ARGO

Argo Group Limited

Unaudited Interim Report and Accounts for the Six Months Ended 30 June 2015

MANAGEMENT AND ADMINISTRATION

DIRECTORS
Michael Kloter
Kyriakos Rialas
Andreas Rialas
David Fisher
Kenneth Watterson

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

PRINCIPAL BANKERS
The Royal Bank of Scotland
97 Bond Street
London
W1S IEU

Bank of Cyprus
51 Stasinos Street
Ayia Paraskevi
Nicosia
Cyprus

AUDITORS
KPMG Audit LLC
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

NOMINATED ADVISER AND STOCKBROKER
Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF

REGISTRAR
Capita Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

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CHAIRMAN'S STATEMENT

Key highlights for the six month period ended 30 June 2015

- Revenues US$3.1 million (six months to 30 June 2014: US$3.9 million)
- Operating profit US$0.2 million (six months to 30 June 2014: loss US$0.5 million)
- Loss before tax US$4.2 million (six months to 30 June 2014: loss US$0.5 million)
- Net assets US$21.5 million (31 December 2014: US$26.0 million)

The Group and its investment objective

Argo's investment objective is to provide investors with absolute returns in the funds that it manages by investing in, 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 interim results of Argo Group Limited for the half year ended 30 June 2015.

For the six month period ended 30 June 2015 the Group generated revenues of US$3.1 million (six months to 30 June 2014: US$3.9 million) with management fees accounting for US$2.8 million (six months to 30 June 2014: US$3.5 million). The Group did not generate incentive fees during the current or prior period.

Total core operating costs for the period are US$1.7 million compared to US$2.7 million for the six months to 30 June 2014 as a result of cost cutting initiatives implemented in the first half of 2014. Total operating costs have fallen by US$1.5 million to US$2.9 million (six months to 30 June 2014: US$4.4 million) after bad debt provision. During the period the Group provided against management fees of US$1,117,000 (€1,000,000) (six months to 30 June 2014: US$1,371,000 (€1,000,000)) due from Argo Real Estate Opportunities Fund Limited ("AREOF").

Overall, the financial statements show an operating profit for the period of US$0.2 million (six months to 30 June 2014: loss US$0.5 million) and a loss before tax of US$4.2 million (six months to 30 June 2014: loss US$0.5 million) reflecting the unrealised loss on non-current asset investments of US$4.5 million (six months to 30 June 2014: unrealised loss US$0.1 million).

At the period end, the Group had net assets of US$21.5 million (31 December 2014: US$26.0 million). The Group did not pay a dividend during the period.

Net assets include investments in The Argo Fund Limited, AREOF and Argo Special Situations Fund LP at fair values of US$13.8 million (31 December 2014: US$18.2 million), US$0.1 million (31 December 2014: US$0.2 million) and US$0.06 million (31 December 2014: US$0.07 million) respectively. Our continued investment in our funds supports the liquidity of those funds and demonstrates the commitment of the Group towards its fund investors. This close alignment results in a high correlation between the performance of the Company and the performance of its funds. It should be noted, however, that the Group does not intend to and may not be able to realise these investments in the immediate future due to the illiquid nature of the assets held by these funds.

CHAIRMAN'S STATEMENT (continued)

Business and operational review (continued)

At the period end the Argo funds (excluding AREOF) owed the Group total management fees of US$4,014,731 (31 December 2014: US$2,361,599) after a bad debt provision of US$1,300,000 (31 December 2014: US$1,300,000). These funds have a substantial asset base with few liabilities. They are currently facing a short term liquidity issue which is being remedied and whilst a bad debt provision has been raised against these management fees the directors are confident that they are fully recoverable.

The Argo funds (excluding AREOF) ended the period with Assets under Management ("AUM") at US$165.7 million, 6.6% lower than at the beginning of the period. 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. In line with last year the Group's cost base will remain under constant review ensuring 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 30 June 2015 was 24 (30 June 2014: 30).

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 30 June 2015 total US$ Nil (31 December 2014: Nil) after a bad debt provision of US$6,178,809 (€5,569,505) (31 December 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. The AREOF management contract has a fixed term expiring on 31 July 2018. 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.

Fund performance

Argo Funds

Fund	Launch date	30 June 2015 6 months	30 June 2014 6 months	2014 year total	Since inception	Annualised performance	Sharpe ratio	Down months	AUM
		%	%	%	%	CAGR %			US$m
The Argo Fund	Oct-00	-1.45	-0.51	-4.94	138.17	6.78	0.59	51 of 177	87.7
Argo Distressed Credit Fund	Oct-08	-0.44	-0.28	-4.64	65.24	8.23	0.71	36 of 81	24.6
Argo Special Situations Fund LP	Feb-12	-16.18	-5.84	-17.16	-48.10	-17.49	-1.17	35 of 41	49.9
Argo Local Markets Fund	Nov-12	-5.35	-2.14	-6.19	-18.66	-7.38	-1.88	23 of 32	3.5
Argo Real Estate Opportunities Fund	Aug-06	-111.07	21.30	-113.43	-100.8	n/a	n/a	54 of 98	0*
Total									**165.7**

* NAV only officially measured once a year in September.

CHAIRMAN'S STATEMENT (continued)

Fund performance (continued)

Emerging markets had a mixed start to the year with currencies being particularly affected. A combination of factors including the continuation of the Ukrainian conflict, the low but stabilizing oil prices and the continued strength of the US economy saw further falls in emerging currencies. By the end of the period emerging markets were impacted by persistent fears over the consequences of volatility in the Chinese stock markets and expectations of slower global growth with the ever present risk of another Euro crisis precipitated by a Greek default on their unsustainable debt level.

Against this varied and challenging economic and market backdrop, fund performance was lacklustre with all of the Argo funds finishing behind at the period end. By comparison, the main hedge fund indices showed a small positive return of 0.6% for the same period.

During the period we progressed our discussions with a number of investors in relation to various illiquid assets. Despite difficult market conditions we are pleased to report that we expect The Argo Fund Limited, Argo Distressed Credit Fund Limited and Argo Special Situations Fund LP shortly to complete the sale of an important asset with an interested buyer. On receipt of the proceeds of sale, this would create a liquidity event for our investors. The carrying value of the Group's investments in these funds is based on the agreed sale price.

While macroeconomic conditions continue to improve, the effects on the two core markets where AREOF operates remain mixed. In Romania we are encouraged by economic growth in the first half of the year compared to the same period in 2014 whilst continuing political and economic uncertainty are impacting the Ukraine market.

Following on from AREOF's delisting from AIM on 3 March 2014 the Group's NAV is officially measured once a year in September. AREOF's adjusted Net Asset Value was minus US$6.7 million (minus €5.3 million) as at 30 September 2014, compared with US$65.7 million (€47.8 million) as at 31 March 2014. The adjusted Net Asset Value per share at 30 September 2014 was minus US$0.01 (minus €0.01) (31 March 2014: US$0.11 (€0.08)). 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 per share would be US$0.05 (€0.04) at 30 September 2014.

The reduced level of cash flow within AREOF, while being proactively managed, has resulted in breaches of terms and covenants on certain loans. 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 support of its banks. In the view of the directors discussions with the banks are continuing satisfactorily and they have therefore concluded that AREOF is a going concern.

AREOF'S ordinary shares on AIM were suspended on 30 August 2013 following breach of a loan covenant and the subsequent loan termination by the lending bank. On 3 March 2014 AREOF delisted from AIM to allow loan restructuring discussions to proceed outside of the extensive disclosure requirements that an AIM listing entails. The valuation of the investment in AREOF held by Argo Group Limited and the Argo funds has been based on the equity price of 2.0 cents prevailing at the time of the suspension with a 50% discount rate applied to that price.

Dividends

Argo is working towards the payment of a dividend which will ultimately depend on the success of the initiatives described above. The directors did not recommend a final dividend in respect of the year ended 31 December 2014 but intend to pay an interim dividend as soon as these initiatives are complete. Going forward, the Company intends, subject to its financial performance, to pay a final dividend each year.

Outlook

As investor sentiment is hit by Chinese volatility and expectations of slower global growth the Board remains optimistic about the Group's prospects. An 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 a significant increase in AUM with negligible impact on operational costs.

Our strategy remains unchanged. The top priority in the next six months will be to continue with our program to monetise certain of our investments. In the very near term our growth rate will be heavily influenced by the success of this program as well as events in Europe and the Far East. 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 September 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The directors are responsible for preparing the condensed consolidated interim financial statements in accordance with applicable law and regulations. In addition, the directors have elected to prepare the condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IAS 34: Interim Financial Statements).

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

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and to allow for the preparation of consolidated financial statements. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

DIRECTORS

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

Kyriakos Rialas
Chief Executive Officer
Kyriakos has 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 Fisher was Chairman of the Investment Committee of Innova Capital, one of Central Europe's leading private equity firms; Chairman of EnerCap Partners, a new renewable energy fund in Central Europe; and Chairman of Da Vinci CIS Private Sector Growth Fund Limited and Da Vinci PEF II Investment Committee. In June 2010 he was appointed to the Board of Argo Real Estate Opportunities Fund Limited. He has over 35 years of experience in business, finance and law. David has made and managed more than 30 private equity investments in Central & Eastern Europe in the last 20 years. He is a Chartered Director with the Institute of Directors and holds a Diploma in International Commercial Arbitration from the Chartered Institute of Arbitrators. David holds degrees from Davidson College (BA), Vanderbilt Law School (JD) and Harvard Business School (MBA). He is an American who has lived and worked in Europe for more than 15 years.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Note	Six months ended 30 June 2015 US$'000	Six months ended 30 June 2014 US$'000
Management fees		2,771	3,462
Other income		318	423
Revenue		**3,089**	**3,885**
Legal and professional expenses		(162)	(164)
Management and incentive fees payable		(34)	(62)
Operational expenses		(454)	(572)
Employee costs		(1,123)	(1,663)
Bad debt provision	9	(1,121)	(1,749)
Foreign exchange gain/(loss)		59	(129)
Depreciation	7	(23)	(72)
Operating profit/(loss)		**231**	**(526)**
Interest income on cash and cash equivalents		88	115
Unrealised loss on investments	8	(4,482)	(105)
Loss on ordinary activities before taxation		**(4,163)**	**(516)**
Taxation	5	(31)	(44)
Loss for the period after taxation attributable to members of the Company	6	**(4,194)**	**(560)**
Other comprehensive income			
Exchange differences on translation of foreign operations		(261)	98
Total comprehensive loss for the period		**(4,455)**	**(462)**

		Six months Ended 30 June 2015 US$	Six months Ended 30 June 2014 US$
Earnings per share (basic)	6	-0.06	-0.01
Earnings per share (diluted)	6	-0.06	-0.01

The Directors consider that all results derive from continuing activities.

The notes on pages 13 to 25 form part of these condensed financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	30 June 2015 US$'000	At 31 December 2014 US$'000
Assets			
Non-current assets			
Fixtures, fittings and equipment	7	85	107
Investments	8	13,953	18,435
Loans and advances receivable	10	2,472	2,357
Total non-current assets		**16,510**	**20,899**
Current assets			
Trade and other receivables	9	4,301	2,517
Cash and cash equivalents		969	2,821
Loans and advances receivable	10	192	132
Total current assets		**5,462**	**5,470**
Total assets		**21,972**	**26,369**
Equity and liabilities			
Equity			
Issued share capital	11	674	674
Share premium		30,878	30,878
Revenue reserve		(7,255)	(3,061)
Foreign currency translation reserve		(2,757)	(2,496)
Total equity		**21,540**	**25,995**
Current liabilities			
Trade and other payables		361	321
Taxation payable	5	71	53
Total current liabilities		**432**	**374**
Total equity and liabilities		**21,972**	**26,369**

These interim financial statements were approved by the Board of Directors on 29 September 2015 and signed on its behalf by:

Kyriakos Rialas
Chief Executive Officer

Michael Kloter
Non-Executive Chairman

The notes on pages 13 to 25 form part of these condensed financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Issued share capital	Share premium	Revenue reserve	Foreign currency translation reserve	Total
	2014	2014	2014	2014	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)/profit for the period after taxation	-	-	(560)	98	(462)
As at 30 June 2014	**674**	**30,878**	**(1,608)**	**(1,911)**	**28,033**

	Issued share capital	Share premium	Revenue reserve	Foreign currency translation reserve	Total
	2015	2015	2015	2015	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	-	-	(4,194)	(261)	(4,455)
As at 30 June 2015	**674**	**30,878**	**(7,255)**	**(2,757)**	**21,540**

The notes on pages 13 to 25 form part of these condensed financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Note	Six months ended 30 June 2015 US$'000	Six months ended 30 June 2014 US$'000
Net cash outflow from operating activities	12	(1,737)	(1,490)
Cash flows used in investing activities			
Interest received on cash and cash equivalents		1	1
Purchase of fixtures, fittings and equipment	7	(4)	(34)
Net cash used in investing activities		**(3)**	**(33)**
Net decrease in cash and cash equivalents		**(1,740)**	**(1,523)**
Cash and cash equivalents at 1 January 2015 and 1 January 2014		2,821	3,726
Foreign exchange (loss)/gain on cash and cash equivalents		(112)	82
Cash and cash equivalents as at 30 June 2015 and 30 June 2014		**969**	**2,285**

The notes on pages 13 to 25 form part of these condensed 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. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the year ended 31 December 2014 are available upon request from the Company's registered office or at www.argogrouplimited.com.

The principal activity of the Company is that of a holding company and the principal activity of the wider Group is that of an investment management business. The functional and presentational currency of the Group undertakings is US dollars. The Group has 24 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) Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

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 September 2016. 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 9 and 10).

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 conclusion of a sale transaction for which a share purchase agreement has been signed since the period end and settlement of management fee arrears.

2. ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2014.

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 September 2015.

b) 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

3. SEGMENTAL ANALYSIS

The Group operates as a single asset management business.

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

	Argo Group Ltd	Argo Capital Management (Cyprus) Ltd	Argo Capital Management Ltd	Argo Capital Management Property Ltd	Six months ended 30 June
	2015	2015	2015	2015	2015
	US$'000	US$'000	US$'000	US$'000	US$'000
Total revenues for reportable segments	200	883	1,211	1,435	3,729
Intersegment revenues	200	-	440	-	640
Total profit/(loss) for reportable segments	(4,456)	29	248	(47)	(4,226)
Intersegment profit/(loss)	200	(641)	440	-	(1)
Total assets for reportable segments	43,874	3,162	3,025	2,689	52,750
Total liabilities for reportable segments	99	1,259	264	75	1,697

Revenues, profit or loss, assets and liabilities may be reconciled as follows:	Six months Ended 30 June 2015
	US$'000
Revenues	
Total revenues for reportable segments	3,729
Elimination of intersegment revenues	(640)
Group revenues	**3,089**
Profit or loss	
Total loss for reportable segments	(4,226)
Elimination of intersegment loss	1
Other unallocated amounts	62
Loss on ordinary activities before taxation	**(4,163)**
Assets	
Total assets for reportable segments	52,750
Elimination of intersegment receivables	(1,180)
Elimination of Company's cost of investments	(29,598)
Group assets	**21,972**
Liabilities	
Total liabilities for reportable segments	1,697
Elimination of intersegment payables	(1,265)
Group liabilities	**432**

3. SEGMENTAL ANALYSIS (continued)

	Argo Group Ltd	Argo Capital Management (Cyprus) Ltd	Argo Capital Management Ltd	Argo Capital Management Property Ltd	Other	Six months ended 30 June
	2014	2014	2014	2014	2014	2014
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Total revenues for reportable segments	-	2,091	1,042	1,794	-	4,927
Intersegment revenues	-	-	1,042	-	-	1,042
Total profit/(loss) for reportable segments	(339)	324	(237)	(160)	-	(412)
Intersegment profit/(loss)	-	(1,046)	1,042	-	-	(4)
Total assets for reportable segments	49,173	3,891	2,570	4,298	75	60,007
Total liabilities for reportable segments	77	1,740	221	172	26	2,236

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

	Six months ended 30 June 2014
	US$'000
Revenues	
Total revenues for reportable segments	4,927
Elimination of intersegment revenues	(1,042)
Group revenues	**3,885**
Profit or loss	
Total loss for reportable segments	(412)
Elimination of intersegment loss	4
Other unallocated amounts	(108)
Loss on ordinary activities before taxation	**(516)**
Assets	
Total assets for reportable segments	60,007
Elimination of intersegment receivables	(1,869)
Elimination of Company's cost of investments	(29,599)
Group assets	**28,539**
Liabilities	
Total liabilities for reportable segments	2,236
Elimination of intersegment payables	(1,730)
Group liabilities	**506**

4. SHARE-BASED INCENTIVE PLANS

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

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

The principal assumptions for valuing the options are:

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

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The total charge to employee costs in respect of this incentive plan is nil 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 30 June 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.

5. TAXATION

Taxation rates applicable to the parent company and the Cypriot, UK, Luxembourg, Cayman and Romanian subsidiaries range from 0% to 22% (2014: 0% to 23%).

Income Statement

	Six months ended 30 June 2015 US$'000	Six months ended 30 June 2014 US$'000
Taxation charge for the period on Group companies	**31**	**44**

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

	Six months ended 30 June 2015 US$'000	Six months ended 30 June 2014 US$'000
Loss before tax	**(4,163)**	**(516)**
Applicable Isle of Man tax rate for Argo Group Limited of 0%	-	-
Timing differences	3	3
Non-deductible expenses	2	12
Other adjustments	(57)	38
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	83	(9)
Tax charge	**31**	**44**

Balance Sheet

	30 June 2015 US$'000	31 December 2014 US$'000
Corporation tax payable	**71**	**53**

6. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net loss for the period by the weighted average number of shares outstanding during the period.

	Six months ended 30 June 2015 US$'000	Six months ended 30 June 2014 US$'000
Net loss for the period after taxation attributable to members	**(4,194)**	**(560)**

	No. of shares	No. of shares
Weighted average number of ordinary shares for basic earnings per share	67,428,494	67,428,494
Effect of dilution (Note 4)	4,090,000	4,265,000
Weighted average number of ordinary shares for diluted earnings per share	**71,518,494**	**71,693,494**

	Six months ended 30 June 2015 US$	Six months ended 30 June 2014 US$
Earnings per share (basic)	-0.06	-0.01
Earnings per share (diluted)	-0.06	-0.01

7. 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	4
Foreign exchange movement	(9)
At 30 June 2015	**249**
Accumulated Depreciation	
At 1 January 2014	231
Depreciation charge for period	98
Disposal	(159)
Foreign exchange movement	(23)
At 31 December 2014	**147**
Depreciation charge for period	23
Foreign exchange movement	(6)
At 30 June 2015	**164**
Net book value	
At 31 December 2014	**107**
At 30 June 2015	**85**

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Holding	Investment in management shares	30 June 2015 Total cost US$'000	30 June 2015 Fair value US$'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
75,165	The Argo Fund Ltd	16,343	13,774
10,899,021	Argo Real Estate Opportunities Fund Ltd	988	119
115	Argo Special Situations Fund LP	115	60
		17,446	**13,953**

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 Ltd	988	199
115	Argo Special Situations Fund LP	115	71
		17,446	**18,435**

The Argo Fund Limited holds a concentrated portfolio of Level 2 and Level 3 assets that are valued based on inputs other than quoted prices in active markets. Inherently the assumptions backing these valuations are subject to additional risks that can have a positive or negative impact on valuation. The audit report in respect of The Argo Fund Limited for the year ended 30 June 2014 was modified in respect of investment valuations.

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. At the period end it is carried at a 50% discount of the last quoted bid price on AIM from August 2013. 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 2014 was qualified in respect of investment property valuations and modified in respect of going concern.

The investments held by the Group have been made in support of the Group's funds under management and in support of their liquidity profiles and as such they may not be realisable in the immediate future. The valuations are subject to uncertain events, for example, liquidity events or debt refinancing that may not be wholly within the Group's control. We expect The Argo Fund Limited, Argo Distressed Credit Fund Limited and Argo Special Situations Fund LP shortly to complete the sale of an important asset with an interested buyer. The carrying value of the Group's investments in these funds is based on the agreed sale price. During the period the carrying value of investments was reduced by USD4,482,405.

9. TRADE AND OTHER RECEIVABLES

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 except as disclosed below.

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 30 June 2015 total US$ Nil (31 December 2014: Nil) after a bad debt provision of US$6,178,809 (€5,569,505) (31 December 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 without provision from these investment management services as the timing of such receipts may be outside the control of the Company and AREOF.

At the period end The Argo Fund Limited, Argo Special Situations Fund LP, Argo Distressed Credit Fund Limited and Argo Local Markets Fund Limited owed the Group total management fees of US$4,014,731 (31 December 2014: US$2,361,599) after a bad debt provision of US$1,300,000 (2014: US$1,300,000). These funds have a substantial asset base with few liabilities. They are currently facing liquidity issues which management continue to work to remedy and whilst a bad debt provision has been raised against these management fees the Directors are confident that they may be recovered in the future.

In the audited financial statements of AREOF at 30 September 2014 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.

10. LOANS AND ADVANCES RECEIVABLE

	At 30 June 2015 US$'000	At 31 December 2014 US$'000
Loans and advances receivable - current	192	132
Loans and advances receivable - non-current (see below)	2,472	2,357
	2,664	2,489

	At 30 June 2015 US$'000	At 31 December 2014 US$'000
Loan to Bel Rom Trei (see note (a) below)	1,395	1,456
Loan to AREOF (see note (b) below)	557	552
Loan to The Argo Fund Limited (see note (c) below)	330	150
Loans to other AREOF Group entities (see note (d) below)	93	102
Deposits on leased premises	96	96
Other loans	1	1
	2,472	2,357

10. LOANS AND ADVANCES RECEIVABLE (continued)

(a) In 2013 Argo Group advanced US$1,109,400 (€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 addressed 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$1,394,987 (€1,257,424) remains outstanding at the period 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.

(b) On 21 November 2013 the Argo Group provided a loan of US$431,512 (€388,960) to AREOF to enable the company to service interest payments under a bank loan agreement. The loan is repayable on demand and accrues interest at 10%. The full amount of the loan and accrued interest amounting to USD500,908 (€451,513) remains outstanding at the period end and is secured by debentures and guarantees from underlying intermediate companies in the AREOF Group

The Argo Group provided further loans totalling US$55,597 (€50,114) to AREOF to assist with its operational cash requirements. These loans are repayable on demand and accrue interest at 7%. The full amount of these loans remain outstanding at the period end.

(c) On 5 December 2014 the Argo Group provided a loan of USD150,000 to The Argo Fund Limited to assist with its operational cash requirements. This was followed by a further loan of USD180,000 on 24 March 2015. Both loans are repayable on demand, accrue interest at 5% and remain outstanding at the period end.

(d) At the period end the Argo Group was owed USD93,329 (€84,126) by various AREOF Group entities being loans provided to assist those entities with their operational cash requirements. The loans are repayable on demand, accrue interest at 7% and remain fully outstanding at the period end.

11. SHARE CAPITAL

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

	30 June 2015 No.	30 June 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 did not recommend the payment of a final dividend for the year ended 31 December 2014 and do not recommend an interim dividend in respect of the current period.

12. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES TO LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Six months ended 30 June 2015 US$'000	Six months ended 30 June 2014 US$'000
Loss on ordinary activities before taxation	**(4,163)**	**(516)**
Interest income	(88)	(115)
Depreciation	23	72
Unrealised loss on investments	4,482	105
Net foreign exchange (gain)/loss	(59)	129
Increase in payables	40	18
Increase in receivables, loans and advances	(1,959)	(1,175)
Income taxes paid	(13)	(8)
Net cash outflow from operating activities	**(1,737)**	**(1,490)**

13. FAIR VALUE HIERARCHY

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

	At 30 June 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	-	13,774	179	13,953

	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

14. 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") and Argo Special Situations Fund LP. These investments are reflected in the accounts at a fair value of US$13,773,333, US$119,366 and US$59,514 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 30 June 2015 total US$ Nil (31 December 2014: US$ Nil) after a bad debt provision of US$6,178,809 (€5,569,505) (31 December 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.

At the period end Argo Group was owed US$1,394,986 (€1,257,425) including interest of US$285,586 (€257,424) by Bel Rom Trei Srl ("Bel Rom"), an AREOF Group entity based in Romania that owns Sibiu Shopping City. The full amount of the loan and accrued interest remains outstanding at the period 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. The loan is repayable on demand and accrues interest at 12%.

At the period end Argo Group was owed a total balance of US$556,505 (€501,627) including interest of US$69,396 (€62,553) by AREOF. This balance comprises various loans that are all repayable on demand and accrue interest at 7% and 10%. Of this balance US$500,908 (€451,513) is secured by debentures and guarantees from underlying intermediate companies in the AREOF Group. At the period end the Argo Group was owed a further USD93,329 (€84,126) by various other AREOF Group entities. This balance comprises loans that are all repayable on demand and accrue interest at 7%.

At the period end the Argo Group was owed USD330,000 by The Argo Fund Limited. The loan is repayable on demand and accrues interest at 5%.

In the audited financial statements of AREOF at 30 September 2014 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.

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