



ASCENDANT
group

ASCENDANT GROUP LIMITED
SIX-MONTH REPORT 2015

ASCENDANT GROUP LIMITED

Ascendant Group Limited (AGL.BH) is a publicly traded investment holding company, listed on the Bermuda Stock Exchange (BSX).

OUR VISION

To be Bermuda's trusted, preferred provider of energy & infrastructure solutions

OUR STRATEGY

Develop and implement the Integrated Resource Plan, achieve excellent operational performances in all businesses, grow our non-utility energy and infrastructure businesses

OUR MISSION

We will always meet our commitments

OUR VALUES

Accountability
Innovation
Integrity
Reliability
Respect
Safety
Stewardship

INTRODUCTION

The Company has prepared its condensed consolidated interim financial statements in accordance and compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS, effective as of 1 January 2014.

The decision to adopt IFRS and replace Canadian Generally Accepted Accounting Principles (GAAP) was approved by the Board of Directors in February 2015. A discussion on the new accounting standards that were expected to have an impact on the Company was highlighted extensively in Ascendant Group Limited's 2014 Annual Report.

RESULTS OF OPERATIONS

Ascendant Group Limited's consolidated net income for the first six months of 2015 was \$970,000, a 15% decrease compared to \$1.1 million in the comparable period in 2014. Operating earnings, excluding the impact of discontinued operations and non-recurring charges associated with the restructuring and the closure of the Bermuda Gas & Utility Company Limited residential appliance and service business, was \$3.2 million during the first six months of the year, a \$1.5 million improvement relative to Ascendant Group's comparable operating earnings in 2014. The improvement in operating earnings was primarily the result of improved results at Bermuda Electric Light Company Limited (BELCO) due to higher electricity sales revenues and lower operating costs, partly offset by a decline in operating earnings at AG Holdings Limited, as compared to the prior year.

BELCO's basic tariff electric sales revenues (excluding fuel adjustment sales) increased \$1.3 million, or 2.0%, when compared to the same period last year. This increase is primarily due to a one-time change in revenue recognition methodology, which includes accruals for unbilled revenues through the period. Under the previous GAAP policy, revenues were based on the actual meter readings completed as of the reporting date.

Total kilowatt hour (kWh) sales, on a comparable meter-read basis, increased 1.4 million kWh for the current period to 267 million kWh, or 0.5% when compared to 2014. The overall increase in electricity sales volumes is primarily due to a 2.1% increase in residential sales volumes to 112 million kWh, an increase of 2.3 million kWh in the first six months of 2015. The residential sales volumes were primarily the result of higher early summer temperatures combined with billing improvements resulting from the recent meter audits. Commercial billed sales volumes were 2.8% below 2014 comparable figures, reflecting the continuing decline in certain sectors of the economy, combined with energy efficiency and conservation measures. Demand class sales increased 0.2% over the period, as gains associated with the addition of the Acute Care Wing at the hospital and the opening of Elbow Beach over the winter months were partly negated by significant efficiency measures by certain customers.

BELCO's fuel adjustment sales decreased \$9.7 million, or 22.8% as compared to 2014. The average cost per barrel of fuel was \$107.02 (which includes taxes, duty, shipping, storage, local pipeline transportation and working capital costs for the on-Island fuel reserves) in 2015, versus \$129.24 for the first half of 2014, resulting in a total decrease in fuel adjustment sales of \$9.3 million.

On the regulatory front, BELCO submitted a request for a tariff adjustment to the Energy Commission (EC) on 3 June 2015. BELCO has provided supplemental responses to questions from the EC, as well as comments that the EC received from the public related to the proposed adjustments. The EC has formally requested and received an extension to its schedule for making a determination, and the final deadline for a response is 31 October 2015.

Separately, the Government has proposed new legislation for the Electricity Sector that: (a) transfers regulation from the EC to the Regulatory Authority (RA); (b) establishes future resource planning through an Integrated Resource Plan (IRP) process overseen by the RA; (c) provides a licensing requirement for participants; and (d) establishes a single-buyer structure for future non-utility generation. The Government has indicated that it is aiming to pass the legislation by year-end. Generally speaking, BELCO supports the proposed framework, provided the final legislation has the appropriate terms to support the continuing provision of a reliable electricity grid in a manner that balances the needs of the public and the Company.

In June 2015, Bermuda Gas announced the closure of its residential appliance and service business lines resulting in one-time restructuring charges of \$1.4 million associated with severance packages, inventory write-downs and other costs. The decision to close these business lines was difficult, but reflected a realistic recognition that continuing operating losses associated with these segments could not be turned around in a reasonable time frame. Losses from discontinued operations totaled \$2.3 million in 2015, compared to \$625,000 in 2014. Excluding the impact of restructuring charges and discontinued operations, Bermuda Gas had an operating profit of \$656,000 in the first six months of 2015, a 16%

decline compared to 2014 operating profits of \$780,000. With a more focused business and the potential for lower propane commodity pricing, Bermuda Gas is much better positioned for the future.

iFM Limited, a joint venture company that is 60% owned by Ascendant Group and 40% by a Bermuda-registered, exempted subsidiary of Black & McDonald Limited, had a loss of \$208,000, compared to a \$295,000 profit in the comparable period in 2014. The loss was largely driven by the expiration of a maintenance agreement contract with HSBC Bank Bermuda Limited, which was not renewed when its term expired in January 2015. In the same month, iFM was able to enter into a new long-term maintenance agreement with The Reefs Resort and Club and entered into an interim maintenance agreement with The Bank of N.T. Butterfield & Sons Limited. In accordance with IFRS, the results of iFM are now accounted for using the equity method as opposed to the proportionate consolidated method previously utilized under GAAP.

Air Care Limited net earnings for the first six months totaled \$818,000, a 38% decline from comparable period earnings of \$1.3 million in 2014. Air Care sales decreased 14.2% in 2015 to \$9.3 million on a gross sales basis compared to 2014 sales during the same period. The reductions in gross sales and earnings reflect continuing challenges in the commercial sector of the Bermuda economy, resulting in cancellations and/or reductions in scope in Air Care's maintenance agreements. It should be noted that the 2015 results reflect the Company's 100% interest in Air Care, whereas the 2014 interim results reflected the Company's 85% interest prior to the acquisition of all minority shareholdings in July 2014. In July 2015, Air Care entered into a long-term energy efficiency agreement with the Bermuda Institute of

Oceanic Sciences which incorporates maintenance service, as well as a loan to fund Air Care's installation of more efficient air conditioning and lighting fixtures. The loan is priced at a market rate and is repaid from future energy savings.

Operating and administrative expenses for the period decreased \$3.7 million or 8.9%, as compared to the first six months of 2014, primarily due to lower operations and maintenance expenses at BELCO, as compared to 2014. The adoption of IFRS impacted the Company's operating expenses in a number of areas, most notably through the recognition of decommissioning costs associated with the Company's Asset Retirement Obligations (ARO) liability related to its aging generation fleet. For the first six months of 2015, BELCO incurred non-cash ARO depreciation and accretion expenses of \$1.2 million versus \$1.1 million in 2014, based on an estimate of the costs and management's view of a preliminary timetable or asset retirement. BELCO intends to seek recovery of decommissioning costs in the future.

OPENING STATEMENT OF FINANCIAL POSITION

As an entity adopting IFRS for the first time, the Company has prepared its opening statement of financial position as at 1 January 2014 implementing a retrospective application of IFRS standards in accordance with IFRS 1. The most significant transitional adjustments impacting opening Retained Earnings relate to post-retirement benefit plans and impairment of property plant and equipment. The cumulative impact of all transitional adjustments is a \$80.3 million reduction in Retained Earnings from \$262.3 million to \$182.0 million.

The largest impact to the opening statement of financial position is related to the Company's Defined Benefit Plan (DB Plan) and future health benefits (combined impact \$65 million). Previously, under GAAP, actuarial gains/losses were deferred and recognized over a given period through the use of the corridor approach. In accordance with IAS 19, the net defined benefit liability is recognized in the statement of financial position and is made up of the present value of the net defined benefit obligation, less the fair value of plan assets. Any actuarial gains and losses are required to be recognized immediately through Other Comprehensive Income (OCI). The timing of recognition of changes to the net defined benefit liability that result from plan amendments and curtailments will also change. The magnitude of this liability, and the potential for continued increases, clearly highlight the importance of the Company's efforts to reduce the growth of healthcare cost increases. The Company changed its employee health insurance plan earlier in 2015, and has proposed prospective changes to the existing retiree healthcare coverage in an effort to mitigate rising costs. The retirees have challenged the proposed changes, and it is anticipated that this matter will be resolved through the court system.

In accordance with IAS 40, the Company has reported investment properties separately from property, plant and equipment, and pursuant to the first time adoption, has elected to restate certain assets at fair value (deemed costs as of the date of transaction to IFRS). An external valuation of the Company's investment and other properties identified that certain properties, including the Serpentine Properties complex and Bakery Lane industrial lot, were worth less than their carrying value, resulting in an adjustment to the opening Retained Earnings of approximately \$9.8 million. Pursuant to IAS 37, the

Company has recorded a \$1.2 million provision for future costs associated with the environmental remediation of soil and water arising from its operations.

SUMMARY

Ascendant Group's share price as at 30 June 2015 was \$5.00 versus \$6.50 on 30 June 2014. The Board of Directors of Ascendant Group declared a dividend of \$0.075 (7.5 cents) per share payable on 30 June 2015. The second quarter dividend declaration follows the decision made by the Board of Directors last year for the Company to retain more capital to invest in Bermuda's energy infrastructure, and to deal with the effects on the Company of Bermuda's sustained economic recession.

Ascendant Group continues to move forward on its commitment to provide energy and infrastructure solutions for the country. We have a responsibility to safely deliver clean, affordable, reliable energy, which is fundamental to Bermuda's quality of life and productivity, including business retention and development. A recent example of how we fulfill this responsibility is the LED (light emitting diode) streetlighting initiative. Our team conceptualized, tested and proposed to Government the replacement of approximately 4,400 streetlights Island-wide with long-lasting, energy-efficient, electronically managed LED fixtures. In June, BELCO was awarded the contract to install and finance the project along with manufacturer LED Roadway Lighting. Government will repay the loan through future energy savings. The benefit for Government and the community is reduced expenses, as a result of reduced energy consumption and maintenance, as well as electronic management of fixtures, which contributes to improved public safety. This project, which is slated for completion in late 2017, puts Bermuda at the forefront of jurisdictions switching to LED streetlighting.

We expect to take many innovative steps to enhance Bermuda's energy future and will do so within the context of the new Electricity Act, which will provide both opportunities and challenges for Ascendant Group, as the industry structure and regulatory environment goes through fundamental change. At the same time, we will continue to adjust our business model as we address Bermuda's changing economic landscape, which we are confident will recover with stimulus, including the 35th America's Cup. Ascendant Group's ultimate success is directly linked to the Island's growth, stability and prosperity, and what is good for Bermuda will inevitably be good for our shareholders, employees, consumers and the community at large.



WALTER M. HIGGINS

President & Chief Executive Officer



CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2015

	NOTES	30 JUNE 2015	31 DECEMBER 2014	1 JANUARY 2014
ASSETS				
Non-current assets				
Property, plant and equipment	5	\$ 275,259,915	\$ 284,236,272	\$ 285,801,018
Investment property	7	4,585,351	2,071,195	2,579,100
Intangible assets and goodwill	6	11,949,737	12,620,510	13,868,916
Investment in joint venture		474,234	578,300	302,963
		292,269,237	299,506,277	302,551,997
Current assets				
Cash and cash equivalents		9,111,273	9,209,034	6,957,636
Investments	8	137,114	153,237	133,717
Accounts receivable		16,233,725	16,640,312	22,884,102
Assets classified as held for sale	21	1,592,408	–	–
Inventory	9	55,785,543	61,364,303	69,167,808
Prepaid expenses and other assets		6,197,455	1,697,324	1,951,453
		89,057,518	89,064,210	101,094,716
Regulatory deferral account debit balances	4	3,132,942	246,213	–
Total Assets and Regulatory Deferral Account Debit Balances		\$ 384,459,697	\$ 388,816,700	\$ 403,646,713
EQUITY AND LIABILITIES				
Non-current liabilities				
Bank borrowing	13	\$ 10,198,264	\$ 11,895,631	\$ 12,359,198
Asset retirement obligation	18	13,761,014	13,413,976	12,775,215
Environmental clean-up obligation	18	1,095,500	1,126,242	1,185,516
Restructuring provision	18	963,000	–	–
Defined benefit obligation	15	31,821,000	31,821,000	19,576,000
Other post-retirement benefits	15	36,512,166	35,816,487	42,363,037
		94,350,944	94,073,336	88,258,966
Current liabilities				
Customer deposits		265,779	263,829	495,858
Trade and other payables		21,098,615	19,494,934	35,342,452
Redemption liability	12	–	–	2,509,081
Deferred revenues		1,162,328	1,048,138	554,425
Bank borrowing	13	31,751,306	37,612,342	29,839,636
		54,278,028	58,419,243	68,741,452

The notes on pages 14 to 40 are an integral part of these condensed consolidated interim financial statements.

**CONDENSED CONSOLIDATED
INTERIM STATEMENT OF FINANCIAL POSITION** (UNAUDITED)

As at 30 June 2015

	NOTES	30 JUNE 2015	31 DECEMBER 2014	1 JANUARY 2014
Equity				
Share capital	10	10,706,451	10,681,740	10,638,061
Share premium	10	30,416,434	30,305,714	29,959,242
Treasury stock	10	(845,803)	(845,803)	(845,803)
Contributed surplus		22,549,745	22,549,745	22,549,745
Retained earnings		173,003,898	173,632,725	181,963,767
Equity attributable to shareholders		235,830,725	236,324,121	244,265,012
Non-controlling interest	12	–	–	1,176,837
Total Equity		235,830,725	236,324,121	245,441,849
Regulatory deferral account credit balances	4	–	–	1,204,446
Total Equity, Liabilities and Regulatory Deferral Account Credit Balances		\$ 384,459,697	\$ 388,816,700	\$ 403,646,713

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2015

	NOTES	30 JUNE 2015	30 JUNE 2014
Continuing operations	17		
Revenues			
Operating revenues		\$ 99,155,059	\$ 110,997,789
Other income		853,773	1,037,389
		100,008,832	112,035,178
Expenses	15,17,19		
Operating and administrative expenses		37,204,077	40,860,401
Purchased power/energy		958,091	1,134,540
Fuel		44,489,453	54,123,675
Depreciation and amortization		14,207,505	14,162,971
		96,859,126	110,281,587
Operating income		3,149,706	1,753,591
Finance expense			
Foreign exchange loss		150,007	149,015
Change in fair value of investments		–	(20,144)
Interest expense		457,036	547,803
Net finance expense		607,043	676,674
Share of (loss) profit of equity accounted investee		(104,066)	147,556
Earnings before net movements in regulatory deferral account balances		2,438,597	1,224,473
Net movement in regulatory account deferral balances related to profit and loss	4	791,736	540,387
Net earnings for the period from continuing operations		3,230,333	1,764,860
Discontinued operations			
Net loss for the period from discontinued operations		(2,260,795)	(624,599)
Net earnings and comprehensive income for the period		\$ 969,538	\$ 1,140,261
Net earnings for the period attributable to:			
Shareholders		\$ 969,538	\$ 942,558
Non-controlling interest	12	–	197,703
		\$ 969,538	\$ 1,140,261
Basic earnings per share from continuing and discontinued operations			
From continuing operations	11	\$ 0.30	\$ 0.15
From discontinued operations	11	\$ (0.21)	\$ (0.06)
From net earnings for the period	11	\$ 0.09	\$ 0.09
Fully diluted earnings per share from continuing operations	11	\$ 0.30	\$ 0.15

The notes on pages 14 to 40 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2015

NOTES	30 JUNE 2015	30 JUNE 2014
Cash flows from operating activities		
Net profit	\$ 969,538	\$ 1,140,261
Adjustments for:		
Depreciation and amortization	14,207,505	14,162,971
Share of loss (profit) of equity accounted investee	104,066	(147,556)
Finance expense	607,043	676,674
Changes in:		
Deferred revenues	114,190	46,185
Accounts receivable	406,587	911,246
Inventory	5,578,760	8,195,312
Prepaid expenses and other assets	(4,500,131)	(3,917,617)
Regulatory deferral account debit balances	(2,886,729)	(3,317,892)
Future health costs	695,679	944,766
Customer deposits	1,950	(236,379)
Trade and other payables and restructuring provision	2,566,681	(19,608,039)
Asset retirement and environmental clean-up obligations	316,296	301,236
Net cash generated by (used in) operating activities	18,181,435	(848,832)
Interest paid	(457,036)	(547,803)
Net cash from (used in) operating activities	17,724,399	(1,396,635)
Cash flow from investing activities		
Acquisition of property, plant and equipment, investment property and intangible assets	(8,800,823)	(10,245,990)
Net cash used in investing activities	(8,800,823)	(10,245,990)
Cash flows from financing activities		
Proceeds from issuance of capital stock	135,431	279,939
Dividends paid	10 (1,598,365)	(3,054,733)
Net (repayment of) proceeds from bank borrowing	(7,558,403)	15,301,719
Net cash (used in) generating by financing activities	(9,021,337)	12,526,925
(Decrease) increase in cash and cash equivalents	(97,761)	884,300
Cash and cash equivalents beginning of period	9,209,034	6,957,636
Cash and cash equivalents end of period	\$ 9,111,273	\$ 7,841,936

The notes on pages 14 to 40 are an integral part of these condensed consolidated interim financial statements.

**CONDENSED CONSOLIDATED
INTERIM STATEMENT OF CHANGES IN EQUITY** (UNAUDITED)

For the six-month period ended 30 June 2015

	NOTES	SHARE CAPITAL	SHARE PREMIUM
Balance at 1 January 2014		\$ 10,638,061	\$ 29,959,242
Total comprehensive income for the period			
Profit for the period		–	–
Transactions with owners of the Company recognized directly in equity			
Dividends	10	–	–
Issue of ordinary shares		33,490	246,449
Balance at 30 June 2014		\$ 10,671,551	\$ 30,205,691
Balance at 1 January 2015		\$ 10,681,740	\$ 30,305,714
Total comprehensive income for the period			
Profit for the the period		–	–
Transactions with owners of the Company recognized directly in equity			
Dividends	10	–	–
Issue of ordinary shares		24,711	110,720
Balance at 30 June 2015		\$ 10,706,451	\$ 30,416,434

The notes on pages 14 to 40 are an integral part of these condensed consolidated interim financial statements.

ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY					NON-CONTROLLING INTEREST	TOTAL EQUITY
TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL			
\$ (845,803)	\$ 22,549,745	\$ 181,963,767	\$ 244,265,012	\$ 1,176,837	\$ 245,441,849	
–	–	942,558	942,558	197,703	1,140,261	
–	–	(3,054,733)	(3,054,733)	–	(3,054,733)	
–	–	–	279,939	–	279,939	
\$ (845,803)	\$ 22,549,745	\$ 179,851,592	\$ 242,432,776	\$ 1,374,540	\$ 243,807,316	
\$ (845,803)	\$ 22,549,745	\$ 173,632,725	\$ 236,324,121	\$ –	\$ 236,324,121	
–	–	969,538	969,538	–	969,538	
–	–	(1,598,365)	(1,598,365)	–	(1,598,365)	
–	–	–	135,431	–	135,431	
\$ (845,803)	\$ 22,549,745	\$ 173,003,898	\$ 235,830,725	\$ –	\$ 235,830,725	

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2015

1 OPERATIONS

Ascendant Group Limited (the Company) is domiciled in Bermuda. The Company's registered office is at 27 Serpentine Road, Pembroke, HM07, Bermuda. These condensed consolidated interim financial statements comprise the Company and its subsidiaries (together referred to as "the Company"). The Company is mainly involved in Energy (electric power generation, transmission and distribution, propane sales and small-scale renewable systems) and Infrastructure (sale and service of heating, ventilation and air condition systems, air quality monitoring, building automation and energy management, commercial plumbing, fire protection, commercial refrigeration, property and facilities management, engineering consulting service) businesses.

Principle Operating Subsidiaries

Bermuda Electric Light Company Limited (BELCO)
Bermuda Gas & Utility Company Limited
Ascendant Bermuda Insurance Limited (ABIL)
AG Holdings Limited

- Air Care Limited

- iFM Limited
- PureENERGY Renewables, Ltd.
- iEPC Limited
- Ascendant Properties Limited

Principle Activity

Electric utility (generation, transmission & distribution)
Propane gas distribution

Captive property insurance

Parent company of the following non-utility business operations:

Sale and service of air condition systems, air quality monitoring, building automation and energy management, commercial plumbing, fire protection and commercial refrigeration services
Property and facilities management services
Small-scale renewable energy systems and solutions
Engineering procurement, contracting and consulting services
Property management

The consolidated financial statements of the Company as at 31 December 2014, which were prepared in accordance with accounting principles generally accepted in Bermuda and Canada, are available upon request from the Company's registered office above or at www.ascendant.bm.

2 BASIS OF PREPARATION

a Statement of compliance

These condensed consolidated interim financial statements, as at and for the six-month period ended 30 June 2015, have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS). These are the Company's first IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements, and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 22.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 22 September 2015.

b Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following items in the consolidated statement of financial position:

- Defined benefit obligation;
- Other post-retirement benefits;
- Held for trading financial assets are measured at fair value; and
- Assets classified as held for sale are measured at fair value.

c Functional and presentation currency

These condensed consolidated interim financial statements are presented in Bermuda Dollars, the Company's functional currency, which is on par with US Dollars.

d Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation are expected to be the same as those that will apply to the first annual IFRS financial statements.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements are described in the following notes:

- Note 3(l) i – Impairment of financial assets
- Note 3(l) ii – Impairment of non-financial assets
- Note 3(m) – Provisions including asset retirement and environmental clean-up obligations
- Note 3(c) – Useful lives of property, plant and equipment
- Note 3(i) – Useful lives of intangible assets
- Note 3(j) – Useful lives of investment property
- Note 3(h) – Defined benefit pension plan (DB Plan) and other post-retirement benefits

SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS statement of financial position as at 1 January 2014 for the purposes of the transition to IFRS, unless otherwise indicated.

a Principles of consolidation

Consolidation

IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns.

These condensed consolidated interim financial statements include the financial statements of the Company and its controlled subsidiaries, Bermuda Electric Light Company Limited (BELCO), Bermuda Gas & Utility Company Limited, Ascendant Bermuda Insurance Limited (ABIL) and AG Holdings Limited. All material intercompany accounts and transactions have been eliminated upon consolidation.

The financial statements of subsidiaries are included in the consolidated financial statements only from the date that control commences until the date that the control ceases.

Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. Under IFRS 11, the Company classifies its interest in joint arrangements as either joint operations or joint ventures, depending on the Company's rights to the assets and obligations for the liabilities of the arrangements. When making the assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

For joint ventures, the Company applies the equity method of accounting and are initially recognized at cost. Under the equity method, the Company's share of profit or loss and other comprehensive income of the joint venture (equity accounted investee) is included from the date that joint control commences, until the date joint control ceases.

b Revenue recognition

The sales of electricity are based on consumption recorded by meter readings taken monthly during the year. The Company has made an accrual for unread consumption at the end of the financial year. Sales from contracts are provided for using the percentage of completion method. Maintenance sales are earned over the term of the individual contracts. The unearned portion, calculated on a pro rata basis, is deferred and included in the balance sheet as unearned revenue. Where revenues recognized on long-term contracts based on the percentage of completion method exceed the amount billed to date, unbilled revenue is recorded.

Revenues from the regulated distribution of electricity in Bermuda include variable and fixed charges. Variable charges are recognized using meter readings on delivery of the commodity to customers and include an estimate of usage not yet billed. Fixed charges are based on the distribution service provided during the period.

Other revenues are recognized when products are delivered or services provided. Billings in excess of earned revenue are classified as deferred revenues on the consolidated statement of financial position.

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income over the term of the lease.

c Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset, and includes the cost of dismantling and removing the assets and restoring the site on which they are located. Interest cost on funds borrowed for the construction of certain long-term assets has been capitalized. Capitalized interest is recorded as part of the asset to which it relates, and is depreciated over the estimated useful life of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major overhaul costs are capitalized and depreciated on a straight-line basis over the period to the next major overhaul, which varies from three to eight years. The cost of repairs and maintenance activities, which are performed every two years or less and do not extend or enhance the life of the asset, are charged to earnings during the period in which they are incurred.

The Company allocates the amount initially recognized in property, plant and equipment to its significant components and depreciates each component separately. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted where necessary.

Depreciation of property, plant and equipment is calculated on a straight-line basis. The calculation of depreciation is based on the cost less residual value of each group of assets from the actual date that they are brought into service. Significant components of individual assets are reviewed annually, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately. Land is not depreciated.

Depreciation for generation plant, transmission equipment and distribution equipment less estimated salvage value is calculated over periods ranging from three to 24 years.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss in the statement of comprehensive income.

d Cash and cash equivalents

Cash and cash equivalents include cash on account and short-term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash, and which are subject to insignificant risk of change in value.

e Inventory

Inventory is comprised of materials and supplies, as well as fuel and lubricants. Materials and supplies are recorded at the lower of average cost, less provision for obsolescence and net realizable value. Fuel and lubricants are recorded at cost on a first-in, first-out basis.

f Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies have been translated into Bermuda Dollars at rates of

exchange that approximate those rates prevailing at the reporting date. Transactions in foreign currencies during the year have been recorded at actual rates of exchange when incurred. Gains or losses arising on foreign currency translations are included in profit or loss for the period.

g Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the year adjusted for treasury shares held. Diluted earnings per share are determined by adjusting the weighted average number of shares for the effects of all dilutive potential shares which comprise options granted to employees.

h Pensions and employee future benefits

BELCO maintained a trustee non-contributory, defined benefit pension plan (DB Plan) covering all full-time employees hired prior to 1 January 2006. The DB Plan provided a pension benefit to members equal to a percentage of an employee's average salary prior to retirement. The percentage benefit is based upon an employee's years of service up to a maximum benefit of 65%, while the average salary is calculated as the average earnings over a consecutive three-year period in the 10 years immediately prior to retirement. As at 31 December 2011, BELCO imposed a "soft" freeze of the DB Plan. Under the terms of this "soft" freeze, the percentage benefit was frozen; however, the pensionable earnings benefit to which the fixed percentage will be applied will continue to be calculated as previously noted. Effective 1 January 2012, all employees covered under this plan were transitioned to a defined contribution plan.

i Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

iii Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the DB Plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The Company's net obligation in respect of the DB Plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting the amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan and reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

All previously unamortized actuarial gains and losses at 1 January 2014, the date of transition to IFRS, were recognized in retained earnings. The Company recognizes all actuarial gains and losses arising subsequently from the DB Plan in other comprehensive income (OCI) and expenses related to the DB Plan in personnel expenses in profit or loss.

Remeasurements of the net defined liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB Plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss when the curtailment occurs. The Company recognizes gains and losses on the settlement of a DB Plan when the settlement occurs.

iv Other long-term employee benefits

BELCO and Bermuda Gas provide post-retirement medical benefits for substantially all employees on retirement. The Company uses the accrual basis of accounting for these benefits, whereby an accrual is made for the present value of future benefits to be provided in the reporting period in which the employee has provided the related service. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the OCI in the statement of comprehensive income in the period in which they arise.

BELCO provides post-retirement life insurance for existing retirees. The Company accounts for post-retirement life insurance in line with accounting for DB pension plans.

v Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

i Intangibles

The Company classifies goodwill and computer software as intangibles. Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis, or more frequently if impairment indicators arise. As at 30 June 2015, 31 December 2014 and 1 January 2014, there was no impairment of the Company's goodwill. Computer software is measured at cost less accumulated amortization and impairment losses. Computer software is amortized on a straight-line basis over periods ranging from five to 10 years. Software in progress is not subject to amortization until brought into service. Amortization is based on cost of an asset less its residual value. The method of amortization, residual values and useful lives of the assets are reviewed annually and adjusted where necessary.

j Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and any adjustment for impairment.

Investment property is amortized over the estimated useful life of 24 years. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

When the use of a property changes, such that it is reclassified as property, plant and equipment, its depreciated historical cost at the date of reclassification becomes its cost for subsequent accounting.

k Financial instruments

The Company classifies short-term investments as held for trading. Financial assets other than those held for trading are classified as loans and receivables. Financial liabilities are classified as other financial liabilities.

The carrying values of cash and cash equivalents, accounts receivable, bank borrowings, customer deposits, trade and other payables approximate fair value because of their short-term maturities.

i Financial assets and financial liabilities – recognition and derecognition

The Company initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

ii Financial assets – measurement

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss, if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

Loans and receivables

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost less impairment losses, using the effective interest method.

iii Financial liabilities – measurement

Financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

iv Fair value hierarchy

In estimating fair value, the Company utilizes quoted market prices when available. Financial assets are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Management's judgment as to the significance of a particular input to the fair value measurement may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either directly or indirectly (i.e., derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs wherever such inputs exist. A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

v Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity. When common shares are repurchased the amount of consideration paid is recognized as a deduction from equity. Repurchased shares are classified as treasury shares.

I Impairment

i Financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security; or
- Observable data indicating that there is a measureable decrease in the expected future cash flows from a Company's financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortized cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred, but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

ii Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (cash generating units or CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

m Provisions

The Company recognizes provisions when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in the interest expense.

Management evaluates the likelihood of the contingent events based on the probability of exposure to the potential loss. Actual results could differ from these estimates.

A contingent asset is not recognized in the condensed consolidated interim financial statements. However, a contingent asset is disclosed when an inflow of economic benefit is probable.

Asset retirement obligations

Asset retirement obligations (ARO) are legal and constructive obligations connected with the retirement of tangible long-lived assets. These obligations are measured at management's best estimate of the expenditure required to settle the obligation and are discounted to present value when the effect is material. Cash flows for ARO are adjusted to take risks and uncertainties into account and are discounted using a risk-free discount rate.

Initially, an ARO is recorded in provisions, with a corresponding increase to property, plant and equipment. Subsequently, the carrying amount of the provision is accreted over the estimated time period until settlement of the obligation, with the accretion expense recognized in the statement of comprehensive income. The asset is depreciated over its estimated useful life. The carrying value is evaluated annually, or more frequently if events or circumstances dictate, taking into account changes in the estimate of future cash flows and a discount rate that reflects the current market assessment of the time value of money.

Environmental clean-up obligation

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognized when the land is contaminated.

Warranties

A provision for warranties is recognized when the underlying products and services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated possibilities.

Restructuring

A provision for restructuring is recognized when the Company has approved a detailed formal restructuring plan and the restructuring has either commenced or has been announced publicly. Future operating losses are not provided for.

n Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

o Income tax

As the Company is domiciled in Bermuda, it is not subject to taxation on profit or capital gains. Accordingly, no provision for income tax or deferred tax has been made in the condensed consolidated interim financial statements.

p Finance expense

Finance expense is comprised of interest on borrowings, changes in fair value of held for trading investments and foreign currency gains and losses incurred in the year.

q Standards issued, but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015,

however, the Company has not applied the following new or amended standards in preparing these condensed consolidated interim financial statements.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

r Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, Chief Financial Officer, three Chief Operating Officers, and members of the Board of Directors, who make decisions about resources to be allocated to the segment and assess its performance principally on the basis of earnings adjusted for regulatory items as shown in Note 17, Segmented Information.



RATE REGULATION

The Company's wholly owned subsidiary, Bermuda Electric Light Company Limited (BELCO), is an electric utility subject to rate regulation as outlined under the Bermuda Energy Act 2009 (the Energy Act).

Nature and economic effects of rate regulation in Bermuda

BELCO is currently regulated by the Bermuda Government's Energy Commission (EC), in accordance with the Energy Act. The EC consists of a Chairman and four other members, all of whom are appointed by the Minister responsible for the Department of Energy (the Minister).

Any change to electricity prices requires a formal written submission to the EC for its consideration with respect to the level of adjustment, the date on which the variation would be effective, and any other terms and conditions upon which the variation may be made. In exercising its discretion, the EC needs to consider: (a) the costs of providing the service; (b) the needs of the business for adequate working capital and reasonable reserves; (c) the need to afford investors a reasonable rate of return; (d) the public interest; and (e) any other matters which the Commission deems relevant.

The EC has up to 60 days to render a decision, or a longer period as allowed by the Minister. BELCO has the right to appeal any EC direction to the Minister within 21 days of being notified of that direction. The Minister shall make a decision on an appeal as soon as possible after the hearing, but in no event later than 60 days after the receipt of the notice of appeal.

Under current practice, BELCO's request for tariff adjustments are either related to Basic Rates (BR) and the Fuel Adjustment Rate (FAR). BR case submissions to the EC are supported using a cost of service regulatory model incorporating BELCO's operating costs, depreciation and a return on capital. BELCO's operating costs included in the BR incorporate a standard fuel charge of \$30.00 per barrel for BELCO's direct fuel costs as well as the relative equivalent component included in purchased kilowatt-hours from the Tynes Bay waste-to-energy facility.

BELCO's actual fuel costs in excess of \$30.00 per barrel are separately recovered through the FAR. Given the relative volatility of fuel prices, FAR submissions to the EC are currently made on a monthly basis in accordance with EC defined minimum filing report requirements. This relatively frequent adjustment process allows for the pass-through of actual fuel costs in a timely manner.

Proposed changes to Bermuda's energy regulation

On 5 June 2015, the National Electricity Sector Policy of Bermuda (the Policy) was established. The Policy seeks to achieve the objectives, by enabling the introduction of new technologies to the Island, of lower cost of service, reducing local pollution as well as the emissions of global greenhouse gases produced by electricity generation, improve the security of supply, and improve affordability, all while maintaining or improving quality of service. The Policy recognizes a new framework of policy, legislation and regulation is required to achieve these benefits that are to be shared among BELCO, end users and Government. In addition to the objectives noted, the Policy:

- Presents a vision of what the sector will look like;
- Shows the desired structure of the sector, including roles and responsibilities of the participants;
- Defines a process for determining the sources of Bermuda's electricity generation, as well as who will provide the generation;
- Defines the enabling framework for distributed generation;
- Identifies the desired structure of the transmission, distribution and retail subsector and the role the subsector plays in accommodating new generation sources;
- Defines Government support of more efficient use of electricity; and
- Identifies the legal framework supporting Policy implementation.

In support of the Policy, the Bermuda Government's Minister of Economic Development introduced, on 17 July 2015, the draft Electricity Bill which, following a period of review by all stakeholders and possible amendment, will be finalized, approved and known as the Electricity Act, 2015. Once approved, the Energy Act, 2009, which currently regulates BELCO, will be repealed. The Regulatory Authority Act, 2011, will also be amended to the extent required by regulation of the electricity sector.

Financial statement effects of rate regulation

As at 30 June 2015, unrecovered fuel purchase costs associated with barrels of fuel used to meet electric sales demand totaled \$3,132,942 (31 December 2014: \$246,213). As at 1 January 2014, the Company over-recovered, under the EC approved fuel adjustment tariff, \$1,204,446 in order to limit the need to increase future month FAR in light of projected increased fuel costs to be used in operations to meet demand. The Company has early adopted IFRS 14, *Regulatory Deferral Accounts* and has accounted for these balances as regulatory deferral account debit balances and changes in the regulatory deferral account related to profit and loss in accordance with this standard. The equalization effect of rate regulation on the Company's statement of comprehensive income as at 30 June 2015 was \$791,736 (30 June 2014: \$540,387).

PROPERTY, PLANT AND EQUIPMENT

	ORIGINAL COST	ACCUMULATED DEPRECIATION	30 JUNE 2015	31 DECEMBER 2014	1 JANUARY 2014
Utility plant	\$ 724,874,513	\$ 458,032,372	\$ 266,842,141	\$ 271,251,136	\$ 272,658,987
Other physical property	16,885,736	8,467,962	8,417,774	12,985,136	13,142,031
	\$ 741,760,249	\$ 466,500,334	\$ 275,259,915	\$ 284,236,272	\$ 285,801,018

Total capital work in progress of \$17,318,573 (31 December 2014: \$13,667,988 and 1 January 2014: \$11,134,806) is embedded in property, plant and equipment noted above. Capital work in progress is not subject to depreciation until brought into service.

Asset retirement obligations included in utility plant as at 30 June 2015 amounted to \$10,329,756 (31 December 2014: \$11,144,909 and 1 January 2014: \$12,775,215).

Freehold land of \$10,895,345 (31 December 2014: \$10,895,345 and 1 January 2014: \$10,895,345) is embedded in property, plant and equipment noted above. Freehold land is not subject to depreciation.

6 INTANGIBLE ASSETS AND GOODWILL

	ORIGINAL COST	ACCUMULATED AMORTIZATION	30 JUNE 2015	31 DECEMBER 2014	1 JANUARY 2014
Software	\$ 15,785,578	\$ 11,468,823	\$ 4,316,755	\$ 4,987,528	\$ 6,235,930
Goodwill	7,632,982	–	7,632,982	7,632,982	7,632,986
	\$ 23,418,560	\$ 11,468,823	\$ 11,949,737	\$ 12,620,510	\$ 13,868,916

There was no impairment of intangible assets and goodwill for the period ended 30 June 2015. During the six-month period ended 30 June 2015, \$4,475 (31 December 2014: \$176,869; 1 January 2014: \$956,074) of intangible assets subject to amortization were acquired.

7 INVESTMENT PROPERTY

Investment property comprises residential and commercial properties, which are leased to tenants on a month-by-month basis.

	ORIGINAL COST	ACCUMULATED DEPRECIATION	30 JUNE 2015	31 DECEMBER 2014	1 JANUARY 2014
Investment property	\$ 5,700,967	\$ 1,115,616	\$ 4,585,351	\$ 2,071,195	\$ 2,579,100

8 INVESTMENTS

The Company's investments are all actively traded on the Bermuda Stock Exchange and, therefore, have been classified as Level 1 securities. There have been no transfers between the levels during the period.

9 INVENTORY

During the six-month period ended 30 June 2015, the Company expensed inventory totaling \$53,045,351 (30 June 2014: \$63,643,680) as part of normal operations. Inventory written off during the period totaled \$641,039 (30 June 2014: \$18,410).

10 SHARE CAPITAL

	30 JUNE 2015	31 DECEMBER 2014	1 JANUARY 2014
Share capital comprises:			
Authorized – 20 million shares of a par value of \$1 each	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Issued and fully paid – 10,706,451 shares of a par value of \$1 each (31 December 2014: 10,681,740 shares and 1 January 2014: 10,638,061 shares)	\$ 10,706,451	\$ 10,681,740	\$ 10,638,061

Movement in issued and fully paid share capital was attributed to:

- (1) The Company's employee share purchase plan (employees may acquire stock at a 10% discount of the stock market trade value price of Company shares at time of purchase);
- (2) Stock issued to Directors as part of total annual Director fee compensation; and
- (3) Employee awards for long service, retirement and accomplishment.

The impact of these items on capital stock and share premium for the periods ending 30 June 2015 and 31 December 2014 was as follows:

	SHARES ISSUED AND FULLY PAID	CAPITAL STOCK \$	SHARE PREMIUM \$
1 January 2014	10,638,061	10,638,061	29,959,242
Employee share purchase plan	27,131	27,131	243,688
Directors fee compensation	14,400	14,400	86,400
Awards (Long service, retirement, accomplishment)	2,148	2,148	16,384
	43,679	43,679	346,472
31 December 2014	10,681,740	10,681,740	30,305,714
Employee share purchase plan	10,311	10,311	63,928
Directors fee compensation	14,400	14,400	46,792
Awards (Long service, retirement, accomplishment)	–	–	–
	24,711	24,711	110,720
30 June 2015	10,706,451	10,706,451	30,416,434

There were no shares issued during the periods ending 30 December 2014 and 30 June 2015 attributed to the Company's long-term incentive plan described in detail in Note 19.

Dividends

The following dividends were declared and paid by the Company for the six-month period ended 30 June:

	2015	2014
15 cents per qualifying ordinary share (30 June 2014: 29 cents)	\$ 1,598,365	\$ 3,054,733

Treasury stock

A total of 41,200 shares were held as treasury shares as at 30 June 2015 (31 December 2014: 41,200; 1 January 2014: 41,200).

EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing profit attributable to shareholders of Ascendant Group Limited (AGL) by the weighted average number of ordinary shares outstanding during the reported period. Earnings per share are diluted by potential shares. Potential shares are issuable under the Company's long-term incentive program (LTIP). The Company's LTIP is described in detail in Note 19.

A dilutive effect arose in 2015 as a result of time-vested retention shares under the LTIP. The dilutive impact, however, is insignificant and has not impacted reported earnings per share.

The following table sets forth the computation for basic and fully diluted earnings per share for the periods ended 30 June:

	30 JUNE 2015	30 JUNE 2014
Numerator		
Net earnings from continuing operations:		
Attributable to:		
Non-controlling interests	\$ –	\$ 197,703
Shareholders of AGL	3,230,333	1,567,157
	\$ 3,230,333	\$ 1,764,860
Net loss from discontinued operations:		
Attributable to shareholders of AGL	\$ (2,260,795)	\$ (624,599)
Denominator		
Weighted average number of shares outstanding - Basic	10,648,353	10,608,856
Add: Dilutive potential shares from the LTIP	11,111	–
Weighted average number of shares outstanding – Fully diluted	10,659,464	10,608,856
Basic and fully diluted earnings / (loss) per share attributable to shareholders of AGL:		
Basic EPS:		
Continuing operations	\$ 0.30	\$ 0.15
Discontinued operations	(0.21)	(0.06)
Net earnings	\$ 0.09	\$ 0.09
Fully Diluted EPS:		
Continuing operations	\$ 0.30	\$ 0.15



12 NON-CONTROLLING INTEREST AND JOINT VENTURE

Joint Venture

iFM is a joint venture company that is 60% owned by the Company, and 40% owned by Black & McDonald Limited (B&M). B&M, a privately held Canadian company, is a leading electrical, mechanical and facilities maintenance management contractor operating across Canada, the United States and Bermuda. iFM brings together these strategic partners from Bermuda and Canada to deliver world-class facilities management services to clients in Bermuda.

iFM has been accounted for in the Company's financial statements using the equity method in accordance with IFRS 11 *Joint Arrangements*.

Non-controlling Interest – Investment in Air Care

On 30 May 2012, the Company acquired 7,114 shares representing a 57% interest in Air Care, a privately held company that is a leading provider of heating, ventilation and air conditioning and related services in Bermuda. The remaining 5,338 shares, or 43% interest, was agreed to be acquired from minority shareholders in three annual tranches on the anniversary date of 1 August, beginning in 2012, based on an outlined earnings before interest, depreciation and amortization formula. Contingent consideration for the remaining shares was recognized as a liability at 30 June 2014 and 1 January 2014. The outstanding redemption liability as at 30 June 2014 was \$2,509,081 (1 January 2014: \$2,509,081). The portion of the purchase price paid to acquire Air Care in excess of its net assets has been recognized as goodwill and is included in intangible assets (Note 6). On 30 July 2014, the final 15% interest in Air Care was acquired and it is now wholly owned by the Company. There was no outstanding redemption liability as at 30 June 2015 (31 December 2014: \$nil).

13 BANK BORROWING

Bank borrowing is comprised as follows:

	30 JUNE 2015	31 DECEMBER 2014	1 JANUARY 2014
Current Liabilities			
The Bank of N.T. Butterfield & Son Limited overdraft facility	\$ 28,853,828	\$ 34,789,745	\$ 29,839,636
The Bank of N.T. Butterfield & Son Limited revolving loan facility	2,897,478	2,822,597	–
	\$ 31,751,306	\$ 37,612,342	\$ 29,839,636

BELCO's overdraft facility, which expired on 30 June 2015, has a maximum amount of \$41 million, bearing variable interest rates based on the Bank's Bermuda Dollar Base Rate on borrowings. This facility was renewed and extended to 28 February 2016 with no changes to the terms. The Company's Board approved a \$14 million decrease in the overdraft facility limit, which as at 31 December 2014 was \$55 million, to \$41 million on the facility renewal date, 28 February 2015. As of 30 June 2015, total drawdown on this facility amounted to \$28,853,828, bearing interest of approximately 4.8% (31 December 2014: \$34,789,745, bearing interest of approximately 4.8% and 1 January 2014: \$29,839,636, bearing interest of approximately 4.8%). As of 30 June 2015, the current portion of the total drawdown against the revolving facility amounted to \$2,897,478 (31 December 2014: \$2,822,597 and 1 January 2014: \$nil).

	30 JUNE 2015	31 DECEMBER 2014	1 JANUARY 2014
Non-current Liabilities			
The Bank of N.T. Butterfield & Son Limited revolving loan facility	\$ 10,198,264	\$ 11,895,631	\$ 12,359,198

In May 2012, the Company obtained, through one of its affiliated companies, a revolving loan facility in the maximum principal amount of \$15.5 million to finance the acquisition of Air Care. Drawdowns were available during a revolving period of 39 months, a period during which interest only was payable. The loan is for a term of eight years and interest is payable at 1.5% per annum above the Bank's Bermuda Dollar Base Rate. The loan is secured by a debenture over the assets of Air Care and undertakings, as well as a guarantee from Ascendant Group. As of 30 June 2015, the non-current portion of the total drawdown against the revolving facility amounted to \$10,198,264 (31 December 2014: \$11,895,631 and 1 January 2014: \$12,359,198).

On 31 July 2014, Bermuda Gas renewed its overdraft facility agreement with the Bank. The facility, which expires on 31 July 2015, has a maximum principal amount of \$750,000 (31 December 2014: \$750,000 and 1 January 2014: \$750,000). As at 30 June 2015, there is no drawdown on this facility.

14 CAPITAL MANAGEMENT

The Company's objectives, when managing capital, are to maintain sufficient liquidity and ongoing access to capital in order to allow the Company to build and maintain its operational infrastructure and administrative systems. The Company's short-term capital management strategy is to generate and utilize positive cash flows from operations to meet annual capital expenditure and dividend payment requirements. Where a shortfall exists between internally generated cash inflows and required cash outflows, short-term debt financing will be utilized. The Company currently utilizes a bank overdraft facility to address fuel financing, small-scale renovation work and other requirements. The Company's long-term strategic capital management plan considers all alternative financing options available to address large-scale plant generation expansion or replacement, and transmission and distribution projects. The Company is not subject to any externally imposed minimum capital requirements.

15 RETIREMENT BENEFITS

Defined Contribution Pension Plan

Total employer contributions paid to the defined contribution pension plan during the period by the Company and included in operating and administrative expenses are as follows:

	30 JUNE 2015	30 JUNE 2014
Ascendant Group	\$ 123,803	\$ 134,751
BELCO	549,386	536,343
Bermuda Gas	66,857	65,518
AG Holdings	180,251	266,816
	\$ 920,297	\$ 1,003,428

Defined Benefit Pension Plan & Other Post-Retirement Benefits

Amounts related to the Company's defined benefit (DB) pension plan obligation and other post-retirement benefit obligations are as follows:

	30 JUNE 2015		31 DECEMBER 2014	
	DEFINED BENEFIT PLAN	OTHER POST- RETIREMENT BENEFITS	DEFINED BENEFIT PLAN	OTHER POST- RETIREMENT BENEFITS
Closing balance	\$ 31,821,000	\$ 36,512,166	\$ 31,821,000	\$ 35,816,487

As a result of a plan amendment to the Company's post-retirement medical benefit plan during the year ended 31 December 2014, the Company's future health obligation decreased by \$7,042,219 and is included in other income in the condensed consolidated interim statement of comprehensive income (Note 22).

The Company has not obtained actuarial valuations for its pension and post retirement medical benefit plans as at 30 June 2015, and as such no adjustments have been made to the related obligations at 30 June. Such adjustments may be material to these condensed consolidated interim financial statements.

The current BELCO group life insurance plan provides coverage until death for all active employees and existing retirees. The current life insurance plan for active employees represents a standard short term employment benefit and net premiums are expensed as incurred. Continuation of these benefits at retirement is at the discretion of the Company. The current life insurance plan for existing retirees is a non-standard benefit which has been accounted for in accordance with IAS 19 in line with defined benefit pension plan accounting requirements. At 30 June 2015, the Company has determined liability for existing retirees entitled to death benefits under the existing BELCO group life insurance plan was \$4,578,649 (31 December 2014: \$4,578,649; 1 January 2014: \$4,578,649).

16 EQUITY SETTLED SHARE PURCHASE PLAN

The Company provides an opportunity for all of its current and retired employees to participate in an Employee Share Purchase Plan. Under the terms of the plan, an employee must have completed six-months of employment to be eligible to subscribe for shares. The shares are sold at market price, as determined by the Bermuda Stock Exchange at the close of business on the day of subscription, less a discount of 10%, up to a maximum of 2,000 shares in any one year. Shares can also be paid for via the Company payroll deduction mechanism; when subscribing for shares through this mechanism a minimum purchase of 50 shares is necessary. The market price prevailing on the date of application less 10% discount will be the price that is paid for shares even though they might not be completely paid for until some months later (up to a maximum period of one year). Shares issued under this plan must be held by the employee for a minimum period of one year under which time the related discounts will vest; any disposition of shares before this period would require the discounts previously given to be refunded to the Company.

17 SEGMENTED INFORMATION (In \$000's)

Reportable segments correspond to the Company's internal organization structure. The Company operates the reportable segments noted below, which are managed as separate business units as they operate in different industries requiring different marketing strategies and technologies. The Company evaluates each segment's performance based on its contribution to net income. The accounting policies of the reportable segments are the same as those described in Note 3.

Bermuda Electric Light Company Limited (BELCO) – Provides electric utility services and is a rate regulated company.

Bermuda Gas & Utility Company Limited – Is a distributor of propane gas.

AG Holdings Limited – A subsidiary of AGL and parent company of entities other than BELCO, Bermuda Gas, AGL, and Ascendant Bermuda Insurance Limited (ABIL) that provide the following services:

- (1) Property and facility management services;
- (2) Property management;
- (3) Renewable energy solutions;
- (4) Engineering procurement, contracting and consulting; and
- (5) HVAC, air quality monitoring, building and energy management.

CONTINUING OPERATIONS	BELCO	BERMUDA GAS	AG HOLDINGS	ALL OTHER (a)	TOTAL
Six months ended 30 June 2015					
Revenues from external customers	\$ 99,719	\$ 5,312	\$ 10,445	\$ 10	\$ 115,486
Revenues from internal customers	37	–	604	239	880
Segment revenues	99,756	5,312	11,049	249	116,366
Segment profit (loss)	5,439	(1,425)	(561)	(2,483)	970
Segment assets and regulatory deferral account debit balances	332,454	9,897	37,797	4,312	384,460
Segment liabilities and regulatory deferral account credit balances	127,283	4,877	14,357	2,112	148,629

CONTINUING OPERATIONS	BELCO	BERMUDA GAS	AG HOLDINGS	ALL OTHER (a)	TOTAL
Six months ended 30 June 2014					
Revenues from external customers	\$ 109,723	\$ 5,445	\$ 12,766	\$ 40	\$ 127,974
Revenues from internal customers	30	–	–	295	325
Segment revenues	109,753	5,445	12,766	335	128,299
Segment profit (loss)	1,922	315	837	(1,934)	1,140
Segment assets and regulatory deferral account debit balances	344,986	10,242	39,382	2,947	397,557
Segment liabilities and regulatory deferral account credit balances	132,009	4,797	15,842	1,102	153,750

(a) All other, representing segments below the quantitative thresholds, are attributable to AGL, the ultimate parent company, and ABIL, a captive property insurance company.

Reconciliation of segment revenues to total Company revenues is noted below.

	30 JUNE 2015	30 JUNE 2014
Revenues from external customers	\$ 115,486	\$ 127,974
Cost of goods sold and discounts	(15,477)	(15,939)
Total Company revenues	\$ 100,009	\$ 112,035

18 PROVISIONS

Asset retirement obligation

The ARO provision represents the present value of the costs to be incurred for the restoration of the Company's power generation plant. The Company estimates that the undiscounted amount of cash flow required to settle the ARO is approximately \$13.2 million, which will be incurred between 2014 and 2036. The risk-free discount rate used to calculate the fair value of the ARO was 5% (31 December 2014: 5% and 1 January 2014: 5%).

Environmental clean-up obligation

The Company has raised a provision for its environmental clean-up obligation with respect to the decommissioning and remediation of its Old Power Station at the Central Power Station. The present value of the costs to be incurred for site restoration has been estimated at approximately \$1.1 million. The risk-free discount rate used to calculate the fair value of the environmental clean-up obligation was 5% (31 December 2014: 5% and 1 January 2014: 5%).

Restructuring provision

During the period ended 30 June 2015, the Company committed to a plan to restructure the retail appliance and service sales segment of Bermuda Gas. Following the announcement of the plan, the Company recognized a provision of \$963,000 for expected restructuring costs. The restructuring provision includes expected redundancy payments and warranty provision. The warranty provision is based on estimates made from historical warranty data. The Company expects to incur most of the liability over the next year.

19 RELATED PARTIES

Key management personnel compensation

Key management personnel include both Directors and Executives of Ascendant Group.

Compensation paid to key management personnel for employee services for the six-month period ended 30 June is as follows:

	30 JUNE 2015	30 JUNE 2014
Salaries, fees and other short-term employment benefits	\$ 1,595,439	\$ 1,954,760

Effective 1 January 2013, the Company has implemented a Long-Term Incentive Plan (LTIP) aimed at retaining the services of its officers and incentivizing performance in the best interest of its shareholders. LTIP grants were authorized by the Board of Directors in 2013, 2014 and 2015. The LTIP is comprised of an initial grant of a target number of restricted performance shares of the Company, based on a calculated percentage of each officer's salary divided by the average 30-day share price in the previous December. Each LTIP initial grant will vest on the third anniversary of the effective award date, multiplied by a factor of 0% – 150% based on the achievement of certain pre-determined objectives as solely determined by the Board of Directors. These performance and time restricted shares can only vest early for an officer's retirement or a change in control of the Company, in which case they would vest on a pro rata basis relative to time served and would only be paid at the end of the vesting period if performance objectives were met.

In addition to the LTIP program, the Company has issued a total of 225,000 restricted shares to certain officers in 2014 and 2015 for retention and performance alignment purposes. These restricted shares will vest on the third anniversary of each award date, with 125,000 shares subject to performance. The performance restricted shares can vest early for an officer's retirement or change of control of the Company, subject to the satisfactory fulfillment of strategic objectives as solely determined by the Board of Directors. The time restricted shares can only vest early for a change in control of the Company, in which case they would vest on a pro rata basis relative to time served.

As of the balance sheet date, the performance conditions associated with the LTIP and retention programs have not been met. Consequently, for the purpose of calculating diluted EPS, these shares have not been included. The retention shares, which are time vesting, have been included in the diluted EPS computation on a pro rata basis relative to the three-year vesting period.

	INITIAL GRANT @ TARGET	CURRENT GRANT @ TARGET	DILUTIVE SHARES
2013 LTIP	89,072	76,503	–
2014 LTIP	102,628	93,720	–
2015 LTIP	180,853	180,853	–
Retention (Performance)	125,000	125,000	–
Retention (Time)	100,000	100,000	11,111
	597,553	576,076	11,111

20 DISCONTINUED OPERATION

In June 2015 the Company discontinued its retail sales segment of Bermuda Gas; the segment was not classified as held for sale or a discontinued operation at 31 December 2014 and the comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this division early in June 2015 following a strategic decision to place greater focus on the Company's key competencies, being the supply of commercial and residential gas.

FOR THE SIX MONTHS ENDED 30 JUNE	2015	2014
Results of discontinued operation		
Revenue	\$ 3,774,884	\$ 3,639,962
Expenses	(6,035,679)	(4,264,561)
Loss from operating activities and for the period	(2,260,795)	(624,599)
Cash flows used in discontinued operation		
Net cash used in operating activities	(2,260,795)	(624,599)
Effect on cash flows	\$ (2,260,795)	\$ (624,599)

21 ASSETS CLASSIFIED AS HELD FOR SALE

The retail appliance and service sales segment of Bermuda Gas is presented as a disposal group held for sale following the commitment of the Company's management in June 2015. Efforts to sell a portion of the inventories below were funded in July 2015. Buyers for the remaining inventories and other assets are being sought. At 30 June 2015 the disposal group comprised assets of \$1,592,408, detailed as follows:

	30 JUNE 2015
Property, plant and equipment	\$ 561,714
Inventory	1,030,694
	\$ 1,592,408

An impairment loss of \$641,039 on the measurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell has been recognized in operating and administrative expenses in the statement of comprehensive income for the period ended 30 June 2015.

22 TRANSITION TO IFRS

As stated in Note 2(a), these are the Company's first condensed consolidated interim financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been applied in preparing the interim consolidated financial statements for the six-month period ended 30 June 2015, the comparative information for both the six-month period ended 30 June 2014 and the year ended 31 December 2014, and in the preparation of an opening IFRS statement of financial position as at 1 January 2014 (the Company's date of transition).

An explanation of how the transition from previous accounting principles generally accepted in Bermuda and Canada (Previous GAAP) to IFRS has affected the Company's financial position effective 1 January 2014 is set out in the following tables:

RECONCILIATION OF EQUITY

	NOTE	PREVIOUS GAAP	EFFECT OF TRANSITION TO IFRS 1 JANUARY 2014
Assets			
Non-current assets			
Property, plant and equipment	a,b,c,d,g	\$ 281,874,805	\$ 3,926,213
Investment property	a,b	–	2,579,100
Intangible assets and goodwill		13,868,916	–
Investment in joint venture	d	–	302,963
		\$ 295,743,721	\$ 6,808,276
Current assets			
Cash and cash equivalents	d,h	7,580,325	(622,689)
Investments	h	–	133,717
Accounts receivable	d,l,i	21,569,693	1,314,409
Inventory	c,d	72,698,771	(3,530,963)
Prepaid expenses and other assets	e	23,600,453	(21,649,000)
		\$ 125,449,242	\$ (24,354,526)
Regulatory deferral account debit balances	i	–	–
Total assets and regulatory deferral account debit balances		\$ 421,192,963	\$ (17,546,250)
Equity and Liabilities			
Non-current liabilities			
Bank borrowing		12,359,198	–
Asset retirement obligation	g	–	12,775,215
Environmental clean-up obligation	j	–	1,185,516
Defined benefit plan obligation	e	–	19,576,000
Other post-retirement benefits	e,f	14,041,937	28,321,100
		\$ 26,401,135	\$ 61,857,831
Current liabilities			
Customer deposits		495,858	–
Trade and other payables	d	35,667,601	(325,149)
Redemption liability		2,509,081	–
Deferred revenues	d	566,925	(12,500)
Bank borrowing		29,839,636	–
		\$ 69,079,101	\$ (337,649)
Total liabilities		\$ 95,480,236	\$ 61,520,182
Equity			
Share capital		10,638,061	–
Share premium	k	29,901,982	57,260
Treasury stock		(845,803)	–
Contributed surplus		22,549,745	–
Retained earnings	m	262,291,905	(80,328,138)
Non-controlling interest		1,176,837	–
Total equity		\$ 325,712,727	\$ (80,270,878)
Regulatory deferral account credit balances	i	–	1,204,446
Total equity, liabilities and regulatory deferral account credit balances		\$ 421,192,963	\$ (17,546,250)

IFRS	PREVIOUS GAAP	EFFECT OF TRANSITION TO IFRS		IFRS	PREVIOUS GAAP	EFFECT OF TRANSITION TO IFRS		IFRS
		30 JUNE 2014				31 DECEMBER 2014		
\$ 285,801,018	\$ 279,373,314	\$ 3,163,123	\$ 282,536,437	\$ 282,053,094	\$ 2,183,178	\$ 284,236,272		
2,579,100	–	2,399,932	2,399,932	–	2,071,195	2,071,195		
13,868,916	13,245,716	–	13,245,716	12,620,510	–	12,620,510		
302,963	–	450,519	450,519	–	578,300	578,300		
\$ 302,551,997	\$ 292,619,030	\$ 6,013,574	\$ 298,632,604	\$ 294,673,604	\$ 4,832,673	\$ 299,506,277		
6,957,636	8,826,954	(985,018)	7,841,936	10,280,882	(1,071,848)	9,209,034		
133,717	–	154,815	154,815	–	153,237	153,237		
22,884,102	22,518,476	(545,620)	21,972,856	17,098,594	(458,282)	16,640,312		
69,167,808	64,700,343	(3,727,847)	60,972,496	65,117,717	(3,753,414)	61,364,303		
1,951,453	27518,070	(21,649,000)	5,869,070	27,165,824	(25,468,500)	1,697,324		
\$ 101,094,716	\$ 123,563,843	\$ (26,752,670)	\$ 96,811,173	\$ 119,663,017	\$ (30,598,807)	\$ 89,064,210		
–	–	2,113,446	2,113,446	–	246,213	246,213		
\$ 403,646,713	\$ 416,182,873	\$ (18,625,650)	\$ 397,557,223	\$ 414,336,621	\$ (25,519,921)	\$ 388,816,700		
12,359,198	10,057,899	–	10,057,899	11,895,631	–	11,895,631		
12,775,215	–	13,105,728	13,105,728	–	13,413,976	13,413,976		
1,185,516	–	1,156,239	1,156,239	–	1,126,242	1,126,242		
19,576,000	–	19,576,000	19,576,000	–	31,821,000	31,821,000		
42,363,037	14,986,703	28,321,100	43,307,803	16,628,487	19,188,000	35,816,487		
\$ 88,258,966	\$ 25,044,602	\$ 62,159,067	\$ 87,203,669	\$ 28,524,118	\$ 65,549,218	\$ 94,073,336		
495,858	259,479	–	259,479	263,829	–	263,829		
35,342,452	16,226,090	(491,677)	15,734,413	20,120,096	(625,162)	19,494,934		
2,509,081	2,509,081	–	2,509,081	–	–	–		
554,425	600,610	–	600,610	1,048,138	–	1,048,138		
29,839,636	47,442,654	–	47,442,654	37,612,342	–	37,612,342		
\$ 68,741,452	\$ 67,037,914	\$ (491,677)	\$ 66,546,237	\$ 59,044,405	\$ (625,162)	\$ 58,419,243		
\$ 157,000,418	\$ 92,082,516	\$ 61,667,390	\$ 153,749,906	\$ 87,568,523	\$ 64,924,056	\$ 152,492,579		
10,638,061	10,671,551	–	10,671,551	10,681,740	–	10,681,740		
29,959,242	30,128,887	76,804	30,205,691	30,203,868	101,846	30,305,714		
(845,803)	(845,803)	–	(845,803)	(845,803)	–	(845,803)		
22,549,745	22,549,745	–	22,549,745	22,549,745	–	22,549,745		
181,963,767	260,221,436	(80,369,844)	179,851,592	264,178,548	(90,545,823)	173,632,725		
1,176,837	1,374,541	–	1,374,541	–	–	–		
\$ 245,441,849	\$ 324,100,357	\$ (80,293,040)	\$ 243,807,317	\$ 326,768,098	\$ (90,443,977)	\$ 236,324,121		
1,204,446	–	–	–	–	–	–		
\$ 403,646,713	\$ 416,182,873	\$ (18,625,650)	\$ 397,557,223	\$ 414,336,621	\$ (25,519,921)	\$ 388,816,700		

Reconciliation of comprehensive income for the six months ended 30 June 2014.

	NOTES	PREVIOUS GAAP	EFFECTS OF TRANSITION TO IFRS	IFRS
Continuing operations				
Revenues				
Operating revenues	d,l,i	\$ 114,051,192	\$ (3,053,403)	\$ 110,997,789
Other income	d	1,050,219	(12,830)	1,037,389
		\$ 115,101,411	\$ (3,066,233)	\$ 112,035,178
Expenses				
Operating and administrative expenses	d,j,k	45,299,600	(4,439,199)	40,860,401
Purchased power/energy		1,134,540	–	1,134,540
Fuel		54,123,675	–	54,123,675
Depreciation and amortization	a,c,d,g,j	12,683,582	1,479,389	14,162,971
		113,241,397	(2,959,810)	110,281,587
Operating income		\$ 1,860,014	\$ (106,423)	\$ 1,753,591
Finance expense				
Foreign exchange loss		149,015	–	149,015
Change in fair value of held for trading investments		(20,144)	–	(20,144)
Interest expense	d	549,176	(1,373)	547,803
Net finance expense		678,047	(1,373)	676,674
Share of profit of equity accounted investee	d	–	147,556	147,556
Earnings before net movements in regulatory deferral account balances		1,181,967	42,506	1,224,473
Net movement in regulatory account deferral balances related to profit and loss	i	–	540,387	540,387
Profit for the period from continuing operations		1,181,967	582,893	1,764,860
Discontinued operations		–	(624,599)	(624,599)
Net loss for the period from discontinued operations		\$ –	\$ (624,599)	\$ (624,599)
Net earnings and comprehensive income for the period		\$ 1,181,967	\$ (41,706)	\$ 1,140,261
Net earnings for the period attributable to:				
Shareholders		984,264	(41,706)	942,558
Non-controlling interest		197,703	–	197,703
		\$ 1,181,967	\$ (41,706)	\$ 1,140,261
Basic earnings per share from:				
Continued operations		\$ 0.11	\$ 0.04	\$ 0.15
Discontinued operations		\$ –	\$ (0.06)	\$ (0.06)
Net earnings for the period		\$ 0.11	\$ (0.02)	\$ 0.09
Fully diluted earnings per share from continuing operations				
		\$ 0.11	\$ 0.04	\$ 0.15

Reconciliation of comprehensive income for the year ended 31 December 2014.

	NOTES	PREVIOUS GAAP	EFFECTS OF TRANSITION TO IFRS	IFRS
Continuing operations				
Revenues				
Operating revenues	l,i	\$ 244,612,514	\$ (10,975,993)	\$ 233,636,521
Other income	f	1,608,239	6,949,510	8,557,749
		\$ 246,220,753	\$ (4,026,483)	\$ 242,194,270
Expenses				
Operating and administrative expenses	d,k,i	214,283,999	(10,089,378)	204,194,621
Depreciation and amortization	a,c,d,g,j	24,622,188	3,068,762	27,690,950
		238,906,187	(7,020,616)	231,885,571
Operating income		\$ 7,314,566	\$ 2,994,133	\$ 10,308,699
Finance expense				
Interest income	d	346,025	(6,955)	339,070
Foreign exchange loss		235,340	–	235,340
Change in fair value of investments		(19,521)	–	(19,521)
Interest expense		864,850	–	864,850
Net finance expense		1,426,694	(6,955)	1,419,739
Share of profit of equity accounted investee		–	275,337	275,337
Earnings before net movements in regulatory deferral account balances		5,887,872	3,276,425	9,164,297
Net movement in regulatory account deferral balances related to profit and loss	i	–	4,043,155	4,043,155
Earnings after net movements in regulatory deferral account balances		5,887,872	7,319,580	13,207,452
Discontinued Operations		-	(1,503,434)	(1,503,434)
Net loss for the period from discontinued operations			(1,503,434)	(1,503,434)
Net earnings for the period		5,887,872	5,816,146	11,704,018
Basic earnings per share from:				
Continued operations		\$ 0.53	\$ 0.55	\$ 1.08
Discontinued operations		\$ –	\$ (0.13)	\$ (0.13)
Net earnings for the period		\$ 0.53	\$ 0.42	\$ 0.95
Fully diluted earnings per share from continuing operations				
		\$ 0.53	\$ 0.55	\$ 1.08
Profit for the year		5,887,872	5,816,146	11,704,018
Other comprehensive income:				
Post-retirement medical benefit	e	–	495,669	495,669
Actuarial gains and losses in defined benefit plan	e	–	(16,529,500)	(16,529,500)
Total comprehensive income for the year		\$ 5,887,872	\$ (10,217,685)	\$ (4,329,813)

Reconciliation of comprehensive income for the year ended 31 December 2014 – *continued*

	PREVIOUS GAAP	EFFECTS OF TRANSITION TO IFRS	IFRS
Total comprehensive income (loss) attributable to:			
Shareholders	5,640,445	(10,217,685)	(4,577,240)
Non-controlling interest	247,427	–	247,427
	\$ 5,887,872	\$ (10,217,685)	\$ (4,329,813)
Total comprehensive income (loss) attributable to:			
Continuing operations	5,887,872	(8,714,251)	(2,826,379)
Discontinued operations	–	(1,503,434)	(1,503,434)
	\$ 5,887,872	\$ (10,217,685)	\$ (4,329,813)

- a Under IFRS, the Company holds property which meets the definition of investment property. These properties have been reclassified from property, plant and equipment to investment properties.

The impact arising from the above changes is summarized as follows:

	DEBIT/(CREDIT)		
	31 DECEMBER 2014	30 JUNE 2014	1 JANUARY 2014
Consolidated statement of financial position			
Property, plant and equipment	\$ (3,488,629)	\$ (3,411,433)	\$ (3,353,398)
Investment property	\$ 2,845,493	\$ 3,174,230	\$ 3,353,398
Consolidated statement of comprehensive income			
Depreciation and amortization	\$ 643,136	\$ 237,203	\$ –

- b At the date of transition to IFRS, the Company obtained independent valuations for the property, plant and equipment which indicated that certain properties were impaired. The Company wrote down these properties to their recoverable amounts.

The impact arising from the above changes is summarized as follows:

	DEBIT/(CREDIT)		
	31 DECEMBER 2014	30 JUNE 2014	1 JANUARY 2014
Consolidated statement of financial position			
Property, plant and equipment	\$ (9,014,669)	\$ (9,014,669)	\$ (9,014,669)
Investment property	(774,298)	(774,298)	(774,298)
Retained earnings	\$ 9,788,967	\$ 9,788,967	\$ 9,788,967

- c The Company previously held strategic spare parts in inventory. In accordance with IFRS the Company has reclassified these items to property, plant and equipment and depreciated the items based on their remaining useful lives.

The impact arising from the above changes is summarized as follows:

	DEBIT/(CREDIT)		
	31 DECEMBER 2014	30 JUNE 2014	1 JANUARY 2014
Consolidated statement of financial position			
Property, plant and equipment	\$ 3,550,097	\$ 3,639,326	\$ 3,530,860
Inventory	(3,686,813)	(3,708,202)	(3,530,860)
Consolidated statement of comprehensive income			
Depreciation and amortization	\$ 136,716	\$ 68,876	\$ –

- d The Company previously proportionately consolidated its joint venture interest in iFM on a line-by-line basis. Under IFRS, this investment is accounted for on the equity basis.

The impact arising from the above changes is summarized as follows:

	DEBIT/(CREDIT)		
	31 DECEMBER 2014	30 JUNE 2014	1 JANUARY 2014
Consolidated statement of financial position			
Removal of iFM cash	\$ (918,611)	\$ (830,203)	\$ (488,972)
Removal of iFM inventory	(66,601)	(19,645)	(103)
Removal of iFM property, plant and equipment	(8,530)	(10,163)	(11,795)
Removal of iFM accounts receivable	(212,069)	(82,185)	(139,742)
Removal of iFM trade and other payables	627,511	491,677	325,149
Removal of iFM deferred revenues	–	–	12,500
Investment in joint venture	\$ 578,300	\$ 450,519	\$ 302,963
Consolidated statement of comprehensive income			
Remove iFM operating revenues	\$ 559,449	\$ 273,360	\$ –
Remove iFM other income	92,709	12,830	–
Remove operating expenditure	(366,601)	(135,628)	–
Remove iFM depreciation	(3,265)	(1,633)	–
Remove interest expense	(6,955)	(1,373)	–
Share of profit of equity accounted investee	\$ (275,337)	\$ (147,556)	\$ –

- e Under previous GAAP, the Company accounted for its DB Plan and post-retirement medical benefit plan using the deferral and amortization approach for actuarial gains and losses. Upon transition to IFRS, immediate recognition is required for actuarial gains and losses in the period in which they arise. Defined benefit obligation under previous GAAP was included within prepaid expenses. Upon transition to IFRS, this amount has been separately reclassified. Under previous GAAP, the Company did not account for the BELCO group life insurance plan for existing retirees. Upon transition to IFRS this has been accounted for in accordance with IAS 19 in line with defined pension plan accounting requirements. The impact arising from the above change is summarized as follows:

	DEBIT/(CREDIT)		
	31 DECEMBER 2014	30 JUNE 2014	1 JANUARY 2014
Prepaid Expense	\$ (25,468,500)	\$ (21,649,000)	\$ (21,649,000)
Defined benefit obligation	(31,821,000)	(19,576,000)	(19,576,000)
Other post-retirement benefits	(27,825,431)	(28,321,100)	(28,321,100)
Retained earnings	85,114,931	69,546,100	69,546,100
Operating and administrative expenses (pension expense)	(465,000)		
Actuarial loss associated with DB Plan	16,529,500		
Actuarial loss associated with post-retirement medical benefit	\$ (495,669)		

- f During the year ended 31 December 2014, the Company experienced a plan amendment with respect to its post-retirement medical benefit obligation. Under previous GAAP, this amount was offset against the unamortized actuarial losses. Under IFRS, the plan amendment is recognized immediately as other income.

The impact arising from the above change is summarized as follows:

	DEBIT/(CREDIT)		
	31 DECEMBER 2014	30 JUNE 2014	1 JANUARY 2014
Consolidated statement of financial position			
Other post-retirement benefits	\$ 7,042,219	\$ -	\$ -
Consolidated statement of comprehensive income			
Other income	\$ (7,042,219)	\$ -	\$ -

- g Under IFRS, the Company is required to recognize an asset retirement obligation for the costs associated with decommissioning its long-lived assets, such as its power generating plant. Management have calculated their best estimate of this obligation based on the remaining lines of assets to be decommissioned. These estimates have been present valued using a discount rate of 5%.

The impact arising from the above changes is summarized as follows:

	DEBIT/(CREDIT)		
	31 DECEMBER 2014	30 JUNE 2014	1 JANUARY 2014
Consolidated statement of financial position			
Property, plant and equipment	\$ 11,144,909	\$ 11,960,062	\$ 12,775,215
Asset retirement obligation	(13,413,976)	(13,105,728)	(12,775,215)
Consolidated statement of comprehensive income			
Depreciation and amortization	1,630,306	815,153	-
Accretion on asset retirement obligation	\$ 638,761	\$ 330,513	\$ -

- h Under previous GAAP, the Company accounted for investments held in traded equities in cash and cash equivalents. Under IFRS, these investments are separately disclosed on the statement of financial position.

The impact arising from the above changes is summarized as follows:

	DEBIT/(CREDIT)		
	31 DECEMBER 2014	30 JUNE 2014	1 JANUARY 2014
Consolidated statement of financial position			
Cash and cash equivalents	\$ (153,237)	\$ (154,815)	\$ (133,717)
Investments	153,237	154,815	133,717

- i Under previous GAAP, the Company accounted for its under/over recovery of fuel adjustments with respect to net regulatory deferral account balances within accounts recoverable and revenue. Under IFRS, the Company has disclosed its regulatory deferral account balances and movement separately.

The impact arising from the above changes is summarized as follows:

	DEBIT/(CREDIT)		
	31 DECEMBER 2014	30 JUNE 2014	1 JANUARY 2014
Consolidated statement of financial position			
Accounts receivable	\$ (246,213)	\$ (2,113,446)	\$ 1,204,446
Regulatory deferral account debit balances	246,213	2,113,446	(1,204,446)
Consolidated statement of comprehensive income			
Revenue	4,043,155	540,387	–
Movement in regulatory deferral account debit balances	\$ (4,043,155)	\$ (540,387)	\$ –

- j Under IFRS, the Company has a constructive obligation for environmental clean-up related to soil and water remediation. Management have calculated their best estimate of this obligation which has been present valued using a discount rate of 5%.

The impact arising from the above changes is summarized as follows:

	DEBIT/(CREDIT)		
	31 DECEMBER 2014	30 JUNE 2014	1 JANUARY 2014
Consolidated statement of financial position			
Environmental clean-up obligation	\$ (1,126,242)	\$ (1,156,239)	\$ (1,185,516)
Retained earnings	1,126,242	1,156,239	1,185,516
Consolidated statement of comprehensive income			
Depreciation and amortization	\$ 59,274	\$ 29,277	\$ –

- k The Company allows employees to purchase shares at a discount of 10% below market price. Under previous GAAP, the Company did not make an adjustment for this employee benefit. In accordance with IFRS, this represents an employee benefit which is required to be recognized in equity.

The impact arising from the above changes is summarized as follows:

	DEBIT/(CREDIT)		
	31 DECEMBER 2014	30 JUNE 2014	1 JANUARY 2014
Consolidated statement of financial position			
Share premium	\$ (101,846)	\$ (76,804)	\$ (57,260)
Retained earnings	101,846	76,804	57,260
Consolidated statement of comprehensive income			
Depreciation and amortization	\$ 44,586	\$ 19,544	\$ –

- l Under previous GAAP, the Company did not make a revenue accrual for unread consumption. Under IFRS, the Company has changed its policy to accrue revenue for unread consumption.

The impact arising from the above changes is summarized as follows:

	DEBIT/(CREDIT)		
	31 DECEMBER 2014	30 JUNE 2014	1 JANUARY 2014
Consolidated statement of financial position			
Accounts receivable	\$ –	\$ (1,400,306)	\$ 249,705
Retained earnings	–	(1,400,306)	249,705
Consolidated statement of comprehensive income			
Revenue	\$ –	\$ (1,400,306)	\$ –

- m The above changes increase (decrease) retained earnings as follows:

	DEBIT/(CREDIT)		
	31 DECEMBER 2014	30 JUNE 2014	1 JANUARY 2014
b Impairment of property, plant and equipment	(9,014,669)	(9,014,669)	(9,014,669)
b Impairment of investment property	(774,298)	(774,298)	(774,298)
e Defined benefit plan – recognition of unamortized actuarial losses	(41,225,000)	(41,225,000)	(41,225,000)
e Post-retirement benefit – recognition of unamortized actuarial losses	(23,742,451)	(23,742,451)	(23,742,451)
e Group life insurance obligation	(4,578,649)	(4,578,649)	(4,578,649)
j Environmental clean-up obligation	(1,185,516)	(1,185,516)	(1,185,516)
k Employee share purchase benefit	(101,846)	(76,804)	(57,260)
l Revenue accrual	1,650,011	1,650,011	249,705
c,g Depreciation	(2,408,032)	(1,091,955)	–
g Accretion on asset retirement obligation	(638,761)	(330,513)	–
e Actuarial loss	(15,568,831)	–	–
f Post-retirement medical benefit care plan amendment	7,042,219	–	–
	\$ (90,545,823)	\$ (80,369,844)	\$ (80,328,138)

ASCENDANT GROUP LIMITED

DIRECTORS

Peter C. Durhager

Chairman of the Board
Director since 2003
Retired, Executive Vice President &
Chief Administrative Officer,
RenaissanceRe Holdings Ltd.

L.A. Joaquin, J.P., F.C.A.

Deputy Chairman
Director since 2005
Retired, Managing Partner,
Ernst & Young Bermuda

Walter M. Higgins

Director since 2012
President & Chief Executive Officer,
Ascendant Group and BELCO

Gavin R. Arton, M.B.A.

Director since 2000
Retired, Senior Vice President,
XL Capital Ltd.

James B. Butterfield

Director since 1993
Managing Director, Butterfield & Vallis

A. David Dodwell, J.P.

Director since 1988
President, The Reefs

A. Shaun Morris

Director since 2013
General Counsel & Group Chief Legal Officer,
The Bank of N.T. Butterfield & Son Limited

Donna L. Pearman, J.P.

Director since 2008
President, People's Pharmacy Limited

Michael L. Schrum

Director since 2013
Chief Financial Officer,
The Bank of N.T. Butterfield & Son Limited

Richard Spurling

Director since 1993
Retired, Senior Partner, Appleby

Dr. Wilbert N.E. Warner,

F.R.C.P.(C), D.A.C.P.
Director since 1999
Specialist Consultant, Internal Medicine

W. Edward Williams

Director since 1993
Sales Representative,
Coldwell Banker (Bermuda Realty)

Alasdair Younie

Director since 2013
Director, ICM Limited

*Total shares held by Directors
94,252 as at 30 June 2015*

EXECUTIVE CORPORATE OFFICERS

Walter M. Higgins

President & Chief Executive Officer,
Ascendant Group and BELCO

Michael D. Daniel,

C.Eng, M.I.E.T., A.M.I.Mech.E
Senior Vice President, Ascendant Group
President & Chief Operating Officer,
AG Holdings Limited

Cheryl-Ann Mapp, LL.B.

General Counsel & Corporate Secretary

Linda C. Smith

Senior Vice President,
Corporate Relations, Ascendant Group

Robert B. Steynor, C. Eng.

Senior Vice President,
Fuel, Logistics, Environment & Safety
BELCO

Mark Takahashi

Senior Vice President &
Chief Financial Officer,
Ascendant Group

Judith Uddin

General Manager & Chief Operating Officer,
Bermuda Gas

Denton E. Williams, M.I.E.T., M.I.E.E.E.

Senior Vice President, Ascendant Group
Chief Operating Officer, BELCO

*Total shares held by Officers
59,214 as at 30 June 2015*

*153,466 total shares held by Directors
and Officers as at 30 June 2015*

OFFICERS

ASCENDANT GROUP

Abayomi S. Carmichael

Risk, Analysis & Group Treasurer

Zehena J. Davis

Human Resources

David Faries

Group Controller

Caroline Rance

Information Technology

Carol Ross-DeSilva

Internal Audit & Process Improvement

BELCO

Ian Maule

Fuel & Logistics

Dennis Pimentel

Grid Operations

Roger L. Todd

Power Generation

AG HOLDINGS

Michael Maughan

Engineering & Technical Support

Adrian Morrison

iFM Limited

Brendan Stones

Air Care Limited

CORPORATE INFORMATION

ASCENDANT GROUP LIMITED

Publicly traded investment holding company for energy and infrastructure services

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Walter M. Higgins

President & Chief Executive Officer

BERMUDA ELECTRIC LIGHT COMPANY LIMITED

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Walter M. Higgins

President & Chief Executive Officer

Denton E. Williams

Senior Vice President
& Chief Operating Officer

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Judith Uddin

General Manager
& Chief Operating Officer

AG HOLDINGS LIMITED

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Michael D. Daniel

President & Chief Operating Officer

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Property and facilities management services

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* Jointly owned with
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IEPC LIMITED

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AIR CARE LIMITED

HVAC, air quality monitoring, building automation and energy management, commercial plumbing, fire protection and commercial refrigeration services

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ASCENDANT PROPERTIES LIMITED

Property management company

ASCENDANT GROUP LIMITED

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