September 30, 2011 / *Six Month Report*

ARGUS

Insurance • Pensions • Investments

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 September 30, 2011 it had 1,239 shareholders; 89 percent of whom were Bermudian, holding 83 percent of the issued shares.

REPORT TO SHAREHOLDERS

Introduction

The Argus Group reports a loss of $3.9 million for the six months ended September 30, 2011. As in recent years, it is investment related losses that have eroded the strong earnings of $7.1 million from operations.

The investment related losses of $11 million stem from a provision made due to the uncertainty surrounding the ultimate collectability of the Group's investment in Northstar Group Holdings Limited and is described more fully in Note 4 to the condensed consolidated interim financial statements. In the opinion of Management, this marks the end of the material legacy issues in the investment arena that have challenged the Group so dramatically over the past four years.

Looking Forward

Thus, this result, whilst disappointing of itself, is viewed by Management as a turning point. We have continued to deliver strong operating results and are confident of the return to more 'normal' times for the Group. The Balance Sheet now faces substantially less exposure to risks arising from non-core investments and will enable the Group to build on its history of over 60 years service to Bermuda. We remain confident that the Argus Group is well positioned for the future with core business units producing continued strong performance of $7.1 million for the half year despite the lingering recession.

That said, shareholders are reminded of the following: *This 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 due to a variety of factors including worldwide economic conditions, success in business retention and other factors.*

The Group is experiencing unprecedented levels of competition in all our markets as the global recession deepens. We are working very hard to retain existing business and to win new business with some success. Fortunately, despite the recession in Bermuda, earnings from almost all of our business operations remain strong. In Europe, the economies of both Gibraltar and Malta have continued to grow despite the global recession with our European businesses experiencing sustained growth.

We recognise that we can capitalise on our strong position in employee benefits and commercial insurance to grow our market share in Bermuda, Gibraltar and Malta. We are also focusing on leveraging our existing strong business relationships to grow our personal lines business in all jurisdictions.

International Financial Reporting Standards (IFRS)

Shareholders should note that these financial statements were prepared in accordance with IFRS and represent the initial presentation of results and financial position under IFRS. This has required the restatement of certain comparative figures as detailed in Note 8 to the condensed consolidated interim financial statements.

The Period in Review

The loss of $3.9 million is compared to a profit of $9.9 million for the corresponding period in 2010. On the Condensed Consolidated Balance Sheet, *Total General Fund Assets* now stand at $510 million whilst *Segregated Fund Assets* have decreased to $1.1 billion. The Group now has $1.6 billion under its administration. *Shareholders' Equity* at September 30, 2011 stands at $79 million, down from $83.5 million at March 31, 2011 due to the write down as discussed above. *Shareholders' equity* of $79 million is substantially in excess of the statutory capital required to conduct the Group's various insurance businesses.

Net premiums earned in the period increased by 9.6 percent reflecting new business and the Group's continuing efforts to achieve acceptable underwriting ratios by appropriate adjustments to rates. *Net policy benefits, claims and adjustment expenses* and *Net change in contract liabilities* have increased by 6.4 percent reflecting the trend of increasing health care costs both locally and overseas.

In the six months under review, *Investment income*, including *Change in fair value of investments*, decreased by 51.5 percent due to the reduction of interest income as a result of lower interest rates on our bond portfolio combined with the reduction of market values on our equity portfolios. The Argus Group continues to de-risk the balance sheet in a measured and orderly fashion to mitigate the effect of future volatility in worldwide investment markets, as experienced in recent years. The Group now follows a more traditional approach to the fixed income: equity mix of our investment portfolios whilst matching our liabilities appropriately. *Commissions, management fees and other income* increased modestly due to increased ceding commissions earned by our property and casualty operations.

Operating expenses decreased by 11 percent primarily as a result of the reduction in post employment medical benefits plan liability following the decision in the prior year to amend the plan whereby eligibility, benefits and cost sharing were modified for current employees.

In the six months to September 30, 2011, Argus recorded net unrealised losses of $598,000 under *Other Comprehensive Income* compared to gains of $616,000 in the corresponding period for the prior year. These unrealised losses arose from market movements on financial assets classified as 'available for sale' and the negative foreign currency translation adjustment of the Group's self-sustaining foreign operations of $415,000.

Dividend

Mindful that the practice of paying dividends whilst the Group was reporting losses is not sustainable over the long term, the Board of Directors ("the Board") of Argus Group Holdings Limited ("the Company") concluded that it was important for the Group to maintain a capital base that is well in excess of the minimum statutory requirements. Accordingly, in July 2011, the Board decided to temporarily suspend the payment of a dividend to shareholders.

2011 Annual General Meeting ("AGM")

At the AGM of the Company held on September 22, 2011 the entire Board was re-elected with the exception of Mr. Christopher Trott who did not offer himself for re-election. We are grateful to Mr. Trott for his valuable contribution over the past 17 years that he served on the Board. At a meeting of the Board held after the AGM, Ms Sheila Nicoll was re-elected Chairman and all other officers remained unchanged. As anticipated, shareholders attending the AGM had questions concerning the resumption of the dividend and the general prospects of the Group. The Board considers the payment of a dividend each quarter and dividends will resume once the Board considers it prudent to do so. At the AGM, one shareholder had several detailed and technical questions which were not fully addressed in the meeting due to time constraints. Management committed to address these questions in a subsequent communication which will be circulated to all shareholders by way of a covering letter issued with this six month report.

Directors and Officers Holdings, Share Options and Restricted Stock

At September 30, 2011 the Directors and Officers of the Company had combined interests totalling 1,356,880 shares out of 21,511,163 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. In the six month period ended September 30, 2011 no restricted shares were granted to employees. No share options were exercised in the period and, as at September 30, 2011, the total number of share options outstanding which can be exercised at various dates up to May 31, 2017 were 362,952 at exercise prices ranging from $5.95 to $11.78.

Health Care in Bermuda

The Bermuda Government hosted the annual Health Finance Summit at Tucker's Point in November 2011. The event marked the formal mobilisation of the National Health Plan Task Groups. Eight task groups have been created with participants selected from a variety of stakeholder groups including government, local and international business, healthcare providers and insurers. Five Argus staff have been appointed to four of the eight work groups. The Financing and Reimbursement Work Group is likely to be the most challenging so Argus is well placed to support this group with two senior members of Management on the team.

Thank You

Finally, we thank our staff for their hard work and commitment and our clients and shareholders for their continued loyalty and support.

Alison S. Hill
Chief Executive Officer

December 19, 2011

CONDENSED CONSOLIDATED BALANCE SHEET

(In $ thousands)	Note	(Unaudited) September 30 2011	(Unaudited) March 31 2011	(Unaudited) April 1 2010
ASSETS				
Cash and short-term investments		18,556	26,245	22,313
Interest and dividends receivable		468	850	820
Investments	3	306,684	304,394	360,149
Investment in associates	4	36,685	47,507	14,640
Receivable for investments sold		-	12,672	-
Insurance balances receivable		19,317	18,999	12,346
Reinsurers' share of:				
Claims provisions		13,784	13,758	18,058
Unearned premiums		15,553	10,463	9,811
Investment properties		6,983	7,006	6,949
Other assets		7,095	5,350	5,413
Deferred policy acquisition costs		590	723	616
Property and equipment		76,579	76,754	77,656
Intangible assets		7,658	7,968	6,123
TOTAL GENERAL FUND ASSETS		509,952	532,689	534,894
SEGREGATED FUND ASSETS		1,083,304	1,162,743	1,169,276
TOTAL ASSETS		1,593,256	1,695,432	1,704,170
LIABILITIES				
Insurance contract liabilities:				
Life and annuity policy reserves		142,056	137,909	140,284
Provision for unpaid and unreported claims		27,357	27,218	26,022
Unearned premiums		26,414	19,436	18,160
TOTAL INSURANCE CONTRACT LIABILITIES		195,827	184,563	184,466
Investment contract liabilities				
Deposit administration pension plans liability		188,149	182,422	169,674
Other deposit liabilities		10,096	9,637	10,616
TOTAL INVESTMENT CONTRACT LIABILITIES		198,245	192,059	180,290
Post-employment benefit obligation	6	4,148	3,625	6,076
Insurance balances payable		9,085	12,626	9,468
Payable for investments purchased		-	20,821	-
Tax payable		157	249	121
Note payable		-	-	16,750
Loan payable		10,843	13,843	19,843
Dividends payable		-	2,103	2,103
Accounts payable and accrued liabilities		10,441	17,197	15,885
TOTAL GENERAL FUND LIABILITIES		428,746	447,086	435,002
SEGREGATED FUND LIABILITIES		1,083,304	1,162,743	1,169,276
TOTAL LIABILITIES		1,512,050	1,609,829	1,604,278
EQUITY				
Attributable to shareholders of the Company		79,001	83,514	97,422
Attributable to non-controlling interest		2,205	2,089	2,470
TOTAL EQUITY		81,206	85,603	99,892
TOTAL LIABILITIES AND EQUITY		1,593,256	1,695,432	1,704,170

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(In $ thousands, except per share data)	Note	(Unaudited) For the six months ended September 30 2011	(Unaudited) For the six months ended September 30 2010
REVENUE			
Gross premiums written		91,630	84,613
Reinsurance ceded		(25,745)	(25,216)
Net premiums written		65,885	59,397
Net change in unearned premiums		(1,888)	(1,008)
Net premiums earned		63,997	58,389
Investment income	3	4,201	7,364
Change in fair value of investments	3	1,291	3,954
Share of (loss)/earnings of investment in associates	4	(10,692)	1,843
Commissions, management fees and other		14,852	14,652
		73,649	86,202
EXPENSES			
Policy benefits		8,826	5,697
Claims and adjustment expenses		44,136	40,945
Total policy benefits, claims and adjustment expenses		52,962	46,642
Policy benefits and claims recovered from reinsurers		(5,298)	(1,795)
NET POLICY BENEFITS, CLAIMS AND ADJUSTMENT EXPENSES		47,664	44,847
Gross change in contract liabilities		4,321	7,416
Change in contract liabilities recoverable from reinsurers		141	(3,256)
NET CHANGE IN CONTRACT LIABILITIES		4,462	4,160
Commission expenses		2,239	1,156
Operating expenses		20,039	22,516
Amortisation and depreciation		2,746	2,923
Interest on loan		299	443
		77,449	76,045
(LOSS)/EARNINGS BEFORE INCOME TAXES		(3,800)	10,157
Income taxes		55	60
NET (LOSS)/EARNINGS FOR THE PERIOD		(3,855)	10,097
Attributable to:			
Shareholders of the Company		(3,971)	9,874
Non-controlling interests		116	223
		(3,855)	10,097
(Loss)/earnings per share:			
basic	7	*(0.19)*	*0.47*
fully diluted	7	*(0.19)*	*0.46*

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In $ thousands)	*Note*	*(Unaudited)* **For the six months ended September 30 2011**	*(Unaudited)* For the six months ended September 30 2010
NET (LOSS)/EARNINGS FOR THE PERIOD		**(3,855)**	10,097
OTHER COMPREHENSIVE (LOSS)/INCOME			
Net unrealised losses on available for sale investments arising during the period		**(183)**	(46)
Reclassification of realised loss included in net earnings		**-**	8
Unrealised (losses)/gains on translating financial statements of self-sustaining foreign operations		**(415)**	654
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(598)**	616
COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(4,453)**	10,713
OTHER COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:			
Shareholders of the Company		**(598)**	616
Non-controlling interests		**-**	-
		(598)	616
COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:			
Shareholders of the Company		**(4,569)**	10,490
Non-controlling interests		**116**	223
		(4,453)	10,713

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In $ thousands)	(Unaudited) For the six months ended September 30 2011	(Unaudited) For the six months ended September 30 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 period 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, end of period	16,426	16,436
CONTRIBUTED SURPLUS		
Balance, beginning of period	52,629	52,382
Stock-based compensation expense	56	236
Balance, end of period	52,685	52,618
RETAINED EARNINGS		
Balance, beginning of period	15,325	29,730
Net (loss)/earnings for the period	(3,971)	9,874
Cash dividends	-	(2,097)
Balance, end of period	11,354	37,507
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of period	(866)	(1,126)
Other comprehensive (loss)/income for the period	(598)	616
Balance, end of period	(1,464)	(510)
TOTAL ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	79,001	106,051
Attributable to non-controlling interests		
Balance, beginning of period	2,089	2,470
Net earnings for the period	116	223
TOTAL ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	2,205	2,693
TOTAL EQUITY	81,206	108,744

See accompanying notes to the condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(In $ thousands)	(Unaudited) For the six months ended September 30 2011	(Unaudited) For the six months ended September 30 2010
OPERATING ACTIVITIES		
(Loss)/earnings before income taxes	(3,800)	10,157
Adjustments to reconcile net (loss)/earnings to cash basis (Footnote (i) below)	6,435	(12,162)
Change in operating balances (Footnote (ii) below)	634	11,973
Interest income received	4,536	6,624
Dividend income received	2,030	1,766
Income tax paid	(147)	(12)
CASH GENERATED FROM OPERATIONS	9,688	18,346
INVESTING ACTIVITIES		
Purchase of investments	(959,324)	(172,381)
Sale of investments	950,029	161,770
Purchase of subsidiary, net of cash acquired	-	(2,757)
Purchase of property and equipment	(2,013)	(1,506)
Purchase of intangible assets	(248)	(218)
CASH USED IN INVESTMENT ACTIVITIES	(11,556)	(15,092)
FINANCING ACTIVITIES		
Dividends paid	(2,103)	(4,200)
Repayment of loan	(3,000)	(3,000)
Interest on loan paid	(303)	(431)
CASH USED IN FINANCING ACTIVITIES	(5,406)	(7,631)
Foreign currency translation adjustment	(415)	654
NET DECREASE IN CASH AND SHORT-TERM INVESTMENTS	(7,689)	(3,723)
CASH AND SHORT-TERM INVESTMENTS, beginning of period	26,245	22,313
CASH AND SHORT-TERM INVESTMENTS, end of period	18,556	18,590

Footnotes

		2011	2010
(i)	Interest income	(4,112)	(6,700)
	Dividend income	(1,942)	(1,537)
	Net realised gains on sale of investments	(1,055)	(1,942)
	Amortisation of net premium/discount of bonds	565	256
	Change in fair value of investments	(1,291)	(3,954)
	Impairment losses on bonds	454	-
	Share of loss/(earnings) of investment in associates	10,692	(1,843)
	Change in fair value of investment property	23	(44)
	Depreciation of property and equipment	2,188	2,439
	Amortisation of intangible assets	558	484
	Interest on loan	299	443
	Compensation expense on vesting of stock options	56	236
		6,435	(12,162)
(ii)	Insurance balances receivable	(318)	(161)
	Reinsurers' share of:		
	Claims provisions	(26)	(3,336)
	Unearned premiums	(5,090)	(4,149)
	Other assets	(1,745)	(258)
	Deferred policy acquisition costs	133	(202)
	Insurance contract liabilities	11,264	13,389
	Investment contract liabilities	6,186	9,126
	Post-employment benefit obligation	523	3,105
	Insurance balances payable	(3,541)	167
	Accounts payable and accrued liabilities	(6,752)	(5,708)
		634	11,973

See accompanying notes to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2011

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

1 OPERATIONS

The Company, through its subsidiaries (collectively 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 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 and Argus Property (Gibraltar) Limited

2 SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. These are the Group's first IFRS condensed consolidated interim financial statements for the first six months of the period covered by the first IFRS annual financial statements. IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS") has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in Note 8. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at April 1, 2010 ("date of transition") reported under Canadian generally accepted accounting principles (the "previous GAAP").

All amounts, excluding 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.

The significant accounting policies used in the preparation of the condensed consolidated interim financial statements are discussed below and are applied consistently.

(B) BASIS OF CONSOLIDATION

(i) Subsidiaries

The Group's condensed consolidated interim financial statements include the financial statements of the Company and all the subsidiaries controlled by the Company after all significant inter-company accounts and transactions have been eliminated. Control is defined as the power to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. This is assessed from both a legal and economic perspective. Entities are fully consolidated from the date that control is obtained by the Company or one of its subsidiaries, and deconsolidated on the date control ceases.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(ii) Business combinations

The acquisition method is used to account for the acquisition of a subsidiary. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(C) ESTIMATES AND JUDGMENTS

The preparation of the condensed consolidated interim financial statements requires management to make estimates and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results will differ from those estimates. Judgment is used when determining functional currencies, classification of investment properties and leases. Judgment is also used in determining whether the substance of the Group's relationship with a subsidiary or associate constitutes control. Details on the estimates and judgments are further described in the relevant accounting policies in these notes.

(D) FOREIGN CURRENCY TRANSLATION

Translation of transactions in foreign currencies

The individual financial statements of the Company and its subsidiaries are prepared in the currency in which they conduct their ordinary course of business, which is referred to as the functional currency. Monetary assets and liabilities denominated in currencies other than the functional currency of the Company or its subsidiaries are translated into the functional currency using rates of exchange at the balance sheet date. Income and expenditures are translated at rates of exchange in effect on the transaction dates. Foreign exchange gains and losses are reflected in the Condensed Consolidated Statement of Operations in Operating expenses.

Translation to the presentation currency

The financial statements of the self-sustaining foreign operations are translated from their respective functional currencies to Bermuda dollars, the Group's presentation currency. Assets and liabilities are translated at the rates of exchange at the balance sheet date, and income and expenses are translated using the average rates of exchange. The accumulated gains or losses arising from translation of functional currencies to the presentation currency are included in the Condensed Consolidated Statement of Comprehensive Income.

(E) CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments 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 short-term investments approximates their fair value.

(F) INVESTMENTS

The following table summarises the Investments included in the Condensed Consolidated Balance Sheet and the asset classification applicable to these investments.

FINANCIAL ASSETS	ASSET CLASSIFICATION
Bonds	Fair value through profit or loss ("FVTPL") and held to maturity
Equities	FVTPL, available for sale and held to maturity
Mortgages and loans	Loans and receivables
Receivable from reverse repurchase transactions	Loans and receivables
Derivative financial assets	FVTPL

(i) Bonds

Bonds designated as FVTPL 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 Condensed 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. Such adjustments are included in Investment income in the Condensed Consolidated Statement of Operations.

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 designated as FVTPL are recorded in Change in fair value of investments in the Condensed Consolidated Statement of Operations, while transaction costs for bonds classified as held to maturity are capitalised on initial recognition and are recognised in the Condensed Consolidated Statement of Operations using the effective interest method.

(ii) Equities

Equities designated as FVTPL 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 Condensed 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 in the Condensed 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 Condensed 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.

(iii) Mortgages and Loans

Investments in Mortgages and loans not actively traded on a public market are classified as loans and receivables. These are recognised initially at fair value plus any directly attributable transaction costs and are subsequently 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 Condensed Consolidated Statement of Operations using the effective interest method. All mortgages are secured by the underlying property.

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

(iv) Receivables from reverse repurchase transactions

Receivables from reverse repurchase transactions are included in Investments in the Condensed 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 Condensed Consolidated Statement of Operations. Reverse repurchase transactions are short-term holdings and are secured with collateral.

(v) Derivative financial assets

Investments in derivative instruments are classified as FVTPL. Derivatives are initially recognised at estimated fair value on the date a contract is entered into (the "trade date"). The attributable transaction costs are recognised in the Condensed Consolidated Statement of Operations as incurred. These investments in derivative instruments 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 in the Condensed Consolidated Balance Sheet.

(vi) Investment income

Interest income earned and dividends received are recorded as they accrue using the effective interest method in Investment income in the Condensed Consolidated Statement of Operations.

Dividend income is recognised on the date the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(vii) Trades Pending Settlement

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

(viii) Derecognition of financial assets

Financial assets are derecognised, when the contractual rights to its cash flows expire, or the Group transfers the economic rights to the asset and substantially all risks and rewards. In instances where substantially all risks and rewards have not been transferred or retained, the assets are derecognised if the asset is not controlled through rights to sell or pledge the asset.

(G) IMPAIRMENT

The carrying amounts of the Group's financial assets except those classified under FVTPL are reviewed semi-annually for impairment and reversal of previously recognised impairment losses. Financial assets are considered impaired if there is objective evidence of impairment as a result of one or more loss events that have an impact that can be reliably estimated, on the estimated future cash flows of the asset.

Objective evidence of impairment for bonds generally includes significant financial difficulty of the issuer, including actual or anticipated bankruptcy or defaults and delinquency in payments of interest or principal. All investments in equity instruments in an unrealised loss position are reviewed to determine if objective evidence of impairment exists. Objective evidence of impairment for an investment in equity instruments includes, but is not limited to, (a) the financial condition and near-term prospects of the issuer, including information about significant changes with adverse effects that have taken place in the technological, market, economic or legal environment in which the issuer operates that may indicate that the carrying amount will not be recovered, and (b) a significant or prolonged decline in the fair value of an equity instrument or other invested asset below its cost. Objective evidence of impairment for mortgages and loans generally includes instances where there is no longer reasonable assurance over the timely collection of the full amount of principal and interest.

(i) Held to maturity and Loans and receivables

The Group considers evidence of impairment for held to maturity investment securities and loans and receivables at both a specific asset and collective level. All individually significant held to maturity investment securities and loans and receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Held to maturity investment securities and loans and receivables that are not individually significant are collectively assessed for impairment by grouping together investments with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. If there is objective evidence that an impairment loss on held to maturity investment securities or loans and receivables investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly and the amount of the loss is recognised in Investment income in the Condensed Consolidated Statement of Operations.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed directly in the carrying amount. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in

Investment income in the Condensed Consolidated Statement of Operations.

(ii) Available for Sale

Impairment losses are recognised in the Condensed 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 Condensed Consolidated Statement of Operations in Investment income. The cumulative loss reclassified amount is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value less any impairment loss recognised previously in profit or loss. Once an impairment loss on a debt security classified as available for sale is recorded to income, it is reversed through income only when the recovery in fair value is related objectively to an event occurring after the impairment was recognised. Impairment losses on an equity security classified as available for sale are not reversed through income.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit ("CGU") exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Impairment losses are recognised in Investment income in the Condensed Consolidated Statement of Operations.

(H) INVESTMENT IN ASSOCIATES

Investments in which the Group has significant influence, but not control, over the operational and financial policies of the investee are accounted for using the equity method and are initially recognised at cost which includes transaction costs. Thereafter, these investments are measured at equity. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Under the equity method, the Group records its proportionate share of income and loss from such investments in the Condensed Consolidated Statement of Operations and its proportionate share of other comprehensive income in the Condensed Consolidated Statement of Comprehensive Income. Adjustments are made to associates' accounting policies, where necessary, in order to be consistent with the Group's accounting policies.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(I) INVESTMENT PROPERTIES

Investment properties are real estate and real estate fractional units held to earn rental income or held for capital appreciation. Properties held to earn rental income or for capital appreciation that have an insignificant portion that is owner-occupied, are classified as investment properties. Rental income from investment properties is recognised on a straight-line basis over the term of the lease. Properties that do not meet these criteria are classified as Property and equipment. Expenditures related to ongoing maintenance of investment properties incurred subsequent to acquisition are expensed. Investment properties are initially recognised at transaction price including transaction costs in the Condensed Consolidated Balance Sheet. These properties are subsequently measured at fair value with changes in values recorded in Change in fair value of investments in the Condensed Consolidated Statement of Operations.

Fair value of the real estate is supported by market evidence as assessed by qualified appraisers. The real estate is appraised annually and reviewed for material changes semi-annually. Fair value of the real estate fractional units is determined with reference to prices of recent sales of similar units.

(J) INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

Insurance contracts

Insurance contracts are those contracts when the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insurable interest) adversely affects the policyholders.

(i) Premiums and acquisition costs

Premiums written under the property, casualty and health insurance contracts are recognised as revenue over the terms of the policies. The reserve for Unearned premiums represents that portion of premiums written that relates to the unexpired terms of the policies. The reserve for Unearned premiums is included in Insurance contract liabilities in the Condensed Consolidated Balance Sheet. Life and annuity premiums are recognised as income when due.

Costs relating to the acquisition of property, casualty 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 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.

(ii) Receivables and payables related to insurance contracts

Receivables and payables related to insurance contracts are recognised when due and measured on initial recognition at the fair value of the consideration receivable or payable. Subsequent to initial recognition, Insurance balances receivable and Insurance balances payable are measured at amortised cost. The carrying value is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Condensed Consolidated Statement of Operations.

Insurance balances receivable are derecognised when the derecognition criteria for financial assets, as described in Note 2F have been met. Insurance balances payable are derecognised when the obligation of the contract is discharged, cancelled or expired.

(iii) Reinsurance

Reinsurance premiums ceded comprise the cost of reinsurance contracts into which the Group has entered. Reinsurance premiums are recorded from the date the reinsurer has contracted to accept the risks and the amount of premium can be measured reliably. The provision for Reinsurers' share of unearned premium represents that part of reinsurance premiums ceded which are estimated to be earned in future financial periods. Unearned reinsurance commissions are recognised as a liability using the same principles. The Reinsurers' share of claims provisions are estimated using the same methodology as the underlying losses. Amounts due to or from reinsurers with respect to premiums received or paid claims are included in Insurance balances payable or Insurance balances receivable in the Condensed Consolidated Balance Sheet.

The Group constantly monitors the credit worthiness of the reinsurance companies to which it cedes and assesses any reinsurance assets for impairment, with any impairment loss recognised as an expense in the period in which it is determined.

(iv) Life and annuity policy reserves

Insurance contract liabilities shown in the Condensed Consolidated Balance Sheet include life and annuity policy reserves which 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.

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).

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.

(v) Provision for unpaid and unreported claims

Insurance contract liabilities shown in the Condensed Consolidated Balance Sheet include the Provision for unpaid and unreported claims which 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 Condensed Consolidated Statement of Operations in the year in which they are determined.

Investment contracts

Contracts issued that do not transfer significant insurance risk, but do transfer financial risk from the policyholder, are financial liabilities and are accounted for as investment contracts. Service components of investment contracts are treated as service contracts. Fees earned from the service components of investment contracts are included in the Condensed Consolidated Statement of Operations under Commissions, management fees and other.

Liabilities for investment contracts without discretionary participation features are measured at FVTPL or amortised cost. Contacts recorded at FVTPL are measured at fair value at inception and each subsequent reporting period. Fair value is determined through the use of prospective discounted cash flow techniques. Changes in fair value of Investment contract liabilities measured at FVTPL are recorded in Gross change in contract liabilities in the Condensed Consolidated Statement of Operations.

Contracts recorded at amortised cost are initially recognised at fair value, less transaction costs directly attributable to the issue of the contract. At each subsequent period, the contracts are measured at amortised cost using the effective interest method. Amortisation of interest is recorded in Investment income in the Condensed Consolidated Statement of Operations.

These liabilities are derecognised when the obligation of the contract is discharged, cancelled or expired.

The following are the investment contract liabilities of the Group:

(i) Deposit administration pension plans are plans where the Group's liability is linked to contributions received, plus a predetermined and guaranteed return. The liabilities related to these plans are carried at amortised cost.

(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 accounted as investment contracts. Assets and liabilities arising from these type of policies are carried at amortised cost.

(iii) Certain annuity contracts that do not transfer significant insurance risk but transfer financial risk are measured at FVTPL.

(K) OTHER ASSETS

Other assets include fees receivable arising from service contracts, notes receivable, advance deposits, other receivables and prepaid expenses. Carrying amounts approximate fair value due to the short-term nature of these assets.

(L) PROPERTY AND EQUIPMENT

Owner-occupied properties and all other assets classified as property and equipment are stated at cost less accumulated depreciation and impairment. Subsequent costs are included in the assets' carrying amount only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of Property and equipment are recognised in Operating expenses in the Condensed Consolidated Statement of Operations as incurred.

Depreciation is calculated so as to write the assets off 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%

The assets' residual values, useful lives and method of depreciation are reviewed regularly, at a minimum at the end of each fiscal year, and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is considered to be impaired and it is written down immediately to its recoverable amount. In the event of an improvement in the estimated recoverable amount, the related impairment may be reversed. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount, and are recognised in the Condensed Consolidated Statement of Operations.

(M) INTANGIBLE ASSETS

Intangible assets represent the estimated fair value of the policies and customer lists acquired. These are finite life intangible assets and are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives which range between 10 to 16 years.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Condensed Consolidated Statement of Operations as incurred. Management reviews annually the remaining portion of intangible assets based upon estimates of future earnings and recognises any permanent impairment as a charge to the Condensed Consolidated Statement of Operations in the period in which it is identified.

(N) 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 segregated fund's investment performance.

Segregated Funds are carried at fair value except for policy loans which are carried at their unpaid balance. 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 Condensed Consolidated Statement of Operations. The Group derives fee income which is recorded as Commissions, management fees and other in the Condensed Consolidated Statement of Operations.

(O) EMPLOYEE BENEFITS

(i) Post-employment benefits

The Group provides medical benefits to eligible retired employees and their spouses. The Group accrues the cost of these defined benefits over the periods in which the employees earn the benefits. The post-employment benefit obligation is determined by actuarial valuation using the projected unit credit method and actuarial assumptions that represent estimates of future variables that will affect the ultimate cost of these obligations. The discount rate used in the valuation is based on the yield on high quality corporate bonds at the end of the reporting period.

Actuarial gains and losses are immediately recognised in the Condensed Consolidated Statement of Operations.

(ii) Pensions

The Group operates a defined contribution plan. On payment of contributions to the plan there is no further legal or constructive obligation to the Group. Contributions are recognised as employee benefits in the Condensed Consolidated Statement of Operations under Operating expenses in the period to which they relate.

(iii) Share-based compensation

The Group has two stock-based compensation plans for eligible employees, namely the Stock Option Plan and the Restricted Stock Plan.

The Stock Option Plan is 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 over the applicable vesting period as compensation expense in the Condensed Consolidated Statement of Operations under Operating expenses and in the Condensed Consolidated Statement of Changes in Equity under Contributed surplus.

The Restricted Stock Plan is accounted for under the fair value method. The fair value of each share granted under the Restricted Stock Plan is based upon the market price at the date of grant. The estimated fair value is recognised as an expense pro-rata over the vesting period, adjusted for the impact of any non-market vesting conditions.

At each reporting date, the Group reviews its estimate of the number of shares that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the Condensed Consolidated Statement of Operations, and a corresponding adjustment is made to Contributed Surplus over the remaining vesting period. On exercise, the differences between the expense charged to the Condensed Consolidated Statement of Operations and the actual cost to the Company is transferred to Contributed Surplus.

(P) TAXATION

Current and deferred tax is recognised in the Condensed Consolidated Statement of Operations, except when it relates to items recognised in Other comprehensive income, in which case the current and deferred tax is also dealt with in Other comprehensive income.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in the Condensed Consolidated Statement of Operations because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are generally recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to settle its current tax assets and liabilities on a net basis.

(Q) LOAN PAYABLE

Loan payable is recognised initially at fair value, net of transaction costs incurred. Thereafter it is held at amortised cost, with the amortisation calculated using the effective interest rate method.

(R) DIVIDENDS PAYABLE

Dividends payable to shareholders of shares are recognised in the period in which they are declared.

(S) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The carrying amounts of Accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

(T) LEASES

The Group is a lessor and a lessee of assets, primarily in connection with office space leases. Transactions where substantially all risks and rewards incident to ownership are transferred from the lessor to the lessee are accounted for as finance leases. All other leases are accounted for as operating leases. The Group's leases are all accounted for as operating leases.

The Group's assets held for leasing out are included in Property and equipment. Rental income from operating leases is recorded as revenue on a straight-line basis over the term of the lease in the Condensed Consolidated Statement of Operations.

For leases where the Group is the lessee, payments are charged to Operating expenses in the Condensed Consolidated Statement of Operations on a straight-line basis over the period of the lease.

(U) EARNINGS PER SHARE

Basic Earnings per share as presented in the Condensed Consolidated Statement of Operations is calculated by dividing net earnings/(loss) by the weighted average number of shares in issue during the period.

For the purpose 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 period. When there is a loss, no potential common shares are included in the computation of fully diluted earnings per share.

(V) SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. These operating segments reflect the management structure and internal financial reporting. All operating segments' operating results are reviewed regularly by management to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(W) NEW ACCOUNTING PRONOUNCEMENTS

While a number of new or amended IFRS and International Financial Reporting Interpretations Committee standards have been issued, there are no standards that have had a material impact on the Group.

IFRS 4, Insurance Contracts, issued in March 2004, specifies the financial reporting for insurance contracts by an insurer. The current standard is Phase I in the International Accounting Standard Board's ("IASB") insurance contract project and does not specify the recognition or measurement of insurance contracts. This will be addressed in Phase II of the IASB's project. A standard is scheduled to be released by the end of 2012, with potential implementation in 2015. It will include a number of significant changes regarding the measurement and disclosure of insurance contracts. The Group will continue to monitor the progress of the project in order to assess the potential impact the new standard will have on its results and the presentation and disclosure thereof.

IFRS 9, Financial Instruments: Classification and Measurement, which has been issued but is not yet effective, has not been early adopted by the Group. The Group continues to apply IAS 39, Financial Instruments: Recognition and Measurement. The new standard is not expected to have a material impact on the results and disclosures reported in the condensed consolidated financial statements.

IFRS 10, Consolidated Financial Statements, issued in May 2011, redefines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity's financial statements. IFRS 12, Disclosure of Involvement with Other Entities, was issued concurrently with IFRS 10 and sets out the disclosure requirements for condensed consolidated financial statements. Both standards are effective from 1 January 2013 and are not expected to have a material impact on the Group's results, although enhanced disclosures may be required.

3 INVESTMENTS

The disclosures below should be read in conjunction with certain sections in Note 4 – Investments and Note 5 – Financial Instrument Risk Management in the March 31, 2011 audited financial statements prepared under the previous GAAP. Disclosure and presentation requirements under the previous GAAP did not change when the Group transitioned to IFRS except for the disclosures below.

(A) Carrying values and estimated fair values of investments are as follows:

	September 30, 2011		March 31, 2011		April 1, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds						
Bonds – held to maturity	6,016	5,535	6,276	5,910	6,201	5,451
Bonds – FVTPL	183,128	183,128	165,227	165,227	157,790	157,790
	189,144	188,663	171,503	171,137	163,991	163,241
Equities						
Equities – available for sale	4,329	4,329	4,347	4,347	55,198	55,198
Equities – FVTPL	60,675	60,675	64,769	64,769	79,691	79,691
	65,004	65,004	69,116	69,116	134,889	134,889
Mortgages and loans	44,704	45,053	46,320	44,349	61,209	60,145
Receivable from reverse repurchase transactions	8,200	8,200	17,300	17,300	-	-
Derivative financial assets	(423)	(423)	89	89	-	-
Other investments	55	55	66	66	60	61
	306,684	306,552	304,394	302,057	360,149	358,336

B) INVESTMENT INCOME AND CHANGE IN FAIR VALUE OF INVESTMENTS

	Six months ended September 30 2011	Six months ended September 30 2010
Interest income		
Bonds – held to maturity	182	201
Bonds – FVTPL	2,727	4,857
Mortgages and loans	1,106	1,524
Cash and other	97	118
	4,112	6,700
Dividend income		
Equities – available for sale	360	221
Equities – FVTPL	1,582	1,316
	1,942	1,537
Net realised gains on sale of investments		
Realised gains on sale of bonds – available for sale	-	163
Realised gains on sale of bonds – FVTPL	1,131	-
Realised gains on sale of equities – available for sale	36	692
Realised (losses)/gains on sale of equities –FVTPL	(112)	1,087
	1,055	1,942
Amortisation of premium on bonds	(565)	(256)
Rental income and other	576	965
Impairment losses on bonds	(454)	-
Deduct: Investment income relating to deposit administration pension plan	(2,465)	(3,524)
	(2,908)	(2,815)
INVESTMENT INCOME	4,201	7,364
Change in fair value of FVTPL investments		
Bonds	3,433	6,419
Equities	(2,142)	(2,465)
CHANGE IN FAIR VALUE OF FVTPL INVESTMENTS	1,291	3,954

4 INVESTMENT IN ASSOCIATES

The Group holds equity interests in certain companies incorporated in Bermuda and has significant influence over the operational and financial policies of these companies. As a result, these companies are considered to be associates of the Group.

Some of these associates have different accounting policies to the Group and, as a result, adjustments have been made to aligned the associate's accounting policies to those of the Group when the associate's financial statements are used in applying the equity method. Share of earnings/(loss) of investment in associates comprises:

	For the six months ended September 30, 2011	September 30, 2010
Investment in Northstar Group Holding's Limited	(11,000)	-
Investment in other associates	308	1,843
SHARE OF (LOSS)/EARNINGS OF INVESTMENT IN ASSOCIATES	(10,692)	1,843

Included in Investment in associates is a 23.7 percent holding in Northstar Group Holdings Limited (NGH). NGH is a holding company, and its wholly owned subsidiary, Northstar Reinsurance Ireland Limited (NRIL), transacted life reinsurance business with companies in the United States of America during the period under review. No new treaties have been written since January 2006 and the remaining two treaties are closed to new business. As at September 30, 2011, NGH and NRIL were actively considering several options with respect to the remaining treaties including the novation or recapture of one or both, or retaining the treaties and running off the business.

Subsequent to the Balance Sheet date, NGH and NRIL reached agreement with a third party to novate one treaty and recapture the second. NGH is now commencing an orderly wind-up of their affairs. 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 and, in the case of one major shareholder, very recent events have suggested the charged assets may realise values that will not be sufficient to satisfy their obligations. The ultimate distribution of capital to the Company is dependent on NGH collecting the amounts due.

Under the terms of the NGH shareholder agreement each shareholder is required to cover a shortfall arising from any shareholder's inability to meet their obligation. Accordingly, Management has decided that the value of the investment in NGH should be treated as impaired to the extent of the likely inability of one shareholder to meet its aforementioned obligation.

The Company's proportionate share of this obligation is $11 million and this write down has been reflected in Share of earnings/(loss) of Investment in associates on the Condensed Consolidated Statement of Operations for the six months ended September 30, 2011.

5 SEGMENT INFORMATION

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.

RESULTS BY SEGMENT:

For the six months ended 30 September		Insured Employee Benefits	Life and Pensions	Property and Casualty	All Other	Total Per Financial Statements
Segment revenues	2011	47,771	20,633	2,254	2,991	73,649
	2010	48,556	18,688	16,019	2,939	86,202
Income tax expense	2011	-	-	55	-	55
	2010	-	-	60	-	60
Reportable segment (loss)/profit	2011	3,512	5,084	(13,364)	797	(3,971)
attributable to shareholders, after tax	2010	5,136	7,092	(2,877)	523	9,874

Note: Intersegment income is omitted as immaterial

ASSETS AND LIABILITIES BY SEGMENT AS AT:

	Insured Employee Benefits	Life and Pensions	Property and Casualty	All Other	Total Per Financial Statements
September 30, 2011:					
Total General Fund Assets	50,464	372,323	71,184	15,981	509,952
Segregated Fund Assets	-	1,083,304	-	-	1,083,304
Total General Fund Liabilities	19,037	341,395	57,088	11,226	428,746
Segregated Fund Liabilities	-	1,083,304	-	-	1,083,304
March 31, 2011:					
Total General Fund Assets	45,098	383,727	81,052	22,812	532,689
Segregated Fund Assets	-	1,162,743	-	-	1,162,743
Total General Fund Liabilities	17,115	357,365	58,649	13,957	447,086
Segregated Fund Liabilities	-	1,162,743	-	-	1,162,743
April 1, 2010:					
Total General Fund Assets	42,761	349,347	113,990	28,796	534,894
Segregated Fund Assets	-	1,169,276	-	-	1,169,276
Total General Fund Liabilities	18,876	323,924	71,989	20,213	435,002
Segregated Fund Liabilities	-	1,169,276	-	-	1,169,276

6 POST-EMPLOYMENT MEDICAL BENEFITS

The post-employment medical benefits liability is summarised as follows:

	For the six months ended Sept. 30, 2011	For the year ended March 31, 2011	For the six months ended Sept. 30, 2010
Accrued benefit liability, beginning of period	**3,625**	6,076	5,247
Current service cost	**67**	526	451
Interest cost	**72**	317	286
Plan amendments and curtailment	**-**	(4,216)	-
Net actuarial loss	**430**	1,007	165
Benefits paid	**(46)**	(85)	(73)
ACCRUED BENEFIT LIABILITY, END OF PERIOD	**4,148**	3,625	6,076

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

(i) Current service cost represents benefits earned in the current period. These are determined with reference to the current workforce and the amount of benefits to which employees 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) Effective March 31, 2011, the Group'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 Group.

The discount rate assumption in measuring the Company's accrued benefit liability is estimated as follows:

	Sept. 30, 2011	March 31, 2011	Sept. 30, 2010
Discount rate	4.00%	5.25%	5.50%

7 EARNINGS PER SHARE

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

	For the six months ended	
	September 30, 2011	September 30, 2010
Net (loss)/earnings for the period	(3,971)	9,874
Weighted average outstanding common shares	21,032	21,032
COMMON SHARES AND COMMON EQUIVALENTS	21,032	21,465

8 IFRS 1 – FIRST TIME ADOPTION

The Canadian Accounting Standards Board ("AcSB") requires that Canadian publicly accountable entities prepare their financial statements in accordance with IFRS for fiscal years beginning on or after January 1, 2011. As these financial statements represent the initial presentation of results and financial position under IFRS, they were prepared in accordance with IFRS 1.

IFRS 1 requires retrospective application of all IFRS standards, with certain optional exemptions and mandatory exceptions which are disclosed in Note 3D of the March 31, 2011 audited financial statements. The following note should be read in conjunction with the previously published IFRS note disclosures. The accounting policies described in Note 2 have been applied consistently to all periods presented in the condensed consolidated financial statements with the exception of the optional exemptions elected and the mandatory exceptions required. At April 1, 2010, an opening balance sheet was prepared under IFRS.

The 2011 annual consolidated financial statements were previously prepared in accordance with Canadian GAAP. The following sections in this note explain the Group's transition from Canadian GAAP to IFRS:

(A) Reconciliations of Consolidated Balance Sheet

(B) Reconciliations of Consolidated Statement of Comprehensive Income

(C) Notes to the reconciliations

A) RECONCILIATIONS OF CONSOLIDATED BALANCE SHEETS

(In $ thousands)	*Note*	Previous GAAP	Effect of transition to IFRS	IFRS
			March 31, 2011	
Assets				
Cash and short-term investments	*j*	17,641	8,604	26,245
Interest and dividends receivable		850	-	850
Investments	*a ; b : j*	365,688	(61,294)	304,394
Investment in associates	*b*	-	47,507	47,507
Insurance balances receivable	*j*	18,835	164	18,999
Receivable for investments sold		12,672	-	12,672
Reinsurers' share of:				
Claims provisions	*c ; j*	5,276	8,482	13,758
Unearned premiums		10,463	-	10,463
Investment properties	*a*	-	7,006	7,006
Other assets	*e ; g*	5,091	259	5,350
Deferred policy acquisition costs		723	-	723
Property and equipment	*a*	77,735	(981)	76,754
Intangible assets		7,968	-	7,968
Total general fund assets		522,942	9,747	532,689
Segregated fund assets – on balance sheet	*f*	-	1,162,743	1,162,743
Total assets		522,942	1,172,490	1,695,432
Segregated fund assets – off balance sheet	*f*	1,162,743	(1,162,743)	-
Liabilities				
Insurance contract liabilities				
Life and annuity policy reserves	*c ; d*	134,098	3,811	137,909
Provision for unpaid and unreported claims		27,218	-	27,218
Unearned premiums		19,436	-	19,436
Total insurance contract liabilities		180,752	3,811	184,563
Investment contract liabilities				
Deposit administration pension plans liability		182,422	-	182,422
Other deposit liabilities	*d*	4,802	4,835	9,637
Total investment contract liabilities		187,224	4,835	192,059
Post-employment benefit obligation	*h*	3,625	-	3,625
Insurance balances payable		12,626	-	12,626
Payable for investments purchased		20,821	-	20,821
Tax payable	*g*	-	249	249
Note payable		-	-	-
Loan payable		13,843	-	13,843
Dividends payable		2,103	-	2,103
Accounts payable and accrued liabilities	*g*	17,392	(195)	17,197
Total general fund liabilities		438,386	8,700	447,086
Segregated fund liabilities – on balance sheet	*f*	-	1,162,743	1,162,743
Total liabilities		438,386	1,171,443	1,609,829
Segregated fund liabilities – off balance sheet	*f*	1,162,743	(1,162,743)	-
Equity				
Attributable to shareholders of the Company				
Share capital		16,426	-	16,426
Contributed surplus		52,629	-	52,629
Retained earnings	*k*	12,376	2,949	15,325
Accumulated other comprehensive income	*k*	1,036	(1,902)	(866)
Total attributable to shareholders of the Company		82,467	1,047	83,514
Attributable to non-controlling interest		2,089	-	2,089
Total equity		84,556	1,047	85,603
Total liabilities and equity		522,942	1,172,490	1,695,432

Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
	September 30, 2010			April 1, 2010	
11,668	6,922	18,590	13,651	8,662	22,313
855	-	855	820	-	820
404,096	(27,734)	376,362	389,628	(29,479)	360,149
-	16,295	16,295	-	14,640	14,640
11,861	646	12,507	11,522	824	12,346
-	-	-	-	-	-
6,057	15,337	21,394	3,550	14,508	18,058
13,960	-	13,960	9,811	-	9,811
-	6,993	6,993	-	6,949	6,949
5,520	151	5,671	5,318	95	5,413
818	-	818	616	-	616
77,691	(968)	76,723	78,580	(924)	77,656
8,614	-	8,614	6,123	-	6,123
541,140	17,642	558,782	519,619	15,275	534,894
-	1,168,683	1,168,683	-	1,169,276	1,169,276
541,140	1,186,325	1,727,465	519,619	1,184,551	1,704,170
1,168,683	(1,168,683)	-	1,169,276	(1,169,276)	-
130,721	12,025	142,746	129,010	11,274	140,284
30,538	-	30,538	26,022	-	26,022
24,571	-	24,571	18,160	-	18,160
185,830	12,025	197,855	173,192	11,274	184,466
179,340	-	179,340	169,674	-	169,674
6,118	3,958	10,076	6,558	4,058	10,616
185,458	3,958	189,416	176,232	4,058	180,290
6,260	2,921	9,181	6,076	-	6,076
9,635	-	9,635	9,468	-	9,468
-	-	-	-	-	-
-	169	169	-	121	121
16,750	-	16,750	16,750	-	16,750
16,843	-	16,843	19,843	-	19,843
-	-	-	2,103	-	2,103
10,357	(168)	10,189	16,006	(121)	15,885
431,133	18,905	450,038	419,670	15,332	435,002
-	1,168,683	1,168,683	-	1,169,276	1,169,276
431,133	1,187,588	1,618,721	419,670	1,184,608	1,604,278
1,168,683	(1,168,683)	-	1,169,276	(1,169,276)	-
16,436	-	16,436	16,436	-	16,436
52,618	-	52,618	52,382	-	52,382
30,998	6,509	37,507	26,494	3,236	29,730
7,262	(7,772)	(510)	2,167	(3,293)	(1,126)
107,314	(1,263)	106,051	97,479	(57)	97,422
2,693	-	2,693	2,470	-	2,470
110,007	(1,263)	108,744	99,949	(57)	99,892
541,140	1,186,325	1,727,465	519,619	1,184,551	1,704,170

(B) RECONCILIATIONS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Previous GAAP	Effect of transition to IFRS	IFRS
		Year ended March 31, 2011		
Revenue				
Gross premiums written	*d*	160,742	(3,655)	157,087
Reinsurance ceded		(41,175)	-	(41,175)
Net premiums written		119,567	(3,655)	115,912
Net change in unearned premiums		(624)	-	(624)
Net premiums earned		118,943	(3,655)	115,288
Investment income	*b ; d ; e*	3,397	(296)	3,101
Change in fair value of investments	*i*	(11,202)	(1,638)	(12,840)
Share of earnings of investment in associates	*b*	-	1,363	1,363
Commissions, management fees and other	*j*	31,035	292	31,327
		142,173	(3,934)	138,239
Expenses				
Policy benefits	*c ; j*	14,585	(1,401)	13,184
Claims and adjustment expenses	*c*	82,716	3,306	86,022
Total policy benefits, claims and adjustment expenses		97,301	1,905	99,206
Policy benefits and claims ceded to reinsurers	*c*	-	(5,213)	(5,213)
Net policy benefits, claims and adjustment expenses		97,301	(3,308)	93,993
Gross change in contract liabilities	*c ; d ; j*	3,864	(4,858)	(994)
Change in contract liabilities ceded to reinsurers	*c*	-	4,376	4,376
Net change in contract liabilities		3,864	(482)	3,382
Commissions expense		3,234	-	3,234
Operating expenses	*d ; g ; h ; j*	36,390	(33)	36,357
Amortisation and depreciation		5,857	-	5,857
Interest on loan		812	-	812
		147,458	(3,823)	143,635
Loss before income taxes		(5,285)	(111)	(5,396)
Income taxes	*g*	-	176	176
Net loss for the period		(5,285)	(287)	(5,572)
Other comprehensive (loss)/income				
Net unrealised gains /(losses) on available for sale investments arising during the period	*i*	1,280	(1,588)	(308)
Reclassification of realised gains included in net income	*b ; i*	(3,226)	2,979	(247)
Unrealised gains on translating financial statements of self-sustaining foreign operations		815	-	815
Other comprehensive (loss)/income for the period		(1,131)	1,391	260
Comprehensive (loss)/income for the period		(6,416)	1,104	(5,312)
Net earnings for the period attributable to:				
Shareholders of the Company		(5,704)	(287)	(5,991)
Non-controlling interests		419	-	419
		(5,285)	(287)	(5,572)
Net other comprehensive (loss)/income for the period attributable to:				
Shareholders of the Company		(1,131)	1,391	260
Non-controlling interests		-	-	-
		(1,131)	1,391	260
Total comprehensive income for the period attributable to:				
Shareholders of the Company		(6,835)	1,104	(5,731)
Non-controlling interests		419	-	419
		(6,416)	1,104	(5,312)
Loss per share:				
basic		*(0.28)*	*(0.01)*	*(0.29)*
fully diluted		*(0.28)*	*(0.01)*	*(0.29)*

	Note	Previous GAAP	Effect of transition to IFRS	IFRS
		Six months ended September 30, 2010		
Revenue				
Gross premiums written	*d*	85,752	(1,139)	84,613
Reinsurance ceded		(25,216)	-	(25,216)
Net premiums written		60,536	(1,139)	59,397
Net change in unearned premiums		(1,008)	-	(1,008)
Net premiums earned		59,528	(1,139)	58,389
Investment income	*b ; d ; e*	7,620	(256)	7,364
Change in fair value of investments	*i*	(525)	4,479	3,954
Share of earnings/(loss) of investment in associates	*b*	-	1,843	1,843
Commissions, management fees and other	*j*	14,478	174	14,652
		81,101	5,101	86,202
Expenses				
Policy benefits	*c ; j*	6,986	(1,289)	5,697
Claims and adjustment expenses	*c*	41,486	(541)	40,945
Total policy benefits, claims and adjustment expenses		48,472	(1,830)	46,642
Policy benefits and claims ceded to reinsurers	*c*	-	(1,795)	(1,795)
Net policy benefits, claims and adjustment expenses		48,472	(3,625)	44,847
Gross change in contract liabilities	*c ; d ; j*	1,458	5,958	7,416
Change in contract liabilities ceded to reinsurers	*c*	-	(3,256)	(3,256)
Net change in contract liabilities		1,458	2,702	4,160
Commissions expense		1,156	-	1,156
Operating expenses	*d ; g ; h ; j*	19,825	2,691	22,516
Amortisation and depreciation		2,923	-	2,923
Interest on loan		443	-	443
		74,277	1,768	76,045
Earnings/(loss) before income taxes		6,824	3,333	10,157
Income taxes	*g*	-	60	60
Net earnings/(loss) for the period		6,824	3,273	10,097
Other comprehensive income/(loss)				
Net unrealised gains/(losses) on available for sale investments arising during the period	*i*	4,271	(4,317)	(46)
Reclassification of realised gains included in net income	*i*	170	(162)	8
Unrealised gains on translating financial statements of self-sustaining foreign operations		654	-	654
Other comprehensive income/(loss) for the period		5,095	(4,479)	616
Comprehensive income/(loss) for the period		11,919	(1,206)	10,713
Net earnings for the period attributable to:				
Shareholders of the Company		6,601	3,273	9,874
Non-controlling interests		223	-	223
		6,824	3,273	10,097
Net other comprehensive income for the period attributable to:				
Shareholders of the Company		5,095	(4,479)	616
Non-controlling interests		-	-	-
		5,095	(4,479)	616
Total comprehensive income for the period attributable to:				
Shareholders of the Company		11,696	(1,206)	10,490
Non-controlling interests		223	-	223
		11,919	(1,206)	10,713
Earnings/(loss) per share:				
basic		*0.31*	*0.16*	*0.47*
fully diluted		*0.30*	*0.16*	*0.46*

(C) NOTES TO THE RECONCILIATIONS

(a) Investment property

Under the previous GAAP certain properties held predominantly to earn rental income or capital appreciation were included in Property and equipment and Other investments. Under IFRS, these properties are classified as Investment properties and are separately shown in the Condensed Consolidated Balance Sheet. These are measured using the fair value model.

The impact arising from the change is a reclassification between asset line items in the Condensed Consolidated Balance Sheet as follows:

	March 31 2011	September 30 2010	April 1 2010
Condensed Consolidated Balance Sheet			
Investments	(6,025)	(6,025)	(6,025)
Investment properties	7,006	6,993	6,949
Property and equipment	(981)	(968)	(924)
NET ADJUSTMENT	-	-	-

(b) Investment in associates

Under the previous GAAP, Investment in associates was included in Investments while the Share of earnings/(loss) of investment in associates was included in Investment income. IFRS requires separate disclosure of the investment in associates in the Condensed Consolidated Balance Sheet and the Share of earnings/(loss) of investment in associates in the Condensed Consolidated Statement of Operations.

IFRS also requires consistency in the accounting period and accounting policies in calculating the Group's share in the earnings/(loss) of investment in associates. As a result, the Group adjusted its share in the earnings/(loss) of the investment in associates for any significant transactions occurring between the associate's and the Group's reporting period end and also converted the associate's equity from its respective GAAP to IFRS.

The impact arising from the change is summarised as follows:

	March 31 2011	September 30 2010	April 1 2010
Condensed Consolidated Balance Sheet			
Investment – reclassification adjustment	(46,665)	(14,787)	(14,792)
Investment in associates – reclassification adjustment	46,665	14,787	14,792
Investment in associates – measurement adjustment	842	1,508	(152)
NET ADJUSTMENT TO TOTAL ASSETS	842	1,508	(152)
Retained earnings	920	1,339	(321)
Accumulated other comprehensive (loss)/income	(78)	169	169
ADJUSTMENT TO EQUITY	842	1,508	(152)

	Year ended March 31 2011	Six months ended September 30 2010
Condensed Consolidated Statement of Operations		
Investment income	(122)	(183)
Share of earnings of investment in associates	1,363	1,843
NET ADJUSTMENT	1,241	1, 660

(c) Insurance contracts

Under the previous GAAP, the reinsurance assets related to life insurance contracts were netted against the life reserves. Under IFRS, netting of reinsurance amounts against related insurance amounts is not allowed.

The impact arising from the change is summarised as follows:

	March 31 2011	September 30 2010	April 1 2010
Condensed Consolidated Balance Sheet			
Reinsurers' share of claims provisions	8,646	15,983	15,332
Life and annuity policy reserves	8,646	15,983	15,332
NET ADJUSTMENT	-	-	-

Under the previous GAAP, the Group netted the income or expense from reinsurance contracts against the expense or income from the related insurance contracts. This net presentation was applied to all insurance contracts of the Group. Also, the Group recorded the net change in actuarial provision for unpaid and unreported claims under Claims and adjustment expenses. Under IFRS, the income or expense from reinsurance contracts and net change in actuarial provision for unpaid and unreported claims are required to be shown separately in the Condensed Consolidated Statement of Operations.

The impact arising from the change is summarised as follows:

	Year ended March 31, 2011		Six months ended September 30, 2010	
	Gross up reinsurance amounts – Life and annuity	Gross up reinsurance amounts and others – Property and casualty	Gross up reinsurance amounts – Life and annuity	Gross up reinsurance amounts and others – Property and casualty
Condensed Consolidated Statement of Operations				
Gross benefits and claims paid				
Policy benefits	1,703	-	-	-
Claims and adjustment expenses	-	3,306	-	(541)
Benefits and claims ceded to reinsurers	(1,703)	(3,510)	-	(1,795)
Gross change in contract liabilities	(6,150)	1,978	1,400	4,192
Change in contract liabilities ceded to reinsurers	6,150	(1,774)	(1,400)	(1,856)
NET ADJUSTMENT	-	-	-	-

(d) Investment contracts

The Group has reviewed the classification of insurance contracts for IFRS reporting purposes. The classification remains the same with the exception of certain annuity contracts which failed to meet the insurance contract definition under IFRS. As a result, these annuity contracts are accounted for as investment contracts beginning April 1, 2010.

The impact arising from the change is summarised as follows:

	March 31 2011	September 30 2010	April 1 2010
Condensed Consolidated Balance Sheet			
Life and annuity policy reserves	(4,835)	(3,958)	(4,058)
Other deposit liabilities	4,835	3,958	4,058
NET ADJUSTMENT	-	-	-

	Year ended March 31 2011	Six months ended September 30 2010
Condensed Consolidated Statement of Operations		
Gross premiums written	(3,655)	(1,139)
Investment income	(284)	(128)
Total impact on revenue	(3,939)	(1,267)
Deduct:		
Policy benefits	(2,974)	(1,289)
Gross change in contract liabilities	(953)	28
Operating expenses	(12)	(6)
Total impact on expenses	(3,939)	(1,267)
NET ADJUSTMENT	-	-

(e) 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. The rent commencement date is later than the inception date of the lease term.

Under the previous GAAP, the Group recognised the net consideration on a straight-line basis from the rent commencement date to the expiration date of the lease. The impact arising from the change is summarised as follows:

	March 31 2011	September 30 2010	April 1 2010
Condensed Consolidated Balance Sheet			
Other assets	205	150	95
RETAINED EARNINGS	205	150	95

	Year ended March 31 2011	Six months ended September 30 2010
Condensed Consolidated Statement of Operations		
Investment income	110	55

(f) Consolidation

The concept of control under IFRS required the Group to consolidate Segregated funds in the Condensed Consolidated Interim Financial Statements. As a result, Total Assets and Total Liabilities of the Group have increased with no impact to Equity.

(g) Income taxes

Under the previous GAAP, the Group recorded net amounts arising from income taxes under Accounts payable and accrued liabilities and Operating expenses. Under IFRS, these balances are required to be shown separately in the Condensed Consolidated Financial Statements.

The impact arising from the change is summarised as follows:

	March 31 2011	September 30 2010	April 1 2010
Condensed Consolidated Balance Sheet			
Other assets (Income tax receivable and deferred tax asset)	54	1	-
Tax payable	(249)	(169)	121
Accounts payable and accrued liabilities	195	168	(121)
NET ADJUSTMENT	-	-	-

	Year ended March 31 2011	Six months ended September 30 2010
Condensed Consolidated Statement of Operations		
Operating expenses	(176)	(60)
Income taxes	176	60
NET ADJUSTMENT	-	-

(h) Post-employment benefits

Under the previous GAAP, a portion of the Group's post-employment medical benefit obligation was discounted using the interest rate inherent in the amount for which the accrued benefit obligation could be immediately settled, for example by purchase of an insurance contract such as an annuity. The rate thus determined was close to the current rate of return on the Group's annuity portfolio. Under IFRS, this method is no longer available. IFRS requires that the discount rate shall be determined by reference to market yields on high quality bonds at the end of the reporting period. This change results 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 arising from the change is summarised as follows:

	March 31 2011	September 30 2010	April 1 2010
Condensed Consolidated Balance Sheet			
Post-employment benefit obligation	-	2,921	-
RETAINED EARNINGS	-	(2,921)	-

	Year ended March 31 2011	Six months ended September 30 2010
Condensed Consolidated Statement of Operations		
Operating expenses	-	2,921

(i) Designation of previously recognised financial instruments

As disclosed in Note 3D of the March 31, 2011 Canadian GAAP consolidated financial statements, the Group re-designated all bonds classified as available for sale to FVTPL at the date of transition to IFRS.

The impact arising from the change to FVTPL is summarised as follows:

	March 31 2011	September 30 2010	April 1 2010
Condensed Consolidated Balance Sheet			
Retained earnings	1,824	7,941	3,462
Accumulated other comprehensive income	(1,824)	(7,941)	(3,462)
ADJUSTMENT TO EQUITY	-	-	-

	Year ended March 31 2011	Six months ended September 30 2010
Condensed Consolidated Statement of Operations and Other Comprehensive Income		
Change in fair value of investments	(1,638)	4,479
Net unrealised gains/(losses) on available for sale investments	(1,588)	(4,317)
Reclassification of realised gains included in net earnings	3,226	(162)
NET ADJUSTMENT	-	-

(j) Reclassification

The following reclassification adjustments were made to conform with current year presentation and to correct certain reclassification errors in the prior periods. These adjustments did not arise from the transition to IFRS. The impact of the reclassification adjustments to Equity is $nil.

	March 31 2011	September 30 2010	April 1 2010
Condensed Consolidated Balance Sheet			
Cash and short-term investments	8,604	6,922	8,662
Investments	(8,604)	(6,922)	(8,662)
Insurance balances receivable	164	646	824
Reinsurers' share of claims provisions	(164)	(646)	(824)
NET ADJUSTMENT	-	-	-

	Year ended March 31 2011	Six months ended September 30 2010
Condensed Consolidated Statement of Operations		
Commissions, management fees and other	292	174
Total impact on Revenue	292	174
Deduct:		
Policy benefits	(130)	-
Gross change in contract liabilities	267	338
Operating expenses	155	(164)
Total impact on Expenses	292	174
NET ADJUSTMENT	-	-

Cash and short-term investments

The Group reclassified its investments in money market funds from Investments to Cash and short-term investments. These investments in money market funds are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Insurance balances receivable

Prior to reclassification, the Group's reinsurers' share of claims provisions included reinsurance receivables related to group life claims. These reinsurance receivables represent actual claims on the reinsurers. As a result, the Group reclassified these balances to Insurance balances receivable.

Gross change in contract liabilities

These reclassification adjustments were made to correct the amount recorded in Gross change in contract liabilities.

(k) Impact on equity

The following table summarises the net impact of the above changes arising from the transition to IFRS on the Group's equity attributable to shareholders of the Company.

	Note	March 31 2011	September 30 2010	April 1 2010
Condensed Consolidated Balance Sheet				
Attributable to shareholders of the Company				
Retained earnings				
Adjustment from Investment in associates	*b*	920	1,339	(321)
Adjustment from Leases	*e*	205	150	95
Adjustment from Post-employment benefits	*h*	-	(2,921)	-
Adjustment from designation of Bonds to FVTPL	*i*	1,824	7,941	3,462
NET ADJUSTMENT		2,949	6,509	3,236
Accumulated other comprehensive income				
Adjustment from Investment in associates	*b*	(78)	169	169
Adjustment from Designation of bonds to FVTPL	i	(1,824)	(7,941)	(3,462)
NET ADJUSTMENT		(1,902)	(7,772)	(3,293)
NET ADJUSTMENT TO EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		1,047	(1,263)	(57)

(l) Condensed Consolidated Statement of Cash Flows

IFRS requires disclosure of dividend income received, interest income received, interest paid on loans and income tax paid in the Condensed Consolidated Statement of Cash Flows. As a result, the Group separately disclosed these items in the Condensed Consolidated Statement of Cash Flows.

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	
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