SEPTEMBER 2015 SIX-MONTH REPORT

ARGUS

Our Interest is You.

THE ARGUS GROUP

Building on a foundation of decades of experience and a strong capital base, Argus provides a broad range of insurance, retirement and financial solutions 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 community, clients and shareholders, we welcome the challenge inherent in change, while adhering to our values.

- We do not compromise on 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

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Report to Shareholders

INTRODUCTION

Argus Group Holdings Limited and its subsidiaries (the Group) reports net earnings attributable to shareholders of $3.0 million for the six months ended September 30, 2015 compared with earnings of $10.6 million for the corresponding period in 2014. Equity Attributable to Shareholders of the Company increased to $120.4 million compared to $118.3 million at March 31, 2015. Total Assets including Segregated Fund Assets stand at $2.1 billion compared to $2.2 billion at March 31, 2015.

Although modest, the net earnings reported for the six months ended September 30, 2015 are underpinned by continuing strength in our core business operations through a mix of prudent underwriting and high client retention levels in increasingly competitive markets. Increases in interest rates during the six months have impacted the Group's high quality, fixed income portfolios, resulting in unrealised losses of $8.3 million for the six months to September 30, 2015. This contrasts with the corresponding period in 2014, where there was a decline in long-term interest rates which resulted in an increase in the fair value of the Group's fixed income portfolio. Partially offsetting these unfavourable investment results for the six months ended September 30, 2015 was the decline in future liabilities as a result of the Group's asset liability matching policy. While interest rate volatility has had a short-term impact on our six month financial results, Management continue to prioritise and focus on activities that will generate long-term sustainable value, including prudent investment management and effective asset and liability matching.

Due to a one-off new business transaction within the Life and Pensions division in the prior year, Net Premiums Earned decreased by $7.1 million. Reserves in the Life and Pensions division move in close proportion to the premiums received which primarily resulted in the decrease of Net Benefits and Claims by $8.0 million.

The remainder of the items on the Condensed Consolidated Statement of Operations are in line with the corresponding prior year period.

Your Board and Management remain focused on driving long term sustainable shareholder value by delivering on the Group's strategic priorities. Our brand position "*Our Interest is You*" serves as the basis for our strategic direction. Our priority is in creating solutions that will benefit our clients and communities. While the rising costs of healthcare continue to be a concern in Bermuda, Argus is becoming a driving force in taking action to promote healthy communities and lower healthcare costs. Additionally, the Group continues to make progress to diversify and grow our business by focusing on opportunities to expand our footprint in Europe.

2015 ANNUAL GENERAL MEETING (AGM)

At the AGM of the Company held on September 24, 2015, the Directors were re-elected and all other resolutions were similarly passed.

At a meeting of the Board held after the AGM, Ms. Sheila Nicoll was re-elected Chairman and Mr. Peter Dunkerley was appointed as the Chief Financial Officer replacing Mr. David Pugh. This appointment is done in advance of Mr. Pugh's retirement from the Group in January 2016.

Mr. Pugh will continue to support executive management in the role of Special Advisor to the Chief Executive Officer. On behalf of the Board and Management we would like to express our sincere appreciation to Mr. Pugh for his 32 years of dedicated service to the Argus Group.

DIRECTORS AND SENIOR MANAGEMENT

On November 17, 2015, Ms. Marcia Scheiner and Mr. Bernhard Schluep were appointed directors of the Company.

Ms. Scheiner is currently president of the non-profit Asperger Syndrome Training & Employment Partnership, which she founded in New York in 2010. She has a wealth of global financial services experience and has previously held positions with Zurich Financial Services, Chase Manhattan Bank and Canadian Imperial Bank of Commerce.

Mr. Bernhard Schluep is currently a mergers and acquisitions consultant in the pan-European insurance consolidation sector. He has previously held senior positions with UBS Group, Zurich Financial Services Group and has served as Chairman and board member of several international insurance companies.

We look forward to working with both Ms. Scheiner and Mr. Schluep.

Finally, on behalf of the Board and Management, we would like to express our appreciation to Mr. Everard Barclay Simmons who stepped down from the Board in December 2015. We are grateful for his five years of service as a Director of the Company.

DIVIDEND

The Board has declared a dividend of eight cents per share payable on February 5, 2016 for shareholders of record on January 22, 2016. This represents a final dividend based upon the audited financial statements of the Group for the year ended March 31, 2015.

FORWARD LOOKING STATEMENTS

Shareholders are reminded that the above and certain other statements in this report may be deemed to include ‘forward looking statements’ and are based upon Management’s current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements for a variety of reasons including worldwide economic conditions, success in business retention and other factors.

THANK YOU

On behalf of the Board and Management, we wish to thank our Shareholders and clients for their continued support and acknowledge and commend the hard work and commitment of our staff.

Sheila E. Nicoll
CHAIRMAN

Alison S. Hill
CHIEF EXECUTIVE OFFICER

December 11, 2015

CONDENSED CONSOLIDATED BALANCE SHEET

(In $ thousands)	Note	SEPTEMBER 30 2015 (Unaudited)	MARCH 31 2015 (Audited)
ASSETS			
Cash and short-term investments		27,507	33,095
Interest and dividends receivable		2,530	3,630
Investments	3	454,194	480,205
Insurance balances receivable		10,860	10,830
Reinsurers' share of:			
Claims provisions		25,602	33,898
Unearned premiums		12,339	9,199
Other assets		7,799	7,101
Deferred policy acquisition costs		1,436	1,317
Investment in associates		11,729	11,782
Investment properties		10,448	10,448
Property and equipment		58,850	59,697
Intangible assets		2,136	2,383
TOTAL GENERAL FUND ASSETS		625,430	663,585
TOTAL SEGREGATED FUND ASSETS		1,477,093	1,557,211
TOTAL ASSETS		2,102,523	2,220,796
LIABILITIES			
Life and annuity policy reserves		160,034	158,551
Provision for unpaid and unreported claims		43,375	51,966
Unearned premiums		21,587	16,647
Insurance contract liabilities		224,996	227,164
Insurance balances payable		13,335	11,062
Payables arising from investment transactions		12,461	46,043
Investment contract liabilities		233,046	238,573
Taxes payable		32	91
Accounts payable and accrued liabilities		16,238	16,792
Post-employment benefit obligation	6	3,684	4,042
TOTAL GENERAL FUND LIABILITIES		503,792	543,767
TOTAL SEGREGATED FUND LIABILITIES		1,477,093	1,557,211
TOTAL LIABILITIES		1,980,885	2,100,978
EQUITY			
Attributable to Shareholders of the Company			
Share capital		17,835	17,383
Contributed surplus		52,666	52,698
Retained earnings		53,180	52,141
Accumulated other comprehensive loss	8	(3,257)	(3,893)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		120,424	118,329
Attributable to non-controlling interests		1,214	1,489
TOTAL EQUITY		121,638	119,818
TOTAL LIABILITIES AND EQUITY		2,102,523	2,220,796

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

For the six months ended September 30 (In $ thousands, except per share data)	Note	2015 *(Unaudited)*	2014 *(Unaudited)*
REVENUE			
Gross premiums written		88,548	97,667
Reinsurance ceded		(20,865)	(22,847)
Net premiums written		67,683	74,820
Net change in unearned premiums		(1,443)	(1,486)
Net premiums earned		66,240	73,334
Investment (loss)/income	3.2	(6,587)	4,680
Share of earnings of associates		85	492
Commissions, management fees and other		17,270	15,294
		77,008	93,800
EXPENSES			
Policy benefits		6,334	7,340
Claims and adjustment expenses		49,299	43,484
Reinsurance recoveries		(9,743)	(5,300)
Gross change in contract liabilities		(7,653)	10,710
Change in reinsurers' share of claims provisions		8,466	(1,569)
NET BENEFITS AND CLAIMS		46,703	54,665
Commission expenses		2,417	2,671
Operating expenses		22,450	22,222
Amortisation, depreciation and impairment		2,025	3,367
		73,595	82,925
EARNINGS BEFORE INCOME TAXES		3,413	10,875
Income tax expense		68	10
NET EARNINGS FOR THE PERIOD		3,345	10,865
Attributable to:			
Shareholders of the Company		3,020	10,615
Non-controlling interests		325	250
		3,345	10,865
Earnings per share:	7		
basic		*0.14*	*0.50*
fully diluted		*0.14*	*0.50*

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30 (In $ thousands)	2015 *(Unaudited)*	2014 *(Unaudited)*
NET EARNINGS FOR THE PERIOD	3,345	10,865
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to net earnings:		
Remeasurement of post-employment medical benefit obligation	423	224
Reclassification of actuarial losses arising from an associate's defined benefit plan	-	1,090
Items that are or may subsequently be reclassified to net earnings:		
Change in unrealised gains on available-for-sale investments	24	8
Share of other comprehensive income of associates	-	12
Change in unrealised gains/(losses) on translating financial statements of foreign operations	189	(374)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	636	960
COMPREHENSIVE INCOME FOR THE PERIOD	3,981	11,825
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders of the Company	636	960
	636	960
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders of the Company	3,656	11,575
Non-controlling interests	325	250
	3,981	11,825

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30 (In $ thousands)	Note	2015 *(Unaudited)*	2014 *(Unaudited)*
SHARE CAPITAL			
Authorised:			
25,000,000 common shares of $1.00 each (2014 – 25,000,000)		25,000	25,000
Issued and fully paid, beginning of period 21,573,148 shares (2014 – 21,525,159 shares)		21,573	21,525
Add: Shares issued under the dividend reinvestment plan 33,611 shares (2014 – 20,026 shares)		33	20
Deduct: Shares held in Treasury, at cost 387,306 shares (2014 – 428,031 shares)		(3,771)	(4,155)
TOTAL, NET OF SHARES HELD IN TREASURY, END OF PERIOD		17,835	17,390
CONTRIBUTED SURPLUS			
Balance, beginning of period		52,698	52,578
Stock-based compensation expense		92	83
Treasury shares granted to employees		(222)	(195)
Shares issued under the dividend reinvestment plan		98	64
BALANCE, END OF PERIOD		52,666	52,530
RETAINED EARNINGS			
Balance, beginning of period		52,141	40,413
Net earnings for the period		3,020	10,615
Dividends paid		(1,691)	(1,480)
Reclassification of actuarial losses arising from an associate's defined benefit plan		-	(1,090)
Loss on treasury shares granted to employees		(290)	(263)
BALANCE, END OF PERIOD		53,180	48,195
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Balance, beginning of period		(3,893)	(3,839)
Other comprehensive income for the period		636	960
BALANCE, END OF PERIOD	8	(3,257)	(2,879)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		120,424	115,236
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS			
Balance, beginning of period		1,489	1,430
Net earnings for the period		325	250
Distributions to non-controlling interests		(600)	(400)
BALANCE, END OF PERIOD		1,214	1,280
TOTAL EQUITY		121,638	116,516

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended September 30 (In $ thousands)	2015 *(Unaudited)*	2014 *(Unaudited)*
OPERATING ACTIVITIES		
Earnings before income taxes	3,413	10,875
Adjustments to reconcile net earnings to cash basis (Footnote (i) below)	9,234	(372)
Change in operating balances (Footnote (ii) below)	(2,091)	7,158
Interest income received	6,658	2,643
Dividend income received	470	672
Income tax paid	(127)	(6)
CASH GENERATED FROM OPERATING ACTIVITIES	17,557	20,970
INVESTING ACTIVITIES		
Purchase of investments	(791,831)	(676,912)
Sale and maturity of investments	771,662	647,077
Purchase of property and equipment	(922)	(1,447)
CASH USED IN INVESTING ACTIVITIES	(21,091)	(31,282)
FINANCING ACTIVITIES		
Dividends paid to Shareholders	(1,595)	(1,507)
Distributions to non-controlling interests	(600)	(400)
CASH USED IN FINANCING ACTIVITIES	(2,195)	(1,907)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND SHORT-TERM INVESTMENTS	141	(183)
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS	(5,588)	(12,402)
CASH AND SHORT-TERM INVESTMENTS, beginning of period	33,095	31,340
CASH AND SHORT-TERM INVESTMENTS, end of period	27,507	18,938

Footnotes

(i) Interest income	(6,605)	(6,287)
Dividend income	(387)	(520)
Investment income related to Deposit administration pension plans	1,146	1,159
Net realised and unrealised losses/(gains) on sale of investments	11,340	(856)
Amortisation of net premium on bonds	653	205
Net impairment losses on investments	1,055	794
Share of earnings/(loss) of associates	(85)	(492)
Change in fair value of investment property	-	1,675
Depreciation of property and equipment	1,785	3,043
Amortisation, depreciation and impairment	240	324
Impairment of intangibles	-	500
Expense on vesting of stock-based compensation	92	83
	9,234	(372)
(ii) Insurance balances receivable	(34)	2,555
Reinsurers' share of:		
Claims provisions	8,487	(1,513)
Unearned premiums	(3,071)	(3,563)
Other assets	(781)	(502)
Deferred policy acquisition costs	(20)	(465)
Insurance contract liabilities	(2,751)	15,547
Insurance balances payable	2,144	(4,395)
Investment contract liabilities	(5,527)	1,315
Accounts payable and accrued liabilities	(603)	(1,910)
Post-employment benefit liability	65	89
	(2,091)	7,158

See accompanying notes to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(Unaudited, in $ thousands except for per share amounts and where otherwise stated)

1 OPERATIONS

Argus Group Holdings Limited (the Company) was incorporated in Bermuda with limited liability on May 26, 2005, as a holding company and has its registered office at the Argus Building, 14 Wesley Street, Hamilton HM 11, Bermuda. The Company's shares are traded on the Bermuda Stock Exchange. At September 30, 2015, it had 1,374 shareholders; 86 percent of whom were Bermudian, holding 87 percent of the issued shares.

The Company and its subsidiaries (the Group) operates predominantly in Bermuda, Gibraltar and Malta underwriting life, health, property and casualty insurance. The Group also provides investment, savings and retirement products, and administrative services.

1.1 GROUP COMPOSITION

LIST OF SIGNIFICANT SUBSIDIARIES

The table below provides details of the major operating subsidiaries which are directly and indirectly held by the Company:

Name	Country of incorporation and place of business	Nature of business	% of ownership interest held	% of ownership interest held by non-controlling interests
AFL Investments Limited	Bermuda	Investment management services	60%	40%
Argus Insurance Company Limited	Bermuda	Property and casualty insurance: Home and commercial property, contractors' all risks, liability, marine, motor and employer's indemnity	100%	-
Argus Insurance Agencies Limited	Malta	Insurance agency	100%	-
Argus Insurance Company (Europe) Limited	Gibraltar	Property and casualty insurance: Home and commercial property, contractors' all risks, liability, marine and motor	100%	-
Argus International Life Bermuda Limited (1)	Bermuda	Individual life and annuities	100%	-
Argus International Life Insurance Limited (1)	Bermuda	Individual life and annuities	74%	26%
Argus International Management Limited	Bermuda	Company management	100%	-
Argus Investment Nominees Limited	Bermuda	Nominee company	60%	40%
Argus Management Services Limited	Bermuda	Financial and general management services	100%	-
Argus Property (Europe) Limited	Gibraltar	Property holding company	100%	-
Bermuda Life Insurance Company Limited	Bermuda	Pensions, group life and long-term disability insurance, individual life and annuities, group and individual health insurance	100%	-
Bermuda Life Worldwide Limited	Bermuda	Individual life and annuities	100%	-
Centurion Insurance Services Limited	Bermuda	Insurance agent and licensed broker	100%	-
NBHH (Keepsake) Limited	Bermuda	Property holding company	100%	-
Trott Property Limited	Bermuda	Property holding company	100%	-
Westmed Insurance Services Limited	Gibraltar	Insurance agent and licensed broker	100%	-

(1) Argus International Life Bermuda Limited also owns 100% of Argus International Life Insurance Limited's preference shares.

All subsidiaries are included in the Group condensed consolidated financial statements. The Group's voting rights pecentages are the same as the ownership percentages.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION

These unaudited consolidated interim financial statements have been prepared on a condensed basis in accordance with International Accounting Standard 34 (IAS 34), Interim Financial Reporting and do not include all of the information required for full annual financial statements.

All amounts, excluding per share data or where otherwise stated, are in thousands of Bermuda dollars which is the Group's presentation currency and which are on par with U.S. dollars.

The Condensed Consolidated Balance Sheet is presented in order of decreasing liquidity.

These condensed consolidated interim financial statements follow the same accounting policies and methods of their application as our March 31, 2015 audited financial statements and should be read in conjunction with the latter.

2.2 NEW AND REVISED ACCOUNTING STANDARDS

There are amendments to existing standards and interpretations that are mandatory for the first time for financial periods beginning April 1, 2015, as discussed in the March 31, 2015 audited financial statements. However, these do not impact the interim condensed consolidated financial statements of the Group.

3 INVESTMENTS

3.1 CARRYING VALUES AND ESTIMATED FAIR VALUES OF INVESTMENTS

	SEPTEMBER 30, 2015		MARCH 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Investments at FVTPL[(1)]				
Bonds	369,118	369,118	388,838	388,838
Equities	39,696	39,696	45,733	45,733
	408,814	408,814	434,571	434,571
Held-to-maturity				
Bonds	3,306	3,382	3,318	3,446
	3,306	3,382	3,318	3,446
Available-for-sale				
Equities	2,572	2,572	2,663	2,663
	2,572	2,572	2,663	2,663
Loans and receivables				
Mortgages and loans	39,280	41,579	39,220	41,129
Policy loans	76	76	77	77
	39,356	41,655	39,297	41,206
Derivatives				
Interest rate swaps	31	31	43	43
Foreign currency forward contracts	115	115	313	313
	146	146	356	356
TOTAL INVESTMENTS	454,194	456,569	480,205	482,242

(1) Fair value through profit or loss (FVTPL)

Included in Bonds are investments of $146.2 million (2015 – $148.1 million), which are maintained under the Interest Accumulator Separate Account. The separate account is set up to provide policyholders certain protection from creditors of the Group. These investments are included in the assets supporting the Group's deposit administration pension plans.

3.2 INVESTMENT INCOME

FOR THE SIX MONTHS ENDED SEPTEMBER 30	2015	2014
Interest income		
Bonds – at FVTPL	5,258	4,746
Bonds – held-to-maturity	115	125
Mortgages and loans	1,206	1,373
Cash and other	26	43
	6,605	6,287
Dividend income		
Equities – at FVTPL	303	505
Equities – available-for-sale	84	15
	387	520
Net realised and unrealised gains/(losses) on investments		
Bonds – at FVTPL	(8,264)	807
Equities – at FVTPL	(3,105)	(631)
Equities – available-for-sale	91	63
Derivative financial instruments	(62)	617
Investment property	-	(1,675)
	(11,340)	(819)
Other		
Amortisation of premium on Bonds	(653)	(205)
Rental income and other	615	850
Impairment charges on Mortgage and loans	(1,055)	(794)
	(1,093)	(149)
INVESTMENT INCOME BEFORE DEDUCTIONS	(5,441)	5,839
Deductions		
Investment income relating to Deposit Administration Pension Plans	(1,146)	(1,159)
	(1,146)	(1,159)
TOTAL INVESTMENT INCOME/(LOSS)	(6,587)	4,680

4 FAIR VALUE MEASUREMENT

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs by the Group's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices such as interest rates and credit risks.

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 market participants in pricing the assets and liabilities.

When available, quoted market prices are used to determine fair value for bonds, equities and derivatives. If quoted market prices are not available, fair value is typically based upon alternative valuation techniques such as matrix pricing, net asset valuation and discounted cash flow modelling. Broker quotes are used only when external public vendor prices are not available.

The Group has an established control framework with respect to the measurement of fair values. This included an investment validation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to the Chief Financial Officer. The Group's investment validation process includes a review of price movements relative to the market. Any significant discrepancies are investigated and discussed with investment managers and a valuation specialist. The process also includes regular reviews of significant observable inputs and valuation adjustments. Significant valuation issues are reported to the Board.

4.1 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table presents fair value of the Company's assets and liabilities measured at fair value in the Condensed Consolidated Balance Sheet, categorised by level under the fair value hierarchy.

SEPTEMBER 30, 2015	Level 1	Level 2	Level 3	Total fair value
ASSETS				
Investments at FVTPL				
Bonds				
US governments	52,488	-	-	52,488
US and Bermuda corporates	1,795	123,695	1,195	126,685
Municipal, other government and agency	-	30,634	-	30,634
Foreign bonds	3,329	71,970	-	75,299
Mortgage/asset-backed securities	-	57,287	1,557	58,844
Other [(1)]	-	25,168	-	25,168
	57,612	308,754	2,752	369,118
Equities				
Bermuda listed equities	14,239	29	-	14,268
Non-Bermuda listed equities	6,199	-	-	6,199
Investment in hedge funds and mutual funds	-	19,071	-	19,071
Private equity funds and unquoted equities	-	-	158	158
	20,438	19,100	158	39,696
TOTAL OF INVESTMENT AT FVTPL	78,050	327,854	2,910	408,814
Available-for-sale – Equities				
Private equity funds and unquoted equities	-	-	2,572	2,572
Derivatives	-	146	-	146
Investment properties	-	10,448	-	10,448
		10,594		10,594
TOTAL ASSETS AT FAIR VALUE	78,050	338,448	5,482	421,980
LIABILITIES				
Investment contract liabilities	-	2,002	-	2,002
Payables arising from investment transactions	-	12,461	-	12,461
TOTAL LIABILITIES AT FAIR VALUE	-	14,463	-	14,463

[(1)] Investment in bond funds

MARCH 31, 2015	Level 1	Level 2	Level 3	Total fair value
ASSETS				
Investments at FVTPL				
Bonds				
US government and agency	77,021	-	-	77,021
US and Bermuda corporates	2,013	118,840	-	120,853
Municipal, other government and agency	-	33,434	-	33,434
Foreign bonds	2,945	69,800	-	72,745
Mortgage/asset-backed securities	-	59,863	1,057	60,920
Other (1)	-	23,865	-	23,865
	81,979	305,802	1,057	388,838
Equities				
Bermuda listed equities	18,833	25	-	18,858
Non-Bermuda listed equities	6,358	-	-	6,358
Investment in hedge funds and mutual funds	-	20,204	-	20,204
Private equity funds and unquoted equities	-	-	313	313
	25,191	20,229	313	45,733
TOTAL OF INVESTMENT AT FVTPL	107,170	326,031	1,370	434,571
Available-for-sale – Equities				
Private equity funds and unquoted equities	-	-	2,663	2,663
Derivatives	-	356	-	356
Investment properties	-	10,448	-	10,448
TOTAL ASSETS AT FAIR VALUE	107,170	336,835	4,033	448,038
LIABILITIES				
Investment contract liabilities	-	3,014	-	3,014
Payables arising from investment transactions	38,073	7,970	-	46,043
TOTAL LIABILITIES AT FAIR VALUE	38,073	10,984	-	49,057

(1) Investment in bond funds

Valuation techniques used to measure fair value of the financial assets and liabilities on a recurring basis are:

- **Bonds** – These are generally valued by third party independent pricing sources using pricing models. The significant inputs include, but are not limited to, yield curves, credit risks and spreads and measures of volatility. The Group considers these Level 2 inputs as they are corroborated with other externally obtained information. Bonds are classified under Level 2 except US treasuries and preferred stock which are classified as Level 1. Less liquid securities such as structured mortgage/asset-backed securities are classified as Level 3. The Group uses prices provided by investment managers and brokers for all securities which do not have pricing available from independent pricing services. In general, broker-dealers and investment managers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers and investment managers also determine valuations by observing secondary trading of similar securities.
- **Equities** – These consist of listed equities, unquoted equities and investments in mutual funds, hedge funds and private equity funds.

  Fair values of listed equities are based on quoted prices from the exchange where it is principally traded. These are classified under Level 1. Certain equities are unquoted and are classified as Level 3, as valuation is based on cost which approximates fair value.

Investments in mutual funds and hedge funds are valued using published net asset values provided by third parties such as investment managers and administrators. The Group can redeem a portion of these investments on a regular basis and is not subject to lock-up provisions. Accordingly, these investments are classified under Level 2.

Investments in private equity funds are valued using net asset values obtained from investment managers and general partners. These investments may be subject to certain lock-up provisions. The type of underlying investments held by the investee which form the basis of the net asset valuation include assets such as private business ventures, to which the Group does not have access. The Group considers net asset values as a reasonable approximation of fair values. Accordingly, these investments are classified under Level 3.

- **Included within Bonds – Other and Equities** – Investments in hedge funds and mutual funds are $28.1 million (2015 – $29.5 million) of investments in Argus Investment Strategies Fund Ltd. This fund has been classified between Bonds and Equities based on the underlying securities held. Net assets valuation is performed on a weekly basis and investors are able to redeem the shares weekly, unless the value of redemption is more than 10 percent of the net asset value of the fund, when the amount of the redemption is at the fund's discretion. This investment is classified as Level 2.
- **Derivatives** – Valuation is derived from the underlying instrument. Derivatives are subject to the same risks as that underlying instrument including liquidity, credit and market risk. Fair values are based on exchange or broker–dealer quotations, where available, or discounted cash flows, which incorporate the pricing of the underlying instrument, yield curves and other factors. These investments are classified as Level 2.
- **Investment properties** – The fair value of investment properties was determined by external independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment properties annually. Fair value is based on market data from recent comparable transactions.
- **Investment contract liabilities** – Fair value of the Deposit accounted annuity policies is determined by using valuation techniques, such as discounted cash flow methods. A variety of factors are considered in the valuation techniques, including yield curve, credit spread and default assumptions, which have market observable inputs.

The table below provides a fair value roll forward for the assets and liabilities measured at fair value for which significant unobservable inputs (Level 3) are used in the fair value measurement for the period ended September 30, 2015.

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015	INVESTMENTS			
	At FVTPL Bonds	At FVTPL Equities	Available-for-sale Equities	Total
Balance, beginning of year	1,057	313	2,663	4,033
Included in Net income	(19)	(153)	-	(172)
Included in Other comprehensive income	-	-	24	24
Purchases	2,267	-	124	2,391
Sales/Write Off	-	-	(239)	(239)
Transfer to Level 1 & 2	(553)	(2)	-	(555)
	2,752	158	2,572	5,482

FOR THE YEARS ENDED MARCH 31, 2015	INVESTMENTS			
	At FVTPL Bonds	At FVTPL Equities	Available-for-sale Equities	Total
Balance, beginning of year	565	322	2,966	3,853
Included in Net income	(8)	-	-	(8)
Included in Other comprehensive income	-	-	(25)	(25)
Purchases	500	-	-	500
Sales/Write Off	-	(9)	(278)	(287)
	1,057	313	2,663	4,033

(1) The Group reclassified certain equities from Level 1 to Level 3 during the year. This was due to lack of recent and observable arm's length transactions in these equities.

4.2 ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

For assets and liabilities not measured at fair value in the Condensed Consolidated Balance Sheet, the following table discloses summarised fair value information categorised by the level in the preceding hierarchy, together with the related carrying values.

SEPTEMBER 30, 2015	Level 1	Level 2	Level 3	Total fair value	Carrying value
ASSETS					
Held-to-maturity bonds (1)	3,382	-	-	3s,382	3,306
Mortgages and loans (2)	-	41,579	-	41,579	39,280
Policy loans	-	76	-	76	76
Investment in a publicly listed associate (3)	3,602	-	-	3,602	7,073
TOTAL ASSETS DISCLOSED AT FAIR VALUE	6,984	41,655	-	48,639	49,735
LIABILITIES					
Deposit administration pension plans (4)	-	213,659	-	213,659	217,542
Self-funded group health policies (4)	-	13,502	-	13,502	13,502
TOTAL LIABILITIES DISCLOSED AT FAIR VALUE	-	227,161	-	227,161	231,044

MARCH 31, 2015	Level 1	Level 2	Level 3	Total fair value	Carrying value
ASSETS					
Held-to-maturity bonds (1)	3,446	-	-	3,446	3,318
Mortgages and loans (2)	-	41,129	-	41,129	39,220
Policy loans	-	77	-	77	77
Investment in a publicly listed associate (3)	4,154	-		4,154	7,245
TOTAL ASSETS DISCLOSED AT FAIR VALUE	7,600	41,206	-	48,806	49,860
LIABILITIES					
Deposit administration pension plans (4)	-	217,470	-	217,470	221,486
Self-funded group health policies (4)	-	14,073	-	14,073	14,073
TOTAL LIABILITIES DISCLOSED AT FAIR VALUE	-	231,543	-	231,543	235,559

(1) Fair value of bonds – see Note 4.1 for valuation techniques used to measure fair value.
(2) Fair value of mortgages and loans is determined by discounting expected future cash flows using current market rates.
(3) Fair value of investment in a publicly listed associate is based on bid price as quoted in the Bermuda Stock Exchange.
(4) Fair value of Investment contract liabilities is based on the following methods:
- Deposit administration pension plans – based on a discounted cash flow method. Factors considered in the valuation include current yield curve, plus appropriate spreads which have market observable inputs; and
- Self-funded group health policies – the carrying value approximates the fair value due to the short-term nature of these investment contract liabilities.

The carrying value of the following short-term assets and liabilities approximate fair value and are categorised as Level 2.
- Cash and short-term investments;
- Interest and dividends receivable;
- Other financial assets under Other assets;
- Payables arising from investment transactions; and
- Accounts payable and accrued liabilities.

4.3 TRANSFERS OF LEVEL 1 AND LEVEL 2 ASSETS AND LIABILITIES

The Group’s policy is to record transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. There were no transfers between Levels 1 and 2 during the period ended September 30, 2015.

5 OPERATING SEGMENTS

Transactions between segments are executed and priced on an arm's-length basis in a manner similar to transactions with third parties. These transactions consist primarily of rental and internal financing agreements and insurance contracts. Inter-segment income has been omitted in the following table as immaterial.

5.1 RESULTS BY SEGMENT

FOR THE SIX MONTHS ENDED SEPTEMBER 30		Group Insurance	Life and pensions	Property and casualty	All other	Elimination	Total
Segment revenues	2015	52,443	14,369	13,888	4,881	(2,071)	83,510
	2014	53,356	20,079	14,600	2,805	(2,212)	88,628
Investment income	2015	916	(4,900)	(1,243)	(191)	(1,169)	(6,587)
	2014	2,130	4,721	1,165	(2,267)	(1,069)	4,680
Share of earnings of associates	2015	-	(34)	139	(20)	-	85
	2014	-	393	-	99	-	492
TOTAL SEGMENT REVENUES	2015	53,359	9,435	12,784	4,670	(3,240)	77,008
	2014	55,486	25,193	15,765	637	(3,281)	93,800
Amortisation,	2015	794	253	630	348	-	2,025
depreciation and impairment	2014	1,102	765	922	579	(1)	3,367
Income tax expense	2015	-	-	68	-	-	68
	2014	-	-	10	-	-	10
Reportable segment earnings/(loss) attributable	2015	6,781	(3,533)	94	(214)	(108)	3,020
to shareholders, after tax	2014	11,544	3,941	1,964	(6,593)	(241)	10,615

GEOGRAPHIC INFORMATION ON SEGMENT REVENUES:

FOR THE SIX MONTHS ENDED SEPTEMBER 30		Bermuda	Europe	Total
Segment revenues	2015	70,531	6,477	77,008
	2014	85,130	8,670	93,800

Management considers its external customers to be the individual policyholders and, as such, the Group is not reliant on any individual customer.

5.2 ASSETS AND LIABILITIES BY SEGMENT

	Group Insurance	Life and pensions	Property and casualty	All other	Elimination	Total
SEPTEMBER 30, 2015:						
Total General Fund Assets	92,052	436,175	102,594	152,677	(158,068)	625,430
Segregated Fund Assets	-	1,477,093	-	-	-	1,477,093
Total General Fund Liabilities	28,373	401,101	58,344	23,051	(7,077)	503,792
Segregated Fund Liabilities	-	1,477,093	-	-	-	1,477,093
MARCH 31, 2015:						
Total General Fund Assets	86,526	475,037	107,444	151,203	(156,625)	663,585
Segregated Fund Assets	-	1,557,211	-	-	-	1,557,211
Total General Fund Liabilities	28,124	437,907	63,427	21,218	(6,909)	543,767
Segregated Fund Liabilities	-	1,557,211	-	-	-	1,557,211

6 POST-EMPLOYMENT BENEFIT LIABILITY

The Group operates a post-employment medical benefit plan in Bermuda which provides medical benefits to eligible retired employees and their spouses. The amount of benefits provided depends on future cost escalation and the Company meets the benefit payment obligation as it falls due. Actuarial valuation to determine the defined benefit obligation is performed quarterly.

The plan exposes the Group to actuarial risks, such as longevity risk, interest rate risk and healthcare cost inflation risks.

Responsibility for governance of the plan lies with the Company. Risks are managed through plan design and eligibility changes, which limit the size and growth of the defined benefit obligation.

The movement in the defined benefit liability is as follows:

	For the six months ended September 30 2015	For the year ended March 31 2015
Balance, beginning of year	4,042	4,218
Movements during the year recognised in Operating expense:		
Current service cost	40	90
Interest cost on benefit liability	78	156
	118	246
Remeasurement during the year included in Other comprehensive income:		
Actuarial (gain)/loss arising from		
– experience adjustment	(423)	(306)
Benefit payments	(53)	(116)
BALANCE, END OF YEAR	3,684	4,042

As at September 30, 2015, the present value of the defined benefit obligation was comprised of $1.7 million (March 31, 2015 – $1.9 million) relating to active employees and $2.0 million (March 31, 2015 – $2.1 million) relating to members in retirement.

Components of the change in benefit liabilities year on 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 eligible for benefits and the amount of benefits to which they will be entitled upon retirement, based on the provisions of the Group's benefit plan.

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

(iii) Each quarter the actuaries recalculate the benefit liability and compare it to that estimated as at the prior period 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.

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

	SEPTEMBER 30 2015	MARCH 31 2015
Discount rate	3.9%	3.8%
Healthcare cost trend rate	6.5%	6.5%

7 EARNINGS PER SHARE

The following reflects the net earnings and share data used in the basic and diluted earnings per share computations:

	SEPTEMBER 30 2015	SEPTEMBER 30 2014
Net earnings for the period	$3,020	$10,615
Weighted average outstanding common shares (1)	21,203	21,099
Common shares and common equivalents (1)	21,219	21,117

(1) Number of common shares rounded in thousands

8 COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

	SEPTEMBER 30 2015	MARCH 31 2015
Remeasurement of post-employment medical benefit obligation	(1,160)	(1,583)
Available-for-sale investments	248	224
Investment in associates	12	12
Translation of financial statements of foreign operations	(2,357)	(2,546)
TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS	(3,257)	(3,893)

9 DIRECTORS AND OFFICERS HOLDINGS, SHARE OPTIONS AND RESTRICTED STOCK

At September 30, 2015 the Directors and Officers of the Company had combined interests totalling 279,660 shares out of 21,606,759 shares in issue on that date.

Rights to acquire shares in the Company were granted in the past to key employees who include executive Directors and Officers under the 2004 Stock Option Plan. No stock options have been granted since 2007. No share options were exercised in the six months to September 30, 2015 and, at that date, the total number of share options outstanding which can be exercised at various dates up to May 31, 2017 were 74,061 at the exercise price of $11.78.

In the six-month period ended September 30, 2015 there were 16,100 restricted shares granted to Directors and Officers.

10 SUBSEQUENT EVENTS

The Board has declared a final dividend of eight cents per share based upon the audited financial statements of the Group for the year ended March 31, 2015. This is payable on February 5, 2016 for shareholders of record on January 22, 2016.

11 COMPARATIVE FIGURES

Certain of comparative figures have been reclassified to conform to the presentation adopted for the current period.

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