Interim Results Statement

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Argentex Group PLC
20 November 2019

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Argentex Group PLC

("Argentex", the "Group" or the "Company")

Interim results for the period ended 30 September 2019

Continued strong revenue and profit growth post-AIM listing

Argentex Group PLC, the provider of foreign exchange services to institutions, corporates and high net worth private individuals, today issues its maiden interim results for the period ended 30 September 2019, following its admission to AIM in June 2019.

Financial highlights

Underlying results for Argentex LLP for the six month period 1 April 2019 to 30 September 2019

- Foreign Exchange ("FX") Turnover(1): £5.96bn (H1 19: £5.12bn) - up 16.4%
- Revenue: £13.8 million (H1 19: £9.4m) - up 41.7%
- LLP profits after members' remuneration: £6.5m (H1 19: £2.6m)

Argentex Group PLC results for the period from incorporation* on 26 April 2019 to 30 September 2019

- Revenue: £9.3m
- Underlying Operating Profit(2): £4.3m
- Underlying Operating Profit Margin: 46.2%

- Adjusted Profit before Tax(3): £4.3m
- Profit after tax: £3.2m
- Earnings per share: 2.8p (basic), 3.0p (underlying)

(1) FX turnover represents gross currency sales of the Group's FX product offering

(2) Operating profits of Argentex Group PLC, before IPO costs and share based payments

(3) LLP Profits available for distribution to Argentex Group PLC, before IPO costs, share based payments and other administrative costs

**Note: financial statements for Argentex Group PLC are presented from incorporation on 26 April 2019 to 30 September 2019. Argentex Group PLC acquired Argentex LLP on 24 June 2019, immediately prior to listing. No material income or expenditure was incurred by Argentex Group PLC prior to the listing.*

A separate Income Statement for Argentex LLP for the full six-month interim period is presented at the end of this report.

Operational highlights

- Successful admission to trading on AIM on 25th June 2019, raising net proceeds to the Company of £12 million and increasing the Company's trading capacity
- Growth in FX turnover and revenue driven by increased client numbers and FX volume traded:
  - 210 new corporate clients signed during the period
  - Increased productivity of sales team as staff gain experience, leading to improved client conversion and quality
  - 932 corporate clients actively trading in the period
- In advanced stages of negotiation for new premises to enable significant expansion in headcount across all areas
- Non-Executive Board strengthened with the appointment of Lena Wilson CBE FRSE as Senior Independent Director and Chairwoman of the Nominations Committee

Commenting on today's results, Harry Adams and Carl Jani Co-CEOs of Argentex Group PLC said:

"During the period, we reached a significant milestone in the Company's history, when we were successfully admitted to trading on AIM in June. At that time, we had a clear message of commitment to our growth strategy and proven business model, which has delivered profitable growth since inception.

"We look forward to generating returns for our new investors by continuing to address underserved parts of the FX market and using our stronger balance sheet to grow organically whilst selectively taking advantage of long-term opportunities that are now available to us."

Outlook

The Board is pleased with the Company's performance during the period, which reinforces its confidence in meeting expectations for the current financial year and in the Group's long-term prospects.

The outlook for the business remains strong. Uncertainty surrounding the General Election and Brexit is leading to a positive trading environment for our business model, which takes no market risk or house positions. As expected, our corporate clients continue to seek certainty around the outcome of the UK General Election and Brexit. Irrespective of what form either may take, it will provide those clients with an ability to plan ahead again, leading to increased trading volumes.

For Argentex, the environment both pre-and-post election and Brexit is expected to be positive for the business, although larger swings caused by higher degrees of uncertainty are expected to provide greater opportunities in the short term. We have also concluded our own preparatory work to ensure the business is well positioned for a no-deal Brexit outcome and we have the necessary contingency plans in place.

Analysts briefing

There will be a presentation for analysts at 9.30am on 20 November 2019 at the offices of FTI Consulting at 200 Aldersgate, Aldersgate Street, London, EC1A 4HD.

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Forward looking statements

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and businesses and plans for Argentex Group PLC. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that have not yet occurred. There are a number of different factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. Nothing in this statement should be construed as a profit forecast.

The release, publication, transmission or distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published, transmitted or distributed should inform themselves about and observe such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction.

About Argentex Group PLC

Argentex is a UK-based foreign exchange service provider founded in 2011 by its current senior management and Pacific Investments. It operates as a Riskless Principal broker for non-speculative spot and forward foreign exchange and structured financial derivative contracts.

The Group delivers tailored foreign exchange advisory and execution services to a global client base consisting principally of institutions, corporates and high net worth private individuals. It provides a personal client-led service, improved pricing and a more efficient execution and settlement service than existing FX service providers, such as banks and larger broker-dealers.

The business assists customers with foreign exchange transactions which are related to genuine underlying business needs. It does not engage in speculative trades for its clients, nor does it offer margin trading, spread betting, CFDs or similar products and it does not speculate with its own funds as principal.

CEO Report

We are pleased to report on a strong set of interim results, showing good financial and operational performance continuing since listing on AIM in June 2019.

The period has been defined by the Company's successful AIM IPO, in which we raised net proceeds of £12 million. We'd like to welcome and thank our new investors who have helped us with our objective of increasing the Company's capital base, in order for us to meet the growing demand for our services by increasing trading capacity and therefore driving revenue growth.

The IPO is already having tangible benefits on the Group, with the increased balance sheet affording greater confidence from institutional counterparties to offer significantly more competitive terms, translating into a direct benefit to clients, as well as increasing the credibility of the Group within its target market and so shortening the average sales cycle from initial contact to first trade.

Importantly, our long-term track record of delivering profitable growth continued during the period and we have had a strong first half both financially and operationally.

Sustained pressure on sterling during the reporting period has generated strong appetite from clients exporting from the UK, or repatriating overseas revenues into the UK, who are taking advantage of favourable conditions to transact in both spot and forward markets. The continued uncertainty over the political landscape in the UK and overseas is expected to perpetuate currency volatility, and consequently give Argentex's clients further requirement to manage their current and future currency exposures in a timely manner.

The overwhelming proportion of Argentex's business continues to be in the major currencies of sterling, euro and US dollars, with smaller client appetite in other G10 currencies. The concentration of clients with requirements in high-liquidity currencies continues to offer favourable trading conditions without riskier exposure to exotic currencies with higher volatility and occasional liquidity restraints.

Our resilient business model is built around a stable and increasingly diversified client base and in the first six months of FY20, Argentex signed 210 new corporate clients adding to its already strong base of repeat existing business. The proportion of revenue from new clients compared to that generated by clients that have already traded with Argentex, remained in line with historic trends, with high client retention acting as a strong foundation.

Overall, FX turnover increased and on a swap-adjusted basis, trading activity in the first six months of the year has remained consistently in line with historical trade profiles, with the ratio of spot to forward FX trades being 2:1 by volume and approximately 50/50 by revenue, demonstrating that the composition of business undertaken by the Group has not changed since the IPO.

The increase in FX turnover has been accompanied by a disproportionate growth in revenue (16.4% increase in FX turnover vs a rise of 41.7% in revenue), demonstrable proof that the maturation of the existing sales team is leading not only to a larger client base that is trading more in absolute terms, but also a client base that is improving in quality. This effect is even more pronounced when the variables applicable to the Group Post-IPO are overlaid on prior results of the LLP (as shown in the pro forma appended to these results), which leads to distributable profits from the LLP of £6.5m for the first six months of this year compared to £2.6m in the comparative period.

We would like to thank the continued commitment of our exceptional and growing team, who, along with our bespoke product suite and technology platform continue to underpin the successful execution of our strategy.

An important additional benefit of the IPO is the long term incentivisation of key staff made possible through the Company Share Option Plan (CSOP) implemented at IPO, and a further investor-aligned LTIP designed to incentivise and retain non-founder staff that we intend to implement in the coming months.

We are excited about our future as a listed company delivering our leading FX services and advice to our clients, while generating returns to investors.

Financial review

Revenue

Argentex continued with its recent record of strong growth, with revenues for the period from admission to AIM to the period end of £9.3m. Underlying performance of Argentex LLP, the Group's principal trading subsidiary is the driver behind the Group's results. The full six-month interim performance of Argentex LLP is included at the end of this interim financial report.

In the six months to 30 September 2019, Argentex LLP experienced revenue growth of 41.7%. Revenue growth continues to be driven by continuing improvement in the quality of the sales team driving new business generation, combined with strong repeat business from a diverse client base.

Profitability

Argentex continues to experience high operating leverage, with operating margins at Group level of 43% (underlying 46%) for the interim period. These margins are considered to be at their peak given the current premises is at capacity, and the ratio of experienced and seasoned front office staff driving revenues.

Argentex is expecting to commit to a new leasehold premises for FY2021 and take advantage of the new space to invest in both front and back office staff. Consequently, operating margins are expected to reduce from the current peak and stabilise in the medium and longer term, though the addition of more high calibre staff will also provide more opportunities for growth in pursuit of the Group's medium- and long-term goals.

Cashflow

The Group's core revenue streams of spot and forward foreign exchange (supplemented by a growing FX options book) continues to deliver positive cash flows into the business. Cash generated from operating activities, adjusted for movements in client balances (collateral received from, and funds awaiting distribution to clients) totalled £3.7m, representing 86% of underlying operating profit for the Group for the interim period.

Dividend

The Board is committed to the Group's dividend policy, which will be implemented following the completion of the Group's first annual audit for the year ended 31 March 2020.

Other matters

Extension of audit partner's tenure

Guy Swarbreck has acted as the Company's audit engagement partner for six years, having first acted in this role for the year ended 31 March 2014 for Argentex LLP. The Group's Audit Committee has sought and received the approval of Nexia Smith and Williamson to extend Mr. Swarbreck's tenure beyond the five years normally permitted by the Financial Reporting Council's Ethical Standard. This will safeguard audit quality in the context of the substantial changes to the structure of business, notably Argentex Group PLC's acquisition of Argentex LLP and the subsequent successful admission to AIM, combined with a newly founded Board of Directors for Argentex Group PLC. This is allowed by the Ethical Standard and will enable him to sign the auditor's report on the financial statements for the year ending 31 March 2020.

-ENDS-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period from incorporation on 26 April 2019 to 30 September 2019

	£
Revenue	**9,288,707**
Direct costs	(119,770)
Gross profit	**9,169,007**

Administrative expenditure	(4,901,672)
Underlying operating profit	**4,267,335**
IPO costs	(191,910)
Share based payments	(66,861)
Operating profit	**4,008,564**
Interest payable and similar charges	(34,580)
Profit before taxation	**3,973,984**
Taxation	(796,656)
Profit and total comprehensive income for the period	3,177,328

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 September 2019

	Notes	**30 September 2019 £**
Non-current assets		
Goodwill	4	101,333,361
Intangible assets		1,797,661
Property, plant and equipment		296,576
Trade and other receivables	6	5,552,655
Total non-current assets		**108,980,253**
Current assets		
Trade and other receivables	6	11,999,927
Cash and cash equivalents	7	32,140,221
Total current assets		**44,140,148**
Total Assets		**153,120,401**
Equity		
	10	70,294

Share capital		
Share premium account		118,238,192
Retained earnings		3,177,325
Total equity attributable to equity holders of the Company		**121,485,811**
Current liabilities		
Trade and other payables	8	27,114,984
Corporation tax		796,656
Total current liabilities		**27,911,640**
Non-current liabilities		
Creditors due after more than one year	9	3,722,950
Total non-current liabilities		**3,722,950**
Total equity and liabilities		**153,120,401**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period from incorporation on 26 April 2019 to 30 September 2019

	for the period to 30 September 2019
	£
Cash flows from operating activities	
Profit before taxation	3,177,328
Net Finance expense	3,395
Amortisation of intangible assets	254,284
Deprecation of property, plant and equipment	92,005
Decrease in other receivables	124,797
Decrease in other payables	(627,001)
Increase in derivative financial assets	(4,479,077)
Increase in derivative financial liabilities	2,903,504

Net cash generated from operating activities	**1,449,235**
Cash flow from investing activities	
Payments to acquire Property, plant and equipment	(5,060)
Payments to acquire intangible fixed assets	(341,990)
Cash acquired from business combinations	18,884,960
Net cash inflow from investing activities	**18,537,910**
Cash flow from financing activities	
Payment of lease liabilities	(155,410)
Issue of ordinary shares	14,061,332
IPO costs	(1,752,846)
Net cash inflow from financing activities	**12,153,076**
Net increase in cash and cash equivalents	**13,255,261**
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at end of the period	**32,140,221**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period from incorporation on 26 April 2019 to 30 September 2019

	Share capital	Share premium	Retained earnings	Total
	£	£	£	£
Balance as at 26 April 2019	-	-	-	-
Profit and total comprehensive income for the period	-	-	3,177,328	3,177,328
Transactions with shareholders				
Shares issued in the	70,294	119,991,038	-	120,061,332

period				
Cost of issue of equity shares	-	(1,752,846)	-	(1,752,846)
Balance as at 30 September 2019	**70,294**	**118,238,192**	**3,177,328**	**121,485,814**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 Corporate information

Argentex Group PLC is a public limited company, incorporated and domiciled in the United Kingdom whose shares are publicly traded on the AIM market of the London Stock Exchange. The address of its registered office is 5 Old Bond Street, London W1S 4PD. The Company is incorporated in the United Kingdom under the Companies Act 2006 (company registration No. 11965856).

2 Basis of preparation

The consolidated financial information contained within these financial statements is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.
While the financial figures included in this interim report have been prepared in accordance with IFRS applicable to interim periods, this interim report does not contain sufficient information to constitute an interim financial report as defined in IAS 34.

Argentex Group PLC was incorporated on 26 April 2019, and commenced trading on 25 June 2019 (the date of the Company's admission to AIM). Accordingly, prior year comparative information is not available.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability or expense. The accounting policies applied in preparation of these interim financial statements are consistent with those applied in section B of the Company's Prospectus for Admission to AIM (other than as described below), which can be found here:

https://argentex.com/wp-content/uploads/2019/06/Argentex-Admission-to-AIM.pdf

These interim financial statements are prepared on a going concern basis as the directors have satisfied themselves that, at the time of approving these interim financial statements, the Group has adequate resources to continue in operational existence for at least the next twelve months.

3 Accounting policies

3.1 Basis of consolidation

The Group's Financial Statements consolidate the Financial Statements of the Company and all its subsidiary undertakings. The Company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information.

3.2 Share based payments

The Group issues cash-settled share-based payments to employees of the Group through
approved options schemes. The cost of share based employee compensation arrangements is recognised as an employee benefit expense in the Statement of Comprehensive Income . The fair value of the shares or share options is recognised over the vesting period to reflect the value of the employee services received. The charge relating to grants to employees of the Company is recognised as an expense in the Statement of Comprehensive Income .

3.3 Taxes

Tax currently payable is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the Statement of Comprehensive Income as it may excludes 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 Statement of Financial Position.

Deferred tax assets and liabilities mainly represent amounts of tax that will become recoverable and payable in future accounting periods. Generally, they arise as a result of temporary differences
where the time at which profits and losses are recognised for tax purposes differs from the time at which the relevant transaction is recorded in the Financial Statements. A deferred tax asset represents a tax reduction that is expected to arise in a future period. A deferred tax liability represents taxes which will become payable in a future period as a result of a current
or prior year transaction.

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the date of the Statement of Financial Position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

4 Business combination

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 (later renamed Argentex Foreign Exchange Limited). Argentex LLP, Argentex Capital Limited and Argentex Foreign Exchange Limited are now 100% owned (either directly or indirectly) subsidiaries of Argentex Group PLC and consolidated into these interim financial statements.

In preparing these consolidated interim financial statements, the Company is required to determine whether the transaction falls within the scope of IFRS 3 Business Combinations in order to determine the appropriate basis for disclosure. It is the directors' view that the transaction falls within the scope exclusion of IFRS 3 (para 2), and as such an alternative accounting policy must be selected. In the opinion of the directors, there is no other IFRS that specifically applies to this transaction.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (paras 10-12) requires the Company to develop and apply an accounting policy suitable to the transaction, in accordance with the particulars laid out in the standard. IAS 8 para 12 also states that "*In making the judgement described in paragraph 10, management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices…*". The directors note that transactions similar in substance to that of the Company's acquisition of Argentex LLP are included within the scope of an ongoing project by the IASB, "Business Combinations under Common Control", which is expected to provide higher levels of certainty over the treatment of this transaction once concluded.

In the opinion of the directors, the complexities of the transaction give rise to uncertainty over the appropriate treatment. The directors consider that the available options for the transaction are either

(i) Selection of an accounting policy analogous to that of IFRS 3 Business Combinations (acquisition method); or
(ii) Selection of an accounting policy analogous to that of the UK's FRS102 section 19 Business Combinations and Goodwill (merger accounting method).

In preparing these interim financial statements, the directors have chosen to apply the acquisition method of IFRS 3. This preliminary treatment will remain under review for the duration of the financial period, and prior to the Company's financial year end the directors will again review the treatment as published in these unaudited financial statements to in order to present the most relevant, reliable and prudent information for its audited financial statements.

4.1 Consequences of applying the acquisition method

(i) As shown in the Consolidated Statement of Financial Position, Goodwill on acquisition arose of £101,333,361. As permitted by IFRS3 the Group has a year to complete its fair valuation of separately identifiable assets. This may impact the carrying value of goodwill.
(ii) The Consolidated total assets of the Group are reported as £153,120,401.
(iii) The Statement of Comprehensive Income is presented from incorporation, and includes subsidiary transactions from the date of acquisition.
(iv) The primary statements are presented with no comparative information.

4.2 Expected consequences should merger accounting have been applied

(i) There would be no Goodwill on acquisition, instead a merger reserve balance would arise in Equity of £101,333,361, reducing total equity.
(ii) The Consolidated total assets of the Group would be reported as £51,787,040.

(iii) The Statement of Comprehensive Income would be presented as of 1 April 2019.

(iv) The primary statements would be presented with comparative information.

5 Earnings per share

	Period ended 30 Sept 2019 £
Basic earnings per share	2.8p
Diluted earnings per share	2.8p
Underlying - basic	3.0p
Underlying - diluted	3.0p

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

	Period Ended 30 Sept 2019 No.
Basic weighted average shares	113,207,547
Contingently issuable shares	283,010
Diluted weighted average shares	113,490,557

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

	Period Ended 30 Sept 2019 £
Earnings - basic and diluted	3,177,328
IPO Costs	191,910
Share-based payments	66,861
Earnings - underlying	3,436,099

6 Trade and other receivables

	2019
	£
Non-Current	
Derivative financial assets at fair value	5,552,655
	5,552,655
Current	
Derivative financial assets at fair value	11,693,743
Other debtors	90,879
Prepayments	215,305
	11,999,927

7 Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks. Cash and cash equivalents at the end of the reporting period can be reconciled to the related items in the statement of financial position as follows:

	2019
	£
Cash and cash equivalents	
Cash held at banks	29,848,761
Cash held other non-bank financial institutions	2,291,460
	32,140,221

8 Trade and other payables

	2019
	£
Loans and other debts due to members and former	

members of Argentex LLP	7,558,379
Trade creditors	46,065
Amounts payable to clients	10,069,199
Other creditors	1,777,899
Accruals	2,225,449
Other taxation and social security	315,177
Derivative financial liabilities at fair value	4,970,868
Lease liability	151,948
	27,114,984

9 Creditors: amounts falling due after more than one year

	2019
	£
Derivative financial liabilities at fair value	3,722,950
	3,722,950

10 Share capital

	Ordinary shares No.	**Management shares No.**	**Nominal value £**
As at 26 April - shares of £0.0001 each	100	-	-
Ordinary shares issued during IPO	113,207,447	-	11,321
Management shares issued of £0.0025 each	-	23,589,212	58,973
As at 30 September 2019	113,207,547	23,589,212	70,294

Reconciliation of full six-month performance of Argentex LLP to performance of Argentex Group PLC for the interim period

Argentex LLP - full interim results (unaudited)

	Six months ending 30 September 2019 £	Six months ending 30 September 2018
Revenue	**13,827,852**	**9,442,436**
Direct costs	(190,939)	(195,874)
Gross Profit	**13,636,913**	**9,246,562**
Administrative expenditure	(5,035,211)	(4,824,786)
Operating profit	**8,601,702**	**4,421,776**
Interest payable and similar charges	(133,362)	(54,661)
Profit before members remuneration	**8,468,340**	**4,367,115**
Members remuneration:		
- Allocated to individual members of the LLP under the revised compensation model	(2,012,730)	-
- Pro forma adjustment for revised compensation model applied retrospectively	-	(1,764,900)
Distributable profits after individual LLP members' compensation	**6,455,610**	**2,602,215**
- Allocated under the previous ownership structure pre-IPO	**(2,111,216)**	**(2,602,615)**
Profits available for distribution to Argentex Group plc and its subsidiaries	**4,344,394**	**-**
IPO costs	(191,910)	-
Share based payments	(66,861)	-
Other administrative costs	(111,639)	-
Taxation	(796,656)	-
Profit for the period for Argentex Group PLC	3,177,328	-

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