ARGO

Argo Group Limited

Unaudited Interim Report and Accounts

For the six months ended 30 June 2009

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 BANKER:	Laiki Bank 12 Hay Hill London W1J 8NR
AUDITORS:	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN
NOMINATED ADVISER AND STOCKBROKER:	Panmure Gordon (UK) Limited Moorgate Hall 155 Moorgate London EC2M 6XB

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CHAIRMAN'S STATEMENT

The company was incorporated on 14 February 2008 and acquired the Argo businesses on 13 June 2008. Whilst the comparative trading period is therefore from 14 February 2008 to 30 June 2008, financial data in respect of the Argo business has only been consolidated from 13 June 2008.

Key Highlights for the six month period ended 30 June 2009

- Encouraging performance across the Argo credit funds
- Achievement of portfolio rebalancing and restructuring objectives in spite of significant reduction in performance fee income
- Revenues of USD5.8 million (period to June 2008: USD1.5 million)
- Operating profit of USD1.5 million (period to June 2008: USD2.0 million)
- Profit before tax of USD2.0 million (period to June 2008: USD2.1 million)
- Healthy balance sheet: net assets of USD43.7 million (December 2008: USD41.0 million)

Business review

Argo is pleased to report the interim results for the half year ended 30 June 2009. The Company was incorporated in February 2008 in the Isle of Man and began trading as a new group holding company on 13 June 2008, creating a shorter comparative period of 13 June to 30 June 2008. It listed on the AIM market in November 2008.

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

For the six month period ended 30 June 2009 the Group generated revenues of USD5.8 million (period to 30 June 2008: USD1.5 million) with management fees accounting for USD5.5 million (period to 30 June 2008: USD0.9 million). Revenues reflected lower performance fee income of USD0.2 million (period to 30 June 2008: USD0.6 million) during the period due to the application of the high water-mark across the Funds. The Argo Fund Limited ("TAF") and Argo Global Special Situations Fund SP ("AGSSF"), a segregated portfolio of the Argo Capital Investors Fund SPC, will need to increase their NAV as at 31 July 2009 by 60% and 35% respectively in order to reach their high water-mark. Earnings per share were USD0.02 (period to 30 June 2008: USD0.03).

Assets under management ("AUM") decreased during the six month period ended 30 June 2009 by 28.1% to USD477.5 million from their level at 31 December 2008. The decrease of USD187 million was a result of lower market valuations and redemptions in TAF and AGSSF. The unrealised market value reductions to a number of assets across the Argo investment portfolios following the dislocation in credit markets in the second half of 2008 was a further contributing factor to the decline in AUM. To enhance value for shareholders, the Group subscribed USD11 million of existing cash resources for new shares in TAF on 5 June 2009. This allowed the Company to improve the return on assets by taking advantage of lower market valuations and achieve better returns than the prevailing rates available from bank deposits.

The Directors, having given due and careful consideration, have decided not to pay an interim dividend.

Operational review

Redemption pressure eased over the first half of the year although asset-raising conditions remained challenging. As previously announced, TAF's board of directors decided to implement a 'gate' on redemptions effective 19 November 2008. Under the terms of the gate, the Fund would meet redemption requests amounting to 10% of TAF's total number of shares at each next dealing date until all redemptions were satisfied. The gate became unnecessary in June and we expect this development to encourage new investor interest to the Fund.

CHAIRMAN'S STATEMENT (continued)

Operational review (continued)

The newly created subsidiary, AGSSF Holdings Limited ("AHL"), which was approved by AGSSF's board of directors in February to hold approximately 40% of AGSSF's existing net assets, performed well in the six-month period ended 30 June 2009. It delivered a year-to-date return of 5.47%, in part driven by more favourable mark-to-market valuations. AHL represents assets that are currently more difficult to liquidate.

The Group was also successful in recovering value from TAF and AGSSF's less liquid assets during the period. In February and March 2009, the Funds successfully realised two of their less liquid investments with positive results, namely, an Argentine distressed position that came out of bankruptcy and the exercise of a capital protection clause of an investment in preference shares of a Nigerian bank. In April 2009, a further investment was realised through the Funds' position in one of Ukraine's largest banks.

As part of the Company's efforts to restructure and rebalance portfolios to meet changing market conditions, the Argo Multi Strategy Fund was renamed Argo Distressed Credit Fund Limited ("ADCF) in April 2009. This was instituted to better reflect the Fund's evolved investment remit of capitalising on new opportunities emerging from dislocated credit markets.

Additionally, in a move to trim operating costs, the Company reduced staff salaries by 15% effective 1 April 2009 and we continue to monitor the expense base closely.

Fund performance

Performance across the range of Argo Funds was mostly encouraging for the half year ended 30 June 2009 with TAF, ADCF, AGSSF and the AHL portfolio delivering positive year-to-date returns for the period. The resurgence of emerging markets in the first six months of the year gave some of the Funds' assets the opportunity to benefit from higher market valuations. But while the return of confidence to these markets was encouraging, we felt the rally had run a little ahead of fundamental developments towards the latter part of the six month period and therefore erred on the side of caution. We positioned the Funds in line with this view by not closing all short positions.

Argo Funds

Fund	Launch date	30 June 2009 year-to-date	30 June 2008 year-to-date	2008 Year total	Since inception	Annualised performance	Sharpe ratio	Down months	AUM
		%	%	%	%	CAGR %			US$m
The Argo Fund	Oct-00	5.30	2.70	-39.86	102.56	9.35	0.48	12 of 105	122.3
Argo Global Special Situations Fund	Aug-04	5.47	5.21	-26.88	28.12	5.84	0.24	13 of 59	143.6
AGSSF Holdings	Feb-09	5.80	N/A	N/A	5.80	14.70	1.55	2 of 5	66.2
Argo Distressed Credit Fund	Oct-08	6.03	N/A	0.49	5.83	7.17	0.73	3 of 9	12.4
Argo Real Estate Opportunities Fund	Aug-06	-60.52	0.32	-2.13	-49.58	-20.88	N/A	12 of 36	62.9*
Argo Capital Partners Fund	Aug-06	-2.7	2.3	-37.51	28	9	N/A	N/A	70.05
Total									**477.5**

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

CHAIRMAN'S STATEMENT (continued)

Fund performance (continued)

The Argo Real Estate Opportunities Fund Limited ("AREOF"), which is more susceptible to deterioration in the real economy, was affected by rising retailer bankruptcies, increasing demand for rent concessions and a growing reluctance of tenants to make payments of their contractual obligations. Nevertheless, the Fund's two retail centre projects in Sibiu and Suceava in Romania continued to trade with 98% and 95% tenant occupancy levels, respectively. The third project, the Riviera Shopping City in Odessa, Ukraine, is due to reach completion in the 3rd quarter of 2009.

Despite the Fund's fall in AUM during the six month period ended 30 June 2009 by 59% to USD62.9 million, the Company still received management fee income from the initial capital of EUR100 million. AREOF reported an adjusted NAV of EUR48.3 million (as at 31 March 2008: EUR125.6 million).

Meanwhile, the Argo Capital Partners Fund reported a negative return of –2.7 % for the six months ended 30 June 2009 (as at 30 June 2008: 2.3%). Nevertheless, the Fund is still performing well and its underlying assets remain robust. The Fund is closed to new subscriptions.

Outlook

There has been significant turnaround in market sentiment during the last six months as the impact of massive and unprecedented government intervention has begun to be felt. Liquidity has returned in some quarters, enabling great trading volumes in the main markets but the sustainability of the global economic recovery will remain the subject of speculation for some time.

Although there are fewer opportunities now to acquire assets at prices well below fundamental value, there remains plenty of potential to profit from trading and monetising less liquid assets. The Group's multi-strategy approach to investing in emerging markets means that it is well placed to take advantage of these opportunities.

The Group is well capitalised for the current scale of operations and the Board remains committed on delivering attractive steady returns while rebuilding assets under management.

Michael Kloter
Non-Executive Chairman

Date: 27 August 2009

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 23 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, 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 is Chairman of the Investment Committee of Innova Capital, one of Central Europe’s leading private equity firms; of EnerCap Partners, a new renewable energy fund in Central Europe; and of Da Vinci CIS Private Sector Growth Fund Limited. He has over 30 years of experience in business, finance and law.

As a Partner at Innova and as the Chief Investment Officer for CARESBAC-Polska and the Romanian-American Enterprise Fund, David has made and managed more than 30 private equity investments in Central & Eastern Europe in the last 15 years. Formerly he was Group Vice President and General Counsel of Communications Equity Associates, a worldwide media, entertainment and communications merchant bank. 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 22 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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Note	Six months Ended 30 June 2009 US$'000	14 February to 30 June 2008 US$'000
Management fees		**5,485**	**944**
Incentive fees		**177**	**553**
Other income		**173**	**-**
Revenue		**5,835**	**1,497**
Legal and professional expenses		**(294)**	**(8)**
Management and incentive fees payable		**(181)**	**(191)**
Operational expenses		**(1,004)**	**(578)**
Employee costs		**(2,660)**	**(125)**
Foreign exchange gain/(loss)		**157**	**(142)**
Amortisation of intangible assets	6	**(333)**	**-**
Depreciation	7	**(54)**	**(6)**
Excess of acquirer's interest in net value of identifiable net assets		**-**	**1,556**
Operating profit		**1,466**	**2,003**
Interest income on cash and cash equivalents		**99**	**17**
Unrealised gain on investments		**481**	**72**
Profit on ordinary activities before taxation		**2,046**	**2,092**
Taxation	4	**(184)**	**-**
Profit for the period after taxation attributable to members of the Company	5	**1,862**	**2,092**
Other comprehensive income			
Exchange differences on translation of foreign operations		**895**	**155**
Total comprehensive income for the period		**2,757**	**2,247**
Earnings per share (basic)	5	**US$0.02**	**US$0.03**
Earnings per share (diluted)	5	**US$0.02**	**US$0.03**

The Directors consider that all results derive from continuing activities.

The company was incorporated on 14 February 2008 and acquired the Argo businesses on 13 June 2008 when it began to trade as a new group.

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009

	Note	At 30 June 2009 US$'000	Restated (Note 13) At 31 December 2008 US$'000
Assets			
Non-current assets			
Intangible assets	6	**17,855**	**18,110**
Fixtures, fittings and equipment	7	**206**	**237**
Loans and advances receivable		**264**	**235**
		18,325	**18,582**
Current assets			
Investments	8	**13,457**	**1,976**
Trade and other receivables		**2,366**	**2,214**
Cash and cash equivalents		**10,767**	**20,058**
Loans and advances receivable		**6**	**44**
		26,596	**24,292**
Total assets		**44,921**	**42,874**
Equity and liabilities			
Equity			
Issued share capital	9	**769**	**769**
Share premium		**32,772**	**32,772**
Revenue reserve		**11,702**	**9,840**
Foreign currency translation reserve		**(1,560)**	**(2,455)**
		43,683	**40,926**
Current liabilities			
Trade and other payables		**944**	**717**
Taxation payable	4	**294**	**1,231**
Total current liabilities		**1,238**	**1,948**
Total equity and liabilities		**44,921**	**42,874**

These interim financial statements were approved by the Board of Directors on 27 August 2009 and signed on its behalf by:

Kyriakos Rialas
Chief Executive Officer

Michael Kloter
Non-Executive Chairman

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Issued share capital 2008	Share premium 2008	Revenue reserve 2008	Foreign currency translation reserve 2008	Total 2008
	US$'000	US$'000	US$'000	US$'000	US$'000
As at 14 February 2008 (date of incorporation)	-	-	-	-	-
Total comprehensive income					
Profit for the period after taxation	-	-	2,092	-	2,092
Exchange differences on translation of foreign operations	-	-	-	155	155
Contributions by and distributions to owners					
Issue of 76,931,620 shares (US$0.01 par)	769	32,772	-	-	33,541
As at 30 June 2008	**769**	**32,772**	**2,092**	**155**	**35,788**

	Issued share capital 2009	Share premium 2009	Revenue reserve 2009	Foreign currency translation reserve 2009	Total 2009
	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January 2009 (Restated Note 13)	**769**	**32,772**	**9,840**	**(2,455)**	**40,926**
Total comprehensive income					
Profit for the period after taxation	-	-	1,862	-	1,862
Exchange differences on translation of foreign operations	-	-	-	895	895
As at 30 June 2009	**769**	**32,772**	**11,702**	**(1,560)**	**43,683**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Note	Six months ended 30 June 2009 US$'000	14 February to 30 June 2008 US$'000
Net cash inflow from operating activities	10	**659**	**644**
Cash flows from investing activities			
Interest received on cash and cash equivalents		**99**	**17**
Acquisition of the Argo businesses		**-**	**10,057**
Purchase of current asset investments		**(11,000)**	**-**
Purchase of fixtures, fittings and equipment	7	**(23)**	**(12)**
Net cash (outflow)/inflow from investing activities		**(10,924)**	**10,062**
Net (decrease)/increase in cash and cash equivalents		**(10,265)**	**10,706**
Cash and cash equivalents at 1 January 2009 and 14 February 2008 (date of incorporation)		**20,058**	**-**
Foreign exchange gain on cash and cash equivalents		**974**	**268**
Cash and cash equivalents as at 30 June 2009 and 30 June 2008		**10,767**	**10,974**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2009

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 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the period ended 31 December 2008 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 39 employees.

Wholly owned subsidiaries	Country of incorporation
Argo Capital Management (Cyprus) Limited	Cyprus
Argo Capital Management Limited	United Kingdom
Argo Capital Management Property Limited	Cayman Islands
Argo Capital Management (Asia) Pte. Ltd.	Singapore
North Asset Management Srl	Romania
North Asset Management Sarl	Luxembourg
Argo Investor Services Limited	Cayman Islands
Argo Investor Services AG	Switzerland

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the period ended 31 December 2008.

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 period ended 31 December 2008

These condensed consolidated interim financial statements were approved by the Board of Directors on 27 August 2009.

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	Other	Six months ended 30 June
	2009	2009	2009	2009	2009
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenues from external customers	-	4,358	-	1,477	5,835
Intersegment revenues	11,479	-	1,728	221	13,428
Reportable segment profit/(loss)	11,971	(9,426)	(502)	(1)	2,042
Intersegment profit/(loss)	11,479	(13,424)	1,728	221	4
Profit/(loss) excluding inter-segment transactions	492	3,998	(2,230)	(222)	2,038
Reportable segment assets	46,550	2,721	6,702	7,872	63,845
Reportable segment liabilities	35	623	394	519	1,571

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

	Six months ended 30 June 2009
	US$'000
Revenues	
Total revenues for reportable segments	19,263
Elimination of intersegment revenues	(13,428)
Group revenues	**5,835**
Profit or loss	
Total profit for reportable segments	2,042
Elimination of intersegment profits	(4)
Other unallocated amounts	8
Profit on ordinary activities before taxation	**2,046**
Assets	
Total assets for reportable segments	63,845
Elimination of intersegment receivables	(327)
Elimination of Company's cost of investments	(18,597)
Group assets	**44,921**
Liabilities	
Total liabilities for reportable segments	1,571
Elimination of intersegment payables	(333)
Group liabilities	**1,238**

3. SEGMENTAL ANALYSIS (continued)

	Argo Group Ltd	Argo Capital Management (Cyprus) Limited	Argo Capital Management Limited	Argo Capital Management Property Limited	Other	14 February to 30 June
	2008	2008	2008	2008	2008	2008
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenues from external customers	-	1,349	-	148	-	1,497
Intersegment revenues	-	-	481	-	29	510
Reportable segment profit/(loss)	(22)	505	2	73	(39)	519
Intersegment profit/(loss)	-	(656)	481	-	29	(146)
Reportable segment assets	33,542	10,386	7,909	6,075	4,487	62,399
Reportable segment liabilities	22	3,568	3,555	872	14	8,031

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

	14 February to 30 June
	2008
	US$'000
Revenues	
Total revenues for reportable segments	2,007
Elimination of intersegment revenues	(510)
Group revenues	**1,497**
Profit or loss	
Total profit for reportable segments	519
Elimination of intersegment loss	146
Other unallocated amounts	1,427
Profit on ordinary activities before taxation	**2,092**
Assets	
Total assets for reportable segments	62,399
Elimination of intersegment receivables	(900)
Elimination of Company's cost of investments	(18,597)
Group assets	**42,902**
Liabilities	
Total liabilities for reportable segments	8,031
Elimination of intersegment payables	(917)
Group liabilities	**7,114**

4. TAXATION

Taxation rates applicable to the parent company and the Cypriot, UK, Singaporean, Luxembourg, Swiss and Romanian subsidiaries range from 0% to 28%.

Income Statement	**Six months ended 30 June 2009 US$'000**	**14 February to 30 June 2008 US$'000**
Taxation charge for the period on Group companies	**184**	**-**

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

	Six months ended 30 June 2009 US$'000	**14 February to 30 June 2008 US$'000**
Profit before tax	**2,046**	**2,092**
Applicable Isle of Man tax rate for Argo Group Limited of 0%	-	-
Timing difference	-	(204)
Other adjustments	(9)	-
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	193	204
Tax charge	**184**	**-**

Balance Sheet	**At 30 June 2009 US$'000**	**At 31 December 2008 US$'000**
Corporation tax payable	**294**	**1,231**

5. EARNINGS PER SHARE

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

	Six months ended 30 June 2009 US$'000	14 February to 30 June 2008 US$'000
Net profit for the period after taxation attributable to members	**1,862**	**2,092**

	No. of shares	No. of shares
Weighted average of ordinary shares for basic earnings per share	76,931,620	76,931,620
Effect of dilution	-	-
Weighted average number of ordinary shares for diluted earnings per share	**76,931,620**	**76,931,620**

	Six months ended 30 June 2009 US$	14 February to 30 June 2008 US$
Earnings per share (basic)	0.02	0.03
Earnings per share (diluted)	0.02	0.03

6. INTANGIBLE ASSETS

	Fund management contracts US$'000
Cost	
Acquisition of Argo businesses	18,834
Foreign exchange movement	(344)
At 31 December 2008	**18,490**
Foreign exchange movement	78
At 30 June 2009	**18,568**
Amortisation and impairment	
Amortisation of Argo business intangible assets	380
At 31 December 2008	**380**
Amortisation of Argo business intangible assets	333
At 30 June 2009	**713**
Net book value	
At 31 December 2008	**18,110**
At 30 June 2009	**17,855**

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

6. INTANGIBLE ASSETS (continued)

At the balance sheet date the carrying value of goodwill was US$14.9m being allocated to Argo Capital Management (Cyprus) Limited and Argo Capital Management Limited as US$7.2m and US$7.7m respectively.

The key assumptions on which the directors have based their five year discounted cash flow analysis are a pre-tax discount rate of 15%, an inflation rate of 5% and a growth in assets under management (which determine management and performance fee income) of 15% to 20%, with 4.5% to 6% of this estimated to be from annual profits. The assumption of growth in assets under management has been based on the historic performance of the funds. The calculations use cash flow projections based on actual operating results. The result of this review has been compared to the carrying value of goodwill and accordingly the directors have concluded that there is no impairment to goodwill. As an added sensitivity, if the estimated discount rate applied to the discounted cash flows had been 25% higher or the growth rate of assets under management had been 25% lower there would still have been no impairment of goodwill as the net present value of future cash flows would still have been higher than the carrying value of goodwill.

At the balance sheet date the carrying value of the Argo Real Estate Opportunities Fund Limited management contract is US$2.9m, net of amortisation. The intangible asset has been amortised over 5 years and 44 days, being the remaining period of the contract.

7. FIXTURES, FITTINGS AND EQUIPMENT

	Fixtures, fittings & equipment US$ '000
Cost	
Acquisitions through business combinations	363
Additions	25
Disposals	(4)
Foreign exchange movement	(69)
At 31 December 2008	**315**
Additions	23
At 30 June 2009	**338**
Accumulated Depreciation	
Depreciation charge for period	78
At 31 December 2008	**78**
Depreciation charge for period	54
At 30 June 2009	**132**
Net book value	
At 31 December 2008	**237**
At 30 June 2009	**206**

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Holding	Investment in management shares	At 30 June 2009 Total cost US$ '000	At 30 June 2009 Fair value US$ '000
10	The Argo Fund Ltd	0	0
10	Argo Capital Investors Fund SPC	0	0
10	Argo Capital Partners Fund	0	0
100	Argo Distressed Credit Fund Ltd	0	0
100	AGSSF Holdings Ltd	0	0
		0	**0**

Holding	Investment in ordinary shares	Total cost US$ '000	Fair value US$ '000
66,435	The Argo Fund Ltd	14,343	13,457
		14,343	**13,457**

Holding	Investment in management shares	At 31 December 2008 Total cost US$ '000	At 31 December 2008 Fair value US$ '000
10	The Argo Fund Ltd	0	0
10	Argo Capital Investors Fund SPC	0	0
10	Argo Capital Partners Fund Ltd	0	0
100	Argo Distressed Credit Fund Ltd	0	0
		0	**0**

Holding	Investment in ordinary shares	Total cost US$ '000	Fair value US$ '000
10,270	The Argo Fund Ltd	3,343	1,976
		3,343	**1,976**

9. SHARE CAPITAL

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

	2009 No.	2009 US$'000
Issued and fully paid		
Ordinary shares of US$ 0.01 each	76,931,620	769
At 1 January 2009 and 30 June 2009	**76,931,620**	**769**

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

	Six months ended 30 June 2009	14 February to 30 June 2008 US$ '000
Profit on ordinary activities before taxation	2,046	2,092
Interest income	(99)	(17)
Amortisation of intangible assets	333	-
Depreciation	54	6
Unrealised gains on investments	(481)	(72)
Negative goodwill	-	(1,556)
Net foreign exchange (gain)/loss	(157)	142
Increase/(decrease) in payables	227	(5,090)
(Increase)/decrease in receivables	(143)	5,139
Income taxes paid	(1,121)	-
Net cash inflow from operating activities	**659**	**644**

11. RELATED PARTY TRANSACTIONS

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

Michael Kloter, the non-executive chairman, is also partner in a legal firm which supplies services to the Group. This firm charged US$9,382 (period ended 30 June 2008: nil) for services rendered to the Group in the period.

12. POSSIBLE CLAIM RELATING TO LAWSUIT AGAINST FORMER GROUP COMPANY

Argo Group Limited ("Argo") has been named as an additional defendant in a lawsuit filed against Absolute Capital Management Holdings Limited (now known as ACMH Limited ("ACMH")) and others. The suit has been filed in the District of Colorado, USA, by an investor in several of ACMH's investment funds. This litigation arose after the demerger of Argo from ACMH. The plaintiff, The Cascade Fund LLLP ("Cascade"), has made a number of claims against ACMH. In the event that Cascade's litigation proves successful, Cascade is seeking to include Argo assets and shares as part of the ACMH asset pool available to it by way of compensation.

Argo considers that the courts of Colorado do not have valid jurisdiction and it intends to file a motion to dismiss in the near future. The directors believe that the claim against Argo is wholly without merit and Argo intends vigorously to defend its position.

13. PRIOR PERIOD ADJUSTMENT

Comparative figures have been restated due to a reclassification in the 31 December 2008 financial statements, resulting in a transfer from Foreign Currency Translation Reserve to Revenue Reserve of US$3,080,270. This occurred due to a reclassification between pre and post acquisition reserves on the acquisition of the Argo businesses.

ARGO