

DATED 11 November 2008

ARGO CAPITAL MANAGEMENT (CYPRUS) LIMITED
as Company

KYRIAKOS RIALAS
as Executive

SERVICE AGREEMENT

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DATED

PARTIES

- (1) **Argo Capital Management (Cyprus) Limited** whose registered office is at 401-10 Jackie Court, Vasilissis, Frederilis, PL 1066, Nicosia, Cyprus (the "**Company**")
- (2) **Kyriakos Rialas** of 401-10 Jackie Court, Vasilissis, Frederilis, PL 1066, Nicosia, Cyprus (the "**Executive**")

OPERATIVE PROVISIONS

1 DEFINITIONS AND INTERPRETATION

1.1 In this Agreement:

"**Appointment**" means the appointment of the Executive pursuant to this Agreement.

"**Board**" means the board of directors of the Company (or any director or committee of directors authorised by the Board) from time to time.

"**Commencement Date**" means the date of Admission.

"**Companies Act**" means Cyprus Companies Law.

"**Confidential Information**" means:

- (a) the Company's or any Group Company's business plans, maturing new business opportunities, research and development projects, product formulae, processes, sales statistics, marketing surveys and plans, costs, profit or loss, pricing mechanisms, employee remuneration, the names, addresses and contact details of investors and potential investors or suppliers and potential suppliers and their dealing terms and policies (whether or not recorded in writing or on computer disk or tape);
- (b) any other information designated by any Group Company as confidential; and
- (c) any information in relation to which any Group Company owes a duty of confidentiality to any third party,

save in respect of such information which is in the public domain other than directly or indirectly by reason of the act or omission of the Executive.

"**FSMA**" means Law 144(I)2007 providing for provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters.

"**Group**" means the Company, any Parent Company of the Company and subsidiaries of the Company or of any such Parent Company.

"**Group Company**" means a member of the Group.

"**Intellectual Property**" includes patents, trade marks, service marks, designs, utility models, copyrights, design rights, applications for registration of any of the

foregoing and the right to apply for them in any part of the world, moral rights, inventions, confidential information, know-how, and rights of a similar nature arising or subsisting anywhere in the world in relation to all of the foregoing, whether registered or unregistered.

"Parent Company" has the same meaning as in sections 2 and 148 of the Companies Act.

"Recognised Investment Exchange" has the same meaning as in Law 144(I) 2007.

"Salary" means the salary of the Executive referred to at Clause 8.1 (*Salary*) as varied from time to time.

"Subsidiary" has the same meaning as in sections 2 and 148 of the Companies Act.

1.2 The headings in this Agreement are for convenience only and do not affect its construction or interpretation.

1.3 The Schedules form part of and are incorporated in this Agreement.

1.4 References to an enactment are construed as extending to an amendment or re-enactment and to any previous enactment which is consolidated in the enactment (as amended or re-enacted) and to any regulation or order made under any of them.

1.5 Words denoting the singular include the plural and *vice versa* and words denoting any gender include all genders.

2 **TERM**

2.1 Subject to and conditional upon the entire issued share capital of Argo Group Limited being admitted to trading on AIM (a market operated by the London Stock Exchange) on or before 30 September 2009 ("Admission"), the Company shall employ the Executive and, subject to the terms of this Agreement, the Executive shall serve the Company from the Commencement Date until the expiration of not less than 3 months' prior notice to be given by either party to the other.

2.2 The Executive's previous employment with the Company shall count towards the Executive's period of continuous employment which, for the purposes of the Employment Rights Act 1996, began on 1 June 2003.

2.3 The Executive's employment under this Agreement shall terminate on the last day of the month in which the Executive shall attain the Company's retirement age from time to time. This is currently 65 years.

3 **JOB TITLE**

3.1 The Company shall employ the Executive and the Executive shall serve the Group as Chief Executive Officer of the Company and of Argo Group Limited.

4 **DUTIES**

4.1 The Executive shall during his employment under this Agreement:

- (a) perform such duties and exercise such powers as the Board may from time to time reasonably assign to him and such duties and powers may relate or concern the business of any Group Company including serving on the board of directors or other executive body or committee or board of trustees of or relating to such Group Company as may be required from time to time by the Board;
- (b) well and faithfully serve the Company and use his utmost endeavours to promote the success of the Company for the benefit of its members as a whole but, as far as is reasonably possible, not in any way which conflicts or which may possibly conflict with the interests of any other Group Company, which interests the Executive shall use his best endeavours to promote;
- (c) comply with all applicable provisions of the Companies Act, the AIM Rules for Companies, the rules and regulations published by the London Stock Exchange plc and you will comply with the provisions of such other laws and regulations (of Cyprus or issued by any regulatory authority in Cyprus) as you may from time to time be advised are applicable to you in your capacity as a director of the Company and in so far as they relate to your directorship of the Company;
- (d) comply with all reasonable directions and regulations of the Company including, without limitation, regulations with respect to confidentiality, dealings in securities and notifications required to be made by a director to the Company or any relevant regulatory body, whether under the Companies Act, the Articles of Association of the Company or otherwise;
- (e) give to the Board such information regarding the affairs of Group Companies as it requires.

5 HOURS OF WORK

- 5.1 The Executive shall during his employment under this Agreement devote himself exclusively to the performance of his duties during normal working hours at his place of employment and at all other times necessary for the proper performance of his duties, unless prevented by ill health from doing so.
- 5.2 The Executive shall work the normal working hours of the Company (Monday to Friday inclusive 9.00 am to 5.30 pm) and such additional hours without additional remuneration (including at weekends and public or bank holidays) as are commensurate with his position and/or are reasonably required in order for him to carry out his duties properly under this Agreement.

6 CONDUCT DURING THE APPOINTMENT

- 6.1 The Executive shall not directly or indirectly enter into, or be concerned or interested in, any trade, business or occupation other than the business of the Group except:
 - (a) with the prior written consent of the Board, but consent may be given subject to any terms or conditions which the Board requires, a breach of which shall be deemed to be a breach of the terms of this Agreement; or
 - (b) as a holder of not more than 3% of any class of shares, debentures or other securities in a company which is listed or dealt in on a Recognised Investment Exchange.

- 6.2 The Executive shall not during the Appointment either on his own behalf or on behalf of any person, firm or company:
- (a) solicit or endeavour to entice away from the Company an employee, or discourage from being employed by the Company or any Group Company any person who, to the knowledge of the Executive, is an employee or a prospective employee of the Company or any Group Company; or
 - (b) employ or procure another person to employ any such person.

7 **PLACE OF WORK**

- 7.1 The Executive's place of employment shall be the offices of the Company in Cyprus. The Executive may be required to work at other Group premises from time to time as notified by the Company and to travel on Company business. It is not anticipated that the Executive will be required to work outside the United Kingdom for a period of more than one month at a time.
- 7.2 If the Company requires the Executive to work permanently at a place which necessitates a move from his present address, the Company will reimburse the Executive for all removal expenses directly and reasonably incurred as a result of the requirement subject to the Company's relocation policy in force from time to time.

8 **REMUNERATION**

8.1 **Salary**

- 8.1.1 The Executive's Salary shall be €200,000 per annum which shall accrue from day to day and be payable in arrears by equal monthly instalments on or about the last day of every month. The Salary shall be inclusive of any director's fees payable to him in respect of any Group Company.
- 8.1.2 The Salary shall be reviewed by the Board on an annual basis and may be increased at the Board's discretion.
- 8.1.3 The Company may both during this Agreement and on termination deduct from the Salary any sum due from the Executive to the Company including but not limited to any outstanding loans, advances, damage or loss to the Company caused by the Executive, excess holiday and over payments.

8.2 **Insurance Benefits**

- 8.2.1 The Executive shall be entitled to participate at the Company's expense in the Company's private medical insurance scheme.
- 8.2.2 The Executive's participation in any such insurance scheme, as referred to in Clause 8.2.1 above, will be subject to the rules from time to time of any such scheme (including the powers of amendment and discontinuance) and subject to the Executive being accepted at standard rates of premium.
- 8.2.3 The Company shall not have any liability to pay any benefit to the Executive (or any family member) under any insurance scheme referred to in Clause 8.2.1 above unless it receives payment of the benefit from the insurer under the scheme and shall not be responsible for providing the Executive (or any family member) with any benefit under any such insurance scheme in the event that the relevant insurer

refuses for whatever reason to pay or provide or to continue to pay or provide that benefit to the Executive (or family member).

8.3 **Expenses**

The Company shall by way of reimbursement pay or procure to be paid to the Executive all reasonable expenses wholly, exclusively and necessarily incurred by him in the performance of his duties under this Agreement on production of appropriate vouchers or receipts. The Company will only reimburse expenses which have been submitted in accordance with the Company's expenses policy.

8.4 **Other Benefits**

Any benefits provided by the Company to the Executive or his family which are not expressly referred to in this Agreement shall be regarded as ex-gratia and at the entire discretion of the Company and shall not form part of the Executive's contract of employment.

9 **HOLIDAYS**

9.1 The Executive shall (in addition to the usual public and bank holidays) be entitled to 25 working days' holiday in each calendar year to be taken at times convenient to the Company. During the first and last calendar years of the Executive's employment the Executive shall be entitled to a *pro rata* proportion of his annual holiday entitlement. The Executive may not carry over more than 5 days accrued holiday entitlement from one calendar year to the next without the written consent of the Board.

9.2 The Executive will be entitled to be paid in lieu of any accrued but untaken holiday on termination of this Agreement. The Company may deduct from the final payment of Salary for holiday taken in excess of the Executive's entitlement. For this purpose a day's pay shall be 1/260th of Salary and fractions of days shall be rounded up to the nearest whole number.

9.3 The Company may require the Executive to use any accrued but untaken holiday during his notice period, whether or not the Company has exercised its rights under Clause 11.3 during such period.

10 **INCAPACITY**

10.1 If the Executive is unable to attend for work due to illness, accident or other incapacity, he shall notify the Company before 10.00 am on the first day of absence and thereafter he shall keep the Company notified of the likely duration of his absence.

10.2 The Executive shall continue to be paid during absence due to illness, accident or other incapacity (payment to be inclusive of any social security benefits to which he may be entitled) for a total of up to 90 working days in any 12 consecutive months. Thereafter the Executive shall continue to be paid remuneration at the discretion of the Company.

10.3 If the Executive is at any time prevented by illness, accident or other incapacity from performing his duties under this Agreement the Executive may be suspended from carrying out those duties for so long as the Board in its discretion considers such ill health to continue and if the Executive unable to perform his duties under this Agreement for a period of 30 consecutive working days, the Company may

appoint a temporary replacement to undertake all or some of his duties during any further period in which he is prevented from performing his duties.

10.4 For the purposes of this Clause 10 (*Incapacity*), working days shall be Monday to Friday.

10.5 If required by the Board the Executive shall, at the expense of the Company, undergo a medical examination by such medical practitioner as the Board nominates. The Executive shall authorise the medical practitioner to disclose to and discuss with the Board the results of the examination. The Executive consents to the Company processing sensitive personal data relating to the results of such examination.

11 **TERMINATION OF EMPLOYMENT**

11.1 The employment of the Executive may be terminated by the Company without notice or payment in lieu of notice if the Executive:

- (a) commits an act of gross misconduct or of gross neglect or a material or repeated breach of an obligation in this Agreement, or is guilty of conduct tending to bring himself or a member of the Group into disrepute; or
- (b) has an interim receiving order made against him, becomes bankrupt or makes a composition or enters into any deed of arrangement with his creditors; or
- (c) is convicted of a criminal offence (other than an offence under road traffic legislation for which a fine or non-custodial penalty is imposed); or
- (d) becomes of unsound mind or becomes a patient under the mental health legislation; or
- (e) is convicted of an offence relating to insider dealing; or
- (f) is guilty of any serious breach or non-observance of any of the provisions of this Agreement or directions of the Board (or successive breaches or non-observance of any of such provisions or directions in spite of written warning to the contrary by the Board) or relevant rules and/or codes issued by or on behalf of any Recognised Investment Exchange including, without limitation, the provisions of the Model Code on Directors' Dealings in Securities (as set out in the appendix to chapter 16 of the Listing Rules of the United Kingdom Listing Authority) or any Company or Group policy or code issued in relation to dealing in shares or other securities of any Group Company; or
- (g) resigns as a director of the Company otherwise than at the request of the Board; or
- (h) is disqualified from being a director of a company by reason of an order made by a competent court; or
- (i) commits any other act warranting summary termination at common law including (but not limited to) any act justifying dismissal without notice in the terms of the Company's generally-applicable disciplinary rules (receipt of a copy of which the Executive hereby acknowledges).

- 11.2 In lieu of giving any notice required to be given under this Agreement, the Company may terminate this Agreement summarily on payment to the Executive of a lump sum (subject to tax and national insurance contributions) equal to the Salary calculated over the Executive's entitlement to notice.
- 11.3 The termination by the Company of the appointment shall be without prejudice to any claim which the Company may have for damages arising from breach of this Agreement by the Executive. If this Agreement is terminated on notice the Company may require the Executive to cease to perform his duties under this Agreement and not to attend at the Company's premises during the notice period or any part of the notice period as the Company determines. The Company may require the Executive during part or all of such period to perform part but not all of his normal duties or duties different from his normal duties, including carrying out specific projects or tasks (but not being duties inappropriate to his status). The Executive shall comply with any other reasonable conditions imposed by the Company during such period and, in particular, shall resign his directorship of any Group Company and shall not contact clients or customers of the Company if so requested by the Company. During this period the Company shall continue to pay the Executive the Salary and other benefits to which he has an entitlement under this Agreement, but the Executive shall not be entitled to any bonus or commission payments. During this period the Executive, who shall remain in employment, shall continue to be bound by all obligations owed to the Company under this Agreement.

12 **EXECUTIVE'S OBLIGATIONS ON TERMINATION**

- 12.1 Upon the termination of this Agreement or in the event of the Executive serving on the Company notice to terminate his employment or in the event of the Company requesting the Executive to cease performing or exercising any or all of his duties pursuant to Clause 11.3:
- (a) the Executive shall at the request of the Board immediately resign all his directorships in the Group without claim for compensation and in the event of his failure to do so within five days of such request he hereby irrevocably appoints any director or the secretary of the Company as his lawful attorney, in his name and on his behalf, to sign and deliver the resignations to the appropriate Group Company; and
 - (b) the Executive shall immediately deliver to the Company all records, documents, accounts, letters, disks, tapes, passwords and papers within his possession or under his control relating to the affairs and business of any Group Company and any other property belonging to a Group Company.
- 12.2 The Company may withhold any sums owing to the Executive on the termination of his employment until the obligations in Clause 12.1(b) above have been complied with and if he does not comply with Clause 12.1(b) above, he shall be required to account to the Company for any resulting losses.

13 **INVENTIONS**

- 13.1 If in the course of his employment under this Agreement the Executive makes or discovers, or participates in the making or discovery of, Intellectual Property relating to or capable of being used in the business carried on by a Group Company, full details of the Intellectual Property shall immediately be communicated by him to the Company and shall be the absolute property of the Company. At the request and expense of the Company the Executive shall give

and supply all such information, data, drawings and assistance as is requisite to enable the Company to exploit the Intellectual Property to the best advantage. If so requested, the Executive shall, at the Company's expense but without receiving payment, execute all documents and do all things necessary to vest the title to the invention, design or discovery in the Company. The Executive irrevocably appoints the Company to be his attorney and in his name and on his behalf to execute any documents and generally to act and to use his name for the purpose of giving to the Company (or its nominee) the full benefit this Clause. A certificate in writing signed by a director or the secretary of the Company that an instrument or act falls within the authority conferred by this Clause shall be conclusive evidence in favour of a third party that it is the case.

13.2 If the Executive makes or discovers or participates in the making or discovery of any Intellectual Property during his employment under this Agreement but which is not the property of the Company under Clause 13.1, the Company shall have the right to acquire for itself or its nominee the Executive's rights in the Intellectual Property within three months after disclosure under Clause 13.1 on fair and reasonable terms to be agreed or settled by a single arbitrator.

13.3 Rights and obligations under this Clause shall continue in force after termination of this Agreement in respect of Intellectual Property made or discovered during the Executive's employment under this Agreement and shall be binding upon his representatives.

14 **CONFIDENTIALITY AND RESTRICTIONS**

14.1 The Executive shall not (except in the proper course of his duties) during the period of employment under this Agreement or subsequently, without the prior consent in writing of the Board, divulge to any person or otherwise make use of Confidential Information and shall, during the period of this Agreement, use his best endeavours to prevent the publication or disclosure of any Confidential Information.

14.2 Confidential Information which is made or received by the Executive during this Agreement shall be the property of the Company and all such property and copies thereof and any other property of the Group shall be surrendered by the Executive to the Company at the termination of this Agreement (howsoever occasioned) or at the request of the Board at any time during the course of his employment.

14.3 In the event of termination of this Agreement the Executive agrees to be bound by the restrictive covenants set out in Schedule 1 (*Restrictive Covenants*).

15 **DATA PROTECTION**

15.1 Personal Data relating to the Executive will only be used by the Company to fulfil its obligations to the Executive under this Agreement and/or for other purposes relating to or which may become related to the Executive's employment or directorship with the Company or Group Company. Such processing will principally be for personnel, administrative, financial, regulatory or payroll purposes.

15.2 The Executive agrees that Personal Data relating to him or to his employment with the Company may to the extent that is reasonably necessary in connection with his employment or the business of the Company or any Group Company:

- (a) be collected and held (in hard copy and computer readable form) and processed by the Company or Group Company;

- (b) be disclosed or transferred to any Group Company and/or its employees;
- (c) be disclosed or transferred to any associates of the Company or any potential purchaser of the shares or business of the Company or any Associated Company for the purpose (in the case of a purchaser) of due diligence; and
- (d) be disclosed to entities which process data on behalf of the Company in connection with the provision of benefits or services to employees of the Company or to the Company itself.

15.3 By signing this Agreement, the Executive further agrees that the Company may lawfully and fairly process sensitive personal data relating to him for the purposes set out in Clause 15.1 above.

16 **USE OF EQUIPMENT**

16.1 The Executive acknowledges that the Company may legitimately monitor any communications sent or received by the Executive either in the performance of his duties or by way of the Company's networks and consents to such monitoring for the purposes of:

- (a) ensuring proper working order of the IT systems;
- (b) ensuring that employees comply with the Company's practices and procedures;
- (c) ensuring that employees achieve acceptable standards in relation to the performance of their duties;
- (d) preventing or detecting crime; and
- (e) investigating or detecting the unauthorised use of the Company's IT systems.

17 **DISCIPLINE AND GRIEVANCES**

17.1 There are no contractual disciplinary or grievance procedures which apply to the Executive's employment.

17.2 Should the Executive have any grievance about his employment or should he wish to appeal against any disciplinary decision relating to him he should apply in writing to the Board.

17.3 The Company may suspend the Executive for a reasonable period on full pay for the purpose of investigating the substance of any potential disciplinary matter involving the Executive and holding a disciplinary hearing.

18 **NOTICES**

All communications between the parties with respect to any of the provisions of this Agreement shall be sent to the addresses set out in this Agreement, or to such other addresses as may be notified by the parties for the purpose of this Clause, by personal service, pre-paid registered or recorded delivery post or by facsimile transmission or other electronic means of written communication with confirmation by letter given by the close of business on the next following business day. Any

communication to the Company must be marked "For the attention of the Company Secretary".

18.1 Communications which are sent or despatched as set out below shall be deemed to have been received by the addressee as follows:

- (a) by post - two business days after despatch; and
- (b) by facsimile transmission or other electronic means of written communication - on the business day next following the day on which the communication was sent.

18.2 In proving service by post it shall be necessary only to prove that the communication was contained in an envelope which was duly addressed, stamped and posted by registered or recorded delivery post. In proving service by facsimile transmission or other electronic means of written communication, proof of service will be accepted by evidence of transmission.

18.3 For the purpose this Clause a "**business day**" means a day on which the clearing banks in the City of London are open for business and "**close of business**" means 18.00 hours.

19 **GENERAL**

19.1 This Agreement shall take effect as from the Commencement Date, from which date all other agreements or arrangements, whether written or oral, express or implied, between the Executive and any member of the Group relating to the services or employment of the Executive shall be deemed to have been cancelled.

19.2 The expiration or determination of this Agreement shall not affect those terms which are expressed to operate or have effect after its termination and shall be without prejudice to any right of action already accrued to either party in respect of a breach of this Agreement by the other party.

19.3 The Executive shall provide a copy of this Agreement (with all remuneration details deleted should he so wish) to any prospective new employer prior to entering into a contract of employment with such prospective new employer.

19.4 This Agreement sets out the entire agreement relating to the employment of the Executive with the Company and shall replace any previous agreements, whether by way of letters of appointment, arrangements, whether written, oral or implied, relating to the employment, service, consultancy, office holding or any other arrangement between the Company and the Executive. These shall be deemed to have been terminated by mutual consent as from the date of this Agreement. The Executive acknowledges that he has no outstanding claims of any kind against the Company or any other Group Company in respect of any such agreement.

19.5 There are no collective agreements relating to the Executive's employment under this Agreement.

20 **LAWS**

The construction, validity and performance of this Agreement shall be governed by the laws of Cyprus and the parties submit to the exclusive jurisdiction of the courts of Cyprus.

Delivered as a Deed on the date of this Agreement.

EXECUTION PAGE

Executed as a Deed by **ARGO CAPITAL
MANAGEMENT (CYPRUS) LIMITED**
acting by
in the presence of

)
)
)
)


Director's name

Name of witness:

Signature of witness:

Address:

Occupation:

Signed as a Deed by **KYRIAKOS RIALAS**)
in the presence of)




Name of witness:

Signature of witness:

Address:

Occupation:


SOPHOCLES SOPHOCLEOUS
47 KRATINA St., 2040 NISIA
CYPRUS
FINANCIAL ANALYST