



**ARGO**

# 100

**ARGO GROUP LIMITED**

**UNAUDITED INTERIM REPORT AND ACCOUNTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**MANAGEMENT AND ADMINISTRATION**

**DIRECTORS**

Michael Kloter  
Kyriakos Rialas  
Andreas Rialas  
David Fisher  
Kenneth Watterson

**REGISTERED OFFICE**

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**PRINCIPAL BANKER**

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**NOMINATED ADVISER AND STOCKBROKER**

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**CONTENTS**

Chairman's statement	3
Statement of directors' responsibilities in respect of the condensed consolidated interim financial statements	6
Directors	7
Condensed consolidated statement of comprehensive income	8
Condensed consolidated statement of financial position	9
Condensed consolidated statement of changes in shareholders' equity	10
Condensed consolidated cash flow statement	11
Notes to the condensed consolidated interim financial statements	12

**CHAIRMAN'S STATEMENT****Key Highlights for the six month period ended 30 June 2010**

- Steady, profitable performance across the Argo funds
- Positive portfolio results in an upward trend
- Revenues of US\$5.6 million (six months to June 2009: US\$5.8 million)
- Operating profit of US\$1.1 million (six months to June 2009: US\$1.5 million)
- Profit before tax of US\$1.2 million (six months to June 2009: US\$2.0 million)
- Operating profit and profit before tax are stated after bonus accrual of US\$840,000 (six months to June 2009: nil)
- Maintained balance sheet strength: net assets of US\$43.0 million after dividend payment and share buyback totalling US\$1.5m (December 2009: US\$44.5 million)

**Business review**

Argo is pleased to report another profitable set of interim results for the half year ended 30 June 2010. The Company was incorporated in February 2008 in the Isle of Man and began trading as a new group holding company on 13 June 2008. It listed on the AIM market in November 2008.

Argo's primary business is to deliver a diversified approach to investing in emerging markets. Its investment objective is to provide investors with absolute returns in the six funds that it manages by investing in, inter alia, fixed income, special situations, local currencies and interest rate strategies, private equity, real estate, quoted equities, high yield corporate debt and distressed debt, although not every fund invests in each of these asset classes. Argo has a performance track record dating back to 2000 and this year celebrates its tenth anniversary.

For the six month period ended 30 June 2010 the Group generated revenues of US\$5.6 million (six months to 30 June 2009: US\$5.8 million) with management fees accounting for US\$5.1 million (six months to 30 June 2009: US\$5.5 million). The small reduction in management fees arising from lower assets under management ("AUM") was partially offset by higher incentive fees and other income. The Argo Fund Limited ("TAF") and Argo Global Special Situations Fund SP ("AGSSF"), a segregated portfolio of the Argo Capital Investors Fund SPC, have yet to reach their high-water mark.

AUM decreased during the six month period ended 30 June 2010 by 8.3% to US\$403.1 million from their level at 31 December 2009. Despite flat to positive fund performance year to date the decrease of US\$36.4 million was mainly due to the continued payment of "gated" redemptions from the AGSSF.

**Operational review**

Record levels of funds flow into emerging markets debt and equity but the beneficiaries so far have been long-only mutual funds. We believe that the high volatility witnessed will hit the returns of the long-only directional mutual funds and furthermore that emerging market inflows will in time benefit the more actively managed traditional hedge fund strategies. Whilst our marketing team identified a number of potential leads during the period, the market volatility induced by the crisis in confidence towards certain peripheral European states and, more generally, the Eurozone had the effect of once again undermining investor sentiment. The funds are encouraged by the recent raising of new money, admittedly small amounts.

The Group employed 25 people at the end of June 2010, one lower than the end of 2009 but 14 fewer than end-2008.

**CHAIRMAN'S STATEMENT (continued)**

**Fund performance**

Performance across the range of Argo funds was mixed for the half year ended 30 June 2010, but the two main funds TAF and Argo Distressed Credit Fund (“ADCF”), which are not gated, showed positive returns at a time when the average fund performance was flat to negative. Argo Capital Partners Fund (“ACPF”), the closed private equity fund, and AGSSF suffer mainly from a weakening euro against the dollar experiencing unrealised FX losses. The generally optimistic tone experienced in the first quarter of the year gave way to concern over the fiscal imbalances and credit metrics of peripheral European economies, most notably Greece. Amidst mounting speculation concerning sovereign defaults, restructurings and the status of the Euro as a reserve currency, markets became very volatile and difficult to trade. Our funds navigated the volatility by maintaining some short positions and we are encouraged by the return of confidence witnessed in the few weeks prior to the date of this statement that is contributing to a better performance by the funds.

**Argo Funds**

Fund	Launch date	30 June 2010 6 months	30 June 2009 6 months	2009 Year total	Since inception	Annualised performance CAGR %	Sharpe ratio	Down months	AUM US\$m
The Argo Fund	Oct-00	0.37	5.35	12.18	116.60	9.11	0.74	15 of 117	111.6
Argo Global Special Situations Fund	Aug-04	-1.29	5.49	12.85	35.31	5.86	0.52	16 of 71	98.7
AGSSF Holdings	Feb-09	-5.49	5.75	7.72	1.81	1.45	0.20	9 of 17	76.7
Argo Distressed Credit Fund	Oct-08	4.67	5.23	11.06	16.82	9.09	1.36	7 of 21	21.5
Argo Real Estate Opportunities Fund	Aug-06	9.47	-60.52	-78.47	-69.90	-26.35	N/A	24 of 48*	35.3*
Argo Capital Partners Fund	Aug-06	-11.65	-4.82	-4.17	14.86	3.68	N/A	N/A	59.3
<b>Total</b>									<b>403.1</b>

\* NAV only officially measured twice a year, March and September.

AGSSF Holdings Limited (“AHL”), the creation of which was approved by the AGSSF board of directors in February 2009, comprises assets that are currently more difficult to liquidate. In the six-month period ended 30 June 2010 it delivered a year-to-date return of -5.49%, in part driven by exchange rate fluctuations, and despite difficult market conditions we are encouraged by the progress in creating liquidity events for investors in the fund.

AGSSF itself recorded a smaller decline of 1.29% in the six months to June 2010 but TAF had a positive year-to-date return of 0.37%. On a more constructive note, ADCF continued to build a solid track record of returns: after the 11.06% recorded in 2009, ADCF achieved a return of 4.67% in the six months to June 2010.

The Argo Real Estate Opportunities Fund Limited (“AREOF”), which has been severely affected by the downturn in Eastern Europe, reported a further write down of investment property values in the six months to 31 March 2010. The fund’s adjusted Net Asset Value was EUR28.9 million as at end-March 2010, compared with EUR48.3 million a year earlier and EUR26.4 million six months earlier.

Meanwhile, ACPF reported a negative return of 11.65% for the six months ended 30 June 2010 (as at 30 June 2009: -4.82%). The realisation period for the Fund was scheduled to commence this month but, as per the Fund prospectus, this has been extended for one year.

**CHAIRMAN'S STATEMENT (continued)**

**Outlook**

The board is satisfied with the current company composition in terms of headcount and assets under management. Costs are appropriate and are reviewed periodically so as to optimise the efficient deployment of company resources.

More emphasis is placed on direct communication with existing and new investors with the purchase of two databases to assist in growing the funds with additional subscriptions.

Management has recently observed greater mobility and a new air of optimism in the market conditions that will affect positively the workout of some of the less liquid and private equity transactions in the funds. A significant number of man hours is being spent on such transactions and there is continuous communication with investors about the funds' performance. On the more actively traded bonds we have benefitted greatly from improved performance in some of our key countries such as Argentina, Ukraine and Venezuela.



**Michael Kloter**  
**Non-Executive Chairman**

**Date: 19 August 2010**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The directors are responsible for preparing the condensed consolidated interim financial statements in accordance with applicable law and regulations. In addition, the directors have elected to prepare the condensed consolidated interim financial statements in accordance with International Financial Reporting Standards.

The condensed consolidated interim financial statements are required to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing condensed consolidated interim financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards; and
- prepare the condensed consolidated interim financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and to allow for the preparation of consolidated financial statements. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

**DIRECTORS****Michael Kloter*****Non-Executive Chairman***

Michael holds a law degree from the University of Geneva, Switzerland, and a lawyer's licence of the Canton of Zurich, Switzerland. After gaining professional experience as a clerk at the District Court of Zurich and experience in a business law practice in Zurich, Switzerland he founded his own law firm in Zurich in 1995. Since then he has practised as a business lawyer and acts as director for a number of companies.

**Kyriakos Rialas*****Chief Executive Officer***

Kyriakos has 23 years of professional investment and managerial experience in the financial services sector. He has overall responsibility for risk management, legal, regulatory and general management of the Argo business. Prior to joining Argo, he was General Manager of Emporiki Bank in Cyprus from 1999 to 2003 where he managed a portfolio of syndicated loans worth US\$1 billion. Kyriakos has also worked for the Treasury department of the Bank of Cyprus Group and London Forfaiting Cyprus where he was Finance Director, overseeing subsidiaries in India, Russia, Thailand and Hong Kong. Before that he worked for Capital Intelligence in bank analysis and rating for emerging markets. He has a degree in Engineering from the University of Cambridge and qualified as a Chartered Accountant with KPMG in London. He started his banking career in the fixed income division of SG Warburg & Co in London.

**Andreas Rialas*****Chief Investment Officer***

Prior to founding Argo, Andreas worked for Deutsche Bank for three years where he was involved in emerging markets proprietary trading and trade finance specialist products. Before that, he was at London Forfaiting (Asia) Ltd as Head of Secondary Debt Trading in emerging markets. Andreas has travelled extensively in both Eastern and Western Europe visiting and cultivating relationships with banks. He originated and syndicated many pioneering syndicated loan and trade finance transactions for Eastern European borrowers in the Baltic States, Bulgaria, the Czech Republic, Croatia, Kazakhstan, Macedonia, Romania, Russia, Slovakia and Ukraine. In his role as Head of Secondary Debt Trading at London Forfaiting, he developed extensive knowledge of the Asian Debt Markets and was responsible for the secondary trading in Europe of primary assets originated by the Hong Kong subsidiary of London Forfaiting (Asia) Ltd. He studied law at the University of London, graduating in 1991 and subsequently trained to be an English Barrister specialising in banking law qualifying in 1993.

**David Fisher*****Non-Executive Director***

David Fisher is Chairman of the Investment Committee of Innova Capital, one of Central Europe's leading private equity firms; of EnerCap Partners, a new renewable energy fund in Central Europe; and of Da Vinci CIS Private Sector Growth Fund Limited. He has over 30 years of experience in business, finance and law.

As a Partner at Innova and as the Chief Investment Officer for CARESBAC-Polska and the Romanian-American Enterprise Fund, David has made and managed more than 30 private equity investments in Central & Eastern Europe in the last 15 years. Formerly he was Group Vice President and General Counsel of Communications Equity Associates, a worldwide media, entertainment and communications merchant bank. He is a Chartered Director with the Institute of Directors and holds a Diploma in International Commercial Arbitration from the Chartered Institute of Arbitrators. David holds degrees from Davidson College (BA), Vanderbilt Law School (JD) and Harvard Business School (MBA). He is an American who has lived and worked in Europe for more than 15 years.

**Kenneth Watterson*****Non-Executive Director***

Kenneth has 22 years of experience within the financial services industry. His specific areas of expertise include compliance and risk management, operations and change management. Kenneth holds a Master's degree from the University of St. Andrews and a Master's degree from London Guildhall University in Financial Regulation & Compliance Management, specialising in Corporate Governance. He has board experience within a number of UK, Isle of Man and Channel Islands companies.



**ARGO GROUP LIMITED**
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Note	Six months Ended 30 June 2010 US\$'000	Six months Ended 30 June 2009 US\$'000
Management fees		5,093	5,485
Incentive fees		257	177
Other income		266	173
<b>Revenue</b>		<b>5,616</b>	<b>5,835</b>
Legal and professional expenses		(281)	(294)
Management and incentive fees payable		(94)	(181)
Operational expenses		(907)	(1,004)
Employee costs		(2,910)	(2,660)
Foreign exchange gain		77	157
Amortisation of intangible assets	6	(323)	(333)
Depreciation	7	(52)	(54)
<b>Operating profit</b>		<b>1,126</b>	<b>1,466</b>
Interest income on cash and cash equivalents		30	99
Unrealised gain on investments		53	481
<b>Profit on ordinary activities before taxation</b>		<b>1,209</b>	<b>2,046</b>
Taxation	4	(146)	(184)
<b>Profit for the period after taxation attributable to members of the Company</b>	5	<b>1,063</b>	<b>1,862</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		(1,018)	895
<b>Total comprehensive income for the period</b>		<b>45</b>	<b>2,757</b>
		Six months Ended 30 June 2010 US\$	Six months Ended 30 June 2009 US\$
<b>Earnings per share (basic)</b>	5	<b>0.01</b>	<b>0.02</b>
<b>Earnings per share (diluted)</b>	5	<b>0.01</b>	<b>0.02</b>

The Directors consider that all results derive from continuing activities.

**ARGO GROUP LIMITED****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2010**

	Note	30 June 2010 US\$'000	31 December 2009 US\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	6	16,889	17,557
Fixtures, fittings and equipment	7	79	136
Loans and advances receivable		244	226
<b>Total non-current assets</b>		<b>17,212</b>	<b>17,919</b>
<b>Current assets</b>			
Investments	8	14,389	14,337
Trade and other receivables		1,448	1,972
Cash and cash equivalents		11,383	13,069
Loans and advances receivable		5	36
<b>Total current assets</b>		<b>27,225</b>	<b>29,414</b>
<b>Total assets</b>		<b>44,437</b>	<b>47,333</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued share capital	9	747	769
Share premium		32,385	32,772
Revenue reserve		12,585	12,648
Foreign currency translation reserve		(2,688)	(1,670)
<b>Total equity</b>		<b>43,029</b>	<b>44,519</b>
<b>Current liabilities</b>			
Trade and other payables		1,152	2,692
Taxation payable	4	256	122
<b>Total current liabilities</b>		<b>1,408</b>	<b>2,814</b>
<b>Total equity and liabilities</b>		<b>44,437</b>	<b>47,333</b>

These interim financial statements were approved by the Board of Directors on 19 August 2010 and signed on its behalf by:



Kyriakos Rialas  
Chief Executive Officer



Michael Kloter  
Non-Executive Chairman

**ARGO GROUP LIMITED****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Issued share capital 2009 US\$'000	Share premium 2009 US\$'000	Revenue reserve 2009 US\$'000	Foreign currency translation reserve 2009 US\$'000	Total 2009 US\$'000
<b>As at 1 January 2009</b>	<b>769</b>	<b>32,772</b>	<b>9,840</b>	<b>(2,455)</b>	<b>40,926</b>
<b>Total comprehensive income</b>					
Profit for the period after taxation	-	-	1,862	895	2,757
<b>As at 30 June 2009</b>	<b>769</b>	<b>32,772</b>	<b>11,702</b>	<b>(1,560)</b>	<b>43,683</b>

	Issued share capital 2010 US\$'000	Share premium 2010 US\$'000	Revenue reserve 2010 US\$'000	Foreign currency translation reserve 2010 US\$'000	Total 2010 US\$'000
<b>As at 1 January 2010</b>	<b>769</b>	<b>32,772</b>	<b>12,648</b>	<b>(1,670)</b>	<b>44,519</b>
<b>Total comprehensive income</b>					
Profit for the period after taxation	-	-	1,063	(1,018)	45
<b>Transactions with owners recorded directly in equity</b>					
Dividends to equity holders (Note 9)	-	-	(1,126)	-	(1,126)
Purchase of own shares (Note 9)	(22)	(387)	-	-	(409)
<b>As at 30 June 2010</b>	<b>747</b>	<b>32,385</b>	<b>12,585</b>	<b>(2,688)</b>	<b>43,029</b>

**ARGO GROUP LIMITED****CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Note	Six months ended 30 June 2010 US\$'000	Six months ended 30 June 2009 US\$'000
<b>Net cash inflow from operating activities</b>	10	409	659
<b>Cash flows from investing activities</b>			
Interest received on cash and cash equivalents		30	99
Purchase of current asset investments		-	(11,000)
Purchase of fixtures, fittings and equipment	7	(2)	(23)
<b>Net cash inflow/(outflow) from investing activities</b>		28	(10,924)
<b>Cash flows from financing activities</b>			
Repurchase of own shares		(409)	-
Dividends paid		(1,126)	-
<b>Net cash used in financing activities</b>		(1,535)	-
<b>Net decrease in cash and cash equivalents</b>		(1,098)	(10,265)
Cash and cash equivalents at 1 January 2010 and 1 January 2009		13,069	20,058
Foreign exchange (loss)/gain on cash and cash equivalents		(588)	974
<b>Cash and cash equivalents as at 30 June 2010 and 30 June 2009</b>		11,383	10,767

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2010

**1. CORPORATE INFORMATION**

The Company is domiciled in the Isle of Man under the Companies Act 2006. Its registered office is at 33-37 Athol Street, Douglas, Isle of Man, IM1 1LB. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the year ended 31 December 2009 are available upon request from the Company's registered office or at [www.argogrouplimited.com](http://www.argogrouplimited.com).

The principal activity of the Company is that of a holding company and the principal activity of the wider Group is that of an investment management business. The functional and presentational currency of the Group undertakings is US dollars. The Group has 25 employees.

<b>Wholly owned subsidiaries</b>	<b>Country of incorporation</b>
Argo Capital Management (Cyprus) Limited	Cyprus
Argo Capital Management Limited	United Kingdom
Argo Capital Management Property Limited	Cayman Islands
Argo Capital Management (Asia) Pte. Ltd.	Singapore
North Asset Management Srl	Romania
North Asset Management Sarl	Luxembourg
Argo Investor Services AG	Switzerland

**2. BASIS OF PREPARATION**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009.

These condensed consolidated interim financial statements were approved by the Board of Directors on 19 August 2010.

## ARGO GROUP LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (continued)

#### 3. SEGMENTAL ANALYSIS

The Group operates as a single asset management business.

The operating results of the companies set out in note 1 above are regularly reviewed by the directors of the Group for the purposes of making decisions about resources to be allocated to each company and to assess performance. The following summary analyses revenues, profit or loss, assets and liabilities:

	Argo Group Ltd 2010 US\$'000	Argo Capital Management (Cyprus) Limited 2010 US\$'000	Argo Capital Management Limited 2010 US\$'000	Argo Capital Management Property Limited 2010 US\$'000	Other 2010 US\$'000	Six months ended 30 June 2010 US\$'000
Revenues from external customers	-	4,053	-	1,562	1	5,616
Intersegment revenues	904	-	1,640	-	228	2,772
Reportable segment profit/(loss)	597	591	(481)	452	50	1,209
Intersegment profit/(loss)	904	(2,759)	1,641	-	227	13
Profit/(loss) excluding inter-segment transactions	(307)	3,350	(2,122)	452	(177)	1,196
Reportable segment assets	44,498	4,307	5,206	4,800	492	59,303
Reportable segment liabilities	30	706	757	199	34	1,726

Revenues, profit or loss, assets and liabilities may be reconciled as follows:

	Six months Ended 30 June 2010 US\$'000
<b>Revenues</b>	
Total revenues for reportable segments	8,388
Elimination of intersegment revenues	(2,772)
<b>Group revenues</b>	<b>5,616</b>
<b>Profit or loss</b>	
Total profit for reportable segments	1,209
Elimination of intersegment profits	(13)
Other unallocated amounts	13
<b>Profit on ordinary activities before taxation</b>	<b>1,209</b>
<b>Assets</b>	
Total assets for reportable segments	59,303
Elimination of intersegment receivables	(318)
Elimination of Company's cost of investments	(14,548)
<b>Group assets</b>	<b>44,437</b>
<b>Liabilities</b>	
Total liabilities for reportable segments	1,726
Elimination of intersegment payables	(318)
<b>Group liabilities</b>	<b>1,408</b>

## ARGO GROUP LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010 (continued)

#### 3. SEGMENTAL ANALYSIS (continued)

	Argo Group Ltd 2009 US\$'000	Argo Capital Management (Cyprus) Limited 2009 US\$'000	Argo Capital Management Limited 2009 US\$'000	Other 2009 US\$'000	Six months ended 30 June 2009 US\$'000
Revenues from external customers	-	4,358	-	1,477	5,835
Intersegment revenues	11,479	-	1,728	221	13,428
Reportable segment profit/(loss)	11,971	(9,426)	(502)	(1)	2,042
Intersegment profit/(loss)	11,479	(13,424)	1,728	221	4
Profit/(loss) excluding inter- segment transactions	492	3,998	(2,230)	(222)	2,038
Reportable segment assets	46,550	2,721	6,702	7,872	63,845
Reportable segment liabilities	35	623	394	519	1,571

Revenues, profit or loss, assets and liabilities may be reconciled as follows:

	Six months ended 30 June 2009 US\$'000
<b>Revenues</b>	
Total revenues for reportable segments	19,263
Elimination of intersegment revenues	(13,428)
<b>Group revenues</b>	<b>5,835</b>
<b>Profit or loss</b>	
Total profit for reportable segments	2,042
Elimination of intersegment loss	(4)
Other unallocated amounts	8
<b>Profit on ordinary activities before taxation</b>	<b>2,046</b>
<b>Assets</b>	
Total assets for reportable segments	63,845
Elimination of intersegment receivables	(327)
Elimination of Company's cost of investments	(18,597)
<b>Group assets</b>	<b>44,921</b>
<b>Liabilities</b>	
Total liabilities for reportable segments	1,571
Elimination of intersegment payables	(333)
<b>Group liabilities</b>	<b>1,238</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2010 (continued)

**4. TAXATION**

Taxation rates applicable to the parent company and the Cypriot, UK, Singaporean, Luxembourg, Swiss, Cayman and Romanian subsidiaries range from 0% to 28%.

<b>Income Statement</b>	<b>Six months ended 30 June 2010 US\$'000</b>	<b>Six months ended 30 June 2009 US\$'000</b>
Taxation charge for the period on Group companies	<b>146</b>	<b>184</b>

The charge for the period can be reconciled to the profit per the Condensed Consolidated Statement of Comprehensive Income as follows:

	<b>Six months Ended 30 June 2010 US\$'000</b>	<b>Six months ended 30 June 2009 US\$'000</b>
Profit before tax	<b>1,209</b>	<b>2,046</b>
Applicable Isle of Man tax rate for Argo Group Limited of 0%	-	-
Other adjustments	(5)	(9)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	151	193
Tax charge	<b>146</b>	<b>184</b>

**Balance Sheet**

	<b>30 June 2010 US\$'000</b>	<b>31 December 2009 US\$'000</b>
Corporation tax payable	<b>256</b>	<b>122</b>



**ARGO GROUP LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2010 (continued)

**5. EARNINGS PER SHARE**

Earnings per share is calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the period.

	Six months ended 30 June 2010 US\$'000	Six months ended 30 June 2009 US\$'000
Net profit for the period after taxation attributable to members	1,063	1,862
	No. of shares	No. of shares
Weighted average of ordinary shares for basic earnings per share	76,303,599	76,931,620
Effect of dilution	-	-
Weighted average number of ordinary shares for diluted earnings per share	76,303,599	76,931,620
	Six months Ended 30 June 2010 US\$	Six months ended 30 June 2009 US\$'000
Earnings per share (basic)	0.01	0.02
Earnings per share (diluted)	0.01	0.02

**6. INTANGIBLE ASSETS**

	Fund management contracts US\$'000
<b>Cost</b>	
At 1 January 2009	18,490
Foreign exchange movement	139
At 31 December 2009	18,629
Foreign exchange movement	(345)
At 30 June 2010	18,284
<b>Amortisation and impairment</b>	
At 1 January 2009	380
Amortisation of Argo business intangible assets	692
At 31 December 2009	1,072
Amortisation of Argo business intangible assets	323
At 30 June 2010	1,395
<b>Net book value</b>	
At 31 December 2009	17,557
At 30 June 2010	16,889

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2010 (continued)

**6. INTANGIBLE ASSETS (continued)**

The Group tests intangible assets annually for impairment, or more frequently if there are indications that the intangible assets may be impaired. The recoverable amounts of the intangible assets that have been reviewed for impairment are separately identifiable business units within the Group. The value in use approach has been used as the businesses were not considered saleable in their current form due to certain factors, the main being reliance on certain key individuals.

At the balance sheet date the carrying value of goodwill was US\$14.9m being allocated to Argo Capital Management (Cyprus) Limited and Argo Capital Management Limited as US\$7.2m and US\$7.7m respectively.

The key assumptions on which the directors have based their five year discounted cash flow analysis are a pre-tax discount rate of 15%, an inflation rate of 5% and a growth in assets under management (which determine management and performance fee income) of 15% to 20%, with 4.5% to 6% of this estimated to be from annual profits. The assumption of growth in assets under management has been based on the historic performance of the funds. The calculations use cash flow projections based on actual operating results. The result of this review has been compared to the carrying value of goodwill and accordingly the directors have concluded that there is no impairment to goodwill. As an added sensitivity, if the estimated discount rate applied to the discounted cash flows had been 25% higher or the growth rate of assets under management had been 25% lower there would still have been no impairment of goodwill as the net present value of future cash flows would still have been higher than the carrying value of goodwill.

At the balance sheet date the carrying value of the Argo Real Estate Opportunities Fund Limited management contract is US\$1.9m, net of amortisation. The intangible asset has been amortised over 5 years and 44 days, being the remaining period of the contract.

**7. FIXTURES, FITTINGS AND EQUIPMENT**

	<b>Fixtures, fittings &amp; equipment US\$'000</b>
<b>Cost</b>	
<b>At 1 January 2009</b>	315
Additions	23
Disposals	(25)
Foreign exchange movement	(14)
<b>At 31 December 2009</b>	<b>299</b>
Additions	2
<b>At 30 June 2010</b>	<b>301</b>
<b>Accumulated Depreciation</b>	
<b>At 1 January 2009</b>	78
Depreciation charge for period	119
Disposals	(3)
Foreign exchange movement	(31)
<b>At 31 December 2009</b>	<b>163</b>
Depreciation charge for period	52
Foreign exchange movement	7
<b>At 30 June 2010</b>	<b>222</b>
<b>Net book value</b>	
<b>At 31 December 2009</b>	<b>136</b>
<b>At 30 June 2010</b>	<b>79</b>

**ARGO GROUP LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2010 (continued)

**8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

<b>Holding</b>	<b>Investment in management shares</b>	<b>30 June 2010 Total cost US\$'000</b>	<b>30 June 2010 Fair value US\$'000</b>
10	The Argo Fund Ltd	0	0
10	Argo Capital Investors Fund SPC	0	0
10	Argo Capital Partners Fund	0	0
100	Argo Distressed Credit Fund Ltd	0	0
100	AGSSF Holdings Ltd	0	0
		<b>0</b>	<b>0</b>

<b>Holding</b>	<b>Investment in ordinary shares</b>	<b>Total cost US\$'000</b>	<b>Fair value US\$'000</b>
66,435	The Argo Fund Ltd	14,343	14,389
		<b>14,343</b>	<b>14,389</b>

<b>Holding</b>	<b>Investment in management shares</b>	<b>31 December 2009 Total cost US\$'000</b>	<b>31 December 2009 Fair value US\$'000</b>
10	The Argo Fund Ltd	0	0
10	Argo Capital Investors Fund SPC	0	0
10	Argo Capital Partners Fund Ltd	0	0
100	Argo Distressed Credit Fund Ltd	0	0
100	AGSSF Holdings Ltd	0	0
		<b>0</b>	<b>0</b>

<b>Holding</b>	<b>Investment in ordinary shares</b>	<b>Total cost US\$'000</b>	<b>Fair value US\$'000</b>
66,435	The Argo Fund Ltd	14,343	14,337
		<b>14,343</b>	<b>14,337</b>

**9. SHARE CAPITAL**

The Company's authorised share capital is unlimited with a nominal value of US\$0.01.

	<b>30 June 2010 No.</b>	<b>30 June 2010 US\$'000</b>	<b>31 December 2009 No.</b>	<b>31 December 2009 US\$'000</b>
Issued and fully paid				
Ordinary shares of US\$0.01 each	74,663,494	747	76,931,620	769
	<b>74,663,494</b>	<b>747</b>	<b>76,931,620</b>	<b>769</b>

The directors recommended a final dividend of 1p per share (2008: Nil) in the financial statements for the year ended 31 December 2009. The final dividend of US\$1,125,888 was paid on 23 June 2010 to ordinary shareholders who were on the Register of Members on 28 May 2010. Going forward, it is intended that the Company implements a progressive dividend policy paying a final dividend each year.

In addition the directors authorised the repurchase of 750,000 shares on 6 April 2010 and 1,518,126 shares on 3 June 2010 at respective purchase prices of US\$0.20 and US\$0.18 per share.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2010 (continued)

**10. RECONCILIATION OF NET CASH INFLOW FROM OPERATING ACTIVITIES TO PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	Six months ended 30 June 2010 US\$'000	Six months ended 30 June 2009 US\$'000
<b>Profit on ordinary activities before taxation</b>	1,209	2,046
Interest income	(30)	(99)
Amortisation of intangible assets	323	333
Depreciation	52	54
Unrealised gains on investments	(53)	(481)
Net foreign exchange gain	(77)	(157)
(Decrease)/increase in payables	(1,540)	227
Decrease/(increase) in receivables	537	(143)
Income taxes paid	(12)	(1,121)
<b>Net cash inflow from operating activities</b>	<b>409</b>	<b>659</b>

**11. RELATED PARTY TRANSACTIONS**

72% of revenue derives from funds in which two of the Company's directors, Andreas Rialas and Kyriakos Rialas, have an influence through the provision of investment advisory services.

Michael Kloter, the non-executive chairman, is also partner in a legal firm which supplies services to the Group. This firm charged US\$5,192 (six months ended 30 June 2009: US\$9,382) for services rendered to the Group in the period.

**12. POSSIBLE CLAIM RELATING TO LAWSUIT AGAINST FORMER GROUP COMPANY**

Argo Group Limited ("Argo") has been named as an additional defendant in a lawsuit filed against Absolute Capital Management Holdings Limited (now named ACMH Limited ("ACMH")) and others. The suit has been filed in the United States District Court for the District of Colorado, by an investor in several of ACMH's investment funds. This litigation arose after the demerger of Argo from ACMH. The plaintiff, The Cascade Fund LLLP ("Cascade"), has made a number of claims against ACMH. In the event that Cascade's claim against ACMH proves successful, Cascade is seeking to include Argo assets as part of the ACMH asset pool available to it by way of compensation.

Argo considers that the courts of Colorado do not have jurisdiction over it and that the claim against Argo is wholly without merit. In April 2010 the Colorado court dismissed Cascade's action against ACMH for failure to state a claim, following which Cascade filed a second amended complaint. Argo subsequently filed a motion to dismiss Cascade's second amended complaint, which motion is pending before the court. Argo intends to continue to vigorously defend its position.



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**ARGO**