ARGO GROUP LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

MANAGEMENT AND ADMINISTRATION

DIRECTORS
Michael Kloter
Kyriakos Rialas
Andreas Rialas
David Fisher
Kenneth Watterson

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CHAIRMAN'S STATEMENT

Key highlights for the twelve months ended 31 December 2013

- Revenues US$8.8 million (2012: US$8.9 million)
- Operating profit US$1.0 million (2012: US$0.9 million)
- Profit before tax US$2.1 million (2012: loss before tax US$14.2 million after a one-off goodwill impairment charge of US$14.9 million)
- Net assets US$28.5 million (2012: US$27.7 million) after dividend payment of US$1.3 million

The Group and its objective

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 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 was listed on the AIM market in November 2008 and has a performance track record dating back to 2000.

Business and operational review

This report sets out the results of Argo Group Limited for the year ended 31 December 2013.

For the year ended 31 December 2013 the Group generated revenues of US$8.8 million (2012: US$8.9 million) with management fees accounting for US$6.9 million (2012: US$7.0 million). The Group generated incentive fees of US$0.8 million during the year (2012: US$1.2 million). These incentive fees were mostly derived as a result of the revaluation of an investment in an Indonesian petrochemicals refinery, PT Trans-Pacific Petrochemical Industries ("TPPI"), which has not yet been realised. However, a non-binding offer to purchase the position has been received from Pertamina, the Indonesian state-owned oil company, although this transaction is not yet completed. It must be noted that the valuation of TPPI is held in the Argo funds at the level indicated by the offer received, even though our third party valuation indicates a higher valuation.

Total operating costs fell to US$7.7 million (2012: US$8.0 million) after bad debt provision. During the year the Group provided against management fees of US$2,753,200 (€2,000,000) (2012: US$991,125 (€750,000)) due from Argo Real Estate Opportunities Fund Limited ("AREOF") and US$650,000 (2012: Nil) due from The Argo Fund ("TAF") and Argo Special Situations Fund LP ("ASSF").

Overall, the financial statements show an operating profit for the year of US$1.0 million (2012: US$0.9 million) and a profit before tax of US$2.1 million (2012: loss US$14.2 million after a one-off goodwill impairment charge of US$ 14.9 million) reflecting the unrealised gain on current asset investments of US$0.9 million (2012: unrealised loss US$0.2 million).

The number of employees of the Group at 31 December 2013 was 38 (2012: 40).

At the year end, the Group had net assets of US$28.5 million (2012: US$27.7 million) and net current assets of US$26.2 million (2012: US$27.4 million) after paying a dividend of 2.1 cents (1.3 pence) per share on 26 April 2013 (2012: 2.0 cents, 1.3 pence).

Net current assets include investments in TAF, AREOF and ASSF at fair values of US$19.1 million (2012: US$17.6 million), US$0.2 million (2012: US$0.8 million) and US$0.09 million (2012: US$0.1 million) respectively. Our continued investment in our funds supports the liquidity of those funds and demonstrates the commitment of the Group towards its fund investors. This close alignment results in a high correlation between the performance of the Company and the performance of its funds. It should be noted, however, that the Group does not intend to and may not be able to realise these investments in the immediate future due to assets held by these funds.

CHAIRMAN'S STATEMENT (continued)

Business and operational review (continued)

The Group has provided AREOF with a notice of deferral in relation to amounts due from the provision of investment management services, under which it will not demand payment of such amounts until the Group judges that AREOF is in a position to pay the outstanding liability. These amounts accrued or receivable at 31 December 2013 total US$1,265,791 (€919,505) (2012: US$2,597,188 (€1,965,333)) after a bad debt provision of US$2,753,200 (€2,000,000) (2012: US$991,125 (€750,000)). AREOF continues to meet part of this obligation to the Argo Group as and when liquidity allows with a further US$476,000 (€350,000) being settled in January 2014. The AREOF management contract has a fixed term expiring on 31 July 2018. In November 2013 AREOF offered Argo Group Limited additional security for the continued support in the form of debentures and guarantees by underlying intermediate companies.

During the year Argo Group advanced US$1,376,600 (€1,000,000) to Bel Rom Trei ("Bel Rom"), an AREOF Group entity based in Romania that owns Sibiu Shopping City, in order to assist with its operational cash requirements. The loan is repayable on demand and accrues interest at 12%. The full amount of the loan and accrued interest remains outstanding at the year end. The Directors consider this loan to be fully recoverable on the basis that discussions with lending banks and potential purchasers of Sibiu have yielded offers in excess of the debt associated with the project banks.

Fund performance

The Argo Funds

Fund	Launch date	2013 Year total	2012 Year total	Since inception	Annualised performance since inception	Sharpe ratio	Down months	AUM
		%	%	%	CAGR %			US$m
The Argo Fund	Oct-00	8.49	-0.07	154.23	8.10	0.67	38 of 159	94.5
Argo Distressed Credit Fund	Oct-08	12.64	24.05	74.05	11.72	0.90	23 of 63	26.7
Argo Special Situations Fund LP	Feb-12	-23.3	-2.80	-25.3	-14.10	-1.05	20 of 23	90.4
Argo Local Markets Fund	Nov-12	-9.80	1.56	-8.39	-7.16	-1.70	10 of 14	5.5
Argo Real Estate Opportunities Fund	Aug-06	-46.58	-2.26	-94.00	-35.13	N/A	54 of 86*	54.2
Total								271.3

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

The Argo funds ended the year with Assets under Management ("AUM") at US$271.3 million, 18.1% lower than at the beginning of the year.

The year started on a positive note with improved sentiment towards the euro and greater risk appetite amongst investors. The bailout of Cyprus and its banks gave investors cause to reconsider their risk appetite by the end of the first quarter and by May emerging market local bonds had been particularly hard hit by news from the US that it may begin to rein-in its bond purchases under the quantitative easing programme. Speculation over US monetary policy, specifically "tapering", continued until the end of the year.

Against this backdrop, TAF was ahead by 8.49% and Argo Distressed Credit Fund ("ADCF") by 12.64% at 31 December 2013. The main driver in the performance of both of these funds was the mark-up in their investment in TPPI and in the case of ADCF its investment in Greek Sovereign Bonds. By comparison, the main hedge fund indices showed a small positive return of 3.02% for the same period.

CHAIRMAN'S STATEMENT (continued)

Fund performance (continued)

ASSF finished in negative territory at the year end showing a negative return of 23.3%. The main contributors to this position were the decline in share price of AREOF; a write down in the value of an investment in the Greek telecommunications company, On Telecoms; but with a higher valuation ascribed to the investment in TPPI.

After a two-year shutdown, TPPI successfully restarted operations in early November and ran the facility near or at capacity for much of December, thus demonstrating the viability of the plant. The Fund previously reported that it was engaged in discussions regarding the disposal of its unsecured claim in TPPI. Despite reaching a conditional written agreement with Pertamina, the Indonesian state-owned oil company, to acquire this interest, Pertamina has so far not concluded the transaction. We consider that since the refinery is now operational, the Fund may be well placed to get a better deal through a more competitive sale process.

The Argo Local Markets Fund ("ALMF") was particularly hard hit in May when it felt the impact of higher US interest rates and a stronger US dollar following on from the change in tone from the US Federal Reserve. During the year ALMF opened a number of interest rate swap lines with counterparties and is now better placed to hedge or short EM rates in accordance with its mandate. At the year end ALMF finished behind by 9.80%.

AREOF continues to operate in a challenging environment. While conditions within the markets that AREOF operates have started to show signs of recovery from the last few years of recession, the rate and robustness of growth has remained very modest.

The reduced level of cash flow within AREOF, while being proactively managed, has resulted in breaches of terms and covenants on certain loans. This situation is being remedied by regular communication and negotiation with the lending banks with a view to restructuring the debt commitments to better align these to the current level of the AREOF Group's cash flow. Several of these negotiations are ongoing.

AREOF's adjusted Net Asset Value was US$53.3 million (€39.4 million) as at 30 September 2013, compared with US$94.8 million (€73.78 million) a year earlier. The adjusted Net Asset Value per share at 30 September 2013 was US$0.09 (€0.06) (2012: US$0.2 (€0.12)).

AREOF'S ordinary shares on AIM were suspended on 30 August 2013 following breach of a loan covenant and the subsequent loan termination by the lending bank. While the lender has agreed to suspend enforcement action, AREOF's shares remained suspended pending greater certainty of the various ongoing loan restructuring discussions. On 3 March 2014 AREOF delisted from AIM to allow loan restructuring discussions to proceed outside of the extensive disclosure requirements that an AIM listing entails. The valuation of Argo Group Limited's investment in AREOF has been based on the equity price prevailing at the time of the suspension.

Dividends

Argo is working towards the payment of a dividend which will ultimately depend on the success of the initiatives described above. The directors do not recommend a final dividend but intend to pay an interim dividend as soon as these initiatives are complete. The final dividend for the year ended 31 December 2012 of US$1,348,288 was paid on 26 April 2013 to ordinary shareholders who were on the Register of Members on 2 April 2013. Going forward, the Company intends, subject to its financial performance, to pay a final dividend each year.

CHAIRMAN'S STATEMENT (continued)

Outlook

The next 12 months will be dominated by the Group's efforts to grow its AUM in an environment dominated by investor risk intolerance, reluctance to change hedge fund allocation and a new regulatory landscape. The top priorities will be to monetise certain of our investments and review our operational efficiency. In the very near term our growth rate will be heavily influenced by the success of our program to monetise some of our investments as well as events in Europe. Over the longer term the Board believes there remains significant opportunity for growth in assets and profits and remains committed to the emerging markets sector.

Michael Kloter
Non-Executive Chairman

Date: 12 June 2014

DIRECTORS' REPORT

The directors present their annual report and the audited accounts of the Group for the year ended 31 December 2013

Principal activity

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.

Results, review of the business and future prospects

The Consolidated Statement of Comprehensive Income is set out on page 15. The Chairman's Statement set out on page 3 includes information about the Group's business and performance during the year and an indication of future prospects.

Dividends

Argo is working towards the payment of a dividend which will ultimately depend on the success of the initiatives described in the Chairman's Statement. The directors do not recommend a final dividend but intend to pay an interim dividend as soon as these initiatives are complete. The final dividend for the year ended 31 December 2012 of US$1,348,288 was paid on 26 April 2013 to ordinary shareholders who were on the Register of Members on 2 April 2013. Going forward, the Company intends, subject to its financial performance, to pay a final dividend each year.

Directors and their interests

The directors, who served throughout the year and held office at 31 December 2013 and to date, along with their beneficial interests (including those of connected parties) in the ordinary shares of the Company are as follows:

	31 December 2013 Ordinary shares No.	31 December 2012 Ordinary shares No.
Michael Kloter	1,000,000	1,000,000
Kyriakos Rialas	8,768,363	8,768,363
Andreas Rialas	15,638,146	15,638,146
David Fisher	-	-
Kenneth Watterson	88,141	88,141

Michael Kloter's interest is represented through a corporate vehicle, currently Dodoni AG, the indirect beneficiaries of which are Michael Kloter and his family.

Kyriakos Rialas' interest is represented by the shareholding of Wisynco Investments Inc., the beneficiaries of which include Kyriakos Rialas and his family.

Andreas Rialas' interest is represented by a direct interest in 460,833 shares and the holding of 15,177,313 shares by Farkland Ventures Inc. (a company belonging to Rialco Trust) the beneficiaries of which are potentially Andreas Rialas and his family.

Biographical details of the current directors are set out on page 13.

Going Concern

The Directors have carried out a rigorous assessment of all the factors affecting the business in deciding to adopt the going concern basis for the preparation of the accounts. They have reviewed and examined the Group's financial and other processes including the annual budgeting process and expect the Group to generate positive cash flows in the foreseeable future. On the basis of this review and the liquid assets underpinning the balance sheet the Directors are confident that the Group has adequate financial resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis for preparing the accounts.

DIRECTORS' REPORT (continued)

Substantial shareholdings

On 3 June 2014 the following interests in 3% or more of the Company's Ordinary share capital had been reported:

	No. of Ordinary shares	Percentage of issued capital
Lynchwood Nominees Limited	36,965,092	54.82%
Jim Nominees Limited	3,427,411	5.08%
Vidacos Nominees Limited	3,230,000	4.79%
Euroclear Nominees Limited	2,803,976	4.16%
The Bank of New York (Nominees) Limited	2,783,320	4.13%
SBS Nominees Limited	2,575,681	3.82%

Corporate governance statement

The directors recognise the value of the Principles of Good Governance and Code of Best Practice as set out in the UK Corporate Governance Code to the extent appropriate taking into account the size of the Company and the nature of its business.

Whilst the Company is not obliged by the Alternative Investment Market ("AIM") rules to do so, the Board intends, where appropriate, to comply with the main provisions of the Principles of Good Governance and Code of Best Practice as set out in the UK Corporate Governance Code.

Regulatory Information

Argo Group Limited has two main operating companies, Argo Capital Management (Cyprus) Limited ("Argo Cyprus") and Argo Capital Management Limited ("Argo London"), which are regulated by the Cyprus Securities and Exchange Commission and the UK Financial Conduct Authority ("FCA") respectively. As such the Group is subject to the conduct of business rules, compliance requirements and minimum capital standards of those bodies. Both Argo Cyprus and Argo London have satisfied the minimum regulatory capital requirements of their respective regulatory bodies and the Board is satisfied that the Group is adequately capitalised to continue its operations effectively.

Argo Group Limited is trading on the Alternative Investment Market of the London Stock Exchange and is subject to the disclosure requirements and governance processes that this status demands.

DIRECTORS' REPORT (continued)

Internal Control and risk management

Risk is inherent in all business and is therefore present within the Group's activities. The Group seeks to effectively identify, monitor and manage each of its risks with ultimate responsibility of risk management resting with the Board.

The key risks that the Board considers most important to its business are those associated with operations, illiquidity and valuation. Operational flaws can result from a lack of resources or planning, error or fraud, the inability to capitalise on market opportunities or weaknesses in systems and controls. The Board believes that operational risk is mitigated as follows:

- appropriate financial and management controls are in place which ensure day-to-day operations are managed effectively;
- the valuation of key assets by independent third parties with the Pricing Review Committee providing additional oversight of valuations used for hard-to-price assets; and
- the existence of disaster recovery procedures.

Risk management and control is one element of the Group's overall system of internal controls which provides an ongoing process for identifying, evaluating and managing the Group's significant risks. This control framework enables the Board, through the Audit Committee, the use of an independent compliance review service to oversee the regulated activities of the investment advisor and regular board meetings, to monitor the effectiveness of the risk management and internal control systems. Throughout the year the Board has continued to receive regular financial and other management information related to the control of expenditure against budget as well as reports on compliance and risk matters. The Board is satisfied that appropriate planned actions continue to be effective in improving controls as the Group develops and the overall assessment of the control framework continues to be satisfactory.

Audit Committee

Membership comprises at least two members, each being an independent non-executive director. The Audit Committee now comprises Ken Watterson (chair), David Fisher and Michael Kloter. The Board is satisfied that the members of the Audit Committee have recent and relevant financial experience.

The Audit Committee is a sub-committee of the Board and makes recommendations to the Board which retains the right of final decision. The Audit Committee has primary responsibility for reviewing the consolidated financial statements, liaising with the external auditors and reviewing the effectiveness of internal controls.

The terms of reference of the Audit Committee include the following:

- Review of interim and full-year accounts including the accounting policies, principles and practices underlying them and the auditors' findings. The Committee reviews this information in advance of its consideration by the Board allowing adequate time before Board approval to complete any actions requested by the Committee;
- review of the effectiveness of the external auditors, approval of the scope and cost of their external audit work and their reappointment;
- review of the valuation policies of the underlying Argo funds which are also audited by the Company's external auditors;
- review of non-audit work carried out by the external auditors (and trends in the non-audit fees) in accordance with the Committee's policy to ensure the safeguarding of audit independence and objectivity;
- monitor and review of the Group's framework of internal controls, the identification and control of major risks and the results of the Group's risk review process;
- consideration of developments in corporate governance and accounting standards in the UK and internationally;
- overseeing and challenging due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board;
- providing advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in the incentive structure for the executives;

DIRECTORS' REPORT (continued)

Audit Committee (continued)

- review of reports provided by the external compliance monitoring adviser;
- consideration of the results of the Group's review of intangible asset impairment and going concern;
- consideration of the Group's technology strategy and related risks;
- consideration of the Group's treasury objectives and policies;
- shareholder communications and other announcements; and
- any material litigation involving the Group.

The Audit Committee met formally twice during the year and there was full attendance at the meetings. The Committee met with the external auditors, without the executive directors being present, to review the scope of their audit and findings thereon for the interim and year end financial statements. The Committee recommended to the Board that a resolution be put to the shareholders for the reappointment of the auditors at the annual general meeting.

The Audit Committee considered the need for an internal audit function and concluded that, for the Group at its current stage of development, such a function is not required. It should be noted, however, that the investment manager, Argo Cyprus, has an internal audit function, being a requirement of its license under the regulations of the Cyprus Securities and Exchange Commission. Similarly, the investment adviser, Argo London, is reviewed by an external compliance consultant as part of its duty to satisfy its responsibilities under the FCA regulations.

Remuneration Committee

Membership comprises at least two members, each being an independent non-executive director. The Remuneration Committee now comprises Michael Kloter (chair), Ken Watterson and David Fisher.

In accordance with authority delegated by the Board of Directors the terms of reference of the Remuneration Committee cover the following:

- To determine and agree with the Board of Directors the framework or broad policy for the remuneration of the chief executive and such other members of the executive management as it is designated to consider for purposes of compliance with the FCA remuneration code ("Code");

- To ensure the Group's remuneration policy for all staff is compliant with the Code;

- To review the framework or broad policy for remuneration to ensure it remains appropriate and relevant and in formulating proposals, be sensitive to the need for an appropriate balance between long and short-term elements of pay.

The Remuneration Committee met formally once during the year and there was full attendance at the meeting. The Chief Executive Officer and Chief Investment Officer attended all of the meeting at the invitation of the Remuneration Committee but took no part in the determination of their own remuneration.

The Remuneration Committee has considered the final rules on remuneration in financial companies issued by the FCA as applied to the Group, and in particular its emphasis on the need to ensure that remuneration plans do not incentivise excessive risk taking. The Committee believes that the nature of the variable remuneration plans in place have been structured appropriately in light of the Group's business model and risk profile, the proportion of variable remuneration which is deferred, the length of the deferral period and the performance conditions attached to the awards.

Donations

During the year the Group made charitable donations of US$17,989 (2012: US$12,678).

DIRECTORS' REPORT (continued)

Creditor payment policy

It is the Group's policy and practice to agree commercial terms of business with suppliers prior to the supply of goods and services. In the absence of any dispute, the Group pays, wherever possible, in accordance with those agreed terms. The number of days' purchases of the Group represented by trade creditors at 31 December 2013 was 13 (2012: 16).

Statement of disclosure to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware. Each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

Our auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board

Kyriakos Rialas
Chief Executive Officer

Date: 12 June 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU.

The consolidated 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 these consolidated 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, as adopted by the EU; and
- prepare the consolidated 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 are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time its financial position. 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 over 25 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 (Asia) Ltd, 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 a member of the Investment Committee of Innova Capital, one of Central Europe's leading private equity firms; Chairman of EnerCap Partners, a renewable energy fund in Central Europe; and Chairman of Da Vinci CIS Private Sector Growth Fund Limited and Da Vinci PEF II Investment Committee. In June 2010 he was appointed to the Board of Argo Real Estate Opportunities Fund Limited. He has over 30 years of experience in business, finance and law. David has made and managed more than 30 private equity investments in Central & Eastern Europe in the last 20 years. 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 24 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. Kenneth has worked with Coutts and Close Bros international private banks and as the Chief Operating Officer and director of a US$1.6 billion hedge fund group. He is a chartered fellow of the Institute of Directors.

REPORT OF THE INDEPENDENT AUDITORS, KPMG AUDIT LLC, TO THE MEMBERS OF ARGO GROUP LIMITED

We have audited the consolidated financial statements of Argo Group Limited for the year ended 31 December 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs), as adopted by the EU.

This report is made solely to the Group's members, as a body. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of consolidated financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the consolidated financial statements.

Opinion on the consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with IFRSs, as adopted by the EU.

Emphasis of matter

In forming our opinion on the consolidated financial statements, we also wish to draw your attention to the following matters:

Valuation of investment in The Argo Fund Limited

The valuation of the investment in The Argo Fund Limited ("TAF"), as disclosed in note 11 to the financial statements, is based on various assumptions and limiting conditions, many of which are difficult to assess given the composition of the investment portfolio of TAF. The underlying investment portfolio of TAF is considered illiquid and therefore inherently requires the judgement of the Directors to value. The audit report for The Argo Fund Limited for the year end 30 June 2013 was modified in respect of investment valuation.

The above matters indicate the existence of inherent uncertainties with regard to the carrying value of the investment in The Argo Fund Limited in the financial statements of the Group.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
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Isle of Man IM99 1HN

12 June 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2013

	Note	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Management fees		6,920	7,026
Incentive fees		803	1,216
Other income		1,041	690
Revenue	2(e), 3	8,764	8,932
Legal and professional expenses		(261)	(390)
Management and incentive fees payable	2(f)	(308)	(71)
Operational expenses		(1,212)	(1,885)
Employee costs	4	(3,481)	(3,530)
Foreign exchange loss		(41)	(25)
Bad debts	12	(2,332)	(1,062)
Amortisation of intangible assets	9	-	(990)
Depreciation	10	(89)	(73)
Operating profit	6	1,040	906
Impairment of goodwill	9	-	(14,945)
Interest income on cash and cash equivalents		115	15
Unrealised gain/(loss) on investments		942	(175)
Profit/(loss) on ordinary activities before taxation	3	2,097	(14,199)
Taxation	7	(115)	(205)
Profit/(loss) for the year after taxation attributable to members of the Company	8	1,982	(14,404)
Other comprehensive income			
Exchange differences on translation of foreign operations		147	86
Total comprehensive income/(loss) for the year		2,129	(14,318)

	Note	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
Earnings per share (basic)	8	0.03	(0.21)
Earnings per share (diluted)	8	0.03	(0.21)

The directors consider that all results derive from continuing activities.

The notes on pages 19 to 40 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	At 31 December 2013 US$'000	At 31 December 2012 US$'000
Assets			
Non-current assets			
Intangible assets	9	-	-
Fixtures, fittings and equipment	10	177	221
Loans and advances receivable	14	2,107	118
Total non-current assets		2,284	339
Current assets			
Investments	11	19,420	18,478
Trade and other receivables	12	3,300	4,284
Cash and cash equivalents	13	3,726	5,139
Loans and advances receivable	14	217	142
Total current assets		26,663	28,043
Total assets	3	28,947	28,382
Equity and liabilities			
Equity			
Issued share capital	15	674	674
Share premium		30,878	30,878
Revenue reserve		(1,040)	(1,674)
Foreign currency translation reserve	2(d)	(2,017)	(2,164)
Total equity		28,495	27,714
Current liabilities			
Trade and other payables	16	388	467
Taxation payable	7	64	201
Total current liabilities	3	452	668
Total equity and liabilities		28,947	28,382

These consolidated financial statements were approved by the Board of Directors on 12 June 2014 and were signed on its behalf by:

Kyriakos Rialas
Chief Executive Officer

Michael Kloter
Non-Executive Chairman

The notes on pages 19 to 40 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED 31 DECEMBER 2013

	Issued share capital 2012	Share premium 2012	Revenue reserve 2012	Foreign currency translation reserve 2012	Total 2012
	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January 2012	**674**	**30,878**	**14,123**	**(2,250)**	**43,425**
Total comprehensive income					
Loss for the period after taxation	-	-	(14,404)	86	(14,318)
Transactions with owners recorded directly in equity					
Dividends to equity holders	-	-	(1,393)	-	(1,393)
As at 31 December 2012	**674**	**30,878**	**(1,674)**	**(2,164)**	**27,714**

	Issued share capital 2013	Share premium 2013	Revenue reserve 2013	Foreign currency translation reserve 2013	Total 2013
	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January 2013	**674**	**30,878**	**(1,674)**	**(2,164)**	**27,714**
Total comprehensive income					
Profit for the period after taxation	-	-	1,982	147	2,129
Transactions with owners recorded directly in equity					
Dividends to equity holders (note 15)	-	-	(1,348)	-	(1,348)
As at 31 December 2013	**674**	**30,878**	**(1,040)**	**(2,017)**	**28,495**

The notes on pages 19 to 40 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2013

	Note	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Net cash (outflow)/inflow from operating activities	18	(237)	429
Cash flows from investing activities			
Interest received on cash and cash equivalents		115	15
Purchase of current asset investments	11	-	(2,115)
Purchase of fixtures, fittings and equipment	10	(46)	(225)
Net cash received from/(used in) investing activities		**69**	**(2,325)**
Cash flows from financing activities			
Dividends paid	15	(1,348)	(1,393)
Net cash used in financing activities		**(1,348)**	**(1,393)**
Net decrease in cash and cash equivalents		**(1,516)**	**(3,289)**
Cash and cash equivalents at 1 January 2013 and 1 January 2012		5,139	8,358
Foreign exchange gain on cash and cash equivalents		103	70
Cash and cash equivalents as at 31 December 2013 and 31 December 2012		**3,726**	**5,139**

The notes on pages 19 to 40 form part of these consolidated financial statements.

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 and the principal place of business is at 10 Vasilissis Frederikis Street, 1066 Nicosia, Cyprus. 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 currencies of the Group undertakings are US Dollars, Sterling, Euros and Romanian Lei. The presentational currency is US Dollars. The Group has 38 (2012: 40) employees.

Wholly owned subsidiaries	Country of incorporation
Argo Capital Management (Cyprus) Limited	Cyprus
Argo Capital Management Limited	United Kingdom
Argo Capital Management Property Limited	Cayman Islands
Argo Property Management Srl (formerly North Asset Management Srl)	Romania
North Asset Management Sarl	Luxembourg

2. ACCOUNTING POLICIES

(a) Accounting convention

These consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments, and in accordance with International Financial Reporting Standards, as adopted by the EU.

The Directors have carried out a rigorous assessment of all the factors affecting the business in deciding to adopt the going concern basis for the preparation of the accounts. They have reviewed and examined the Group's financial and other processes including the annual budgeting process and expect the Group to generate positive cash flows in the foreseeable future. On the basis of this review and the liquid assets underpinning the balance sheet the Directors are confident that the Group has adequate financial resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis for preparing the accounts.

The Group has prepared forecasts that focus on cash flow requirements for the period to June 2015. These forecasts reflect current cost patterns of the Group and take into consideration current liquidity constraints of funds under management and therefore their ability to settle management fees and other receivables (refer to note 12 and 14). The cash flows of the Group are linked to the liquidity of the funds and the major funds of the Group (AREOF, TAF, ASSF) have significant liquidity challenges at present therefore cash inflows to the Group are linked to potential liquidity events, the timings of which are uncertain.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date upon which control is transferred to the Company and cease to be consolidated from the date upon which control is transferred from the Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

2. ACCOUNTING POLICIES (continued)

(c) Business combinations (continued)

Goodwill
Goodwill arising on the consolidation represents the excess of the cost of the acquisition over the Company's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Any excess of the Company's interest in the fair value of the identifiable assets and liabilities over the cost of the acquisition (negative goodwill) is immediately recognised in the Consolidated Statement of Comprehensive Income. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed at least annually for impairment. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income.

Intangible assets
The Group's principal intangible asset is a fund management contract recorded at directors' valuation at the date of acquisition. The directors' valuation is based on the underlying share price of the vendor and its assets under management at the time of acquisition. This intangible asset has a finite life and is amortised on a straight line basis over the period of the contract. Impairment tests are undertaken annually to determine any diminution in the recoverable amount below carrying value. The Group does not capitalise internally generated goodwill or intangible assets.

Impairment of intangible assets
At each balance sheet date the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(d) Foreign currency translation

The consolidated financial statements are expressed in US dollars. Transactions denominated in currencies other than US dollars have been translated at the rate of exchange prevailing at the date of the transaction. Assets and liabilities in other currencies are translated to US dollars at the rates of exchange prevailing at the balance sheet date. The resulting profits or losses are reflected in the Consolidated Statement of Comprehensive Income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in the Consolidated Statement of Comprehensive Income as income or as expenses in the year of the operation's disposal.

(e) Revenue

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Group and the revenue can be reliably measured.

2. ACCOUNTING POLICIES (continued)

(e) Revenue (continued)

Management and incentive fees receivable
The Group recognises revenue for providing management services to mutual funds. Revenue accrues on a monthly basis on completion of management services and is based on the assets under management of each mutual fund.

Incentive fees arise monthly, quarterly or on realisation of an investment. Incentive fees are recognised in the month they arise. In addition, for the Argo Real Estate Opportunities Fund Ltd ("AREOF") (managed by Argo Capital Management Property Ltd) incentive fees may be triggered at any time on realisation of a property asset. The management and incentive fees receivable from AREOF are defined in the management contract between that company and Argo Capital Management Property Ltd. The management contract has a fixed term expiring on 31 July 2018.

During the year ended 31 December 2012 the Group provided AREOF with a notice of deferral in relation to the amounts due from the provision of investment management services, under which it will not demand payment of such amounts until the Group judges that AREOF is in a position to pay the outstanding liability.

(f) Management and incentive fees payable

The Group pays management and incentive fees based on a proportion of fees receivable from mutual funds. Fees payable are accrued on a monthly basis consistent with revenue streams earned.

(g) Depreciation

Plant and equipment is initially recorded at cost and depreciated on a straight-line basis over the expected useful lives of the assets, after taking into account the assets' residual values, as follows:

Leasehold	20% per annum
Fixtures and fittings	33 1/3% per annum
Office equipment	33 1/3% per annum
Computer equipment and software	33 1/3% per annum

(h) Investments held at fair value through profit or loss

IFRS 13 has been adopted from 1 January 2013. It establishes a single source of guidance for measuring fair value and requires disclosures about fair value measurements. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 also includes disclosure requirements. IFRS 13 requires prospective application from 1 January 2013. The application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

All investments are classified as held at fair value through profit or loss. Investments are initially recognised at fair value. Transaction costs are expensed as incurred.

After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the Consolidated Statement of Comprehensive Income. Investments held at fair value in managed mutual funds are valued at fair value of the net assets as provided by the administrators of those funds. Investments in the management shares of The Argo Fund Limited, Argo Distressed Credit Fund Limited, Argo Special Situations Fund LP and Argo Local Markets Fund are stated at fair value, being the recoverable amount.

(i) Trade date accounting

All 'regular way' purchases and sales of financial assets are recognised on the 'trade date', i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within the time frame generally established by regulation or convention in the market place.

2. ACCOUNTING POLICIES (continued)

(j) Financial instruments

Financial assets and liabilities are recognised on the Consolidated Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument.

Non-derivative financial instruments include trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. The initial and subsequent measurement of non-derivative financial instruments is dealt with below.

Trade and other receivables

Trade and other receivables are held at amortised cost and do not carry any interest. They are stated at their original invoice amount as reduced by appropriate allowances for estimated irrecoverable amounts. An estimate for doubtful debts is made when collection is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash, subject to insignificant risk of changes in value, and have a maturity of less than three months from the date of acquisition.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash in hand and bank deposits.

Trade payables

Trade payables are not interest bearing and are stated at amortised cost.

(k) Loans and borrowings

All loans and borrowings payable are initially recognised at cost, calculated as the fair value of the consideration received less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by using the effective interest method, taking into account any issue costs, and discounts and premiums on settlement.

All loans and borrowings receivable are initially recognised at cost and subsequently measured at amortised cost.

(l) Current taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted or substantively enacted by the balance sheet date.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods or because it excludes items that are never taxable or deductible.

(m) Deferred taxation

Deferred income tax is provided for using the liability method on temporary timing differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in full for all temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused losses can be utilised.

2. ACCOUNTING POLICIES (continued)

(m) Deferred taxation (continued)

The carrying amount of deferred income tax assets is revalued at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that is probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

(n) Accounting estimates, assumptions and judgements

The preparation of the consolidated financial statements necessitates the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets, liabilities and contingent liabilities at the balance sheet date as well as affecting the reported income and expenses for the year. Although the estimates are based on management's knowledge and best judgment of information and financial data, the actual outcome may differ from these estimates.

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

In the process of applying the Group's accounting policies, which are described above, management has made best judgements of information and financial data that have the most significant effect on the amounts recognised in the consolidated financial statements:

- Management and incentive fees
- Intangibles (note 9)
- Trade receivables

It has been assumed that, when available, the audited financial statements of the funds under the Group's management will confirm the net asset values used in the calculation of management and performance fees receivable.

(o) Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Benefits, such as rent free periods, received and receivable as incentives to take on operating leases are spread on a straight line basis over the lease term, or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rent.

(p) Financial instruments and fair value hierarchy

The following represents the fair value hierarchy of financial instruments measured at fair value in the Statement of Financial Position. The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

2. ACCOUNTING POLICIES (continued)

(q) Future changes in accounting policies

IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) have issued the following standards and interpretations with an effective date after the date of these financial statements:

New/Revised International Financial Reporting Standards (IAS/IFRS)	EU Effective date (accounting periods commencing on or after)
IAS 19 Employee Benefits - Amendment resulting from the Post-Employment Benefits and Termination Benefits projects (as amended in June 2012)	1 January 2014
IAS 32 Financial Instruments Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (December 2012)	1 January 2015
IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (December 2012)	1 January 2014
IFRS 9 Financial Instruments - Classification and measurement of financial assets (as amended in December 2012)	1 January 2016
IFRS 9 Financial Instruments – Accounting for financial liabilities and derecognition (as amended in December 2012)	1 January 2016
IFRS 10 Consolidated Financial Statements (May 2012)	1 January 2014
IFRS 11 Joint Arrangements (May 2012)	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities (May 2012)	1 January 2014

The directors do not expect the adoption of these standards and interpretations to have a material impact on the Group's financial statements in the period of initial application, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Any standard adopted during the year has presentational impact only; it is therefore not necessary to adjust comparative information.

(r) Dividends payable

Interim and final dividends are recognised when declared.

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	Argo Capital Management (Cyprus) Limited	Argo Capital Management Limited	Argo Capital Management Property Limited	Other	Year ended 31 December
	2013	2013	2013	2013	2013	2013
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Total revenues for reportable segments	414	5,212	2,538	3,546	-	11,710
Intersegment revenues	408	-	2,538	-	-	2,946
Total profit for reportable segments	964	445	260	493	-	2,162
Intersegment profit/(loss)	408	(2,933)	2,539	-	-	14
Total assets for reportable segments	49,511	2,843	2,701	4,488	-	59,543
Total liabilities for reportable segments	69	975	193	164	-	1,401

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

	Year ended 31 December 2013
	US$'000
Revenues	
Total revenues for reportable segments	11,710
Elimination of intersegment revenues	(2,946)
Group revenues	**8,764**
Profit or loss	
Total profit for reportable segments	2,162
Elimination of total intersegment losses	(14)
Other unallocated amounts	(51)
Profit on ordinary activities before taxation	**2,097**
Assets	
Total assets for reportable segments	59,543
Elimination of intersegment receivables	(997)
Elimination of Company's cost of investments	(29,599)
Group assets	**28,947**
Liabilities	
Total liabilities for reportable segments	1,401
Elimination of intersegment payables	(949)
Group liabilities	**452**

3. SEGMENTAL ANALYSIS (continued)

	Argo Group Ltd	Argo Capital Management (Cyprus) Limited	Argo Capital Management Limited	Argo Capital Management Property Limited	Other	Year ended 31 December
	2012	2012	2012	2012	2012	2012
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Total revenues for reportable segments	-	5,670	2,793	3,256	234	11,953
Intersegment revenues	-	-	2,791	-	230	3,021
Total profit/(loss) for reportable segments	1,862	(215)	(480)	(226)	(284)	657
Intersegment profit/(loss)	2,470	(5,007)	2,562	-	(42)	(17)
Total assets for reportable segments	49,910	2,440	2,381	3,920	123	58,774
Total liabilities for reportable segments	84	907	2,356	247	-	3,594

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

	Year ended 31 December 2012
	US$'000
Revenues	
Total revenues for reportable segments	11,953
Elimination of intersegment revenues	(3,021)
Group revenues	**8,932**
Profit or loss	
Total profit for reportable segments	657
Elimination of total intersegment losses	17
Other unallocated amounts	(14,873)
Loss on ordinary activities before taxation	**(14,199)**
Assets	
Total assets for reportable segments	58,774
Elimination of intersegment receivables	(795)
Elimination of Company's cost of investments	(29,597)
Group assets	**28,382**
Liabilities	
Total liabilities for reportable segments	3,594
Elimination of intersegment payables	(2,926)
Group liabilities	**668**

4. EMPLOYEE COSTS

	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Wages and salaries	3,142	3,110
Social security costs	281	316
Other	58	104
	3,481	3,530

5. KEY MANAGEMENT PERSONNEL REMUNERATION

Included in employee costs are payments to the following:

	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Directors and key management personnel	1,471	1,518

The remuneration of the Directors of the Company for the year was as follows:

	Salaries US$'000	Fees US$'000	Benefits US$'000	Cash bonus US$'000	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Executive Directors						
Kyriakos Rialas	239	-	-	-	239	222
Andreas Rialas	226	-	3	-	229	227
Non-Executive Directors						
Michael Kloter	-	83	-	-	83	79
David Fisher	-	55	-	-	55	54
Ken Watterson	-	55	-	-	55	54

6. OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Auditors' remuneration	90	94
Depreciation	89	73
Amortisation	-	990
Directors' fees	1,185	1,258
Operating lease payments	230	509

7. TAXATION

Taxation rates applicable to the parent company and the Cypriot, UK, Luxembourg and Romanian subsidiaries range from 0% to 23.3% (2012: 0% to 24.5%).

Income Statement

	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Taxation charge for the year on Group companies	115	205
Tax on profit/(loss) on ordinary activities	115	205

The tax charge for the year can be reconciled to the profit/(loss) on ordinary activities before taxation shown in the Consolidated Statement of Comprehensive Income as follows:

	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Profit/(loss) before tax	2,097	(14,199)
Applicable Isle of Man tax rate for Argo Group Limited of 0%	-	-
Timing differences	(1)	(4)
Non-deductible expenses	68	248
Other adjustments	(108)	257
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	156	(296)
Tax charge	115	205

Balance Sheet

	At 31 December 2013 US$'000	At 31 December 2012 US$'000
Corporation tax payable	64	201

8. EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares (see note 21).

	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Profit/(loss) for the year after taxation attributable to members	1,982	(14,404)

	No. of shares	No. of shares
Weighted average number of ordinary shares for basic earnings	67,428,494	67,428,494
Effect of dilution (note 21)	4,715,000	5,415,000
Weighted average number of ordinary shares for diluted earnings per share	72,143,494	72,843,494

	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
Earnings per share (basic)	0.03	(0.21)
Earnings per share (diluted)	0.03	(0.21)

9. INTANGIBLE ASSETS

	Fund management contracts US$'000
Cost	
At 1 January 2012	18,640
Foreign exchange movement	195
At 31 December 2012	18,835
Foreign exchange movement	-
At 31 December 2013	18,835
Amortisation and impairment	
At 1 January 2012	2,698
Impairment charge	14,945
Amortisation of Argo business intangible assets	990
Foreign exchange movement	202
At 31 December 2012	18,835
Foreign exchange movement	-
At 31 December 2013	18,835
Net book value	
At 31 December 2012	-
At 31 December 2013	-

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

Since the acquisition of the Argo businesses in 2008 the assets under management attributable to the Group's separately identifiable business units had decreased significantly due to the volatility and uncertainty displayed by the global financial markets. As a result, operations were scaled back and an impairment review of goodwill was undertaken at 30 June 2012. Following the review, goodwill of US$14.9 million created on the purchase of the Argo businesses was written off at 30 June 2012. At the balance sheet date the carrying value of goodwill is nil (31 December 2012: Nil).

At the balance sheet date the carrying value of the Argo Real Estate Opportunities Fund Ltd management contract is nil (31 December 2012: Nil) following its full amortisation during the year ended 31 December 2012. The Group has successfully renegotiated the extension of this management contract by five years from 31 July 2013 to 31 July 2018.

10. FIXTURES, FITTINGS AND EQUIPMENT

	Fixtures, fittings & equipment US$'000
Cost	
At 1 January 2012	357
Additions	225
Disposals	(231)
Foreign exchange movement	21
At 31 December 2012	372
Additions	46
Disposals	(20)
Foreign exchange movement	10
At 31 December 2013	408
Accumulated Depreciation	
At 1 January 2012	287
Depreciation charge for period	73
Disposals	(231)
Foreign exchange movement	22
At 31 December 2012	151
Depreciation charge for period	89
Disposals	(16)
Foreign exchange movement	7
At 31 December 2013	231
Net book value	
At 31 December 2012	221
At 31 December 2013	177

11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Holding	Investment in management shares	31 December 2013 Total cost US$'000	31 December 2013 Fair value US$'000
10	The Argo Fund Ltd	-	-
100	Argo Distressed Credit Fund Ltd	-	-
1	Argo Special Situations Fund LP	-	-
1	Argo Local Markets Fund	-	-
		-	**-**

Holding	Investment in ordinary shares	Total cost US$'000	Fair value US$'000
75,165	The Argo Fund Ltd	16,343	19,109
10,899,021	Argo Real Estate Opportunities Fund Ltd	988	225
115	Argo Special Situations Fund LP	115	86
		17,446	**19,420**

Holding	Investment in management shares	31 December 2012 Total cost US$'000	31 December 2012 Fair value US$'000
10	The Argo Fund Ltd	-	-
100	Argo Distressed Credit Fund Ltd	-	-
1	Argo Special Situations Fund LP	-	-
1	Argo Local Markets Fund	-	-
		-	**-**

Holding	Investment in ordinary shares	Total cost US$'000	Fair value US$'000
75,165	The Argo Fund Ltd	16,343	17,613
10,899,021	Argo Real Estate Opportunities Fund Ltd	988	753
115	Argo Special Situations Fund LP	115	112
		17,446	**18,478**

The Argo Fund Limited holds a concentrated portfolio of Level 2 and Level 3 assets that are valued based on inputs other than quoted prices in active markets. Inherently the assumptions backing these valuations are subject to additional risks that can have a positive or negative impact on valuation.

During the year, Argo Real Estate Opportunities Fund Limited was suspended from trading on AIM, and subsequently delisted on 3 March 2014 as a result of default notices on its loans creating uncertainty. It is carried at a discount of the last quoted bid price on AIM from August 2013 at year end. This investment is classified as level 3 under IFRS fair value hierarchy reflecting the non-market observable inputs to their valuation.

The investments held by the Group have been made in support of the Group's funds under management and in support of their liquidity profiles and as such they may not be realisable in the immediate future. The valuations are subject to uncertain events, for example, liquidity events or debt refinancing that may not be wholly within the Group's control.

12. TRADE AND OTHER RECEIVABLES

	At 31 December 2013 US$ '000	At 31 December 2012 US$ '000
Trade receivables	2,705	3,625
Other receivables	60	107
Prepayments and accrued income	535	552
	3,300	4,284

The directors consider that the carrying amount of trade and other receivables approximates their fair value. All trade receivable balances are recoverable within one year from the balance sheet date.

The Group has provided Argo Real Estate Opportunities Fund Limited ("AREOF") with a notice of deferral in relation to the amounts due from the provision of investment management services, under which it will not demand payment of such amounts until the Group judges that AREOF is in a position to pay the outstanding liability. These amounts accrued or receivable at 31 December 2013 total US$1,265,791 (€919,505) (2012: US$2,597,188, €1,965,333) after a bad debt provision of US$2,753,200 (€2,000,000) (2012: US$991,125, €750,000). AREOF continues to meet part of this obligation to the Argo Group as and when liquidity allows with a further US$476,000 (€350,000) being settled in January 2014. In November 2013 AREOF offered Argo Group Limited additional security for the continued support in the form of debentures and guarantees by underlying intermediate companies. In the Directors' view these amounts are fully recoverable although they have concluded that it would not be appropriate to continue to recognise income from these investment management services going forward, as the timing of such receipts may be outside the control of the Company and AREOF.

At the year end The Argo Fund Limited and Argo Special Situations Fund LP owed the Group total management fees of US$1,817,803 (2012: US$341,125) after a bad debt provision of US$650,000 (2012: US$ Nil). Both Funds have a substantial asset base with very few liabilities. They are currently facing a short term liquidity issue which is being remedied and whilst a bad debt provision has been raised against these management fees the Directors are confident that they are fully recoverable.

In the audited financial statements of AREOF at 30 September 2013 a material uncertainty surrounding the refinancing of bank debts was referred to in relation to the basis of preparation of the financial statements. In the view of the directors of AREOF, discussions with the banks are continuing satisfactorily and they have therefore concluded that it is appropriate to prepare those financial statements on a going concern basis.

13. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents is a balance of US$83,000 (2012: US$82,000) which represents a bank guarantee in respect of credit cards issued to Argo Capital Management Property Limited. Due to the nature of this balance it is not freely available.

14. LOANS AND ADVANCES RECEIVABLE

	At 31 December 2013 US$'000	At 31 December 2012 US$'000
Deposits on leased premises - current	34	-
Deposits on leased premises - non-current	88	118
Other loans and advances receivable - current	183	142
Other loans and advances receivable – non-current	2,019	-
	2,324	260

14. LOANS AND ADVANCES RECEIVABLE (continued)

The deposits on leased premises are retained by the lessor until vacation of the premises at the end of the lease term as follows:

	At 31 December 2013 US$'000	At 31 December 2012 US$'000
Current:		
Lease expiring within one year	34	-

	At 31 December 2013 US$'000	At 31 December 2012 US$'000
Non-current:		
Lease expiring in second year after balance sheet date	-	32
Lease expiring in fourth year after balance sheet date	88	-
Lease expiring in fifth year after balance sheet date	-	86
	88	118

During the year Argo Group advanced US$1,376,600 (€1,000,000) to Bel Rom Trei ("Bel Rom"), an AREOF Group entity based in Romania that owns Sibiu Shopping City, in order to assist with its operational cash requirements. Challenging trading conditions have impacted Bel Rom's cash flow and its ability to meet payments due to lending banks as and when they fall due. The situation is being remedied by way of discussions with the lending banks with a view to restructuring these loans. While these discussions are on-going to find an agreeable solution for both parties, Bel Rom continues to enjoy the support of its banks. The loan is repayable on demand and accrues interest at 12%. The full amount of the loan and accrued interest remains outstanding at the year end. The Directors consider this loan to be fully recoverable on the basis that conditional offers to buy the centre have been received that indicate a value in excess of the debt attached to the project. Notwithstanding its repayable on demand terms, the Directors have classified this amount as non-current within the financial statements as it is not their intention to demand repayment in the immediate future and it is unlikely that Bel Rom will repay the amount in the next 12 months even if it were demanded.

15. SHARE CAPITAL

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

	31 December 2013 No.	31 December 2013 US$'000	31 December 2012 No.	31 December 2012 US$'000
Issued and fully paid				
Ordinary shares of US$0.01 each	67,428,494	674	67,428,494	674
	67,428,494	**674**	**67,428,494**	**674**

The directors do not recommend the payment of a final dividend for the year ended 31 December 2013. The directors recommended a final dividend of 2.1 cents (1.3 pence) per share for the year ended 31 December 2012. The final dividend for the year ended 31 December 2012 of US$1,348,288 (GBP876,570) was paid on 26 April 2013 to ordinary shareholders who were on the Register of Members on 2 April 2013. Going forward, the Company intends, subject to its financial performance, to pay a final dividend each year.

16. TRADE AND OTHER PAYABLES

	At 31 December 2013 US$ '000	At 31 December 2012 US$ '000
Trade and other payables	63	103
Other creditors and accruals	325	364
	388	467

Trade and other payables are normally settled on 30-day terms.

17. OBLIGATIONS UNDER OPERATING LEASES

Operating lease payments represent rentals payable by the Group for certain of its business premises. The leases have no escalation clauses or renewal or purchase options and no restrictions imposed on them.

As at the balance sheet date, the Group had outstanding future minimum lease payments under non-cancellable operating leases, which fall due as follows.

	At 31 December 2013 US$ '000	At 31 December 2012 US$ '000
Operating lease liabilities:		
Within one year	179	163
In the second to fifth years inclusive	370	560
Present value of minimum lease payments	549	723

18. RECONCILIATION OF NET CASH INFLOW FROM OPERATING ACTIVITIES TO PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2013 US$ '000	Year ended 31 December 2012 US$ '000
Profit/(loss) on ordinary activities before taxation	2,097	(14,199)
Interest income	(115)	(15)
Amortisation of intangible assets	-	990
Depreciation	89	73
Loss on disposal of fixed assets	4	-
Impairment of intangible assets (note 9)	-	14,945
Decrease in payables	(79)	(446)
Increase in receivables	(1,080)	(952)
(Increase)/decrease in fair value of current asset investments	(942)	175
Net foreign exchange loss	41	25
Income taxes paid	(252)	(167)
Net cash (outflow)/inflow from operating activities	(237)	429

19. RELATED PARTY TRANSACTIONS

All Group revenues derive from funds or entities in which two of the Company's directors, Andreas Rialas and Kyriakos Rialas, have an influence through directorships and the provision of investment advisory services.

At the balance sheet date the Company holds investments in The Argo Fund Limited, Argo Real Estate Opportunities Fund Limited ("AREOF") and Argo Special Situations Fund LP. These investments are reflected in the accounts at a fair value of US$19,109,116, US$225,054 and US$85,707 respectively.

The Group has provided AREOF with a notice of deferral in relation to the amounts due from the provision of investment management services, under which it will not demand payment of such amounts until the Group judges that AREOF is in a position to pay the outstanding liability. These amounts accrued or receivable at 31 December 2013 total US$1,265,791 (€919,505) (2012: US$2,597,188, €1,965,333) after a bad debt provision of US$2,753,200 (€2,000,000) (2012: US$991,125, €750,000). AREOF continues to meet part of this obligation to the Argo Group as and when liquidity allows with a further US$476,000 (€350,000) being settled in January 2014. In November 2013 AREOF offered Argo Group Limited additional security for the continued support in the form of debentures and guarantees by underlying intermediate companies.

In the audited financial statements of AREOF at 30 September 2013 a material uncertainty surrounding the refinancing of bank debts was referred to in relation to the basis of preparation of the financial statements. In the view of the directors of AREOF, discussions with the banks are continuing satisfactorily and they have therefore concluded that it is appropriate to prepare those financial statements on a going concern basis.

During the year Argo Group advanced US$1,376,600 (€1,000,000) to Bel Rom Trei Srl, an AREOF Group entity based in Romania that owns Sibiu Shopping City, in order to assist with its operational cash requirements. The loan is repayable on demand and accrues interest at 12%. The full amount of the loan and accrued interest remains outstanding at the year end.

Michael Kloter, the non-executive chairman, is also partner in a legal firm which supplies services to the Group. This firm charged US$Nil (2012: US$1,529) for services rendered to the Group in the period.

David Fisher, a non-executive director of the Company, is also a non-executive director of AREOF.

20. FINANCIAL INSTRUMENTS RISK MANAGEMENT

(a) Use of financial instruments

The wider Group has maintained sufficient cash reserves not to use alternative financial instruments to finance the Group's operations. The Group has various financial assets and liabilities such as trade and other receivables, loans and advances, cash, short-term deposits, and trade and other payables which arise directly from its operations.

The Group's non-subsidiary investments in funds were entered into with the purpose of providing seed capital, supporting liquidity and demonstrating the commitment of the Group towards its fund investors.

(b) Market risk

Market risk is the risk that a decline in the value of assets adversely impacts on the profitability of the Group, either as a result of an asset not meeting its expected value or through the decline of assets under management generating lower fees. The principal exposures of the Group are in respect of its seed investments in its own funds. Lower management fee and incentive fee revenues could result from a reduction in asset values.

20. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Capital risk management

The primary objective of the Group's capital management is to ensure that the Company has sufficient cash and cash equivalents on hand to finance its ongoing operations. This is achieved by ensuring that trade receivables are collected on a timely basis and that excess liquidity is invested in an optimum manner. This is achieved by placing fixed short-term deposits or using interest bearing bank accounts.

At the year-end cash balances were held at Royal Bank of Scotland, Bank of Cyprus and Bancpost.

(d) Credit/counterparty risk

The Group will be exposed to counterparty risk on parties with whom it trades and will bear the risk of settlement default. Credit risk is concentrated in the funds under management as detailed in note 11. Trade receivables are normally settled on 30-day terms (note 12).

The Group's principal financial assets are bank and cash balances, trade and other receivables and investments held at fair value through profit or loss. These represent the Company's maximum exposure to credit risk in relation to financial assets and are represented by the carrying amount of each financial asset in the balance sheet.

(e) Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet its payment obligations. This would be the risk of insufficient cash resources and liquid assets, including bank facilities, being available to meet liabilities as they fall due.

The main liquidity risks of the Group are associated with the need to satisfy payments to creditors. Trade receivables and trade payables are normally on 30-day terms (notes 12 and 16).

(f) Foreign exchange risk

Foreign exchange risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates.

The Group is subject to short-term foreign exchange movements between the calculation date of fees in currencies other than US dollars and the date of settlement. The Group holds cash balances in US Dollars, Sterling, Romanian Lei and Euros.

If there was a 5% increase or decrease in the exchange rate between the US dollar and the other operating currencies used by the Group at 31 December 2013 the exposure would be a profit or loss to the Consolidated Statement of Comprehensive Income of approximately US$45,000 (2012: US$50,000).

20. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(g) Interest rate risk

The interest rate profile of the Group at 31 December 2013 is as follows:

	Total as per balance sheet	Variable interest rate instruments*	Fixed interest rate instruments	Instruments on which no interest is receivable
	US$ '000	US$ '000	US$ '000	US$ '000
Financial Assets				
Financial assets at fair value through profit or loss	19,420	-	-	19,420
Loans and receivables	5,624	88	2,019	3,517
Cash and cash equivalents	3,726	107	1,489	2,130
	28,770	195	3,508	25,067
Financial liabilities				
Trade and other payables	388	-	-	388

* Changes in the interest rate may cause movements.

The average interest rate at the year end was 0.02%. Any movement in interest rates would have an immaterial effect on the profit/(loss) for the period.

The interest rate profile of the Group at 31 December 2012 is as follows:

	Total as per balance sheet	Variable interest rate instruments*	Fixed interest rate instruments	Instruments on which no interest is receivable
	US$ '000	US$ '000	US$ '000	US$ '000
Financial Assets				
Financial assets at fair value through profit or loss	18,478	-	-	18,478
Loans and receivables	4,544	88	-	4,456
Cash and cash equivalents	5,139	891	3,089	1,159
	28,161	979	3,089	24,093
Financial liabilities				
Trade and other payables	467	-	-	467

* Changes in the interest rate may cause movements.

The average interest rate at the year end was 0.10%. Any movement in interest rates would have an immaterial effect on the profit/(loss) for the period.

20. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(h) Fair value

The carrying values of the financial assets and liabilities approximate the fair value of the financial assets and liabilities and can be summarised as follows:

	At 31 December 2013 US$ '000	At 31 December 2012 US$ '000
Financial Assets		
Financial assets at fair value through profit or loss	19,420	18,478
Loans and receivables	5,624	4,544
Cash and cash equivalents	3,726	5,139
	28,770	28,161
Financial Liabilities		
Trade and other payables	388	467

Financial assets and liabilities, other than investments, are either repayable on demand or have short repayment dates. The fair value of investments is stated at the redemption prices quoted by fund managers and is based on the fair value of the underlying net assets of the funds because, although the funds are listed, there is no active market.

Fair value hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level of the fair value hierarchy (note 2p).

	At 31 December 2013			
	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
Financial assets at fair value through profit or loss	-	19,195	225	19,420

	At 31 December 2012			
	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
Financial assets at fair value through profit or loss	-	18,478	-	18,478

21. SHARE-BASED INCENTIVE PLANS

On 14 March 2011 the Group granted options over 5,900,000 shares to directors and employees under The Argo Group Limited Employee Stock Option Plan. All options are exercisable in four equal tranches over a period of four years at an exercise price of 24p per share.

The fair value of the options granted was measured at the grant date using a Black-Scholes model that takes into account the effect of certain financial assumptions, including the option exercise price, current share price and volatility, dividend yield and the risk-free interest rate. The fair value of the options granted is spread over the vesting period of the scheme and the value is adjusted to reflect the actual number of shares that are expected to vest.

The principal assumptions for valuing the options were:

Exercise price (pence)	24.0
Weighted average share price at grant date	12.0
Weighted average option life (years)	10.0
Expected volatility (% p.a.)	2.11
Dividend yield (% p.a.)	10.0
Risk-free interest rate (% p.a.)	5.0

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The total charge to employee costs in respect of this incentive plan is nil due to the differential in exercise price and share price.

The number and weighted average exercise price of the share options during the period is as follows:

	Weighted average exercise price	No. of share options
Outstanding at beginning of period	24.0p	5,415,000
Granted during the period	-	-
Forfeited during the period	24.0p	(700,000)
Outstanding at end of period	24.0p	4,715,000
Exercisable at end of period	24.0p	2,357,500

The options outstanding at 31 December 2013 have an exercise price of 24p and a weighted average contractual life of 10 years, with the third tranche of shares being exercisable on or after 1 May 2014. Outstanding share options are contingent upon the option holder remaining an employee of the Group. They expire after 10 years.

No share options were issued during the period.

22. EVENTS AFTER THE BALANCE SHEET DATE

The directors consider that there has been no event since the year end that has a significant effect on the Group's position.