ARGO GROUP LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

MANAGEMENT AND ADMINISTRATION

DIRECTORS
David Fisher
Michael Kloter
Andreas Rialas
Kyriakos Rialas
Kenneth Watterson

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CHAIRMAN'S STATEMENT

Key highlights for the twelve months ended 31 December 2015

- Revenues US$5.7 million (2014: US$7.5 million)
- Operating profit US$0.2 million (2014: operating loss US$1.2 million)
- Loss before tax US$2.9 million (2014: loss before tax US$2.0 million)
- Net assets US$22.4 million (2014: US$26.0 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, inter alia, fixed income, special situations, local currencies and interest rate strategies, private equity, real estate, quoted equities, high yield corporate debt and distressed debt, although not every fund invests in each of these asset classes.

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

Business and operational review

This report sets out the results of Argo Group Limited for the year ended 31 December 2015.

For the year ended 31 December 2015 the Group generated revenues of US$5.7 million (2014: US$7.5 million) with management fees accounting for US$5.1 million (2014: US$6.7 million). The Group did not generate incentive fees during the year.

Core operating costs for the year fell to US$3.5 million (2014: US$4.6 million) as a direct result of further cost cutting initiatives implemented during the year. Total operating costs have decreased to US$5.5 million (2014: US$8.7 million) after bad debt provision. During the year the Group provided against management fees of US$2,220,200 (€2,000,000) (2014: US$3,414,873 (€2,569,505)) due from Argo Real Estate Opportunities Fund Limited ("AREOF") and US$1,055,549 (€967,861) (2014: Nil) of loans made to AREOF and its group entities. The Group also recovered management fee arrears of US$1,300,000 from The Argo Fund ("TAF") against which a provision had been made in prior years. Since the year end the remuneration committee took the decision to reduce the level of fees payable to the non-executive directors.

Overall, the financial statements show an operating profit for the year of US$0.2 million (2014: operating loss US$1.2 million) and a loss before tax of US$2.9 million (2014: loss before tax US$2.0 million) reflecting the realised and unrealised loss on current asset investments of US$3.3 million (2014: loss US$1.0 million).

At the year end, the Group had net assets of US$22.4 million (2014: US$26.0 million) and net current assets of US$15.7 million (2014: US$5.1 million). The Group did not pay a dividend during the year. This was also the case in 2014.

Net assets include investments in TAF, AREOF, Argo Special Situations Fund LP ("ASSF"), Argo Local Markets Fund ("ALMF") and Sudan Recovery Fund Limited ("SRF") at fair values of US$10.2 million (2014: US$18.2 million), US$0.1 million (2014: US$0.2 million), US$0.02 million (2014: US$0.07 million), US$1.7 million (2014: US$Nil) and US$4.8 million (2014: US$Nil) respectively. In December 2015 the Group consented to redemption on a pro rata basis of TAF's interest in SRF receiving SRF shares as payment in kind of the redemption proceeds. Of the Group's total investments of US$16.8 million an amount of US$4.9 million, comprising mainly SRF, has been classed as level 3 in the fair value hierarchy of financial instruments due to the illiquid nature of the investments. Since the year end the Group has redeemed its investment in ALMF for US$1.6 million.

CHAIRMAN'S STATEMENT (continued)

Business and operational review (continued)

At the year end the Argo funds (excluding AREOF) owed the Group total management fees of US$819,451 (31 December 2014: US$2,361,599) after a bad debt provision of US$Nil (31 December 2014: US$1,300,000). Since the year end the Group received US$480,000 as part settlement of these management fees.

The Argo funds ended the period with Assets under Management ("AUM") at US$93.4 million, 47% lower than at the beginning of the year. 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 employees of the Group at 31 December 2015 was 24 (2014: 27).

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 2015 total US$Nil (2014: US$Nil) after a bad debt provision of US$7,164,702 (€6,569,505) (2014: US$5,554,234 (€4,569,505)). 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. The AREOF management contract has a fixed term expiring on 31 July 2018.

Fund performance

The Argo Funds

Fund	Launch date	2015 Year total	2014 Year total	Since inception	Annualised performance	Sharpe ratio	Down months	AUM
		%	%	%	CAGR %			US$m
The Argo Fund	Oct-00	-17.42	-4.94	99.57	5.4	0.46	57 of 183	52.2
Argo Distressed Credit Fund	Oct-08	-9.71	-4.64	49.86	6.28	0.55	41 of 87	22.3
Argo Special Situations Fund LP	Feb-12	-76.21	-17.16	-85.27	-38.69	0.74	41 of 47	14.1
Argo Local Markets Fund	Nov-12	-8.41	-6.19	-21.30	-7.22	-2.00	24 of 38	4.8
Argo Real Estate Opportunities Fund*	Aug-06	-295.40	-113.43	-103.2	n/a	n/a	66 of 110	n/a
Total								93.4

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

CHAIRMAN'S STATEMENT (continued)

Fund performance (continued)

Emerging market indices had another difficult year. The persistent strength of the US dollar once again played its part. However, concerns about a slowdown in China's economy, the ongoing strife in Ukraine and substantial commodity price declines also took their toll. The slump in the price of oil was particularly disruptive for emerging markets after the commodity registered a 45% drop in 2015.

This backdrop created an opportunity to reinvest in emerging markets at lower prices and we are now in a position to take advantage of the opportunity as a result of the TPPI liquidity event. In response to the prevailing attitudes towards credit funds we are relaunching TAF and the Argo Distressed Credit Fund Limited as two distinct mandates with different liquidity profiles that will make them more attractive propositions to new investors.

During the second half of the year, the Argo funds successfully exited the majority of a significant position they held in the Indonesian refinery, TPPI. Unfortunately, the exit price of the investment was below the level at which it was carried by the Argo funds. This contributed to their weak performance. However, the Indonesia disposal has provided much needed liquidity to the funds. It has allowed ASSF to repay a significant portion of the debt financing arrangement put in place in 2014.

TAF is the Group's flagship fund and has a 16 year track record. Going forward, TAF will focus on liquid bond securities, both sovereign and corporate, and will be the centre of the Group's marketing efforts. Following the declines experienced by emerging markets over the past two years, the Board believes they offer attractive investment opportunities. Furthermore, the economic fundamentals in emerging markets are robust. They are expected to deliver significantly stronger economic growth than developed markets in 2016 while enjoying attractive risk profiles thanks to low levels of government indebtedness and high foreign exchange reserves. The results of the first two months of 2016 for TAF show a promising future.

The expectations of the first Federal Reserve interest rate hike since June 2006 also weighed heavily on emerging markets. The dollar was king for the year and emerging currencies suffered as a result. Separately, political controversies have also added to uncertainty in leading economies with the likes of Russia straining under western imposed sanctions, Brazil suffering from a big corruption scandal and South Africa dealing with low growth and popular unrest. All in all it was a painful year for both local rates and currencies as these economies continued to re-adjust to a world of lower growth for longer. Many of them have built sufficient buffers to be able to cope under such a scenario which is a positive however tough economic reforms await those who have not taken the opportunity to rebalance their economies during the good times of the last decade.

The two markets in which AREOF operates were mixed. Conditions in Romania were largely favourable as the local economy continued to expand thereby boosting the local property market. Ukraine had another downbeat year. Although Ukraine's government signed a ceasefire in hostilities with Russia in February, the economy endured another negative year and registered a 12% fall in GDP.

AREOF's adjusted Net Asset Value was minus US$23.6 million (minus €20.9 million) as at 30 September 2015, compared with minus US$6.7 million (minus €5.3 million) a year earlier. The adjusted Net Asset Value per share at 30 September 2015 was minus US$0.03 (minus €0.03) (30 September 2014: minus US$0.01 (minus €0.01)). Although AREOF's balance sheet indicates the company is insolvent on a consolidated basis, the structural ring-fencing of the underlying SPV's limits the impact on the Group of negative equity at subsidiary level. On this basis a restatement of the Net Asset Value would be US$0.01 (€0.01) (30 September 2014: US$0.05 (€0.04)).

CHAIRMAN'S STATEMENT (continued)

Fund performance (continued)

The majority of AREOF's debt facilities were in default during the year. This situation is being addressed by regular communication and negotiation with the lending banks with a view to restructuring the debt commitments to better align these to the current level of the AREOF Group's cash flow. While discussions with the relevant banks are ongoing to find an agreeable solution for all parties AREOF continues to enjoy the forbearance of its banks and support of its shareholders. In view of this, the directors of AREOF have concluded that AREOF is a going concern.

The prevailing equity price of the AREOF shares at the time of their suspension was 2.0 euro cents. The valuation of Argo Group Limited's investment in AREOF and that of the Argo funds was 1.0 euro cent as at 31 December 2015.

Dividends and share purchase programme

The directors did not recommend a final dividend in respect of the year ended 31 December 2014 and do not recommend a final dividend for this year but intend to restart dividend payments as soon as the Group returns to profitability.

Since the year end the directors have authorised a share buyback programme up to a maximum total value of £2 million and will shortly start implementing the programme.

Outlook

The Board remains optimistic about the Group's prospects particularly in light of the significant increase in the liquidity of Argo funds following the exit in Indonesia. A significant increase in AUM is still required to ensure sustainable profits on a recurring management fee basis and the Group is well placed with capacity to absorb such an increase in AUM with negligible impact on operational costs.

Boosting AUM will be Argo's top priority over the coming year. The Group's marketing efforts will be focused on the re-launch of TAF which has a 16 year track record as well as identifying acquisitions that are earnings enhancing. Over the longer term, the Board believes there is significant opportunity for growth in assets and profits and remains committed to ensuring the Group's investment management capabilities and resources are appropriate to meet its key objective of achieving a consistent positive investment performance in the emerging markets sector.

Michael Kloter
Non-Executive Chairman

Date: 29 March 2016

DIRECTORS' REPORT

The directors present their annual report and the audited accounts of the Group for the year ended 31 December 2015

Principal activity

The principal activity of the Company is that of a holding company and the principal activity of the wider Group is that of an investment management business.

Results, review of the business and future prospects

The Consolidated Statement of Comprehensive Income is set out on page 16. The Chairman's Statement set out on page 3 includes information about the Group's business and performance during the year and an indication of future prospects.

Dividends

Argo is working towards the payment of a dividend which will ultimately depend on the success of the initiatives described in the Chairman's Statement. A dividend was not paid during the year and the directors do not recommend a final dividend for this year but intend to pay an interim dividend as soon as these initiatives are complete.

Directors and their interests

The directors, who served throughout the year and held office at 31 December 2015 and to date, along with their beneficial interests (including those of connected parties) in the ordinary shares of the Company are as follows:

	31 December 2015 Ordinary shares No.	31 December 2014 Ordinary shares No.
Michael Kloter	1,000,000	1,000,000
Kyriakos Rialas	8,768,363	8,768,363
Andreas Rialas	15,638,146	15,638,146
David Fisher	-	-
Kenneth Watterson	88,141	88,141

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

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

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

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

Going Concern

The Directors have carried out a rigorous assessment of all the factors affecting the business in deciding to adopt the going concern basis for the preparation of the accounts. They have reviewed and examined the Group's financial and other processes including the annual budgeting process and expect the Group to have sufficient cash flows in the foreseeable future. On the basis of this review, the liquid assets held and the funding facilities available to the Group should they be required, 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 accounts.

DIRECTORS' REPORT (continued)

Substantial shareholdings

On 27 February 2016 the following interests in 3% or more of the Company's Ordinary share capital had been reported:

	No. of Ordinary shares	Percentage of issued capital
Lynchwood Nominees Limited	24,543,853	36.40%
HSBC Global Custody Nominee (UK) Limited	13,861,000	20.56%
Jim Nominees Limited	3,441,512	5.10%
Vidacos Nominees Limited	3,230,000	4.79%
SBS Nominees Limited	2,575,681	3.82%
Rulegale Nominees Limited	2,037,500	3.02%

Corporate governance statement

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

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

Regulatory Information

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

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

DIRECTORS' REPORT (continued)

Internal Control and risk management

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

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

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

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

Audit Committee

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

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

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

- Review of interim and full-year accounts including the accounting policies, principles and practices underlying them and the auditors' findings. The Committee reviews this information in advance of its consideration by the Board allowing adequate time before Board approval to complete any actions requested by the Committee;
- review of the effectiveness of the external auditors, approval of the scope and cost of their external audit work and their reappointment;
- review of the valuation policies of the underlying Argo funds which are also audited by the Company's external auditors;
- review of non-audit work carried out by the external auditors (and trends in the non-audit fees) in accordance with the Committee's policy to ensure the safeguarding of audit independence and objectivity;

- monitor and review of the Group's framework of internal controls, the identification and control of major risks and the results of the Group's risk review process;
- consideration of developments in corporate governance and accounting standards in the UK and internationally;
- overseeing and challenging due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board;
- providing advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in the incentive structure for the executives;

DIRECTORS' REPORT (continued)

Audit Committee (continued)

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

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

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

Remuneration Committee

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

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

- To determine and agree with the Board of Directors the framework or broad policy for the remuneration of the chief executive and such other members of the executive management as it is designated to consider for purposes of compliance with the FCA remuneration code ("Code");
- To ensure the Group's remuneration policy for all staff is compliant with the Code;
- To review the framework or broad policy for remuneration to ensure it remains appropriate and relevant and in formulating proposals, be sensitive to the need for an appropriate balance between long and short-term elements of pay.

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

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

Donations

During the year the Group made charitable donations of US$1,987 (2014: US$8,238).

DIRECTORS' REPORT (continued)

Creditor payment policy

It is the Group's policy and practice to agree commercial terms of business with suppliers prior to the supply of goods and services. In the absence of any dispute, the Group pays, wherever possible, in accordance with those agreed terms. The number of days' purchases of the Group represented by trade creditors at 31 December 2015 was 9 (2014: 21).

Statement of disclosure to auditor

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

Auditors

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

Signed on behalf of the Board

Kyriakos Rialas
Chief Executive Officer

Date: 29 March 2016

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

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

The consolidated financial statements are required to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time its financial position. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

DIRECTORS

Michael Kloter
Non-Executive Chairman
Michael holds a law degree from the University of Geneva, Switzerland, and a lawyer's licence of the Canton of Zurich, Switzerland. After gaining professional experience as a clerk at the District Court of Zurich and experience in a business law practice in Zurich, Switzerland he founded his own law firm in Zurich in 1995. Since then he has practised as a business lawyer and acts as director for a number of companies.

Kyriakos Rialas
Chief Executive Officer
Kyriakos has nearly 30 years of professional investment and managerial experience in the financial services sector. He has overall responsibility for risk management, legal, regulatory and general management of the Argo business. Prior to joining Argo, he was General Manager of Emporiki Bank in Cyprus from 1999 to 2003 where he managed a portfolio of syndicated loans worth US$1 billion. Kyriakos has also worked for the Treasury department of the Bank of Cyprus Group and London Forfaiting Cyprus where he was Finance Director, overseeing subsidiaries in India, Russia, Thailand and Hong Kong. Before that he worked for Capital Intelligence in bank analysis and rating for emerging markets. He has a degree in Engineering from the University of Cambridge and qualified as a Chartered Accountant with KPMG in London. He started his banking career in the fixed income division of SG Warburg & Co in London.

Andreas Rialas
Chief Investment Officer
Prior to founding Argo, Andreas worked for Deutsche Bank for three years where he was involved in emerging markets proprietary trading and trade finance specialist products. Before that, he was at London Forfaiting (Asia) Ltd as Head of Secondary Debt Trading in emerging markets. Andreas has travelled extensively in both Eastern and Western Europe visiting and cultivating relationships with banks. He originated and syndicated many pioneering syndicated loan and trade finance transactions for Eastern European borrowers in the Baltic States, Bulgaria, the Czech Republic, Croatia, Kazakhstan, Macedonia, Romania, Russia, Slovakia and Ukraine. In his role as Head of Secondary Debt Trading at London Forfaiting (Asia) Ltd, he developed extensive knowledge of the Asian Debt Markets and was responsible for the secondary trading in Europe of primary assets originated by the Hong Kong subsidiary of London Forfaiting (Asia) Ltd. He studied law at the University of London, graduating in 1991 and subsequently trained to be an English Barrister specialising in banking law qualifying in 1993.

David Fisher
Non-Executive Director
David Andrew Fisher has over 30 years of experience in business, finance and law. He is currently (a) Board Member at Innova Capital, a PE firm in Central Europe, (b) Chairman of the Board of Da Vinci PE Fund 1 and Chairman of the Investment Committee of Da Vinci PE Fund 2, both CIS PE funds, (c) Investment Committee Member at Taxim Capital, a Turkish mid-cap PE fund, and (d) Advisory Board

member of TCA Fund Management Group, a global SME credit fund manager. He has also taken on several projects on behalf of major shareholders to fix funds and companies going through difficult periods.
Mr. Fisher served as a Captain in the US Army, is a member of MENSA, and holds degrees from Davidson College (BA), Vanderbilt Law School (JD), and Harvard Business School (MBA). He is an American citizen who resided in Europe for more than 15 years and worked in many emerging markets. Currently, he spends about a third of his time on charitable activities and speaks at numerous investing conferences. He strongly supports sustainable and inclusive international economic development as a way to create a fair, prosperous and peaceful planet.

Kenneth Watterson
Non-Executive Director
Kenneth has more than 25 years of experience within the financial services industry. His specific areas of expertise include compliance and risk management, operations and change management. Kenneth holds a Master's degree from the University of St. Andrews and a Master's degree from London Guildhall University in Financial Regulation & Compliance Management, specialising in Corporate Governance. He has board experience within a number of UK, Isle of Man and Channel Islands companies. Kenneth has worked with Coutts and Close Bros international private banks and as the Chief Operating Officer and director of a US$1.6 billion hedge fund group. He is a chartered fellow of the Institute of Directors.

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

We have audited the financial statements of Argo Group Limited for the year ended 31 December 2015 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Cash Flows and the Group Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective Responsibilities of Directors and Auditor

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

Scope of the audit of the consolidated financial statements

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

In addition, we read all the financial and non-financial information in the consolidated financial statements to identify material inconsistencies within the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the consolidated financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the EU.

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

Opinion on the consolidated financial statements (continued)

Emphasis of matter

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

Valuation of investment in the Sudan Recovery Fund Limited (SRF)

The valuation of the investment in the Sudan Recovery Fund as disclosed in note 10 to the financial statements is based on various assumptions and limiting conditions, many of which are difficult to assess given the inherent uncertainties as to the ultimate outcome. No current audited financial statements could be obtained for the Sudan Recovery Fund. Refer to note 10 for further information.

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

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
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29 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2015

	Note	Year ended 31 December 2015 US$'000	Year ended 31 December 2014 US$'000
Management fees		5,091	6,660
Other income		639	805
Revenue	2(e), 3	5,730	7,465
Legal and professional expenses		(388)	(387)
Management and incentive fees payable	2(f)	(79)	(116)
Operational expenses		(910)	(1,056)
Employee costs	4	(2,155)	(2,935)
Foreign exchange gain		69	24
Bad debts	11	(1,997)	(4,104)
Depreciation	9	(46)	(98)
Operating profit/(loss)	6	224	(1,207)
Interest income on cash and cash equivalents		190	218
Loss on investments		(3,342)	(985)
Loss on ordinary activities before taxation	3	(2,928)	(1,974)
Taxation	7	(250)	(39)
Loss for the year after taxation attributable to members of the Company	8	(3,178)	(2,013)

Other comprehensive income			
Exchange differences on translation of foreign operations		(380)	(487)
Total comprehensive loss for the year		(3,558)	(2,500)

		Year ended 31 December 2015 US$	Year ended 31 December 2014 US$
Earnings per share (basic)	8	(0.05)	(0.03)
Earnings per share (diluted)	8	(0.04)	(0.03)

The directors consider that all results derive from continuing activities.

The notes on pages 20 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	At 31 December 2015 US$'000	At 31 December 2014 US$'000
Assets			
Non-current assets			
Fixtures, fittings and equipment	9	64	107
Investments	10	4,896	18,435
Loans and advances receivable	13	1,783	2,357
Total non-current assets		6,743	20,899
Current assets			
Investments	10	11,896	-
Trade and other receivables	11	966	2,517
Cash and cash equivalents	12	3,126	2,821
Loans and advances receivable	13	-	132
Total current assets		15,988	5,470
Total assets	3	22,731	26,369
Equity and liabilities			
Equity			
Issued share capital	14	674	674
Share premium		30,878	30,878
Revenue reserve		(6,239)	(3,061)
Foreign currency translation reserve	2(d)	(2,876)	(2,496)
Total equity		22,437	25,995
Current liabilities			
Trade and other payables	15	236	321
Taxation payable	7	58	53
Total current liabilities	3	294	374
Total equity and liabilities		22,731	26,369

These consolidated financial statements were approved by the Board of Directors on 29 March 2016 and signed on its behalf by:

Kyriakos Rialas　　　　Michael Kloter

Chief Executive Officer Non-Executive Chairman

The notes on pages 20 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED 31 DECEMBER 2015

	Issued share capital 2014	Share premium 2014	Revenue reserve 2014	Foreign currency translation reserve 2014	Total 2014
	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January 2014	**674**	**30,878**	**(1,048)**	**(2,009)**	**28,495**
Total comprehensive income					
Loss for the period after taxation	-	-	(2,013)	(487)	(2,500)
As at 31 December 2014	**674**	**30,878**	**(3,061)**	**(2,496)**	**25,995**

	Issued share capital 2015	Share premium 2015	Revenue reserve 2015	Foreign currency translation reserve 2015	Total 2015
	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January 2015	**674**	**30,878**	**(3,061)**	**(2,496)**	**25,995**
Total comprehensive income					
Loss for the period after taxation	-	-	(3,178)	(380)	(3,558)
As at 31 December 2015	**674**	**30,878**	**(6,239)**	**(2,876)**	**22,437**

The notes on pages 20 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2015

	Note	Year ended 31 December 2015 US$'000	Year ended 31 December 2014 US$'000
Net cash inflow/(outflow) from operating activities	17	2,128	(630)
Cash flows from investing activities			
Interest received on cash and cash equivalents		14	1
Purchase of non-current asset investments		(1,700)	-
Purchase of fixtures, fittings and equipment	9	(8)	(38)
Net cash used in investing activities		**(1,694)**	**(37)**
Net increase/(decrease) in cash and cash equivalents		**434**	**(667)**
Cash and cash equivalents at 1 January 2015 and		2,821	3,726
Foreign exchange loss on cash and cash equivalents		(129)	(238)
Cash and cash equivalents as at 31 December 2015 and 31 December 2014		**3,126**	**2,821**

The notes on pages 20 to 42 form part of these consolidated financial statements.

1. CORPORATE INFORMATION

The Company is domiciled in the Isle of Man under the Companies Act 2006. Its registered office is at 33-37 Athol Street, Douglas, Isle of Man, IM1 1LB and the principal 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 24 (2014: 27) 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
North Asset Management Sarl	Luxembourg

2. ACCOUNTING POLICIES

(a) Accounting convention

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

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 2017. 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 accounts. The key assumptions within the forecast financial information include the settlement of a portion of management fees due from funds under management. These cash flows are linked to the liquidity of the major funds under management of the Group. AREOF and ASSF have significant liquidity challenges at present and therefore the timings of cash inflows to the Group are uncertain. The settlement of receivables may be dependent on the realisation of assets held or other restrictions which are exposed to economic and political risks associated with the particular assets held and the regions in which they are domiciled, outside of management control. As a result of current trading the Board has also considered forecast financial information under continued stressed trading conditions. Should such a scenario arise the Group may be required to take alternative mitigating actions during the forecast period.

In the Directors’ view activities are continuing on the above satisfactorily and they have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

(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 Comprehensive Income. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed at least annually for impairment. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income.

Impairment of intangible assets

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

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

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

(d) Foreign currency translation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

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

(e) Revenue

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

Management and incentive fees receivable

The Group recognises revenue for providing management services to mutual 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 management contract has a fixed term expiring on 31 July 2018.

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) Management and incentive fees payable

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

(g) Depreciation

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

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

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

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

All investments are classified as held at fair value through profit or loss. Investments are initially recognised at fair value. Transaction costs are expensed as incurred. After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the Consolidated Statement of Comprehensive Income.

2. ACCOUNTING POLICIES (continued)

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

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, Argo Special Situations Fund LP and Argo Local Markets Fund are stated at fair value, being the recoverable amount.

(i) Trade date accounting

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

(j) Financial instruments

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

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

Trade and other receivables

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

Cash and cash equivalents

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

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

Trade payables

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

(k) Loans and borrowings

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

All loans and borrowings receivable are initially recognised at cost and subsequently measured at amortised cost. An estimate for provision for recovery is made when collection is no longer probable.

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

2. ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

- 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.

(o) Operating leases

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

2. ACCOUNTING POLICIES (continued)

(p) Financial instruments and fair value hierarchy

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

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

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

(q) Future changes in accounting policies

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

New/Revised International Financial Reporting Standards (IAS/IFRS)	**EU Effective date** (accounting periods commencing on or after)
Annual Improvements to IFRSs 2012–2014 Cycle – various standards	31 December 2016
Amendments to IAS 1 – Disclosure Initiative	31 December 2016
IFRS 9 Financial Instruments (issued on 24 July 2014)	1 January 2018

The directors do not expect the adoption of these standards and interpretations to have a material impact on the Group’s financial statements in the period of initial application, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group’s 2018 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

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

(r) Dividends payable

Interim and final dividends are recognised when declared.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2015

3. SEGMENTAL ANALYSIS

The Group operates as a single asset management business.

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

	Argo Group Ltd	Argo Capital Management (Cyprus) Limited	Argo Capital Management Limited	Argo Capital Management Property Limited	Year ended 31 December
	2015	2015	2015	2015	2015
	US$'000	US$'000	US$'000	US$'000	US$'000
Total revenues for reportable segments	2,250	1,650	2,047	2,859	8,806
Intersegment revenues	(2,250)	-	(826)	-	(3,076)
Total profit/(loss) for reportable segments	(3,743)	1,688	265	(1,098)	(2,888)
Intersegment profit/ (loss)	-	826	(826)	-	-
Total assets for reportable segments	17,335	1,419	2,525	1,876	23,155
Total liabilities for reportable segments	91	89	98	475	753

Revenues, profit or loss, assets and liabilities may be reconciled as follows:	Year ended 31 December 2015
	US$'000
Revenues	
Total revenues for reportable segments	8,806
Elimination of intersegment revenues	(3,076)
Group revenues	**5,730**
Profit or loss	
Total loss for reportable segments	(2,888)
Other unallocated amounts	(40)
Loss on ordinary activities before taxation	**(2,928)**

Assets	
Total assets for reportable segments	23,155
Elimination of intersegment receivables	(424)
Group assets	**22,731**
Liabilities	
Total liabilities for reportable segments	753
Elimination of intersegment payables	(459)
Group liabilities	**294**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2015

3. SEGMENTAL ANALYSIS (continued)

	Argo Group Ltd	Argo Capital Management (Cyprus) Limited	Argo Capital Management Limited	Argo Capital Management Property Limited	Year ended 31 December
	2014	2014	2014	2014	2014
	US$'000	US$'000	US$'000	US$'000	US$'000
Total revenues for reportable segments	250	3,199	2,397	3,455	9,301
Intersegment revenues	250	-	1,586	-	1,836
Total profit/(loss) for reportable segments	(1,211)	78	119	(998)	(2,012)
Intersegment profit/ (loss)	(250)	1,845	(1,586)	-	9
Total assets for reportable segments	18,811	3,621	2,632	2,910	27,974
Total liabilities for reportable segments	75	1,707	169	103	2,054

Revenues, profit or loss, assets and liabilities may be reconciled as follows:	Year ended 31 December 2014
	US$'000
Revenues	
Total revenues for reportable segments	9,301
Elimination of intersegment revenues	(1,836)
Group revenues	**7,465**
Profit or loss	
Total loss for reportable segments	(2,012)
Elimination of total intersegment losses	9
Other unallocated amounts	29
Loss on ordinary activities before taxation	**(1,974)**
Assets	
Total assets for reportable segments	27,974
Elimination of intersegment receivables	(1,605)
Group assets	**26,369**
Liabilities	
Total liabilities for reportable segments	2,054

Elimination of intersegment payables	(1,680)
Group liabilities	**374**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2015

4. EMPLOYEE COSTS

	Year ended 31 December 2015 US$'000	Year ended 31 December 2014 US$'000
Wages and salaries	1,911	2,636
Social security costs	179	229
Other	65	70
	2,155	2,935

5. KEY MANAGEMENT PERSONNEL REMUNERATION

Included in employee costs are payments to the following:

	Year ended 31 December 2015 US$'000	Year ended 31 December 2014 US$'000
Directors and key management personnel	1,047	1,286

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

	Salaries US$'00	Fees US$'00	Benefits US$'00	Cash bonus US$'00	Year ended 31 December 2015 US$'000	Year ended 31 December 2014 US$'000
Executive Directors						
Kyriakos Rialas	202	-	-	-	202	240
Andreas Rialas	221	-	4	-	225	242
Non-Executive Directors						
Michael Kloter	-	80	-	-	80	84
David Fisher	-	54	-	-	54	58
Ken Watterson	-	55	-	-	55	59

6. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	Year ended 31 December	Year ended 31 December

	2015 US$'000	2014 US$'000
Auditors' remuneration	105	122
Depreciation	46	98
Directors' fees	963	1,079
Operating lease payments	199	243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2015

7. TAXATION

Taxation rates applicable to the parent company and the Cypriot, UK, Luxembourg and Romanian subsidiaries range from 0% to 20.25% (2014: 0% to 21.5%).

Income Statement

	Year ended 31 December 2015 US$'000	Year ended 31 December 2014 US$'000
Taxation charge for the year on Group companies	250	39
Tax on loss on ordinary activities	250	39

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

	Year ended 31 December 2015 US$'000	Year ended 31 December 2014 US$'000
Loss before tax	(2,928)	(1,974)
Applicable Isle of Man tax rate for Argo Group Limited of	-	-
Timing differences	5	2
Non-deductible expenses	7	14
Other adjustments	(66)	(50)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	304	73
Tax charge	250	39

Balance Sheet

	At 31 December 2015 US$'000	At 31 December 2014 US$'000
Corporation tax payable	58	53

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2015

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 2015 US$'000	Year ended 31 December 2014 US$'000
Loss for the year after taxation attributable to members	(3,178)	(2,013)

	No. of shares	No. of shares
Weighted average number of ordinary shares for basic earnings	67,428,494	67,428,494
Effect of dilution (note 21)	4,090,000	4,090,000
Weighted average number of ordinary shares for diluted earnings per share	71,518,494	71,518,494

	Year ended 31 December 2015 US$	Year ended 31 December 2014 US$
Earnings per share (basic)	(0.05)	(0.03)
Earnings per share (diluted)	(0.04)	(0.03)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2015

9. **FIXTURES, FITTINGS** AND EQUIPMENT

	Fixtures, fittings & equipment US$'000
Cost	
At 1 January 2014	408
Additions	38
Disposals	(161)
Foreign exchange movement	(31)
At 31 December 2014	254
Additions	8
Foreign exchange movement	(17)
At 31 December 2015	245
Accumulated Depreciation	
At 1 January 2014	231
Depreciation charge for period	98
Disposals	(159)
Foreign exchange movement	(23)
At 31 December 2014	147
Depreciation charge for period	46
Foreign exchange movement	(12)
At 31 December 2015	181
Net book value	
At 31 December 2014	107
At 31 December 2015	64

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2015

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Holding	Investment in management shares	31 December 2015 Total cost US$'000	31 December 2015 Fair value US$'000
10	The Argo Fund Ltd	-	-
100	Argo Distressed Credit Fund Ltd	-	-
1	Argo Special Situations Fund LP	-	-
1	Argo Local Markets Fund	-	-
		-	**-**

Holding	Investment in ordinary shares	Total cost US$'000	Fair value US$'000
51,261	The Argo Fund Ltd*	11,159	10,230
10,899,021	Argo Real Estate Opportunities Fund	988	119
115	Argo Special Situations Fund LP	115	17
2,117	Argo Local Markets Fund Limited*	1,700	1,666
40,272	Sudan Recovery Fund Limited	4,760	4,760
		18,722	**16,792**

Holding	Investment in management shares	31 December 2014 Total cost US$'000	31 December 2014 Fair value US$'000
10	The Argo Fund Ltd	-	-
100	Argo Distressed Credit Fund Ltd	-	-
1	Argo Special Situations Fund LP	-	-
1	Argo Local Markets Fund	-	-
		-	**-**

Holding	Investment in ordinary shares	Total cost US$'000	Fair value US$'000
75,165	The Argo Fund Ltd	16,343	18,165
10,899,021	Argo Real Estate Opportunities Fund	988	199
115	Argo Special Situations Fund LP	115	71

	17,446	**18,435**

*Classified as current in the Statement of Financial Position

During the period TAF made a distribution which was settled as a dividend in specie of Sudan Recovery Fund ("SRF") shares. This election was made on 29 December 2015 and the shares in SRF were allotted on 8 January 2016.

The SRF invests solely in Sudan Sovereign debt which is in default and is highly illiquid. The valuation of the underlying debt is based on a number of assumptions including the expected recoverable amount of the Highly Indebted Poor Countries Initiative (HIPC) debt forgiveness programme that both multilateral and commercial creditors could potentially provide to Sudan. No active market or quoted prices for financial instruments exists. Had an active market existed the fair value of this position may have been significantly different to that which has been reported in these financial statements. No current audited financial statements for the Sudan Recovery Fund were available. These represent inherent uncertainties to the recoverable value of the investment.

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

On 3 March 2014 Argo Real Estate Opportunities Fund Limited ("AREOF") delisted from AIM as a result of default notices on its loans creating uncertainty. The prevailing equity price of AREOF shares at the time of the suspension in August 2013 was 2.0 euro cents. The valuation of Argo Group Limited's investment in AREOF and that of the Argo funds was 1.0 euro cent as at 31 December 2015. This investment is classified as level 3 under IFRS fair value hierarchy reflecting the non-market observable inputs to its valuation. The audit report in respect of AREOF for the year ended 30 September 2015 was modified in respect of going concern and investment property valuations. Since the year end the Group has redeemed its investment in ALMF for US$1.6 million.

11. TRADE AND OTHER RECEIVABLES

	At 31 December 2015 US$ '000	At 31 December 2014 US$ '000
Trade receivables	829	2,359
Other receivables	66	65
Prepayments and accrued income	71	93
	966	2,517

The directors consider that the carrying amount of trade and other receivables approximates their fair value. All trade receivable balances are recoverable within one year from the balance sheet date. Since the year end the Group received US$480,000 as part settlement of these trade receivables.

The Group has provided Argo Real Estate Opportunities Fund Limited ("AREOF") with a notice of deferral in relation to the amounts due from the provision of investment management services, under which it will not demand payment of such amounts until the Group judges that AREOF is in a position to pay the outstanding liability. These amounts accrued or receivable at 31 December 2015 total US$Nil (2014:Nil) after a bad debt provision of US$7,164,702 (€6,569,505) (2014: US$5,554,234 (€4,569,505)). 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. 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.

In the audited financial statements of AREOF at 30 September 2015 a material uncertainty surrounding the refinancing of bank debts was referred to in relation to the basis of preparation of the financial statements. In the view of the directors of AREOF, discussions with the banks are continuing satisfactorily and they have therefore concluded that it is appropriate to prepare those financial statements on a going concern basis.

At the year end Argo Special Situations Fund LP owed the Group total management fees of US$689,310 (2014: US$436,838). This Fund is currently facing liquidity issues due to the debt financing arrangement put in place in 2014 however management continue to work to remedy this and the Directors are confident that these fees may be recovered in the future. Since the year end the Group received US$350,000 as part settlement of these management fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2015

12. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents is a balance of US$30,000 (2014: US$79,000) 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. LOANS AND ADVANCES RECEIVABLE

	At 31 December 2015 US$'000	At 31 December 2014 US$'000
Deposits on leased premises - current	-	6
Deposits on leased premises - non-current	90	96
Other loans and advances receivable - current	-	126
Other loans and advances receivable – non-current (see below)	1,693	2,261
	1,783	2,489

The non-current other loans and advances receivable comprise:

	At 31 2015 US$'000	At 31 December 2014 US$'000
Loan to Bel Rom Trei (see note (a) below)	1,437	1,456
Loan to AREOF (see note (b) below)	24	552
Loan to The Argo Fund Limited (see note (c) below)	22	150
Loans to other AREOF Group entities (see note (d) below)	208	102
Other loans	2	1
	1,693	2,261

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

	At 31 December 2015 US$'000	At 31 December 2014 US$'000
Current:		
Lease expiring within one year	-	6

	At 31 December 2015 US$'000	At 31 December 2014 US$'000
Non-current:		
Lease expiring in second year after balance sheet date	78	-
Lease expiring in third year after balance sheet date	-	96
Lease expiring in fourth year after balance sheet date	12	-
	90	96

13. LOANS AND ADVANCES RECEIVABLE (continued)

(a) In 2013 Argo Group advanced US$1,090,600 (€1,000,000) to Bel Rom Trei ("Bel Rom"), an AREOF Group entity based in Romania that owns Sibiu Shopping City, in order to assist with its operational cash requirements. Challenging trading conditions have impacted Bel Rom's cash flow and its ability to meet payments due to lending banks as and when they fall due. The situation is being remedied by way of discussions with the lending banks with a view to restructuring these loans. While these discussions are on-going to find an agreeable solution for both parties, Bel Rom continues to enjoy the support of its banks. The loan is repayable on demand and accrues interest at 12%. The full amount of the loan and accrued interest amounting to US$1,437,321 (€1,317,918) remains outstanding at the year end. The Directors consider this loan to be fully recoverable on the basis that conditional offers to buy the centre have been received that indicate a value in excess of the debt attached to the project. Notwithstanding its repayable on demand terms, the Directors have classified this amount as non-current within the financial statements as it is not their intention to demand repayment in the immediate future and it is unlikely that Bel Rom will repay the amount in the next 12 months even if it were demanded. Refer to notes 10 and 11 for further information regarding the financial position of AREOF.

(b) On 21 November 2013 the Argo Group provided a loan of US$424,200 (€388,960) to AREOF at a rate of 10% per annum to enable the company to service interest payments under a bank loan agreement. A bad debt provision has been raised against the full amount of the loan and accrued interest amounting to US$513,804 (€471,120).

The Argo Group provided a further loan of US$24,211 (€22,200) to AREOF to assist with its operational cash requirements. The loan is interest free and repayable on demand. The full amount of the loan remains outstanding at the year end.

(c) On 5 December 2014 the Argo Group provided a loan of US$150,000 to The Argo Fund Limited to assist with its operational cash requirements. This loan with interest accrued at 5% was repaid in October 2015. During the year a further loan of US$22,203 (£15,000) was provided to The Argo Fund Limited which is interest free and repayable on demand.

(d) The Argo Group has provided total loans of US$207,412 (€190,182) to various AREOF Group entities to assist those entities with their operational cash requirements. The loans are interest free and repayable on demand. The full amount of these loans remains outstanding at the year end.

14. SHARE CAPITAL

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

	31 December 2015 No.	31 December 2015 US$'000	31 December 2014 No.	31 December 2014 US$'000
Issued and fully paid				
Ordinary shares of US$0.01 each	67,428,494	674	67,428,494	674
	67,428,494	**674**	**67,428,494**	**674**

The directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (31 December 2014: Nil). Going forward, the Company intends, subject to its financial performance, to pay a final dividend each year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2015

15. TRADE AND OTHER PAYABLES

	At 31 December 2015 US$ '000	At 31 December 2014 US$ '000
Trade and other payables	32	91
Other creditors and accruals	204	230
	236	321

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

16. OBLIGATIONS UNDER OPERATING LEASES

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

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

	At 31 December 2015 US$ '000	At 31 December 2014 US$ '000
Operating lease liabilities:		
Within one year	203	234
In the second to fifth years inclusive	279	565
Present value of minimum lease payments	482	799

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

	Year ended 31 December	Year ended 31 December

	2015 US$ '000	2014 US$ '000
Loss on ordinary activities before taxation	(2,928)	(1,974)
Interest income	(190)	(218)
Depreciation	46	98
Loss on disposal of fixed assets	-	2
Decrease in payables	(85)	(67)
Decrease in receivables	2,257	618
Decrease in fair value of current asset investments	3,342	985
Net foreign exchange gain	(69)	(24)
Income taxes paid	(245)	(50)
Net cash inflow/(outflow) from operating activities	2,128	(630)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2015

18. RELATED PARTY TRANSACTIONS

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

At the balance sheet date the Company holds investments in The Argo Fund Limited, Argo Real Estate Opportunities Fund Limited ("AREOF"), Argo Special Situations Fund LP, Argo Local Markets Fund Limited and Sudan Recovery Fund Limited. These investments are reflected in the accounts at a fair value of US$10,230,308, US$118,865, US$16,849, US$1,666,102 and US$4,760,264 respectively.

The Group has provided AREOF with a notice of deferral in relation to the amounts due from the provision of investment management services, under which it will not demand payment of such amounts until the Group judges that AREOF is in a position to pay the outstanding liability. These amounts accrued or receivable at 31 December 2015 total US$Nil (2014:Nil) after a bad debt provision of US$7,164,702 (€6,569,505) (2014: US$5,554,234 (€4,569,505)). 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. The AREOF management contract has a fixed term expiring on 31 July 2018.

On 21 November 2013 the Argo Group provided a loan of US$424,200 (€388,960) to AREOF at a rate of 10% per annum to enable the company to service interest payments under a bank loan agreement. A bad debt provision has been raised against the full amount of the loan and accrued interest amounting to US$513,804 (€471,120).

At the year end Argo Group was owed US$1,437,321 (€1,317,918) including interest of US$346,721 (€317,917) by Bel Rom Trei Srl, an AREOF Group entity based in Romania that owns Sibiu Shopping City. The loan is repayable on demand and accrues interest at 12%.

At the year end Argo Group was owed a total balance of US$231,624 (€212,381) by other AREOF Group entities. This balance comprises various loans that are all unsecured, interest free and repayable on demand.

At the year end the Argo Group was owed US$22,203 (£15,000) by The Argo Fund Limited. The loan is interest free and repayable on demand.

In addition to the above the Argo Group is owed a further US$1,055,549 (€967,861) by AREOF Group entities against which a bad debt provision has been raised.

In the audited financial statements of AREOF at 30 September 2015 a material uncertainty surrounding the refinancing of bank debts was referred to in relation to the basis of preparation of the financial statements. In the view of the directors of AREOF, discussions with the banks are continuing satisfactorily and they have therefore concluded that it is appropriate to prepare those financial statements on a going concern basis.

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

19. 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 balance sheet.

At the reporting date, the financial net assets past due but not impaired amounted to US$2,148,606 (2014:US$4,465,756).

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.

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(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$2,275,000, Sterling – US$693,000, Euros - US$123,000 and Romanian Lei – US$35,000.

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 2015 the exposure would be a profit or loss to the Consolidated Statement of Comprehensive Income of approximately US$43,000 (2014: US$40,000).

(g) Interest rate risk

The interest rate profile of the Group at 31 December 2015 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	16,792	-	-	16,792

Loans and receivables	2,749	-	1,437	1,312
Cash and cash equivalents	3,126	602	2,274	250
	22,667	602	3,711	18,354
Financial liabilities				
Trade and other payables	236	-	-	236

* Changes in the interest rate may cause movements.

The average interest rate at the year end was 0.01%. Any movement in interest rates would have an immaterial effect on the profit/(loss) for the period.

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

The interest rate profile of the Group at 31 December 2014 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	18,435	-	-	18,435
Loans and receivables	5,006	83	1,456	3,467
Cash and cash equivalents	2,821	160	2,011	650
	26,262	243	3,467	22,552
Financial liabilities				
Trade and other payables	321	-	-	321

* Changes in the interest rate may cause movements.

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

(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 2015 US$ '000	At 31 December 2014 US$ '000
Financial Assets		
Financial assets at fair value through profit or loss	16,792	18,435
Loans and receivables	2,749	5,006
Cash and cash equivalents	3,126	2,821
	22,667	26,262
Financial Liabilities		
Trade and other payables	236	321

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.

19. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Fair value hierarchy

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

	At 31 December 2015			
	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
Financial assets at fair value through profit or loss	-	11,896	4,896	16,792

	At 31 December 2014			
	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
Financial assets at fair value through profit or loss	-	-	18,435	18,435

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 2015	199	18,236	18,435
Total losses recognized in profit or loss	(80)	(3,262)	(3,342)
Purchases	-	6,461	6,461
Sales	-	(4,762)	(4,762)
Transfer to level 2		(11,896)	(11,896)
Balance as at 31 December 2015	119	4,777	4, 896

20. EVENTS AFTER THE BALANCE SHEET DATE

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

21. SHARE-BASED INCENTIVE PLANS

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

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

The principal assumptions for valuing the options were:

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

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

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

	Weighted average exercise price	No. of share options
Outstanding at beginning of period	24.0p	4,090,000
Granted during the period	-	-
Forfeited during the period	24.0p	-
Outstanding at end of period	24.0p	4,090,000
Exercisable at end of period	24.0p	4,090,000

The options outstanding at 31 December 2015 have an exercise price of 24p and a weighted average contractual life of 10 years, with the fourth and final tranche of shares being exercisable on or after 1 May 2015.Outstanding share options are contingent upon the option holder remaining an employee of the Group. They expire after 10 years.

No share options were issued during the period.