



ARGO GROUP LIMITED
Unaudited Consolidated Interim
Report And Accounts
For the six months ended 30 June 2017

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
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Bank of Cyprus
51 Stasinou Street
Ayia Paraskevi
Nicosia
Cyprus

AUDITORS

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Corner C Hatzopoulou & 30 Griva Digheni Avenue
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Cyprus

NOMINATED ADVISER AND STOCKBROKER

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CHAIRMAN'S STATEMENT**Key highlights for the six months ended 30 June 2017**

This report sets out the results of Argo Group Limited (the "Company") and its subsidiaries (collectively "the Group" or "Argo") covering the six months ended 30 June 2017.

- Revenues US\$6.3 million (six months to 30 June 2016: US\$4.0 million)
- Operating profit US\$3.3 million (six months to 30 June 2016: profit US\$3.8 million)
- Profit before tax US\$5.1 million (six months to 30 June 2016: profit US\$4.9 million)
- Net assets US\$24.8 million (31 December 2016: US\$20.1 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

For the six months ended 30 June 2017 the Group generated revenues of US\$6.3 million (six months to 30 June 2016: US\$4.0 million) with management fees accounting for US\$2.1 million (six months to 30 June 2016: US\$2.0 million). The Group generated performance fees of US\$4.0 million (six months to 30 June 2016: US\$1.7 million).

Total operating costs for the period, ignoring bad debt provisions, are US\$1.9 million compared to US\$2.0 million for the six months to 30 June 2016. The Group has provided against management fees of US\$0.8 million (€0.8 million) (six months to 30 June 2016: US\$1.2 million (€1.0 million)) due from AREOF. In the Directors' view these amounts are fully recoverable however they have concluded that it would 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.

Overall, the financial statements show an operating profit for the period of US\$3.3 million (six months to 30 June 2016: profit US\$3.8 million) and a profit before tax of US\$5.1 million (six months to 30 June 2016: profit US\$4.9 million) reflecting the net gain on investments of US\$1.7 million (six months to 30 June 2016: net gain US\$1.1 million). Performance fees will be realisable at the year-end if losses do not occur in the last six months of the year.

At the period end, the Group had net assets of US\$24.8 million (31 December 2016: US\$20.1 million) and net current assets of US\$24.5 million (31 December 2016: US\$19.6 million) including cash reserves of US\$5.7 million (31 December 2016: US\$6.1 million).

Net assets include investments in TAF, AREOF, Argo Special Situations Fund LP and ADCF (together referred to as "the Argo funds") at fair values of US\$10.2 million (31 December 2016: US\$9.7 million), US\$0.1 million (31 December 2016: US\$0.1 million), US\$0.03 million (31 December 2016: US\$0.01 million) and US\$3.8 million (31 December 2016: US\$2.5 million) respectively.

ARGO GROUP LIMITED

CHAIRMAN'S STATEMENT (continued)

Business and operational review (continued)

At the period end the Argo funds (excluding AREOF) owed the Group total management and performance fees of US\$5.1 million (31 December 2016: US\$2.4 million).

The Argo funds (excluding AREOF) ended the period with Assets under Management ("AUM") at US\$136.2 million, 23.1% higher than at the beginning of the period. The increase is mostly due to performance but it includes a small net inflow of new cash. 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 average number of permanent employees of the Group for the six months to 30 June 2017 was 23 (30 June 2016: 20).

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 2017 total US\$ Nil (31 December 2016: Nil) after a bad debt provision of US\$7.8 million (€6.8 million) (31 December 2016: US\$6.4 million, €6.1 million). AREOF continues to meet part of this obligation to the Argo Group as and when liquidity allows. In November 2013 AREOF offered Argo Group Limited additional security for the continued support in the form of debentures and guarantees by underlying intermediate companies. The AREOF management contract has a fixed term expiring on 31 July 2018.

Fund performance

Argo Funds

Fund	Launch date	30 June 2017 6 months	30 June 2016 6 months	2016 year total	Since inception	Annualised performance CAGR %	Sharpe ratio	Down months	AUM US\$m
		%	%	%	%				
The Argo Fund	Oct-00	4.67	41.90	52.30	218.14	8.00	0.50	59 of 101	64.0
Argo Distressed Credit Fund	Oct-08	51.00	33.36	32.69	200.27	15.65	0.62	50 of 105	47.9
Argo Special Situations Fund LP	Feb-12	-12.03	-31.15	-12.03	-87.07	-7.87	-0.12	53 of 65	24.3
Total									136.2

* NAV only officially measured once a year in September.

AREOF's Adjusted NAV at 30 September 2016* was minus US\$36.4 million (minus €31.9 million), compared with minus US\$23.4 million (minus €20.9 million) a year earlier. The Adjusted NAV per share at 30 September 2016 was minus US\$0.06 (minus €0.05) (2015: minus US\$0.03 (minus €0.03)).

Although AREOF's consolidated statement of financial position indicates the AREOF group 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.

Upon completion of the AREOF group restructuring in March 2017, Argo Capital Management Property Limited reduced its annual management fees receivable from AREOF from €2 million to €1 million.

CHAIRMAN'S STATEMENT (continued)**Fund performance (continued)**

Emerging markets had a mixed start to the year primarily due to uncertainty in the US following the inauguration of President Trump. A number of election campaign promises would, if enacted, have had a detrimental impact on emerging market economies, most notably Mexico and Asian exporters. In addition, tighter US monetary policy – the Federal Reserve increased interest rates twice during the period - weaker oil prices and local political upheavals added to the volatility in certain countries such as Brazil, Qatar and Venezuela. However, some of these pressures began to abate towards the end of the period and it has become evident that policy change and/or implementation in the US has become quite difficult.

The long/short strategy pursued by TAF allows it to adjust quickly to a fluid emerging market credit environment and it recorded a respectable return of 4.67% in the first half. The performance of ADCF, which concentrates on less liquid distressed positions, was helped significantly by the revaluation prompted by a reassessment of recovery prospects from an industrial asset in Asia.

TAF is the Group's flagship fund and has a 17 year track record. Going forward, TAF continues to 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 2017 while enjoying attractive risk profiles thanks to low levels of government indebtedness and high foreign exchange reserves.

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. In Ukraine, the political situation has been stable and the economy is now on a modest recovery path.

The majority of AREOF's debt facilities have been in default at some point during the period. This situation has been addressed through renegotiation with lending banks with a view to restructuring 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 in 2013 (see note 8 to the financial statements) 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 per share as at 30 June 2017.

CHAIRMAN'S STATEMENT (continued)

Dividends and share purchase programme

The Group did not pay a dividend during the current or prior period. The Directors intend to restart dividend payments as soon as the Group's performance provides a consistent track record of profitability.

During the period the Directors authorised the repurchase of 1,065,616 shares at a total cost of US\$0.2 million (£0.2million).

Under the current Share Buyback Programme II, the Company intends to use up to £2 million to acquire Ordinary Shares in the market over a twelve month period commencing on 28 September 2016 and expiring no later than 19 September 2017 (one year from the date of the 2016 AGM which authorised the 2016 Share Buyback Programme II). The minimum price that Argo will pay is 8p per Ordinary Share. The aggregate number of Ordinary Shares which may be acquired on behalf of the Company in connection with the 2016 Share Buyback Programme II will not exceed 23,676,987 Ordinary Shares, which broadly represents the number of shares in public hands.

The Company has spent US\$0.3million (£0.2 million) to buy back 1,440,616 Ordinary Shares on this programme so far.

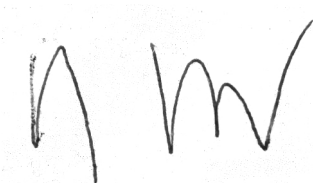
The Directors firmly believe that a return of excess cash to shareholders through buy-backs will send a positive message to investors.

Outlook

The Board remains optimistic about the Group's prospects based on the transactions in the pipeline and the Group's initiatives to increase AUM. 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 in the next six months. The Group's marketing efforts will continue to focus on TAF which has a 17 year track record as well as identifying acquisitions that are earnings enhancing. TAF's prospectus was amended as of 1 March 2016 to eliminate trading in level 3 illiquid assets and concentrate trading and investments in emerging market bonds and other liquid assets.

Both TAF and ADCF are now registered with HM Revenue & Customs as UK Reporting Funds. This status allows our UK investors to be tax efficient with income or capital gains earned from our Cayman funds. 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: 31 July 2017

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. At Argo, Andreas has built up a formidable distressed/activist reputation in emerging markets and spearheaded some of the firm's most lucrative distressed debt/restructuring investments. These include investments in Argentina, India, Russia, Brazil, Bulgaria, Romania, Thailand and the Dominican Republic. Andreas 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 30 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 both the Institute of Directors and the Chartered Institute for Securities and Investments.

ARGO GROUP LIMITED**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

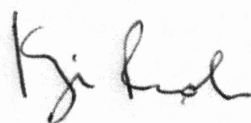
	Note	Six months ended 30 June 2017 US\$'000	Six months ended 30 June 2016 US\$'000
Management fees		2,138	2,042
Performance fees		4,045	1,669
Other income		122	327
Revenue		6,305	4,038
Legal and professional expenses		(126)	(375)
Management and incentive fees payable		(33)	(34)
Operational expenses		(532)	(481)
Employee costs		(1,228)	(1,114)
Bad debt provision	9, 10	(1,032)	1,712
Foreign exchange gain		(7)	39
Depreciation	7	(15)	(21)
Operating profit		3,332	3,764
Interest income		88	44
Realised and unrealised gains/(losses) on investments	8	1,728	1,094
Profit/(loss) on ordinary activities before taxation		5,148	4,902
Taxation	5	(382)	(97)
Profit/(loss) for the period after taxation attributable to members of the Company	6	4,766	4,805
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		202	(215)
Total comprehensive income for the period		4,968	4,590
		Six months Ended 30 June 2017 US\$	Six months Ended 30 June 2016 US\$
Earnings per share (basic)	6	0.10	0.08
Earnings per share (diluted)	6	0.09	0.07

The Directors consider that all results derive from continuing activities.
The notes on pages 13 to 24 form part of these condensed financial statements.

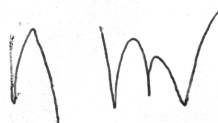
ARGO GROUP LIMITED**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Note	30 June 2017 US\$'000	At 31 December 2016 US\$'000
Assets			
Non-current assets			
Fixtures, fittings and equipment	7	39	50
Financial assets at fair value through profit or loss	8	148	134
Loans and advances receivable	10	114	264
Total non-current assets		301	448
Current assets			
Financial assets at fair value through profit or loss	8	13,982	12,267
Trade and other receivables	9	5,272	2,870
Loans and advances receivable	10	69	66
Cash and cash equivalents		5,742	6,126
Total current assets		25,065	21,329
Total assets		25,366	21,777
Equity and liabilities			
Equity			
Issued share capital	11	470	481
Share premium		28,022	28,211
Revenue reserve		(902)	(5,668)
Foreign currency translation reserve		(2,753)	(2,955)
Total equity		24,837	20,069
Current liabilities			
Trade and other payables		146	1,683
Taxation payable	5	383	25
Total current liabilities		529	1,708
Total equity and liabilities		25,366	21,777

These interim consolidated financial statements were approved by the Board of Directors on 31 July 2017 and signed on its behalf by:



Kyriakos Rialas
Chief Executive Officer



Michael Kloter
Non-Executive Chairman

The notes on pages 13 to 24 form part of these condensed financial statements.

ARGO GROUP LIMITED
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Issued share capital 2016 US\$'000	Share premium 2016 US\$'000	Revenue reserve 2016 US\$'000	Foreign currency translation reserve 2016 US\$'000	Total 2016 US\$'000
As at 1 January 2016	674	30,878	(6,239)	(2,876)	22,437
Total comprehensive income					
Profit for the period after taxation	-	-	4,805	-	4,805
Other comprehensive income	-	-	-	(215)	(215)
Transaction with owners recorded directly in equity					
Purchase of own shares (note 14)	(189)	(2,601)	-	-	(2,790)
As at 30 June 2016	485	28,277	(1,434)	(3,091)	24,237

	Issued share capital 2017 US\$'000	Share premium 2017 US\$'000	Revenue reserve 2017 US\$'000	Foreign currency translation reserve 2017 US\$'000	Total 2017 US\$'000
As at 1 January 2017	481	28,211	(5,668)	(2,955)	20,069
Total comprehensive income					
Profit for the period after taxation	-	-	4,766	-	4,766
Other comprehensive income	-	-	-	202	202
Transactions with owners recorded directly in equity					
Purchase of own shares (note 11)	(11)	(189)	-	-	(200)
As at 30 June 2017	470	28,022	(902)	(2,753)	24,837

The notes on pages 13 to 24 form part of these condensed financial statements.

ARGO GROUP LIMITED**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Note	Six months ended 30 June 2017 US\$'000	Six months ended 30 June 2016 US\$'000
Net cash (outflow)/inflow from operating activities	12	(366)	3,311
Cash flows used in investing activities			
Interest received on cash and cash equivalents		14	23
Purchase of fixtures, fittings and equipment	7	(2)	(2)
Purchase of current asset investments	8	-	(2,000)
Proceeds from disposal of investments	8	-	7,467
Net cash generated from/(used in) investing activities		12	5,488
Cash flows from financing activities			
Repurchase of own shares		(200)	(2,795)
Net cash used in financing activities		(200)	(2,795)
Net increase/(decrease) in cash and cash equivalents		(554)	6,004
Cash and cash equivalents at 1 January 2017 and 1 January 2016		6,126	3,126
Foreign exchange loss on cash and cash equivalents		170	(147)
Cash and cash equivalents as at 30 June 2017 and 30 June 2016		5,742	8,983

The notes on pages 13 to 24 form part of these condensed financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 Group as at and for the six months ended 30 June 2017 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 2016 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.

Wholly owned subsidiaries**Country of incorporation**

Argo Capital Management (Cyprus) Limited
Argo Capital Management Limited
Argo Capital Management Property Limited
Argo Property Management Srl
North Asset Management Sarl

Cyprus
United Kingdom
Cayman Islands
Romania
Luxembourg

A firm of solicitors was appointed on 30 June 2017 for the dissolution of North Asset Management Sarl as this company has been dormant since June 2016 and does no longer have a purpose.

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 2016.

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 2016.

These condensed consolidated interim financial statements were approved by the Board of Directors on 31 July 2017.

b) Financial instruments and fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

ARGO GROUP LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (continued)

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 2017
	2017	2017	2017	2017	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Total revenues for reportable segments	-	1,348	5,392	913	7,653
Intersegment revenues	-	1,348	-	-	1,348
Total profit/(loss) for reportable segments	1,592	1,137	2,899	(480)	5,148
Intersegment profit/(loss)	-	1,348	(1,348)	-	-
Total assets for reportable segments	17,071	2,135	5,683	2,448	27,337
Total liabilities for reportable segments	9	136	1,366	989	2,500

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

	Six months Ended 30 June 2017 US\$'000
Revenues	
Total revenues for reportable segments	7,653
Elimination of intersegment revenues	(1,348)
Group revenues	6,305
Profit or loss	
Total profit for reportable segments	5,148
Elimination of intersegment loss	-
Other unallocated amounts	-
Profit on ordinary activities before taxation	5,148
Assets	
Total assets for reportable segments	27,337
Elimination of intersegment receivables	(1,971)
Group assets	25,366
Liabilities	
Total liabilities for reportable segments	2,500
Elimination of intersegment payables	(1,971)
Group liabilities	529

ARGO GROUP LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (continued)

3. SEGMENTAL ANALYSIS (continued)

	Argo Group Ltd	Argo Capital Management (Cyprus) Ltd	Argo Capital Management Ltd	Argo Capital Management Property Ltd	Six months ended 30 June 2016 US\$'000
	2016 US\$'000	2016 US\$'000	2016 US\$'000	2016 US\$'000	
Total revenues for reportable segments	600	786	2,497	1,425	5,308
Intersegment revenues	600	570	100	-	1,270
Total profit/(loss) for reportable segments	1,470	(136)	1,063	2,622	5,019
Intersegment profit/(loss)	600	(128)	(499)	-	(27)
Total assets for reportable segments	14,899	1,213	3,934	5,090	25,136
Total liabilities for reportable segments	40	29	691	1,069	1,829

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

	Six months ended 30 June 2016 US\$'000
Revenues	
Total revenues for reportable segments	5,308
Elimination of intersegment revenues	(1,270)
Group revenues	4,038
Profit or loss	
Total profit for reportable segments	5,019
Elimination of intersegment loss	27
Other unallocated amounts	(144)
Profit on ordinary activities before taxation	4,902
Assets	
Total assets for reportable segments	25,136
Elimination of intersegment receivables	(572)
Group assets	24,564
Liabilities	
Total liabilities for reportable segments	1,829
Elimination of intersegment payables	(1,502)
Group liabilities	327

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (continued)

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	4,840,000
Granted during the period	-	450,000
Forfeited during the period	24.0p	(750,000)
Outstanding at end of period	24.0p	4,540,000
Exercisable at end of period	24.0p	4,540,000

The options outstanding at 30 June 2017 have an exercise price of 24p and a weighted average contractual life of 10 years, with all tranches of shares now being exercisable. 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.

ARGO GROUP LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2017 (continued)

5. TAXATION

Taxation rates applicable to the parent company and the Cypriot, UK, Luxembourg, Cayman and Romanian subsidiaries range from 0% to 19.25% (2016: 0% to 20%).

Consolidated statement of profit or loss	Six months ended 30 June 2017 US\$'000	Six months Ended 30 June 2016 US\$'000
Taxation charge for the period on Group companies	382	97

The charge for the period can be reconciled to the profit/(loss) shown on the Condensed Consolidated Statement of profit or loss as follows:

	Six months ended 30 June 2017 US\$'000	Six months Ended 30 June 2016 US\$'000
Profit/(loss) before tax	5,148	4,902
Applicable Isle of Man tax rate for Argo Group Limited of 0%	-	-
Timing differences	-	2
Non-deductible expenses	5	6
Other adjustments	(308)	(171)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	685	260
Tax charge	382	97

Consolidated statement of financial position

	30 June 2017 US\$'000	31 December 2016 US\$'000
Corporation tax payable	383	25

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (continued)

6. EARNINGS PER SHARE

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

	Six months ended 30 June 2017 US\$'000	Six months ended 30 June 2016 US\$'000
Net profit/(loss) for the period after taxation attributable to members	4,766	4,805
	No. of shares	No. of shares
Weighted average number of ordinary shares for basic earnings per share	47,582,353	62,509,327
Effect of dilution (Note 4)	4,540,000	4,840,000
Weighted average number of ordinary shares for diluted earnings per share	52,122,353	67,349,327
	Six months ended 30 June 2017 US\$	Six months ended 30 June 2016 US\$
Earnings per share (basic)	0.10	0.08
Earnings per share (diluted)	0.09	0.07

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (continued)

7. FIXTURES, FITTINGS AND EQUIPMENT

	Fixtures, fittings & equipment US\$'000
Cost	
At 1 January 2016	245
Additions	31
Disposals	(2)
Foreign exchange movement	(24)
At 31 December 2016	250
Additions	2
Foreign exchange movement	11
At 30 June 2017	263
Accumulated Depreciation	
At 1 January 2016	181
Depreciation charge for period	41
Disposals	(2)
Foreign exchange movement	(20)
At 31 December 2016	200
Depreciation charge for period	15
Foreign exchange movement	9
At 30 June 2017	224
Net book value	
At 31 December 2016	50
At 30 June 2017	39

ARGO GROUP LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2017 (continued)

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Holding	Investment in management shares	30 June 2017 Total cost US\$'000	30 June 2017 Fair value US\$'000
10	The Argo Fund Ltd	-	-
100	Argo Distressed Credit Fund Ltd	-	-
1	Argo Special Situations Fund LP	-	-
		-	-
Holding	Investment in ordinary shares	Total cost US\$'000	Fair value US\$'000
32,104	The Argo Fund Ltd*	7,159	10,192
10,899,021	Argo Real Estate Opportunities Fund Ltd	988	119
115	Argo Special Situations Fund LP	115	29
1,262	Argo Distressed Credit Fund Limited*	2,000	3,790
		10,262	14,130
Holding	Investment in management shares	31 December 2016 Total cost US\$'000	31 December 2016 Fair value US\$'000
10	The Argo Fund Ltd	-	-
100	Argo Distressed Credit Fund Ltd	-	-
1	Argo Special Situations Fund LP	-	-
		-	-
Holding	Investment in ordinary shares	Total cost US\$'000	Fair value US\$'000
32,104	The Argo Fund Ltd*	7,159	9,758
10,899,021	Argo Real Estate Opportunities Fund Ltd	988	119
115	Argo Special Situations Fund LP	115	15
1,262	Argo Distressed Credit Fund Ltd*	2,000	2,509
		10,262	12,401

*Classified as current in the consolidated statement of Financial Position

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (continued)

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2017 US\$ '000	At 31 December 2016 US\$ '000
Trade receivables – Gross	15,366	11,078
Less: provision for impairment of trade receivables	(10,264)	(8,626)
Trade receivables - Net	5,102	2,452
Other receivables	87	354
Prepayments and accrued income	83	64
	5,272	2,870

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. All trade receivable balances are recoverable within one year from the reporting date except as disclosed below.

A provision for impairment have been raised for all balances owed by the AREOF Group under trade and other receivables. These balances include all management fees and other loans and advances made by the investment manager to the AREOF Group. These amounted to US\$10.1 million (€8.9 million) (31 December 2016: US\$8.5 million, €8.1 million).

At 30 June 2017, Argo Special Situations Fund LP owed the Group total management fees of US\$0.9 million (31 December 2016: US\$0.6 million). This fund is currently facing liquidity issues due to the debt financing arrangement put in place in 2014 however Management continues to work to remedy this and the Directors are confident that these fees may be recovered in the future.

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

	At 30 June 2017 US\$ '000	At 31 December 2016 US\$ '000
Opening balance	8,626	8,345
Bad debt recovered	-	(2,776)
Charged during the period	884	3,329
Foreign exchange movement	754	(272)
Closing balance	10,264	8,626

ARGO GROUP LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2017 (continued)

10. LOANS AND ADVANCES RECEIVABLE

	At 30 June 2017	At 31 December 2016
	US\$'000	US\$'000
Deposits on leased premises - current	69	66
Deposits on leased premises - non-current (see below)	15	13
Other loans and advances receivable – non-current (see below)	99	251
	183	330

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 30 June 2017	At 31 December 2016
	US\$'000	US\$'000
Non-current:		
Lease expiring in third year after reporting date	15	13
	15	13

The non-current other loans and advances receivable comprise:

	At 30 June 2017	At 31 December 2016
	US\$'000	US\$'000
Loan to AREOF	10	23
Loans to other AREOF Group entities	89	226
Other loans	-	2
	99	251

In the period to 30 June 2017, a provision for bad debt for US\$0.2 million (31 December 2016: US\$ Nil) was made for balances with the AREOF Group for which settlement is considered uncertain. The remaining exposure of US\$0.1 million is considered recoverable as these are advances made on behalf of the AREOF Group to third parties and we expect settlement when the third parties repay.

11. SHARE CAPITAL

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

	30 June	30 June	31 December	31 December
	2017	2017	2016	2016
	No.	US\$'000	No.	US\$'000
Issued and fully paid				
Ordinary shares of US\$0.01 each	47,032,878	470	48,098,494	481
	47,032,878	470	48,098,494	481

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2016 and do not recommend an interim dividend in respect of the current period.

During the period the Directors authorised the repurchase of 1,065,616 shares at a total cost of US\$0.2 million

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (continued)

12. RECONCILIATION OF NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES TO PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	Six months ended 30 June 2017	Six months ended 30 June 2016
	US\$'000	US\$'000
Profit on ordinary activities before taxation	5,148	4,902
Interest income	(88)	(44)
Depreciation	15	21
Realised and unrealised gains	(1,729)	(1,094)
Net foreign exchange loss/ (gain)	7	(39)
(Decrease)/increase in payables	(1,538)	29
Increase in receivables, loans and advances	(2,181)	(371)
Income taxes paid	-	(93)
Net cash (outflow)/ inflow from operating activities	(366)	3,311

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 2b).

	At 30 June 2017			
	Level 1	Level 2	Level 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Financial assets at fair value through profit or loss	-	13,982	148	14,130

	At 31 December 2016			
	Level 1	Level 2	Level 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Financial assets at fair value through profit or loss	-	12,267	134	12,401

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	Listed open ended investment fund Emerging Markets	Total
	US\$ '000	US\$ '000	US\$ '000
Balance as at 1 January 2017	119	15	134
Total loss recognized in profit or loss	-	14	14
Balance as at 30 June 2017	119	29	148

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017 (continued)

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 reporting date the Company holds investments in The Argo Fund Limited, Argo Real Estate Opportunities Fund Limited ("AREOF"), Argo Special Situations Fund LP and Argo Distressed Credit Fund Limited. These investments are reflected in the accounts at a fair value of US\$10.2 million, US\$0.1 million, US\$0.03 million and US\$3.8 million 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 2017 total US\$Nil (31 December 2016: Nil) after a bad debt provision of US\$7.8 million (€6.8 million) (31 December 2016: US\$6.4 million, €6.1 million). 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 the Argo Group is also owed loans repayable on demand of US\$1.9 million (€1.7 million) (31 December 2016: US\$1.7 million, €1.6 million) by AREOF accruing interest at 10%. A full provision has been made in the consolidated financial statements against this balance at the current and prior period.

At the period end the Argo Group was owed a total balance of US\$0.3 million (€0.3 million) (31 December 2016: US\$0.2 million, €0.2 million) by other AREOF Group entities. A provision for bad debt of US\$0.3 million (€0.1 million) (31 December 2016: US\$0.1 million, €0.1 million) has been made in the accounts in respect of these balances.

In addition to the above, the Argo Group is owed a further US\$0.3 million (€0.3 million) (31 December 2016: US\$0.3 million (€0.3 million) for expenses paid on behalf of AREOF, against which a bad debt provision for US\$0.3 million (€0.3 million) (31 December 2016: US\$0.3 million, €0.3 million)

In the audited consolidated financial statements of AREOF at 30 September 2016 a material uncertainty surrounding the refinancing of bank debts was referred to in relation to the basis of preparation of the consolidated 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 consolidated financial statements on a going concern basis.

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

15. COMMITMENTS

On 19th June 2017, the Board of Argo Property Management Limited approved the purchase of a piece of land in Romania for US\$ 223.233 (RON891,613). The 10% guarantee deposit in respect of the purchase was paid in June 2017. The purchase completed on 4 July 2017.



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