**Argo Group Limited**
**("Argo" or the "Company")**

**Interim Results for the six months ended 30 June 2011**

Argo today announces its interim results for the six months ended 30 June 2011.

The Company will today make available its interim report for the six month period ended 30 June 2011 on the Company's website www.argogrouplimited.com.

## Key Highlights for the six month period ended 30 June 2011

- Revenues of US$6.2 million (six months to June 2010: US$5.6 million)
- Operating profit of US$1.0 million (six months to June 2010: US$1.1 million)
- Profit before tax of US$1.2 million (six months to June 2010: US$1.2 million)
- Operating profit and profit before tax are stated after bonus accrual of US$1.1 million (six months to June 2010: US$0.84 million)
- Maintained balance sheet strength: net assets of US$43.5 million (December 2010: US$44.4 million) after dividend payment and share buyback totalling US$2.3 million
- Announcement of intention to purchase two shopping centres which will result in AREOF becoming the largest listed retail property company operating in Romania
- First grant of options over 5,900,000 shares to directors and employees

Commenting on the results and outlook, Kyriakos Rialas, Chief Executive of Argo said:

"Against a continuing difficult and volatile trading environment I am pleased to report another profitable set of results for the first half of this year. We have maintained our balance sheet strength and liquidity after paying a dividend and buying back shares. Our recent announcement of the intention to consolidate our retail property holdings in Romania in a listed vehicle, coupled with further stability generated from the accelerated payment of redemptions are steps that will strengthen the company further. We remain confident in the future of the business in our operating sector in global emerging markets."

## Enquiries

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## CHAIRMAN'S STATEMENT

### Business and operational review

Argo is pleased to report another profitable set of interim results for the half year ended 30 June 2011.

The Company was incorporated in February 2008 in the Isle of Man and began trading as a new group holding company on 13 June 2008. It listed on the AIM market in November 2008.

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

The period under review proved quite difficult given the low level of new inflows into the Argo Funds and continuing redemptions from AGSSF.

For the six month period ended 30 June 2011 the Group generated revenues of US$6.2 million (six months to 30 June 2010: US$5.6 million) with management fees accounting for US$4.9 million (six months to 30 June 2010: US$5.1 million). The reduction in management fees arising from lower assets under management ("AUM") was entirely offset by other income comprising mainly one-off fees for directors' services. The Argo Funds have yet to regain their high-water mark.

AUM decreased during the six month period ended 30 June 2011 by 5.8% to US$379.7 million from their level at 31 December 2010. Despite flat fund performance year to date the decrease of US$23.5 million was mainly due to the accelerated payment of redemptions following the lifting of the gate from the Argo Global Special Situations Fund ("AGSSF").

Costs of US$5.2 million (2010: US$4.5 million) have remained in line with the prior period after allowing for bonus payments associated with the other income. Overall, operating profit for the period was US$1.0 million (2010: US$1.1 million) and earnings per share were US$0.01 (2010: US$0.01).

Argo has maintained its strong balance sheet with over US$26.8 million (2010: US$27.5 million) in net current assets. The Group has held its net asset position of US$43.5 million (2010: US$44.4 million) despite paying a dividend of US$1.4 million (2010: US$1.1 million) and buying back shares at a total cost of US$0.83 million (2010: US$0.41 million). The Company's investment in The Argo Fund ("TAF") continues to generate a return on assets well in excess of the prevailing rates available from bank deposits.

The Group employed 30 people (2010: 25) at the end of the period with the increase being attributable to changes in the contractual arrangements of existing staff. In order to retain and properly incentivise its qualified personnel, the Company intends to continue paying its employees variable compensation in the form of a cash bonus in the aggregate amount of 30%-50% of profit before tax. To further incentivise personnel and to align their interests with those of the shareholders the Group granted options over 5,900,000 shares to directors and employees under The Argo Group Limited Employee Stock Option Plan.

## Fund performance

Performance across the range of Argo Funds was very mixed for the half year ended 30 June 2011. The main fund, TAF, was marginally ahead, by 1.02%, in the first six months whilst the Argo Distressed Credit Fund ("ADCF"), was slightly down, by 0.23%; by comparison, the main hedge fund indices showed a gain of around 2% for the period. On a more positive note, the lifting of the gate in AGSSF and the associated payout of deferred redemptions enabled the Fund to resume normal operations. Managing the funds in the first half of 2011 continued to be a challenge given the background of continued uncertainty over the future of the Eurozone, which has produced exchange rate volatility and sudden changes in risk appetite. Add in the recent uncertainty of the US debt ceiling and its subsequent debt downgrading and whilst, for a brief period, it has seemed that the emerging markets represented a "safe haven", market sentiment remains focused on global growth projections and fear of a "double dip".

**Argo Funds**

| Fund | Launch date | 30 June 2011 6 months | 30 June 2010 6 months | 2010 year total | Since inception | Annualised performance | Sharpe ratio | Down months | AUM |
|---|---|---|---|---|---|---|---|---|---|
| | | % | % | % | % | CAGR % | | | US$m |
| **The Argo Fund** | Oct-00 | 1.02 | 0.37 | 8.55 | 136.65 | 9.14 | 0.78 | 20 of 129 | 106.4 |
| **Argo Global Special Situations Fund** | Aug-04 | -4.32 | -1.29 | 8.21 | 41.93 | 5.79 | 0.54 | 19 of 83 | 16.5 |
| **AGSSF Holdings** | Feb-09 | 5.54 | -5.49 | -1.50 | 11.98 | 5.04 | 0.69 | 12 of 29 | 127.7 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Argo Distressed Credit Fund** | Oct-08 | -0.23 | 4.67 | 10.32 | 22.83 | 7.76 | 1.19 | 10 of 33 | 22.7 |
| **Argo Real Estate Opportunities Fund** | Aug-06 | 36.90 | 9.47 | 2.65 | -62.47 | -26.41 | N/A | 24 of 60* | 53.4* |
| **Argo Capital Partners Fund** | Aug-06 | -15.30 | -11.65 | -6.70 | -1.50 | -0.50 | N/A | N/A | 53.0 |
| **Total** | | | | | | | | | **379.7** |

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

AGSSF Holdings Limited ("AHL"), comprises assets that are currently more difficult to liquidate. In the six-month period ended 30 June 2011 it delivered a year-to-date return of 5.54%, in part driven by a disposal of equity in a European IT services company. The main challenges facing the Fund remain engineering exits for defaulted loans to an Indonesian petrochemical plant and equity in a Greek telecommunications company.

The Argo Real Estate Opportunities Fund Limited ("AREOF"), which had been severely affected by the downturn in Romania and Ukraine, reported an upturn in investment property values in the six months to 31 March 2011. The Fund's adjusted Net Asset Value was EUR37.1 million (US$53.4 million) as at end-March 2011, compared with EUR28.9 million (US$35.4 million) a year ago and EUR27.1 million (US$35.6 million) six months earlier. On 5 August 2011 AREOF announced its intention to buy the ERA Shopping Park Iasi and ERA Shopping Park Oradea from other funds advised by the Group. Following the transaction, expected to be ratified by shareholders at the end of August, AREOF will be the largest listed retail property company operating in Romania consisting of five shopping centres encompassing 400,000 square meters of gross build area. As a result of the deal, the shareholding of the other funds in AREOF will increase from 46% to 72% and the life of AREOF will be extended by five years from the current termination date of 31 July 2013 to 31 July 2018.

Meanwhile, Argo Capital Partners Funds reported a negative return of 15.3% for the six months ended 30 June 2011, compared with -11.65% for the same period in 2010. The realisation period for the Fund has been extended by one year and progress has been made in disposing of an investment in a Peruvian pharmaceutical concern, although the proceeds have yet to impact the Fund's net asset value. The sale of one other position – equity in a Russian bank – was deferred following difficult market conditions.

## Outlook

Conditions in global financial markets are once again characterised by uncertainty amid investor anxiety about a potential slowdown in the US economy and the future of the Eurozone. This uncertainty has made attracting new investors to Argo's funds difficult. Nevertheless, the Group is carrying out a number of initiatives to make its funds in emerging markets more attractive to new investors when market conditions improve.

Following the lifting of the gate on AGSSF at the end of March and the subsequent normalisation of its operations, the board is seeking to rebuild that Fund. Although ADCF has been relatively successful in its short life, it remains small relative to its peers and thus investors in ADCF have been asked to redeem from that Fund and subscribe to AGSSF. At the time of writing investors accounting for over 90% of the capital in ADCF had agreed to the proposal, with the result that the AUM of AGSSF will be enhanced thus bolstering the marketability of the Fund.

AREOF's asset base has almost doubled after certain other funds advised by the Group injected the ERA Shopping Park Iasi and ERA Shopping Park Oradea into AREOF. As a consequence, AREOF is now the largest listed retail property fund operating in Romania. The Board believes the transaction will make AREOF more attractive to investors and expects the discount to net asset value at which the Fund's shares currently trade to narrow significantly.

Argo retains a strong balance sheet and despite the difficult conditions faced by global financial markets at present the Board is confident that the Group is well placed to benefit from an eventual global recovery and in particular the emerging markets sector.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

| | Note | Six months ended 30 June 2011 US$'000 | Six months ended 30 June 2010 US$'000 |
|---|---|---|---|
| Management fees | | 4,868 | 5,093 |
| Incentive fees | | - | 257 |
| Other income | | 1,355 | 266 |
| **Revenue** | | **6,223** | **5,616** |
| Legal and professional expenses | | (159) | (281) |
| Management and incentive fees payable | | - | (94) |
| Operational expenses | | (831) | (907) |
| Employee costs | | (3,883) | (2,910) |
| Foreign exchange (loss)/gain | | (6) | 77 |
| Amortisation of intangible assets | 7 | (341) | (323) |
| Depreciation | 8 | (21) | (52) |
| **Operating profit** | | **982** | **1,126** |
| Interest income on cash and cash equivalents | | 29 | 30 |
| Unrealised gain on investments | | 159 | 53 |
| **Profit on ordinary activities before taxation** | | **1,170** | **1,209** |
| Taxation | 5 | (131) | (146) |
| **Profit for the period after taxation attributable to members of the Company** | 6 | **1,039** | **1,063** |
| **Other comprehensive income** | | | |
| Exchange differences on translation of foreign operations | | 282 | (1,018) |
| **Total comprehensive income for the period** | | **1,321** | **45** |

| | | Six months Ended 30 June 2011 US$ | Six months Ended 30 June 2010 US$ |
|---|---|---|---|
| **Earnings per share (basic)** | 6 | 0.01 | 0.01 |
| **Earnings per share (diluted)** | 6 | 0.01 | 0.01 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2011

| | Note | 30 June 2011 US$'000 | At 31 December 2010 US$'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 7 | 16,408 | 16,615 |
| Fixtures, fittings and equipment | 8 | 31 | 41 |
| Loans and advances receivable | | 249 | 253 |
| **Total non-current assets** | | **16,688** | **16,909** |
| **Current assets** | | | |
| Investments | 9 | 15,722 | 15,563 |
| Trade and other receivables | | 2,694 | 1,312 |
| Cash and cash equivalents | | 10,250 | 11,907 |
| Loans and advances receivable | | 6 | 5 |
| **Total current assets** | | **28,672** | **28,787** |
| **Total assets** | | **45,360** | **45,696** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Issued share capital | 10 | 698 | 737 |
| Share premium | | 31,406 | 32,199 |
| Revenue reserve | | 13,266 | 13,645 |
| Foreign currency translation reserve | | (1,857) | (2,139) |
| **Total equity** | | **43,513** | **44,442** |
| **Current liabilities** | | | |
| Trade and other payables | | 1,523 | 1,054 |
| Taxation payable | 5 | 324 | 200 |
| **Total current liabilities** | | **1,847** | **1,254** |
| **Total equity and liabilities** | | **45,360** | **45,696** |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
## FOR THE SIX MONTHS ENDED 30 JUNE 2011

| | Issued share capital 2010 US$'000 | Share premium 2010 US$'000 | Revenue reserve 2010 US$'000 | Foreign currency translation reserve 2010 US$'000 | Total 2010 US$'000 |
|---|---|---|---|---|---|
| **As at 1 January 2010** | **769** | **32,772** | **12,648** | **(1,670)** | **44,519** |
| **Total comprehensive income** | | | | | |
| Profit for the period after taxation | - | - | 1,063 | (1,018) | 45 |
| **Transactions with owners recorded directly in equity** | | | | | |
| Dividends to equity holders (Note 10) | - | - | (1,126) | - | (1,126) |
| Purchase of own shares | (22) | (387) | - | - | (409) |
| **As at 30 June 2010** | **747** | **32,385** | **12,585** | **(2,688)** | **43,029** |

| | Issued share capital 2011 US$'000 | Share premium 2011 US$'000 | Revenue reserve 2011 US$'000 | Foreign currency translation reserve 2011 US$'000 | Total 2011 US$'000 |
|---|---|---|---|---|---|
| **As at 1 January 2011** | **737** | **32,199** | **13,645** | **(2,139)** | **44,442** |
| **Total comprehensive income** | | | | | |
| Profit for the period after taxation | - | - | 1,039 | 282 | 1,321 |
| **Transactions with owners recorded directly in equity** | | | | | |
| Dividends to equity holders (Note 10) | - | - | (1,418) | - | (1,418) |
| Purchase of own shares (Note 10) | (39) | (793) | - | - | (832) |
| **As at 30 June 2011** | **698** | **31,406** | **13,266** | **(1,857)** | **43,513** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE SIX MONTHS ENDED 30 JUNE 2011

| | Note | Six months ended 30 June 2011 US$'000 | Six months ended 30 June 2010 US$'000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | 11 | **433** | **409** |
| **Cash flows from/(used in) investing activities** | | | |
| Interest received on cash and cash equivalents | | **29** | **30** |
| Purchase of fixtures, fittings and equipment | 8 | **(10)** | **(2)** |
| **Net cash inflow from investing activities** | | **19** | **28** |
| **Cash flows used in financing activities** | | | |
| Repurchase of own shares | 10 | **(832)** | **(409)** |
| Dividends paid | 10 | **(1,418)** | **(1,126)** |
| **Net cash used in financing activities** | | **(2,250)** | **(1,535)** |
| **Net decrease in cash and cash equivalents** | | **(1,798)** | **(1,098)** |
| Cash and cash equivalents at 1 January 2011 and 1 January 2010 | | **11,907** | **13,069** |
| Foreign exchange gain/(loss) on cash and cash equivalents | | **141** | **(588)** |
| **Cash and cash equivalents as at 30 June 2011 and 30 June 2010** | | **10,250** | **11,383** |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2011

### 1. CORPORATE INFORMATION

The Company is domiciled in the Isle of Man under the Companies Act 2006. Its registered office is at 33-37 Athol Street, Douglas, Isle of Man, IM1 1LB. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2011 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 2010 are available upon request from the Company's registered office or at www.argogrouplimited.com.

The principal activity of the Company is that of a holding company and the principal activity of the wider Group is that of an investment management business. The functional and presentational currency of the Group undertakings is US dollars. The Group has 30 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 Capital Management (Asia) Pte. Ltd. | Singapore |
| North Asset Management Srl | Romania |
| North Asset Management Sarl | Luxembourg |
| Argo Investor Services AG | Switzerland |

## 2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2010.

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 2010.

These condensed consolidated interim financial statements were approved by the Board of Directors on 18 August 2011.

## 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) Ltd | Argo Capital Management Ltd | Argo Capital Management Property Ltd | Other | Six months ended 30 June 2011 |
|---|---|---|---|---|---|---|
| | 2011 | 2011 | 2011 | 2011 | 2011 | 2011 |
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Revenues from external customers | - | 3,465 | 1,131 | 1,627 | - | 6,223 |
| Intersegment revenues | 4,000 | - | 1,575 | - | 266 | 5,841 |
| Reportable segment profit/(loss) | 3,977 | (2,684) | (454) | 144 | 62 | 1,045 |
| Intersegment profit/(loss) | 4,000 | (5,578) | 1,308 | - | 266 | (4) |
| Profit/(loss) excluding inter- segment transactions | (23) | 2,894 | (1,762) | 144 | (204) | 1,049 |
| Reportable segment assets | 49,141 | 2,524 | 4,378 | 3,679 | 732 | 60,454 |
| Reportable segment liabilities | 47 | 742 | 923 | 499 | 87 | 2,298 |

| Revenues, profit or loss, assets and liabilities may be reconciled as follows: | Six months ended 30 June 2011 |
|---|---|
| | US$'000 |
| **Revenues** | |
| Total revenues for reportable segments | 12,064 |

| | |
|---|---|
| Elimination of intersegment revenues | (5,841) |
| **Group revenues** | **6,223** |
| **Profit or loss** | |
| Total profit for reportable segments | 1,045 |
| Elimination of intersegment losses | 4 |
| Other unallocated amounts | 121 |
| **Profit on ordinary activities before taxation** | **1,170** |
| **Assets** | |
| Total assets for reportable segments | 60,454 |
| Elimination of intersegment receivables | (441) |
| Elimination of Company's cost of investments | (14,653) |
| **Group assets** | **45,360** |
| **Liabilities** | |
| Total liabilities for reportable segments | 2,298 |
| Elimination of intersegment payables | (451) |
| **Group liabilities** | **1,847** |

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

| Revenues, profit or loss, assets and liabilities may be reconciled as follows: | Six months ended 30 June 2010 |
|---|---|
| | US$'000 |
| **Revenues** | |
| Total revenues for reportable segments | 8,388 |
| Elimination of intersegment revenues | (2,772) |
| **Group revenues** | **5,616** |
| **Profit or loss** | |
| Total profit for reportable segments | 1,209 |
| Elimination of intersegment profits | (13) |
| Other unallocated amounts | 13 |
| **Profit on ordinary activities before taxation** | **1,209** |
| **Assets** | |
| Total assets for reportable segments | 59,303 |

| | |
|---|---|
| Elimination of intersegment receivables | (318) |
| Elimination of Company's cost of investments | (14,548) |
| **Group assets** | **44,437** |
| **Liabilities** | |
| Total liabilities for reportable segments | 1,726 |
| Elimination of intersegment payables | (318) |
| **Group liabilities** | **1,408** |

## 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 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 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) | 24.0 |
| Weighted average share price at grant date (pence) | 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. There were no share option programmes in place in the prior period.

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 | N/A | Nil |
| Granted during the period | 24.0p | 5,900,000 |
| Outstanding at end of period | 24.0p | 5,900,000 |

The options outstanding at 30 June 2011 have an exercise price of 24p and a weighted average contractual life of 10 years. They expire after 10 years. 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.

## 5. TAXATION

Taxation rates applicable to the parent company and the Cypriot, UK, Singaporean, Luxembourg, Swiss, Cayman and Romanian subsidiaries range from 0% to 27% (2010: 0% to 28%).

| **Income Statement** | Six months ended 30 June 2011 | Six months ended 30 June 2010 |
|---|---|---|

| | US$'000 | US$'000 |
|---|---|---|
| Taxation charge for the period on Group companies | **131** | **146** |

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

| | Six months ended 30 June 2011 US$'000 | Six months ended 30 June 2010 US$'000 |
|---|---|---|
| Profit before tax | **1,170** | **1,209** |
| Applicable Isle of Man tax rate for Argo Group Limited of 0% | - | - |
| Other adjustments | - | (5) |
| Tax effect of different tax rates of subsidiaries operating in other jurisdictions | 131 | 151 |
| Tax charge | **131** | **146** |

**Balance Sheet**

| | 30 June 2011 US$'000 | 31 December 2010 US$'000 |
|---|---|---|
| Corporation tax payable | **324** | **200** |

## 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.

| | Six months ended 30 June 2011 US$'000 | Six months ended 30 June 2010 US$'000 |
|---|---|---|
| Net profit for the period after taxation attributable to members | **1,039** | **1,063** |

| | No. of shares | No. of shares |
|---|---|---|
| Weighted average number of ordinary shares for basic earnings per share | 72,253,494 | 76,303,599 |
| Effect of dilution (Note 4) | 5,900,000 | - |
| Weighted average number of ordinary shares for diluted earnings per share | **78,153,494** | **76,303,599** |

| | Six months ended 30 June 2011 US$ | Six months ended 30 June 2010 US$'000 |
|---|---|---|
| Earnings per share (basic) | 0.01 | 0.01 |
| Earnings per share (diluted) | 0.01 | 0.01 |

## 7. INTANGIBLE ASSETS

| | Fund management contracts US$'000 |
|---|---|
| **Cost** | |
| **At 1 January 2010** | 18,737 |
| Foreign exchange movement | (79) |
| **At 31 December 2010** | **18,658** |
| Prior year adjustment – pre-acquisition goodwill | (104) |
| **At 31 December 2010 - restated** | **18,554** |
| Foreign exchange movement | 170 |
| **At 30 June 2011** | **18,724** |
| | |
| **Amortisation and impairment** | |
| **At 1 January 2010** | 1,180 |
| Amortisation of Argo business intangible assets | 651 |
| Foreign exchange movement | 108 |
| **At 31 December 2010** | **1,939** |
| Amortisation of Argo business intangible assets | 341 |
| Foreign exchange movement | 36 |
| **At 30 June 2011** | **2,316** |
| | |
| **Net book value** | |
| **At 31 December 2010** | **16,615** |
| **At 30 June 2011** | **16,408** |

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

At the balance sheet date the carrying value of goodwill was US$14.9m (December 2010: US$14.8 m).

The key assumptions on which the directors have based their five year discounted cash flow analysis are a pre-tax discount rate of 15% (December 2010: 15%), an inflation rate of 5% (December 2010: 5%) and a growth in assets under management (which determine management and performance fee income) of 10% to 12.5% (December 2010: 10% to 12.5%), with 3% to 3.75% (December 2010: 3% to 3.75%) of this estimated to be from annual profits. The assumption of growth in assets under management has been based on the historic performance of the funds. The calculations use cash flow projections based on actual operating results. The result of this review has been compared to the carrying value of goodwill and accordingly the directors have concluded that there is no impairment to goodwill. As an added sensitivity, if the estimated discount rate applied to the discounted cash flows had been 25% higher (December 2010: 25% higher) or the growth rate of assets under management had been 25% lower (December 2010: 25% lower) there would still have been no impairment of goodwill as the net present value of future cash flows would still have been higher than the carrying value of goodwill.

At the balance sheet date the carrying value of the Argo Real Estate Opportunities Fund Limited management contract is US$1.5m (December 2010: US$1.8m), net of amortisation. The intangible asset is being amortised over 5 years and 44 days, being the remaining period of the contract from the date of acquisition. During the period the Group successfully renegotiated the extension of this management contract by five years from the current termination date of 31 July 2013 to 31 July 2018.

## 8. FIXTURES, FITTINGS AND EQUIPMENT

**Fixtures, fittings & equipment**

| | US$'000 |
|---|---|
| **Cost** | |
| **At 1 January 2010** | 299 |
| Additions | 8 |
| Foreign exchange movement | (12) |
| **At 31 December 2010** | **295** |
| Additions | 10 |
| Foreign exchange movement | 11 |
| **At 30 June 2011** | **316** |
| | |
| **Accumulated Depreciation** | |
| **At 1 January 2010** | 163 |
| Depreciation charge for period | 99 |
| Foreign exchange movement | (8) |
| **At 31 December 2010** | **254** |
| Depreciation charge for period | 21 |
| Foreign exchange movement | 10 |
| **At 30 June 2011** | **285** |
| | |
| **Net book value** | |
| **At 31 December 2010** | **41** |
| **At 30 June 2011** | **31** |

## 9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| Holding | Investment in management shares | 30 June 2011 Total cost US$'000 | 30 June 2011 Fair value US$'000 |
|---|---|---|---|
| 10 | The Argo Fund Ltd | 0 | 0 |
| 10 | Argo Capital Investors Fund SPC | 0 | 0 |
| 10 | Argo Capital Partners Fund Ltd | 0 | 0 |
| 100 | Argo Distressed Credit Fund Ltd | 0 | 0 |
| 100 | AGSSF Holdings Ltd | 0 | 0 |
| | | **0** | **0** |

| Holding | Investment in ordinary shares | Total cost US$'000 | Fair value US$'000 |
|---|---|---|---|
| 66,435 | The Argo Fund Ltd | 14,343 | 15,722 |
| | | **14,343** | **15,722** |

| Holding | Investment in management shares | 31 December 2010 Total cost US$'000 | 31 December 2010 Fair value US$'000 |
|---|---|---|---|
| 10 | The Argo Fund Ltd | 0 | 0 |
| 10 | Argo Capital Investors Fund SPC | 0 | 0 |
| 10 | Argo Capital Partners Fund Ltd | 0 | 0 |
| 100 | Argo Distressed Credit Fund Ltd | 0 | 0 |
| 100 | AGSSF Holdings Ltd | 0 | 0 |

| | | | |
|---|---|---|---|
| | | **0** | **0** |

| Holding | Investment in ordinary shares | Total cost US$'000 | Fair value US$'000 |
|---|---|---|---|
| 66,435 | The Argo Fund Ltd | 14,343 | 15,563 |
| | | **14,343** | **15,563** |

## 10. SHARE CAPITAL

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

| | 30 June 2011 No. | 30 June 2011 US$'000 | 31 December 2010 No. | 31 December 2010 US$'000 |
|---|---|---|---|---|
| Issued and fully paid | | | | |
| Ordinary shares of US$0.01 each | 69,753,494 | 698 | 73,663,494 | 737 |
| | **69,753,494** | **698** | **73,663,494** | **737** |

The directors recommended a final dividend of 1.2p per share (2009: 1.0p) for the year ended 31 December 2010. The final dividend of US$1,418,257 was paid on 22 June 2011 to ordinary shareholders who were on the Register of Members on 27 May 2011. Going forward, the Company intends, subject to its financial performance, to pay a final dividend each year.

In addition the directors authorised the repurchase of 910,000 shares on 7 January 2011, 2,500,000 shares on 7 June 2011 and 500,000 shares on 23 June 2011 at respective purchase prices of 12.0p, 13.5p and 13.75p per share.

## 11. RECONCILIATION OF NET CASH INFLOW FROM OPERATING ACTIVITIES TO PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | Six months ended 30 June 2011 US$'000 | Six months ended 30 June 2010 US$'000 |
|---|---|---|
| **Profit on ordinary activities before taxation** | 1,170 | 1,209 |
| Interest income | (29) | (30) |
| Amortisation of intangible assets | 341 | 323 |
| Depreciation | 21 | 52 |
| Unrealised gains on investments | (159) | (53) |
| Net foreign exchange (loss)/gain | 6 | (77) |
| Increase/(decrease) in payables | 469 | (1,540) |
| (Increase)/decrease in receivables | (1,379) | 537 |
| Income taxes paid | (7) | (12) |
| **Net cash inflow from operating activities** | **433** | **409** |

## 12. RELATED PARTY TRANSACTIONS

74% of revenue derives from funds in which two of the Company's directors, Andreas Rialas and Kyriakos Rialas, have an influence through the provision of investment advisory services.

Michael Kloter, the non-executive chairman, is also partner in a legal firm which supplies services to the Group. This firm charged US$11,426 (six months ended 30 June 2010: US$5,192) for services rendered to the Group in the period.

During the period the group has advanced USD 575,000 (EUR 400,000) to Argo Real Estate Opportunities Fund Limited ("AREOF") (to whom it provides investment management services) in order to assist with its operational cash requirements.

The group has also provided AREOF with a notice of deferral, in relation to the above amount and 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 at 30 June 2011 are the above USD 575,000 advance and investment management services fees accrued or receivable of USD 1,198,000 (EUR 833,333), totalling USD 1,773,000 (EUR 1,233,000).

## 13. CLAIM RELATING TO LAWSUIT AGAINST FORMER GROUP COMPANY

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

In April 2010 the Colorado court dismissed Cascade's action against ACMH for failure to state a claim, following which Cascade filed a second amended complaint. On 31 March 2011 the court dismissed Cascade's second amended complaint and dismissed Cascade's claim against Argo and ACMH in its entirety.

Argo is pleased to report that Cascade did not appeal the order of the Colorado court issued on 31 March 2011 thus concluding the matter.