2014 SIX-MONTH REPORT

ARGUS

Our Interest is You.

The Argus Group

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

OUR VISION

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

OUR MISSION

We will achieve our vision by:

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

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

OUR PHILOSOPHY AND VALUES

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

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

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REPORT TO SHAREHOLDERS

INTRODUCTION

The Argus Group reports net earnings attributable to shareholders of $10.6 million for the six months ended September 30, 2014 compared to a earnings of $1.6 million for the corresponding period in 2013. On the *Condensed Consolidated Balance Sheet, Total Assets* including *Segregated Fund Assets* increased to $2.1 billion and *Equity Attributable to Shareholders of the Company* increased to $115.2 million at September 30, 2014.

These positive results are underpinned by strong business fundamentals, primarily:

- continued strong performance from our core business operations,
- high client retention levels despite fiercely competitive markets,
- strong governance and risk management processes, and
- sustained efforts to optimise the Balance Sheet and capital structure in a considered and orderly fashion.

While the Group experienced strong results for the six months to September 30, 2014, our annual financial results will be adversely affected by the windstorm claims incurred from Hurricane Fay and Hurricane Gonzalo in October 2014.

In an effort to ease the financial hardship of two storms within the same week, Argus joined with BF&M in a decision to waive the second residential deductible for clients affected by both storms. Additionally, the Group decided not to reduce the No Claims Discounts for motor policyholders who sustained damage caused by the storms. We are proud of the dedication and hard work of our staff who, during the aftermath of both storms, were able to deliver exceptional service to our clients. Further disclosure relating to the financial impact of these storms is included in note 12 of these condensed consolidated interim financial statements.

The Group values the contribution that all employees make on a daily basis to deliver exceptional service to our clients and create value for our Shareholders. We are happy to report that the Argus Group has been named fourth in The Bottom Line magazine's annual survey of the top ten employers in Bermuda. The survey takes into account a variety of aspects, including staff benefits, rewards and recognition and corporate social responsibility.

In keeping our commitment to seek opportunities for global expansion, the Group acquired the client portfolio of Millennium Insurance Agency Ltd in Malta on October 24, 2014. This further expands our footprint in Europe and allows us to leverage the strengths of the Argus Group's global network.

FINANCIAL RESULTS

The Argus Group continues to experience steady earnings growth which is reflected by our earnings for the period ended September 30, 2014. While *Net Premiums Earned* increased by 18 percent or $11.3 million, *Net Benefits and Claims* similarly increased by $9.9 million due primarily to new business in the Life & Pension division of the Group where the reserves increase in close proportion to the premiums received.

Offsetting the increase in *Net Benefits and Claims* is a decrease in healthcare claims as the expansion of the Preferred Provider Network, an overseas network of selected medical facilities focused on quality patient care, highlights the continued success of our cost containment measures for overseas claims.

The Group reported an increase of $8.2 million in *Investment income* and *Share of earnings of associates* when compared with the prior year. The decline in long-term interest rates during the period resulted in an increase in the fair value of the Group's fixed income portfolio with *Net realised and unrealised* *gains* of $807,000 reported for the period. This is in contrast with the sudden and sharp rise in interest rates during the corresponding prior year period that resulted in *Net realised and unrealised losses* of $8.5 million. While bonds reported favourable results, the volatility in the equity portfolio resulted in *Net realised and unrealised losses* of $631,000. Additionally, the Group reported a decline in fair value on *Investment property* of $1.7 million due to the depressed local real estate market.

Commissions, management fees and other have grown by eight percent or $1.2 million primarily as a result of the additional fees arising from the increase in assets under management.

Operating expenses have increased by $1.1 million over the prior year as the Group continues to invest in the infrastructure of the European operations and the establishment of a framework that will support our commitment to improve the local healthcare system.

WELLNESS INITIATIVES

A key challenge for Bermuda's healthcare system continues to be the rise in chronic non-communicable diseases. Preventing and managing these diseases is critical to managing healthcare costs for the future. Over the coming year, we will be launching Population Health in collaboration with John Hopkins Medicine International. Population Health is a revolutionary holistic patient advocacy programme that has been developed for the Bermuda market with the specific objective of providing our customers and the community with the tools they need to control their own health and lead more fulfilling lives.

2014 ANNUAL GENERAL MEETING ("AGM")

At the AGM of the Company held on September 25, 2014, the entire slate of Directors was elected and all other resolutions were similarly passed.

At a meeting of the Board held after the AGM, Ms Sheila Nicoll was re-elected Chairman and all other Officers remain unchanged.

DIVIDEND

The Board has declared a dividend of seven cents per share payable on February 16, 2015, for shareholders of record on January 30, 2015. This represents a final dividend based upon the audited financial statements of the Group for the year ended March 31, 2014.

FORWARD LOOKING STATEMENTS

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

THANK YOU

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

Sheila E. Nicoll
CHAIRMAN

Alison S. Hill
CHIEF EXECUTIVE OFFICER

December 12, 2014

CONDENSED CONSOLIDATED BALANCE SHEET

(In $ thousands)	Note	*(Unaudited)* SEPTEMBER 30 2014	Restated* *(Unaudited)* MARCH 31 2014
ASSETS			
Cash and short-term investments		18,938	31,340
Interest and dividends receivable		5,467	3,930
Investments	3	280,701	256,324
Insurance balances receivable		10,408	13,057
Reinsurers' share of:			
Claims provisions		15,351	13,992
Unearned premiums		12,915	9,422
Other assets		11,088	9,019
Deferred policy acquisition costs		1,950	1,504
Investment in associates		11,663	11,292
Investment properties	5	11,083	5,885
Property and equipment		67,663	69,282
Intangible assets		3,765	4,640
TOTAL GENERAL FUND ASSETS		450,992	429,687
TOTAL SEGREGATED FUND ASSETS		1,697,910	1,657,818
TOTAL ASSETS		2,148,902	2,087,505
LIABILITIES			
Life and annuity policy reserves		157,163	149,367
Provision for unpaid and unreported claims		36,061	33,933
Unearned premiums		22,590	17,610
Insurance contract liabilities		215,814	200,910
Insurance balances payable		9,774	14,185
Payables arising from investment transactions		3,494	930
Investment contract liabilities		87,728	86,413
Taxes payable		68	66
Accounts payable and accrued liabilities		13,515	15,444
Post-employment benefit obligation	7	4,083	4,218
TOTAL GENERAL FUND LIABILITIES		334,476	322,166
TOTAL SEGREGATED FUND LIABILITIES		1,697,910	1,657,818
TOTAL LIABILITIES		2,032,386	1,979,984
EQUITY			
Attributable to Shareholders of the Company			
Share capital		17,390	16,939
Contributed surplus		52,530	52,578
Retained earnings		48,195	40,413
Accumulated other comprehensive loss	9	(2,879)	(3,839)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		115,236	106,091
Attributable to non-controlling interests		1,280	1,430
TOTAL EQUITY		116,516	107,521
TOTAL LIABILITIES AND EQUITY		2,148,902	2,087,505

**See Note 2.2*
See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

For the six months ended September 30 (In $ thousands, except per share data)	Note	*(Unaudited)* 2014	Restated* *(Unaudited)* 2013
REVENUE			
Gross premiums written		97,667	89,988
Reinsurance ceded		(22,847)	(25,645)
Net premiums written		74,820	64,343
Net change in unearned premiums		(1,486)	(2,263)
Net premiums earned		73,334	62,080
Investment income/(loss)	3.2	4,680	(3,208)
Share of earnings of associates		492	192
Commissions, management fees and other		15,294	14,090
		93,800	73,154
EXPENSES			
Policy benefits		7,340	6,910
Claims and adjustment expenses		43,484	41,566
Reinsurance recoveries		(5,300)	(3,500)
Gross change in contract liabilities		10,710	(1,445)
Change in reinsurers' share of claims provisions		(1,569)	1,233
NET BENEFITS AND CLAIMS		54,665	44,764
Commission expenses		2,671	1,880
Operating expenses		22,222	21,078
Amortisation, depreciation and impairment		3,367	3,599
		82,925	71,321
EARNINGS BEFORE INCOME TAXES		10,875	1,833
Income tax expense		10	-
NET EARNINGS FOR THE PERIOD		10,865	1,833
Attributable to:			
Shareholders of the Company		10,615	1,620
Non-controlling interests		250	213
		10,865	1,833
Earnings per share:	8		
basic		*0.50*	*0.08*
fully diluted		*0.50*	*0.08*

**See Note 2.2*
See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30 (In $ thousands)	Note	(Unaudited) 2014	(Unaudited) 2013
NET EARNINGS FOR THE PERIOD		10,865	1,833
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net earnings:			
Remeasurement of post-employment medical benefits obligation		224	608
Reclassification of actuarial losses arising from an associate's defined benefit plan	9	1,090	-
Items that are or may subsequently be reclassified to net earnings:			
Change in unrealised gains/(losses) on available-for-sale investments		8	(20)
Share of other comprehensive income of associate		12	-
Change in unrealised gains/(losses) on translating financial statements of foreign operations		(374)	720
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		960	1,308
COMPREHENSIVE INCOME FOR THE PERIOD		11,825	3,141
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Shareholders of the Company		960	1,308
		960	1,308
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Shareholders of the Company		11,575	2,928
Non-controlling interests		250	213
		11,825	3,141

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30 (In $ thousands)	Note	*(Unaudited)* 2014	*(Unaudited)* 2013
SHARE CAPITAL			
Authorised:			
25,000,000 common shares of $1.00 each (2013 – 25,000,000)		25,000	25,000
Issued and fully paid, beginning of period 21,525,159 shares (2013 – 21,511,163 shares)		21,525	21,511
Add: Shares issued under the dividend reinvestment plan 20,026 shares		20	-
Deduct: Shares held in Treasury, at cost 428,031 shares (2013 – 509,741 shares)		(4,155)	(4,769)
TOTAL, NET OF SHARES HELD IN TREASURY, END OF PERIOD		17,390	16,742
CONTRIBUTED SURPLUS			
Balance, beginning of period		52,578	52,615
Stock-based compensation expense		83	28
Treasury shares granted to employees		(195)	-
Shares issued under the dividend reinvestment plan		64	-
Transactions with non-controlling interests		-	23
BALANCE, END OF PERIOD		52,530	52,666
RETAINED EARNINGS			
Balance, beginning of period		40,413	29,652
Net earnings for the period		10,615	1,620
Dividends paid		(1,480)	(1,290)
Reclassification of actuarial losses arising from an associate's defined benefit plan	9	(1,090)	-
Loss on treasury shares granted to employees		(263)	-
BALANCE, END OF PERIOD		48,195	29,982
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Balance, beginning of period		(3,839)	(5,396)
Other comprehensive income for the period		960	1,308
BALANCE, END OF PERIOD	9	(2,879)	(4,088)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		115,236	95,302
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS			
Balance, beginning of period		1,430	1,457
Net earnings for the period		250	213
Distributions to non-controlling interests		(400)	(9)
Changes due to business combination		-	(23)
BALANCE, END OF PERIOD		1,280	1,638
TOTAL EQUITY		116,516	96,940

See accompanying notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended September 30 (In $ thousands, except per share data)	*(Unaudited)* 2014	*(Unaudited)* 2013
OPERATING ACTIVITIES		
Earnings before income taxes	10,875	1,833
Adjustments to reconcile net earnings to cash basis (Footnote (i) below)	(372)	7,086
Change in operating balances (Footnote (ii) below)	7,158	6,163
Interest income received	2,643	3,680
Dividend income received	672	1,662
Income tax paid	(6)	(48)
CASH GENERATED FROM OPERATING ACTIVITIES	20,970	20,376
INVESTING ACTIVITIES		
Purchase of investments	(676,912)	(624,972)
Sale and maturity of investments	647,077	602,910
Purchase of property and equipment	(1,447)	(1,592)
Sale of investment property	-	911
CASH USED IN INVESTING ACTIVITIES	(31,282)	(22,743)
FINANCING ACTIVITIES		
Dividends paid to Shareholders	(1,507)	(1,290)
Distributions to non-controlling interests	(400)	(9)
CASH USED IN FINANCING ACTIVITIES	(1,907)	(1,299)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND SHORT-TERM INVESTMENTS	(183)	382
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS	(12,402)	(3,284)
CASH AND SHORT-TERM INVESTMENTS, beginning of period	31,340	30,326
CASH AND SHORT-TERM INVESTMENTS, end of period	18,938	27,042

Footnotes

(i) Interest income	(5,493)	(5,777)
Dividend income	(520)	(881)
Investment income related to Deposit administration pension plans	283	376
Investment income related to Segregated funds with guaranteed return	876	1082
Net realised and unrealised losses/(gains) on sale of investments	(856)	7,895
Amortisation of net premium on bonds	205	951
Net impairment losses	-	3
Share of earnings of associates	(492)	(192)
Change in fair value of investment property	1,675	-
Depreciation of property and equipment	3,043	3,084
Amortisation of intangibles	324	515
Impairment of intangibles	500	2
Expense on vesting of stock-based compensation	83	28
	(372)	7,086
(ii) Insurance balances receivable	2,555	(1,206)
Reinsurers' share of:		
Claims provisions	(1,513)	320
Unearned premiums	(3,563)	(3,924)
Other assets	(502)	(33)
Deferred policy acquisition costs	(465)	(355)
Insurance contract liabilities	15,547	4,146
Insurance balances payable	(4,395)	663
Investment contract liabilities	1,315	7,215
Accounts payable and accrued liabilities	(1,910)	(761)
Post-employment benefit liability	89	98
	7,158	6,163

See accompanying notes to the condensed consolidated financial statements.

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

1 OPERATIONS

Argus Group Holdings Limited (the Company) was incorporated in Bermuda with limited liability on May 26, 2005, as a holding company and has its registered office at the Argus Building, 14 Wesley Street, Hamilton HM 11, Bermuda. The Company's shares are traded on the Bermuda Stock Exchange. At September 30, 2014, it had 1,323 shareholders; 86 percent of whom were Bermudian, holding 82 percent of the issued shares.

The Company and its subsidiaries (the Group) operates predominantly in Bermuda, Gibraltar and Malta underwriting life, health, property and casualty insurance. The Group also provides investment, savings and retirement products, and administrative services. Refer to Note 1.1 for details on the composition of the Group.

1.1 GROUP COMPOSITION

LIST OF SIGNIFICANT SUBSIDIARIES

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

Name	Country of incorporation and place of business	Nature of business	% of ownership interest held	% of ownership interest held by non-controlling interests
AFL Investments Limited	Bermuda	Investment management services	60%	40%
Argus Insurance Company Limited	Bermuda	Property and casualty insurance: Home and commercial property, contractors' all risks, liability, marine, motor and employer's indemnity	100%	-
Argus Insurance Agencies Limited (formerly Fogg Insurance Agencies Limited)	Malta	Insurance agency	100%	-
Argus Insurance Company (Europe) Limited	Gibraltar	Property and casualty insurance: Home and commercial property, contractors' all risks, liability, marine and motor	100%	-
Argus International Life Bermuda Limited (1)	Bermuda	Individual life and annuities	100%	-
Argus International Life Insurance Limited (1)	Bermuda	Individual life and annuities	74%	26%
Argus International Management Limited	Bermuda	Company management	100%	-
Argus Investment Nominees Limited	Bermuda	Nominee company	60%	40%
Argus Management Services Limited	Bermuda	Financial and general management services	100%	-
Bermuda Life Insurance Company Limited	Bermuda	Pensions, group life and long-term disability insurance, individual life and annuities, group and individual health insurance	100%	-
Bermuda Life Worldwide Limited	Bermuda	Individual life and annuities	100%	-
Centurion Insurance Services Limited	Bermuda	Insurance agent and licensed broker	100%	-
NBHH (Keepsake) Limited (2)	Bermuda	Property holding company	100%	-
Trott Property Limited	Bermuda	Property holding company	100%	-
Westmed Insurance Services Limited	Gibraltar	Insurance agent and licensed broker	100%	-

(1) Argus International Life Bermuda Limited also owns 100% of Argus International Life Insurance Limited's preference shares.
(2) Refer to Note 5.

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION

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

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

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

These condensed consolidated interim financial statements follow the same accounting policies and methods of their application as our March 31, 2014 audited financial statements and should be read in conjunction with the latter.

2.2 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group has applied the following new and revised standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the accounting period beginning April 1, 2014.

- Amendments to IAS 32, Financial Instruments: Presentation
- Amendments to IAS 36, Impairment of assets
- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities

The adoption of the new and revised standards did not have a significant impact on the Group's condensed consolidated interim financial statements.

Upon adoption of the amendments to IAS 32, Derivatives are now shown gross on the Condensed Consolidated Balance Sheet and resulted in an increase in Investments and Payables arising from investment transactions. The impact of the adoption of the amendments to IAS 32 are shown in Note 2.3.1.

2.3 CHANGE IN ACCOUNTING POLICY

Effective April 1, 2014, Argus Insurance Agencies Limited (AIAL) changed its accounting policy to defer recognition of commission income and commission expense. Prior to the change, AIAL recognised commission income and commission expense in full at policy inception date.

AIAL operates as an insurance agent and provides claims processing services to an affiliate. By deferring commission income and commission expense, AIAL will better match the timing of when commission income and commission expense are recognised against when services are provided by/to AIAL.

The following tables summarise the impact of the restrospective application of AIAL's change in accounting policy for commissions and the adoption of the amendments to IAS 32:

2.3.1 Consolidated Balance Sheets

MARCH 31, 2014	As reported	Amendments to IAS 32	AIAL – Change in accounting policy [1]	Restated
General fund assets				
Investments	255,952	372	-	256,324
Deferred policy acquisition costs	2,279	-	(775)	1,504
	258,231	372	(775)	257,828
General fund liabilities				
Insurance balances payable	14,185	-	-	14,185
Payables arising from investment transactions	558	372	-	930
	14,743	372	-	15,115
Equity				
Retained earnings	41,169	-	(756)	40,413
Accumulated other comprehensive loss	(3,820)	-	(19)	(3,839)
	37,349	-	(775)	36,574

[1] Balances shown are net of intercompany commissions.

SEPTEMBER 30, 2013	As reported	Amendments to IAS 32	AIAL – Change in accounting policy [1]	Restated
General fund assets				
Investments	245,762	399	-	246,161
Deferred policy acquisition costs	2,661	-	(787)	1,874
	248,423	399	(787)	248,035
General fund liabilities				
Insurance balances payable	11,594	-	-	11,594
Payables arising from investment transactions	2,502	399	-	2,901
	14,096	399	-	14,495
Equity				
Retained earnings	30,764	-	(782)	29,982
Accumulated other comprehensive loss	(4,083)	-	(5)	(4,088)
	26,681	-	(787)	25,894

[1] Balances shown are net of intercompany commissions.

APRIL 1, 2013	As reported	Amendments to IAS 32	AIAL – Change in accounting policy [1]	Restated
General fund assets				
Investments	250,518	47	-	250,565
Deferred policy acquisition costs	2,182	-	(778)	1,404
	252,700	47	(778)	251,969
General fund liabilities				
Insurance balances payable	10,772	-	-	10,772
Payables arising from investment transactions	21,530	47	-	21,577
	32,302	47	-	32,349
Equity				
Retained earnings	30,467	-	(815)	29,652
Accumulated other comprehensive loss	(5,433)	-	37	(5,396)
	25,034	-	(778)	24,256

[1] Balances shown are net of intercompany commissions.

2.3.2 Consolidated Statement of Comprehensive Income

As a result of the change in AIAL's accounting policy for commissions, the Group's total comprehensive income for the period ended September 30, 2013 decreased by $9,000. The net impact is composed of:

- Increase in Net earnings attributable to Shareholders of the Company by $33,000; and
- Decrease in Other comprehensive income attributable to Shareholders of the Company by $42,000.

2.4 FUTURE ACCOUNTING CHANGES

The following are the accounting and reporting changes issued under IFRS including those still under development by the IASB that will impact the Group in 2015 and beyond.

TOPIC	EFFECTIVE DATE FOR THE GROUP	EXPECTED IMPACT
Annual Improvements 2010 – 2012 and 2011 – 2013 cycles	April 1, 2015	No significant impact
Amendments to IAS19, "Employee Benefits"	April 1, 2015	No significant impact
Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"	April 1, 2016	No significant impact
IFRS 15 "Revenue Recognition"	April 1, 2017	Impact assessment in progress
IFRS 9 "Financial Instruments"	April 1, 2018	Impact assessment in progress
IFRS 4 "Insurance contracts" (Phase II)	Expected to be issued in late 2015 and is not expected to be effective until at least April 1, 2019	Impact assessment in progress

2.4.1 Annual Improvements 2010 – 2012 and 2011 – 2013 Cycles

Annual Improvements 2010 – 2012 and 2011 – 2013 Cycles were issued in December 2013, resulting in minor amendments to ten standards. The improvements for these standards have an effective date of July 1, 2014. Adoption of these amendments is not expected to have a significant impact on the Group's consolidated financial statements.

2.4.2 Amendments to IAS 19, Employee Benefits

The amendments to IAS 19, Employee Benefits were issued in November 2013. The amendments clarify the accounting for contributions by employees or third parties to defined benefit plans. The amendments to this standard have an anticipated effective date of July 1, 2014. Adoption of these amendments is not expected to have a significant impact on the Group's consolidated financial statements.

2.4.3 Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"

Amendments to IAS 16 and IAS 38 were issued in May 2014. The amendments clarify that the depreciation or amortisation of assets accounted for under these two standards should reflect a pattern of consumption of the assets rather than reflect economic benefits expected to be generated from the assets. Adoption of these amendments is not expected to have a significant impact on the Group's consolidated financial statements.

2.4.4 IFRS 15 "Revenue Recognition"

IFRS 15 was issued in May 2014. It provides principles within a single standard for recognising revenue from all contracts with customers, excepts leases, financial instruments, and insurance contracts. The standard requires revenue to be recognised on the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. The Group is assessing the impact of IFRS 15 on the consolidated financial statements.

2.4.5 IFRS 9 "Financial Instruments"

In July 2014, the final version of IFRS 9 was issued, which replaces IAS 39 Financial Instruments:Recognition and Measurement. The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting. IFRS 9 provides that financial assets are classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 also introduces an impairment model for financial instruments not measured at fair value through profit or loss that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. A new model for hedge accounting aligns hedge accounting with risk management activities. The Group is assessing the impact of IFRS 9 on the consolidated financial statements.

2.4.6 IFRS 4 "Insurance Contracts" (Phase II)

IFRS 4, issued in March 2004, specifies the financial reporting for insurance contracts by an insurer. The current standard is Phase I of the IASB's 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 and the U.S. Financial Accounting Standards Board (FASB) project.

In July 2010 the IASB issued its Insurance contracts (Phase II) Exposure Draft and the FASB issued its Insurance contract Discussion paper. The insurance contract project is considered a "joint project" whereby the IASB and FASB (the Boards) discuss common research papers. A due process step for joint projects also involves assessing differences recognised by the Boards and determining if they can be resolved.

In June 2013, the IASB issued a revised exposure draft of its proposals, with a 120 day comment period. Since publishing its first exposure draft in July 2010, the IASB has undertaken extensive outreach activities with a broad range of stakeholders. Industry concerns that the proposed measurement model would increase the volatility of reported results when compared with most current models have been a central theme for the IASB's discussions.

Redeliberations on the standard are planned for completion in 2014 and publication of a final standard is not likely to be issued until 2015 and is not expected to be effective before January 1, 2018.

The draft proposals include a number of significant changes in 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.

3 INVESTMENTS

3.1 CARRYING VALUES AND ESTIMATED FAIR VALUES OF INVESTMENTS

	SEPTEMBER 30, 2014		MARCH 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Investments at FVTPL[1]				
Bonds	192,876	192,876	159,687	159,687
Equities	45,785	45,785	47,565	47,565
	238,661	238,661	207,252	207,252
Held-to-maturity				
Bonds	3,328	3,382	4,159	4,136
	3,328	3,382	4,159	4,136
Available-for-sale				
Equities	2,758	2,758	2,966	2,966
	2,758	2,758	2,966	2,966
Loans and receivables				
Mortgages and loans	35,533	36,031	41,485	42,112
Policy loans	73	73	73	73
	35,606	36,104	41,558	42,185
Derivatives				
Money Market Futures	(17)	(17)	352	352
Interest rate swaps	127	127	-	-
Foreign currency forward contracts	238	238	37	37
	348	348	389	389
TOTAL INVESTMENTS	280,701	281,253	256,324	256,928

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

3.2 INVESTMENT INCOME

FOR THE SIX MONTHS ENDED SEPTEMBER 30	2014	2013
Interest income		
Bonds – at FVTPL	4,746	4,385
Bonds – held-to-maturity	125	158
Mortgages and loans	579	1,133
Cash and other	43	101
	5,493	5,777
Dividend income		
Equities – at FVTPL	505	655
Equities – available-for-sale	15	226
	520	881
Net realised and unrealised gains/(losses) on investments		
Bonds – at FVTPL	807	(8,497)
Equities – at FVTPL	(631)	1,570
Equities – available-for-sale	63	-
Derivative financial instruments	617	(968)
Investment property	(1,675)	-
	(819)	(7,895)
Other		
Amortisation of premium on Bonds	(205)	(951)
Rental income and other	850	435
Recovery of previously recognised impairment loss		
Bonds – held-to-maturity	-	3
	645	(513)
INVESTMENT INCOME BEFORE DEDUCTIONS	5,839	(1,750)
Deductions		
Investment income relating to Deposit Administration Pension Plans	(283)	(376)
Investment income relating to Segregated funds with a guaranteed return	(876)	(1,082)
	(1,159)	(1,458)
TOTAL INVESTMENT INCOME/(LOSS)	4,680	(3,208)

4 FAIR VALUE MEASUREMENT

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

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

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

Level 1 – The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily available from independent pricing service such as index providers and pricing vendors and those prices represent actual and regular occurring market transactions on an arm's length basis.

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

Level 3 – Fair value is based on valuation techniques that require one or more significant inputs that are not based on observable market inputs. These unobservable inputs reflect the Group's assumptions about market participants in pricing the assets and liabilities.

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

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

4.1 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

SEPTEMBER 30, 2014	Level 1	Level 2	Level 3	Total fair value
ASSETS				
Investments at FVTPL				
Bonds:				
US government and agency	58,995	14,079	-	73,074
Other government and agency	-	6,579	-	6,579
Corporate	296	85,374	-	85,670
Mortgage/asset-backed securities	-	5,887	-	5,887
Other [1]	2,481	19,185	-	21,666
	61,772	131,104	-	192,876
Equities:				
Bermuda listed equities	20,132	25	-	20,157
Non-Bermuda listed equities	5,609	-	-	5,609
Investment in hedge funds and mutual funds	-	19,697	-	19,697
Private equity funds and unquoted equities	-	-	322	322
	25,741	19,722	322	45,785
TOTAL INVESTMENTS AT FVTPL	87,513	150,826	322	238,661
Available-for-sale-Equities				
Private equity funds and unquoted equities	-	-	2,758	2,758
Derivatives	-	348	-	348
Investment properties	-	11,083	-	11,083
Segregated funds with a guaranteed return				
Bonds:				
Other government and agency	-	4,016	-	4,016
Corporate	2,969	138,820	-	141,789
Mortgage/asset-backed securities	-	17,569	-	17,569
Payables arising from securities repurchase transaction	(17,224)	-	-	(17,224)
	(14,255)	160,405	-	146,150
TOTAL ASSETS AT FAIR VALUE	73,258	322,662	3,080	399,000
LIABILITIES				
Investment contract liabilities				
Deposit accounted annuity policies	-	2,366	-	2,366
Segregated funds with a guaranteed return	(14,255)	160,405	-	146,150
TOTAL LIABILITIES AT FAIR VALUE	(14,255)	162,271	-	148,516

(1) Investment in bond funds

MARCH 31, 2014 (Restated) [2]	Level 1	Level 2	Level 3	Total fair value
ASSETS				
Investments at FVTPL				
Bonds				
US government and agency	42,788	14,320	-	57,108
Other government and agency	-	4,599	-	4,599
Corporate	312	68,947	-	69,259
Mortgage/asset-backed securities	-	6,559	-	6,559
Other [1]	2,316	19,846	-	22,162
	45,416	114,271	-	159,687
Equities				
Bermuda listed equities	21,087	32	-	21,119
Non-Bermuda listed equities	5,688	-	-	5,688
Investment in hedge funds and mutual funds	-	20,436	-	20,436
Private equity funds and unquoted equities	-	-	322	322
	26,775	20,468	322	47,565
TOTAL INVESTMENTS AT FVTPL	72,191	134,739	322	207,252
Available-for-sale – Equities				
Private equity funds and unquoted equities	-	-	2,966	2,966
Derivatives	-	389	-	389
Investment properties	-	5,885	-	5,885
Segregated funds with a guaranteed return				
Bonds				
US government and agency	9,473	221	-	9,694
Other government and agency	-	8,366	-	8,366
Corporate	1,597	126,966	-	128,563
Mortgage/asset-backed securities	-	14,571	-	14,571
Payable arising from securities repurchase transaction	(17,624)	-	-	(17,624)
	(6,554)	150,124	-	143,570
TOTAL ASSETS AT FAIR VALUE	65,637	291,137	3,288	360,062
LIABILITIES				
Investment contract liabilities				
Deposit accounted annuity policies	-	3,222	-	3,222
Segregated funds with a guaranteed return	5,230	138,340	-	143,570
TOTAL LIABILITIES AT FAIR VALUE	5,230	141,562	-	146,792

[1] Investment in bond funds
[2] Figures are restated to conform to the new investment levelling policy as discussed below.

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

- **Bonds** – These are generally valued by third party independent pricing sources using pricing models. The significant inputs include, but are not limited to yield curves, credit risks and spreads and measures of volatility. The Group considers these Level 2 inputs as they are corroborated with other externally obtained information. Bonds are classified under Level 2 except U.S. treasuries, preferred stock and cash equivalents that have a maturity date of ninety days or less which are all carried at amortised cost and fall under Level 1.

  The fair value of the Company's portfolio of short-term investments is generally determined using amortised cost which approximates fair value and is considered to be Level 2.

  For all of the investments which do not have pricing available from independent pricing service such as index providers and pricing vendors, the Group uses prices provided by the investment manager and brokers. In general, investments manager and broker-dealers price investments through their trading desks based on observable inputs. The methodologies include mapping investments based on trade data, bids or offers, observed spreads, and performance on newly issued investments. Investment managers and broker-dealers also determine valuations by observing secondary trading of similar investments. Prices obtained from investment managers or brokers quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets. The Group considers these to be Level 2 inputs as they are corroborated with other market observable inputs.

- Equities – These consist of listed equities, unquoted equities and investments in mutual funds, hedge funds and private equity funds.

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

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

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

- Included within Bonds and Equities – Investments in mutual funds and hedge funds are $28.8 million (March 31, 2014 – $28.3 million) of investments in Argus Investment Strategies Fund Ltd. This fund has been classified between Bonds and Equities based on the underlying securities held. Net asset valuation is performed on a weekly basis and investors are able to redeem the shares weekly, unless the value of redemption is more than 10 percent of the net asset value of the fund, when the amount of the redemption is at the fund's discretion. This investment is classified as Level 2.

- Derivatives – Valuation is derived from the underlying instrument. Derivatives are subject to the same risks as that underlying instrument including liquidity, credit and market risk. Fair values are based on exchange or broker-dealer quotations, where available, or discounted cash flows which incorporate the pricing of the underlying instrument, yield curves and other factors. These investments are classified as Level 2.

- Investment properties – The fair value of investment properties was determined by external independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The latest independent valuation obtained by the Group was at March 31, 2014. Additional fair value adjustments recognised during the period ended September 30, 2014, are based on market data from recent comparable transactions.

- Investment contract liabilities – Fair value of the Deposit accounted annuity policies is determined by using valuation techniques, such as discounted cash flow methods. A variety of factors are considered in the valuation techniques, including yield curve, credit spread and default assumptions, which have market observable inputs.

The table below provides a fair value roll forward for the assets and liabilities measured at fair value for which significant unobservable inputs (Level 3) are used in the fair value measurement for the period ended September 30, 2014.

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014	INVESTMENTS		
		Available-for-sale	
	Equities	Equities	Total
Balance, beginning of year	322	2,966	3,288
Included in Other comprehensive income	-	8	8
Included in net income	-	63	63
Sales	-	(279)	(279)
ASSETS BASED ON LEVEL 3 INPUTS	322	2,758	3,080

FOR THE YEAR ENDED MARCH 31, 2014	INVESTMENTS		
	At FVTPL	Available-for-sale	
	Equities	Equities	Total
Balance, beginning of year	180	3,704	3,884
Included in Other comprehensive income	-	(20)	(20)
Transfers from Level 1 to Level 3 (1)	306	-	306
Sales	(164)	(718)	(882)
ASSETS BASED ON LEVEL 3 INPUTS	322	2,966	3,288

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

4.2 ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

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

SEPTEMBER 30, 2014	Level 1	Level 2	Level 3	Total fair value	Carrying value
ASSETS					
Held-to-maturity bonds (1)	3,382	-	-	3,382	3,328
Mortgages and loans (2)	-	36,031	-	36,031	35,533
Policy loans	-	73	-	73	73
Investment in Bermuda Aviation Services (BAS) (3)	4,417	-	-	4,417	7,420
TOTAL ASSETS DISCLOSED AT FAIR VALUE	7,799	36,104	-	43,903	46,354
LIABILITIES					
Investment contract liabilities (4)					
Deposit administration pension plans	-	71,262	-	71,262	72,599
Self-funded group health policies	-	12,763	-	12,763	12,763
TOTAL LIABILITIES DISCLOSED AT FAIR VALUE	-	84,025	-	84,025	85,362

MARCH 31, 2014 (Restated)	Level 1	Level 2	Level 3	Total fair value	Carrying value
ASSETS					
Held-to-maturity bonds (1)	4,136	-	-	4,136	4,159
Mortgages and loans (2)	-	42,112	-	42,112	41,485
Policy loans	-	73	-	73	73
Investment in Bermuda Aviation Services (BAS) (3)	4,831	-	-	4,831	7,167
TOTAL ASSETS DISCLOSED AT FAIR VALUE	8,967	42,185	-	51,152	52,884
LIABILITIES					
Investment contract liabilities (4)					
Deposit administration pension plans	-	68,878	-	68,878	71,740
Self-funded group health policies	-	11,451	-	11,451	11,451
TOTAL LIABILITIES DISCLOSED AT FAIR VALUE	-	80,329	-	80,329	83,191

(1) Fair value of bonds – see Note 4.1 for valuation techniques used to measure fair value.
(2) Fair value of mortgages and loans is determined by discounting expected future cash flows using current market rates.
(3) Fair value of investment in BAS is based on bid price as quoted in the Bermuda Stock Exchange.
(4) Fair value of Investment contract liabilities is based on the following methods:

- Deposit administration pension plans – based on a discounted cash flow method. Factors considered in the valuation include current yield curve, plus appropriate spreads which have market observable inputs; and
- Self-funded group health policies – the carrying value approximates the fair value due to the short-term nature of these investment contract liabilities.

The carrying value of the following short-term assets and liabilities approximate fair value and are categorised as Level 2.

- Cash and short-term investments;
- Interest and dividends receivable;
- Other financial assets;
- Payables arising from investment transactions; and
- Accounts payable and accrued liabilities.

4.3 TRANSFERS OF LEVEL 1 AND LEVEL 2 ASSETS AND LIABILITIES

The Group's policy is to record transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the period ended September 30, 2014, the Group transferred $nil of assets measured at fair value from Level 1 to Level 2 (March 31, 2014 – $31,900). Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. During the period ended September 30, 2014, there were no transfers from Level 2 to Level 1.

5 INVESTMENT PROPERTIES

	Fair value
BALANCE, MARCH 31, 2013	6,936
Sale of investment property	(925)
Fair value losses	(140)
Foreign exchange movements	14
BALANCE, MARCH 31, 2014	**5,885**
Acquisition of investment property	**6,873**
Fair value losses	**(1,675)**
BALANCE, SEPTEMBER 30, 2014	**11,083**

On September 29, 2014, NBHH (Keepsake) Limited ("NBHH") became a wholly owned subsidiary of the Company following an amalgamation with one of the entities within the Group. The amalgamation resulted in an increase in Investment properties of $6.9 million and decrease in Mortgages and loans of the same amount.

The Group's Investment properties consist of condominium fractional units and apartment units, which are held for rental income under operating lease agreements.

The rental income arising during the period amounted to $153,000 (September 30, 2013 – $46,000), which is included in Investment income on the Condensed Consolidated Statement of Operations. Operating expenses included within Investment income arising in respect of such properties during the period were $143,000 (September 30, 2013 – $138,000).

6 OPERATING SEGMENTS

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

6.1 RESULTS BY SEGMENT

FOR THE SIX MONTHS ENDED SEPTEMBER 30		Group Insurance	Life and pensions	Property and casualty	All other	Total
Segment revenues	**2014**	**52,994**	**19,264**	**13,943**	**2,427**	**88,628**
	2013	52,462	8,205	13,524	2,171	76,362
Investment income	**2014**	**582**	**5,363**	**964**	**(2,229)**	**4,680**
	2013	217	(3,201)	316	(540)	(3,208)
Share of earnings of associates	**2014**	**-**	**393**	**-**	**99**	**492**
	2013	-	184	-	8	192
TOTAL SEGMENT REVENUES	**2014**	**53,576**	**25,020**	**14,907**	**297**	**93,800**
	2013	52,679	5,004	13,840	1,631	73,154
Amortisation,	**2014**	**484**	**1,384**	**922**	**577**	**3,367**
depreciation and impairment	2013	493	932	1,194	980	3,599
Income tax expense	**2014**	**-**	**-**	**10**	**-**	**10**
	2013	-	-	-	-	-
Reportable segment earnings/(loss) attributable	**2014**	**11,294**	**3,436**	**1,144**	**(5,259)**	**10,615**
to shareholders, after tax	2013	9,570	(4,394)	1,183	(4,739)	1,620

GEOGRAPHIC INFORMATION ON SEGMENT REVENUES:

FOR THE SIX MONTHS ENDED SEPTEMBER 30		Bermuda	Europe	Total
Segment revenues	**2014**	**85,130**	**8,670**	**93,800**
	2013	65,788	7,366	73,154

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

6.2 ASSETS AND LIABILITIES BY SEGMENT:

	Group Insurance	Life and pensions	Property and casualty	All other	Total
SEPTEMBER 30, 2014:					
Total General Fund Assets	**17,420**	**296,019**	**98,375**	**39,178**	**450,992**(1)
Segregated Fund Assets	**-**	**1,697,910**	**-**	**-**	**1,697,910**
Total General Fund Liabilities	**29,167**	**246,459**	**49,866**	**8,984**	**334,476**(1)
Segregated Fund Liabilities	**-**	**1,667,910**	**-**	**-**	**1,667,910**
MARCH 31, 2014:					
Total General Fund Assets	19,626	274,398	95,411	40,252	429,687(1)
Segregated Fund Assets	-	1,657,818	-	-	1,657,818
Total General Fund Liabilities	26,676	236,322	45,628	13,540	322,166(1)
Segregated Fund Liabilities	-	1,657,818	-	-	1,657,818

(1) Excludes intercompany receivables/payables and investment in subsidiaries.

7 POST-EMPLOYMENT BENEFIT LIABILITY

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

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

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

The movement in the defined benefit liability is as follows:

	For the six months ended September 30 2014	For the year ended March 31 2014
Balance, beginning of year	4,218	4,524
Movements during the year recognised in Operating expense:		
Current service cost	50	106
Interest cost on benefit liability	94	192
	144	298
Remeasurement during the year included in Other comprehensive income:		
Actuarial (gain)/loss arising from		
– experience adjustment	(224)	(492)
Benefit payments	(55)	(112)
BALANCE, END OF YEAR	4,083	4,218

As at September 30, 2014, the present value of the defined benefit obligation was comprised of $2.0 million (March 31, 2014 – $2.1 million) relating to active employees and $2.1 million (March 31, 2014 – $2.1 million) relating to members in retirement.

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

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

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

(iii) Each quarter the actuaries recalculate the benefit liability and compare it to that estimated as at the prior period end. Any differences resulting from changes in assumptions, or from plan experience being different from expectations of management at the previous year end, are considered actuarial gains or losses.

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

	SEPTEMBER 30 2014	MARCH 31 2014
Discount rate	4.5%	4.3%
Healthcare cost trend rate	7.5%	7.5%

8 EARNINGS PER SHARE

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

	SEPTEMBER 30 2014	SEPTEMBER 30 2013
Net earnings for the period	10,615	1,620
Weighted average outstanding common shares	21,099	21,001
Common shares and common equivalents	21,117	21,001

9 COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

	SEPTEMBER 30 2014	MARCH 31 2014
Remeasurement of post-employment medical benefit obligation	(1,665)	(1,889)
Available-for-sale investments	257	249
Translation of financial statements of foreign operations	(1,483)	(1,109)
Investment in associates	12	(1,090)
TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS	(2,879)	(3,839)

Included in the Accumulated other comprehensive loss as of March 31, 2014 is an accumulated actuarial loss arising from an associate's defined benefit plan of $1.1 million. The defined benefit plan subsequently wound up during the period ended September 30, 2014. As a result, the accumulated actuarial loss of $1.1 million was reclassified to Retained earnings.

10 DIRECTORS AND OFFICERS HOLDINGS, SHARE OPTIONS AND RESTRICTED STOCK

At September 30, 2014 the Directors and Officers of the Company had combined interests totaling 370,322 shares out of 21,525,159 shares in issue on that date.

Rights to acquire shares in the Company were granted in the past to key employees who include executive Directors and Officers under the 2004 Stock Option Plan. No stock options have been granted since 2007. No share options were exercised in the six months to September 30, 2014 and, at that date, the total number of share options outstanding which can be exercised at various dates up to May 31, 2017 were 139,091 at exercise prices ranging from $9.04 to $11.78.

In the six month period ended September 30, 2014 there were 6,600 restricted shares granted to Directors and Officers.

11 CONTINGENCIES

In September 2014, a former policyholder filed in the Superior Court of the State of Rhode Island against Bermuda Life Insurance Company Limited and the Company, for $15 million in damages, claiming losses relating to investments in Bernard Madoff's Ponzi scheme. The Group believes the allegations are without merit, and is vigorously defending against the claim.

12 SUBSEQUENT EVENTS

Gross losses from the two recent windstorm events, Hurricane Fay on October 12, and Hurricane Gonzalo on October 18, are currently estimated to be $6 million and $24 million respectively. The Group has a comprehensive reinsurance programme which limits the impact on the Group's earnings for the full year to March 31, 2015 to an estimated net loss of $5 million.

13 COMPARATIVE FIGURES

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

BOARD OF DIRECTORS

Sheila E. Nicoll, FCII	CHAIRMAN	**Alison S. Hill,** FCMA, CGMA	CHIEF EXECUTIVE OFFICER
Alan R. Thomson	DEPUTY CHAIRMAN	**Sen. James S. Jardine,** FCA, FCIS, JP	
Wendall S. F. Brown		**Everard Barclay Simmons,** MBA, LLB	
Peter R. Burnim, MBA		**Robert D. Steinhoff,** FCA, JP	
John D. Campbell, QC, JP		**Paul C. Wollmann,** MBA, CPCU, ARe, ARM	
Timothy C. Faries, B.A., LL.B, LL.M			

OFFICERS OF ARGUS GROUP HOLDINGS LIMITED

Sheila E. Nicoll, FCII	CHAIRMAN
Alan R. Thomson	DEPUTY CHAIRMAN
Alison S. Hill, FCMA, CGMA	CHIEF EXECUTIVE OFFICER
David W. Pugh, FCA	CHIEF FINANCIAL OFFICER
George N.H. Jones, MBA, LLB	GROUP GENERAL COUNSEL & COMPANY SECRETARY
Larry A. Peck, FSA, FCIA, MAAA	EXECUTIVE VICE PRESIDENT GROUP ACTUARY

BUSINESS UNIT HEADS

Lauren M. Bell, FLMI, HIA, ACS	EXECUTIVE VICE PRESIDENT LIFE & PENSIONS
Andrew H. Bickham, ACII	EXECUTIVE VICE PRESIDENT BROKING
Dr. Vanessa O. Borg, OBA, MPHIC, MBA	CHIEF EXECUTIVE ARGUS INSURANCE AGENCIES LIMITED
John Doherty, CPCU, ARM, ARe	EXECUTIVE VICE PRESIDENT PROPERTY & CASUALTY
Michelle A. Jackson, MBA, MSc	EXECUTIVE VICE PRESIDENT GROUP INSURANCE
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