

**ARGO GROUP LIMITED**

**UNAUDITED CONSOLIDATED INTERIM REPORT AND ACCOUNTS**

**For the six months ended 30 June 2022**

**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**

Royal Bank of Scotland  
The Drummond House  
Redheughs Avenue  
Edinburgh EH12 9TH

**AUDITORS**

Baker Tilly Klitou and Partners Ltd  
Corner C Hatzopoulou & 30 Griva Digheni Avenue  
1066 Nicosia  
Cyprus

**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

**CONTENTS**

Chairman's statement	3
Statement of directors' responsibilities in respect of the condensed consolidated interim financial statements	6
Directors	7
Condensed consolidated statement of profit or loss and other comprehensive income	8
Condensed consolidated statement of financial position	9
Condensed consolidated statement of changes in shareholders' equity	10
Condensed consolidated statement of cash flows	11
Notes to the condensed consolidated interim financial statements	12

**CHAIRMAN'S STATEMENT****Key highlights for the six months ended 30 June 2022**

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 2022.

- Revenues US\$1.3 million (six months to 30 June 2021: US\$1.7 million)
- Operating loss US\$1.5 million (six months to 30 June 2021: US\$0.7 million)
- Loss before tax US\$3.5 million (six months to 30 June 2021: loss before tax US\$0.2 million)
- Net assets US\$19.4 million (31 December 2021: US\$23.1 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 multi strategy investments in emerging markets.

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

**Business and operational review**

For the six months ended 30 June 2022 the Group generated revenues of US\$1.3 million (six months to 30 June 2021: US\$1.7 million) with management fees accounting for US\$1.1 million (six months to 30 June 2021: US\$1.2 million).

Total operating costs for the period, ignoring bad debt provisions, are US\$2.5 million compared to US\$2.0 million for the six months to 30 June 2021. The Group has provided against management fees of US\$0.3 million due from the Designated share class in The Argo Fund ("TAF") (six months to 30 June 2021: US\$0.4 million). In the Directors' view these amounts are fully recoverable however they have concluded that it would only be appropriate to recognise income without provision from these investment management services once a liquidity event occurs in this share class.

Overall, the financial statements show an operating loss for the period of US\$1.5 million (six months to 30 June 2021: US\$0.7 million) and a loss before tax of US\$3.5 million (six months to 30 June 2021: loss before tax of US\$0.2 million). Net loss on investments of US\$2.5 million (six months to 30 June 2021: net loss on investments US\$0.04 million) and interest income of US\$0.5 million (six months to 30 June 2021: US\$0.5 million).

At the period end, the Group had net assets of US\$19.4 million (31 December 2021: US\$23.1 million) and net current assets of US\$6.7 million (31 December 2021: US\$9.1 million) including cash reserves of US\$1.2 million (31 December 2021: US\$1.7 million).

Net assets include investments in The Argo Fund ("TAF") at fair values of US\$5.2 million (31 December 2021: US\$6.1 million).

**CHAIRMAN’S STATEMENT (continued)**

**Business and operational review (continued)**

At the period end TAF owed the Group total fees of US\$1.7 million (31 December 2021: US\$2.6 million). At 30 June 2022, a provision for US\$1.6 million was made against this amount as the timing of the receipt of the fees from the designated share class in TAF is unknown.

TAF ended the period with Assets under Management (“AUM”) at US\$107.5 million (31 December 2021: US\$122.6 million). 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 2022 was 20 (30 June 2021: 19).

**Fund performance**

**The Argo Funds**

<b>Fund</b>	<b>Launch date</b>	<b>30 June 2022 6 months</b>	<b>30 June 2021 6 months</b>	<b>2021 year total</b>	<b>Since inception</b>	<b>Annualised performance CAGR %</b>	<b>Sharpe ratio</b>	<b>Down months</b>
		%	%	%	%			
The Argo Fund – A class	Oct-00	-14.25	4.28	5.29	209.03	6.07	0.41	86 of 261
The Argo Fund – X2 class	Feb21	-21.39	5.69	11.86	-12.08	-7.61	-0.51	7 of 17

In contrast to last year when the focus was on the anticipated recovery from the Covid pandemic, the first half of 2022 witnessed an accelerated deterioration in global economic conditions as inflation concerns prompted a tightening of monetary policy. To exacerbate matters further, the Ukraine-Russia conflict threatened international stability and triggered supply chain issues, trade frictions, and increased commodity prices, notably of energy and wheat.

The annual rate of inflation in both the US and Europe was recorded in excess of 9 per cent in June with food and fuel having a sizeable impact. In attempting to address the highest price rises for decades, the US Federal Reserve increased interest rates three times in the first half of 2022, the last hike by a rarely seen 75bps. US Treasury yields continued on their upward path for most of the period although the ten-year bond dipped to 3 per cent at the end of the period -and subsequently below that-as recessionary fears encouraged the belief that central banks would tighten less aggressively in future. Europe has been slower to increase rates, reflecting the divergence of growth projections especially in the Eurozone and also the specific pressures arising from the interruption of gas flow from Russia and the desire to reduce the bloc’s reliance on that country for energy supplies. Nevertheless, yields on ten-year Bunds turned positive for the first time since early 2019 and ended June at 1.3 per cent.

Gas and oil prices remain elevated but below the spikes seen periodically since Russia initiated its invasion of Ukraine. From a low of US\$86, Brent oil traded up at nearly US\$128 before dropping back to US\$100. Gas prices have fluctuated with uncertainty over reliability of supply through the pipelines from the East, but demand has been much reduced because of the warmer weather. Interestingly, copper prices have declined roughly 30 per cent from their most recent highs in 2022 and historically bear markets in copper are regarded as a predictor of recessions.

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

Unsurprisingly, the first six months of 2022 have proven unsatisfactory for investors, with significant drawdowns in equity and bond markets. Both the Euro Stoxx 50 and the S&P 500 lost around 20 per cent of their value and for the latter, it was its worst start since 1970. Rising yields on developed market bonds, a stronger dollar- the DXY index rose 9.4 per cent in the period- and worsening terms of trade all combined to have a detrimental impact on emerging markets and sentiment towards them, and the JP Morgan EMBI+ index fell by 26.7 percent in the six months to end-June.

The NAV of the Class A shares of the TAF decreased by 14.25% in the first half of 2022, compared to a rise of 4.28% in the same period of the previous year. The fund was adversely affected by the conflict in Ukraine and the failure of Argentina to capitalise on its renegotiated IMF programme but, more generally, the “risk-off” environment hit several long sovereign and corporate positions. Class A shares issued by TAF continue to be invested in a diversified debt and macro positions which seek to capture alpha through long and short investment in liquid EM corporate and sovereign bonds and FX. In addition, there are other share classes within the TAF master/feeder structure which offer investors exposure to distressed debt portfolio (Class X2 launched last year) and also special situations where the timeline to investment realisation will be longer

Following the sell-off in the first half, many EM assets now offer better value than has been the case for some time and the fund hopes that more stable macro circumstances will help it to recoup losses during the second half.

**Loan to Argo Real Estate Limited Partnership**

On 9th May 2022, Riviera Shopping Centre was partially damaged by a Russian combat missile. The Shopping Centre is currently closed until the necessary repairs are completed. Based on the preliminary assessments, experts expect the centre to reopen in February 2023 after completion of Phase 1 works which will enable the Centre to generate up to 95% of its full revenue capacity. Consequently, there will be a delay in the repayment of the loan receivable from Argo Real Estate Limited Partnership, while the Company continues to accrue interest at 9% per annum. As the loan receivable from Argo Real Estate Limited Partnership is exposed to the performance of this investment property held in Ukraine, the Group has made an IFRS 9 valuation adjustment for US\$0.5 million for expected losses at the reporting date (note 10).

**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.

**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 continue to focus on TAF which has a 21-year track record as well as identifying acquisitions that are earnings enhancing.

Over the longer term, the Board believes there is significant opportunity for growth in assets and profits and remains committed to ensuring the Group's investment management capabilities and resources are appropriate to meet its key objective of achieving a consistent positive investment performance in the emerging markets sector.

**Michael Kloter**  
**Non-Executive Chairman**  
**Date: 11 August 2022**

**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 over 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**

Andreas is the Founder and CIO of Argo Capital Management. Prior to founding Argo in 2000, Andreas worked for Deutsche Bank for three years in the emerging markets proprietary trading division, trading in emerging markets loans 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 built up a formidable distressed/activist reputation in emerging markets and spearheaded some of the firm's most successful distressed debt/restructuring investments across global emerging markets. Andreas studied Law at the University of London, graduating in 1991, and subsequently qualified to be an English Barrister specializing in banking law 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 Investment Committee of Da Vinci CIS PE Fund 2 and (c) Investment Committee Member at Taxim Capital, a Turkish mid-cap PE fund. 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 half 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 recently retired Chartered Fellow of 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 2022**

	Note	Six months ended 30 June 2022 US\$'000	Six months ended 30 June 2021 US\$'000
Management fees		1,140	1,250
Performance fees		-	283
Other income		125	131
<b>Revenue</b>		<b>1,265</b>	<b>1,664</b>
Legal and professional expenses		(128)	(249)
Management fees payable		(180)	(157)
Operational expenses		(362)	(339)
Employee costs		(1,752)	(1,129)
Bad debt provision	9, 10	(320)	(365)
Foreign exchange profit/(loss)		9	(4)
Depreciation	7	(71)	(103)
<b>Operating loss</b>		<b>(1,539)</b>	<b>(682)</b>
Interest income		499	519
Realised and unrealised (loss)/gain on investments		(2,507)	(38)
<b>Loss on ordinary activities before taxation</b>		<b>(3,547)</b>	<b>(201)</b>
Taxation	5	-	-
<b>Loss for the period after taxation attributable to members of the Company</b>	6	<b>(3,547)</b>	<b>(201)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(107)	(10)
<b>Total comprehensive income for the period</b>		<b>(3,654)</b>	<b>(211)</b>
		<b>Six months Ended 30 June 2022 US\$</b>	<b>Six months Ended 30 June 2021 US\$</b>
<b>Earnings per share (basic)</b>	6	(0.09)	(0.005)
<b>Earnings per share (diluted)</b>	6	(0.08)	(0.005)

The Directors consider that all results derive from continuing activities.  
The notes on pages 12 to 22 form part of these condensed financial statements.

**ARGO GROUP LIMITED****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2022**

		30 June 2022	31 December 2021
	Note	US\$'000	US\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land, fixtures, fittings and equipment	7	200	290
Loans and advances receivable	10	12,502	13,641
<b>Total non-current assets</b>		<b>12,702</b>	<b>13,931</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	8	5,229	6,098
Loan and advances receivable	10	110	122
Trade and other receivables	9	259	1,453
Cash and cash equivalents		1,232	1,709
<b>Total current assets</b>		<b>6,830</b>	<b>9,382</b>
<b>Total assets</b>		<b>19,532</b>	<b>23,313</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued share capital	11	390	390
Share premium		25,353	25,353
Revenue reserve		(3,127)	420
Foreign currency translation reserve		(3,193)	(3,086)
<b>Total equity</b>		<b>19,423</b>	<b>23,077</b>
<b>Current liabilities</b>			
Trade and other payables		109	236
<b>Total current liabilities</b>		<b>109</b>	<b>236</b>
<b>Non-current liabilities</b>			
Trade and other payables	15	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total equity and liabilities</b>		<b>19,532</b>	<b>23,313</b>

These interim consolidated financial statements were approved by the Board of Directors on 11 August 2022 and signed on its behalf by:

**Kyriakos Rialas**  
Chief Executive Officer

**Michael Kloter**  
Non-Executive Chairman

The notes on pages 12 to 22 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 2022**

	Issued share capital 2021 US\$'000	Share premium 2021 US\$'000	Revenue reserve 2021 US\$'000	Foreign currency translation reserve 2021 US\$'000	Total 2021 US\$'000
As at 1 January 2021	390	25,353	122	(3,055)	22,810
<b>Total comprehensive income</b>					
Loss for the period after taxation	-	-	(201)	-	(201)
Other comprehensive income	-	-	-	(10)	(10)
As at 30 June 2021	390	25,353	(79)	(3,065)	21,599

	Issued share capital 2022 US\$'000	Share premium 2022 US\$'000	Revenue reserve 2022 US\$'000	Foreign currency translation reserve 2022 US\$'000	Total 2022 US\$'000
As at 1 January 2022	390	25,353	420	(3,086)	23,077
<b>Total comprehensive income</b>					
Loss for the period after taxation	-	-	(3,547)	-	(3,547)
Other comprehensive income	-	-	-	(107)	(107)
As at 30 June 2022	390	25,353	(3,127)	(3,193)	19,423

The notes on pages 12 to 22 form part of these condensed financial statements.

**ARGO GROUP LIMITED****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Note	Six months ended 30 June 2022 US\$'000	Six months ended 30 June 2021 US\$'000
<b>Net cash (outflow)/inflow from operating activities</b>	12	(332)	(300)
<b>Cash flows used in investing activities</b>			
Interest received on cash and cash equivalents		-	1
Purchase of fixtures, fittings and equipment	7	(4)	(2)
Proceeds from sale of financial assets at fair value through profit or loss		-	1,001
<b>Net cash (used)/ generated from investing activities</b>		<b>(4)</b>	<b>1,000</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(78)	(119)
<b>Net cash used in financing activities</b>		<b>(78)</b>	<b>(119)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(414)</b>	<b>581</b>
Cash and cash equivalents at 1 January 2022 and 1 January 2021		1,709	675
Foreign exchange loss on cash and cash equivalents		(63)	(20)
<b>Cash and cash equivalents as at 30 June 2022 and 30 June 2021</b>		<b>1,232</b>	<b>1,236</b>

The notes on pages 12 to 22 form part of these condensed financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2022

**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 2022 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 2021 are available upon request from the Company’s registered office or at [www.argogrouplimited.com](http://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 currency of the Group undertakings are US dollars, Sterling and Romanian Lei. The presentational currency is US dollars.

<b>Wholly owned subsidiaries</b>	<b>Country of incorporation</b>
Argo Capital Management Limited	United Kingdom
Argo Property Management Srl	Romania

**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 2021.

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 2021.

These condensed consolidated interim financial statements were approved by the Board of Directors on 11 August 2022.

**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 2022 (continued)

#### 3. SEGMENTAL ANALYSIS

The Group operates as a single asset management business.

The operating results of the companies 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 2022 US\$'000	Argo Capital Management Ltd 2022 US\$'000	Argo Property Management Srl 2022 US\$'000	Six months ended 30 June 2022 US\$'000
Total revenues for reportable segments customers	-	1,140	125	1,265
Intersegment revenues	-	-	-	-
Total profit/(loss) for reportable segments	(2,329)	(1,215)	(211)	(3,755)
Intersegment loss	208	-	-	208
Total assets for reportable segments assets	18,046	1,279	207	19,532
Total liabilities for reportable segments	6	77	26	109

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

	Six months Ended 30 June 2022 US\$'000
<b>Revenues</b>	
Total revenues for reportable segments	1,265
Elimination of intersegment revenues	-
<b>Group revenues</b>	<b>1,265</b>
<b>Profit or loss</b>	
Loss for reportable segments	(3,755)
Elimination of intersegment loss	208
Other unallocated amounts	-
<b>Loss on ordinary activities before taxation</b>	<b>(3,547)</b>
<b>Assets</b>	
Total assets for reportable segments	19,536
Elimination of intersegment receivables	(4)
<b>Group assets</b>	<b>19,532</b>
<b>Liabilities</b>	
Total liabilities for reportable segments	3,466
Elimination of intersegment payables	(3,357)
<b>Group liabilities</b>	<b>109</b>

## ARGO GROUP LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022 (continued)

#### 3. SEGMENTAL ANALYSIS (continued)

	Argo Group Ltd 2021 US\$'000	Argo Capital Management Ltd 2021 US\$'000	Argo Capital Management Property Ltd 2021 US\$'000	Six months ended 30 June 2021 US\$'000
Total revenues for reportable segments	-	1,533	131	1,664
Intersegment revenues	-	-	-	-
Total profit/(loss) for reportable segments	86	(316)	(193)	(423)
Intersegment loss	222	-	-	222
Total assets for reportable segments assets	21,561	1,066	305	22,932
Total liabilities for reportable segments	7	275	51	333

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

	Six months Ended 30 June 2021 US\$'000
<b>Revenues</b>	
Total revenues for reportable segments	1,664
Elimination of intersegment revenues	-
<b>Group revenues</b>	<b>1,664</b>
<b>Profit or loss</b>	
Loss for reportable segments	(423)
Elimination of intersegment loss	222
Other unallocated amounts	-
<b>Loss on ordinary activities before taxation</b>	<b>(201)</b>
<b>Assets</b>	
Total assets for reportable segments	22,936
Elimination of intersegment receivables	(4)
<b>Group assets</b>	<b>22,932</b>
<b>Liabilities</b>	
Total liabilities for reportable segments	3,716
Elimination of intersegment payables	(3,383)
<b>Group liabilities</b>	<b>333</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2022 (continued)

**4. SHARE-BASED INCENTIVE PLANS**

To incentivise personnel and to align their interests with those of the shareholders of Argo Group Limited, Argo Group Limited has granted share options to directors and employees under The Argo Group Limited Employee Stock Option Plan. The options are exercisable within 10 years of the grant date.

The fair value of the options granted during the period 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)	21.0
Weighted average share price at grant date	19.0
Average option life at date of grant (years)	10.0
Expected volatility (% p.a.)	15.0
Dividend yield (% p.a.)	10.0
Risk-free interest rate (% p.a.)	2

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 (2021: £nil).

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

	<b>Weighted average exercise price</b>	<b>No. of share options</b>
Outstanding at beginning of period	21.2p	3,895,998
Granted during the period	-	-
Forfeited during the period	-	-
Outstanding at end of period	21.2p	3,895,998
Exercisable at end of period	21.2p	3,895,998

Outstanding share options are contingent upon the option holder remaining an employee of the Group. The weighted average fair value of the options issued during the period was £Nil (2021: £Nil).

No share options were issued during the period.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2022 (continued)

**5. TAXATION**

Taxation rates applicable to the parent company and the UK and Romanian subsidiaries range from 0% to 19% (2021: 0% to 19%).

<b>Consolidated statement of profit or loss</b>	<b>Six months ended 30 June 2022 US\$'000</b>	<b>Six months Ended 30 June 2021 US\$'000</b>
Taxation charge for the period on Group companies	-	-

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

	<b>Six months Ended 30 June 2022 US\$'000</b>	<b>Six months Ended 30 June 2021 US\$'000</b>
Loss before tax	<b>(3,547)</b>	<b>(201)</b>
Applicable Isle of Man tax rate for Argo Group Limited of 0%	-	-
Timing differences	-	-
Non-deductible expenses	-	-
Other adjustments	-	-
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	-	-
Tax charge	-	-

<b>Consolidated statement of financial position</b>	<b>30 June 2022 US\$'000</b>	<b>31 December 2021 US\$'000</b>
Corporation tax payable	-	-

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2022 (continued)

**6. 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.

	<b>Six months ended 30 June 2022 US\$'000</b>	<b>Six months Ended 30 June 2021 US\$'000</b>
Net loss for the period after taxation attributable to members	<b>(3,547)</b>	<b>(201)</b>
	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of ordinary shares for basic earnings per share	38,959,986	38,959,986
Effect of dilution (Note 4)	3,895,9898	250,000
Weighted average number of ordinary shares for diluted earnings per share	<b>42,855,984</b>	<b>39,209,986</b>
	<b>Six months Ended 30 June 2022 US\$</b>	<b>Six months ended 30 June 2021 US\$</b>
Earnings per share (basic)	(0.09)	(0.005)
Earnings per share (diluted)	(0.08)	(0.005)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2022 (continued)

**7. LAND, FIXTURES, FITTINGS AND EQUIPMENT**

	Right of use assets	Fixtures, fittings and equipment	Land	Total
	USD'000	US\$'000	US\$'000	US\$'000
<b>Cost</b>				
<b>At 1 January 2021</b>	833	266	196	1,295
Additions	-	1	-	1
Disposals	(92)	(62)	-	(154)
Foreign exchange movement	(9)	(4)	(14)	(27)
<b>At 31 December 2021</b>	<b>732</b>	<b>201</b>	<b>182</b>	<b>1,115</b>
Additions	-	4	-	4
Disposals	-	-	-	-
Foreign exchange movement	(74)	(19)	(15)	(108)
<b>At 30 June 2022</b>	<b>658</b>	<b>186</b>	<b>167</b>	<b>1,011</b>
<b>Accumulated Depreciation</b>				
<b>At 1 January 2021</b>	555	256	-	811
Depreciation charge for period	179	7	-	186
Disposals	(92)	(62)	-	(154)
Foreign exchange movement	(8)	(10)	-	(18)
<b>At 31 December 2021</b>	<b>634</b>	<b>191</b>	<b>-</b>	<b>825</b>
Depreciation charge for period	68	3	-	71
Disposals	-	-	-	-
Foreign exchange movement	(67)	(18)	-	(85)
<b>At 30 June 2022</b>	<b>635</b>	<b>176</b>	<b>-</b>	<b>811</b>
<b>Net book value</b>				
<b>At 31 December 2021</b>	<b>98</b>	<b>10</b>	<b>182</b>	<b>290</b>
<b>At 30 June 2022</b>	<b>23</b>	<b>10</b>	<b>167</b>	<b>200</b>

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

For the six months ended 30 June 2022 (continued)

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

<b>Holding</b>	<b>Investment in management shares</b>	<b>30 June 2022 Total cost US\$'000</b>	<b>30 June 2022 Fair value US\$'000</b>
10	The Argo Fund Ltd	-	-
		-	-
<b>Holding</b>	<b>Investment in ordinary shares</b>	<b>Total cost US\$'000</b>	<b>Fair value US\$'000</b>
16,920	The Argo Fund Ltd*	4,648	5,229
		<b>4,648</b>	<b>5,229</b>
<b>Holding</b>	<b>Investment in management shares</b>	<b>31 December 2021 Total cost US\$'000</b>	<b>31 December 2021 Fair value US\$'000</b>
10	The Argo Fund Ltd	-	-
		-	-
<b>Holding</b>	<b>Investment in ordinary shares</b>	<b>Total cost US\$'000</b>	<b>Fair value US\$'000</b>
16,920	The Argo Fund Ltd*	4,648	6,098
		<b>4,648</b>	<b>6,098</b>

\*Classified as current in the consolidated statement of Financial Position  
Note that some of the Argo Funds listed above may have investments in each other.

**9. TRADE AND OTHER RECEIVABLES**

	<b>At 30 June 2022 US\$ '000</b>	<b>At 31 December 2021 US\$ '000</b>
Trade receivables – Gross	1,923	2,814
Less: provision for impairment of trade receivables	(1,800)	(1,499)
Trade receivables – Net	123	1,315
Other receivables	31	34
Prepayments and accrued income	105	99
	<b>259</b>	<b>1,448</b>

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.

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

For the six months ended 30 June 2022 (continued)

**9. TRADE AND OTHER RECEIVABLES (continued)**

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

	<b>At 30 June 2022 US\$ '000</b>	<b>At 31 December 2021 US\$ '000</b>
As at 1 January	14,252	14,101
Bad debt recovered	-	-
Charged during the period	320	740
Foreign exchange movement	(1,040)	(589)
Closing balance	13,532	14,252

**10. LOANS AND ADVANCES RECEIVABLE**

	<b>At 30 June 2022 US\$'000</b>	<b>At 31 December 2021 US\$'000</b>
Deposits on leased premises – current	11	122
Deposits on leased premises - non-current (see below)	99	-
Other loans and advances receivable – non-current (note 14)	12,502	13,641
	12,612	13,763

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

Other loans and advances receivable relates to a loan for \$12.1 million (€10.2 million) principal made by Argo Group Limited to Argo Real Estate Limited Partnership in February 2020, an entity that is 100% owned by Andreas Rialas. Riviera Shopping Centre was partially damaged by a Russian combat missile. The Shopping Centre is currently closed until the necessary repairs are completed. Based on the preliminary assessments, experts expect the centre to reopen in February 2023 after completion of Phase 1 works which will enable the Centre to generate up to 95% of its full revenue capacity. Consequently, there will be a delay in the repayment of the loan receivable from Argo Real Estate Limited Partnership, while the Company continues to accrue interest at 9% per annum. As this loan is exposed to the performance of an investment property held in Ukraine, the Group has made an IFRS 9 valuation adjustment for US\$0.5 million for expected losses at the reporting date.

The Group also has a balance receivable for \$11.7 million (€11.2 million) from Argo Real Estate Limited Partnership that was assigned from Argo Real Estate Opportunities Fund Limited during 2021. The carrying value of this balance is \$nil.

**11. SHARE CAPITAL**

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

	<b>30 June 2022 No.</b>	<b>30 June 2022 US\$'000</b>	<b>31 December 2021 No.</b>	<b>31 December 2021 US\$'000</b>
Issued and fully paid				
Ordinary shares of US\$0.01 each	38,959,986	390	38,959,986	390
	<b>38,959,986</b>	<b>390</b>	<b>38,959,986</b>	<b>390</b>

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2021 and do not recommend an interim dividend in respect of the current period.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2022 (continued)

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

	Six months ended 30 June 2022 US\$'000	Six months ended 30 June 2021 US\$'000
<b>Loss on ordinary activities before taxation</b>	(3,547)	(201)
Interest income	(499)	(519)
Depreciation on fixtures, fittings and equipment	3	4
Depreciation on right of use asset	68	99
Realised and unrealised loss on investments	2,507	38
Net foreign exchange (profit)/loss	(9)	4
Decrease in payables	(49)	(42)
Decrease in receivables, loans and advances	1,194	317
Corporation tax paid	-	-
<b>Net cash outflow from operating activities</b>	<b>(332)</b>	<b>(300)</b>

**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 2022			
	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Financial assets at fair value through profit or loss	-	5,229	-	5,229

  

	At 31 December 2021			
	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Financial assets at fair value through profit or loss	-	6,098	-	6,098

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2022 (continued)

**14. RELATED PARTY TRANSACTIONS**

Most Group revenues derive from The Argo Fund in which two of the Company's directors, Kyriakos Rialas and Kenneth Watterson, have influence through directorships and the provision of investment management services.

At the reporting date the Company holds investments in The Argo Fund Limited. These investments are reflected in the accounts at fair value of US\$5.2 million (31 December 2021: \$6.1 million).

At the period end, the Group was owed \$13 million (note 10) by ARE LP, an entity that is 100% owned by Andreas Rialas. The adjusted IFRS 9 valuation of the loan after providing for expected losses was US\$12.5 million. This balance relates to a loan made to ARE LP in February 2020 that was lent onwards for the refinancing of Riviera Shopping City in Odessa, Ukraine. The Group has a fixed charge security on the back to back loan in ARE LP. The loan carries an interest rate of 9% per annum.

The Group is also owed US\$11.7 million (€11.2 million) (31 December 2021: US\$12.8 million (€11.2 million)) by ARE LP, which were previously owed by the now liquidated Argo Real Estate Opportunities Fund Limited. These balances are carried at US\$ nil (31 December 2020: US\$ nil) in the financial statements.

**15. TRADE AND OTHER PAYABLES**

	<b>At 30 June 2022 US\$ '000</b>	<b>At 31 December 2021 US\$ '000</b>
Trade creditors	72	37
Other creditors and accruals	37	199
<b>Total current trade and other payables</b>	<b>109</b>	<b>236</b>

Trade creditors are normally settled on 30-day terms.