

**ARGO GROUP LIMITED**

**UNAUDITED CONSOLIDATED INTERIM REPORT AND ACCOUNTS**

**For the six months ended 30 June 2023**

# **ARGO GROUP LIMITED**

## **MANAGEMENT AND ADMINISTRATION**

### **DIRECTORS**

Michael Kloter  
Kyriakos Rialas  
Andreas Rialas  
David Fisher  
Kenneth Watterson

### **REGISTERED OFFICE**

33-37 Athol Street  
Douglas  
Isle of Man  
IM1 1LB

### **PRINCIPAL BANKERS**

Royal Bank of Scotland  
The Drummond House  
Redheughs Avenue  
Edinburgh EH12 9TH

### **AUDITORS**

Baker Tilly Klitou and Partners Ltd  
Corner C Hatzopoulou & 30 Griva Digheni Avenue  
1066 Nicosia  
Cyprus

### **NOMINATED ADVISER AND STOCKBROKER**

Panmure Gordon (UK) Limited  
40 Gracechurch St  
London  
EC3V 0BT

### **REGISTRAR**

Capita Asset Services  
34 Beckenham Road  
Beckenham  
Kent  
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**CHAIRMAN'S STATEMENT**

**Key highlights for the six months ended 30 June 2023**

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 2023.

- Revenues US\$1.5 million (six months to 30 June 2022: US\$1.3 million)
- Operating loss US\$0.7 million (six months to 30 June 2022: US\$1.5 million)
- Profit before tax US\$0.1 million (six months to 30 June 2022: loss before tax US\$3.5 million)
- Net assets US\$19.7 million (31 December 2022: US\$19.6 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 2023 the Group generated revenues of US\$1.5 million (six months to 30 June 2022: US\$1.3 million) with management fees accounting for US\$1.1 million (six months to 30 June 2022: US\$1.1 million).

Total operating costs for the period, ignoring bad debt provisions, are US\$1.8 million compared to US\$2.5 million for the six months to 30 June 2022. The Group has provided against management fees of US\$0.4 million due from the Designated share class in The Argo Fund ("TAF") (six months to 30 June 2022: US\$0.3 million). 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\$0.7 million (six months to 30 June 2022: US\$1.5 million) and a profit before tax of US\$0.1 million (six months to 30 June 2022: loss before tax of US\$3.5 million). Net profit on investments of US\$0.3 million (six months to 30 June 2022: net loss on investments US\$2.5 million) and interest income of US\$0.5 million (six months to 30 June 2022: US\$0.5 million).

At the period end, the Group had net assets of US\$19.7 million (31 December 2022: US\$19.6 million) and net current assets of US\$5.4 million (31 December 2022: US\$6.0 million) including cash reserves of US\$1.2 million (31 December 2022: US\$1.6 million).

Net assets include investments in The Argo Fund ("TAF") at fair values of US\$4.5 million (31 December 2022: US\$4.4 million).

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### CHAIRMAN'S STATEMENT (continued)

#### Business and operational review (continued)

At the period end TAF owed the Group total fees of US\$2.4 million (31 December 2022: US\$2.1 million). At 30 June 2023, a provision for US\$2.3 million was made against this amount as the timing of the receipt of the fees from the designated share class in TAF is unknown.

TAF ended the period with Assets under Management ("AUM") at US\$110.5 million (31 December 2022: US\$109.8 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 2023 was 20 (30 June 2022: 20).

#### Fund performance

##### The Argo Funds

Fund	Launch date	30 June 2023 6 months	30 June 2022 6 months	2022 year total	Since inception	Annualised performance CAGR %	Sharpe ratio	Down months
		%	%	%	%			
The Argo Fund – A class	Oct-00	1.46	-14.25	-12.54	219.78	6.00	0.39	92 of 273
The Argo Fund – X2 class	Fcb21	-1.16	-21.39	-16.83	-8.05	-3.42	-0.22	12 of 29
The Argo Fund - DI Class	Jan-20	1.96	-6.20	-2.82	92.88	N/A	N/A	N/A

In the first half of 2023, global macroeconomic trends continued to have a significant impact on the outlook for and performance of emerging market ("EM") assets. Ongoing uncertainty over the path of inflation and policy trajectory led to false dawns around a peak in US rates. The Federal Reserve raised rates three times in the period and although left fed funds unchanged at 5 -5.25% at the meeting in June, it increased the fed funds rate to a target range of 5.25%-5.5% at its meeting in late July. By contrast, ten-year US Treasury yields were much more volatile, starting the period at 3.9% before dropping below 3.4% by mid-January only to exceed 4% in early March. After falling back to 3.3% in early April they had moved up to over 4% in early July.

After a strong post-pandemic recovery, concern over the evolution of China's economic growth picked up through the second quarter of 2023, as macroeconomic data began to disappoint. This has led to speculation around stimulus measures in recent weeks, although the consensus does not expect a major announcement, even if some targeted support may come through.

However, against this backdrop both EM equities and bonds broadly advanced. The former, as measured by the MSCI Emerging Markets Index, returned close to 5% in the first half of 2023, lagging the MSCI World which was up just over 15%. As mentioned previously, China, which is the largest index market in EM, has been a drag. However, the stunning rally from March onwards of the Super-7 stocks (Apple, Microsoft, Alphabet, Amazon, Tesla, Meta, Nvidia) in the MSCI World has been a factor.

EM bonds and currencies have generated positive returns year-to-date. In sovereign and corporate credit, the impact of higher US Treasury yields was offset by credit spread compression, while EM local debt continued to outperform core fixed income markets almost entirely driven by lower yields. The global inflation surge in 2021-2022 caught the attention of central banks worldwide. However, EM central banks were quicker to respond to this inflationary shock, initiating a remarkable series of rate hikes in the first quarter of 2021 that continued until late 2022/early 2023.

## ARGO GROUP LIMITED

### CHAIRMAN'S STATEMENT (continued)

#### Fund performance (continued)

This swift action allowed EM countries to witness falling even inflation in recent months, unlike the developed world, which continues to grapple with entrenched core inflation.

Emerging markets currencies were roughly flat against the US dollar, although Latin American currencies have seen the most appreciation relative to the US dollar year to date. Turkey and South Africa have seen the greatest currency depreciation.

Meanwhile, market access has remained a concern for high yield EM issuers. While investment grade EM issuance is almost in line with the average over the past few years, for high yield sovereigns and corporates the equivalent figure is around a third. Inevitably, this increases the likelihood of restructurings particularly if world growth proves disappointing.

The NAV of the Class A shares of the TAF increased by 1.46% in the first half of 2023, compared to the drop of 14.25% in the same period of the previous year. The fund benefited from a recovery in Argentine bond prices, though they remained volatile. There were also positive contributions from long positions in local currency bonds (mainly Latin American and East European). The main detractors were corporates in the themes of restructuring and generic credit hedges. Class A shares issued by TAF continue to be invested in diversified sovereign and corporate debt and macro positions which seek to capture alpha through long and short investment. In addition, there are other share classes within the TAF master/feeder structure which offer investors exposure to a distressed debt portfolio (Class X2 launched in 2021); macro strategies (Class X3, launched last year) and also special situations where the timeline to investment realisation will be longer.

#### Loan to Argo Real Estate Limited Partnership

On 21<sup>st</sup> March 2023, the back to back loans from the Group to Argo Real Estate Limited Partnership to Novi Biznes Pogyady LLC were replaced by a direct loan from the Group to Novi Biznes Pogyady LLC. The Shopping Centre partially reopened in November 2022. As the loan receivable is still exposed to the performance of this investment property held in Ukraine, the Group continues to hold an IFRS 9 valuation adjustment for US\$0.5 million for expected losses at the reporting date (note 10).

#### 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 continue to focus on TAF which has a 22-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 Foster  
Non-Executive Chairman  
Date: 9 August 2023

**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 recently retired Chartered Fellow of the Institute of Directors and 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 2023**

	Note	Six months ended 30 June 2023 US\$'000	Six months ended 30 June 2022 US\$'000
Management fees		1,111	1,140
Performance fees		-	-
Other income		400	125
<b>Revenue</b>		<b>1,511</b>	<b>1,265</b>
Legal and professional expenses		(119)	(128)
Management fees payable		(141)	(180)
Operational expenses		(402)	(362)
Employee costs		(1,108)	(1,752)
Bad debt provision	9, 10	(367)	(320)
Foreign exchange (loss)/profit		(9)	9
Depreciation	7	(48)	(71)
<b>Operating loss</b>		<b>(683)</b>	<b>(1,539)</b>
Interest income		496	499
Realised and unrealised gain/(loss) on investments		308	(2,507)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>121</b>	<b>(3,547)</b>
Taxation	5	-	-
<b>Profit/(loss) for the period after taxation attributable to members of the Company</b>	6	<b>121</b>	<b>(3,547)</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		6	(107)
<b>Total comprehensive income for the period</b>		<b>127</b>	<b>(3,654)</b>
		<b>Six months Ended 30 June 2023 US\$</b>	<b>Six months Ended 30 June 2022 US\$</b>
<b>Earnings per share (basic)</b>	6	0.003	(0.09)
<b>Earnings per share (diluted)</b>	6	0.003	(0.08)

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 2023**

		30 June 2023	31 December 2022
	Note	US\$'000	US\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land, fixtures, fittings and equipment	7	571	607
Loans and advances receivable	10	14,147	13,416
<b>Total non-current assets</b>		<b>14,718</b>	<b>14,023</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	8	4,451	4,387
Loan and advances receivable	10	9	-
Trade and other receivables	9	309	413
Cash and cash equivalents		1,241	1,642
<b>Total current assets</b>		<b>6,010</b>	<b>6,442</b>
<b>Total assets</b>		<b>20,728</b>	<b>20,465</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued share capital	11	390	390
Share premium		25,353	25,353
Retained earnings		(2,856)	(2,977)
Foreign currency translation reserve		(3,201)	(3,209)
<b>Total equity</b>		<b>19,684</b>	<b>19,557</b>
<b>Current liabilities</b>			
Trade and other payables	15	662	497
<b>Total current liabilities</b>		<b>662</b>	<b>497</b>
<b>Non-current liabilities</b>			
Trade and other payables	15	382	411
<b>Total non-current liabilities</b>		<b>382</b>	<b>411</b>
<b>Total equity and liabilities</b>		<b>20,728</b>	<b>20,465</b>

These interim consolidated financial statements were approved by the Board of Directors on 9 August 2023 and signed on its behalf by

  
Kyriacos 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 2023**

	Issued share capital	Share premium	Retained earnings	Foreign currency translation reserve	Total
	2022	2022	2022	2022	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2022	390	25,353	420	(3,086)	23,077
<b>Total comprehensive income</b>					
Loss for the period after taxation	-	-	(3,547)	-	(3,547)
Other comprehensive income	-	-	-	(107)	(107)
<b>As at 30 June 2022</b>	<b>390</b>	<b>25,353</b>	<b>(3,127)</b>	<b>(3,193)</b>	<b>19,423</b>

	Issued share capital	Share premium	Retained earnings	Foreign currency translation reserve	Total
	2023	2023	2023	2023	2023
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2023	390	25,353	(2,977)	(3,209)	19,557
<b>Total comprehensive income</b>					
Profit for the period after taxation	-	-	121	-	121
Other comprehensive income	-	-	-	6	6
<b>As at 30 June 2023</b>	<b>390</b>	<b>25,353</b>	<b>(2,856)</b>	<b>(3,203)</b>	<b>19,684</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 2023**

	Note	Six months ended 30 June 2023 US\$'000	Six months ended 30 June 2022 US\$'000
<b>Net cash outflow from operating activities</b>	12	(387)	(332)
<b>Cash flows used in investing activities</b>			
Purchase of fixtures, fittings and equipment	7	(3)	(4)
<b>Net cash (used)/ generated from investing activities</b>		<b>(3)</b>	<b>(4)</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		-	(78)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(78)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(390)</b>	<b>(414)</b>
Cash and cash equivalents at 1 January 2023 and 1 January 2022		1,642	1,709
Foreign exchange loss on cash and cash equivalents		(11)	(63)
<b>Cash and cash equivalents as at 30 June 2023 and 30 June 2022</b>		<b>1,241</b>	<b>1,232</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 2023

**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 2023 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 2022 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 currency of the Group undertakings are US dollars, Sterling and Romanian Lei. The presentational currency is US dollars.

<b>Wholly owned subsidiaries</b>	<b>Principal activity</b>	<b>Country of incorporation</b>
Argo Capital Management Limited	Investment management	United Kingdom
Argo Property Management Srl	Property management	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 2022.

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 2022.

These condensed consolidated interim financial statements were approved by the Board of Directors on 9 August 2023.

**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 2023 (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 2023 US\$'000	Argo Capital Management Ltd 2023 US\$'000	Argo Property Management Srl 2023 US\$'000	Six months ended 30 June 2023 US\$'000
Total revenues for reportable segments customers	-	1,111	400	1,511
Intersegment revenues	-	-	-	-
Total profit/(loss) for reportable segments	687	(602)	36	121
Intersegment loss	-	-	-	-
Total assets for reportable segments assets	19,059	1,428	241	20,728
Total liabilities for reportable segments	6	675	363	1,044

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

	Six months Ended 30 June 2023 US\$'000
<b>Revenues</b>	
Total revenues for reportable segments	1,511
Elimination of intersegment revenues	-
<b>Group revenues</b>	<b>1,511</b>
<b>Profit or loss</b>	
Profit for reportable segments	121
Elimination of intersegment loss	-
Other unallocated amounts	-
<b>Loss on ordinary activities before taxation</b>	<b>-</b>
<b>Assets</b>	
Total assets for reportable segments	20,728
Elimination of intersegment receivables	-
<b>Group assets</b>	<b>20,728</b>
<b>Liabilities</b>	
Total liabilities for reportable segments	4,321
Elimination of intersegment payables	(3,277)
<b>Group liabilities</b>	<b>1,044</b>

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

For the six months ended 30 June 2023 (continued)

**3. SEGMENTAL ANALYSIS (continued)**

	Argo Group Ltd 2022 US\$'000	Argo Capital Management Ltd 2022 US\$'000	Argo Property Management Srl 2022 US\$'000	Six months ended 30 June 2022 US\$'000
Total revenues for reportable segments customers	-	1,140	125	1,265
Intersegment revenues	-	-	-	-
Total profit/(loss) for reportable segments	(2,329)	(1,215)	(211)	(3,755)
Intersegment loss	208	-	-	208
Total assets for reportable segments assets	18,046	1,279	207	19,532
Total liabilities for reportable segments	6	77	26	109

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

	Six months Ended 30 June 2022 US\$'000
<b>Revenues</b>	
Total revenues for reportable segments	1,265
Elimination of intersegment revenues	-
<b>Group revenues</b>	<b>1,265</b>
<b>Profit or loss</b>	
Loss for reportable segments	(3,755)
Elimination of intersegment loss	208
Other unallocated amounts	-
<b>Loss on ordinary activities before taxation</b>	<b>(3,547)</b>
<b>Assets</b>	
Total assets for reportable segments	19,536
Elimination of intersegment receivables	(4)
<b>Group assets</b>	<b>19,532</b>
<b>Liabilities</b>	
Total liabilities for reportable segments	3,466
Elimination of intersegment payables	(3,357)
<b>Group liabilities</b>	<b>109</b>

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

For the six months ended 30 June 2023 (continued)

**4. SHARE-BASED INCENTIVE PLANS**

To incentivise personnel and to align their interests with those of the shareholders of Argo Group Limited, Argo Group Limited has granted share options to directors and employees under The Argo Group Limited Employee Stock Option Plan. The options are exercisable within 10 years of the grant date.

The fair value of the options granted during the period 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)	21.0
Weighted average share price at grant date	19.0
Average option life at date of grant (years)	10.0
Expected volatility (% p.a.)	15.0
Dividend yield (% p.a.)	10.0
Risk-free interest rate (% p.a.)	2

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 (2022: £nil).

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	21.2p	3,895,998
Granted during the period	-	-
Forfeited during the period	-	-
Outstanding at end of period	21.2p	3,895,998
Exercisable at end of period	21.2p	3,895,998

Outstanding share options are contingent upon the option holder remaining an employee of the Group. The weighted average fair value of the options issued during the period was £Nil (2022: £Nil).

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 2023 (continued)

**5. TAXATION**

Taxation rates applicable to the parent company and the UK and Romanian subsidiaries range from 0% to 25% (2022: 0% to 19%).

<b>Consolidated statement of profit or loss</b>	<b>Six months ended 30 June 2023 US\$'000</b>	<b>Six months Ended 30 June 2022 US\$'000</b>
Taxation charge for the period on Group companies	-	-

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 2023 US\$'000</b>	<b>Six months Ended 30 June 2022 US\$'000</b>
Profit/(loss) before tax	121	(3,547)
Applicable Isle of Man tax rate for Argo Group Limited of 0%	-	-
Timing differences	-	-
Non-deductible expenses	-	-
Other adjustments	-	-
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	-	-
Tax charge	-	-

**Consolidated statement of financial position**

	<b>30 June 2023 US\$'000</b>	<b>31 December 2022 US\$'000</b>
Corporation tax payable	-	-

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

For the six months ended 30 June 2023 (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 2023 US\$'000</b>	<b>Six months Ended 30 June 2022 US\$'000</b>
Net profit/( loss) for the period after taxation attributable to members	<b>121</b>	<b>(3,547)</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	38,959,986
Effect of dilution (Note 4)	3,895,998	3,895,998
Weighted average number of ordinary shares for diluted earnings per share	<b>42,855,984</b>	<b>42,855,984</b>
	<b>Six months Ended 30 June 2023 US\$</b>	<b>Six months ended 30 June 2022 US\$</b>
Earnings per share (basic)	0.003	(0.09)
Earnings per share (diluted)	0.003	(0.08)

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

For the six months ended 30 June 2023 (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 2022</b>	732	201	182	1,115
Additions	455	7	-	462
Disposals	(732)	(3)	-	(735)
Foreign exchange movement	-	(17)	(10)	(27)
<b>At 31 December 2022</b>	<b>455</b>	<b>188</b>	<b>172</b>	<b>815</b>
Additions	-	3	-	3
Disposals	-	(31)	-	(31)
Foreign exchange movement	22	5	(7)	20
<b>At 30 June 2023</b>	<b>477</b>	<b>165</b>	<b>165</b>	<b>807</b>
<b>Accumulated Depreciation</b>				
<b>At 1 January 2022</b>	634	191	-	825
Depreciation charge for period	120	5	-	125
Disposals	(732)	(3)	-	(735)
Foreign exchange movement	8	(16)	-	(8)
<b>At 31 December 2022</b>	<b>30</b>	<b>177</b>	<b>-</b>	<b>207</b>
Depreciation charge for period	46	2	-	48
Disposals	-	(31)	-	(31)
Foreign exchange movement	3	9	-	12
<b>At 30 June 2023</b>	<b>79</b>	<b>157</b>	<b>-</b>	<b>236</b>
<b>Net book value</b>				
<b>At 31 December 2022</b>	<b>425</b>	<b>11</b>	<b>172</b>	<b>608</b>
<b>At 30 June 2023</b>	<b>398</b>	<b>8</b>	<b>165</b>	<b>571</b>

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

For the six months ended 30 June 2023 (continued)

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

<b>Holding</b>	<b>Investment in management shares</b>	<b>30 June 2023 Total cost US\$'000</b>	<b>30 June 2023 Fair value US\$'000</b>
10	The Argo Fund Ltd	-	-
<hr/>			
<b>Holding</b>	<b>Investment in ordinary shares</b>	<b>Total cost US\$'000</b>	<b>Fair value US\$'000</b>
13,920	The Argo Fund Ltd*	4,648	4,451
		<b>4,648</b>	<b>4,451</b>
<hr/>			
<b>Holding</b>	<b>Investment in management shares</b>	<b>31 December 2022 Total cost US\$'000</b>	<b>31 December 2022 Fair value US\$'000</b>
10	The Argo Fund Ltd	-	-
<hr/>			
<b>Holding</b>	<b>Investment in ordinary shares</b>	<b>Total cost US\$'000</b>	<b>Fair value US\$'000</b>
13,920	The Argo Fund Ltd*	3,824	4,387
		<b>3,824</b>	<b>4,387</b>

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

**9. TRADE AND OTHER RECEIVABLES**

	<b>At 30 June 2023 US\$ '000</b>	<b>At 31 December 2022 US\$ '000</b>
Trade receivables – Gross	2,500	2,255
Less: provision for impairment of trade receivables	(2,358)	(1,980)
Trade receivables – Net	142	275
Other receivables	34	41
Prepayments and accrued income	133	97
	<b>309</b>	<b>413</b>

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 2023 (continued)

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

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

	At 30 June 2023 US\$ '000	At 31 December 2022 US\$ '000
As at 1 January	14,019	14,252
Bad debt recovered	-	(125)
Charged during the period	368	636
Foreign exchange movement	209	(744)
Closing balance	14,596	14,019

**10. LOANS AND ADVANCES RECEIVABLE**

	At 30 June 2023 US\$'000	At 31 December 2022 US\$'000
Deposits on leased premises – current	9	-
Deposits on leased premises - non-current (see below)	89	96
Other loans and advances receivable – non-current (note 14)	14,058	13,320
	14,156	13,416

The deposits on leased premises relate to the Group's offices in London and Romania.

The Group also has a balance receivable for \$12.2 million (€11.2 million) from Argo Real Estate Limited Partnership that was assigned from Argo Real Estate Opportunities Fund Limited during 2021. The carrying value of this balance is \$nil.

**11. SHARE CAPITAL**

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

	30 June 2023 No.	30 June 2023 US\$'000	31 December 2022 No.	31 December 2022 US\$'000
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 2022 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 2023 (continued)

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

	Six months ended 30 June 2023 US\$'000	Six months ended 30 June 2022 US\$'000
<b>Profit/(loss) on ordinary activities before taxation</b>	121	(3,547)
Interest income	(496)	(499)
Depreciation on fixtures, fittings and equipment	2	3
Depreciation on right of use asset	46	68
Realised and unrealised (profit)/loss on investments	(308)	2,507
Net foreign exchange loss/(profit)	9	(9)
Increase/(decrease) in payables	136	(49)
Decrease in receivables, loans and advances	103	1,194
Corporation tax paid	-	-
<b>Net cash outflow from operating activities</b>	<b>(387)</b>	<b>(332)</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 2023			
	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Financial assets at fair value through profit or loss	-	4,451	-	4,451
	At 31 December 2022			
	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Financial assets at fair value through profit or loss	-	4,387	-	4,387

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

For the six months ended 30 June 2023 (continued)

**14. RELATED PARTY TRANSACTIONS**

All of the Group revenues derive from The Argo Fund in which two of the Company's directors, Kyriakos Rialas and Kenneth Watterson, have influence through directorships and the provision of investment management services.

At the reporting date the Company holds investments in The Argo Fund Limited. These investments are reflected in the accounts at fair value of US\$4.5 million (31 December 2022: \$4.4 million).

At the period end, the Group was owed \$14.6 million (note 10) by Novi Biznes Poglyady LLC, an entity that is 100% ultimately owned by Andreas Rialas. The adjusted IFRS 9 valuation of the loan after providing for expected losses was US\$14.1 million. This balance relates to a loan that was originally made to ARE LP in February 2020 that was lent onwards to Novi Biznes Poglyady LLC for the refinancing of Riviera Shopping City in Odessa, Ukraine. During the period, the original back to back loans were replaced by a direct loan from Argo Group Limited to Novi Biznes Poglyady LLC.

The Group is also owed US\$12.2 million (€11.2 million) (31 December 2022: US\$12.0 million (€11.2 million)) by ARE LP, which were previously owed by the now liquidated Argo Real Estate Opportunities Fund Limited. These balances are carried at US\$ nil (31 December 2020: US\$ nil) in the financial statements.

**15. TRADE AND OTHER PAYABLES**

	<b>At 30 June 2023 US\$ '000</b>	<b>At 31 December 2022 US\$ '000</b>
Trade creditors	72	26
Other creditors and accruals	590	471
<b>Total current trade and other payables</b>	<b>662</b>	<b>497</b>

Trade creditors are normally settled on 30-day terms.

	<b>At 30 June 2023 US\$ '000</b>	<b>At 31 December 2022 US\$ '000</b>
Other creditors and accruals	382	411
<b>Total non-current trade and other payables</b>	<b>382</b>	<b>411</b>