

**ARGO GROUP LIMITED**

**UNAUDITED CONSOLIDATED INTERIM REPORT AND ACCOUNTS**

**For the six months ended 30 June 2020**

**MANAGEMENT AND ADMINISTRATION**

**DIRECTORS**

Michael Kloter  
Kyriakos Rialas  
Andreas Rialas  
David Fisher  
Kenneth Watterson

**REGISTERED OFFICE**

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Isle of Man  
IM1 1LB

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Edinburgh EH12 9TH

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**AUDITORS**

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Corner C Hatzopoulou & 30 Griva Digheni Avenue  
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**NOMINATED ADVISER AND STOCKBROKER**

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**CHAIRMAN'S STATEMENT****Key highlights for the six months ended 30 June 2020**

This report sets out the results of Argo Group Limited (the "Company") and its subsidiaries (collectively "the Group" or "Argo") covering the six months ended 30 June 2020.

- Revenues US\$1.4 million (six months to 30 June 2019: US\$2.4 million)
- Operating loss US\$0.4 million (six months to 30 June 2019: US\$0.03 million)
- Profit before tax US\$0.2 million (six months to 30 June 2019: US\$1.5 million)
- Net assets US\$21.4 million (31 December 2019 restated: US\$21.3 million)

**The Group and its investment objective**

Argo's investment objective is to provide investors with absolute returns in the funds that it manages by investing in multi strategy investments in emerging markets.

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

**Business and operational review**

For the six months ended 30 June 2020 the Group generated revenues of US\$1.4 million (six months to 30 June 2019: US\$2.4 million) with management fees accounting for US\$1.2 million (six months to 30 June 2019: US\$2.0 million). Management fees for the comparative period included USD\$0.6 million earned from Argo Real Estate Opportunities Fund Limited ("AREOF"). The management contract with AREOF was terminated on 1 January 2020, so there was no fees earned from AREOF in the current period. The Group does not accrue for performance fees until they are crystalized at the year end.

Total operating costs for the period, ignoring bad debt provisions, are US\$1.6 million compared to US\$2.5 million for the six months to 30 June 2019. The Group has provided against management fees of US\$0.2 million due from the Designated share class in The Argo Fund ("TAF") (six months to 30 June 2019: US\$0.3 million (€0.2 million) due from AREOF). In the Directors' view these amounts are fully recoverable however they have concluded that it would only be appropriate to recognise income without provision from these investment management services once a liquidity event occurs in this share class.

Overall, the financial statements show an operating loss for the period of US\$0.4 million (six months to 30 June 2019: US\$0.03 million) and a profit before tax of US\$0.2 million (six months to 30 June 2019: US\$1.5 million) reflecting the net profit on investments of US\$0.2 million (six months to 30 June 2019: US\$1.4 million) and interest income of US\$0.4 million (six months to 30 June 2019: US\$0.1 million).

At the period end, the Group had net assets of US\$21.4 million (31 December 2019 restated: US\$21.3 million) and net current assets of US\$9.0 million (31 December 2019 restated: US\$20.7 million) including cash reserves of US\$1.6 million (31 December 2019: US\$0.9 million).

Net assets include investments in TAF, ASSF LP and ADCF (together referred to as "the Argo Funds") at fair values of US\$7.8 million (31 December 2019: US\$18.6 million), US\$ nil (31 December 2019: US\$0.1 million) and US\$0.02 million (31 December 2019: US\$0.8 million) respectively. On 30 June 2020, The ASSF LP was struck off. Its assets and remaining investors were moved to ADCF.

**ARGO GROUP LIMITED****CHAIRMAN'S STATEMENT (continued)****Business and operational review (continued)**

At the period end the Argo Funds owed the Group total fees of US\$0.3 million (31 December 2019: US\$0.9 million). At 30 June 2020, a provision for US\$0.2 million was made against this amount as the timing of the receipt of the fees from the designated share class in TAF is uncertain. Moreover, the Group owes US\$0.3 million to ADCF in overpayment of performance fees at the period end. This overpayment will be set off against future management fees that the fund will owe to the Group.

The Argo Funds ended the period with Assets under Management ("AUM") at US\$130.4 million. The current level of AUM remains below that required to ensure sustainable profits on a recurring management fee basis in the absence of performance fees. This has necessitated an ongoing review of the Group's cost basis. Nevertheless, the Group has ensured that the operational framework remains intact and that it retains the capacity to manage additional fund inflows as and when they arise.

The average number of permanent employees of the Group for the six months to 30 June 2020 was 20 (30 June 2019: 21).

**Fund performance****The Argo Funds**

<b>Fund</b>	<b>Launch date</b>	<b>30 June 2020 6 months</b>	<b>30 June 2019 6 months</b>	<b>2019 year total</b>	<b>Since inception</b>	<b>Annualised performance CAGR %</b>	<b>Sharpe ratio</b>	<b>Down months</b>	<b>AUM US\$m</b>
		%	%	%	%				
The Argo Fund	Oct-00	4.55	4.25	2.18	239.11	7.14	0.51	76 of 237	105.0
Argo Distressed Credit Fund	Oct-08								25.4
<b>Total</b>									<b>130.4</b>

## ARGO GROUP LIMITED

### CHAIRMAN'S STATEMENT (continued)

#### Fund performance (continued)

The events of the first six months of 2020 caught most by surprise. At the beginning of the period markets were largely focused on the US electoral cycle and whether growth momentum would be maintained, particularly in the US and China, but very quickly attention turned to the impact of the previously little-known COVID-19 virus. Initially thought to be a localised problem in parts of Asia, the virus (and fear of it) spread to the rest of the world leading to a meltdown in global equity and credit markets from early March. Arguably, the response from governments, particularly the G7, was much faster compared with the 2008 Global Financial Crisis and they announced sizeable packages of monetary easing and fiscal support and stimuli alongside public health initiative measures such as lockdowns and travel restrictions. As confidence about a rapid economic recovery took hold, equity markets partially rebounded and delivered strong returns from April onwards. Emerging markets have not escaped the effects of COVID-19 despite the perceived advantage of a younger demographic; some like Brazil have recorded a high number of infections and deaths whilst others have seen their economies adversely affected by the sudden halt in global growth and trade and direct hits on sectors including oil and tourism. Countries such as Argentina and Lebanon had already signalled a need to restructure their external debts, but the strains of falling demand and additional health costs have led to wider calls for debt relief, particularly for poorer countries. Although government creditors (including China) have begun to implement this for those countries that have requested it, there remains a large question mark over the necessity and operability of involvement by private creditors such as bond investors.

The Class A NAV of TAF increased by 4.55% in the first half of 2020, compared to a rise of 4.25% in the same period of the previous year, but against a very different -and more volatile- global economic and financial backdrop; for example, the benchmark JP Morgan EMBI+ bond index fell by 0.4% in the first six months. The fund was conservatively positioned, with low net exposure, heading into the first quarter sell-off and whilst TAF suffered a drawdown in March, it was not of the scale witnessed in some other funds. The losses were clawed back and more by a judicious choice of long bond positions that benefited from positive developments in sovereign restructurings and the oil market. At the end of 2019, the decision was taken to restructure the fund, creating a master/feeder structure. Class A shares issued by TAF continue to be invested in a diversified debt and macro positions which seek to capture alpha through long and short investment in liquid EM corporate and sovereign bonds and FX. In addition, there are new classes of Designated Investments which offer investors exposure to distressed and special situations where the timeline to investment realisation will be three years or more. A US feeder fund was also recently established in order to widen the potential pool of investors in that jurisdiction.

#### Dividends and share purchase programme

The Group did not pay a dividend during the current or prior period. The Directors intend to restart dividend payments as soon as the Group's performance provides a consistent track record of profitability.

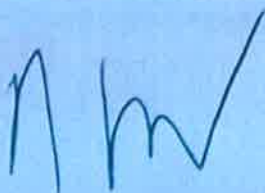
#### Outlook

The Board remains optimistic about the Group's prospects based on the transactions in the pipeline and the Group's initiatives to increase AUM. A significant increase in AUM is still required to ensure sustainable profits on a recurring management fee basis and the Group is well placed with capacity to absorb such an increase in AUM with negligible impact on operational costs.

Boosting AUM will be Argo's top priority in the next six months. The Group's marketing efforts will continue to focus on TAF which has a 19-year track record as well as identifying acquisitions that are earnings enhancing.

Over the longer term, the Board believes there is significant opportunity for growth in assets and profits and remains committed to ensuring the Group's investment management capabilities and resources are appropriate to meet its key objective of achieving a consistent positive investment performance in the emerging markets sector.

Michael Kloter  
Non-Executive Chairman  
Date: 30 July 2020



**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 (IAS 34: Interim Financial Statements).

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 over 30 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**

Andreas is the Founder and CIO of Argo Capital Management. Prior to founding Argo in 2000, Andreas worked for Deutsche Bank for three years in the emerging markets proprietary trading division, trading in emerging markets loans and trade finance specialist products. Before that, he was at London Forfaiting (Asia) Ltd as Head of Secondary Debt Trading in emerging markets. At Argo, Andreas built up a formidable distressed/activist reputation in emerging markets and spearheaded some of the firm's most successful distressed debt/restructuring investments across global emerging markets. Andreas studied Law at the University of London, graduating in 1991, and subsequently qualified to be an English Barrister specializing in banking law in 1993.

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

David Andrew Fisher has over 30 years of experience in business, finance and law. He is currently (a) Board Member at Innova Capital, a PE firm in Central Europe, (b) Chairman of the Investment Committee of Da Vinci CIS PE Fund 2 and (c) Investment Committee Member at Taxim Capital, a Turkish mid-cap PE fund. He has also taken on several projects on behalf of major shareholders to fix funds and companies going through difficult periods. Mr. Fisher served as a Captain in the US Army, is a member of MENSA, and holds degrees from Davidson College (BA), Vanderbilt Law School (JD), and Harvard Business School (MBA). He is an American citizen who resided in Europe for more than 15 years and worked in many emerging markets. Currently, he spends about half of his time on charitable activities and speaks at numerous investing conferences. He strongly supports sustainable and inclusive international economic development as a way to create a fair, prosperous and peaceful planet.

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

Kenneth has more than 30 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 and recently retired as a Chartered Fellow of the Chartered Institute for Securities and Investments.



**ARGO GROUP LIMITED**
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Note	Six months ended 30 June 2020 US\$'000	Six months ended 30 June 2019 US\$'000
Management fees		1,227	2,013
Performance fees		-	300
Other income		144	122
<b>Revenue</b>		<b>1,371</b>	<b>2,435</b>
Legal and professional expenses		(267)	(303)
Management and incentive fees payable		-	(34)
Operational expenses		(335)	(520)
Employee costs		(1,202)	(1,291)
Bad debt provision	9, 10	(203)	(295)
Foreign exchange profit/(loss)		313	(20)
Depreciation	7	(97)	(5)
<b>Operating loss</b>		<b>(420)</b>	<b>(33)</b>
Interest income		409	90
Realised and unrealised gain on investments	8	205	1,438
<b>Profit on ordinary activities before taxation</b>		<b>194</b>	<b>1,495</b>
Taxation	5	-	(19)
<b>Profit for the period after taxation attributable to members of the Company</b>	6	<b>194</b>	<b>1,476</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(15)	(44)
<b>Total comprehensive income for the period</b>		<b>179</b>	<b>1,432</b>
		<b>Six months Ended 30 June 2020 US\$</b>	<b>Six months Ended 30 June 2019 US\$</b>
<b>Earnings per share (basic)</b>	6	0.004	0.03
<b>Earnings per share (diluted)</b>	6	0.005	0.03

The Directors consider that all results derive from continuing activities.  
The notes on pages 12 to 22 form part of these condensed financial statements.

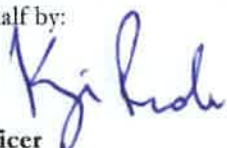
**ARGO GROUP LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

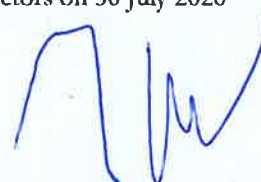
	Note	30 June 2020 US\$'000	31 December 2019 Restated US\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land, fixtures, fittings and equipment	7	541	661
Financial assets at fair value through profit or loss	8	-	56
Loans and advances receivable	10	12,042	120
<b>Total non-current assets</b>		<b>12,583</b>	<b>837</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	8	7,839	19,357
Trade and other receivables	9	452	951
Cash and cash equivalents		1,601	863
<b>Total current assets</b>		<b>9,892</b>	<b>21,171</b>
<b>Total assets</b>		<b>22,475</b>	<b>22,008</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued share capital	11	390	390
Share premium		25,353	25,353
Revenue reserve		(1,352)	(1,546)
Foreign currency translation reserve		(2,947)	(2,932)
<b>Total equity</b>		<b>21,444</b>	<b>21,265</b>
<b>Current liabilities</b>			
Trade and other payables		870	443
Tax payable		-	20
<b>Total current liabilities</b>		<b>870</b>	<b>463</b>
<b>Non-current liabilities</b>			
Trade and other payables	15	161	280
<b>Total non-current liabilities</b>		<b>161</b>	<b>280</b>
<b>Total equity and liabilities</b>		<b>22,475</b>	<b>22,008</b>

These interim consolidated financial statements were approved by the Board of Directors on 30 July 2020 and signed on its behalf by:

Kyriakos Rialas  
Chief Executive Officer



Michael Kloter  
Non-Executive Chairman



The notes on pages 12 to 22 form part of these condensed financial statements.

**ARGO GROUP LIMITED**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Issued share capital	Share premium	Revenue reserve	Foreign currency translation reserve	Total
	2019	2019	2019	2019	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2019	470	28,022	(2,363)	(2,860)	23,269
<b>Total comprehensive income</b>					
Profit for the period after taxation	-	-	1,476	-	1,476
Other comprehensive income	-	-	-	(44)	(44)
<b>Transaction with owners recorded directly in equity</b>					
Purchase of own shares	(80)	(2,669)	-	-	(2,749)
<b>As at 30 June 2019</b>	<b>390</b>	<b>25,353</b>	<b>(887)</b>	<b>(2,904)</b>	<b>21,952</b>

	Issued share capital	Share premium	Revenue reserve	Foreign currency translation reserve	Total
	2020	2020	2020	2020	2020
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2020 restated (note 16)	390	25,353	(1,546)	(2,932)	21,265
<b>Total comprehensive income</b>					
Profit for the period after taxation	-	-	194	-	194
Other comprehensive income	-	-	-	(15)	(15)
<b>As at 30 June 2020</b>	<b>390</b>	<b>25,353</b>	<b>(1,352)</b>	<b>(2,947)</b>	<b>21,444</b>

The notes on pages 12 to 22 form part of these condensed financial statements.

**ARGO GROUP LIMITED****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

		<b>Six months ended 30 June 2020 US\$'000</b>	<b>Six months ended 30 June 2019 US\$'000</b>
<b>Net cash inflow/(outflow) from operating activities</b>	12	195	(32)
<b>Cash flows used in investing activities</b>			
Interest received on cash and cash equivalents		3	8
Purchase of fixtures, fittings and equipment	7	(1)	(1)
Proceeds from sale of financial assets at fair value through profit or loss	8	11,779	-
Loan investments		(11,200)	-
<b>Net cash generated from investing activities</b>		<b>581</b>	<b>7</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(44)	-
Repurchase of own shares		-	(2,749)
<b>Net cash used in financing activities</b>		<b>(44)</b>	<b>(2,749)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>732</b>	<b>(2,774)</b>
Cash and cash equivalents at 1 January 2020 and 1 January 2019		863	4,005
Foreign exchange loss on cash and cash equivalents		6	(63)
<b>Cash and cash equivalents as at 30 June 2020 and 30 June 2019</b>		<b>1,601</b>	<b>1,168</b>

The notes on pages 12 to 22 form part of these condensed financial statements.

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

For the six months ended 30 June 2020

**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 Group as at and for the six months ended 30 June 2020 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 2019 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.

<b>Wholly owned subsidiaries</b>	<b>Country of incorporation</b>
Argo Capital Management Limited	United Kingdom
Argo Capital Management Cyprus Limited	Cyprus
Argo Capital Management Property Limited (dissolved in June 2020)	Cayman Islands
Argo Property Management Srl	Romania

**2. ACCOUNTING POLICIES****(a) 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 2019.

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 2019.

These condensed consolidated interim financial statements were approved by the Board of Directors on 30 July 2020.

**b) Financial instruments and fair value hierarchy**

The following represents the fair value hierarchy of financial instruments measured at fair value in the Condensed Consolidated 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

## ARGO GROUP LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (continued)

#### 3. SEGMENTAL ANALYSIS

The Group operates as a single asset management business.

The operating results of the companies 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) Ltd	Argo Capital Management Ltd	Argo Capital Management Property Ltd	Six months ended 30 June 2020
	2020	2020	2020	2020	2020
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Total revenues for reportable segments	-	120	1,227	144	1,491
Intersegment revenues	-	120	-	-	120
Total profit/(loss) for reportable segments	818	-	(423)	(201)	194
Intersegment profit/(loss)	-	120	(120)	-	-
Total assets for reportable segments	20,370	341	1,460	303	22,474
Total liabilities for reportable segments	6	90	857	78	1,031

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

	Six months Ended 30 June 2020 US\$'000
<b>Revenues</b>	
Total revenues for reportable segments	1,491
Elimination of intersegment revenues	(120)
<b>Group revenues</b>	<b>1,227</b>
<b>Profit or loss</b>	
Profit for reportable segments	194
Elimination of intersegment loss	-
Other unallocated amounts	-
<b>Profit on ordinary activities before taxation</b>	<b>194</b>
<b>Assets</b>	
Total assets for reportable segments	25,358
Elimination of intersegment receivables	(2,884)
<b>Group assets</b>	<b>22,474</b>
<b>Liabilities</b>	
Total liabilities for reportable segments	3,915
Elimination of intersegment payables	(2,884)
<b>Group liabilities</b>	<b>1,031</b>

## ARGO GROUP LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (continued)

#### 3. SEGMENTAL ANALYSIS (continued)

	Argo Group Ltd	Argo Capital Management (Cyprus) Ltd	Argo Capital Management Ltd	Argo Capital Management Property Ltd	Six months ended 30 June 2019 US\$'000
	2019 US\$'000	2019 US\$'000	2019 US\$'000	2019 US\$'000	
Total revenues for reportable segments	-	437	1,748	687	2,872
Intersegment revenues	-	437	-	-	437
Total profit/(loss) for reportable segments	1,114	135	157	70	1,476
Intersegment profit/(loss)	-	437	(437)	-	-
Total assets for reportable segments	20,034	346	1,100	690	22,170
Total liabilities for reportable segments	6	10	92	110	218

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

	Six months Ended 30 June 2019 US\$'000
<b>Revenues</b>	
Total revenues for reportable segments	2,872
Elimination of intersegment revenues	(437)
<b>Group revenues</b>	<b>2,435</b>
<b>Profit or loss</b>	
Total profit for reportable segments	1,495
Elimination of intersegment loss	-
Other unallocated amounts	-
<b>Profit on ordinary activities before taxation</b>	<b>1,495</b>
<b>Assets</b>	
Total assets for reportable segments	22,546
Elimination of intersegment receivables	(376)
<b>Group assets</b>	<b>22,170</b>
<b>Liabilities</b>	
Total liabilities for reportable segments	594
Elimination of intersegment payables	(376)
<b>Group liabilities</b>	<b>218</b>

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

For the six months ended 30 June 2020 (continued)

**4. 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 at 24p per share within 10 years of the grant date.

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 are:

Exercise price (pence)	24.0
Weighted average share price at grant date (pence)	17.0
Weighted average option life (years)	10.0
Expected volatility (% p.a.)	15.0
Dividend yield (% p.a.)	10.0
Risk-free interest rate (% p.a.)	0.907

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 (30 June 2019: £nil)

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

	<b>Weighted average exercise price</b>	<b>No. of share options</b>
Outstanding at beginning of period	24.0p	4,115,000
Granted during the period	-	-
Forfeited during the period	-	-
<b>Outstanding at end of period</b>	<b>24.0p</b>	<b>4,115,000</b>
<b>Exercisable at end of period</b>	<b>24.0p</b>	<b>4,115,000</b>

The options outstanding at 30 June 2020 have an exercise price of 24p and a weighted average contractual life of 1 year. Outstanding share options are contingent upon the option holder remaining an employee of the Group.

No share options were issued during the period.



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

For the six months ended 30 June 2020 (continued)

**5. TAXATION**

Taxation rates applicable to the parent company and the Cypriot, UK, Luxembourg, Cayman and Romanian subsidiaries range from 0% to 19% (2019: 0% to 19%).

<b>Consolidated statement of profit or loss</b>	<b>Six months ended 30 June 2020 US\$'000</b>	<b>Six months Ended 30 June 2019 US\$'000</b>
Taxation charge for the period on Group companies	-	19

The charge for the period can be reconciled to the profit shown on the Condensed Consolidated Statement of profit or loss as follows:

	<b>Six months Ended 30 June 2020 US\$'000</b>	<b>Six months Ended 30 June 2019 US\$'000</b>
Profit before tax	194	1,495
Applicable Isle of Man tax rate for Argo Group Limited of 0%	-	-
Timing differences	-	-
Non-deductible expenses	-	-
Other adjustments	-	(31)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	-	50
Tax charge	-	19

<b>Consolidated statement of financial position</b>	<b>30 June 2020 US\$'000</b>	<b>31 December 2019 US\$'000</b>
Corporation tax payable	-	(4)

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

For the six months ended 30 June 2020 (continued)

**6. 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.

	<b>Six months ended 30 June 2020 US\$'000</b>	<b>Six months ended 30 June 2019 US\$'000</b>
Net profit for the period after taxation attributable to members	<b>194</b>	<b>1,476</b>
	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of ordinary shares for basic earnings per share	38,959,986	42,996,432
Effect of dilution (Note 4)	4,115,000	4,340,000
Weighted average number of ordinary shares for diluted earnings per share	<b>43,074,986</b>	<b>47,336,432</b>
	<b>Six months Ended 30 June 2020 US\$</b>	<b>Six months ended 30 June 2019 US\$</b>
Earnings per share (basic)	0.004	0.03
Earnings per share (diluted)	0.005	0.03

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

For the six months ended 30 June 2020 (continued)

**7. LAND, FIXTURES, FITTINGS AND EQUIPMENT**

	Right of use assets	Fixtures, fittings and equipment	Land	Total
	USD'000	US\$'000	US\$'000	US\$'000
<b>Cost</b>				
<b>At 1 January 2019</b>	-	266	184	450
IFRS 16 recognition at 1 January 2019	717	-	-	717
Additions	91	5	-	96
Disposals	-	(31)	-	(31)
Foreign exchange movement	-	20	(5)	15
<b>At 31 December 2019</b>	<b>808</b>	<b>260</b>	<b>179</b>	<b>1,247</b>
Additions	-	1	-	1
Foreign exchange movement	(49)	(9)	2	(56)
<b>At 30 June 2020</b>	<b>759</b>	<b>252</b>	<b>181</b>	<b>1,192</b>
<b>Accumulated Depreciation</b>				
<b>At 1 January 2019</b>	-	238	-	238
IFRS 16 recognition at 1 January 2019	191	-	-	191
Depreciation charge for period	153	9	-	162
Disposals	-	(31)	-	(31)
Foreign exchange movement	-	26	-	26
<b>At 31 December 2019</b>	<b>344</b>	<b>242</b>	<b>-</b>	<b>586</b>
Depreciation charge for period	91	6	-	97
Foreign exchange movement	(18)	(14)	-	(32)
<b>At 30 June 2020</b>	<b>417</b>	<b>234</b>	<b>-</b>	<b>651</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>464</b>	<b>18</b>	<b>179</b>	<b>661</b>
<b>At 30 June 2020</b>	<b>342</b>	<b>18</b>	<b>181</b>	<b>541</b>

## ARGO GROUP LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (continued)

#### 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Holding	Investment in management shares	30 June 2020	30 June 2020
		Total cost US\$'000	Fair value US\$'000
10	The Argo Fund Ltd	-	-
100	Argo Distressed Credit Fund Ltd	-	-
-	Argo Special Situations Fund LP	-	-
		-	-
Holding	Investment in ordinary shares	Total cost	Fair value
		US\$'000	US\$'000
23,061	The Argo Fund Ltd*	6,226	7,821
-	Argo Special Situations Fund LP	-	-
9	Argo Distressed Credit Fund Limited*	56	18
		6,282	7,839
Holding	Investment in management shares	31 December 2019	31 December 2019
		Total cost US\$'000	Fair value US\$'000
10	The Argo Fund Ltd	-	-
100	Argo Distressed Credit Fund Ltd	-	-
1	Argo Special Situations Fund LP	-	-
		-	-
Holding	Investment in ordinary shares	Total cost	Fair value
		US\$'000	US\$'000
57,301	The Argo Fund Ltd*	15,472	18,587
115	Argo Special Situations Fund LP	115	56
221	Argo Distressed Credit Fund Ltd*	786	770
		16,373	19,413

\*Classified as current in the consolidated statement of Financial Position

Note that some of the Argo Funds listed above may have investments in each other.

#### 9. TRADE AND OTHER RECEIVABLES

	At 30 June 2020	At 31 December 2019
	US\$ '000	US\$ '000
Trade receivables – Gross	10,141	10,489
Less: provision for impairment of trade receivables	(9,995)	(9,733)
Trade receivables – Net	146	756
Other receivables	209	105
Prepayments and accrued income	97	90
	452	951

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 reporting date except as disclosed below.

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

For the six months ended 30 June 2020 (continued)

**9. TRADE AND OTHER RECEIVABLES (continued)**

The movement in the Group's provision for impairment of trade and loan receivables is as follow:

	<b>At 30 June 2020 US\$ '000</b>	<b>At 31 December 2019 US\$ '000</b>
Opening balance	12,405	11,803
Bad debt recovered	-	(335)
Charged during the period	203	1,270
Foreign exchange movement	75	(333)
Closing balance	12,683	12,405

**10. LOANS AND ADVANCES RECEIVABLE**

	<b>At 30 June 2020 US\$'000</b>	<b>At 31 December 2019 US\$'000</b>
Deposits on leased premises – current	12	-
Deposits on leased premises - non-current (see below)	101	120
Other loans and advances receivable – non-current (note 14)	11,929	-
	12,042	120

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

	<b>At 30 June 2020 US\$'000</b>	<b>At 31 December 2019 US\$'000</b>
Non-current:		
Lease expiring in second year after the reporting date	12	-
Lease expiring in second year after the reporting date	101	12
Lease expiring in third year after the reporting date	-	108
	113	120

**11. SHARE CAPITAL**

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

	<b>30 June 2020 No.</b>	<b>30 June 2020 US\$'000</b>	<b>31 December 2019 No.</b>	<b>31 December 2019 US\$'000</b>
Issued and fully paid				
Ordinary shares of US\$0.01 each	38,959,986	390	38,959,986	390
	<b>38,959,986</b>	<b>390</b>	<b>38,959,986</b>	<b>390</b>

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2019 and do not recommend an interim dividend in respect of the current period.

## ARGO GROUP LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (continued)

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

	Six months ended 30 June 2020 US\$'000	Six months ended 30 June 2019 US\$'000
<b>Profit on ordinary activities before taxation</b>	194	1,495
Interest income	(409)	(90)
Depreciation on fixtures, fittings and equipment	6	5
Depreciation on right of use asset	91	-
Realised and unrealised gain	(205)	(1,438)
Net foreign exchange (profit)/loss	(313)	20
Increase in payables	97	34
Decrease/(increase) in receivables, loans and advances	754	(48)
Corporation tax paid	(20)	(10)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>195</b>	<b>(32)</b>

#### 13. 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 2b).

	At 30 June 2020			
	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Financial assets at fair value through profit or loss	-	7,839	-	7,839

	At 31 December 2019			
	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Financial assets at fair value through profit or loss	-	19,357	56	19,413

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

	Unlisted closed ended investment fund Real Estate US\$ '000	Listed open ended investment fund Emerging Markets US\$ '000	Total US\$ '000
Balance as at 1 January 2020	-	56	56
Total profit recognized in profit or loss	-	-	-
Transfer to ADCF	-	(56)	-
Balance as at 30 June 2020	-	-	-

## ARGO GROUP LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (continued)

#### 14. RELATED PARTY TRANSACTIONS

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

At the reporting date the Company holds investments in The Argo Fund Limited and Argo Distressed Credit Fund Limited. These investments are reflected in the accounts at fair value of US\$7.8 million, and US\$0.02 million respectively.

The management contract with AREOF was terminated on 1 January 2020. As at the period end, AREOF owed US\$12.2 million (€10.9 million) (31 December 2019: US\$12.1 million (€10.9 million)). These balances are carried at US\$ nil (31 December 2019: US\$ nil) in the financial statements.

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

During the period, the Group also made a loan for \$11.2 million to Argo Real Estate Limited Partnership, an entity that is 100% owned by Andreas Rialas. The loan carries an interest rate of 9% with a final maturity of July 2027.

#### 15. TRADE AND OTHER PAYABLES

	At 30 June 2020 US\$ '000	At 31 December 2019 US\$ '000
Trade creditors	434	17
Other creditors and accruals	436	426
Total current trade and other payables	870	443

Trade creditors are normally settled on 30-day terms.

	At 30 June 2020 US\$ '000	At 31 December 2019 US\$ '000
Other creditors and accruals	161	280
Total non-current trade and other payables	161	280

#### 16. PRIOR YEAR ADJUSTMENTS

The comparatives have been restated for correction of performance fees for the prior period. Comparatives were adjusted by decreasing performance fees and debtors by \$0.2 million. As a result, the opening revenue reserve at 1 January 2020 has been adjusted downward by \$0.2 million.

	US\$'000
Opening revenue reserve at 1 January 2020	(1,357)
Prior year adjustment	(189)
<b>Restated opening reserve at 1 January 2020</b>	<b>(1,546)</b>