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

Annual Report and Accounts for the Year ended 31 December 2019

Argo today announces its final results for the year ended 31 December 2019.

The Company will today make available its report and accounts for the year ended 31 December 2019 on the Company's website www.argogrouplimited.com. These will be sent by post to shareholders in the next 2 weeks.

Key highlights for the twelve months ended 31 December 2019

- Revenues US$4.9 million (2018: US$4.6 million)
- Operating loss US$0.2 million (2018: operating loss US$0.8 million)
- Profit before tax US$1.0 million (2018: loss before tax of US$1.2 million)
- Net assets US$21.5 million (2017: US$23.3 million)

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

"Increased volatility in 2019 from trade war uncertainties, Brexit and the reversal of US interest rates influenced emerging markets positioning and returns. In this environment, The Argo Fund performed well in the first six months of the year but in August 2019 a sizeable drop in Argentina bonds all but eliminated profits for the year. The distressed credit strategy in the Argo Distressed Credit Fund did better, resulting in performance fees being paid to the management company. Overall Argo Group increased profits compared to 2018 but additional growth of assets and streamlining of operations is needed going forward so as to balance income arising from management fees and performance fees. In November 2019 The Argo Fund was modified to introduce a Master Feeder Fund structure so as to accommodate additional investor profiles and to bring the distressed strategy under a single umbrella. The real estate side of the business has successfully arranged the refinancing of its major asset in Ukraine with EBRD which will allow the faster payment down of the loan. Furthermore, this refinancing will allow the elimination of costly and unnecessary holding companies. Emphasis on cost control continues and in 2020 this will include taking all back-office operations to London and eliminating the Cypriot office."

Enquiries

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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014.

CHAIRMAN'S STATEMENT

Key highlights for the twelve months ended 31 December 2019

- Revenues US$4.9 million (2018: US$4.6 million)
- Operating loss US$0.2 million (2018: operating loss US$0.8 million)
- Profit before tax US$1.0 million (2018: loss before tax of US$1.2 million)
- Net assets US$21.5 million (2018: US$23.3 million)

The Group and its 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

This report sets out the results of Argo Group Limited for the year ended 31 December 2019.

For the year ended 31 December 2019 the Group generated revenues of US$4.9 million (2018: US$4.6 million) with management fees accounting for US$4.1 million (2018: US$4.1 million). The Group also generated incentive fees of US$0.6 million (2018: US$0.3 million) during the year. The incentive fees earned during the current and prior year were mainly from Argo Distressed Credit Fund ("ADCF").

Total operating costs, ignoring bad debt provisions, are US$4.2 million (2018: US$4.0 million). The Group has provided against management fees of US$1.2 million (€1.0 million) (2018: US$1.2 million, €1.0 million) due from AREOF. In the Directors' view these amounts are fully recoverable however they have concluded that it would be appropriate to carry a provision against these receivables as the timing of the receipts may be outside the control of the Company and AREOF.

Overall, the financial statements show an operating loss for the year of US$0.2 million (2018: operating loss US$0.8 million) and a profit before tax of US$1.0 million (2018: loss before tax of US$1.2 million) reflecting the realised and unrealised gain on current asset investments of US$1.1 million (2018: unrealised loss of US$0.6 million).

At the year end, the Group had net assets of US$21.5 million (2018: US$23.3 million) and net current assets of US$20.9 million (2018: US$22.7 million) including cash reserves of US$0.9 million (2018: US$4.0 million). The Directors are not declaring a final dividend.

Net assets include investments in TAF, AREOF, Argo Special Situations Fund LP ("ASSF") and ADCF (together referred to as "the Argo funds") at fair values of US$18.6 million (2018: US$18.2 million), US$ nil (2018: US$0.1 million), US$0.05 million (2018: US$0.04 million), and US$0.8 million (2018: US$ nil) respectively.

At the year end the Argo funds (excluding AREOF) owed the Group total management and performance fees of US$0.9 million (31 December 2018: US$0.6 million). The Group received full settlement of these fees in January 2020.

The Argo funds ended the year with Assets under Management ("AUM") at US$130.3 million (2018: US$130.1). 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 number of permanent employees of the Group at 31 December 2019 was 22 (2018: 23).

The Group has provided AREOF with a notice of deferral in relation to amounts due from the provision of investment management services, under which it will not demand payment of such amounts until the Group judges that AREOF is in a position to pay the outstanding liability. These amounts accrued or receivable at 31 December 2019 total US$nil (2018: US$nil) after a bad debt provision of US$9.5 million (€8.5 million) (2018: US$8.9 million (€7.8 million)). AREOF continues to meet part of this obligation to the Argo Group as and when liquidity allows. AREOF made a payment of US$0.3 million (€0.3 million) towards fee arrears owed to the Group during the year. In November 2013, AREOF offered Argo Group Limited additional security for the continued support in the form of debentures and guarantees by underlying intermediate companies. Argo Group Limited retains this additional security. The management contract with AREOF was terminated on 1 January 2020.

Fund performance

The Argo Funds

Fund	Launch date	2019 Year total	2018 Year Total	Since inception	Annualised performance	Sharpe ratio	Down months	AUM
		%	%	%	CAGR %			US$m
The Argo Fund	Oct-00	2.18	-5.65	224.36	7.06	0.45	73 of 231	111.7
Argo Distressed Credit Fund	Oct-08	3.68	1.58	246.8	13.49	0.62	64 of 135	18.6
Argo Special Situations Fund LP (to September 2019)	Feb-12	-3.06	26.8	-65.8	-13.1	-0.01	71 of 92	-
Total								**130.3**

* NAV only officially measured once a year in September.

AREOF's adjusted NAV at 30 September 2019* was US$12.3 million (€11.0 million), compared with US$15.0 million (€13.1 million) a year earlier. The Adjusted NAV per share at 30 September 2019 was US$0.0202 (€0.0181) (2018: US$0.0247 (€0.0216)).

Emerging market fixed income delivered strong returns in early 2019 after the pullback in 2018, aided by brief US Treasury yield curve inversion and the start of the Federal Reserve cutting cycle. After June, sentiment turned sour as US protectionism resurfaced along with the risk of a disorderly Brexit. There were also powerful inventory adjustments in the semiconductor, shale oil and auto sectors and European growth weakened. The European Central Bank effectively ran out of policy instruments after cutting the policy rate to -50bps and announcing open-ended Quantitative Easing (QE). However, US economic data began to improve in the second half of the year and the US dollar strengthened. As a result, EM bonds and currencies were negatively impacted and they also gave up gains in response to a handful of idiosyncratic political crises within EM, including Ecuador, Bolivia, Chile, Argentina and Lebanon. The negative price action resulting from these events was amplified by low liquidity conditions over the summer and profit-taking following the strong performance in the first half of 2019. By late November, however, EM markets recovered with more positive sentiment around trade, the prospect of low US Treasury volatility given the dovish Fed and improving data in a number of EM countries, including China. There was also a gradual normalisation of politics in some of the countries that had experienced trouble earlier in the period.

The NAV of TAF increased by 2.18% in 2019, compared with a drop of 5.65% the previous year. Positive performance from a diverse range of corporate bonds was held back by the fund's long position in Argentine sovereign debt and a short position in an African sovereign bond that had defaulted some time ago but, surprisingly, had managed to complete a debt restructuring. Towards the end of the period under review, the decision was taken to restructure the fund, creating a master/feeder structure. Class A shares issued by the latter will 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 will be a new class of Designated Investments which offer investors exposure to distressed and special situations where the timeline to investment realisation will be three years or more.

The NAV of ADCF rose by 3.68% in 2019, compared with an increase of 1.58% in the previous year.

The NAV of ASSF fell by 3.06% in the year. Following receipt of the final instalment of monies related to the leasing of a catalyst to an Indonesian refinery, a cash distribution was made to investors. A corporate action was also launched offering limited partners the opportunity to exit the fund. Following the reduction in the number of investors and positions held by the fund it was decided that Argo Capital Management Limited would cease to manage the fund as at 1 November 2019.

Dividends

The Directors are not declaring a final dividend but intend to restart dividend payments as soon as the Group's performance provides a consistent track record of profitability.

During the year, the Directors authorised the repurchase of 8,072,892 shares at a total cost of USD$2.7 million (£2.1 million) by way of a tender offer.

Outlook

As previously stated, a significant increase in AUM is still required to ensure sustainable profits on a recurring management fee basis. The Group is well placed with capacity to absorb such an increase in AUM with negligible impact on operational costs. The Group has decided to consolidate all its operations in the London office and will now discontinue its presence in Cyprus at the beginning of 2020.

Raising AUM remains Argo's top priority over the coming year. The Group's marketing efforts continues to focus on TAF which has 19 years of track record. However, the Group continues to seek opportunities to increase AUM either through existing fund structures or by identifying external partners with whom to cooperate.

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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Management fees		4,070	4,086
Performance fees		598	268
Other income		237	245
Revenue	2(e), 3	4,905	4,599
Legal and professional expenses		(501)	(361)
Management and incentive fees payable		(57)	(70)
Operational expenses		(858)	(1,005)
Employee costs	4	(2,581)	(2,604)

	Note	2019	2018
Foreign exchange gain		(22)	1
Bad debts	11	(935)	(1,350)
Depreciation	9	(162)	(12)
Operating loss	6	(211)	(802)
Interest income on cash and cash equivalents		174	194
Realised and unrealised gains/(loss) on investments		1,073	(600)
Profit/(loss) on ordinary activities before taxation	3	1,036	(1,208)
Taxation	7	(30)	(28)
Profit/(loss) for the year after taxation attributable to members of the Company	8	1,006	(1,236)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(72)	(155)
Total comprehensive income for the year		934	(1,391)

		Year ended 31 December 2019 US$	**Year ended 31 December 2018 US$**
Earnings per share (basic)	8	0.02	(0.03)
Earnings per share (diluted)	8	0.02	(0.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	**At 31 December 2019 US$'000**	**At 31 December 2018 US$'000**
Assets			
Non-current assets			
Land, fixtures, fittings and equipment	9	661	212
Financial assets at fair value through profit or loss	10	56	159
Loans and advances receivable	12	120	118
Total non-current assets		837	489
Current assets			
Financial assets at fair value through profit or loss	10	19,357	18,193
Trade and other receivables	11	1,140	757
Tax receivable	7	-	5
Cash and cash equivalents	13	863	4,005
Total current assets		21,360	22,960

Total assets	3	22,197	23,449

Equity and liabilities

Equity			
Issued share capital	14	390	470
Share premium		25,353	28,022
Revenue reserve		(1,357)	(2,363)
Foreign currency translation reserve	2(d)	(2,932)	(2,860)
Total equity		21,454	23,269
Current liabilities			
Trade and other payables	15	443	180
Taxation payable	7	20	-
Total current liabilities	3	463	180
Non-current Liabilities			
Trade and other payables	15	280	-
Total non-current liabilities		280	-
Total equity and liabilities		22,197	23,449

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY YEAR ENDED 31 DECEMBER 2019

	Issued share capital 2018 US$'000	Share premium 2018 US$'000	Revenue reserve 2018 US$'000	Foreign currency translation reserve 2018 US$'000	Total 2018 US$'000
As at 1 January 2018	**470**	**28,022**	**(1,127)**	**(2,705)**	**24,660**
Total comprehensive income					
Loss for the year after taxation	-	-	(1,236)	-	(1,236)
Other comprehensive income	-	-	-	(155)	(155)
Transactions with owners recorded directly in equity					
Purchase of own shares (note 14)	-	-	-	-	-
As at 31 December 2018	**470**	**28,022**	**(2,363)**	**(2,860)**	**23,269**

	Issued share capital 2019 US$'000	Share premium 2019 US$'000	Revenue reserve 2019 US$'000	Foreign currency translation reserve 2019 US$'000	Total 2019 US$'000
As at 1 January 2019	**470**	**28,022**	**(2,363)**	**(2,860)**	**23,269**
Total comprehensive income					
Profit for the year after taxation	-	-	1,006	-	1,006
Other comprehensive income	-	-	-	(72)	(72)
Transactions with owners recorded directly in equity					
Purchase of own shares (note 14)	(80)	(2,669)	-	-	(2,749)
As at 31 December 2019	**390**	**25,353**	**(1,357)**	**(2,932)**	**21,454**

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Net cash (outflow)/inflow from operating activities	17	(129)	3,136
Cash flows from investing activities			
Interest received on cash and cash equivalents		11	22
Share buy back	14	(2,749)	-
Purchase of financial assets at fair value through profit or loss	10	-	(4,000)
Distribution from investments		12	-
Purchase of fixtures, fittings and equipment	9	(5)	(8)
Net cash used in investing activities		**(2,731)**	**(3,986)**
Cash flows from financing activities			
Payment of lease liabilities	16	(199)	-
Net cash used in financing activities		**(199)**	**-**
Net decrease in cash and cash equivalents		**(3,059)**	**(850)**

Cash and cash equivalents at 1 January 2019 and 1 January 2018	4,005	5,031
Foreign exchange loss on cash and cash equivalents	(83)	(176)
Cash and cash equivalents as at 31 December 2019 and 31 December 2018	**863**	**4,005**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. CORPORATE INFORMATION

The Company is domiciled in the Isle of Man under the Companies Act 2006. Its registered office is at 33-37 Athol Street, Douglas, Isle of Man, IM1 1LB and the principal places of business are at 10 Vasilissis Frederikis Street, 1066 Nicosia, Cyprus and 24-25 New Bond Street, London, W1S 2RR. The principal activity of the Company is that of a holding company and the principal activity of the wider Group is that of an investment management business. The functional currencies of the Group undertakings are US dollars, Sterling, Euros and Romanian Lei. The presentational currency is US dollars. The Group has 22 (2018: 23) employees.

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

2. ACCOUNTING POLICIES

(a) Accounting convention

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

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

The Directors have carried out a rigorous assessment of all the factors affecting the business in deciding to adopt the going concern basis for the preparation of the accounts. They have reviewed and examined the Group's financial and other processes including the annual budgeting process and expect the Group to have sufficient cash resources available in the foreseeable future. This has included the preparation of forecast financial information focussed on cash flow requirements through to at least March 2021. These forecasts reflect current cost patterns of the Group and take into consideration current liquidity constraints of funds under management and therefore their ability to settle management fees and other receivables (refer to notes 11 and 13).

On the basis of review of this forecast financial information, the liquid assets currently held and forecast inflows during the period, the Directors are confident that the Group has adequate financial resources available to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis for preparing the consolidated financial statements.

The Directors have therefore concluded that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(b) Basis of consolidation

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

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

(c) Business combinations

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

Goodwill

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

Impairment of intangible assets

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

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

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

(d) Foreign currency translation

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve.

(e) Revenue

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

Management and incentive fees receivable

The Group recognises revenue for providing management services to funds. Revenue is accrued on a monthly basis on completion of management services. In the Argo funds revenue is based on the assets under management of each mutual fund and in the Argo Real Estate Opportunities Fund Limited ("AREOF") (managed by Argo Capital Management Property Limited) revenue is based on the gross proceeds of share placements.

Incentive fees arise monthly, quarterly or on realisation of an investment. Incentive fees are recognised in the month they arise. In addition, AREOF incentive fees may be triggered at any time on realisation of a property asset. The management and incentive fees receivable from AREOF are defined in the management contract between that company and Argo Capital Management Property Limited.

The Group has provided AREOF with a notice of deferral in relation to the amounts due from the provision of investment management services, under which it will not demand payment of such amounts until the Group judges that AREOF is in a position to pay the outstanding liability. In November 2013 AREOF offered Argo Group Limited additional security for the continued support in the form of debentures and guarantees by underlying intermediate companies.

(f) Depreciation

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

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

(g) IFRS 9 "Financial instruments"

IFRS 9 "Financial instruments" replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (either FVTPL or FVPL) and those to be measured at amortized cost. The determination is made at initial recognition. For debt financial assets the classification depends on the entity's business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the entity's intentions and designation.

In particular, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost and fair value through other comprehensive income and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables; which also fall within the scope of the impairment requirements of IFRS 9.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

The Group has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

(h) Trade date accounting

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

(i) Financial instruments

Financial assets – Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost

The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.
For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Currently the Group holds only investments which have been classified as financial assets at fair value through profit or loss. Investments held at fair value in managed mutual funds are valued at fair value of the net assets as provided by the administrators of those funds. Where funds contain level 3 assets the Directors will consider the carrying value based on information regarding future expected cash flows using appropriate valuation techniques such as discounted cash flow analysis. Investments in the management shares of The Argo Fund Limited, Argo Distressed Credit Fund Limited and Argo Special Situations Fund LP are stated at fair value, being the recoverable amount. The Argo Fund can no longer trade in Level 3 assets under the terms of its new prospectus dated 1 March 2016.

Financial assets – Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets - impairment - credit loss allowance for ECL

From 1 January 2018, the Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at Amortized Cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at Amortized Cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Financial Liabilities

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

(j) Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset. Loans and borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

(k) Current taxation

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

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

(l) Deferred taxation

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

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

(m) Accounting estimates, assumptions and judgements

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

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

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

- Investments fair value
- Management fees
- Trade receivables
- Going concern
- Loans and advances

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

(n) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

the contract involves the use of an identified asset this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lese and non-lease components as a single lease component.

The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
-fixed payments, including in-substance fixed payments;
-variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
-amounts expected to be payable under a residual value guarantee; and
-the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group 's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

(o) Financial instruments and fair value hierarchy

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

(p) Future changes in accounting policies

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

(i) Not adopted by the EU

New/Revised International Financial Reporting Standards (IAS/IFRS)	**Effective date - not yet endorsed by the EU** (accounting periods

	commencing on or after)
IFRS 17 "Insurance Contracts"	1 January 2021
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendment to IFRS 3 Business Combinations	1 January 2020
IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2020

The Directors do not expect the adoption of these standards and interpretations to have a material impact on the Group's financial statements in the period of initial application.

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

(q) Dividends payable

Interim and final dividends are recognised when declared.

3. SEGMENTAL ANALYSIS

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

	Argo Group Ltd	Argo Capital Management (Cyprus) Limited	Argo Capital Management Limited	Argo Capital Management Property Limited	Year ended 31 December
	2019	2019	2019	2019	2019
	US$'000	US$'000	US$'000	US$'000	US$'000
Total revenues for reportable segments	-	887	3,548	1,357	5,792
Intersegment revenues	-	(887)	-	-	(887)
Total profit/(loss) for reportable segments	594	213	342	(143)	(1,006)
Intersegment profit/(loss)	1,693	(1,300)	(393)	-	-
Total assets for reportable segments	19,547	383	1,807	460	22,197
Total liabilities for reportable segments	40	132	469	102	743

Revenues, profit or loss, assets and liabilities may be reconciled as follows:	Year ended 31 December 2019
	US$'000
Revenues	
Total revenues for reportable segments	5,792
Elimination of intersegment revenues	(887)

Group revenues	**4,905**
Profit or loss	
Total profit for reportable segments	1,006
Other unallocated amounts	(-)
Profit on ordinary activities	**1,006**
Assets	
Total assets for reportable segments	22,736
Elimination of intersegment receivables	(539)
Group assets	**22,197**
Liabilities	
Total liabilities for reportable segments	1,282
Elimination of intersegment payables	(539)
Group liabilities	**743**

	Argo Group Ltd	**Argo Capital Management (Cyprus) Limited**	**Argo Capital Management Limited**	**Argo Capital Management Property Limited**	**Year ended 31 December**
	2018	**2018**	**2018**	**2018**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Total revenues for reportable segments	-	793	3,172	1,427	5,392
Intersegment revenues	-	(793)	-	-	(793)
Total profit/(loss) for reportable segments	1,865	(773)	(1,726)	(602)	(1,236)
Intersegment profit/(loss)	2,800	(1,000)	(1,800)	-	-
Total assets for reportable segments	18,709	1,492	1,366	1,882	23,449
Total liabilities for reportable segments	38	24	73	45	180

Revenues, profit or loss, assets and liabilities may be reconciled as follows:	**Year ended 31 December 2018**
	US$'000
Revenues	
Total revenues for reportable segments	5,392
Elimination of intersegment revenues	(793)
Group revenues	**4,599**
Profit or loss	
Total loss for reportable segments	(1,236)
Other unallocated amounts	(-)
Loss on ordinary activities	**(1,236)**
Assets	

Total assets for reportable segments	24,425
Elimination of intersegment receivables	(976)
Group assets	**23,449**
Liabilities	
Total liabilities for reportable segments	1,156
Elimination of intersegment payables	(976)
Group liabilities	**180**

4. EMPLOYEE COSTS

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Wages and salaries -under employment contract	1,986	1,977
Wages and salaries – under service contract	286	333
Social security costs	222	214
Other	87	80
	2,581	2,604

5. KEY MANAGEMENT PERSONNEL REMUNERATION

Included in employee costs are payments to the following:

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Directors and key management personnel	988	1,005

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

	Salaries US$'000	Fees US$'000	Benefits US$'000	Cash bonus US$'000	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Executive Directors						
Kyriakos Rialas	213	-	-	-	213	219
Andreas Rialas	202	-	13	-	215	217
Non-Executive Directors						
Michael Kloter	-	52	-	-	52	52
David Fisher	-	32	-	-	32	33
Ken Watterson	-	32	-	-	32	33

6. OPERATING (LOSS)/PROFIT

Operating profit is stated after charging:

	Year ended 31 December	Year ended 31 December

	2019 US$'000	2018 US$'000
Auditors' remuneration	72	73
Depreciation -owned assets	9	12
Depreciation – right of use assets	153	-
Directors' fees	988	1,005
Rent expense	66	251

7. TAXATION

Taxation rates applicable to the parent company and the Cypriot, UK, and Romanian subsidiaries range from 0% to 12.5% (2018: 0% to 12.5%).

Consolidated statement of profit or loss

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Taxation charge for the year on Group companies	30	28
Tax on profit on ordinary activities	30	28

The tax charge for the year can be reconciled to the profit on ordinary activities before taxation shown in the consolidated statement of profit or loss as follows:

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Profit/(loss) before tax	1,006	(1,236)
Applicable Isle of Man tax rate for Argo Group Limited of 0%	-	-
Timing differences	(2)	(2)
Non-deductible expenses	4	6
Other adjustments	(53)	(20)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	81	44
Tax charge	30	28

Consolidated statement of financial position

	At 31 December 2019 US$'000	At 31 December 2018 US$'000
Corporation tax payable/receivable	20	(5)

8. EARNINGS PER SHARE

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

	Year ended 31 December 2019 US$'000	Year ended 31 December 2018 US$'000
Profit/(loss) for the year after taxation attributable to members	1,006	(1,236)

	No. of Shares	No. of Shares
Weighted average number of ordinary shares for basic earnings	40,978,209	47,032,878
Effect of dilution (note 21)	4,340,000	4,340,000
Weighted average number of ordinary shares for diluted earnings per share	45,318,209	51,372,878

	Year ended 31 December 2019 US$	Year ended 31 December 2018 US$
Earnings per share (basic)	0.02	(0.03)
Earnings per share (diluted)	0.02	(0.02)

8. LAND, FIXTURES, FITTINGS AND EQUIPMENT

	Right of use asset	Fixtures, fittings & equipment	Land	Total
	US$'000	US$'000	US$'000	US$'000
Cost				
At 1 January 2018	-	269	193	462
Additions	-	8	-	8
Foreign exchange movement	-	(11)	(9)	(20)
At 31 December 2018	-	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
At 31 December 2019	808	260	179	1,247
Accumulated Depreciation				
At 1 January 2018	-	235	-	235
Depreciation charge for period	-	12	-	12
Foreign exchange movement	-	(9)	-	(9)
At 31 December 2018	-	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
At 31 December 2019	344	242	-	586
Net book value				
At 31 December 2018	-	28	184	212
At 31 December 2019	464	18	179	661

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Holding	Investment in management shares	31 December 2019 Total cost US$'000	31 December 2019 Fair value US$'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 US$'000	Fair value US$'000
57,301	The Argo Fund Ltd*	15,472	18,587
30,056,500	Argo Real Estate Opportunities Fund Ltd	-	-
115	Argo Special Situations Fund LP	115	56
221	Argo Distressed Credit Fund Limited*	786	770
		16,373	**19,413**

Holding	Investment in management shares	31 December 2018 Total cost US$'000	31 December 2018 Fair value US$'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 US$'000	Fair value US$'000
57,309	The Argo Fund Ltd*	15,472	18,193
30,056,500	Argo Real Estate Opportunities Fund	988	119
115	Argo Special Situations Fund LLP	115	40
-	Argo Distressed Credit Fund Limited*	-	-
		16,575	**18,352**

*Classified as current in the consolidated statement of financial position

10. TRADE AND OTHER RECEIVABLES

	At 31 December 2019 US$ '000	At 31 December 2018 US$ '000
Trade receivables – Gross	10.678	9,752
Less: provision for impairment of trade receivables	(9,733)	(9,188)
Trade receivables – Net	945	564
Other receivables	105	111
Prepayments and accrued income	90	82
	1,140	757

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. Since the year end the Group received US$0.9million in full settlement of these trade receivables.

The Group has provided AREOF with a notice of deferral in relation to amounts due from the provision of investment management services, under which it will not demand payment of such amounts until the Group judges that AREOF is in a position to pay the outstanding liability. These amounts accrued or receivable at 31 December 2019 total US$nil (2018: US$nil) after a bad debt provision of US$.5 million (€8.5 million) (2018: US$8.9 million (€7.8 million)). AREOF continues to meet part of this obligation to the Argo Group as and when liquidity allows. AREOF made a payment of US$06 million (€0.3 million) towards fee arrears owed to the Group during the year.

In November 2013 AREOF offered Argo Group Limited additional security for the continued support in the form of debentures and guarantees by underlying intermediate companies. In the Directors' view these amounts are fully recoverable although they have concluded that it would not be appropriate to continue to recognise income from these investment management services going forward, as the timing of such receipts may be outside the control of the Company and AREOF. The management contract with AREOF was terminated on 1 January 2020.

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

	At 31 December 2019 US$ '000	At 31 December 2018 US$ '000
As at 1 January	11,803	10,992
Bad debt recovered	(335)	-
Provision charged during the year	1,270	1,350
Foreign exchange movement	(333)	(539)
As at 31 December	12,405	11,803

11. LOANS AND ADVANCES RECEIVABLE

	At 31 December 2019 US$'000	At 31 December 2018 US$'000
Deposits on leased premises – current	-	14
Deposits on leased premises - non-current (see below)	120	104
Other loans and advances receivable - current	-	-
Other loans and advances receivable – non-current	-	-
	120	118

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

12. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents is a balance of US$27,000 (€20,000) (2018: US$23,000) which represents a bank guarantee in respect of credit cards issued to Argo Capital Management Property Limited. Due to the nature of this balance it is not freely available.

13. SHARE CAPITAL

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

	31 December	31 December	31 December	31 December

	2019 No.	2019 US$'000	2018 No.	2018 US$'000
Issued and fully paid				
Ordinary shares of US$0.01 each	38,959,986	390	48,032,878	470
	38,959,986	**390**	**47,032,878**	**470**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (31 December 2018: US$nil).

During the year, the Directors authorised the repurchase of 8,072,892 shares at a total cost of USD$2.7 million (£2.1 million) by way of a tender offer.

14. TRADE AND OTHER PAYABLES

	At 31 December 2019 US$ '000	At 31 December 2018 US$ '000
Trade and other payables	17	15
Other creditors and accruals	426	165
Total current trade and other payables	443	180

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

	At 31 December 2019 US$ '000	At 31 December 2018 US$ '000
Other creditors and accruals	280	-
Total non-current trade and other payables	280	-

15. LEASES

IFRS 16, the new standard for leases, became effective from 1 January 2019. The new standard applies to leases relating to the Group's offices in London and Romania.

The Group has opted for the modified retrospective approach and has not restated comparatives but instead has recognized the cumulative effect of adopting IFRS 16 as an adjustment to opening retained earnings reserve.

The main impact of the new standard on the financial statements is a gross up on the balance sheet whereby right of use assets of $0.5 million and discounted lease liabilities of $0.5 million are recognized in respect of the applicable leases.

16. RECONCILIATION OF NET CASH OUTLOW FROM OPERATING ACTIVITIES TO LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2019 US$ '000	Year ended 31 December 2018 US$ '000
Profit/(loss) on ordinary activities before taxation	1,036	(1,208)
Interest income	(174)	(194)
Depreciation	162	12
Increase/(decrease) in payables	125	(1,917)

(Increase)/decrease in receivables	(222)	5,863
Decrease/(increase) in fair value of current asset investments	(1,073)	600
Net foreign exchange loss	22	27
Income taxes paid	(5)	(47)
Net cash (outflow)/inflow from operating activities	(129)	3,136

17. RELATED PARTY TRANSACTIONS

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

At the reporting date the Company holds investments in The Argo Fund Limited, Argo Distressed Credit Fund and Argo Special Situations Fund LP. These investments are reflected in the consolidated financial statements at a fair value of US$18.6 million, US$0.8 million, and US$0.06 million respectively.

The Group has provided AREOF with a notice of deferral in relation to amounts due from the provision of investment management services, under which it will not demand payment of such amounts until the Group judges that AREOF is in a position to pay the outstanding liability. These amounts accrued or receivable at 31 December 2019 total US$nil (2018: US$nil) after a bad debt provision of US$8.9 million. (€7.8 million) (2018: US$8.9 million (€7.8 million)). AREOF continues to meet part of this obligation to the Argo Group as and when liquidity allows. In November 2013, AREOF offered Argo Group Limited additional security for the continued support in the form of debentures and guarantees by underlying intermediate companies. Argo Group Limited retains this additional security.

At the year end, Argo Group was owed loans repayable on demand of US$2.2 million (€1.9 million) (2018: US$2.2 million, €1.9 million) by AREOF accruing interest at 10%. The company was also owed a further amount of US$0.4 million (€0.4 million) (2017: US$0.4 million, €0.4 million) for expenses it paid on behalf of AREOF Group entities. A full provision has been made in the consolidated financial statements against this balance at the current and prior year end.

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

18. FINANCIAL INSTRUMENTS RISK MANAGEMENT

(a) Use of financial instruments

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

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

(b) Market risk

Market risk is the risk that a decline in the value of assets adversely impacts on the profitability of the Group, either as a result of an asset not meeting its expected value or through the decline of assets under management generating lower fees. The principal exposures of the Group are in respect of its seed investments in its own funds (refer to note 10). Lower management fee and incentive fee revenues could result from a reduction in asset values.

(c) Capital risk management

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

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

(d) Credit/counterparty risk

The Group will be exposed to counterparty risk on parties with whom it trades and will bear the risk of settlement default. Credit risk is concentrated in the funds under management and in which the Group holds significant investments as detailed in notes 10, 11 and 13. As explained within these notes the Group is experiencing collection delays with regard to management fees receivable and monies advanced. Some of the investments in funds under management (note 10) are illiquid and may be subject to events materially impacting recoverable value.

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

At the reporting date, the financial net assets past due but not impaired amounted to US$nil (2018: US$nil).

e) Liquidity risk

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

The main liquidity risks of the Group are associated with the need to satisfy payments to creditors. Trade payables are normally on 30-day terms (note 15).

As disclosed in note 2(a), Accounting Convention: Going Concern, the Group has performed an assessment of available liquidity to meet liabilities as they fall due during the forecast period. The Group has concluded that it has sufficient resources available to manage its liquidity risk during the forecast period.

(f) Foreign exchange risk

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

The Group is subject to short-term foreign exchange movements between the calculation date of fees in currencies other than US dollars and the date of settlement. The Group holds cash balances in US Dollars, Sterling, Romanian Lei and Euros with carrying amounts as follows: US dollar – US$0.5 million, Sterling – US$0.2 million and Euros - US$0.2 million.

If there was a 5% increase or decrease in the exchange rate between the US dollar and the other operating currencies used by the Group at 31 December 2019 the exposure would be a profit or loss to the Consolidated statement of comprehensive income of approximately US$0.02 million (2018: US$0.1 million).

(g) Interest rate risk

The interest rate profile of the Group at 31 December 2019 is as follows:

	Total as per balance sheet	Variable interest rate instruments*	Fixed interest rate instruments	Instruments on which no interest is receivable
	US$ '000	US$ '000	US$ '000	US$ '000
Financial Assets				
Financial assets at fair value through profit or loss	19,413	-	-	19,413
Loans and receivables	1,260	108	-	1,152
Cash and cash equivalents	863	95	15	753
	21,536	203	15	21,318

Financial liabilities

Trade and other payables	743	-	-	743

* Changes in the interest rate may cause movements.

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

The interest rate profile of the Group at 31 December 2018 is as follows:

	Total as per balance sheet	Variable interest rate instruments*	Fixed interest rate instruments	Instruments on which no interest is receivable
	US$ '000	US$ '000	US$ '000	US$ '000
Financial Assets				
Financial assets at fair value through profit or loss	18,352	-	-	18,352
Loans and receivables	880	104	-	776
Cash and cash equivalents	4,005	41	2,256	1,708
	23,237	145	2,256	20,839
Financial liabilities				
Trade and other payables	180	-	-	180

* Changes in the interest rate may cause movements.

The average interest rate at the year end was 1.05%. Any movement in interest rates would have an immaterial effect on the profit/(loss) for the year.

(h) Fair value

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

	At 31 December 2019	At 31 December 2018
	US$ '000	US$ '000
Financial Assets		
Financial assets at fair value through profit or loss	19,413	18,352
Loans and receivables	1,260	880
Cash and cash equivalents	863	4,005
	21,536	23,237
Financial Liabilities		
Trade and other payables	743	180

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

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 2o).

	At 31 December 2019			
	Level 1	Level 2	Level 3	Total
	US$ '000	US$ '000	US$ '000	US$ '000

Financial assets at fair value through profit or loss	-	19,357	56	19,413

	At 31 December 2018			
	Level 1 US$ '000	**Level 2 US$ '000**	**Level 3 US$ '000**	**Total US$ '000**
Financial assets at fair value through profit or loss	-	18,193	159	18,352

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 2019	119	40	159
Total losses recognized in profit or loss	667	28	695
Distribution received	-	(12)	(12)
Transfer to level 2	(786)	-	(786)
Balance as at 31 December 2019	-	56	56

20. 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. The options are exercisable in at an exercise price of 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 were:

Exercise price (pence)	24.0
Weighted average share price at grant date (pence)	17.0
Weighted average option life at grant date (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 (2018: £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	24.0p	4,340,000
Granted during the period	24.0p	-

Forfeited during the period	24.0p	(225,000)
Outstanding at end of period	24.0p	4,115,000
Exercisable at end of period	24.0p	4,115,000

The options outstanding at 31 December 2019 have an exercise price of 24p and a weighted average contractual life of 2 years. Outstanding share options are contingent upon the option holder remaining an employee of the Group.