markets were very active due to the impact of the UK's "mini budget" and other political/geopolitical factors, including the Conservative party leadership campaign and the war in Ukraine. However, as the year progressed it became apparent that 2023 would not see similar levels of volatility and that the institutional market in particular, which tends to track market trends closely, would deliver suppressed levels of trading due to the market's general "risk off" approach.

With lower levels of client activity, it was evident that revenue growth expectations for the year were unlikely to be met and that the planned increases in costs previously flagged to investors would simultaneously challenge overall profit levels.

Accordingly, in November 2023, we announced that we expected to report revenue and operating profit for the year ending 31 December 2023 at approximately the same levels as for the twelve months ended 31 December 2022. In January 2024, we confirmed that we expected revenues for the twelve months to 31 December 2023 to be approximately £49.8m and operating profit to be not less than £8.0m.

Financial and Operational performance

The Group's investment in people, technology and overseas expansion in 2023 meant that costs grew faster than revenues.

Revenue for the year ended 31 December 2023 was £49.9m (compared to £50.4m in the twelve months ended 31 December 2022 and £41.0m in the nine months ended 31 December 2022). Operating profit was £8.1m (compared to £11.3m in the twelve months ended 31 December 2022 and £8.1m in the nine months ended 31 December 2022).

It is disappointing that 2023 revenues were flat year-on-year and operating profit lower due to a higher cost base following the investment made in the earlier part of the year. We are committed to repositioning our business and overall client focus, including some near-term measures to align costs more appropriately with revenues.

People

Our people are the most important strategic asset in our company. Having the right people in the right roles is fundamental to our success and we made a significant number of changes in 2023, particularly across the senior management team. We need to ensure we have the correct balance of people to support our clients' evolving needs as we move forward but we are also looking to improve quality, knowledge and expertise in every facet of the business.

We are proud that our first employee engagement survey returned an overall score of 80% but there is much we can do to improve and the new senior management team hold regular "open door" sessions, townhalls and other staff events to ensure a culture of success and involvement emanates throughout the business.

Additionally, we continue to directly support the Social Mobility Foundation and the Argentex Academy, putting inclusivity at the heart of everything we do and building strong relationships with superstars of the future no matter what their backgrounds may be.

Climate change & sustainability

As a small but growing services company with a team of less than 200 in four offices, we have a very limited impact on the environment. Nonetheless, we strive to minimise or mitigate any harm that we might do and also actively seek to contribute positively.

Strategy 2024 & Outlook

We have concluded a thorough review of the business with the aim of identifying future opportunities for driving profitable growth across the business. A key area of focus is expanding into the broader payments and alternative banking markets; diversifying our product offering to increase our exposure to more visible, stable revenue streams and reduce our reliance on more volatile FX markets.

We have a strong brand and reputation in what remains a large and fragmented addressable market and we will continue to build on our key strengths and expand internationally to strengthen our position as a leader in the segment.

To enable the business to become a global financial solution expert it is necessary to have a scalable and efficient platform to facilitate accelerating growth, while delivering market leading products. To ensure that we maximise shareholder returns, and maximise investment value, we intend to undergo a period of consolidation where we will look for operational efficiencies while market conditions remain more muted. This will ensure costs are aligned with carefully considered growth expectations and an overall strategic focus underpinned by a detailed operational plan designed to minimise execution risk and fully embrace an exceptional market opportunity.

We are in the early stages of the move to diversify the business, ensuring we have the product scope and client portfolio to protect us against fluctuating market dynamics with higher quality earnings and more predictable revenue streams. We must be less transactional as a business and more focused on expert account management and wider product provision. We must put our clients' needs at the very heart of all trading activities and we will seek to provide new customers with the exceptional rather than merely the expected as regards service and their client journey.

Our increased confidence in the market fundamentals underpins our new ambitious strategy, with a focus on three key areas in particular:

1. Operational and Financial efficiencies, including enhanced client retention:

   We have a series of initiatives aimed at financial, operational and capital optimisation, seeking shrewder control of costs and also a thorough review of our licencing arrangements and their effect on our capital requirements. We will continue to let our clients' needs inform our strategic focus and seek to tailor our approach and solutions more carefully to the type of clients we serve. By automating processes, we also aim to offer our clients greater autonomy whilst freeing up our resources to concentrate on customers who require higher levels of support. We are also seeking to make our sales processes more sophisticated and deliver a laser focus on customer lifetime value with a view to keeping customers for longer via careful account management focused explicitly on their needs as a business rather than any preference to transact.

2. Product diversification:

   We are doubling down on our investment across a broader product set, especially around payments and Alternative Banking, as we seek more predictable revenue streams and diversify our market offering to bring higher quality earnings and a greater share of our customers' preferred service provision.

3. Geographic expansion:

   And finally, we continue to pursue our goal of geographic expansion, ensuring we leverage our existing locations and licences to ensure our footprint grows in an efficient manner alongside global banking partners who share our vision to capture and keep a more significant share of the Payments, Alternative Banking and FX market, particular on those territories where business customers are underserved and where technology presents new opportunities.

We believe there is an enormous opportunity to go further than we had originally envisaged as a Global Financial Solutions Expert and to be part of the historic coalescence between Payments, Alternative Banking and FX. This will make our earnings more predictable, improve our margins, and make us less susceptible to market dynamics than a traditional agency business.

Jim Ormonde
Chief Executive Officer
1 May 2024

Financial Review

Performance period at a glance

Continued investment to support future growth, during challenging trading conditions.

Overview

As previously communicated, we made the decision in 2022 to change our year end to 31 December, in line with the Group's transition to a global financial solutions provider. Our report throughout is reflective of the 12-month accounting period to 31 December 2023, whilst the statutory comparative is 9 months to 31 December 2022. Where appropriate, we refer to performance for the 12 months to 31 December 2022, for information purposes only, to aid comparability.

In the year to 31 December 2023, Argentex continued to pursue its investment programme across the three areas of people, technology and international expansion. The business experienced challenging market conditions across its core foreign exchange broking business in the UK as lower levels of foreign exchange volatility, particularly in Sterling versus the US Dollar, led to lower levels of demand. This re-emphasises the importance of diversifying our business model to strengthen its long-term resilience and highlights the Group's need to deliver for all stakeholders against any economic backdrop. Given current market conditions and trading performance the Board will not be declaring a final dividend for the year ended 31 December 2023. In September 2023, the Board declared an interim dividend of 0.75p per share for the year ended 31 December 2023.

Financial performance

Argentex generated revenues of £49.9m in the year to 31 December 2023, broadly in line with the comparable 12 month period in the prior year. Revenues generated in the year were underpinned by an increase in the number of corporate clients trading, in addition to incremental contributions from an enhanced product mix, such as structured solutions and revenues from our online platform.

1,938 clients traded with Argentex in the year compared to 1,750 clients who traded for 12 months to 31 December 2022. Of the corporate clients trading, 649 were new in the period (12m FY22*: 546). Prior to FY22, our revenue mix has been a 50:50 split from spot and forward trades; however, since the inception of our Structured Solutions division in FY22, 14% of revenue was generated through this new division in the year to 31 December 2023. Not only has the product mix diversified, but we have also seen an increase in clients using our new online platform, with 496 clients who traded online with Argentex for the year compared to 374 clients trading in 12m FY22*.

The Group continued its stated strategic investment programme in FY23 resulting in an operating profit of £8.1m or 16% margin (12 months to 31 December 2022: £11.3m, 22% margin). The decline in operating margins compared to 12m FY22* reflects the combination of the investment programme across all three dimensions of Argentex's growth strategy and more challenging market conditions, particularly in the second half of FY23, which resulted in lower-than-expected Group revenues for the year. The Group's robust approach to risk remains unchanged and this has been reflected in the extremely low number of instances of client default.

*12m FY22 refers to the 12 months ended 31 December 2022

People

In the year to 31 December 2023 the number of employees (including Directors and LLP members) grew to 196 (December 2022: 137). Front office/back office split has shifted moderately versus prior periods to 51%:49%. This reflects the investment in the support functions as the business matures and continues its balanced approach to risk. A total of 59 people were hired into new roles created in the period, 42 in the UK and 17 overseas.

Technology

Total investment in technology in the year was £1.8m (9 months to December 2022: £1.4m). This investment spend is treated as a capital investment and amortised over a three-year period in line with accounting policy.

Overseas expansion

International expansion continued within the Netherlands and Australia. During the year a new entity and office was set up in Dubai. It is expected that both Australia and Dubai will receive licences to operate during 2024. Revenues generated in the Netherlands for the year totalled £3.9m (9 months to December 2022: £1.6m). The Netherlands will be the central hub for our European operations and the licences granted in the Netherlands will allow the Group to open branches in the EU countries in the coming years.

Financial position

The Group views its ability to generate cash from its trading portfolio as a key indicator of performance within an agreed risk appetite framework. As at 31 December 2023, Argentex has net cash of £18.3m, an increase of £2.1m on the prior period. Total cash and cash equivalents include client balances pertaining to collection of any collateral and variation margin in addition to routine operating cash balances. Further, cash and cash equivalents does not include collateral placed with financial counterparties. Collateral placed with financial counterparties of £5.7m (December 2022: £10.0m) is recorded in other assets in the Statement of Financial Position.

	31 December 2023	31 December 2022
Cash and collateral	£m	£m
Cash at bank	33.0	29.0

Less: amounts payable to clients	(14.7)	(12.8)
Net cash	**18.3**	**16.2**
Collateral held at institutional counterparties (other assets)	5.7	10.0

Before movements in client balances held as shown in the consolidated financial statements note 19, the Group generated £11.7m in cash. A £1.9m increase in client balances held, when added to cash generated results in a net cash inflow inclusive of client balance movements of £13.6m. Of the £11.7m in cash generated, £1.8m was used to invest in technology and a further £3.4m was returned to shareholders in the form of a dividend (being £2.5m FY22 final dividend and £0.9m FY23 Interim dividend).

Cash generation from the Group's revenues is a function of:

i) the composition of revenues (spot, forward, option and swap revenues), and

ii) the average duration of the FX forwards in the portfolio.

In the period, Argentex has generated revenues in a ratio of approximately 45%:55% between spot and forward contracts outside of 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.

Excluding swap revenue, 82% of revenue converts to cash within 3 months, which is consistent with prior years as follows:

Cash conversion	12 months to	9 months to	12 months to	12 months to
	31 December 2023	31 December 2022	31 March 2022	31 March 2021
	£m	£m	£m	£m
Revenues	49.9	41.0	34.5	28.1
Revenues (swap adjusted S/A) **(A)**	43.6	37.7	31.5	27.2
Less				
Revenues settling beyond 3 months S/A	(7.7)	(7.1)	(4.6)	(3.1)
Net short term cash generation **(B)**	35.9	30.6	26.9	24.1
Short term cash return **(B/A)**	82%	81%	85%	88%

Derivative financial assets were £48.7m with current element being £38.9m (80% of total derivative financial assets). Derivative financial liabilities were £29.4m with the current element being £23.6m (80% of total derivative financial liabilities).

The Group diversifies liquidity requirements across five liquidity providers, the largest providing 65% of liquidity required (62% at 31 December 2022).

Portfolio composition

Argentex's client base continues to grow with an increase in corporate clients traded in the year to 1,938 (12m FY22*: 1,750), and 649 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 76% 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 limited. Further, client concentration has been maintained with 36% of revenue represented by the top twenty customers (12m FY22*: 36%).

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 has continued to avoid any material issues over settlement.

In addition, as a result of a conservative approach to risk, Argentex continues to enjoy an immaterial occurrence of bad debt.

Dividend

Given the financial results achieved in FY23 and in light of current trading performance, the Board has decided that Argentex will not declare a final dividend for the year ended 31 December 2023.

Guy Rudolph
Interim Chief Financial Officer
1 May 2024

Consolidated Statement of Profit or Loss and other comprehensive income for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £m	9 months ended 31 December 2022 £m
Revenue	5	**49.9**	**41.0**
Cost of sales		**(1.7)**	**(1.8)**
Gross profit		**48.2**	**39.2**
Other operating income		**1.1**	**-**
Administrative expenses		**(40.7)**	**(30.2)**
Non-adjusted expenditure	8	**-**	**(0.8)**
Share-based payments charge	23	**(0.5)**	**(0.1)**
Operating profit		**8.1**	**8.1**
Finance costs	11	**(0.8)**	**(0.3)**
Profit before taxation		**7.3**	**7.8**
Taxation	12	**(2.2)**	**(0.8)**

Profit for the period and total comprehensive income		**5.1**	**7.0**

Earnings per share

Basic	13	**4.6p**	6.2p
Diluted	13	**4.6p**	6.2p

Consolidated Statement of Financial Position as at 31 December 2023

	Notes	31 December 2023 £m	31 December 2022 £m
Non-current assets			
Intangible assets	14	**2.7**	2.5
Property, plant and equipment	15	**15.1**	7.9
Derivative financial assets	24	**9.8**	8.8
Deferred tax asset	12	**0.2**	0.5
Total non-current assets		**27.8**	19.7
Current assets			
Trade and other receivables	16	**1.3**	1.0
Cash and cash equivalents	17	**33.0**	29.0
Other assets	18	**10.5**	10.0
Derivative financial assets	24	**38.9**	57.7
Total current assets		**83.7**	97.7
Current liabilities			
Trade and other payables[1]	19	**(29.3)**	(25.1)
Lease liabilities[1]	20	**(0.9)**	(0.8)
Derivative financial liabilities	24	**(23.6)**	(42.0)
Total current liabilities		**(53.8)**	(67.9)
Net current assets		**29.9**	29.8
Non-current liabilities			
Trade and other payables[1]	19	**(0.3)**	(0.2)
Lease liabilities[1]	20	**(10.6)**	(5.3)
Derivative financial liabilities	24	**(5.8)**	(5.2)
Total non-current liabilities		**(16.7)**	(10.7)

Net assets	**41.0**	38.8

[1] In the prior period, Lease liabilities were presented within Trade and other payables in the Group Consolidated Statement of Financial Position. Lease liabilities are now presented separately on the face of the Consolidated Statement of Financial Position with the comparative adjusted to reflect the change in presentation. Further information on Lease liabilities is given in note 20.

Consolidated Statement of Financial Position (continued) as at 31 December 2023

	Notes	31 December 2023 £m	31 December 2022 £m
Equity			
Share capital	21	**0.1**	0.1
Share premium account	22	**12.7**	12.7
Share option reserve	23	**1.0**	0.5
Merger reserve	22	**4.5**	4.5
Retained earnings	22	**22.7**	21.0
Total Equity		**41.0**	38.8

The financial statements of Argentex Group PLC were approved by the Board of Directors on 1 May 2024 and were signed on its behalf by:

Jim Ormonde
Chief Executive Officer

Consolidated Statement of Changes in Equity for the year ended 31 December 2023

	Share capital £m	Share premium £m	Share option reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2022	**0.1**	**12.7**	**0.4**	**4.5**	**15.5**	**33.2**
Comprehensive income for the period						
Profit for the period	-	-	-	-	7.0	**7.0**

Total comprehensive income for the period	-	-	-	-	7.0	**7.0**
Transactions with owners:						
- Dividends paid	-	-	-	-	(1.5)	**(1.5)**
- Share-based payments charge	-	-	0.1	-	-	**0.1**
Balance at 31 December 2022	**0.1**	**12.7**	**0.5**	**4.5**	**21.0**	**38.8**
Comprehensive income for the year						
Profit for the year	-	-	-	-	5.1	**5.1**
Total comprehensive income for the year	-	-	-	-	5.1	**5.1**
Transactions with owners:						
- Dividends paid	-	-	-	-	(3.4)	**(3.4)**
- Share-based payments charge	-	-	0.5	-	-	**0.5**
Balance at 31 December 2023	**0.1**	**12.7**	**1.0**	**4.5**	**22.7**	**41.0**

Consolidated Statement of Cash Flows for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £m	9 months ended 31 December 2022 £m
Profit before taxation		**7.3**	7.8
Taxation paid		**(2.0)**	(2.5)
Net finance expense	11	**0.8**	0.3
Depreciation of property, plant and equipment	15	**1.1**	0.3
Depreciation of right of use assets	20	**1.2**	0.6
Amortisation of intangible assets	14	**1.6**	1.1
Share-based payment expense	23	**0.5**	0.1
(Increase) in trade receivables	16	**(0.3)**	(0.4)
Increase/(decrease) in trade and other payables	19	**4.3**	(7.0)
Decrease/(increase) in derivative financial assets	24	**17.8**	(25.4)

(Decrease)/increase in derivative financial liabilities	24	**(17.8)**	23.3
Increase in other assets	18	**(0.5)**	(2.8)
Net lease additions		**(0.4)**	-
Net cash generated from/(used in) operating activities		**13.6**	(4.6)
Investing activities			
Purchase of intangible assets	14	**(1.8)**	(1.4)
Purchases of plant and equipment	15	**(2.9)**	(0.5)
Net cash used in investing activities		**(4.7)**	(1.9)
Financing activities			
Payments made in relation to lease liabilities	20	**(1.5)**	(0.9)
Dividends paid	10	**(3.4)**	(1.5)
Net cash used in financing activities		**(4.9)**	(2.4)
Net increase/(decrease) in cash and cash equivalents		**4.0**	(8.9)
Cash and cash equivalents at the beginning of the year		**29.0**	37.9
Cash and cash equivalents at the end of the year	17	**33.0**	29.0

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 year ended 31 December 2023 and the nine month period ended 31 December 2022 comprise the financial statements of the Company and its subsidiaries (together, "the Group"). The Group changed its year end date from 31 March to 31 December in the prior period to align with the calendar year in order to provide more meaningful information to shareholders and prospective investors. Therefore, the Group presented a shortened period of nine months in the prior period and therefore amounts presented may not be entirely comparable.

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 periods 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.

2.2 Adoption of new and revised standards

There are no new standards, interpretations and amendments which became mandatorily effective for the current reporting period which have had any material effect on the financial statements for 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 month 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. Cash flow forecasts have also been assessed to ensure that sufficient operational cash is retained in the business over the forecast period. Specific consideration was given to the Group's expected decline in revenue and profit margin projections for FY24 and their impact on the Group's trading cash position.

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 24.2 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 Consolidated Financial Statements.

2.4 Basis of consolidation

The Group Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 31 December 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.	Foreign exchange broking	Netherlands
Argentex PTY LTD	Pending regulatory authorisation	Australia
Argentex Technologies Limited	Dormant subsidiary	England
Argentex (DIFC) (Managing Office) Ltd	Pending regulatory authorisation	United Arab Emirates

All subsidiary undertakings are 100% owned 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.

The following UK subsidiary will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2023.

Name of undertaking	Company number
Argentex Foreign Exchange Limited	07814670

Argentex Group PLC guarantees all outstanding liabilities to which the subsidiary company listed above is subject at the end of the financial year, until they are satisfied in full. This is in accordance with Section 479C of the Companies Act 2006.

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 structured solutions, the Group recognises the net option premium receivable as revenue on the date that the structured solution is executed. The execution date is when a binding contract is entered into with the client or counterparty. The revenue is fixed and determined representing the difference between the premiums paid. Structured solutions relates to a range of foreign exchange option structures.

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.

The Group's financial assets include derivative assets (foreign exchange spot, foreign exchange forward and foreign exchange structured solution option contracts with customers and banking counterparties) as well as amortised cost assets including cash and cash equivalents, other assets and trade and other receivables. The Group's financial liabilities include derivative liabilities (foreign exchange spot, foreign exchange forward and foreign exchange structured solution option contracts) and trade and other payables. The Group does not apply hedge accounting.

The Group undertakes matched principal broking involving immediate back-to-back derivative transactions with counterparties. These transactions are classified as derivative financial assets and liabilities. 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 offset 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 Consolidated Statement of Financial Position. Management have presented the derivative assets and liabilities with banking counterparties and with clients on a gross basis.

2.7.1 Derivative financial assets

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

Derivative financial assets are measured at fair value through profit or loss ("FVTPL") as they are held for trading purposes.

Initial Recognition
Derivative assets are initially measured at fair value at the date the derivative contract is entered into. The resulting gain or loss is recognised within profit or loss immediately. Transaction costs directly attributable to the acquisition of such financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent Measurement
Derivative assets are subsequently remeasured to fair value at each financial period end date. Any gains or losses derived from instances such as foreign exchange rate changes, which impact derivative financial asset revaluation, would be immediately recognised through profit or loss. Valuation adjustments to reflect potential inherent market risks on the fair value of derivative financial assets are calculated and recorded where material. The credit valuation adjustment ("CVA") reflects the market value of counterparty credit risk and takes into account counterparty, applicable collateral agreements, predicted losses and probabilities of default.

Derecognition
The Group derecognises derivative financial assets 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 have expired and the obligations of the Group, the client and the institutional counterparty have been discharged.

2.7.2 Other financial instrument assets

Other financial assets are those which are not derivatives in nature and have been classified using the amortised cost method. These assets arise principally as Solely Payments of Principal and Interest (SPPI) and are intended to be held to maturity with all cashflows collected.

Initial Recognition
Purchases or sales of financial assets are recognised and derecognised on a trade date basis when the Group becomes party to the contractual provisions of the instrument. They are initially recognised at fair value plus transactions costs that are directly attributable to their acquisition.

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

The Group has applied the simplified approach in IFRS 9 to measure applicable loss allowances at lifetime expected credit loss ("ECL"). The Group determines the expected credit losses on these items by using a provision matrix, 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 past due, whichever occurs earlier.

Derecognition
On derecognition of financial assets 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.

2.7.3 Derivative financial liabilities

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

Derivative financial liabilities are measured at FVTPL as they are held for trading purposes.

Initial Recognition
Derivative financial liabilities are initially measured at fair value at the date the derivative contract is entered into. The resulting gain or loss is recognised within profit or loss immediately. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent Measurement
Derivative liabilities are subsequently remeasured to fair value at each financial period end date. Any gains or losses derived from instances such as foreign exchange changes, which impact financial liability revaluation, would be immediately recognised through profit or loss.

Derecognition
The Group derecognises derivative financial 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 liabilities have expired and the obligations of the Group, the client and the institutional counterparty have been discharged.

2.7.4 Other financial instrument liabilities

Other financial liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business, not including financial liabilities that are derivatives in nature. Other financial liabilities are classified using amortised cost. This is used as the default classification method for financial instruments not held as trade derivatives. The Group's other financial liabilities include trade and other payables.

Initial Recognition
The Group holds amounts payable to customers at amortised cost. These are short term balances that do not attract interest. Initial recognition consists of fair value minus transaction costs.

Subsequent Measurement
Subsequent measurement makes use of the effective interest rate method, where applicable, with interest related charges being recognised as finance costs in the Consolidated Statement of Comprehensive Income.

Derecognition
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 Other assets

Other assets presented on the Statement of Financial Position is made up of cash held as collateral with banking counterparties and balances segregated to provide for out the money (OTM) positions with Client Assets Sourcebook (CASS) Clients.

2.10 Leases

In accordance with IFRS 16, 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.

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. Lease liabilities are 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 depreciated over the remaining (revised) lease term, or it is recorded in the Consolidated Statement of Comprehensive Income 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 and included within Property, plant and equipment on the Consolidated Statement of Financial Position.

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 depreciated 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.

Dilapidation provisions in relation to Group's leases are disclosed in Trade and other payables. The provisions relate to alterations made to the properties leased by the Group. The provisions are expected to unwind at the end of the leases.

2.11 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 the 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 Consolidated Statement of Comprehensive Income over the estimated useful life 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.

The intangible asset is tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired.

2.12 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.

2.13 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the Consolidated Statement of Financial Position 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.

2.14 Cost of sales

Cost of sales includes bank charges paid to banking counterparties, third party platform fees and costs related to option products taken to limit Group exposure.

2.15 Adjusted operating profit

The Group presents adjusted operating profit as an Alternative Performance Measure in the notes to the Group Consolidated Financial Statements to provide further detail on prior period cost analysis and EPS. 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 period. Non-adjusted expenditure will typically relate to one off costs and structural set up costs.

2.16 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 Consolidated Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.17 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 period end, they are shown as liabilities in the Consolidated Statement of Financial Position.

2.18 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.

2.19 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 of the Company Share Option Plan (CSOP) scheme is measured using a Black-Scholes option pricing model. Fair value of the Value Creation Plan is measured using a Monte Carlo Simulation.

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.

2.20 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 period. 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.

To the extent it is material, 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.

2.21 Other operating income

Other operating income relates to net interest generated from the Group's house cash balance and client cash balances recognised as cash and cash equivalents on the Consolidated Statement of Financial Position along with interest generated on the Group's other asset balances.

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Accounting judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(i) Capitalisation of costs to intangible assets

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

(ii) Credit Valuation Adjustment

The CVA is a calculation based on the credit risk of counterparties inherent in the valuation of derivative financial instruments. The failure of a client to settle a contracted trade carries the risk of loss equal to the prevailing fair value of the trade. Within the CVA calculation to quantify credit risk, judgement is required in determining the credit quality of the client based on current market and other information and key estimates include loss on default of a client and the probability of default. A 10 percent increase across all Probability of Defaults (PDs) would result in decreased operating profit of £0.2m (2022: £0.1m).

(iii) Share-based payments

In determining the fair value of equity-settled awards and the related charge to the Consolidated Statement of Comprehensive Income, the Group makes use of option valuation models which require key judgements to be made in assessing the inputs. Key judgements include the number of shares on vesting, the risk-free interest rate, dividend yield and share price volatility.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may 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.

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 £0.4m (2022: £0.7m), decreasing the estimated useful life from 3 years to 2 years would result in decreased operating profit of £0.8m (2022: £1.3m).

4 Segment reporting

For the year to December 2023, the Group consisted of a single operating segment (being Argentex LLP's foreign currency dealing business) that operated in a market not bound by geographical constraints as the overseas subsidiaries are yet to obtain full licences in their jurisdictions and continued to trade on behalf of Argentex LLP.

There is no reliance on an individual customer and no customer contributed to more than 10 percent of revenues in the year ended 31 December 2023 or period ended 31 December 2022.

5 Revenue

An analysis of the Group's revenue is as follows:	**Year ended 31 December 2023 £m**	**9 months ended 31 December 2022 £m**
Spot foreign exchange contracts	**13.4**	9.3
Forward foreign exchange contracts	**29.5**	27.9
Structured solutions	**7.0**	3.8
	49.9	41.0

6 Operating profit

Operating profit for the period is stated after charging:	Year ended 31 December 2023 £m	9 months ended 31 December 2022 £m
Depreciation of plant and equipment	**1.1**	0.3
Depreciation of right of use assets	**1.2**	0.6
Amortisation of intangibles	**1.6**	1.1
Staff costs (see note 9)	**27.7**	20.2
Net foreign exchange (gains)	**(0.4)**	-

7 Auditor's remuneration

Fees payable to the Group's auditor and its associates for services to the Group:	Year ended 31 December 2023 £m	9 months ended 31 December 2022 £m
The audit of financial statements of the Group and subsidiaries	**0.4**	0.3
Other assurance and advisory services	**0.1**	-
	0.5	0.3

8 Non-adjusted expenditure

The Directors classify certain costs as non-adjusted in accordance with the accounting policy set out in note 2.15. In the year to December 2023 there was no classified (£nil) non-adjusted costs.

In the nine month period to December 2022 the non-adjusted costs amount to £0.8m and related to the creation of and regulatory applications for overseas operations and fees incurred in the period in relation to the Group's executive leadership change.

9 Staff costs

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

	Year ended 31 December 2023 No.	9 months ended 31 December 2022 No.

Directors	**6**	7
LLP members (excl. executive directors)	**4**	5
Sales and dealing	**85**	66
Operations	**74**	47
	169	125
Employees, members and directors as at 31 December 2023 and 2022	**196**	137

	Year ended 31 December 2023 £m	9 months ended 31 December 2022 £m
Staff costs for the above persons were:		
Wages and salaries	**20.3**	12.7
Social security costs	**2.3**	1.4
Pension costs	**0.5**	0.1
Share-based payments	**0.5**	0.1
LLP members' remuneration*	**2.6**	4.2
Directors' remuneration	**1.5**	1.7
	27.7	20.2

Directors' remuneration

	Year ended 31 December 2023 £m	9 months ended 31 December 2022 £m
Directors' remuneration comprised:		
Salaries and LLP members' remuneration	**1.5**	1.7

*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 are 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 LLP's 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

	Year ended 31 December 2023 £m	9 months ended 31 December 2022 £m
Amounts recognised as distributions to equity holders:		
Final dividend for the 9 month period ended 31 December 2022 of 2.25p per share (December 2022: dividend for the year ended 31 March 2022 of 1.25p per share)	**2.5**	1.5
Interim dividend for the year to 31 December 2023 of 0.75p per share (2022: nil)	**0.9**	-
	3.4	1.5
Proposed final dividend for the year ended 31 December 2023 of nil per share (2022: 2.25p per share)	**-**	2.5

11 Finance costs

	Year ended 31 December 2023 £m	9 months ended 31 December 2022 £m
Interest on lease arrangements	**0.8**	0.3

12 Taxation

	Year ended 31 December 2023 £m	9 months ended 31 December 2022 £m
Income tax recognised in Consolidated Statement of Comprehensive Income		
Current tax		
Current tax on profit for the year	**1.6**	1.3
Adjustments in respect of prior years	**0.3**	**-**
Total current tax	**1.9**	1.3

Deferred tax		
Origination and reversal of temporary differences	**0.3**	(0.5)
Total deferred tax	**0.3**	(0.5)
Total tax expense	**2.2**	0.8

Tax has been calculated using an estimated annual effective tax rate of 23.5% (2022: 19%) on profit before tax. The increase is due to the increase in the UK main rate of corporation tax on 01 April 2023 to 25% from 19%.

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:

	Year ended 31 December 2023 £m	**9 months ended 31 December 2022 £m**
Profit for the year	**5.1**	7.0
Income tax expense	**2.2**	0.8
Profit before income taxes	**7.3**	7.8
Tax using the Company's domestic tax rate of 23.5% (2022:19%)	**1.7**	1.5
Effects of:		
Expenses not deductible for tax purposes	**0.1**	-
Other amounts charged	**-**	0.2
Adjustments in respect of prior period	**0.4**	(0.4)
Tax credit relating to future periods	**-**	(0.5)
Total tax on ordinary activities	**2.2**	0.8

	Year ended 31 December 2023 £m	**9 months ended 31 December 2022 £m**
Current tax assets and liabilities		

Corporation tax	**(0.6)**	(0.7)
Current tax liability	**(0.6)**	(0.7)

	Year ended 31 December 2023 £m	9 months ended 31 December 2022 £m
Deferred Tax		
Assets		
At 1 January 2023 and 1 April 2022	**0.5**	-
Current year movement	**(0.3)**	-
Tax credit relating to future periods	**-**	0.5
Total deferred tax asset	**0.2**	0.5

Deferred tax in relation to timing differences on fixed assets. There is no expiry on the deferred tax asset. The deferred tax asset is based on the future rate of corporation tax 25%.

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 costs as described further in note 2.15.

	Year ended 31 December 2023 £m	9 months ended 31 December 2022 £m
Earnings		
Earnings for the purposes of basic and diluted earnings per share		
- basic and diluted	**5.1**	7.0
Adjustments for:		
Non-adjusted expenditure	**-**	0.8
Shared-based payments	**0.5**	0.1
Tax impact	**(0.1)**	(0.2)
Adjusted earnings (basic and diluted)	**5.5**	7.7

Number of shares

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

Weighted average number of ordinary shares for the purposes of basic earnings per share	**113.2**	113.2
Number of dilutive shares under option	**0.1**	0.1
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	**113.3**	113.3

Earnings per share

Basic	**4.6p**	6.2p
Diluted	**4.6p**	6.2p
Adjusted - Basic	**5.0p**	6.8p
Adjusted - Diluted	**5.0p**	6.8p

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 31 March 2022	7.4
Additions	1.4
At 31 December 2022	8.8
Additions	1.8
At 31 December 2023	10.6

Amortisation

At 31 March 2022	5.2
Charge for the 9-month period	1.1
At 31 December 2022	6.3
Charge for year	1.6
At 31 December 2023	7.9
Net book value	
At 31 December 2022	2.5
At 31 December 2023	**2.7**

15 Property, plant and equipment

	Leasehold improvements £m	Right of use asset £m	Office equipment £m	Computer equipment £m	Total £m
Cost					
At 31 March 2022	1.8	7.3	0.8	0.7	10.6
Additions	-	-	*0.5*	-	*0.5*
Disposals	-	-	-	-	-
At 31 December 2022	1.8	7.3	1.3	0.7	11.1
Additions	2.0	*6.6*	*0.5*	*0.4*	*9.5*
Disposals	-	-	-	-	-
At 31 December 2023	3.8	13.9	1.8	1.1	20.6
Depreciation					
At 31 March 2022	0.3	1.5	0.1	0.4	2.3
Charge for the period	*0.1*	*0.6*	*0.1*	*0.1*	*0.9*
Disposals	-	-	-	-	-
At 31 December 2022	0.4	2.1	0.2	0.5	3.2
Charge for the year	*0.4*	*1.2*	*0.4*	*0.3*	*2.3*
Disposals	-	-	-	-	-

At 31 December 2023	0.8	3.3	0.6	0.8	5.5
Net book value					
At 31 December 2022	1.4	5.2	1.1	0.2	7.9
At 31 December 2023	**3.0**	**10.6**	**1.2**	**0.3**	**15.1**

Right of use asset relates to leases disclosed in note 20.

16 Trade and other receivables

	31 December 2023 £m	31 December 2022 £m
Current		
Other receivables	**0.6**	-
Prepayments	**0.7**	1.0
Trade and other receivables	**1.3**	1.0

17 Cash and cash equivalents

	31 December 2023 £m	31 December 2022 £m
Cash and cash equivalents	**33.0**	29.0

Included within cash and cash equivalents are client held funds relating to margins received and client balances payable. These amounts are disclosed as amounts payable to clients of £14.7m (2022: £12.8m) in note 19 and are not available for the Group's own use. Client balances held as electronic money in accordance with the Electronic Money Regulations 2011 are held in accounts segregated from the firm's own bank accounts.

Client balances that fall under the scope of the FCA's Client Assets Sourcebook ("CASS") are held in segregated client bank accounts which are off balance sheet and excluded from the cash and cash equivalents figure.

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.

18 Other assets

	31 December 2023 £m	31 December 2022 £m
Collateral with banking counterparties	**5.7**	10.0
Balances segregated for CASS MTM	**4.8**	-
Other assets	**10.5**	10.0

Other assets is made up of collateral with banking counterparties and balances segregated to provide for OTM positions with CASS Clients. Client margins received and disclosed within client balances payable are used to service margin calls with counterparties.

19 Trade and other payables

	31 December 2023 £m	31 December 2022 £m
Non-current		
Lease dilapidation provisions	**0.3**	0.2
Trade and other payables	**0.3**	0.2
Current		
Amounts payable to clients	**14.7**	12.8
Corporation tax	**0.6**	0.7
Amounts due to members and former members of Argentex LLP	**0.4**	4.4
Trade payables	**6.9**	0.4
Accruals	**5.6**	6.1
Other taxation and social security	**1.1**	0.7
Trade and other payables	**29.3**	25.1

20 Leases

In May 2020, the Group signed a ten-year lease for its head office premises at Argyll Street, London. In February 2023, the Group signed a nine-year lease for an additional floor for its head office at Argyll Street, London and in February 2023, the Group signed a five-year lease for its office in the Netherlands.

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 2.10. The lease payments are discounted using the interest rate implicit in the UK leases (7%). The implicit interest rate is not evident in the Dutch lease and therefore management have assessed the incremental borrowing rate to be 7%. In the prior period, an incremental borrowing rate of 6% was used to discount the lease liability. The Group remeasured its liability for its head office lease signed in May 2020 as a deed of variation was signed in February 2023. Information about the lease liability is presented below:

	31 December 2023 £m	**31 December 2022 £m**
Lease liability at beginning of financial period	**6.1**	6.6
Additions	**6.1**	-
Payments made in the period	**(1.5)**	(0.9)
Unwinding of finance costs	**0.8**	0.4
Lease liability at end of financial period	**11.5**	6.1
Of which		
Current	**0.9**	0.8
Non-current	**10.6**	5.3

Amounts recognised in the Consolidated Statement of Comprehensive Income is presented below:

	Year ended 31 December 2023 £m	**9 months ended 31 December 2022 £m**
Depreciation charge on right of use assets (note 15)	**1.2**	0.6
Interest on lease liabilities (note 11)	**0.8**	0.3

Maturity profile of lease liability based on contractual (undiscounted) payments disclosed in note 24.

21 Share capital

Allotted and paid up	**Ordinary shares No.**	**Management shares No.**	**Nominal value £m**

At 1 January 2023 and 31 December 2023	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.

22 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 share option schemes that are explained in note 23 of these Consolidated Financial Statements. The Group recognises the services received from eligible scheme participants as a charge through the Consolidated Statement of Comprehensive Income, 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 Comprehensive Income, less amounts distributed to shareholders.

23 Share-based payments

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 of the CSOP schemes is measured using a Black-Scholes option pricing model. Fair Value of the Value Creation Plan is measured using a Monte Carlo Simulation.

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

CSOP

In June 2019, the Group issued 311,311 share options under Part I of an approved company 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.

In the year to March 2021, the Group issued a total of 4,981,130 share options under Parts I, II and III of the company share option plans ("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.

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

	31 December 2023		**31 December 2022**	
	Average exercise price (£)	**Number of options outstanding**	**Average exercise price (£)**	**Number of options outstanding**
At beginning of period	**1.35**	**996,226**	**1.34**	**4,726,407**
Granted	-	-	-	-
Forfeited	-	-	1.34	(3,730,181)
Exercised	-	-	-	-
At end of period	**1.35**	**996,226**	**1.35**	**996,226**

The share-based payment charge in relation to the above scheme in the period ended 31 December 2023 is £nil (31 December 2022: £0.1m).

Value Creation Plan

In November 2022, selected employees and senior executives of the Group were issued with Growth shares in Argentex Capital Limited. When and to the extent vested, the growth shares will be exchanged into ordinary shares of Argentex Group PLC. The Growth shares vest in two equal tranches (A and B) over two periods. Growth A shares vest over a 3 year and 4-month period and Growth B shares vest over a 4 year and 4-month period. The rate of exchange is that the Growth Shares will be regarded as worth a pro rata share of the share price gain of Argentex Group PLC above hurdle prices. Upon exchange, the number of ordinary shares in Argentex Group PLC that a Growth shareholder will receive is such number of shares whose value is equivalent to the Group's closing share price at the exchange date subject to the extent that Growth shares have vested. The average weighted value of Growth shares granted in Argentex Capital is £85.

The share-based payment charge of the Value Creation Plan in the period ended 31 December 2023 was

£0.5m (2022: £nil).

Growth Shares		
	31 December 2023	**31 December 2022**
	Number of options outstanding	**Number of options outstanding**
Outstanding at beginning of period	**20,000**	-
Granted in period	-	20,000
Forfeited in period	(1,750)	-
Exercised in period	-	-
Outstanding at end of period	**18,250**	**20,000**

The fair value of the Growth shares was calculated using a Monte Carlo simulation model. The model considers historical and expected dividends and the share price volatility of the Group to predict the share performance. When determining the fair value of awards, service and non-market performance conditions are not considered. However, the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the fair value. The assumptions relating to the fair value charge include share price at grant, risk free interest rate, time to vesting and expected share price volatility.

The total share-based payment reserve at 31 December 2023 is £1.0m (31 December 2022: £0.5m).

24 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.

24.1 Capital management

Capital risk is the risk that there are insufficient Own Funds to support the Group's business activities and to meet its regulatory capital requirements. Own Funds are the sum of the Group's common equity tier 1 capital, additional tier 1 capital and tier 2 capital. The Group manages its capital to ensure that entities in the Group will be able to continue on a going concern basis while maximising the return. Capital is repayable in accordance with the terms set out in the partnership agreement. Management regularly reviews the adequacy of the Group's capital and ensures capital held remains in excess of regulatory requirements. The Group manages its capital resources with reference to both the business and regulatory requirements. This process also ensures there is adequate capital and liquidity to either absorb losses or to ensure there are adequate levels to perform an orderly wind-down without causing undue harm to clients, counterparties, or the market.

24.2 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 and achieve its strategic objectives.

Market risk

Market risk for the Group comprises foreign exchange risk and interest rate risk. Foreign exchange risk arises from the exposure to changes in foreign exchange spot and forward prices and volatilities of foreign exchange rates.

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 to 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.

	31 December 2023 £m	**31 December 2022 £m**
10% weakening in the GBP/EUR exchange rate	**1.1**	1.2
10% strengthening in the GBP/EUR exchange rate	**(0.9)**	(1.0)
10% weakening in the GBP/USD exchange rate	**0.7**	1.5
10% strengthening in the GBP/USD exchange rate	**(0.6)**	(1.2)

Interest rate risk affects the Group to the extent that forward foreign exchange contracts and foreign exchange structured solutions 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 through the matching of foreign currency assets and liabilities between clients and institutional counterparties which move in parity.

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

The following table details the profile of the Group's derivative financial assets. The amounts are based on the undiscounted cashflows based on the earliest date on which the contractual cashflows are due to the Group.

31 December 2023	£m 0-3 months	£m 3-6 months	£m 6-12 months	£m 12 months +	£m Total
Derivative financial assets	1,072.7	585.1	716.1	492.4	**2,866.3**

31 December 2022	£m 0-3 months	£m 3-6 months	£m 6-12 months	£m 12 months +	£m Total
Derivative financial assets	1,012.5	372.6	511.7	337.3	**2,234.1**

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 December 2023	£m 0-3 months	£m 3-6 months	£m 6-12 months	£m 12 months +	£m Total
Derivative financial liabilities	1,068.0	581.9	710.1	487.7	**2,847.7**

31 December 2022	£m 0-3 months	£m 3-6 months	£m 6-12 months	£m 12 months +	£m Total
Derivative financial liabilities	1,005.4	370.4	506.5	334.2	**2,216.5**

Other financial liabilities

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

31 December 2023	Up to 1 year £m	1 year + £m	Total £m
Amounts payable to clients	14.7	-	**14.7**
Other payables	10.9	-	**10.9**
Lease liabilities	1.7	13.6	**15.3**
	27.3	13.6	**40.9**

31 December 2022	Up to 1 year £m	1 year + £m	Total £m
Amounts payable to clients	12.8	-	12.8
Other payables	4.8	-	4.8
Lease liabilities	1.2	6.3	7.5
	18.8	6.3	25.1

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. The Group employs rigorous procedures and ongoing monitoring to mitigate this risk and 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 assigns a credit limit. Limits and scoring attributed to customers are reviewed on an ongoing basis. Individual counterparty exposures are monitored against assigned limits by the Risk function to ensure appropriate escalation and mitigating action is taken.

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 trade debtors 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.

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.

24.3 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.

	31 December 2023 £m	**31 December 2022 £m**
Financial asset instruments		
Measured at FVTPL		
Non-current		
Derivative financial assets	**9.8**	8.8
Current		
Derivative financial assets	**38.9**	57.7
Total derivative financial assets	**48.7**	66.5
Measured at amortised cost		
Current		
Cash and cash equivalents	**33.0**	29.0
Other assets	**10.5**	10.0

Total amortised cost assets	**43.5**	39.0

	31 December 2023 £m	31 December 2022 £m
Financial liability instruments		
Measured at FVTPL		
Non-Current		
Derivative financial liability	**(5.8)**	(5.2)
Current		
Derivative financial liability	**(23.6)**	(42.0)
Total derivative financial liabilities	**(29.4)**	(47.2)
Measured at amortised cost		
Amounts payable to clients	**(14.7)**	(12.8)
Other creditors	**(8.7)**	(1.1)
Amounts due to members and former members of Argentex LLP	**(0.4)**	(2.9)
Accruals (excluding non-financial instruments)	**(1.7)**	(1.0)
Lease liabilities	**(11.5)**	(6.1)
Non-derivative financial liabilities	**(37.0)**	(23.9)

Derivative financial assets and derivative financial liabilities include derivative transactions with banking counterparties. The transactions are subject to ISDA (International Swaps and Derivatives Association) Master Agreements and similar master agreements which provide a legally enforceable right to offset under certain conditions. These derivative financial instruments have not been offset in the Consolidated Statement of Financial Position but are presented separately in the table below. These derivatives are subject to collateral and margin calls by banking counterparties and the amounts are disclosed in note 18.

	31 December 2023 £m	31 December 2022 £m
Amounts with counterparties subject to Master Netting agreements:		
Derivative financial assets	**27.1**	29.5
Derivative financial liabilities	**17.8**	31.3

24.4 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 December 2023, 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 period, the Group included a CVA of £0.5m (2022: £1.1m) to represent the credit risk inherent in the fair value of derivative financial instruments. 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 25 best represents their respective maximum exposure to credit risk. Note 24.6 details the Group's credit risk management policies.

24.5 Counterparty risk

The Group relies on third party institutions in order to trade and clear settlement funds through client accounts. To reduce counterparty credit risk to acceptable levels, the Group 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 to mitigate counterparty risk.

24.6 Credit risk management

Note 24.4 details the Group's 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.

25 Fair value measurements

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

25.1 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)**
	31 December 2023	**31 December 2022**		
Foreign exchange forward and option contracts	Assets **£48.7m**; and Liabilities **£29.4m**	Assets £66.5m; and Liabilities £47.2m	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. The fair value of foreign exchange forward and option contracts is measured using observable market information provided by third party market data providers. Future cashflows are estimated based on forward exchange rates and contract rates, discounted to reflect maturity.

25.2 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 are a reasonable approximation of their fair value.

26 Related party transactions

As at 31 December 2023, no material related transactions require further disclosure.

27 Contingent liabilities

As at 31 December 2023 there were no capital commitments or contingent liabilities (2022: none).

28 Controlling party

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

29 Events after the reporting date

On 14 March 2024, the Group received an Employment Tribunal claim from a former director. The Group will contest the claim.

END

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