





## Our Vision

To give more and more people the freedom to do what matters most.

## Our Mission

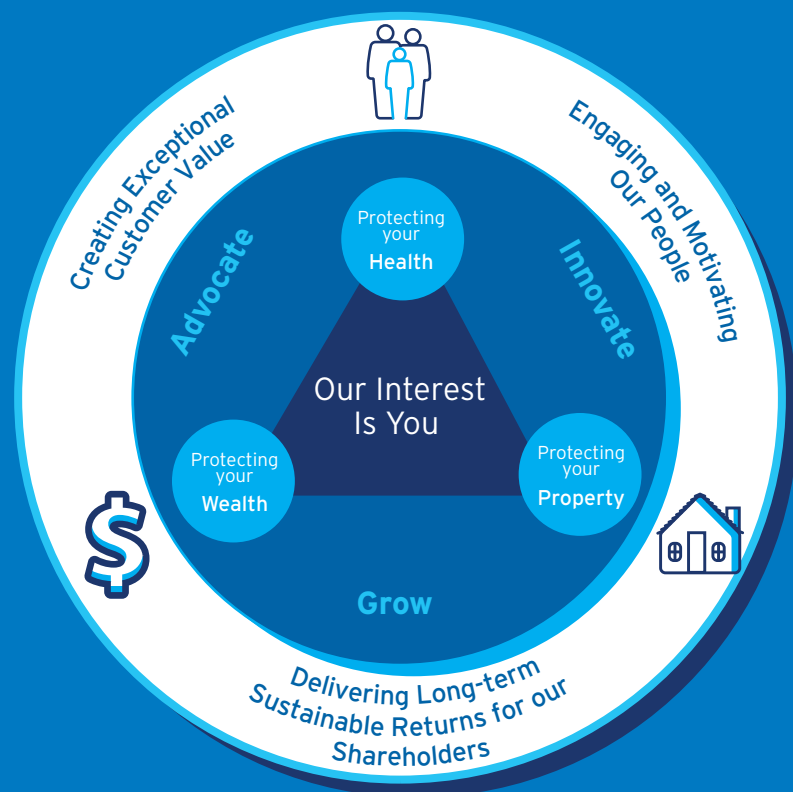
To provide financial services which predict and protect for the future, always ensuring “Our Interest is You”.

## Our Purpose

At Argus, our purpose is to deliver long-term sustainable returns to our shareholders through exceptional customer service, delivered by engaging and motivating our staff. “Our Interest is You” spans across all stakeholders as we seek to provide exceptional value through the solutions and services that we offer.

## Our Values

Integrity  
Fairness  
Excellence  
Respect  
Professionalism  
Teamwork



## Contents

Assisting our customers in achieving financial security, physical well-being and peace of mind empowers them to focus on what matters most to them. By building relationships with our customers and advocating on their behalf, we help them to be “leaders” of their commercial and personal lives.

Our Value.....	2
Our Promise.....	3
Our Products & Services.....	4
Financial Performance.....	5
Report to Shareholders.....	6
Condensed Consolidated Balance Sheets .....	8
Condensed Consolidated Statements of Operations.....	9
Condensed Consolidated Statements of Comprehensive Income.....	10
Condensed Consolidated Statements of Changes in Equity.....	11
Condensed Consolidated Statements of Cash Flows.....	12
Notes to the Condensed Consolidated Financial Statements.....	13
Board of Directors and Group Management.....	27
Directors of Principal Operating Subsidiaries.....	28

## Our Value

### Customer Value

We focus on providing real benefit to our customers by delivering market-leading innovative solutions and high quality service of excellent value. Delivering on our brand promise “Our Interest is You” is core to our culture and central to our role as a trusted partner in navigating through everyday challenges and supporting long-term success.

#### Innovation

We are dedicated to promoting collaboration and innovation throughout the Company and with our partners. Our focus is to deliver exceptional service to our customers, setting Argus apart as a leader in the marketplace. This involves a proactive and agile approach to innovation and decision-making, encouraging different ways of working and getting the right balance between technology and personal contact to improve the experience of our customers, employees, business partners and stakeholders.

#### Advocacy

Our aim is to be the pioneer in effecting change and action to improve the lives of the residents in the communities we serve. We seek to act as an innovative advocate on community well-being and as a thought leader in the legislative reform of Employee Benefit services to the advantage of all stakeholder interests across our industry.

#### Growth

We will continue to focus on growth opportunities by expanding into related business products and services in relevant markets to enhance our long-term, sustainable profitability. We leverage our extensive experience and knowledge across our team whilst collaborating with best-in-class global partners to remain in line with international best practice and emerging trends.

### Shareholder Value

We seek to generate attractive long-term returns on shareholders' capital whilst managing short-term volatility. Delivering on our customer promise is fundamental to generating sustainable value: we never compromise on our ability to deliver on our commitments.

#### Earnings

Our business model is based on delivering earnings from both operational and investment performance. To build sustainable earnings we are broadening our business mix both geographically and by products while reducing the impact of investment volatility. Additionally, we are managing operational expenses by leveraging resources across the organisation through people, systems and business infrastructure.

#### Volatility

We recognise that our shareholders expect us to manage short-term volatility in our investment portfolio. Our goal is to minimise the short-term impact of the unrealised investment gains and losses due to market changes on the income statement whilst employing sound asset to liability matching principles to ensure the long-term financial health of the Company.

#### Capital

Our capital strategy balances meeting mandatory regulatory capital in each of our territories with the need to invest capital to support future strategic objectives such as innovation and overseas expansion while rewarding shareholders with dividends.

## Sustainable Value

We are willing to constantly challenge our current thinking and evolve beyond today to meet our responsibilities to our customers, shareholders and the broader community. Our commitment in developing our team, learning more about our customers and building new business channels are key differentiators from our competitors and aid us in promoting long-term growth in our business.

Our culture is to do the right thing, the right way, for all, always working on behalf of our people, our customers and our shareholders.

We believe by doing this we can create a virtuous circle of long-term sustainable value for all.

## Our People

Through our culture of teamwork, mutual support and empowerment, we work to find the right options that yield the best results for our customers when addressing their specific needs. This builds staff advocacy, which leads to superior client experiences and increasing customer loyalty.

## Our Customers

Building customer loyalty means respecting the unique needs of our customer base. We understand that diverse customer needs require comprehensive solutions. This leads to better quality of service, value for money and high levels of client retention.

## Our Shareholders

The investments we make in the short-term to create an exceptional client experience, and to engage and motivate our employees, lead to long-term sustainable profitable growth for our shareholders.



## Our Products & Services



### Employee Benefits

Health, Life Insurance, Disability Income, Retirement Income and Pensions

Argus is the market leader in employee benefits, providing innovative and progressive products, tools and services to over 60% of the international business sector in Bermuda.

We partner with global experts like **Johns Hopkins Medicine International** and **AndCo Pensions Consulting** to help make it easier for employers to meet their legal obligations whilst providing highly competitive and integrated employee benefits that meet the evolving needs of their employees. We take care of our clients so that they can take care of their people by eliminating red tape and giving access to a range of solutions tailored to their specific needs. We have our finger on the pulse and are constantly changing and evolving to ensure we anticipate changes to the tax, regulatory and competitive environment to offer market-leading employee benefits that help our clients attract and retain talent.

We adopt an integrated, people-centric approach across our full range of services that support being proactive about maintaining health and wellness, managing down health costs and planning for an enriched and fulfilling retirement. Our well-being programme **"Thrive."**, provides comprehensive online health resources and community-based programmes that contribute to a healthier and happier community. Our tailored retirement planning services help prepare employees for a financially secure retirement. At Argus, we always seek to deliver more, because when our clients succeed, we succeed.

**"We make it easier to protect your business and people."**



### Global Property & Casualty (P&C)

Commercial Property and Liability, Home, Motor, Marine, Travel

Our full range of insurance products and expert advice gives our clients the freedom to get on with life. Our multiple sales channels, including direct business, brokerage and intermediaries, allow all of our customers, be they commercial or individuals, an experience tailored to their needs. Argus offers market-leading cover and care that puts our customers first. We work to prevent risk for our clients, not just protect them from risk; and by offering a diverse range of products and value-added services, we are the "one stop shop" for all of their insurance needs. We provide peace of mind to make it easier for our customers to improve the quality of their lives.

**"You're in good hands with Argus."**



### Wealth Management

Investment and Asset Management, Financial Planning, Private Placement Life Insurance

Delivered through AFL Investments, our broad range of wealth management solutions give our clients comfort and reassurance that they have made a safe investment and are dealing with the very best. We offer internationally competitive, personalised, innovative asset management and investment solutions and understand the complexity of offshore investments in different regulatory and tax regimes. We partner with global experts to deliver market-leading investment strategies, tailored to the specific needs of our highly diverse client base.

Our job is to protect our client's legacy. They demand the highest level of knowledge, security and performance, combined with a deep and lasting long-term relationship that provides gold-standard service and strong peace of mind.

**"We'll take care of that for you."**

# Financial Performance

For the six months ended September 30, 2017

## Net Income/(loss)

Measure of earnings

**\$ (2.3)** million  
Sept. 2016: \$8.2 m  
Sept. 2015: \$3.0 m

## Return on Average Equity

Net income/(loss) as a percentage of shareholders' equity

**(1.7%)**\*  
March 2017: 9.5 %  
March 2016: 6.0 %

\*Based on annualised return on average equity

## Combined Fee Income

Fees generated by our Employee Benefits, Wealth Management and Insurance Brokerage Business

**\$10.5** million  
Sept. 2016: \$9.0 m  
Sept. 2015: \$10.7 m

## Combined Operating Ratio

Measure of underwriting profitability for our general, health insurance, group life and long-term disability business

**93.6%**  
Sept. 2016: 85.4 %  
Sept. 2015: 89.6 %

## Employee Advocacy

Recommend Argus as a great place to work

**88%**  
Sept. 2016: 87 %  
Sept. 2015: 79 %

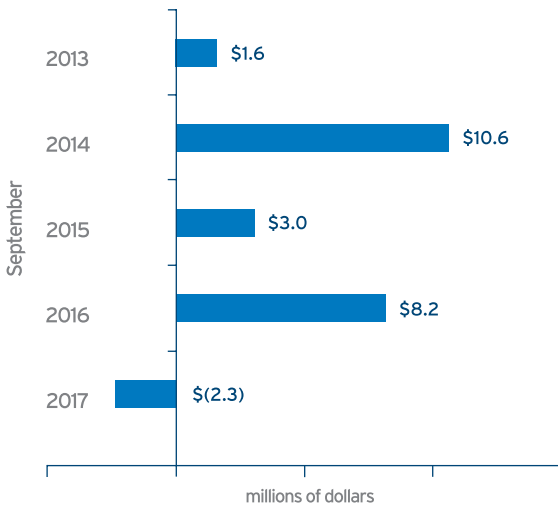
## Operating Cash Flow

Cash generated by business operations

**\$ 8.2** million  
Sept. 2016: \$14.7 m  
Sept. 2015: \$17.6 m

# Report to Shareholders

## Net Income



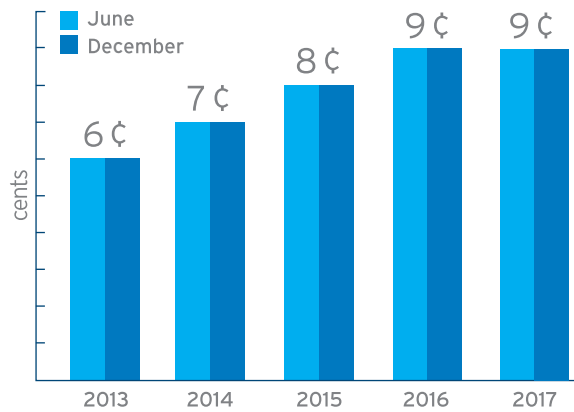
The Argus Group reports a loss of \$2.3 million for the six months ended September 30, 2017 compared with net earnings of \$8.2 million for the corresponding period in 2016. Despite this short-term decline in earnings, our core business fundamentals remain the same; we seek to generate attractive long-term returns while managing short-term volatility. The Group will accomplish its objective of creating long-term sustainable value in a dynamic and rapidly evolving global market place; by the continued focus on our three strategic pillars of Growth, Advocacy and Innovation; by applying prudent underwriting principles and by maintaining high client retention levels in increasingly competitive markets.

Reflected in the financial results is investment income of \$7.7 million. When unrealised gains are included, our investment portfolio reported a positive total return of \$14.3 million in an environment where credit spreads tightened and global equities rallied. Our investment portfolio is designed to ensure funds are readily available to satisfy our promises to policyholders and to enhance shareholder value by generating appropriate long-term risk-adjusted yields.

The combined operating ratio of the Group has increased from 85.4 percent in the prior year to 93.6 percent for the current period. This means, for every \$1 of premium received for our general and health insurance business, \$0.94 cents is spent on claims and expenses. The health division of the Group has been the primary driver of this increase as we've seen utilisation

## Dividends

Total Dividends declared per share (cents)



of medical services escalate during the period.

Healthcare claims costs are driven by the continued increases in utilisation of services, the high incidence of chronic disease, and our aging population who require a greater number of medical services, and during the period we've seen an increase in major medical services. As stated in previous reports, Argus continues to be deeply concerned about the unsustainable cost of the healthcare system in Bermuda and will continue to invest in our population's health management initiatives.

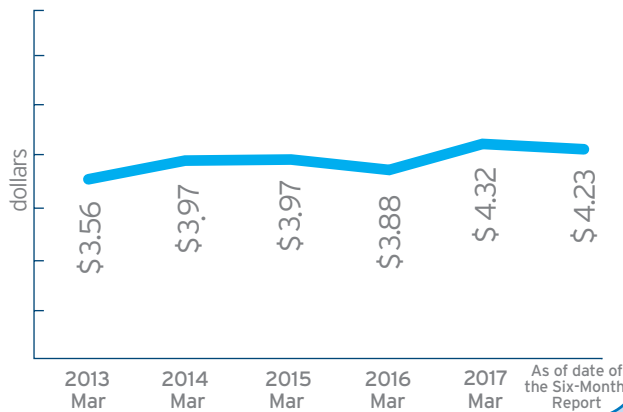
While the Group was thankfully spared from one of the most devastating hurricane seasons, we were hit with several large non-storm related claims within our Property and Casualty Division. Once again, we continue to be pleased by the Group's risk mitigation programme and comprehensive reinsurance arrangements, which significantly reduce the financial impact of these large losses.

Our Combined fee income, which represents fees generated by our Employee Benefits, Wealth Management and Insurance Brokerage businesses of \$10.5 million, has increased 17 percent over the corresponding period in 2016. Retention of clients, new business and market appreciation have resulted in an increase in Assets Under Management in our Employee Benefits Division, which is one of the key drivers for the increase in our combined fee income. In the prior year, we did the right thing for our clients by reducing fees to



## Average Share Price

Share History 2013-17



## Earnings/(Loss) Per Share

Net income/(loss) per share for the half year

Sept. 2016: \$0.39  
Sept. 2015: \$0.14

**\$(0.11)**

## Annualised Dividend Yield

Based on annualised dividends declared during the fiscal year

March 2017: 4.2%  
March 2016: 4.1%

**4.3%**

enhance their savings and are now seeing this translate into real long-term value.

At the AGM of the Company held on September 28, 2017, the directors were re-elected and all other resolutions were similarly passed. At a meeting of the Board held immediately after the AGM, Ms. Sheila Nicoll was re-elected Chairman. Additionally Ms. Kim Wilkerson was appointed as a director of the Company.

Ms. Wilkerson is currently the Senior Vice President, Regional Head of Claims for XL Catlin's insurance operations in Bermuda and also served as General Counsel of XL Insurance (Bermuda) Ltd. She has a wealth of experience in the insurance industry. In 2016, Ms. Wilkerson was appointed to Bermuda's Senate where she served until the dissolution of Parliament in June 2017.

Additionally, in November 2017, Ms. Barbara Merry and Mr. Keith Abercromby were appointed directors of the Company.

Ms. Merry is a chartered accountant and holds a number of non-executive director roles in the insurance sector. She is also chair of AGE UK Enterprises Limited, the trading arm of the AGE UK charity. She was formerly the CEO of a UK-listed Lloyd's based insurance business. Ms. Merry has significant experience of UK and international insurance markets and of regulation, governance and risk management. She is an insurance industry role model and champion for improving talent management.

Mr. Keith Abercromby is currently a non-executive director of Canada Life Limited and of Leek United Building Society where he is chair of the audit committee. He has extensive board experience of regulated financial services companies in life assurance, general insurance, pensions and banking, having occupied roles as CEO or CFO in each of these areas, for companies including Norwich Union, Clerical Medical and the Halifax. He is a Fellow of the Institute of Actuaries.

Finally, on behalf of the Board and Management, we would like to express our appreciation to Mr. Alan Thomson who retired from the Board at the AGM. We are very grateful for his 15 years of service as a Director and for the time he served as Deputy Chairman.

The Board has declared a dividend of nine cents per share payable on January 12, 2018 for shareholders of record on December 27, 2017. This represents a final dividend of 18 cents per share based upon the audited financial statements of the Group for the year ended March 31, 2017 and an annualised dividend yield of 4.3 percent.

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

Sheila E. Nicoll  
Chairman

Alison S. Hill  
Chief Executive Officer

# Condensed Consolidated Balance Sheets

<i>(In \$ thousands)</i>	Note	SEPTEMBER 30 2017 <i>(Unaudited)</i>	MARCH 31 2017 <i>(Audited)</i>
<b>ASSETS</b>			
Cash and short-term investments		31,621	55,778
Interest and dividends receivable		2,743	2,452
Investments	3.1	502,829	521,599
Receivable for investments sold		9,482	19,156
Insurance balances receivable		12,779	14,426
Reinsurers' share of:			
Claims provisions		18,959	14,167
Unearned premiums		11,816	8,871
Other assets		6,073	7,989
Deferred policy acquisition costs		1,179	964
Investment properties		12,225	12,225
Investment in associates		11,599	11,581
Property and equipment		56,502	58,020
Intangible assets		5,366	5,924
<b>TOTAL GENERAL FUND ASSETS</b>		<b>683,173</b>	<b>733,152</b>
<b>TOTAL SEGREGATED FUND ASSETS</b>		<b>1,588,701</b>	<b>1,505,928</b>
<b>TOTAL ASSETS</b>		<b>2,271,874</b>	<b>2,239,080</b>
<b>LIABILITIES</b>			
Insurance contract liabilities		241,903	223,597
Insurance balances payable		15,802	13,706
Payables arising from investment transactions		30,995	99,303
Investment contract liabilities		238,767	242,271
Taxes payable		104	56
Accounts payable and accrued liabilities		16,877	19,235
Post-employment benefit liabilities		3,265	3,414
<b>TOTAL GENERAL FUND LIABILITIES</b>		<b>547,713</b>	<b>601,582</b>
<b>TOTAL SEGREGATED FUND LIABILITIES</b>		<b>1,588,701</b>	<b>1,505,928</b>
<b>TOTAL LIABILITIES</b>		<b>2,136,414</b>	<b>2,107,510</b>
<b>EQUITY</b>			
Attributable to shareholders of the Company			
Share capital		17,178	16,944
Contributed surplus		53,311	53,183
Retained earnings		59,304	63,688
Accumulated other comprehensive (loss)/income		4,175	(3,589)
<b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		<b>133,968</b>	<b>130,226</b>
Attributable to non-controlling interests		1,492	1,344
<b>TOTAL EQUITY</b>		<b>135,460</b>	<b>131,570</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,271,874</b>	<b>2,239,080</b>

The accompanying notes form part of these condensed consolidated financial statements.

# Condensed Consolidated Statements of Operations

<i>For the six-months ended September 30 (In \$ thousands, except per share data)</i>	Note	2017 (Unaudited)	2016 (Unaudited)
<b>REVENUE</b>			
Gross premiums written		87,873	86,191
Reinsurance ceded		(21,149)	(21,442)
Net premiums written		66,724	64,749
Net change in unearned premiums		(1,857)	(947)
Net premiums earned		64,867	63,802
Investment income	3.2	7,683	14,018
Share of earnings of associates		168	879
Commissions, management fees and other		15,467	13,674
		<b>88,185</b>	<b>92,373</b>
<b>EXPENSES</b>			
Policy benefits		7,522	10,106
Claims and adjustment expenses		51,522	51,763
Reinsurance recoveries		(5,038)	(12,140)
Gross change in contract liabilities		11,362	(4,953)
Change in reinsurers' share of claims provisions		(4,385)	9,462
<b>NET BENEFITS AND CLAIMS</b>		<b>60,983</b>	<b>54,238</b>
Commission expenses		2,368	2,665
Operating expenses		24,554	25,156
Amortisation, depreciation and impairment		2,379	2,106
		<b>90,284</b>	<b>84,165</b>
<b>(LOSS)/EARNINGS BEFORE INCOME TAXES</b>		<b>(2,099)</b>	<b>8,208</b>
Income tax expense		(70)	(6)
<b>NET (LOSS)/EARNINGS FOR THE PERIOD</b>		<b>(2,169)</b>	<b>8,202</b>
Attributable to:			
Shareholders of the Company		(2,309)	8,166
Non-controlling interests		140	36
		<b>(2,169)</b>	<b>8,202</b>
(Loss)/Earnings per share:	7		
Basic		(0.11)	0.39
Fully diluted		(0.11)	0.39

The accompanying notes form part of these condensed consolidated financial statements.

# Condensed Consolidated Statements of Comprehensive Income

<i>For the six-months ended September 30 (In \$ thousands)</i>	<b>2017</b> <i>(Unaudited)</i>	<b>2016</b> <i>(Unaudited)</i>
<b>NET (LOSS)/EARNINGS FOR THE PERIOD</b>	<b>(2,169)</b>	<b>8,202</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified to net earnings:		
Post-employment medical benefit obligation remeasurement	378	5
Items that are or may subsequently be reclassified to net earnings:		
Change in unrealised gains on available-for-sale investments	6,425	6,178
Change in unrealised losses on translating financial statements of foreign operations	981	(868)
Investment in associates	(12)	-
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>7,772</b>	<b>5,315</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>5,603</b>	<b>13,517</b>
<b>OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Shareholders of the Company	7,780	5,315
Non-controlling interests	(8)	-
	<b>7,772</b>	<b>5,315</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Shareholders of the Company	5,463	13,481
Non-controlling interests	140	36
	<b>5,603</b>	<b>13,517</b>

*The accompanying notes form part of these condensed consolidated financial statements.*



# Condensed Consolidated Statements of Changes in Equity

<i>For the six-months ended September 30 (In \$ thousands)</i>	Note	2017 (Unaudited)	2016 (Unaudited)
<b>SHARE CAPITAL</b>			
Authorised:			
25,000,000 common shares of \$1.00 each (2016 – 25,000,000)		25,000	25,000
Issued and fully paid, beginning of period 21,728,151 shares (2016 – 21,644,270 shares)		21,728	21,644
Add: Shares issued under the dividend reinvestment plan 80,226 shares (2016 – 43,144 shares)		80	43
Deduct: Shares held in Treasury, at cost 719,584 shares (2016 – 702,306 shares)		(4,630)	(4,718)
<b>BALANCE, NET OF SHARES HELD IN TREASURY, END OF PERIOD</b>		<b>17,178</b>	<b>16,969</b>
<b>CONTRIBUTED SURPLUS</b>			
Balance, beginning of period		53,183	52,891
Stock-based compensation expense		68	86
Treasury shares granted to employees		(176)	(180)
Shares issued under the dividend reinvestment plan		236	128
<b>BALANCE, END OF PERIOD</b>		<b>53,311</b>	<b>52,925</b>
<b>RETAINED EARNINGS</b>			
Balance, beginning of period		63,688	55,742
Net (loss)/earnings for the period		(2,309)	8,166
Dividends		(1,892)	(1,910)
Loss on treasury shares granted to employees		(183)	(207)
<b>BALANCE, END OF PERIOD</b>		<b>59,304</b>	<b>61,791</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>			
Balance, beginning of period		(3,589)	(3,937)
Other comprehensive income		7,764	5,315
<b>BALANCE, END OF PERIOD</b>	8	<b>4,175</b>	<b>1,378</b>
<b>TOTAL ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		<b>133,968</b>	<b>133,063</b>
<b>ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>			
Balance, beginning of period		1,344	1,470
Net earnings for the period		140	36
Distributions to non-controlling interests		8	-
<b>TOTAL EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>		<b>1,492</b>	<b>1,506</b>
<b>TOTAL EQUITY</b>		<b>135,460</b>	<b>134,569</b>

The accompanying notes form part of these condensed consolidated financial statements.

# Condensed Consolidated Statements of Cash Flows

For the six-months ended September 30 (In \$ thousands)	2017 (Unaudited)	2016 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
(Loss)/Earnings before income taxes	(2,099)	8,208
Adjustments to reconcile net earnings to cash basis (Footnote (i) below)	(4,996)	(12,113)
Change in operating balances (Footnote (ii) below)	9,149	12,848
Interest income received	5,467	4,943
Dividend income received	787	813
Income tax paid	(130)	(8)
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>8,178</b>	<b>14,691</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(1,842,389)	(1,248,662)
Sale and maturity and paydown of investments	1,811,326	1,236,154
Purchase of subsidiary, net of cash acquired	-	(1,349)
Purchase of property and equipment	(264)	(1,180)
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(31,327)</b>	<b>(15,037)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid to shareholders	(1,640)	(1,776)
Acquisition of shares held in Treasury	(144)	(1,292)
<b>CASH USED IN FINANCING ACTIVITIES</b>	<b>(1,784)</b>	<b>(3,068)</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND SHORT-TERM INVESTMENTS</b>	<b>776</b>	<b>(609)</b>
<b>NET DECREASE IN CASH AND SHORT-TERM INVESTMENTS</b>	<b>(24,157)</b>	<b>(4,023)</b>
<b>CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD</b>	<b>55,778</b>	<b>34,106</b>
<b>CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD</b>	<b>31,621</b>	<b>30,083</b>
Footnotes		
(i) Interest income	(6,658)	(6,404)
Dividend income	(778)	(655)
Investment income related to Deposit administration pension plans	891	1,265
Net realised and unrealised gains on investments	(1,569)	(8,988)
Amortisation of net premium of bonds	839	865
Net impairment losses on investments	-	491
Share of earnings of associates	(168)	(879)
Amortisation, depreciation and impairment	2,379	2,106
Expense of vesting of stock-based compensation	68	86
	(4,996)	(12,113)
(ii) Insurance balances receivable	2,235	1,663
Reinsurers' share of:		
Claims provisions	(4,301)	9,340
Unearned premiums	(2,747)	(2,894)
Other assets	2,061	1,138
Deferred policy acquisition costs	(102)	180
Insurance contract liabilities	16,282	(489)
Insurance balances payable	1,445	(9,541)
Investment contract liabilities	(3,504)	14,465
Accounts payable and accrued liabilities	(2,449)	(1,059)
Post employment benefit liability	229	45
	9,149	12,848

The accompanying notes form part of these condensed consolidated financial statements.

# Notes to the Consolidated Financial Statements

September 30, 2017

(Amounts in tables are expressed in thousands of Bermuda dollars, 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, 2017, it had 1,402 shareholders; 85.4 percent of whom were Bermudian, holding 89.5 percent of the issued shares.

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

### 1.1 GROUP COMPOSITION

#### LIST OF SIGNIFICANT SUBSIDIARIES

The table below provides details of the 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 Agencies Limited	Malta	Insurance agency	100%	-
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 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 <sup>(1)</sup>	Bermuda	Individual life and annuities	100%	-
Argus International Life Insurance Limited <sup>(1)</sup>	Bermuda	Individual life and annuities	74%	26%
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	Bermuda	Property holding company	100%	-
Island Insurance Brokers Limited	Malta	Insurance broker	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 percent of Argus International Life Insurance Limited's preference shares.

All subsidiaries are included in the Group condensed consolidated financial statements. The Group's voting rights 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 United States (U.S.) Dollars.

The Condensed Consolidated Balance Sheets are 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, 2017 audited financial statements and should be read in conjunction with the latter, except for any changes discussed in Note 2.2.

### 2.2 NEW AND REVISED ACCOUNTING POLICIES AND STANDARDS

There are amendments to existing standards and interpretations that are mandatory for the first time for financial periods beginning April 1, 2017, as discussed in the March 31, 2017 audited financial statements. However, these do not impact the interim condensed consolidated financial statements of the Group.

### 2.3 SEASONALITY OF OPERATIONS

The Group underwrites a range of risks, some of which are subject to potential seasonal variation. The most material of these is the Group's exposure to North Atlantic hurricanes which are largely concentrated in the second and third quarters of the fiscal year. In contrast, a majority of gross premium income written in the lines of business impacted occurs during the first quarter of the fiscal year. If any catastrophic events do occur, it is likely that the Group will share some of the market's losses, net of reinsurance.

Details of the Group's recent exposures to these lines of business are disclosed in the Group's March 2017 annual report.



### 3 Investments

#### 3.1 CARRYING VALUES AND ESTIMATED FAIR VALUES OF INVESTMENTS

	SEPTEMBER 30, 2017		MARCH 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Available-for-sale</b>				
Bonds	408,368	408,368	432,183	432,183
Equities	25,537	25,537	22,803	22,803
	<b>433,905</b>	<b>433,905</b>	454,986	454,986
<b>Investments at FVTPL <sup>(1)</sup></b>				
Bonds	23,579	23,579	22,220	22,220
Equities	7,300	7,300	7,930	7,930
	<b>30,879</b>	<b>30,879</b>	30,150	30,150
<b>Held-to-maturity</b>				
Bonds	670	741	625	687
	<b>670</b>	<b>741</b>	625	687
<b>Loans and receivables</b>				
Mortgages and loans	36,821	38,455	35,411	37,155
Policy loans	81	81	81	81
	<b>36,902</b>	<b>38,536</b>	35,492	37,236
<b>Derivatives</b>				
Other <sup>(2)</sup>	380	380	283	283
Foreign currency forward contracts	93	93	63	63
	<b>473</b>	<b>473</b>	346	346
<b>TOTAL INVESTMENTS</b>	<b>502,829</b>	<b>504,534</b>	521,599	523,405

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

(2) Other consists of interest rate swaps, credit default swaps and futures.

During the period, certain fixed income and equity investments classified under the held-for-trading category were sold due to portfolio reallocations, as the Group seeks to simplify and diversify its investment holdings. Most of the new investments purchased during the period were classified under available-for-sale. This is in consideration of Management's intent to hold the investments for an indefinite period of time and use the investments for tactical asset/liability management purposes, which may be sold from time to time to effectively manage interest rate exposure, prepayment risk and liquidity needs.

Included in Bonds are investments of \$157.7 million (March 2017 – \$159.0 million), which are maintained under the Interest Accumulator Separate Account. The separate account is set up to provide policyholders certain protection from creditors of the Group. These investments are included in the assets supporting the Group's deposit administration pension plans.

### 3.2 INVESTMENT INCOME

FOR THE SIX MONTHS ENDED SEPTEMBER 30	2017	2016
<b>Interest income</b>		
Bonds – available-for-sale	5,971	5,611
Bonds – at FVTPL	144	178
Bonds – held-to-maturity	16	90
Mortgages and loans	388	372
Cash and other	139	153
	<b>6,658</b>	<b>6,404</b>
<b>Dividend income</b>		
Equities – available-for-sale	590	655
Equities – at FVTPL	188	-
	<b>778</b>	<b>655</b>
<b>Net realised gains/(losses) on investments</b>		
Bonds – available-for-sale	384	1,856
Bonds – at FVTPL	279	281
Bonds – at HTM	-	49
Equities – at FVTPL	122	3,177
Equities – available-for-sale	(3)	320
Derivative financial instruments	(321)	687
	<b>461</b>	<b>6,370</b>
<b>Net unrealised gains on investments</b>		
Bonds – at FVTPL	73	234
Equities – at FVTPL	686	2,241
Derivative financial instruments	349	143
	<b>1,108</b>	<b>2,618</b>
<b>Other</b>		
Amortisation of premium on Bonds	(839)	(865)
Rental income and other	408	592
Impairment charges on Mortgage and loans	-	(491)
	<b>(431)</b>	<b>(764)</b>
<b>INVESTMENT INCOME BEFORE DEDUCTIONS</b>	<b>8,574</b>	<b>15,283</b>
<b>Deductions</b>		
Investment income relating to Deposit Administration Pension Plans	(891)	(1,265)
<b>INVESTMENT INCOME</b>	<b>7,683</b>	<b>14,018</b>

### 3.3 INVESTMENT CLASSIFICATION

Effective April 1, 2016, the Group redesignated certain fixed income investments with a carrying value and fair value of \$318.6 million from held-for-trading to the available-for-sale category.

To the extent possible, Management intends to hold the investments for an indefinite period of time, taking into consideration the use of assets for tactical asset/liability management. These investments are not held for the purpose of being sold or repurchased in the near term, with the intention of profiting for short-term price changes. Management believes that the users of the financial statements will be better served by redesignating these investments to available-for-sale.

The carrying value and fair value of the redesignated investment as of September 30, 2017 is \$158.0 million (2016 – \$261.2 million). The table below sets out the amounts actually recognised as Investment income on the Consolidated Statements of Operations and Other comprehensive income in respect of investments redesignated out of the held-for-trading category.

AS OF SEPTEMBER 30	2017		2016	
	Consolidated Statement of Operations	Other Comprehensive Income	Consolidated Statement of Operations	Other Comprehensive Income
Investment income	3,446	-	4,309	-
Net unrealised gains on investments	-	3,089	-	5,273
	3,446	3,089	4,309	5,273

If the investments had not been redesignated, \$3.1 million (2016 – \$5.3 million) would have been recognised in investment income on the Consolidated Statements of Operations.

The effective interest rates on trading investment redesignated as available-for-sale ranged from 4.93 percent to 4.1 percent (2016 – 0.7 percent to 4.1 percent), with expected recoverable cash flows of \$212.2 million (2016 – \$275.8 million).

## 4 Fair Value Measurement

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

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

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

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

**Level 2** – Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, and 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 Board.



#### 4.1 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

SEPTEMBER 30, 2017	Level 1	Level 2	Level 3	Total Fair Value
<b>Available-for-sale</b>				
Bonds				
U.S. government	54,914	-	-	54,914
U.S. corporates	-	201,778	320	202,098
Municipal, other government and agency	-	36,376	-	36,376
Foreign bonds	-	17,639	-	17,639
Mortgage/asset-backed securities	-	56,661	1,639	58,300
Other <sup>(1)</sup>	-	39,041	-	39,041
	54,914	351,495	1,959	408,368
Equities				
Global listed equities	1,433	-	-	1,433
Investment in hedge funds and mutual funds	-	21,916	-	21,916
Private equity funds and unquoted equities	-	-	2,188	2,188
	1,433	21,916	2,188	25,537
<b>TOTAL AVAILABLE-FOR-SALE INVESTMENTS</b>	<b>56,347</b>	<b>373,411</b>	<b>4,147</b>	<b>433,905</b>
<b>FVTPL – Bonds</b>				
U.S. government	19,299	-	-	19,299
Other <sup>(1)</sup>	-	4,280	-	4,280
	19,299	4,280	-	23,579
<b>FVTPL – Equities</b>				
Bermuda listed equities	2,870	-	-	2,870
Global listed equities	4,279	-	-	4,279
Private equity funds and unquoted equities	-	-	151	151
	7,149	-	151	7,300
<b>TOTAL OF INVESTMENTS AT FVTPL</b>	<b>26,448</b>	<b>4,280</b>	<b>151</b>	<b>30,879</b>
Derivatives	-	473	-	473
Investment properties	-	12,225	-	12,225
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>82,795</b>	<b>390,389</b>	<b>4,298</b>	<b>477,482</b>
<b>LIABILITIES</b>				
Investment contract liabilities	-	1,284	-	1,284
Payables arising from investment transactions	-	30,995	-	30,995
<b>TOTAL LIABILITIES AT FAIR VALUE</b>	<b>-</b>	<b>32,279</b>	<b>-</b>	<b>32,279</b>

<sup>(1)</sup> Investment in bond funds

MARCH 31, 2017

	Level 1	Level 2	Level 3	Total Fair Value
<b>Available-for-sale</b>				
Bonds				
U.S. government	79,721	11,627	-	91,348
U.S. and corporates	-	146,680	-	146,680
Municipal, other government and agency	-	48,485	-	48,485
Foreign bonds	-	52,676	-	52,676
Mortgage/asset-backed securities	-	52,621	3,199	55,820
Other <sup>(1)</sup>	-	37,174	-	37,174
	79,721	349,263	3,199	432,183
Equities				
Global listed equities	696	-	-	696
Investment in hedge funds and mutual funds	-	19,817	-	19,817
Private equity funds and unquoted equities	-	-	2,290	2,290
	696	19,817	2,290	22,803
<b>TOTAL AVAILABLE-FOR-SALE INVESTMENTS</b>	<b>80,417</b>	<b>369,080</b>	<b>5,489</b>	<b>454,986</b>
FVTPL – Bonds				
U.S. government	18,099	-	-	18,099
Other <sup>(1)</sup>	-	4,121	-	4,121
	18,099	4,121	-	22,220
FVTPL – Equities				
Bermuda listed equities	3,746	-	-	3,746
Global listed equities	4,033	-	-	4,033
Private equity funds and unquoted equities	-	-	151	151
	7,779	-	151	7,930
<b>TOTAL OF INVESTMENTS AT FVTPL</b>	<b>25,878</b>	<b>4,121</b>	<b>151</b>	<b>30,150</b>
Derivatives	-	346	-	346
Investment properties	-	12,225	-	12,225
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>106,295</b>	<b>385,772</b>	<b>5,640</b>	<b>497,707</b>
LIABILITIES				
Investment contract liabilities	-	2,384	-	2,384
Payables arising from investment transactions	-	99,303	-	99,303
<b>TOTAL LIABILITIES AT FAIR VALUE</b>	<b>-</b>	<b>101,687</b>	<b>-</b>	<b>101,687</b>

<sup>(1)</sup> Investment in bond funds

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

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

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

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

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

- **Included within Bonds “Other” and Equities** – Investments in Argus Investment Strategies Fund Ltd. totalled \$1.0 million (March 2017 – \$1.0 million). For reporting purposes, these investments have been categorised as bonds and equities based on the underlying securities held. Net asset valuation for all of the funds – along with client redemption – are performed on a weekly basis. If the redemption request is greater than 10 percent of the fund’s net asset value, the amount of the redemption can be adjusted at the fund manager’s discretion. These investments are classified as Level 2.
- **Derivatives** – Valuation is derived from the underlying instrument. Derivatives are subject to the same risks as that underlying instrument including liquidity, credit and market risk. Fair values are based on exchange or broker–dealer quotations, where available, or discounted cash flows, which incorporate the pricing of the underlying instrument, yield curves and other factors. These investments are classified as Level 2.
- **Investment properties** – The fair value of investment properties was determined by external independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group’s investment properties annually. Fair value is based on market data from recent comparable transactions.
- **Investment contract liabilities** – Fair value of the Deposit accounted annuity policies is determined by using valuation techniques, such as discounted cash flow methods. A variety of factors are considered in the valuation techniques, including yield curve, credit spread and default assumptions, which have market observable inputs.

The table below provides a fair value roll forward for the assets and liabilities measured at fair value for which significant unobservable inputs (Level 3) are used in the fair value measurement for the period ended September 30, 2017.

	INVESTMENTS				Total
	At FVTPL Bonds	At FVTPL Equities	Available- for-sale Bonds	Available- for-sale Equities	
Balance, beginning of year	-	151	3,199	2,290	5,640
Included in Investment income	-	-	16	(3)	13
Included in Other comprehensive income	-	-	169	36	205
Purchases	-	-	1,774	-	1,774
Transfer to Level 2	-	-	(2,111)	-	(2,111)
Sales/Write Off	-	-	(1,088)	(135)	(1,223)
	-	151	1,959	2,188	4,298

	INVESTMENTS				Total
	At FVTPL Bonds	At FVTPL Equities	Available- for-sale Bonds	Available- for-sale Equities	
Balance, beginning of year	1,551	284	-	2,383	4,218
Included in Investment income	-	-	-	(3)	(3)
Included in Other comprehensive income	-	-	-	(79)	(79)
Purchases	-	-	2,444	38	2,482
Transfer to Level 2	-	-	(650)	-	(650)
Re-designation of investments	(1,551)	-	1,551	-	-
Sales/Write Off	-	(133)	(146)	(49)	(328)
	-	151	3,199	2,290	5,640

## 4.2 ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

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

SEPTEMBER 30, 2017	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
<b>ASSETS</b>					
Held-to-maturity bonds <sup>(1)</sup>	-	741	-	741	670
Mortgages and loans <sup>(2)</sup>	-	38,455	-	38,455	36,821
Policy loans	-	81	-	81	81
<b>TOTAL ASSETS DISCLOSED AT FAIR VALUE</b>	-	<b>39,277</b>	-	<b>39,277</b>	<b>37,572</b>
<b>LIABILITIES</b>					
Investment contract liabilities <sup>(3)</sup>	-	230,787	-	230,787	237,483
<b>TOTAL LIABILITIES DISCLOSED AT FAIR VALUE</b>	-	<b>230,787</b>	-	<b>230,787</b>	<b>237,483</b>
<b>MARCH 31, 2017</b>					
	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
<b>ASSETS</b>					
Held-to-maturity bonds <sup>(1)</sup>	-	687	-	687	625
Mortgages and loans <sup>(2)</sup>	-	37,155	-	37,155	35,411
Policy loans	-	81	-	81	81
<b>TOTAL ASSETS DISCLOSED AT FAIR VALUE</b>	-	<b>37,923</b>	-	<b>37,923</b>	<b>36,117</b>
<b>LIABILITIES</b>					
Investment contract liabilities <sup>(3)</sup>	-	233,223	-	233,223	239,887
<b>TOTAL LIABILITIES DISCLOSED AT FAIR VALUE</b>	-	<b>233,223</b>	-	<b>233,223</b>	<b>239,887</b>

(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 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;
- Receivable for investments sold;
- Other financial assets under Other assets;
- Payables arising from investment transactions; and
- Accounts payable and accrued liabilities.

## 4.3 TRANSFERS OF ASSETS AND LIABILITIES WITHIN THE FAIR VALUE HIERARCHY

The Group's policy is to record transfers of assets and liabilities between levels at their fair values as at the end of each reporting period, consistent with the date of determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. There were no transfers between Levels 1 and 2 during the period ended September 30, 2017.

Transfers out of Level 3 of \$2.1 million (March 2017 – \$0.7 million), as shown on the previous page, relate to fixed income investments, which were transferred to Level 2 as observable inputs became available.



## 5 Operating Segments

The Group is organised into operating segments based on their products and services. These operating segments mainly operate in the financial services industry. The Chief Executive Officer and the Board of Directors review the business and make strategic decisions primarily by operating segments.

The Group's reportable segments are as follows:

- (i) **Employee benefits** – comprised of health insurance, pensions, annuities, local life and long-term disability insurance;
- (ii) **Wealth management** – including investment and asset management, financial planning and private placement life insurance;
- (iii) **Global property and casualty insurance (P&C)** – including fire and windstorm (home and commercial property), all risks, liability, marine, motor coverage and employer's indemnity coverage in Bermuda, Gibraltar and Malta. This segment also includes brokerage income received; and
- (iv) **All other** – representing the combined operations of the remaining components of the Group comprising management companies and a holding company.

The Group evaluates performance of operating segments on the basis of profit or loss from operations. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment operating revenue is derived primarily from insurance premium and fees and commission income.

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

### 5.1 RESULTS BY SEGMENT

FOR THE SIX MONTHS ENDED SEPTEMBER 30		Employee Benefits	Wealth Management	Global Property & Casualty	All other	Elimination	Total
Segment revenues	2017	61,676	2,979	17,041	13	(1,375)	80,334
	2016	59,805	2,875	16,224	22	(1,450)	77,476
Investment income/(loss)	2017	7,598	621	348	(8)	(876)	7,683
	2016	13,935	(72)	1,156	96	(1,097)	14,018
Share of earnings of associates	2017	-	102	54	12	-	168
	2016	-	754	110	15	-	879
<b>TOTAL SEGMENT REVENUES</b>	<b>2017</b>	<b>69,274</b>	<b>3,702</b>	<b>17,443</b>	<b>17</b>	<b>(2,251)</b>	<b>88,185</b>
	2016	73,740	3,557	17,490	133	(2,547)	92,373
Amortisation, depreciation and impairment	2017	1,228	132	610	175	234	2,379
	2016	764	282	669	273	118	2,106
Income tax expense	2017	-	-	70	-	-	70
	2016	-	-	6	-	-	6
Reportable segment (Loss)/earnings attributable to shareholders, after tax	2017	(1,561)	(5)	1,615	(1,910)	(448)	(2,309)
	2016	8,696	36	2,459	(2,873)	(152)	8,166

### GEOGRAPHIC INFORMATION ON SEGMENT REVENUES:

FOR THE SIX MONTHS ENDED SEPTEMBER 30		Bermuda	Europe	Total
Segment revenues	2017	79,614	8,571	88,185
	2016	84,009	8,364	92,373

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

## 5.2 ASSETS AND LIABILITIES BY SEGMENT

	Employee Benefits	Wealth Management	Global Property & Casualty	All other	Elimination	Total
<b>SEPTEMBER 30, 2017:</b>						
Total General Fund Assets	536,106	31,529	101,858	159,532	(145,852)	683,173
Segregated Fund Assets	882,744	705,957	-	-	-	1,588,701
Total General Fund Liabilities	460,042	18,105	59,238	11,595	(1,267)	547,713
Segregated Fund Liabilities	882,744	705,957	-	-	-	1,588,701
<b>MARCH 31, 2017:</b>						
Total General Fund Assets	596,032	31,140	86,973	170,821	(151,814)	733,152
Segregated Fund Assets	819,192	686,736	-	-	-	1,505,928
Total General Fund Liabilities	524,131	18,184	47,496	19,547	(7,776)	601,582
Segregated Fund Liabilities	819,192	686,736	-	-	-	1,505,928

## 6 Post-employment Benefit Liability

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

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

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

The movement in the defined benefit liability is as follows:

	For the six months ended September 30 2017	For the year ended March 31 2017
Balance, beginning of year	3,414	4,135
Movements during the year recognised in Operating expense:		
Current service cost	28	67
Interest cost on benefit liability	55	141
	83	208
Remeasurement during the period included in Other comprehensive income:		
Actuarial gain arising from experience adjustment	(174)	(816)
Benefit payments	(58)	(113)
<b>BALANCE, END OF YEAR</b>	<b>3,265</b>	<b>3,414</b>

As at September 30, 2017, the present value of the defined benefit obligation was comprised of \$1.3 million (March 2017 – \$1.4 million) relating to active employees and \$2.0 million (March 2017 – \$2.0 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 2017	MARCH 31 2017
Discount rate	3.3%	3.5%
Healthcare cost trend rate	5.5%	5.5%

## 7 Earnings Per Share

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

	SEPTEMBER 30 2017	SEPTEMBER 30 2016
Net (loss)/earnings for the period (in 000's)	(2,309)	8,166
Weighted average outstanding common shares	20,309,464	20,955,402
Common shares and common equivalents	20,373,031	20,985,108

## 8 Components of Accumulated Other Comprehensive Income

	SEPTEMBER 30 2017	SEPTEMBER 30 2016
Remeasurement of post-employment medical benefit obligation	(368)	(1,556)
Available-for-sale investments	7,484	6,378
Investment in associates	-	12
Translation of financial statements of foreign operations	(2,941)	(3,456)
<b>TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>4,175</b>	<b>1,378</b>

## 9 Directors and Officers Holdings, Share Options and Restricted Stock

At September 30, 2017 the Directors and Officers of the Company had combined interests totalling 78,753 shares out of 21,687,414 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 during the period. On June 30, 2016, all outstanding stock options expired.

In the six-month period ended September 30, 2017 there were 13,467 (2016 –15,900) restricted shares granted to Directors and Officers.

## 10 Contingent Liability

Effective July 1, 2016, the Group acquired Island Insurance Brokers Limited (IIBL), which became a wholly owned subsidiary of Argus Group Holdings Limited. IIBL is an insurance brokerage company based in Malta.

The purchase consideration is subject to certain adjustments dependent on the persistency of the book of business. €3.9 million was settled by March 31, 2017, while the remaining balance is payable over the next two years. The fair value of the contingent consideration as of September 30, 2017 is €0.6 million (March 31, 2017 – €0.6 million) which is secured by a letter of credit of €0.5 million. The contingent consideration is based on the achievement of performance-related milestones and the range of undiscounted payment outcomes is between zero and €0.6 million.

## **11 Subsequent Events**

The Board has declared a final dividend of nine cents per share based upon the audited financial statements of the Group for the year ended March 31, 2017. This is payable on January 12, 2018 for shareholders of record on December 27, 2017.

## **12 Comparative Figures**

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

## Board of Directors

<b>Sheila E. Nicoll</b> , FCII Chairman	● ●
<b>Robert D. Steinhoff</b> , FCA, JP Deputy Chairman	● ●
<b>Keith W. Abercromby</b> , FIA	●
<b>Wendell S. F. Brown</b>	● ●
<b>Peter R. Burnim</b> , MBA	●
<b>Timothy C. Faries</b> , B.A., LL.B, LL.M	●
<b>Alison S. Hill</b> , FCMA, CGMA Chief Executive Officer	
<b>Barbara Merry</b> , B.A., ACA	● ●
<b>Marcia B. Scheiner</b> , MBA	● ●
<b>Kim R. Wilkerson</b> , JP, CPCU	●
<b>Paul C. Wollmann</b> , MBA, CPCU, ARe, ARM	● ●

## Officers

OF ARGUS GROUP HOLDINGS LIMITED

<b>Sheila E. Nicoll</b> , FCII Chairman
<b>Robert D. Steinhoff</b> , FCA, JP Deputy Chairman
<b>Alison S. Hill</b> , FCMA, CGMA Chief Executive Officer
<b>Peter J. Dunkerley</b> , FCA Chief Financial Officer
<b>George N.H. Jones</b> , MBA, LLB Group General Counsel & Company Secretary

### COMMITTEES OF THE BOARD

●	AUDIT
●	RISK
●	PEOPLE, COMPENSATION & GOVERNANCE
●	AD HOC - MERGERS & ACQUISITIONS

## Business Unit Heads

<b>Lauren M. Bell</b> , FLMI, HIA, ACS Executive Vice President Life & Pensions
<b>Andrew H. Bickham</b> , ACII Executive Vice President Broking
<b>Dr. Vanessa O. Borg</b> , DBA, MPHIL, MBA, B.COM Chief Executive Argus Insurance Agencies Limited
<b>John Doherty</b> , CPCU, ARM, ARE Executive Vice President Property & Casualty
<b>Michelle A. Jackson</b> , MBA, MSc Executive Vice President Group Insurance
<b>Tyrone Montovio</b> , ACII General Manager Argus Insurance Company (Europe) Limited
<b>Lawrence Pavia</b> , FCII, ACI Arb, MA Managing Director Island Insurance Brokers Limited
<b>Joel P. Schaefer</b> , CFA President & Chief Executive Officer AFL Investments Limited
<b>Lynne A. Woolridge</b> , FLMI, FALU, HIA Head of International Life

## Support Unit Heads

<b>Cindy F. Campbell</b> , CPA, MBA Executive Vice President Asset Workout
<b>Simon Giffen</b> , CFA, TEP Group Investment Manager
<b>Onesimus Nzabalinda</b> , MBA, MSc, CISA, CFE, CRISC Head of Risk & Compliance
<b>Wanda E. Richardson</b> , MA, SPHR Executive Vice President Client Solutions, Sales and Marketing
<b>Hannah Ross</b> , FIA Chief Actuary
<b>Nik Smale</b> , BEng Executive Vice President Innovation and Technology
<b>Sheena M. Smith</b> , CPA Vice President Financial Reporting
<b>Kellianne M. Smith</b> , BA Head of Global Human Resources and Organisational Development



## Directors of Principal Operating Subsidiaries

### ARGUS INSURANCE COMPANY LIMITED

Wendell S. F. Brown  
Chairman  
John Doherty  
Peter J. Dunkerley  
Alison S. Hill  
Marcia B. Scheiner  
Robert D. Steinhoff  
Paul C. Wollmann

### BERMUDA LIFE INSURANCE COMPANY LIMITED

Timothy C. Faries  
Chairman  
Lauren M. Bell  
Wendell S. F. Brown  
Peter J. Dunkerley  
Alison S. Hill  
Michelle A. Jackson  
Sheila E. Nicoll  
Kim R. Wilkerson

### BERMUDA LIFE WORLDWIDE LIMITED

Marcia B. Scheiner  
Chairman  
Peter R. Burnim  
Peter J. Dunkerley  
Alison S. Hill  
Paul C. Wollmann  
Lynne A. Woolridge

### CENTURION INSURANCE SERVICES

Alison S. Hill  
Chairman  
Andrew H. Bickham  
Peter J. Dunkerley

### ARGUS INTERNATIONAL LIFE BERMUDA LIMITED

Marcia B. Scheiner  
Chairman  
Peter R. Burnim  
Peter J. Dunkerley  
Paul C. Wollmann  
Lynne A. Woolridge

### ARGUS INTERNATIONAL LIFE INSURANCE LIMITED

Marcia B. Scheiner  
Chairman  
Peter R. Burnim  
Peter J. Dunkerley  
Alison S. Hill  
Paul C. Wollmann  
Lynne A. Woolridge

### ARGUS INSURANCE COMPANY (EUROPE) LIMITED

Sheila E. Nicoll  
Chairman  
Keith W. Abercromby  
Peter R. Burnim  
Alison S. Hill  
Tyrone Montovio  
Michael Oliver

### AFL INVESTMENTS LIMITED

Robert D. Steinhoff  
Chairman  
Peter R. Burnim  
Peter J. Dunkerley  
Timothy C. Faries

### ARGUS INSURANCE AGENCIES LIMITED

Charles Farrugia  
Chairman  
Dr. Vanessa O. Borg  
Alison S. Hill  
Sheila E. Nicoll

### WESTMED INSURANCE SERVICES LIMITED

Alison S. Hill  
Chairman  
Tyrone Montovio  
John L. Stagnetto

### ISLAND INSURANCE BROKERS LIMITED

Sheila E. Nicoll  
Chairman  
Dr. Carmel Cascun  
Peter J. Dunkerley  
Alison S. Hill  
Lawrence Pavia  
Barbara Merry\*

\* Subject to MFSA approval



PAPER:

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

By using this paper we have used:

16% less wood  
22% less net energy  
12% less greenhouse gas  
22% less wastewater  
18% less solid waste



Registered Office:

The Argus Building, 14 Wesley Street, Hamilton HM 11, Bermuda  
Tel: (441) 295-2021 Fax: (441) 292-6763

Mailing Address:

P.O. Box HM 1064, Hamilton HM EX, Bermuda

Customer Service Centre:

Tel: (441) 298-0888 e-mail: [insurance@argus.bm](mailto:insurance@argus.bm) [www.argus.bm](http://www.argus.bm)