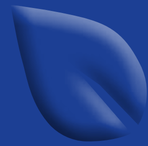


2011 / *Argus Annual Report*

THE ARGUS GROUP

Building on decades of experience and a strong capital base, Argus provides a broad range of insurance, retirement and financial services to meet the needs of both businesses and individuals.

OUR VISION

Our vision is to be the customer's first choice for insurance, retirement and financial services. We are committed to providing our customers with financial security and peace of mind through innovative solutions, which provide excellent value.

OUR MISSION

We will achieve our vision by:

- Focusing first on the needs of the market segments we choose to serve
- Building upon the strength of the Argus name
- Introducing innovative products and enhancements
- Continuing to focus on direct distribution as our primary channel, while developing alternative channels such as intermediaries, strategic partnerships and technology
- Recruiting and retaining the very best people
- Developing knowledgeable people who provide fast, friendly and convenient service to our customers
- Developing our ability to perform as one cross-functional team
- Exploring opportunities to exploit our leading financial performance and capital position

In addition, Argus will look for growth opportunities by expanding into related business products and services.

OUR PHILOSOPHY AND VALUES

As we interact with our colleagues and meet our responsibilities to our customers, shareholders and the community, we welcome the challenge inherent in change, while adhering to values that remain constant.

- We do not compromise individual or corporate honesty or integrity
- We respect every person as an individual
- We actively promote competence and professionalism within our organisation
- We achieve higher levels of performance through teamwork
- We recognise that fairness is critical in reaching decisions
- We promote and acclaim creativity as we strive to achieve our goals

THE ARGUS GROUP

ARGUS GROUP HOLDINGS LIMITED

Group Holding Company

ARGUS INSURANCE COMPANY LIMITED

Fire and Windstorm (Home and Commercial Property), Contractors' All Risks, Liability, Marine, Motor, Employer's Indemnity (Workers' Compensation)

CENTURION INSURANCE SERVICES LIMITED

Insurance Agent and Licensed Broker

ARGUS INSURANCE COMPANY (EUROPE) LIMITED, Gibraltar

Home and Commercial Property, Contractors' All Risks, Liability, Marine and Motor

WESTMED INSURANCE SERVICES LIMITED, Gibraltar

Insurance Brokerage and Agency

BERMUDA LIFE INSURANCE COMPANY LIMITED

Pensions, Group Life and Long-Term Disability Insurance, Individual Life and Annuities

ARGUS INTERNATIONAL LIFE BERMUDA LIMITED

Individual Life and Annuities

ARGUS INTERNATIONAL LIFE INSURANCE LIMITED

Individual Life and Annuities (74% Interest)

BERMUDA LIFE WORLDWIDE LIMITED

Individual Life and Annuities (in run-off)

SOMERS ISLES INSURANCE COMPANY LIMITED

Group and Individual Health Insurance including: Major Medical, Dental and Vision Care

AFL INVESTMENTS LIMITED

Investment Management Services (60% Interest)

ARGUS INVESTMENT NOMINEES LIMITED

Nominee Company (60% Interest)

ARGUS INTERNATIONAL MANAGEMENT LIMITED

Company Management

ARGUS MANAGEMENT SERVICES LIMITED

Financial and General Management Services

DATA COMMUNICATIONS LIMITED

Information Systems

ST. MARTIN'S REINSURANCE COMPANY, LTD.

Financial Reinsurance (in run-off)

ARGUS PROPERTY LIMITED & TROTT PROPERTY LIMITED

Property Holding Companies

ARGUS PROPERTY (GIBRALTAR) LIMITED

Property Holding Company

FOGG INSURANCE AGENCIES LIMITED, Malta

Insurance Agent

Argus Group Holdings Limited is a public company, its shares trading on The Bermuda Stock Exchange. At March 31, 2011 it had 1,233 shareholders; 90 percent of whom were Bermudian, holding 83 percent of the issued shares.

BOARD OF DIRECTORS

Sheila E. Nicoll, FCII ■■■■
Chairman

Alan R. Thomson ■■
Deputy Chairman

Wendall S. F. Brown ■■

Peter R. Burnim ■■■

John D. Campbell, QC, JP ■■

Alison S. Hill, ACMA
Chief Executive Officer

James S. Jardine, CA, FCIS, JP ■■

Reginald S. Minors, JP ■■

The Hon. Gerald D. E. Simons, OBE
President

Everard Barclay Simmons ■

Robert D. Steinhoff, FCA ■

Christopher P. Trott ■

COMMITTEES OF THE BOARD

Audit Committee ■

Nominations and Governance Committee ■

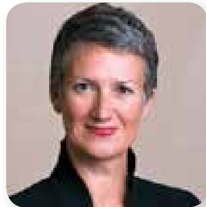
Compensation Committee ■

Investment Committee ■

Succession Planning Committee ■

GROUP MANAGEMENT

Gerald D. E. Simons, FLMI, HIA, ACS
President



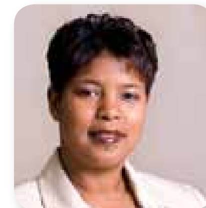
Alison S. Hill, ACMA
Chief Executive Officer

David W. Pugh, FCA
Chief Financial Officer

Andrew I. Baker, FCII
Chief Executive
Argus Insurance Company (Europe) Limited

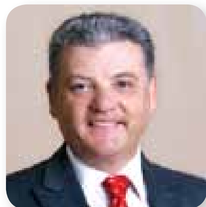
Cindy F. Campbell, CPA, MBA
Chief Operating Officer
AFL Investments Limited

George N.H. Jones, MBA, LLB
Group Company Secretary
& Legal Advisor

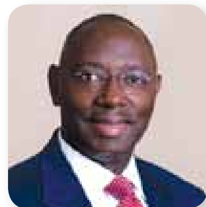


Sheena M. Smith, CPA
Vice President
Finance

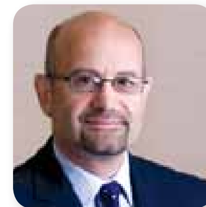
Lauren M. Bell, FLMI, HIA, ACS
Executive Vice President
Life & Pensions



John Doherty, CPCU, ARM, ARe
Executive Vice President
Property & Casualty

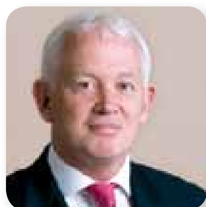


Onesimus Nzabalinda, MBA, MSc
Head of Compliance
& Risk Management



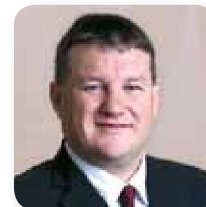
Philip R. Trussell
Vice President &
Managing Director, International Life

Andrew H. Bickham, ACII
Executive Vice President
Broking



Gary Hitchens
Director of
Global Sales & Marketing

Larry A. Peck, FSA, FCIA, MAAA
Executive Vice President
Group Actuary



Paul Williams
Vice President
Information Systems

Michelle A. Jackson, MBA, MSc
Executive Vice President
Group Insurance

Wanda E. Richardson, MA, SPHR
Vice President
Organisational Development

FIVE YEAR SUMMARY

Financial and Shareholder Data

	2011	2010	2009	2008	2007
FOR THE YEAR *(In $ thousands)*					
Total revenue	**142,173**	131,679	32,146	138,224	153,814
(Loss)/Earnings	**(5,704)**	(18,435)	(115,701)	15,479	36,927
Cash dividends	**8,414**	12,187	13,429	12,692	10,044
AT YEAR END *(In $ thousands)*					
Total General Fund Assets	**522,942**	519,619	528,996	643,823	535,760
Shareholders' Equity	**82,467**	97,479	114,837	260,665	177,504
FINANCIAL RATIOS					
(Loss)/Earnings per share – fully diluted	**$(0.28)**	$(0.88)	$(5.53)	$0.73	$1.75
Return on average Shareholders' Equity	**(6.34)%**	(17.37)%	(61.62)%	7.07%	22.64%
SHAREHOLDER DATA					
Shares in issue	**21,511,163**	21,511,163	21,485,744	21,441,618	19,418,989
Book value per share	**$3.83**	$4.53	$5.34	$12.16	$9.14
NUMBER OF EMPLOYEES	**199**	171	176	173	170

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Gerald Simons and Alison Hill

*"Our goal is to build
on the best from our past
and to adapt and change
to take advantage of
opportunities in the future."*

The Year in Review

The Argus Group reports a net loss of $5.7 million for the year ended March 31, 2011 compared to a net loss of $18.4 million in the prior year.

Every one of our seven business units recorded excellent results for the period, generating earnings in the region of $20 million against a backdrop of a continued recession. We were disappointed that a further deterioration in the value of certain of our investments, primarily in Bermuda, resulted in a net loss of $5.7 million for the year ended March 31, 2011. *Shareholders' Equity* stood at $82 million as at March 31, 2011, substantially in excess of the statutory capital required to conduct the Group's various insurance businesses. All business units continue to deliver strong performance, are producing steady cash flows and are well placed to capture new business as the local and global economies start to recover. Your Board and Management remain confident that the Argus Group is well positioned for the future.

At September 30, 2010, the half year, we reported net earnings of $6.6 million and were optimistic that we would reach our annual earnings target. However, in the second half of the year the further diminution in value of $8.9 million to our equity portfolio, principally in local investments, and $17.5 million against potentially non-performing investments in the hospitality sector and local mortgages, have combined to produce negative earnings.

The fiscal year ended March 31, 2011 for the Argus Group saw continued and significant efforts to place our house in order following the effects of the traumatic financial meltdown in world investment markets and the lingering recession experienced over the last three years.

Throughout the organisation, measures have been taken to strengthen the management team, enhance risk management practices, codify all aspects of corporate governance, ensure compliance with increasingly rigorous regulatory requirements and further the work of de-risking the balance sheet in an orderly and sensible fashion.

Our commitment to delivering superior service and product enhancements to our clients and customers contributed to exceptional success in acquiring new business during the year. This, combined with our continued focus on expense management, has enabled all of our business operations to perform strongly despite an economic recession, a low interest rate environment and volatile equity markets in Bermuda and overseas.

Significant achievements during the year include completion of the acquisition of Fogg Insurance Agencies Limited (Fogg), which was marked by a high profile advertising campaign and office relocation to re-launch Fogg as the new force in the Maltese insurance market.

As discussed more fully below, all processes and procedures required for the adoption of International Financial Reporting Standards (IFRS) were successfully delivered during the year.

We were also successful in settling the Madoff class action suit in which Argus was named as a codefendant. Early in 2009, Argus agreed to settle a class action lawsuit, receiving broad releases relating to litigation claims and other protections in exchange for a package of relief including loans to policyholders, the assignment of certain claims to a litigation trust and cooperation by Argus in connection with litigation of the assigned claims. Management believes that we have fulfilled all the obligations of the agreement and that no further action or response is required.

In early 2011, A.M. Best downgraded the financial strength rating of the principal Bermuda-based insurance companies of the Argus Group by one level, from A− (Excellent) with a negative outlook to B++ (Good) with a stable outlook. A.M. Best describes a rating of B++ (Good) as one which it assigns "to companies that have, in our opinion, a good ability to meet their ongoing insurance obligations". The main reason cited by A.M. Best for the downgrade was the significant reduction in value of local equity investments in the recent past and the concentration of business in Bermuda.

The 2010 Annual General Meeting (AGM) of Argus Group Holdings Limited, originally scheduled for July 22, 2010, was postponed to November 8, 2010 because insufficient notice had been given to shareholders of that AGM, and several other AGMs, due to an inadvertent administrative error. As a result of the legal ramifications of this discovery, the Bermuda Stock Exchange agreed to the request made by Argus to suspend the trading of Argus shares until the matter could be resolved. The voluntary suspension of Argus Group Holdings Limited's shares was lifted immediately following the AGM on November 8, 2010, when proposals to remedy the situation were approved by shareholders.

Small Steps Big Impact

Stopped using individual plastic water bottles.

At the AGM shareholders also resolved to set the maximum number of Directors at twelve and subsequently appointed ten; giving the Board the authority to fill the two vacancies. In December 2010, Mr. Everard Barclay Simmons was appointed a Director of the Company to fill one vacancy. Mr. Simmons is a lawyer and the Managing Partner of the law firm Attride-Stirling & Woloniecki and currently sits on the Public Funds Investment Committee and the Board of the Bermuda Monetary Authority. He has also worked for Goldman Sachs & Company in New York as an investment banker. We are confident that Mr. Simmons' legal and investment banking experience will be invaluable to the Argus Group.

During the year under review, the Argus share price has moved between $7.75 at its highest to a low of $4.15, with trade prices in July 2011 on or about $4.20 per share. Quarterly cash dividends were maintained at 10 cents per share throughout the year under review, which represented an annualised return of 8.9 percent based on an average share price of $4.50. However, the reduction in value of local investments over recent years has led to the diminution in surplus capital available for distribution to shareholders as a dividend. In light of this and to ensure that we continue to maintain a capital base that is well in excess of minimum statutory requirements, the Board decided in July 2011 to suspend temporarily the payment of a dividend. While Argus has paid a dividend consistently for decades, the decision to pay a dividend will continue to be reviewed by the Board each quarter. This decision has not been taken lightly and the Board recognises the negative financial impact that this will have on shareholders. The Board will continue to review the dividend policy each quarter and will seek to reinstate a dividend as soon as it is prudent to do so.

It takes
80
years
for a plastic
container to
decompose

LEFT TO RIGHT: **Joy Pimental, Maria McLeod-Smith, Susan DeSilva, Judith Morgan-Swan, Deborah-Ann Simmons, Bob Kennedy, Brenda Dale, Mary Flatres, Denise Camara and Maureen Kennedy.**

Employees at Argus established the "Green Team" in March 2011 to create and implement a policy of environment-friendly measures that are being embraced by every area of the Company.

Financial Results

The net loss for the year ended March 31, 2011 reported in the *Consolidated Statement of Operations* is $5.7 million compared to the net loss of $18.4 million for the previous year. The *Loss per share* was $0.28 compared to a loss of $0.88 last year.

Total General Fund assets increased slightly to $523 million while assets held in our *Segregated Funds* remained constant at $1.16 billion. The Group now has $1.69 billion under its administration.

During the year, *Shareholders' Equity* was reduced by the loss of $5.7 million, cash dividends paid of $8.4 million and reduced further by the net movement in *Other Comprehensive Losses* of $1.1 million. At March 31, 2011, *Shareholders' Equity* stood at $82.4 million compared to $97.5 million one year earlier.

Net premiums written increased by $5.6 million or 4.9 percent arising from new business and our continuing efforts to achieve acceptable underwriting ratios by appropriate adjustments to premiums. Overall, *Claims, Policy and Actuarial benefits* decreased by 2.4 percent over the prior year as the trend of increasing healthcare costs was offset by lower than expected claims experience primarily in the areas of overseas healthcare costs and in our property and casualty businesses.

The Group's *Investment income* of $3.4 million is net of impairment charges of $17.5 million as a result of the other-than-temporary decline in investments in the hospitality sector and local mortgages offset by realised gains on the sale of certain assets of $11.8 million. Other items included in *Investment income* include interest and dividend income, which have remained stable year on year.

The *Change in fair value of investments* decreased slightly from a loss of $12.8 million in 2010 to a loss of $11.2 million in the current year. This unrealised reduction in value of our investments is being driven primarily by our equity holdings which showed a decrease of $8.9 million at March 31, 2011 of which $6.8 million relates to our portfolio of local equities.

Changes in unrealised appreciation and depreciation on available for sale assets are reported as a separate component of *Accumulated Other Comprehensive Income in Shareholders' Equity*. The effect of market movements on our available for sale investment portfolio only impacts net earnings through net realised gains and losses when such securities are sold. During the year the Group reclassified $3.2 million of realised gains from *Other Comprehensive Income* (OCI) into earnings. Also within OCI are unrealised gains of $1.3 million on available for sale assets and a gain of $815,000 on foreign currency translation of our self-sustaining overseas operations.

Commissions, management fees and other income rose by 6.3 percent compared to 2010 primarily reflecting the increase in the average market value of assets under management in our various investment-related businesses and the continued strength of ceding and profit commissions earned by our property and casualty operations.

Containing *Operating expenses* remains a key strategic objective for Management. The year on year increase in operating expense was 1.9 percent, well below the level of inflation. The operating costs of the newly-acquired Fogg Insurance Agencies Limited were consolidated into the Group for the first time. Previously, the Group paid the agency a commission for business produced hence the reduction in *Commissions paid* in

It takes
450
years
for a
plastic
bottle to
decompose

In keeping with the Company's policy to support the sustainability of Bermuda's environment and heritage, Argus sponsors the lighthouse parks. Working in collaboration with Keep Bermuda Beautiful, employees collected trash and recyclable items from the area surrounding St. David's Lighthouse.

the current year. In addition, the Group has recruited a number of specialised staff to ensure that it complies with the ever-increasing legal and regulatory demands in the territories in which it operates. Offsetting these increases is a reduction in the Group's post-employment medical benefits plan liability of $3.2 million. Effective March 31, 2011, these benefits were amended whereby eligibility, benefits and cost sharing were modified for current employees.

Amortisation and depreciation increased to $5.9 million from $5.6 million reflecting increased amortisation of *Intangible assets* with the acquisition of the agency in Malta.

Interest expense has decreased with the continued reduction of the loan taken out to fund the construction of the new corporate headquarters at 14 Wesley Street. This loan is expected to be fully repaid over the forthcoming two years which will effectively eliminate all debt from the Company's Balance Sheet.

Property and Casualty

The property and casualty division operates in three jurisdictions: Bermuda, Gibraltar and Malta.

In all jurisdictions, despite intense competition, the division continues to maintain its trend of disciplined underwriting combined with a strong commitment to proactive customer service resulting in high levels of retention. This, once again, has produced solid bottom line underwriting results for the year.

In Bermuda the fire portfolio, which protects our insureds from windstorm damage among other perils, performed satisfactorily in spite of Hurricane Igor which reduced in intensity from a category 4 to a category 1 hurricane just prior to reaching Bermuda in September 2010. The motor book has performed within planned parameters and continues to contribute to the overall profitability of the accident portfolio. The division introduced a new underwriting administration platform in October 2010 which we expect to produce increased efficiencies in the very near future. We added two experienced underwriters to our team, which has added both technical knowledge and increased management capacity.

In Europe, the acquisition of the Fogg agency operation in Malta in June 2010 was a key focus for our European management team. The exciting business opportunities, combined with our strong position in the market, creates a solid base for further diversification outside of Bermuda. Meanwhile, in Gibraltar, where Argus dominates the local property and casualty market, strong growth was recorded for the fourth consecutive year.

Group Health, Life & Long-Term Disability

Group health produced satisfactory results with the overall contribution to profits improving over last year. The weak local economy has impacted this division as businesses have reduced staffing levels resulting in fewer employees insured and less billed health premium than expected. In spite of fewer numbers of insureds, claims costs remain high and cost containment continues to be a high priority for Management. Profit margins continue to be squeezed industry-wide as insurers aim to limit the impact of health cost inflation on customers during the prolonged economic recession. Argus recognises that escalating healthcare costs are unsustainable and we are actively working with the Bermuda Hospitals Board, the Ministry of Health and the Bermuda Health Council to address the current challenges of an aging population, increasing healthcare utilisation and rising medical inflation.

A section on the Company intranet has been set up to share Green Team notes, provide informative articles and distribute 'green' tips.

Over the long-term, Argus believes that the most effective way to control rising healthcare costs is to reduce the utilisation of services by living healthy lifestyles. We also strongly believe in prevention and early detection. We continue to advocate the Argus Wellness Programme – a multi-faceted programme involving measurement, intervention, education and awareness. This year the Argus Wellness Programme has introduced several initiatives to target specific behaviour and encourage healthy choices by providing information and motivation to assist customers in achieving optimum health.

The seventh annual Argus Health Fair was held in April 2011 in the Argus Building at 14 Wesley Street with a record number of attendees. The focus was on heart health and educating our insureds and the community on how to avoid Bermuda's number one killer, heart disease.

On Staff Appreciation Day, employees were given a reusable lunch box as part of the Green Team's initiative to encourage "trashless lunches." Pictured are Maxine Lawrence, Francezia Campbell, Deborah Leseur and Kay-Annie Reid-Young showcasing the practical lunch boxes.

Our other group benefit products, life, long-term disability, short-term disability and workers' compensation continued to perform well this year.

Pensions

Despite the challenging economic environment, pension assets under management continued to grow during the year reaching $735 million. There was a marked increase in servicing activity due to a larger number of employees either terminating their employment or retiring. However, the number of clients remained stable.

Employee education was a key priority for our clients with monthly enrolment sessions held for new employees and several on-site workshops conducted, in conjunction with AFL Investments, to review market performance and introduce the participants to the key elements of financial planning.

Following the enhancement of our online pension capabilities in 2009, we have seen a significant increase in the number of registered web users. We look forward to expanding the suite of online services in the near future.

Argus Pensions remains the provider of choice in Bermuda due to our dedicated, knowledgeable and experienced staff who partner with our clients to provide ongoing support and assistance in a personalised and professional manner. During the year, we expanded our team to include two new roles: an investment consultant from AFL Investments to provide investment support for our pension clients and an additional AVP, Pension Client Relations to further strengthen our client relationships.

International Life and Annuities

Following a number of lean years, due primarily to continuing turmoil in investment markets, over $55 million of new premium was received in this division in the year ended March 31, 2011. Many long-standing leads came to fruition and significant inroads were made into the European and Far Eastern markets. New products were added to the range and strategic alliances were forged with a number of leading independent business producers.

Management remains confident that this momentum can be maintained and expects this division to contribute significantly, once again, to the Group's net earnings in the years to come.

AFL Investments

AFL Investments continued to focus on building name awareness and increasing client contacts during the year. The team conducted more than 50 financial seminars over the year resulting in appreciable growth in the number of clients and assets under administration. We are seeing increased demands for personal financial planning and the need for innovative institutional solutions, and continue to build on partnerships with global market leaders including Blackrock Investment Management (UK) Limited (Blackrock), Pacific Investment Management Company LLC (PIMCO) and Research Affiliate LLC (promoters of the RAFI® product).

Sales & Marketing

Building long-term relationships with our clients and working as their trusted partner to bring added value is now even more critical as we strive to retain and grow our client base. This tried and tested approach has helped to deliver exceptional levels of new business in Health and Pensions, as Argus continues to win additional business from existing clients and attract new clients.

In these challenging times with increasing healthcare costs and an aging population putting additional strain on pension provisions in retirement, our clients are continually looking to Argus to provide innovative, creative and customised solutions to their problems. Argus strives to build on our market leading position as a provider of Group Employee Benefits by offering best in class financial protection and prosperity solutions to our local and global clients.

We continue to diversify our business model in support of our strategy through the further expansion of our overseas operations and extending our internet capability to serve the consumer market better. This has enabled a greater focus on personal lines such as car and home insurance.

Corporate Governance and Compliance

During the year, our priority was to optimise the management of our risks (operational, investment, strategic, underwriting, liquidity and concentration risk, market and reputational including regulatory risk). We have adopted a risk management and internal controls framework that allows Management to identify and mitigate material risks both on and off the balance sheet. This framework allows Management to assess and evaluate the potential impact of these risks including their effect on capital requirements, capital management and operational strategies. We then design and implement appropriate risk management strategies to monitor and report upon the effectiveness of those strategies in mitigating such risks. We also completed a gap analysis of our operations in preparation for compliance with the Insurance Code of Conduct as required by the Bermuda Monetary Authority.

Argus has stopped buying paper cups and encourages staff to use their own mugs.

A Risk Management Committee was formed during the year whose primary function is to assist the Audit Committee and the Board of Directors in fulfilling their oversight responsibilities to ensure that the Group is conducting its business in a sound and prudent manner.

International Financial Reporting Standards (IFRS)

The transition to IFRS is progressing in accordance with the Group's conversion plan and is currently in the detailed implementation phase, which includes the establishment of an IFRS general ledger. Training and education has been provided to all members of the finance team.

Standards and interpretations under IFRS continue to evolve and the Group will amend its conversion plan where appropriate and provide training on new IFRS developments on a continuing basis as required.

The transition has been assessed to have a minimal impact on information systems used by the Group. The areas where information systems are most impacted to date are modifications to certain general ledger accounts and end-user reports to accommodate IFRS accounting adjustments, recording, and heightened disclosures. Though IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and the disclosure of information. Based on a comparative analysis of IFRS with Canadian GAAP, upon which the Group's accounting practices are now based, the Group has identified a number of differences, the impact of which is discussed in Note 3 to the Financial Statements. This list should not be interpreted as a comprehensive list of changes but it does highlight those areas of accounting differences that the Group assesses to be the most significant upon conversion to IFRS. At the transition date of April 1, 2010, the net adjustment to Shareholders' Equity arising from the implementation of IFRS is estimated to be a reduction of $57,000.

Human Resources

In August 2010, Mr. George Jones joined Argus as Group Company Secretary & Legal Advisor. Mr. Jones serves as Secretary and Registrar for Argus Group Holdings Limited and all of its subsidiaries. In this position, he ensures that the Group and its employees are compliant with all applicable statutory and legal requirements. Mr. Jones also provides legal advice and coordinates all legal services required by the Group.

In January 2011, Ms. Alison Hill, Chief Operating Officer, took on the additional role of Chief Executive Officer. Mr. Gerald Simons retained the position of President of the Company. The decision to expand Ms. Hill's role was to ensure a smooth transition in preparation for the anticipated retirement of Mr. Simons in 2012. This leadership change was also made to ensure the long-term sustainability of the Company and to allow Management more time to focus on special projects, which include the social, economic and regulatory issues arising from a difficult economic climate and increased regulatory oversight. In June 2011, Ms. Hill was appointed to the Board of Directors to fill the remaining vacancy.

In October 2010 the Board of Directors formed a new Succession Planning Committee to work closely with Management in developing the short-term transition plan for the Chief Officers' positions. The succession planning programme continues to evolve with the completion of a group-wide succession planning matrix which assesses the current talent pool available internally for key leadership and technical specialist positions.

A number of initiatives were undertaken to support the development of our improved client-focused approach to working with our external and internal clients. A new corporate training programme was introduced to assist in building effective client relationships. Additionally, employee feedback was sought by conducting focus groups, an engagement survey and company-wide workshops focused on enhancing internal operations across the Group. Employee-led action teams were also launched to spearhead projects aimed at improving client satisfaction and employee knowledge of products and services.

Community

As a local Bermuda company, Argus takes its responsibility to support the community very seriously and we actively support organisations and community events for the benefit of all in Bermuda. Our focus is in the areas of health, youth, education, security and culture. One of the largest donations Argus has ever made was to The Bermuda Heart Foundation to assist them in opening the Cardiac Outreach Rehabilitation & Education (CORE) centre in Hamilton in February 2011. In its first five months CORE has assisted over 50 persons in achieving greater success in managing their medical conditions through a professional programme of individualised exercise, nutrition and psychological counselling as well as group therapy. This donation supports our wellness initiatives in the community and, in the long run, should reduce the cost of healthcare in Bermuda.

The Bermuda Heart Foundation is one of our six key charities along with the Adult Education School, the Bermuda Diabetes Association, the Bermuda Sloop Foundation, Crime Stoppers Bermuda, and Knowledge Quest.

During the year we also supported many events to promote healthy living including the Argus Health Fair, the Argus Tennis Open and the Bermuda Cancer and Health Centre's SunSmart Programme which provides sunscreen to children's summer camps.

Forward Looking Statements

Certain statements in this report may be deemed to include 'forward looking statements' and are based on Management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements due to a variety of factors including worldwide economic conditions, success in business retention and obtaining new business and other factors.

Note of Appreciation

On behalf of your Board and Management, we would like to express our appreciation to our shareholders and customers for their support as we continue to work to return the Argus Group to profitability. In addition, we wish to acknowledge and commend the hard work and commitment of our great team of employees, whose dedication to our customers is unrivalled.

Sheila E. Nicoll
Chairman

August 5, 2011

Alison S. Hill
Chief Executive Officer

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and other financial information in this Annual Report have been prepared by the Company's management, which is responsible for their integrity, consistency, objectivity and reliability. To fulfill this responsibility, the Company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate to provide a high degree of assurance that relevant and reliable financial information is produced and assets are safeguarded. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance, and the communication of policies and a code of conduct throughout the Company. In addition, the Company maintains an Internal Auditor who conducts periodic audits of all aspects of the Company's operations. The Internal Auditor has full access to the Audit Committee.

These consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements.

KPMG, the independent chartered accountants appointed by the shareholders, have examined the consolidated financial statements set out on pages 16 through 55 in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is shown opposite.

The consolidated financial statements have been further reviewed and approved by the Board of Directors acting through the Audit Committee, which is comprised of directors who are not officers or employees of the Company. The Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors, oversees management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee, both with and without management present, to discuss their audit and related findings.

Alison S. Hill
Chief Executive Officer

David W. Pugh
Chief Financial Officer

August 5, 2011

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ARGUS GROUP HOLDINGS LIMITED AND SUBSIDIARIES

We have audited the accompanying consolidated financial statements of Argus Group Holdings Limited ("the Entity"), which comprise the consolidated balance sheet as at March 31, 2011, and the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Argus Group Holdings Limited as at March 31, 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

August 5, 2011
Hamilton, Bermuda

Chartered Accountants

CONSOLIDATED BALANCE SHEET

(In $ thousands)	*Note*	March 31 2011	March 31 2010
GENERAL FUND ASSETS			
Investments	*4*	365,688	389,628
Cash and short-term investments		17,641	13,651
Interest and dividends receivable		850	820
Insurance balances receivable		18,835	11,522
Reinsurers' share of:			
Claims provisions	*10*	5,276	3,550
Unearned premiums		10,463	9,811
Capital assets	*6*	77,735	78,580
Intangible assets	*8*	7,968	6,123
Deferred policy acquisition costs		723	616
Other assets		5,091	5,318
Receivable for investments sold		12,672	-
TOTAL GENERAL FUND		522,942	519,619
SEGREGATED FUNDS ASSETS	*19*	1,162,743	1,169,276
GENERAL FUND LIABILITIES			
Life and annuity policy reserves		137,723	135,086
Deposit administration pension plans		182,422	169,674
Total life and annuity policy reserves	*9*	320,145	304,760
Provision for unpaid and unreported claims	*10*	27,218	26,022
Insurance balances payable		12,626	9,468
Deposit liabilities		4,802	6,558
Unearned premiums		19,436	18,160
Note payable	*4*	-	16,750
Loan payable	*11*	13,843	19,843
Dividends payable		2,103	2,103
Accounts payable and accrued liabilities		17,392	16,006
Payable for investments purchased		20,821	-
		438,386	419,670
EQUITY			
Attributable to shareholders of the Company		82,467	97,479
Attributable to non-controlling interest		2,089	2,470
		84,556	99,949
TOTAL GENERAL FUND		522,942	519,619
SEGREGATED FUNDS LIABILITIES	*19*	1,162,743	1,169,276

On behalf of the Board: Sheila E. Nicoll, *Director*
Alison S. Hill, *Director*

See accompanying notes

CONSOLIDATED STATEMENT OF OPERATIONS

(In $ thousands, except per share data)	Note	March 31 2011	March 31 2010
REVENUE			
Gross premiums written		160,742	154,570
Reinsurance ceded		(41,175)	(40,650)
Net premiums written		119,567	113,920
Net change in unearned premiums		(624)	751
Net premiums earned		118,943	114,671
Investment income	4	3,397	594
Change in fair value of investments	4	(11,202)	(12,781)
Commissions, management fees and other		31,035	29,195
		142,173	131,679
EXPENSES			
Claims and adjustment expenses	10	82,716	82,620
Policy benefits		14,585	17,483
Actuarial benefits		3,864	3,536
Commissions paid		3,234	3,952
Operating expenses		36,390	35,695
Amortisation and depreciation		5,857	5,581
Interest on loans	11	812	1,018
		147,458	149,885
NET LOSS FOR THE YEAR		(5,285)	(18,206)
Attributable to:			
Shareholders of the Company		(5,704)	(18,435)
Non-controlling interests		419	229
		(5,285)	(18,206)
Loss per share:	13		
basic		*(0.28)*	*(0.88)*
fully diluted		*(0.28)*	*(0.88)*

See accompanying notes

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In $ thousands)	March 31 2011	March 31 2010
NET LOSS FOR THE YEAR	(5,285)	(18,206)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Net unrealised gains on available for sale investments arising during the year	1,280	12,394
Reclassification of realised gains included in net income	(3,226)	(256)
Unrealised gains on translating financial statements of self-sustaining foreign operations	815	604
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(1,131)	12,742
COMPREHENSIVE LOSS FOR THE YEAR	(6,416)	(5,464)
OTHER COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:		
Shareholders of the Company	(1,131)	12,742
Non-controlling interests	-	-
	(1,131)	12,742
COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:		
Shareholders of the Company	(6,835)	(5,693)
Non-controlling interests	419	229
	(6,416)	(5,464)

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In $ thousands)	Note	March 31 2011	March 31 2010
SHARE CAPITAL			
Authorised:			
25,000,000 common shares of $1.00 each (2010 – 25,000,000)		25,000	25,000
Issued and fully paid, beginning of year 21,511,163 shares (2010 – 21,485,744 shares)		21,511	21,486
Issue of nil shares from stock options exercised (2010 – 25,419 shares)		-	25
Issued and fully paid, end of year 21,511,163 shares (2010 – 21,511,163 shares)		21,511	21,511
Deduct: Shares held in Treasury, at cost 478,931 shares (2010 – 477,724 shares)		(5,085)	(5,075)
Total, net of shares held in Treasury		16,426	16,436
CONTRIBUTED SURPLUS			
Balance, beginning of year		52,382	52,267
Stock options exercised		-	91
Stock-based compensation expense	14	247	386
Treasury shares granted to employees	14	-	(362)
Balance, end of year		52,629	52,382
RETAINED EARNINGS			
Balance, beginning of year		26,494	57,299
Net loss for the year		(5,704)	(18,435)
Cash dividends	12	(8,414)	(12,187)
Loss on Treasury shares granted to employees		-	(183)
Balance, end of year		12,376	26,494
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Balance, beginning of year		2,167	(10,575)
Other comprehensive (loss)/income for the year		(1,131)	12,742
Balance, end of year		1,036	2,167
Total attributable to Shareholders of the Company		82,467	97,479
Attributable to non-controlling interest		2,089	2,470
TOTAL EQUITY		84,556	99,949

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

(In $ thousands)	*Note*	**March 31 2011**	March 31 2010
OPERATING ACTIVITIES			
Net loss for the year		**(5,285)**	(18,206)
Adjustments to reconcile net loss to cash basis (Footnote (i) below)		**23,784**	27,739
Change in operating balances (Footnote (ii) below)		**19,193**	17,467
CASH GENERATED FROM OPERATIONS		**37,692**	27,000
INVESTING ACTIVITIES			
Purchase of investments		**(578,147)**	(237,443)
Sale of investments		**582,461**	228,921
Purchase of subsidiary, net of cash acquired	7	**(2,619)**	-
Foreign currency translation adjustment		**(239)**	-
Purchase of capital assets		**(3,874)**	(8,110)
Purchase of intangible assets	7	**(125)**	(159)
CASH USED IN INVESTMENT ACTIVITIES		**(2,543)**	(16,791)
FINANCING ACTIVITIES			
Dividends paid		**(8,414)**	(13,438)
Share options exercised		**-**	116
Acquisition of shares held in Treasury		**(10)**	205
Repayment of note payable		**(16,750)**	-
Repayment of loan		**(6,000)**	(7,910)
Cash dividend paid to non-controlling interest		**(800)**	-
Paid in capital from non-controlling interest		**-**	681
CASH USED IN FINANCING ACTIVITIES		**(31,974)**	(20,346)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT		**815**	604
NET INCREASE/(DECREASE) IN CASH AND SHORT-TERM INVESTMENTS		**3,990**	(9,533)
CASH AND SHORT-TERM INVESTMENTS, beginning of year		**13,651**	23,184
CASH AND SHORT-TERM INVESTMENTS, end of year		**17,641**	13,651

Footnotes

(i) Adjustments to reconcile net loss to cash basis:			
Depreciation of capital assets		4,719	4,896
Amortisation of intangible assets		1,138	685
Compensation expense on vesting of stock options		247	201
Amortisation of net premium/discount of bonds		612	314
Net gains on sale and net unrealised depreciation of investments		(434)	11,643
Provision for mortgages and loans		17,502	10,000
		23,784	27,739
(ii) Change in operating balances:			
Interest and dividends receivable		(30)	474
Insurance balances receivable		(7,313)	2,720
Reinsurers' share of:			
Claims provisions		(1,726)	(285)
Unearned premiums		(652)	(151)
Deferred policy acquisition costs		(107)	48
Other assets		227	(735)
Receivable for investments sold		(12,672)	-
Life and annuity policy reserves		2,637	3,652
Deposit administration pension plans		12,748	10,987
Provision for unpaid and unreported claims		1,196	829
Insurance balances payable		3,158	932
Deposit liabilities		(1,756)	(2,377)
Unearned premiums		1,276	(600)
Other liabilities		1,386	1,973
Payable for investments purchased		20,821	-
		19,193	17,467

See accompanying notes

1 OPERATIONS

The Company, through its subsidiaries (collectively the Group), operates in Bermuda, Gibraltar and Malta underwriting life, health, property and casualty insurance. The Group also provides investment, savings and retirement products, and offers a range of administrative services including company management and accounting services.

The Company's subsidiaries are as follows:

Argus Insurance Company Limited
Centurion Insurance Services Limited
Argus Insurance Company (Europe) Limited, *Gibraltar*
Westmed Insurance Services Limited, *Gibraltar*
Bermuda Life Insurance Company Limited
Argus International Life Bermuda Limited
Argus International Life Insurance Limited
Bermuda Life Worldwide Limited
Somers Isles Insurance Company Limited
Fogg Insurance Agencies Limited, *Malta*
AFL Investments Limited
Argus Investment Nominees Limited
Argus International Management Limited
Argus Management Services Limited
Data Communications Limited
St. Martin's Reinsurance Company, Ltd.
Argus Property Limited
Trott Property Limited
Argus Property (Gibraltar) Limited

2 SIGNIFICANT ACCOUNTING POLICIES

(A) PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

These consolidated financial statements have been prepared on the basis of Canadian generally accepted accounting principles (GAAP) since such principles have general application in Bermuda. The consolidated financial statements are stated in Bermuda dollars and include the financial statements of the Company and of all its subsidiaries. All significant inter-company accounts and transactions have been eliminated.

(B) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ materially from these estimates.

(C) FINANCIAL INVESTMENTS

Bonds

Investments in bonds are designated as held to maturity, available for sale or held for trading on the Consolidated Balance Sheet. Held for trading bonds are recognised at fair value with unrealised gains and losses recorded as Change in fair value of investments and realised gains and losses recorded as Investment income in the Consolidated Statement of Operations. Held to maturity bonds are recognised at amortised cost and are adjusted for amortisation of premiums and accretion of discounts based on the effective interest rate method which are included in Investment income in the Consolidated Statement of Operations. Available for sale bonds are recognised at fair value with unrealised gains and losses recorded as Net unrealised gain/(loss) in the Consolidated Statement of Comprehensive Income. Realised gains and losses are reclassified from Accumulated other comprehensive income and recorded in Investment income when the available for sale bond is sold.

Fair values for bonds in active markets are determined using quoted market prices provided by third party independent pricing sources. Fair values for bonds when there is no active market are carried at amortised cost, net of any provision for losses. Purchases and sales of bonds are recognised on their trade dates, the date that the Group commits to purchase or sell the bond. Transaction costs for bonds classified as held for trading are recorded in Change in fair value of investments in the Consolidated Statement of Operations, while transaction costs for bonds classified as held to maturity and available for sale are capitalised on initial recognition and are recognised in the Consolidated Statement of Operations using the effective interest method.

Equities

Investments in equities are designated as available for sale or held for trading and recognised at fair value on the trade date. Equities designated as held for trading are carried at fair value with unrealised gains and losses recorded as Change in fair value of investments and realised gains and losses recorded as Investment income in the Consolidated Statement of Operations. Transaction costs are recorded in the Change in fair value of investments. Equities designated as available for sale are subsequently carried at fair value except unquoted equities which are carried at cost. Unrealised gains and losses are recorded as Net unrealised (loss)/gain in the Consolidated Statement of Comprehensive Income. Realised gains and losses for available for sale equities are reclassified from Accumulated other comprehensive income and recorded in Investment income when the available for sale equity is sold. Dividends earned on equities are recorded in Investment income in the Consolidated Statement of Operations. Transaction costs are capitalised at trade date.

Fair values for equities are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for equities for which there is no active market are carried at cost, net of any provision for losses. Fair values for investments in hedge funds and private equity funds are derived using net asset values from the investment manager or general partner of the respective entity. Purchases and sales of equities are recognised on their trade dates; the date that the Group commits to purchase or sell the equity.

Mortgages and Loans

Investments in Mortgages and loans not actively traded on a public market are classified as loans and receivables and are carried at amortised cost, net of any provisions for losses. Transaction costs on mortgages and corporate loans are capitalised on initial recognition and are recognised in the Consolidated Statement of Operations using the effective interest method. All mortgages are secured by the underlying property.

Fair values for mortgages, loans and affiliates are determined by discounting expected future cash flows using current market rates.

Investments in Affiliates

Investments in affiliates are included in Investments on the Consolidated Balance Sheet. The Group accounts for its investments in affiliated companies, over which it has significant influence, on the equity basis with the exception of one which is accounted, under the cost basis (Note 4B). Income or loss is recognised as Investment income in the Consolidated Statement of Operations.

Investment in Derivative Instruments

Investments in derivative instruments are designated as held for trading. Derivatives are recognised at estimated fair value on the date a contract is entered into, the trade date, and are subsequently carried at estimated fair value. Derivative financial instruments include money market future contracts, interest rate swaps and forward currency contracts. They derive their value from the underlying instrument and are subject to the same risks as that underlying instrument, including liquidity, credit and market risk. Estimated fair values are based on exchange or broker-dealer quotations, where available, or discounted cash flow models, which incorporate the pricing of the underlying instrument, yield curves and other factors. Changes in the estimated fair value of instruments that do not qualify for hedge accounting are recognised in current period income. The Group does not hold any derivatives classified as hedging instruments.

Derivative financial assets and liabilities are reported as net Investments on the Consolidated Balance Sheet. Derivative financial assets and liabilities are derecognised when the Group has transferred substantially all of the risks and rewards of ownership or the liability is discharged, cancelled or expired.

Accounting for Reverse Repurchase Transactions

Receivables from reverse repurchase transactions are included in Investments on the Consolidated Balance Sheet. These receivables are carried at their initial acquisition cost with the difference between the acquisition cost and the selling price being recognised as Investment income in the Consolidated Statement of Operations. Reverse repurchase transactions are short-term holdings and are secured with collateral.

Trades Pending Settlement

Investment transactions are recorded on the trade date with balances pending settlement reflected on the Consolidated Balance Sheet as Receivable for investments sold and Payable for investments purchased.

Impairment of Assets

The carrying amounts of the Group's financial instruments are reviewed regularly for impairment. The Group considers various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry, decline in fair value, bankruptcy or defaults and delinquency in payments of interest or principal.

(i) Held to Maturity

Impairment losses are recognised in the Consolidated Statement of Operations when the investment is considered to be other than temporarily impaired or when the Group does not have the intent to hold the investment until the value has recovered. Once an impairment loss is charged to income, it is not reversed.

(ii) Available for Sale

Impairment losses are recognised in the Consolidated Statement of Operations when the investment is considered to be other than temporarily impaired. Other than temporary impairment occurs when fair value has declined significantly below cost for a prolonged period of time and there is no objective evidence to support recovery in value.

When there is objective evidence that an available for sale asset is impaired and the decline in value is considered other than temporary, the loss accumulated in Other Comprehensive Income is reclassified to the Consolidated Statement of Operations in Investment income. Once an impairment loss is recorded to income, it is not reversed.

(iii) Held for Trading

Since held for trading investments are recorded at fair value with changes in fair value recorded in the Consolidated Statement of Operations, any reduction in value of the asset due to impairment is reflected in Investment income in the Consolidated Statement of Operations.

(iv) Mortgages and Loans

Mortgages and loans are classified as non-performing when, in the opinion of Management, there is reasonable doubt as to the timely collection of the full amount of principal or interest. No interest is taken into income on non-performing mortgages and loans. The allowance for losses on mortgages and loans is based on Management's assessment of the net realisable value of future cash flows. The adequacy of the allowances for losses is continually reviewed by Management, taking into consideration matters such as current economic conditions, past experience and individual circumstances which may affect a borrower's future ability to pay. The allowances are charged against Investment income in the Consolidated Statement of Operations. Once the conditions causing the impairment improve and future payments are reasonably assured, allowances are reduced and the investment is no longer classified as impaired. If the conditions causing the impairment do not improve and future payments are not reasonably assured, the Group has the right to take possession of the collateral.

Interest income earned and realised gains and losses on the sale of investments classified as loans and receivables are included in Investment income in the Consolidated Statement of Operations.

(D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash balances and time deposits with maturities of three months or less at the date of purchase. Interest on these balances is recorded on the accruals basis and included in Investment income. The carrying value of cash and cash equivalents approximates their fair value.

(E) CAPITAL ASSETS

Capital assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write the assets off evenly over their estimated useful lives at the following rates per annum:

Buildings 2.5%
Computer equipment 20% – 33%
Furniture, equipment and leasehold improvements 10% – 15%

(F) INTANGIBLE ASSETS

Intangible assets represent the estimated fair value of the policies and customer lists acquired. These are finite life intangible assets and are amortised on a straight-line basis over their estimated useful lives which range between 10 – 16 years. Management regularly reviews the remaining portion of intangible assets based upon estimates of future earnings and recognises any permanent impairment as a charge to the Consolidated Statement of Operations in the year in which it is identified.

(G) LIFE AND ANNUITY POLICY RESERVES

(i) Policy liability reserves are determined by the Group's actuaries and represent the amounts which, together with future premiums and investment income, are required to discharge the obligations under life and annuity contracts and to pay expenses related to the administration of those contracts.

(ii) The policy liability reserves are determined using (a) generally accepted actuarial practices according to standards established by the Canadian Institute of Actuaries (CIA), and (b) accounting recommendations issued by the Canadian Institute of Chartered Accountants (CICA).

(iii) The CIA and CICA require the use of the Canadian Asset Liability Method (CALM) for the valuation of actuarial liabilities for all lines of business. The policy actuarial liability reserves under CALM are calculated by projecting asset and liability cash flows under a variety of interest rate scenarios using best-estimate assumptions, together with margins for adverse deviations with respect to other contingencies pertinent to the valuation. The policy liability reserves make provision for the expected experience scenario and for adverse deviations in experience.

(H) PROVISION FOR UNPAID AND UNREPORTED CLAIMS

The Provision for unpaid and unreported claims represents the best estimate of the ultimate costs of claims in the course of settlement and claims incurred but not yet reported. The provision is continually reviewed and updated by Management and the Group's actuaries and is determined using generally accepted actuarial practices established by the CIA. Any adjustments resulting from the review process, as well as differences between estimates and ultimate payments, are reflected in the Consolidated Statement of Operations in the year in which they are determined.

(I) DEPOSIT ADMINISTRATION PENSION PLANS

Deposit administration pension plans are plans where the Group's liability is linked to contributions received, plus a predetermined and guaranteed return.

(J) INCOME RECOGNITION

(i) General and health premiums written and ceded, are recognised as revenue over the terms of the policies and reinsurance agreements. The reserve for Unearned premiums represents that portion of premiums written and ceded that relates to the unexpired terms of the policies or reinsurance contracts in force. Life and annuity premiums are recognised as income when due.

(ii) Certain policies are subject to agreements providing for the retroactive adjustment of premiums based upon the claims experience of the policyholder. Under these agreements any surplus arising is set off against future deficits or returned to the policyholder. Any deficit that may arise is set off against future surpluses or may be recovered in full, or in part, by lump sum payments from policyholders. As these agreements do not transfer insurance risk, funds received under these agreements are recorded as Deposit liabilities.

(iii) Premiums, benefits paid and underwriting expenses in respect of retrospectively rated policies and Segregated Funds contracts are excluded from the Consolidated Statement of Operations. The fees earned on these contracts are included in the Consolidated Statement of Operations under Commissions, management fees and other.

(iv) Costs relating to the acquisition of general and health premiums are charged to income over the period of the policy. Acquisition costs are comprised of commissions and those associated with unearned premiums are deferred and are amortised to income over the periods in which the premiums are earned. Policy acquisition costs related to unearned premiums are only deferred to the extent that they can be expected to be recovered from the unearned premiums. If the unearned premiums are insufficient to pay expected claims and expenses, a premium deficiency is recognised by writing down the deferred policy acquisition cost asset.

(v) Commissions, management fees and other are included in income as earned.

(vi) Investment income is accrued to the balance sheet date.

(K) SEGREGATED FUNDS

Segregated Funds are lines of business in which the Group issues a contract where the benefit amount is directly linked to the fair value of the investments held in the particular segregated fund. Although the underlying assets are registered in the name of the Group and the segregated fund contract holder has no direct access to the specific assets, the contractual arrangements are such that the segregated fund policyholder bears the risk and rewards of the fund's investment performance.

Segregated Funds are carried at fair value except for policy loans which are carried at their unpaid balance as shown on the Consolidated Statement of Changes in Segregated Funds as disclosed in Note 19. Fair values are determined using quoted market values or, where quoted market values are not available, estimated fair values as determined by the Group. Segregated fund assets may not be applied against liabilities that arise from any other business of the Group. The investment results of the segregated funds are reflected directly in segregated fund liabilities. Deposits to segregated funds are reported as increases in segregated funds liabilities and are not reported as income in the Consolidated Statement of Operations.

The Group derives fee income which is recorded as Commissions, management fees and other in the Consolidated Statement of Operations.

(L) TRANSLATION OF FOREIGN CURRENCIES

United States dollars are translated into Bermuda dollars at par. Other foreign currency monetary assets and liabilities are translated into Bermuda dollars at year-end rates of exchange. Income and expenditures are translated at rates of exchange in effect on transaction dates. Foreign exchange gains and losses are reflected in the Consolidated Statement of Operations.

The Group's exchange gains and losses arising from the conversion of our self-sustaining subsidiaries, with a functional currency other than the Bermuda dollar, are included in Unrealised gain/(loss) on translating financial statements of self-sustaining foreign operations in the Consolidated Statement of Comprehensive Income.

(M) STOCK–BASED COMPENSATION

The Company has two stock-based compensation plans for eligible employees, which are accounted for under the fair value method. The fair value of stock-based awards is determined using the Black-Scholes option pricing model and is amortised as compensation expense in earnings over the vesting period of the award (see Note 14).

(N) POST-EMPLOYMENT BENEFITS

The Company currently provides medical benefits to eligible retired employees and their spouses. The Company accrues the cost of these employee future benefits over the periods in which the employees earn the benefits. The post-employment benefit liability is determined by actuarial valuation (see Note 16).

3 NEW ACCOUNTING PRONOUNCEMENTS

(A) CHANGES IN ACCOUNTING POLICY

Business Combinations, consolidated financial statements and non-controlling interests.

In January 2009, the CICA issued Section 1582, Business Combinations to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonises the business combinations standard under Canadian GAAP with International Financial Reporting Standards (IFRS). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests, which replace Section 1600, Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582, Business Combinations.

The Group has chosen to early adopt Sections 1582, 1601 and 1602 effective April 1, 2010. As a result, the following changes were made:

- Non-controlling interests have been presented within Equity on the Consolidated Balance Sheet and the non-controlling interests' share of earnings is no longer deducted in arriving at consolidated earnings.
- Consolidated other comprehensive income and consolidated comprehensive income have been attributed to the Group's equity shareholders and non-controlling interests.
- Acquisition costs related to this year's acquisition of Fogg Insurance Agencies Limited were expensed while the contingent liability was recognised, see Note 7 for details. There are no effects relating to the adoption of Section 1582 for business combinations prior to April 1, 2010.

(B) FUTURE ACCOUNTING AND REPORTING CHANGES.

International Financial Reporting Standards (IFRS)

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. The Group's first annual consolidated financial statements will be prepared in accordance with IFRS for the year ending March 31, 2012 with comparatives for the prior year. The first interim consolidated financial statements will be prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, for the period ending September 30, 2011.

On July 30, 2010, the International Accounting Standards Board (IASB) issued its Insurance Contracts (Phase II) Exposure Draft, which sets out recognition, measurement and disclosure principles for insurance contracts. The insurance contracts standard under IFRS, as currently drafted, proposes that liabilities be discounted at a rate that is independent of the asset used to support those liabilities. This is in contrast to current rules under Canadian GAAP, where changes in the measurement of assets supporting actuarial liabilities are largely offset by a corresponding change in the measurement of the liabilities. In addition, the IASB has a project on accounting for financial instruments (IFRS 9), with changes to classification, measurement, impairment and hedging. It is expected that the mandatory implementation of both these standards will be no earlier than 2013. The Group is currently evaluating the impact of the adoption of these future accounting standards.

The IASB continues to make changes to other IFRSs and has a number of ongoing projects. The Group continues to monitor all of the IASB projects that are in progress to ensure timely implementation and accounting.

(C) IFRS CONVERSION PLAN STATUS

Though IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and the disclosure of information. Based on the comparative analysis of the current IFRS with Canadian GAAP, upon which the Group's accounting practices are now based, the Group has identified a number of differences, the impact of which is discussed below. The list should not be interpreted as a comprehensive list of changes; it highlights those areas of accounting differences that the Group assesses to be the most significant upon conversion to IFRS.

(i) Post-Employment Medical Benefits

Under the current accounting policy, a portion of the post-employment medical benefit obligation is discounted using the interest rate inherent in the amount which the accrued benefit obligation could be immediately settled, for example by purchase of an insurance contract such as an annuity. The rate determined is close to the current rate of return on the Argus annuity portfolio. Under IFRS, this method is no longer available. IFRS requires that the discount rate shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. This change will result in earnings volatility in periods when the rate of return on the Group's assets differs from the market yields on those reference bonds.

The impact on the opening IFRS balance sheet as at April 1, 2010 ("transition date') is negligible since the discount rate used under Canadian GAAP approximates the market yield on high quality bonds.

(ii) Consolidation

The concept of control under IFRS will require the Segregated Funds to be included in the total assets and total liabilities. At the IFRS transition date, total assets and total liabilities of the Group will increase by $1.169 billion as a result of this difference. The Group expects that there will be no impact on equity.

(iii) Investment in Associates

IFRS requires consistency in the accounting period and accounting policies in calculating the Groups' share in the associate's equity. As a result, the Group is required to adjust its share in the associate's equity for any significant transactions occurring between the associate's year end to March 31 and convert balances under the associates' respective GAAP to IFRS. The Group expects that there will be a net increase in the Group's share in the associate's equity in 2011 as a result of converting the valuation model of the investment properties held within the associate from cost to the fair value model to be consistent with the Group's IFRS accounting policy. See also (vi) below.

(iv) Insurance Contracts and Investment Contracts

Insurance contracts are treated, in accordance with IFRS 4, either as insurance or investment contracts. Classification of a contract as an insurance contract or investment contract determines the measurement principle applied to it. The Group has completed the classification exercise of insurance contracts for IFRS reporting purposes. The classification remains the same under IFRS with the exception of certain annuity contracts which failed to meet the insurance contract definition under IFRS. These annuity contracts will be accounted for as investment contracts under IFRS.

The Group expects no measurement differences to arise on these insurance contacts classified as investment contracts under IFRS since the fair value of these contracts meets IFRS requirements. However, this will change the presentation of the liabilities related to these contracts. As of April 1, 2010, total reserves related to these contracts amounted to $4.1 million. IFRS requires that these liabilities be shown separately from liabilities arising from insurance contracts in the balance sheet. There will be no impact on equity.

Measurement of insurance contracts will remain the same and continue to be valued under the Canadian Asset Liability Method, the current Canadian GAAP methodology, until the adoption of a comprehensive new standard on insurance contracts, which is expected to be applicable no earlier than 2013.

IFRS 4 also requires the grossing up of reinsurance in the financial statements. This requirement will change the presentation of the Life and annuity policy reserves which are currently shown net of reinsurance. As of April 1, 2010, reinsurance reserves related to the life business amounting to $15.3 million was netted against the Life and annuity policy reserves. Under IFRS, these reinsurance reserves will be grossed up which will result in an increase in total assets and total liabilities of $15.3 million.

(v) Impairment of Non-financial Assets

Canadian GAAP and IFRS are similar in the factors and considerations related to the review of impairment indicators but differ in the calculation of the impairment. Under the Canadian GAAP standard for impairment of non-financial assets, a write-down to estimated fair value is recognised if the estimated undiscounted future cash flows from an asset or group of assets are less than their carrying value. IFRS requires a write-down to be recognised if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or value in use is less than carrying value. The value-in-use test uses discounted future cash flows, thereby increasing the likelihood of asset impairment relative to the undiscounted cash flow test applied under Canadian GAAP.

The Group reviewed, as of the transition date, whether there are any indicators of impairment related to non-financial assets. No impairment indicators were identified and as a result, an impairment calculation is not required. However, the Group assessed that in the event that indicators of impairment exist in the future, the difference in impairment calculation could lead to greater volatility in future reported earnings.

IFRS also permits the reversal of certain impairment charges where conditions have changed. The Group reviewed past impairment charges as at transition date and concluded that there was no justification for the reversal of past impairment charges.

(vi) Property and Equipment

Under IFRS, there are two allowed valuation bases for property and equipment – the cost model (consistent with Canadian GAAP) and the revaluation model. The Group elected to retain the cost model to minimise volatility in earnings inherent in the revaluation model. The cost model is also appropriate for property and equipment held for own use.

IFRS also requires that properties held predominantly to earn rental income or capital appreciation are classified as investment properties and can be measured using either fair value or the cost model. As a result, certain Group properties amounting to $6.9 million as of April 1, 2010 which are held for rental income and capital appreciation will be reclassified from Capital Assets to a new asset classification called Investment Properties under IFRS. The Group has chosen to measure investment properties using the fair value model at each reporting period with the change in fair value reported in the Consolidated Statement of Operations. For these investment properties, the valuation as per the Group's current GAAP approximates the fair value under IFRS, as of the transition date.

(vii) Leases

IFRS requires that incentives under an operating lease (such as rent-free periods) are recognised as a reduction in rental income over the lease term using an amortisation method applied to the net consideration. The Group has certain lease agreements where the inception date of the lease term differs from the rent commencement date, the date when the lessee occupies the rental space and when the first rental payment is due.

Unlike IFRS, the Group recognises the net consideration on a straight-line basis from the rent commencement date to the expiration date of the lease. This gap between IFRS and Canadian GAAP results in differences in the amount of rental income year on year but no difference in the total net consideration at the end of the lease term. The estimated impact arising from this difference is shown below:

(In $ thousands)		Impact on Equity – Increase (decrease)
	2010 – Transition date	95
	2011	110
	2012	(93)
	2013	(93)
	2014	(19)
NET		$ nil

(viii) Share-based Payment

IFRS requires that forfeiture estimates be established at the time of the initial fair value assessment of share-based payments rather than to account for forfeitures as they occur. The Group expects no material impact on the financial results arising from the adoption of IFRS in this area.

(ix) Income Taxes

IFRS requires separate presentation and disclosures of the current income taxes and deferred taxes in the Group's financial statements. As of April 1, 2010, the Group expects that the current income tax payable of $121,000 will be reclassified from Accounts payable and accrued liabilities to Income tax payable in the IFRS financial statements.

(x) Disclosures

The volume of disclosure required under IFRS is expected to increase significantly both in terms of quantitative and qualitative data.

(D) IFRS 1, FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1 is a financial reporting standard that stipulates the requirements for an entity that is preparing IFRS compliant statements for the first time, and applies at the time of changeover. IFRS 1 requires an entity to comply with each IFRS effective at the reporting date for its first IFRS financial statements. In particular, IFRS 1 requires an entity to do the following in the opening IFRS balance sheet that it prepares as a starting point for its accounting under IFRS:

- recognise all assets and liabilities whose recognition is required by IFRS;
- not recognise items as assets or liabilities if IFRS does not permit such recognition;
- reclassify items that it recognised under previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity under IFRS; and
- apply IFRS in measuring all recognised assets and liabilities.

IFRS 1 requires retrospective application of all IFRS standards with certain optional exemptions and mandatory exceptions.

Where the information for retrospective application is not readily available, impractical or is cost prohibitive, the Group has elected to take the following relevant optional exemptions available under IFRS 1:

IFRS 1 OPTIONAL EXEMPTION	GROUP'S DECISION
(i) Business combinations	The Group has taken the option to not restate the accounting for business combinations or acquisitions made prior to the transition date. As a result, no adjustments are required.
(ii) Fair value as deemed cost	Property and equipment – The Group elected to use historical cost consistent with Canadian GAAP as cost as at the transition date. Investment property – The Group has chosen to measure investment properties at fair value model as at the transition date.
(iii) Designation of previously recognised financial instruments	Under IFRS, an entity may elect at the transition date to designate a financial asset and financial liability as available for sale or at fair value through profit and loss (FVTPL), provided certain criteria are met. The Group completed the review of the current classification of its financial assets and liabilities and decided to re-designate all current available for sale bonds to FVTPL. This will result in volatility in earnings given that unrealised gains and losses related to these bonds will be recognised immediately in the Consolidated Statement of Operations instead of Other Comprehensive Income. The Group's decision is based on the following considerations: • These bonds are supporting the Group's actuarial reserves. Re-designating to FVTPL will result in a more appropriate matching with the accounting for the movement in actuarial reserves. • These quoted bonds have become more actively traded in the last quarter of the 2011 fiscal year mainly as a result of a change in investment manager and investment objectives. • The FVTPL designation for these bonds is consistent with IFRS 9, Financial Instruments. IFRS 9 is the latest IFRS on financial instruments which will become effective on January 1, 2013.
(iv) Share-based payments	The Group has taken the allowed exemption to apply IFRS 2, Share-based payments to all equity instruments granted after November 7, 2002 that had not vested as of April 1, 2010, and to all liabilities arising from share-based payment transactions that existed at April 1, 2010.
(v) Reassessment of lease determination	IFRS 1 includes an optional exemption that if a first-time adopter made the same determination of whether an arrangement contains a lease under previous GAAP as that required by International Financial Reporting Interpretations Committee (IFRIC) 4, Determining Whether an Arrangement Contains a Lease, but at a date other than that required by IFRIC 4, then the first-time adopter need not reassess that determination for such arrangements when it adopts IFRS. The Group has taken this allowed exemption.

(E) ESTIMATED IMPACT ON OPENING EQUITY UPON CONVERSION TO IFRS

The following table presents the Group's current estimates of the most significant differences in the Group's IFRS opening equity as of the transition date of April 1, 2010. These estimates and current policy choices are subject to possible change until the issuance of the March 31, 2012 annual consolidated financial statements.

(In $ thousands)	Item	Capital Contributed Surplus and Non-controlling interests	Accumulated other comprehensive income	Retained earnings	Total equity
Total as reported under Canadian GAAP – April 1, 2010		71,288	2,167	26,494	99,949
Adjustments to total equity:					
IFRS 1 optional exemption:					
Re-designation of available for sale bonds to FVTPL	1	-	(3,462)	3,462	-
Accounting policy differences:					
Investment in associates	2	-	169	(321)	(152)
Leases	3	-	-	95	95
Total adjustments to equity under IFRS		-	(3,293)	3,236	(57)
Total as reported under IFRS – April 1, 2010		71,288	(1,126)	29,730	99,892

Explanation of the significant adjustments impacting opening equity:

1. **Optional exemption on re-designation of available for sale bonds to FVTPL**

   The re-designation to FVTPL results in the recording of the net unrealised gains related to bonds classified as available for sale under Canadian GAAP from Other Comprehensive Income to Retained Earnings. See also D (iii) above.

2. **Investment in associates**

   This represents an adjustment to the Group's share of the associate's equity to include any significant transactions occurring between the associate's year-end to March 31 and to align the accounting policies between the associate's GAAP and IFRS as of April 1, 2010.

   The estimated increase arising from the alignment of accounting policies on investment properties discussed in C (iii) above is expected to take effect in the 2011 IFRS financial results due to timing of the availability of the appraisal reports.

3. **Leases**

   Refer to C (vii) above.

4 INVESTMENTS

Carrying values and estimated fair values of investments are as follows:

(In $ thousands)	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds				
Bonds – held to maturity	6,276	5,910	6,201	5,451
Bonds – available for sale	64,102	64,102	65,076	65,076
Bonds – held for trading	101,125	101,125	92,714	92,714
	171,503	171,137	163,991	163,241
Equities				
Equities – available for sale	4,347	4,347	55,198	55,198
Equities – held for trading	73,372	73,372	88,353	88,353
	77,719	77,719	143,551	143,551
Affiliates and other	52,757	48,940	20,877	17,422
Mortgages and loans	46,320	44,349	61,209	60,145
Receivable from reverse repurchase transactions	17,300	17,300	-	-
Derivative financial assets	89	89	-	-
TOTAL INVESTMENTS	365,688	359,534	389,628	384,359

(A) FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

In compliance with amendments to CICA Handbook Section 3862, the Company has categorised its financial instruments that are carried at fair value based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy as discussed below. The financial instruments carried at fair value include equities, derivative financial assets and bonds except bonds – held to maturity.

Level 1 – Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. The investments classified as Level 1 include U.S. Treasury securities and exchange-traded equities. This includes equities amounting to $27.5 million which are traded on the Bermuda Stock Exchange while $12.9 million are traded on the London Stock Exchange.

Level 2 – Fair value is based on quoted prices for similar assets or liabilities in active markets. The valuation is based on significant observable inputs or inputs that are derived principally from or corroborated by observable market data through correlation or other means. The investments classified as Level 2 include investments in hedge funds, mutual funds and all exchange-traded bonds except U.S. Treasury securities.

Level 3 – Fair value is based on valuation techniques that require one or more significant inputs that are not based on observable market inputs. These unobservable inputs reflect the Group's assumptions about the market participants in pricing the investments. The investments classified as Level 3 include investments in private equity funds and unquoted equities.

The following table presents the Company's financial instruments that are carried at fair value by hierarchy level as at March 31, 2011:

(In $ thousands)	Level 1	Level 2	Level 3	Total
Bonds – available for sale	192	63,910	-	64,102
Bonds – held for trading	-	101,125	-	101,125
Equities – available for sale	-	-	4,347	4,347
Equities – held for trading	40,430	31,616	1,326	73,372
Derivative financial assets	-	89	-	89
TOTAL	40,622	196,740	5,673	243,035

The following table presents the Company's financial instruments that are carried at fair value by hierarchy level as at March 31, 2010:

(In $ thousands)	Level 1	Level 2	Level 3	Total
Bonds – available for sale	-	63,976	1,100	65,076
Bonds – held for trading	2,228	90,486	-	92,714
Equities – available for sale	-	-	55,198	55,198
Equities – held for trading	49,823	32,263	6,267	88,353
TOTAL	52,051	186,725	62,565	301,341

The following table shows a reconciliation of the beginning and ending balances for financial instruments which are categorised at Level 3 for the year ended March 31, 2011:

(In $ thousands)	Bonds available for sale Corporate	Equities available for sale	Equities held for trading	Total Financial instrument assets measured at fair value
Beginning balance	1,100	55,198	6,267	62,565
Included in net income (1)	-	762	(439)	323
Included in other comprehensive income	-	(308)	-	(308)
Purchases	-	300	1,100	1,400
Sales	(1,100)	(1,605)	(5,602)	(8,307)
Transfer to investment in affiliate (see Note 4B)	-	(50,000)	-	(50,000)
Ending Balance	-	4,347	1,326	5,673

The following table shows a reconciliation of the beginning and ending balances for financial instruments which are categorised at Level 3 for the year ended March 31, 2010:

(In $ thousands)	Bonds available for sale Corporate	Equities available for sale	Equities held for trading	Total Financial instrument assets measured at fair value
Beginning balance	1,100	46,767	2,731	50,598
Included in net income [1]	-	-	36	36
Included in other comprehensive income	-	8,131	-	8,131
Purchases	-	300	3,500	3,800
Ending Balance	1,100	55,198	6,267	62,565

[1] This amount is reported in Investment Income on the Consolidated Statement of Operations.

(B) AFFILIATES AND OTHER

Affiliates and other include the Group's investments in affiliates amounting to $46.7 million while the remaining balance of $6.1 million relates to investment in local real estate fractional units.

Included in investment in affiliates is a 23.7% holding in Northstar Group Holdings Limited (NGH), a holding company for its wholly owned subsidiary, Northstar Reinsurance Ireland Limited (NRIL). NRIL transacted life reinsurance business with a life assurance company and a reinsurance company in the United States of America during the year under review. No new treaties have been written since January 2006 and the current treaties are closed to new business. NGH and NRIL are actively considering several options with respect to the two remaining treaties including the novation or recapture of one or both treaties or retaining the treaties and running off the business.

NRIL financial statements for the year ended March 31, 2011 reflect a profit for the year of $1.5 million with a closing net asset value of $44.3 million. These financial statements have been audited by an independent firm of chartered accountants who have issued an unqualified opinion.

NGH financial statements have not been audited. There are various financial commitments due to NGH from other shareholders which are collateralised by various assets. These assets include holdings in hedge funds and equities, the valuation of which is inherently uncertain. Management have assessed the probable ranges of realisable values for that specific portion of collateralisation and consider there is a reasonable expectation that the charged assets should realise values that would be sufficient to satisfy the obligations of the shareholders concerned. Assessment of the probable ranges of market values relies on current market expectations and the ability to find suitable buyers and is therefore inherently subjective and may not result in actual realised values within those probable ranges. Should other shareholders be unable to service their commitments, a shareholders' agreement provides for the possible reallocation of share interest which would lead to an increased holding in NGH by the Company.

At March 31, 2010 the investment in NGH was classified as Equities – available for sale and was carried at cost of $50 million since fair value could not be measured reliably as a result of the absence of an active market for the equity. During the year, the Group obtained significant influence over this investment through an increase in voting rights as part of an agreement whereby, inter alia, the $16.8 million of promissory notes previously due to this affiliate were cancelled; effectively reducing the cost of investment to $33.2 million which, in the opinion of Management, approximates fair value as at March 31, 2011.

(C) RECEIVABLES FROM REVERSE REPURCHASE TRANSACTIONS

The Group's investment in reverse repurchase agreement contracts are commitments to resell bonds purchased at a higher price at a specific future date. Reverse repurchase transactions expose the Group to credit risk from the potential inability of counterparties to perform under the terms of the contract. The risk is mitigated by credit risk evaluation of the counterparty and holding the securities purchased as collateral. Under these agreements, the Group received $17.3 million on April 1, 2011. These receivables were collateralised by two agency notes with a total fair value of $17.3 million as at March 31, 2011. Market and liquidity risks and how these risks are mitigated are disclosed in Note 5 (B) and 5 (C).

(D) DERIVATIVE FINANCIAL INSTRUMENTS

The Group's investment guidelines permit the investment managers to utilise derivative financial instruments such as foreign currency futures, interest rate swaps and foreign currency forwards for yield enhancement, duration management, interest rate and foreign currency exposure management or to obtain an exposure to a particular financial market.

These positions are monitored regularly. The Group principally has exposure to derivatives related to foreign currency risk, interest rate risk and credit risk.

The net gains or losses on the Group's derivative financial instruments recognised as Change in fair value of investments in the Consolidated Statement of Operations as at March 31, 2011, are as follows:

(In $ thousands)	**2011**	2010
Money market futures	(60)	-
Interest rate swaps	-	-
Foreign currency forward receivable	(9)	-
TOTAL	(69)	-

The estimated fair value of the Group's derivative instruments is as follows:

(In $ thousands)	**2011**	2010
Money market futures	30	-
Interest rate swaps	73	-
Foreign currency forward receivable	(14)	
TOTAL	89	-

(i) Futures

Futures provide the Group with participation in market movements, determined by the underlying instrument on which the futures contract is based, without holding the instrument itself or the individual securities. This approach allows the Group more efficient and less costly access to the exposure than would be available by the exclusive use of individual fixed income and money market securities.

Futures contracts may also be used as substitutes for ownership of the physical securities. All futures contracts are held on a non-leveraged basis. An initial margin is provided, which is a deposit of cash and/or securities in an amount equal to a prescribed percentage of the contract value. The fair value of futures contracts is estimated daily and the margin is adjusted accordingly with unrealised gains and/or losses settled daily in cash and/or securities. A realised gain or loss is recognised when the contract is closed.

Futures contracts expose the Group to credit, market and liquidity risks. The Group is exposed to credit risks to the extent that the counterparties are not able to perform under the terms of the contract. Market risk arises when adverse changes occur in the estimated fair values of the underlying securities. Liquidity risk represents the possibility that the Group may not be able to rapidly adjust the size of its forward positions at a reasonable price in times of high volatility and financial stress. Exchange-traded futures are, however, subject to a number of safeguards to ensure that obligations are met, including the use of clearing houses, the posting of margins and the daily settlement of unrealised gains and losses and counterparty credit risk evaluation. Market and liquidity risks and how these risks are mitigated are disclosed in Note 5 (B) and 5 (C).

At March 31, 2011, the notional amount of outstanding money market futures amounted to $270 million (2010 – $ nil).

(ii) Interest Rate Swaps

Swaps are used to manage interest rate exposure, portfolio duration or capitalise on anticipated changes in interest rate volatility without investing directly in the underlying securities. Swaps are recorded at estimated fair values at the end of each period with unrealised gains and losses recorded in the Consolidated Statement of Operations.

Interest rate swap agreements entail the exchange of commitments to pay or receive interest, such as an exchange of floating rate payments for fixed rate payments, with respect to a notional amount of principal. These agreements involve elements of credit and market risk. Such risks include the possibility that there may not be a liquid market, that the counterparty may default on its obligation to perform or that there may be unfavourable movements in interest rates. Credit risk is mitigated by making collateral calls to mitigate exposure and counterparty credit risk evaluation. Market and liquidity risks and how these risks are mitigated are disclosed in Note 5 (B) and 5 (C).

At March 31, 2011, the Group has open interest rate swaps with long positions of $15 million and short positions of $6 million (2010 – $ nil).

(iii) Foreign Currency Forwards

A foreign currency forward contract is a commitment to purchase or sell a foreign currency at a future date at a defined rate. The Group may utilise foreign currency forward contracts to manage the impact of fluctuations in foreign currencies on the value of its foreign currency denominated investments, or to gain exposure to a certain currency or market rate. Forward contracts expose the Group to credit, market and liquidity risks. Credit risk arises from the potential inability of counterparties to perform under the terms of the contract. The Group is exposed to market risk to the extent that adverse changes occur in the exchange rate of the underlying foreign currency. Liquidity risk represents the possibility that the Group may not be able to rapidly adjust the size of its forward positions at a reasonable price in times of high volatility and financial stress. Credit risk is mitigated by making collateral calls to mitigate exposure and counterparty credit risk evaluation. Market and liquidity risks and how these risks are mitigated are disclosed in Note 5 (B) and 5 (C).

As at March 31, 2011, the Group had the following open foreign currency forward contracts:

(In $ thousands)	Notional receivable	Notional payable
Australian dollar	-	329
Canadian dollar	2,074	982
Eurodollar	828	-
Singapore dollar	-	417

At March 31, 2011, the U.S. dollar equivalent of outstanding foreign currency forward contracts with long positions and short positions amounted to $3.3 million and $1.7 million respectively (2010 – $ nil and $ nil).

(E) ACCRUED INTEREST AND SHORT-TERM CASH BALANCES HELD BY INVESTMENT MANAGERS

Included within Bonds are the following short-term accrued interest and cash balances held by investment managers in managed portfolios.

(In $ thousands)	2011	2010
Bonds – accrued interest	1,656	2,064
Bonds – short-term cash balances	2,927	756

(F) INVESTMENT INCOME AND CHANGE IN FAIR VALUE OF INVESTMENTS

(In $ thousands)	2011	2010
Interest Income		
Bonds – held to maturity	402	404
Bonds – available for sale	3,348	3,200
Bonds – held for trading	1,942	2,348
Mortgages and loans	3,417	4,165
Cash and other	203	61
	9,312	10,178
Dividend Income		
Equities – available for sale	895	515
Equities – held for trading	3,332	4,375
	4,227	4,890
Net Realised gains/(loss) on sale of investments		
Realised gains on sale of equities – available for sale	780	36
Realised gains/(loss) on sale of equities – held for trading	3,424	(2,521)
Realised gains on sale of bonds – available for sale	3,281	220
Realised gains on sale of bonds – held for trading	4,289	1,985
	11,774	(280)
Amortisation of premium on bonds	(612)	(314)
Gains on investment in affiliates	115	2,342
Impairment charges	(17,502)	(10,000)
Other	2,006	1,240
Deduct: Investment income relating to Deposit administration pension plans	(5,923)	(7,462)
	(21,916)	14,194
INVESTMENT INCOME	3,397	594
Change in fair value of held for trading assets		
Bonds	(2,190)	1,818
Equities	(8,943)	(14,599)
Derivatives financial assets	(69)	-
CHANGE IN FAIR VALUE OF INVESTMENTS	(11,202)	(12,781)
TOTAL NET INVESTMENT LOSS	(7,805)	(12,187)

5 FINANCIAL INSTRUMENT RISK MANAGEMENT

The Group has policies relating to the identification, measurement, monitoring, mitigation, and control of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risks which include currency, interest rate and other price risks including equity risks. The following describe how the Company manages these risks:

- Portfolios are monitored regularly and reviewed regularly with the Board of Directors and the Investment Committee of the Board of Directors.
- Credit ratings as determined by recognised external credit rating agencies are monitored.
- Investment guidelines specify collateral requirements and concentration limits.
- Reinsurance is placed with counterparties that have a strong credit rating. Management regularly monitors and performs an assessment of creditworthiness of reinsurers.

(A) CREDIT RISK

The Group has exposure to credit risk, which is the risk that a counterparty will suffer a deterioration in perceived financial strength or be unable to pay amounts in full when due.

The concentration of credit risk exposures held by insurers may be expected to be greater than those associated with other industries, due to the specific nature of reinsurance markets and the extent of investments held in financial markets. By the nature of the business, reinsurers interact with similar customers in similar markets, however the Group uses a panel of reinsurers with global operations and diversified portfolios and limits its exposure to any one reinsurer.

(i) Maximum Exposure to Credit Risk

The following table summarises the Group's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the assets net of any allowances for losses.

(In $ thousands)	*Note*	2011	2010
Cash and short-term investments		17,641	13,651
Interest and dividends receivable		850	820
Bonds		171,503	163,991
Mortgages and loans		46,320	61,209
Affiliates and other		52,757	20,877
Receivable from reverse repurchase transactions	4 (C)	17,300	-
Derivative financial assets		103	-
Insurance balances receivable		18,835	11,522
Reinsurers' share of claims provisions		5,276	3,550
Reinsurers' share of life and annuity policy reserves	9 (G)	8,647	15,332
TOTAL BALANCE SHEET MAXIMUM CREDIT EXPOSURE		339,232	290,952

Credit risk is mitigated by entering into collateral agreements for mortgages and loans. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The Group manages credit risk by its specific investment diversification requirements such as investing by asset class, geography and industry, review of credit quality ratings for portfolio investments and an active credit risk governance, including independent monitoring and review and reporting to senior Management and the Board.

(ii) Concentration of Credit Risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

The following table provides details of the carrying value of bonds by industry sector and geographic distribution at March 31, 2011 and 2010.

(In $ thousands)	**2011**	2010
Bonds issued or guaranteed by:		
Banking and finance	69,592	65,561
Agency	33,093	30,754
Federal government	5,591	8,008
Pharmaceutical	5,514	9,928
Utilities and energy	4,767	10,511
Transportation	2,228	4,844
Communications	5,937	1,847
Oil and gas	8,394	3,185
Insurance	6,806	1,445
Asset-backed securities	9,394	-
Manufacturing	5,329	2,600
Mining	2,746	552
Other	12,112	10,040
Supra National	-	14,716
TOTAL BONDS	171,503	163,991

(In $ thousands)	**2011**	2010
Geographic distribution is as follows:		
United States	103,734	95,512
Bermuda	3,651	4,701
United Kingdom	21,212	7,571
Netherlands	6,708	7,426
Germany	1,980	4,909
Canada	6,253	2,899
France	3,274	4,858
Sweden	3,457	1,004
Switzerland	2,087	1,028
Other	19,147	19,367
Supra National	-	14,716
TOTAL BONDS	171,503	163,991

The geographic location for all mortgages and loans is Bermuda and the following table provides details of the carrying value split into residential and non-residential. Residential mortgages include mortgages for both single and multiple family dwellings.

(In $ thousands)	**2011**	2010
Mortgages		
Residential	**8,291**	9,672
Non-residential	**38,029**	35,992
Loans		
Subordinated debt	**-**	15,545
TOTAL MORTGAGES AND LOANS	**46,320**	61,209

Mortgages comprise first mortgages on real property situated in Bermuda.

(iii) Asset Quality

(a) Bonds by Credit Rating

The following table provides an analysis of the carrying value of bonds by rating.

(In $ thousands)	**2011**	2010
Bond Portfolio Quality:		
AAA	**58,531**	69,281
AA	**46,519**	52,818
A	**37,822**	29,007
BBB	**15,856**	2,861
BB	**3,903**	1,995
B	**1,929**	813
Not Rated	**4,016**	6,460
Cash	**2,927**	756
TOTAL BONDS	**171,503**	163,991

(b) Impaired Investments

Mortgage and Loans

Changes in the allowance for credit losses are as follows:

(In $ thousands)	**2011**	2010
Balance, beginning of year	**33,100**	23,100
Net provisions made in year – Mortgages	**1,957**	10,000
Net provisions transferred to equities	**(10,000)**	-
	25,057	33,100

In December 2010, subordinated debt with a carrying value of $15.5 million (net of $10 million provision) was converted to preference shares with voting rights and accordingly reclassified from Mortgages and loans to Equities – available for sale. As a result of the absence of objective evidence to support the recovery in fair value, an additional provision of $15.5 million was made to adjust the carrying value to $ nil.

Available for Sale Assets

Temporarily Impaired Available for Sale Assets

The available for sale assets disclosed in the following table exhibit evidence of impairment; however, the impairment loss has not been recognised in net income because the diminution in value is considered temporary. Held for trading assets are excluded from the following table as changes in fair value are recorded separately in the Consolidated Statement of Operations. Available for sale bonds, equities and other invested assets have generally been identified as temporarily impaired if their amortised cost as at the end of the period was greater than their fair value, resulting in an unrealised loss. In connection with the Group's investment management practices and review of its investment holdings, it is believed that the contractual terms of these investments will be met and/or the Group has the ability to hold these investments until recovery in value occurs.

(In $ thousands)	2011		2010	
	Carrying Value	Unrealised Losses	Carrying Value	Unrealised Losses
Bonds – available for sale	21,906	250	11,313	296

Held for Trading Assets

The Group generally maintains distinct asset portfolios for each line of business. Changes in the fair value of these assets are largely offset by changes in the fair value of actuarial liabilities, when there is an effective matching of assets and liabilities. When assets are designated as held for trading, the change in fair value arising from impairment is not required to be separately disclosed under Canadian GAAP.

(iv) Mortgages and Loans and Credit Risk

The distribution of mortgages and loans by credit quality as at March 31, 2011, is as follows:

(In $ thousands)	2011 Carrying Value	2011 Allowance for Losses	2010 Carrying Value	2010 Allowance For Losses
Not past due:	44,415	-	43,285	-
Past due:				
Past due less than 90 days	118	-	531	-
Past due 90 to 179 days	76	-	486	-
Past due 180 days or more	265	-	1,008	-
Impaired	1,446	25,057	15,899	33,100
BALANCE, END OF YEAR	46,320	25,057	61,209	33,100

Interest earned in the year on impaired loans shown above amounted to $231,000 (2010 – $1.4 million).

During the year, an additional $2 million (2010 – $10 million) provision was taken against certain mortgage loans for the potential reduction in the net realisable value of future amounts receivable based upon the current economic climate.

Past due mortgages and loans of $459,000 at March 31, 2011 ($2 million at March 31, 2010) do not have an allowance for losses because at a minimum, either the fair value of the collateral or the expected future cash flows exceed the carrying value of the mortgages and loans.

Possession of Collateral/Foreclosed Assets

The Group did not take possession of real estate collateral it held as security for mortgages in the year (2010 – $ nil). Included in Affiliates and other is $6.1 million of investments in Bermuda real estate resulting from the renegotiation of debt in prior years.

(B) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet all cash outflow obligations as they come due. The Group's asset-liability management process allows it to maintain its financial position by ensuring that sufficient liquid assets are available to cover its potential funding requirements. The Group invests in various types of assets with a view to matching them with its liabilities of various durations. To strengthen its liquidity further, the Group actively manages and monitors its capital and asset levels, diversification and credit quality of its investments and cash forecasts and actual amounts against established targets.

The short-term (less than one year) liquidity needs are more than adequately met by maturing bonds, mortgages and loans, the sale of equities, as well as by current operating cash flows. Historically, the Deposit administration pension plan liabilities renew for further periods upon maturity and remain with the Group. Longer duration cash flows are also backed by a broader range of asset classes including equity and other non-fixed income assets. Reinvestment strategies and policies are in place for maturing assets backing longer-term liabilities and are reflected in the Life and annuity policy reserves.

Based on the Group's historical cash flows and current financial performance, Management believes that the cash flow from the Group's operating activities will continue to provide sufficient liquidity for the Group to satisfy debt service obligations and to pay other expenses, as they fall due.

The maturity profile of investments by contractual maturity as of March 31, 2011 is shown below.

(In $ thousands)	Effective Interest Rate Ranges	Within 1 Year	2 – 5 Years	6 – 10 Years	Over 10 Years	Carrying Value
Bonds	0.01% – 10.46%	11,345	88,299	35,643	36,216	171,503
Mortgages and loans	5.64% – 9.387%	23,263	11,577	4,463	7,017	46,320
Receivable from reverse repurchase transactions	0.09% – 0.14%	17,300	-	-	-	17,300
Receivables for investments sold		12,672	-	-	-	12,672
Insurance balances receivable		18,835	-	-	-	18,835
Interest and dividends receivable		850	-	-	-	850
Reinsurers' share of claims provisions		5,276	-	-	-	5,276
		89,541	99,876	40,106	43,233	272,756

The maturity profile of investments by contractual maturity as of March 31, 2010 is shown below.

(In $ thousands)	Effective Interest Rate Ranges	Within 1 Year	2 – 5 Years	6 – 10 Years	Over 10 Years	Carrying Value
Bonds	1.76% – 9.07%	8,956	80,979	55,194	18,862	163,991
Mortgages and loans	6.17% – 9.38%	23,389	8,821	20,779	8,220	61,209
Insurance balances receivable		11,522	-	-	-	11,522
Interest and dividends receivable		820	-	-	-	820
Reinsurers' share of claims provisions		3,550	-	-	-	3,550
		48,237	89,800	75,973	27,082	241,092

The following is an analysis by liability type of the estimated timing of net cash flows based on the Group's liabilities at March 31, 2011. The settlement profile is based on current estimates and historical trends and the actual timing of future cash flows may differ materially from the disclosure below.

(In $ thousands)	Within 1 Year	2 – 5 Years	6 – 10 Years	Over 10 Years	Total
Life and annuity policy reserves	12,824	42,012	46,153	117,936	218,925
Deposit administration pension plans	20,311	18,514	30,851	112,746	182,422
Provision for unpaid and unreported claims	27,218	-	-	-	27,218
Insurance balances payable	12,626	-	-	-	12,626
Deposit liabilities	-	4,802	-	-	4,802
Loan payable	6,000	7,843	-	-	13,843
Dividends payable	2,103	-	-	-	2,103
Accounts payable and accrued liabilities	17,392	-	-	-	17,392
Payable for investments purchased	20,821	-	-	-	20,821
	119,295	73,171	77,004	230,682	500,152

The following is an analysis by liability type of the estimated timing of net cash flows based on the Group's liabilities at March 31, 2010.

(In $ thousands)	Within 1 year	2 – 5 Years	6 – 10 Years	Over 10 Years	Total
Life and annuity policy reserves	12,201	40,925	46,074	125,094	224,294
Deposit administration pension plans	18,891	17,221	28,695	104,867	169,674
Provision for unpaid and unreported claims	26,022	-	-	-	26,022
Insurance balances payable	9,468	-	-	-	9,468
Deposit liabilities	-	6,558	-	-	6,558
Note payable	16,750	-	-	-	16,750
Loan payable	6,000	13,843	-	-	19,843
Dividends payable	2,103	-	-	-	2,103
Accounts payable and accrued liabilities	16,006	-	-	-	16,006
	107,441	78,547	74,769	229,961	490,718

(C) MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

(i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The following policies and procedures are in place to mitigate the Group's exposure to currency risk.

- The Group constantly monitors the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments.
- The majority of the Group's assets, liabilities and earnings are denominated in Bermuda or United States dollars.
- The assets and liabilities of the self-sustaining foreign operations are held in the appropriate currency. The net currency exposure arising from the net equity within these operations amounts to £7.3 million and €2.6 million (2010 – £7 million and €1.2 million).

(ii) Interest Rate Risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Change in market interest rates can impact the reinvestment of matured investments, as the returns available on the new investment may be significantly different from the returns previously achieved. The Company manages these risks through:

- Asset allocation and diversification of the investment portfolio
- Investing in fixed income assets that closely match the life liability product cash flows for products with fixed and highly predictable benefit payments
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

The impact of interest rate risk for the Group's actuarial liabilities and the assets supporting those liabilities is included in Note 9. Management considers that there is no material net interest rate risk on fixed-income investments which support non-life insurance liabilities.

(iii) Equity Risk

The majority of the equities are held to back long-term liabilities or those where it is expected that the liabilities will renew at maturity at then current market rates. Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. Overall, it is expected that the impact of an immediate ten percent increase in value across all equity markets would be an increase in Net income and Other comprehensive income of $7.7 million; conversely the impact of a ten percent decrease would have an equal but opposite effect.

(D) LIMITATIONS OF SENSITIVITY ANALYSIS

The sensitivity information given in (A) to (C) above and in Note 9 demonstrates the estimated impact of a change in a major input assumption while other assumptions remain unchanged. In reality, there are normally significant levels of correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Furthermore, estimates of sensitivity may become less reliable in unusual market conditions such as instances when risk free interest rates fall towards zero.

6 CAPITAL ASSETS

(In $ thousands)	Cost	Accumulated Depreciation	Net Book Value 2011	Net Book Value 2010
Land and buildings	77,911	9,627	68,284	69,022
Computer equipment	25,981	18,024	7,957	8,002
Other	6,958	5,464	1,494	1,556
TOTAL	110,850	33,115	77,735	78,580

The charge for depreciation of capital assets was $4.7 million (2010 – $4.9 million).

7 ACQUISITION

Effective April 1, 2010, the Group acquired the entire share capital of Fogg Insurance Agencies Limited (Fogg) which became a wholly owned subsidiary of Argus Insurance Company (Europe) Limited. The agency sells property and casualty business in Malta. The purchase consideration is subject to certain adjustments dependent on the persistency of the book of business. The maximum further total consideration payable will not exceed €300,000. The Group has early adopted Section 1582 Business Combinations, which require that the acquisition costs be expensed and the contingent liability be recognised at the time of purchase. The operating results since the date of purchase are included in the Consolidated Statement of Operations.

The fair value of assets acquired and liabilities assumed were as follows:

(In $ thousands)	**2011**
ASSETS	
Cash	**483**
Investments	**15**
Trade and other receivables	**1,391**
Intangible assets	**2,744**
Other assets	**41**
	4,674
LIABILITIES	
Trade and other liabilities	**1,572**
NET ASSETS ACQUIRED	**3,102**
TOTAL PURCHASE CONSIDERATION LESS CASH ACQUIRED	**2,619**

8 INTANGIBLE ASSETS

Intangible assets comprise:

(In $ thousands)	Cost	Accumulated Amortisation and Other	Net Book Value **2011**	Net Book Value 2010
Arising from:				
Continuing businesses	24,174	16,206	**7,968**	6,123

The following table summarises the movement in the net book value of Intangible assets:

(In $ thousands)	**2011**	2010
Balance, beginning of year	**6,123**	6,649
Acquisition of subsidiary	**2,744**	81
Amortisation for the year	**(1,138)**	(685)
Foreign Exchange	**239**	78
BALANCE, END OF YEAR	**7,968**	6,123

Continuing business represents the accumulated cost of customer lists and policies acquired. An amortisation charge of $1.1 million (2010 – $685,000) was recognised during the year and is included in the Consolidated Statement of Operations as Amortisation and depreciation.

9 LIFE AND ANNUITY POLICY RESERVES

Life and annuity policy reserves represent the amount required, together with estimates of future premiums and investment income, to provide for estimated future benefits to policyholders and administration expenses under insurance and annuity contracts net of amounts recoverable from reinsurers. These liabilities are determined in accordance with the standards established by the Canadian Institute of Actuaries.

The Group's financial position may be affected by its investment return risk. If the assets supporting the liabilities do not match the timing and amount of the policy liabilities, investment losses or gains may occur due to future changes in investment returns. To manage and mitigate investment return risk, the Group follows asset and liability management procedures for each business unit.

The Life and annuity policy reserves, net of reinsurance recoverable, are as follows:

(In $ thousands)	2011	2010
Annuities	299,389	281,450
Long-term disability	1,360	1,230
Life	15,771	16,005
Other benefits	3,625	6,075
	320,145	304,760
The changes in the actuarial liabilities are as follows:		
Balance, beginning of year	304,760	290,121
Normal changes	15,597	12,129
Interest rate assumptions	4,457	2,005
Expense assumptions	80	662
Plan amendments and curtailment	(4,216)	-
Other	(533)	(157)
BALANCE, END OF YEAR	320,145	304,760

Assets supporting the Life and annuity policy reserves as at March 31, 2011 are as follows:

(In $ thousands)	Bonds	Mortgages	Equities	Real Estate	Cash and other	Total
Annuities	156,639	37,200	58,625	19,625	27,300	299,389
Long-term disability	-	1,360	-	-	-	1,360
Life	5,639	4,005	6,127	-	-	15,771
Other benefits	-	-	3,625	-	-	3,625
	162,278	42,565	68,377	19,625	27,300	320,145

Assets supporting the Life and annuity policy reserves as at March 31, 2010 are as follows:

(In $ thousands)	Bonds	Mortgages	Equities	Real Estate	Cash	Total
Annuities	151,448	31,583	67,086	21,333	10,000	281,450
Long-term disability	-	1,230	-	-	-	1,230
Life	5,346	5,400	5,259	-	-	16,005
Other benefits	-	-	6,075	-	-	6,075
	156,794	38,213	78,420	21,333	10,000	304,760

Assumptions

The risks associated with insurance contracts and in particular with life and annuity insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Delays in the notification of claims necessitate the holding of significant reserves for liabilities that may only emerge a number of accounting periods later.

To recognise the uncertainty involved in determining the best estimate assumptions a Provision for Adverse Deviation (PfAD) is established. The PfAD is determined by including a margin for conservatism for each key assumption to allow for possible deterioration in experience and to help ensure the policy reserves will be adequate to pay for future benefits. The PfAD assumptions tend to be in the conservative end of the ranges suggested by the Canadian Institute of Actuaries.

The following is a description of the process used to establish the assumptions used in the valuation of the policy reserves:

(A) MORTALITY RISK

Mortality refers to the likelihood of death. The mortality assumption is based on industry standard life insurance and standard annuity past and emerging experience. The Group's life insurance and annuity business is not sufficient to use company specific mortality tables.

To offset some of the mortality risk, the Group reinsures the mortality risk with reinsurers. The impact of the reinsurance is to reduce the policy reserves.

The mortality experience is monitored against the assumptions used in the policy reserves.

A five percent decrease in the best estimate assumption for annuitant mortality would increase the policy reserves by $1.94 million, 1.67 percent (2010 – $1.76 million, 1.58 percent).

(B) MORBIDITY RISK

Morbidity refers to the incidence of accident and sickness as well as the recovery from the incidence. The morbidity assumptions are based on the industry standard morbidity tables for the long-term disability business. The frequency of claims is low and the risk is substantially reinsured.

(C) INVESTMENT RETURNS AND INTEREST RATE RISK

Assets are allocated to the different business segments. For each significant business segment the Canadian Asset Liability Method is used to project the cash flows from the supporting assets and the cash flows from the liabilities. The projected asset cash flows are combined with the projected cash flows from future asset sales and purchases to determine the expected investment returns for all future years.

The Standards of Practice prescribe several representative reinvestment scenarios to determine the sensitivity of the Group's business to possible reinvestment risk. These scenarios provide for interest rate movements significantly in excess of one percent, but to provide a representative example a one percent increase in the best estimate investment return assumption decreases the total life and annuity policy reserves by $14.5 million. A one percent decrease in the best estimate assumption increases the total life and annuity policy reserves by $16.5 million.

(D) CREDIT RISK

Credit risk is provided for by reducing investment yields assumed in the calculation of the policy reserves. Past company and industry experience over the long term, in addition to ongoing reviews of the current portfolio, are used to project credit losses. In addition to the allowances for losses on invested assets due to interest rate risk, the policy reserves include a provision of $2.6 million to provide for future asset defaults and loss of asset value on current assets and future purchases.

(E) EXPENSES

Operating expense assumptions reflect the projected costs of servicing and maintaining the in-force policies. The assumptions are derived from an internal review of operating costs and include an allowance for inflation.

A ten percent increase in the best estimate assumption for unit expenses would increase the policy reserves by approximately $1.1 million.

(F) POLICY TERMINATION AND PERSISTENCY

Policy termination refers to policy surrenders and lapses where lapses represent the termination of policies resulting from non-payment of premiums. Policy surrenders are voluntary. The policy termination rates are based on industry experience because there is an insufficient amount of data to use internal studies only.

(G) REINSURANCE

In order to reduce the mortality risk to the Group, part of the business is ceded to reinsurers. Reinsurance ceded does not discharge the Group of its liability towards its insureds. Therefore, failure of reinsurers to honour their obligations could result in losses for the Group. Each year, the Group ascertains that its reinsurers exceed the minimum capitalisation required by the regulatory authorities. Life and annuity policy reserves are reported net of reinsurance ceded. The Group's reinsurers are rated 'A' and above by A.M. Best and Standard & Poors rating agencies. Reserves, before and after reinsurance ceded are shown below:

(In $ thousands)	2011	2010
Gross life and annuity policy reserves	146,370	150,418
Impact of reinsurance ceded	(8,647)	(15,332)
LIFE AND ANNUITY POLICY RESERVES	137,723	135,086

10 PROVISION FOR UNPAID AND UNREPORTED CLAIMS

The Group establishes reserves for the estimated ultimate liability for unpaid and unreported claims under the terms of its policies and agreements for health, property and casualty and group life claims.

The reconciliation of the provision for unpaid and unreported claims is as follows:

(In $ thousands)	2011	2010
Gross provision, beginning of year	26,022	25,193
Reinsurers' share, beginning of year	(3,550)	(3,265)
Net provision, beginning of year	22,472	21,928
Net claims and adjustment expenses incurred		
Current year	83,456	81,983
Prior year	(740)	637
TOTAL	82,716	82,620
Net claims and adjustment expenses paid		
Current year	(68,954)	(66,814)
Prior year	(14,292)	(15,262)
Total	(83,246)	(82,076)
Movement in the year	(530)	544
NET PROVISION, END OF YEAR	21,942	22,472
Represented by:		
Gross provision, end of year	27,218	26,022
Reinsurers' share, end of year	(5,276)	(3,550)
NET PROVISION, END OF YEAR	21,942	22,472

The Provision for unpaid and unreported claims is based on expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Estimates of losses are continually reviewed and modified to reflect current conditions. Although Management believes, based on the recommendations of our actuary, that the provision for unpaid and unreported claims will be adequate to cover the ultimate cost of losses incurred to the balance sheet date, the provision is necessarily an estimate and claims may ultimately be settled for greater or lesser amounts. Any subsequent differences arising are recorded in the period in which they are determined.

11 LOANS PAYABLE

ARGUS PROPERTY LIMITED

In April 2007 Argus Property Limited, a wholly-owned subsidiary ("the Borrower"), obtained mortgage finance of $30 million from the Bank of N.T. Butterfield & Son Limited in order to finance the development of the new corporate headquarters. Draw downs on the facility ceased in April 2009, with the total loan principal of $27.8 million, including $2 million of accrued interest which had been capitalised. The loan is secured by real estate owned by the Borrower and co-collateralised by a guarantee from the Company and is repayable over five years at $500,000 per month plus interest, commencing on April 30, 2009. Interest is charged at the bank's base rate plus one percent per annum. Interest expense on the mortgage for the year was $812,000 (2010 – $1 million).

12 SHARE CAPITAL

The Company declared cash dividends of $8.4 million (2010 – $12.2 million) during the year.

13 EARNINGS PER SHARE

Basic earnings per share presented in the Consolidated Statement of Operations is calculated by dividing net income (loss) by the weighted average number of shares in issue during the year.

For the purposes of calculating fully diluted earnings per share, the weighted average number of shares in issue has been adjusted to reflect the additional shares that would have resulted had all stock options outstanding been exercised and in issue throughout the year. When there is a loss before discontinued operations and extraordinary items, no potential common shares are included in the computation of calculating fully diluted earnings per share.

(In $ thousands)	**2011**	2010
Net loss for the year	**(5,704)**	(18,435)
Weighted average outstanding common shares	**21,032**	21,009
COMMON SHARES AND COMMON SHARE EQUIVALENTS	**21,032**	21,009

14 STOCK–BASED COMPENSATION

As at March 31, 2011, the Company has two stock-based compensation plans, which are described below. The total compensation cost that has been charged against net income for these plans for the year ended March 31, 2011 was $247,000 (2010 – $386,000).

(i) Under the Company's 2004 Stock Option Plan, options were granted to key management employees at exercise prices not less than the fair market value of the Company's shares on the date the option was granted. Options become exercisable at the rate of 25 percent per year commencing one year after the date of grant and options not exercised lapse ten years after the date of grant. The consideration paid by employees on exercise of share options is credited to Share capital and Contributed surplus. Shares under option and option prices per share are adjusted for all stock dividends declared subsequent to the date of grant. The fair value of these awards is recognised over the applicable vesting period as compensation expense and Contributed surplus. The fair value of options on the date of grant was determined using the Black-Scholes option pricing model.

At the Annual General Meeting of Shareholders held on July 26, 2007, the Directors were granted authority to cease issuing further stock options under the Company's 2004 Stock Option Plan and, in its stead, adopted the 2007 Restricted Stock Plan as described in note (ii) below. Stock options granted prior to this date remain valid and the terms and conditions of the 2004 Stock Option Plan continue to apply thereto until expiration. There were no stock options granted in the years ended March 31, 2011 or 2010.

The following table summarises the activity under the Company's stock option plan for the year ended March 31, 2011:

	2011 Total number of shares under option	2011 Weighted average exercise price	2010 Total number of shares under option	2010 Weighted average exercise price
Outstanding, beginning of year	431,527	$8.54	460,866	$8.32
Changes during the year:				
Exercised	-	-	(25,419)	$4.59
Expired/forfeited	(68,575)	$6.63	(3,920)	$8.95
Outstanding, end of year	362,952	$8.90	431,527	$8.54
Exercisable, end of year	362,952	$8.90	402,068	$8.30

The weighted average remaining contractual life of options outstanding is 3.45 years (2010 – 4.11 years). The range of fair values of options outstanding is $2.16 to $5.17. The total compensation expense recognised in the current year was $11,000 (2010 – $71,000) and has been included in Operating expenses.

The characteristics as at March 31, 2011, of options granted in earlier years are as follows:

Fiscal year	Exercise Price	Number of Outstanding	Shares Exercisable
2003	$7.20	59,617	59,617
2004	$5.95	57,377	57,377
2005	$8.95	78,117	78,117
2006	$9.04	79,260	79,260
2007	$11.78	88,581	88,581
	$8.90	362,952	362,952

(ii) Restricted Stock Plan

The purpose of the 2007 Restricted Stock Plan is to enhance the Company's ability to attract and retain the services of certain key employees and to incentivise such persons to devote their utmost effort and skill to the growth of the Company by providing them with an interest in its long-term growth and stability. Under the Restricted Stock Plan, the maximum number of shares that may be granted is 250,000 over the five-year life of the plan.

Shares are granted unvested and vest at the rate of 33 1/3 percent at the end of each year for three years. The fair value of each share granted under the Restricted Stock Plan was based upon the market price at the date of grant. During the year ended March 31, 2011, nil shares (2010 – 44,952) were granted with a fair value of $ nil (2010 – $360,000) which will be amortised through earnings over the vesting period. There were 1,951 shares (2010 – nil) forfeited during the year with a fair value of $18,000. The total compensation cost recognised in the current year was $218,000 (2010 – $315,000) and has been included in Operating expenses. At March 31, 2011 there was $113,000 (2010 – $349,000) of total unrecognised compensation cost related to non-vested shares granted under the plan which is expected to be recognised in 2012.

15 PENSION PLAN

The Company maintains a defined contribution pension plan covering all full-time employees. For the year ended March 31, 2011, the net pension cost recorded in Operating expenses was $793,074 (2010 – $774,288).

16 POST-EMPLOYMENT MEDICAL BENEFITS

Post-employment medical benefits are included in Life and annuity policy reserves and are summarised as follows:

(In $ thousands)	2011	2010
Accrued benefit liability, beginning of year	6,076	5,247
Current service cost	526	451
Interest cost	317	286
Plan amendments and curtailment	(4,216)	-
Net actuarial loss	1,007	165
Benefits paid	(85)	(73)
ACCRUED BENEFIT LIABILITY, END OF YEAR	3,625	6,076

Components of the change in benefit liabilities year over year and other employee future benefit expense are as follows:

(i) Current service cost represents benefits earned in the current year. These are determined with reference to the current workforce and the amount of benefits to which they will be entitled upon retirement, based on the provisions of the Company's benefit plan.

(ii) Interest cost on the benefit liability represents the increase in the liability that results from the passage of time.

(iii) Effective March 31, 2011, the Company's post employment medical benefits were amended whereby eligibility, benefits and cost sharing were modified for current active employees.

(iv) Actuarial gains or losses may arise in two ways. Each year the actuaries recalculate the benefit liability and compare it to that estimated as at the prior year end. Any differences resulting from changes in assumptions, or from plan experience being different from expectations of management at the previous year end, are considered actuarial gains or losses. Actuarial gains and losses arise when there are differences between expected and actual returns on plan assets.

All post-employment medical benefits are fully funded by the General Fund assets of the Company.

The significant actuarial assumptions in measuring the Company's accrued benefit liability are estimated as follows:

	2011	2010
Discount rate	5%	5%
Expected long-term rate of return on plan assets	5%	7%

The assumed healthcare cost trend rate is currently estimated at 7.0 percent (2010 – 7.0 percent) per annum, and the annual employee turnover rate is nil percent (2010 – 4.3 percent) per annum. The revision to nil percent takes into consideration the age and length of service of those employees continuing to be eligible for the post retirement medical benefit.

Healthcare cost calculations are based on trend rate assumptions which may differ from actual results.

Changes in trend rate assumptions by one percent in either direction will change the healthcare cost as follows:

(In $ thousands)	Increase	Decrease
Aggregate of current service cost and interest cost	67	(58)
Accrued benefit liability	525	(437)

17 SEGMENT INFORMATION

The Group has adopted the accounting requirements relating to the presentation of operating segments based upon internal management reporting. The Group has four reportable segments as follows:

(i) Insured Employee Benefits – including group health, life and long-term disability and employer's indemnity coverage.

(ii) Life and Pensions – including individual life insurance, annuities and group retirement income plans.

(iii) Property and Casualty – including fire and windstorm (home and commercial property), all risks, liability, marine and motor coverage.

(iv) All Other – representing the combined operations of the remaining components of the Group comprising two management companies, three property holding companies, a financial reinsurance company and an investment management services company.

(In $ thousands)		Insured Employee Benefits	Life and Pensions	Property and Casualty	All Other	Total per Financial Statements
Segment revenue	**2011**	**98,063**	**25,105**	**12,524**	**6,481**	**142,173**
	2010	94,839	5,163	23,940	7,737	131,679
Depreciation of capital assets	**2011**	**560**	**772**	**3,387**	**1,138**	**5,857**
	2010	1,326	935	2,212	1,108	5,581
Segment earnings	**2011**	**7,733**	**725**	**(15,366)**	**1,204**	**(5,704)**
	2010	3,321	(21,572)	(1,848)	1,664	(18,435)
Segment assets	**2011**	**45,098**	**375,177**	**80,060**	**22,607**	**522,942**
	2010	42,761	334,150	114,007	28,701	519,619
Capital expenditure	**2011**	**1,081**	**250**	**3,928**	**1,598**	**6,857**
	2010	2,643	1,461	2,366	1,799	8,269

Notes
(a) Inter-segment income has been omitted as immaterial
(b) The accounting policies of the segments are as set out in Note 2
(c) Capital assets and Capital expenditure includes Intangible assets

18 UNDERWRITING AND REINSURANCE POLICY

The Group follows the policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of each Group company on any one claim. In addition, reinsurance is purchased which limits liability both in the aggregate and in the event of multiple claims arising out of a single occurrence. In the event that a claim made against any of the Group's reinsurers is not recoverable due to the insolvency of the reinsurer, or otherwise, the group company not thus able to recover would be liable for the uncollectable amount. The Group constantly monitors the credit worthiness of the reinsurance companies to which it cedes.

19 SEGREGATED FUNDS AND SEPARATE ACCOUNTS

Assets and liabilities pertaining to certain contracts entered into by the Group's insurance companies are not included in the Consolidated Balance Sheet for the reasons set out in Note 2 (K). These contracts comprise life policies and annuity and other contracts whereby the contract benefits are related directly to the fair value of the investments held. The reserves and assets for these contracts are allocated to Separate Accounts as authorised by the Bermuda Life Insurance Company (Separate Accounts) Consolidation and Amendment Act 1998 and the Argus International Life Insurance Limited Consolidated and Amendment Act 2008.

Changes to Segregated Funds and a summary of the investments held therein are summarised below:

Consolidated Statement of Changes in Segregated Funds

(In $ thousands)	2011	2010
Additions to Segregated Funds		
Premiums, contributions and transfers	155,480	103,837
Net investment income	2,113	3,687
Net increase in fair value of investments	70,367	181,465
Segregated funds acquired	510	3,391
	228,470	292,380
Deductions from Segregated Funds		
Withdrawals, benefit payments and transfers to the General Fund	221,563	80,624
Operating expenses	13,440	12,461
	235,003	93,085
Net (reductions)/additions to Segregated Funds for the year	(6,533)	199,295
Segregated Funds, beginning of year	1,169,276	969,981
Segregated Funds, end of year	1,162,743	1,169,276
Consisting of:		
Bonds	79,784	84,121
Stocks and other investments	998,973	982,948
Policy loans	31,125	41,404
Cash and short-term investments	53,080	60,927
Accounts payable and other liabilities	(219)	(124)
TOTAL SEGREGATED FUNDS NET ASSETS	1,162,743	1,169,276

20 DIRECTORS' AND OFFICERS' SHARE INTERESTS AND SERVICE CONTRACTS

The total interests of all Directors and Officers of the Company in the shares of the Company at March 31, 2011, was 1,356,784 shares.

With the exception of the employment contracts with the President, Mr. G. D. E. Simons and the Chief Executive Officer, Ms. A. S. Hill, there are no service contracts with the Directors.

21 RELATED PARTY TRANSACTIONS

All related party transactions were conducted in the normal course of business and on terms and conditions that are at least as favorable as market terms and conditions.

(i) The Group provided insurance-related products and services to various significantly influenced investees. The premiums and fees received from these transactions totaled $695,000 in the year and are shown as Gross premium written in the Consolidated Statement of Operations (2010 – $665,000).

(ii) The Group rented office premises from a significantly influenced investee paying a total of $453,000 in rent and service charges in the year and are shown in Operating expenses in the Consolidated Statement of Operations (2010 – $457,000).

(iii) The Group received facilities management services from a significantly influenced investee for the consideration amount of $1.0 million which is shown net of Investment income in the Consolidated Statement of Operations (2010 – $642,000).

22 CAPITAL MANAGEMENT AND STATUTORY REQUIREMENTS

The Company's capital base is structured to exceed regulatory targets and desired capital ratios, maintain satisfactory credit ratings and provide flexibility to take advantage of growth opportunities and provide an adequate return to shareholders. Capital is managed on a consolidated basis under principles that consider all the risks associated with the business. It is also managed at the business unit level under the principles appropriate to the jurisdiction in which it operates.

Management monitors the adequacy of the Company and its operating subsidiaries' capital from the perspective of both the Bermuda and Gibraltar Insurance and Companies Acts. The Company maintained levels above the minimum local regulatory requirements at March 31, 2011 and 2010 as further described below.

The Company's capital base consists of share capital, contributed surplus, retained earnings and accumulated other comprehensive income as disclosed on the Consolidated Balance Sheet.

The Bermuda Insurance Act 1978 and Related Regulations and the Gibraltar Insurance Act (the "Acts") require the Group's insurance subsidiaries to meet minimum solvency margins. Combined statutory capital and surplus for those companies as at March 31, 2011, was $91.5 million (2010 – $94.4 million) and the amounts required to be maintained by those companies was $26 million (2010 – $24.2 million). In addition, minimum liquidity ratios must be maintained whereby relevant assets, as defined by the Acts, must exceed 75 percent of relevant liabilities.

Each one of the Group's insurance companies meets all requirements of the Acts and there are no restrictions on the distribution of Retained earnings.

23 COMMITMENTS AND CONTINGENCIES

(a) Lease Obligations

The following table summarises the Group's annual commitments under operating leases over the forthcoming five years:

(In $ thousands)	
2012	456
2013	226
2014	16
2015	16
2016	16

(b) Contingencies

(i) The Company has a 35 percent interest in a company that built an office building in Hamilton, Bermuda. The Company has issued a guarantee in respect of its proportionate share of a term bank loan facility totalling $10.8 million for this office building.

(ii) In January 2009, the Company and Argus International Life Bermuda Limited (AILBL) were named with various other defendants in a class action suit filed in the United States relating to investment losses caused by Bernard L. Madoff Investment Securities LLC.

During the year ended March 31, 2010, the Company and AILBL reached an agreement to settle this class action.

The terms of the settlement incorporated a broad package of relief that included loans to policyholders, the assignment of certain AILBL claims to a litigation trust and cooperation by AILBL in connection with litigation of the assigned claims. In exchange, the Company and AILBL obtained broad releases relating to the claims in the litigation and other protections and relief. No financial settlement to policyholders was involved.

The Company and AILBL continue to deny all allegations of wrongdoing or liability whatsoever with respect to the litigation but have agreed to settle the case to eliminate the burden, expense and uncertainty of litigation as well as the concomitant distraction of resources and efforts from their businesses.

(iii) In May 2009, the Company, Bermuda Life Insurance Company Limited and AILBL filed with the Supreme Court of Bermuda a claim against Tremont Group Holdings Inc and Tremont (Bermuda) Limited. The Company bought Tremont International Insurance Ltd (TIIL) from the Tremont Group in December 2006, and subsequently changed the company's name to AILBL. The Company continues to pursue a number of claims, amongst them a claim for damages for breach of warranties in the purchase agreement due to the overstatement by Tremont of the assets of TIIL.

(iv) The Group is contingently liable with respect to certain litigation and claims that arise in the normal course of business.

(v) The Company has provided a letter of comfort, expiring in September 2012, to Northstar Reinsurance Ireland Limited to assist them in meeting their liabilities as and when they fall due.

24 COMPARATIVE FIGURES

Certain of the 2010 comparative figures have been reclassified to conform to the presentation adopted for 2011.

DIRECTORS OF PRINCIPAL OPERATING SUBSIDIARIES

ARGUS INSURANCE COMPANY LIMITED

Reginald S. Minors
Chairman

Wendall S. F. Brown
Deputy Chairman

John Doherty

Alison S. Hill

David W. Pugh

Christopher P. Trott

BERMUDA LIFE INSURANCE COMPANY LIMITED

John D. Campbell
Chairman

Robert D. Steinhoff
Deputy Chairman

Lauren M. Bell

Peter R. Burnim

Alison S. Hill

David W. Pugh

Alan R. Thomson

SOMERS ISLES INSURANCE COMPANY LIMITED

Sheila E. Nicoll
Chairman

James S. Jardine
Deputy Chairman

Alison S. Hill

Michelle A. Jackson

David W. Pugh

E. Barclay Simmons

Gerald D. E. Simons

CENTURION INSURANCE SERVICES LIMITED

Reginald S. Minors
Chairman

Wendall S. F. Brown
Deputy Chairman

Andrew H. Bickham

Alison S. Hill

David W. Pugh

Christopher P. Trott

ARGUS INTERNATIONAL LIFE BERMUDA LIMITED

John D. Campbell
Chairman

Robert D. Steinhoff
Deputy Chairman

Lauren M. Bell

Peter R. Burnim

David W. Pugh

Alan R. Thomson

ARGUS INSURANCE COMPANY (EUROPE) LIMITED, Gibraltar/Malta

Sheila E. Nicoll
Chairman

David Crowhurst
Deputy Chairman

Peter R. Burnim

Andrew I. Baker

Andrew H. Bickham

Alison S. Hill

Tyrone Montovio

David W. Pugh

AFL INVESTMENTS LIMITED

Geoffrey Matus
Chairman

Sheila E. Nicoll
Deputy Chairman

Cindy F. Campbell

James M. Keyes

David W. Pugh

Craig Rimer

Argus remains committed to encouraging our staff to embrace environmental and sustainable practices in the workplace, in an effort to reduce our carbon footprint and associated costs. Our aim is to ensure that our small steps make a big impact.

PAPER:

In line with our policy to implement environmentally friendly measures, this report has been printed on paper made of virgin fibre sourced from sustainable and FSC certified forests. The bleaching process is Elemental Chlorine free and the printing process uses soy-based litho inks.

The paper stock is produced at the Mohawk Mill and uses electricity sourced from renewable energy in the form of wind power to manufacture Strathmore Elements Solids.

By using this paper we have used:

25% less wood
7% less net energy
8% less greenhouse gas
11% less wastewater
8% less solid waste

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