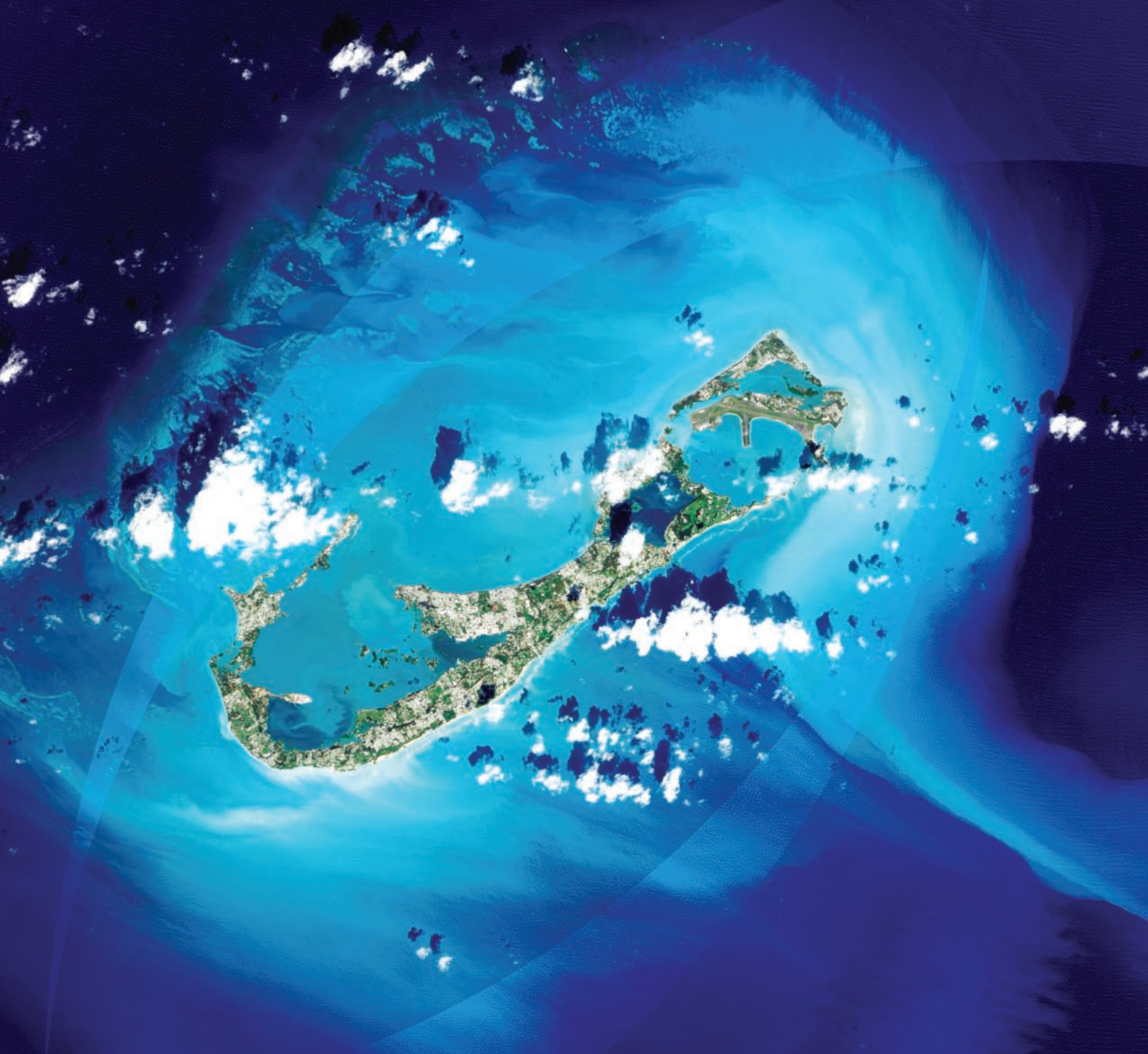
Winds of Change

ASCENDANT GROUP LIMITED

ANNUAL REPORT **2014**



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Our annual report cover shows Bermuda's marine platform on 2 October 2014; the satellite image on this page shows the same area on 18 October, a week after Hurricane Fay and just hours after Hurricane Gonzalo. Gonzalo's winds whipped up the seas, stirring up calcium carbonate-rich sediment and debris. Sediment flows like this one help the ocean balance the amount of carbon dioxide it absorbs from the atmosphere.

FINANCIAL HIGHLIGHTS	2014	2013	% CHANGE
Net Earnings	$ 5,887,872	$ 4,888,760	20.4
Basic and Fully Diluted Earnings per Share	$ 0.53	$ 0.39	35.9
Dividends	$ 4,648,732	$ 8,974,400	(48.2)
Dividends per Share	$ 0.44	$ 0.85	(48.2)
Market Price per Share (as at 31 Dec.)	$ 5.40	$ 10.25	(47.3)
Book Value per Share (as at 31 Dec.)	$ 30.59	$ 30.62	(0.1)
Total Assets (as at 31 Dec.)	$ 414,336,621	$ 421,192,963	(1.6)

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 performance 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

OUR GOALS

- Safe systems and practices
- Excellent, sustainable operations
- More reliable services
- Effective transformation to a different future
- New products, new services, new ways to serve customers
- Better pricing for customers
- Fair return for shareholders
- Employees make the difference
- Constructive relationships

TO OUR **SHAREHOLDERS**

Ascendant Group Limited is moving forward, mindful of something that Bermuda's proud sailing tradition teaches us – although the wind cannot be directed, our sails can be adjusted. We are making adjustments to our strategies, practices, processes, technology, infrastructure and plans. We are doing so to succeed amidst changing economic realities, shifting customer expectations, aging infrastructure, increased competition, a new regulatory model, greater energy efficiency by commercial and residential customers, requirements to meet national emissions targets and to introduce renewable energy resources, as well as the challenges that come with increased pension and medical costs and managing an aging workforce.

We are also making adjustments to address the effects of recent events that affect the country and our business. In particular, six developments in Bermuda during 2014 have had, and some will continue to have, a profound impact on the Island and Ascendant Group operating companies. They are: Hurricanes Fay and Gonzalo, Bermuda's first Energy Summit and selection of Bermuda as host venue for the prestigious 35th America's Cup in 2017. Also, the more than 50% drop in crude oil prices on the world market in the second half of 2014, and the expected widespread availability of North American-sourced liquefied natural gas (LNG) for export from the United States. Also, consolidation in the reinsurance industry will have an economic impact as merged entities seek operating synergies and reevaluate their business models.

Other key developments that promise long-term benefit to the Island, and in which Ascendant Group plays a role, include the official opening of the new King Edward VII Memorial Hospital (KEMH) Acute Care Wing, possible redevelopment of L.F. Wade International Airport and anticipated development of a number of high-end tourism properties.

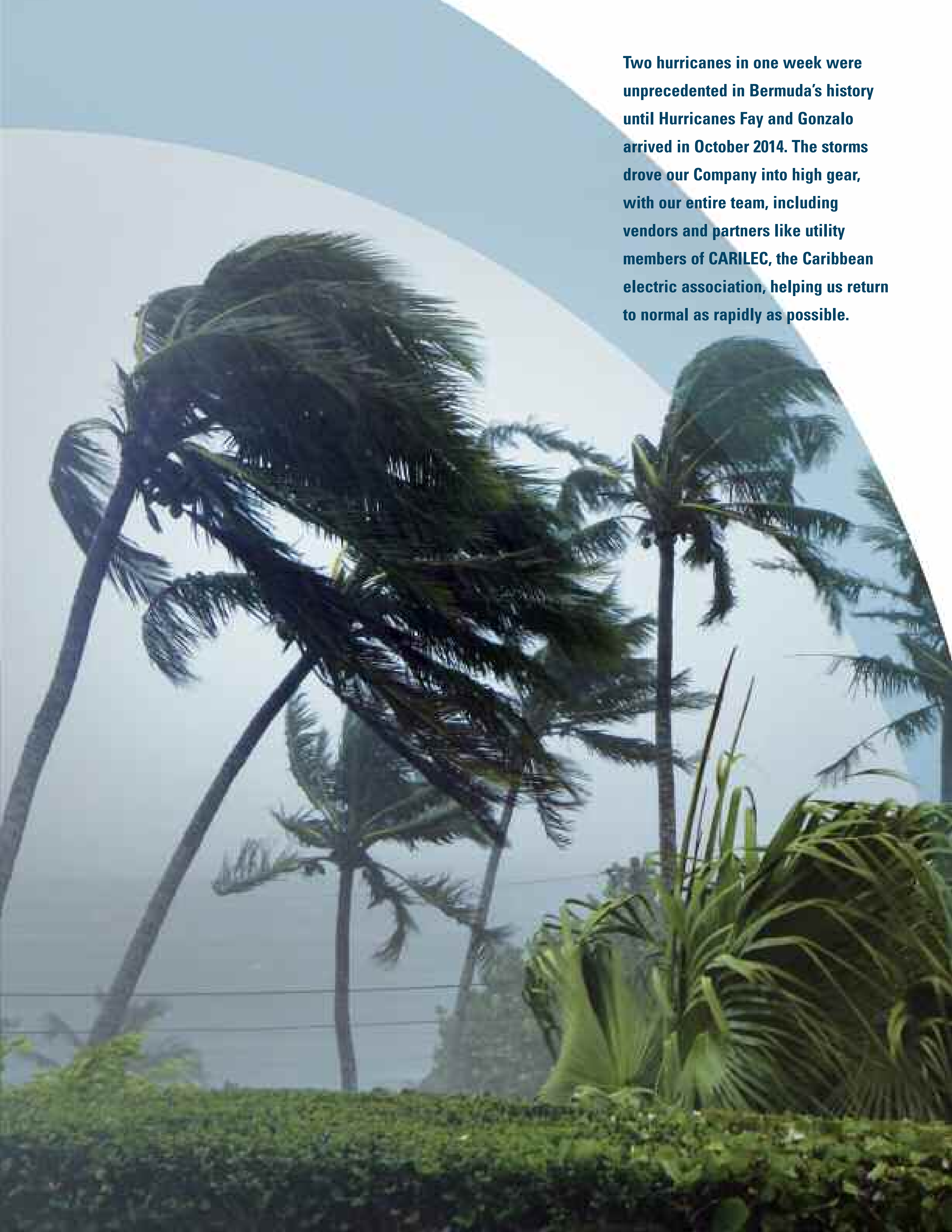
ENCOURAGING DEVELOPMENTS

We are pleased by lower oil prices in 2014, which resulted from increased oil production in the United States and OPEC's maintaining production levels, as well as weak demand in many countries due to anemic economic growth. Lower oil prices have resulted in a substantially lower Fuel Adjustment Rate on electricity bills, which is a direct benefit to our residential and commercial customers. Better pricing for consumers is consistent with Bermuda Electric Light Company Limited's (BELCO's) practice of purchasing fuel at the best possible prices. Lower oil prices also have a direct impact on our operating companies, enabling them to spend less to fuel fleets, import goods and operate buildings. If forecasts are accurate, predicting further declines in oil prices, perhaps with oil remaining below $100 per barrel for the foreseeable future, the local economy and our Company will continue to benefit.

The drop in oil prices coincided with Bermuda's first-ever Energy Summit in November 2014. Amongst the topics discussed at the Summit was the potential transition from fuel oil to cleaner fuels, such as LNG and renewable energy resources. The Summit was hosted by Bermuda's Ministry of Economic Development and Energy at Fairmont Southampton resort in a partnership among BermudaFirst, Bermuda Chamber of Commerce, Greenrock and Ascendant Group. It brought together some 100 local stakeholders and overseas subject matter experts, initiating a national dialogue on the complex subject of energy. The Summit paved the way for legislation that will establish a new regulatory framework to facilitate changes to Bermuda's energy mix. We view this as necessary for Bermuda's economic recovery and critical to Ascendant Group's success, as our progress is linked directly to Bermuda's growth, stability and prosperity.

In December 2014, the community learned that the 35th America's Cup will be held in Bermuda.

Two hurricanes in one week were unprecedented in Bermuda's history until Hurricanes Fay and Gonzalo arrived in October 2014. The storms drove our Company into high gear, with our entire team, including vendors and partners like utility members of CARILEC, the Caribbean electric association, helping us return to normal as rapidly as possible.



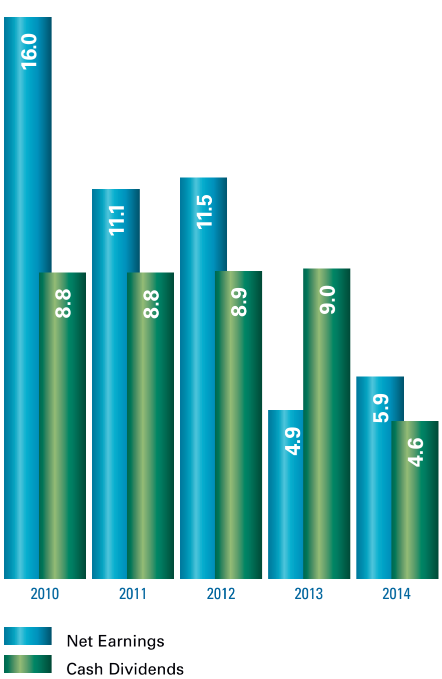
Ascendant Group has given our commitment to the Bermuda Government that we will support the energy and infrastructure development required for the success of this huge undertaking. Between now and June 2017, the America's Cup will infuse the local economy with new construction, new jobs, growth in retail sales and housing rentals, as well as improvements to the Bermuda tourism product, especially the hospitality infrastructure, but including other infrastructure as well. The impact was felt almost immediately after the announcement, as America's Cup organizers began to arrive and preparations got underway for the preliminary World Series race scheduled to take place in October 2015. In June 2017, Bermuda will also be a host port for the Transatlantic Rendezvous Tall Ships Regatta out of Quebec, Canada, drawing even more attention to our beautiful Island in the Atlantic Ocean.

The other 2014 occurrences that have had, and will continue to have, an impact on Ascendant Group were the unprecedented, back-to-back Hurricanes Fay and Gonzalo, which blew ashore in October within six days of each other, affecting approximately 80% of BELCO's customer base. Ascendant Group companies, in particular BELCO, responded to the storms, carrying out restoration work quickly, efficiently and safely. Power was restored to customers with the fine work of our BELCO team, assisted by 19 experienced linesmen from CARILEC-member utility companies in Barbados, Bahamas, Belize and Cayman. Assistance also came from the Bermuda Regiment and vendors with whom we work closely year-round. Our Bermuda Gas & Utility Company Limited, iFM Limited and Air Care Limited subsidiaries also performed well for their customers during these events.

Of course, restoration work resulted in increased labor expenses. However, some of this work fits well into our long-term system rehabilitation. The two storms resulted in the need to replace 80 transformers, 228 poles and 4.25 miles of cable. BELCO will continue this system rehabilitation work in

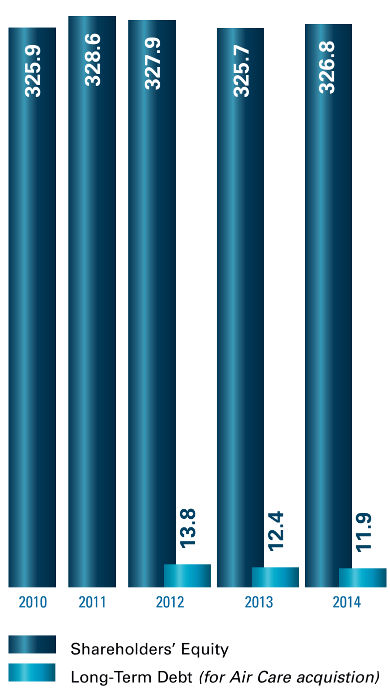
Net Earnings

(Millions of dollars)



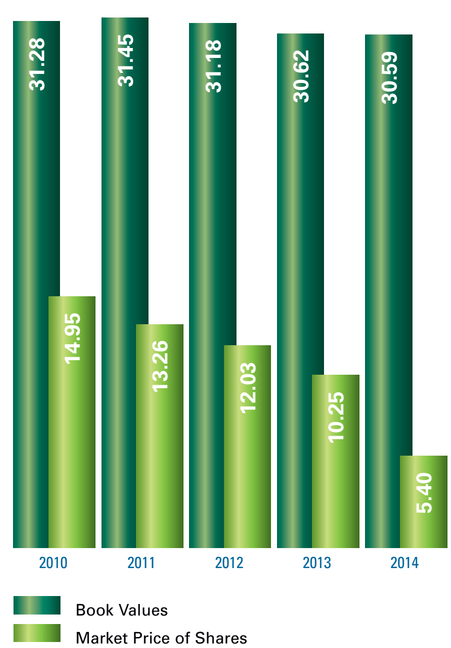
Capitalization

(Millions of dollars)



Book Value & Market Price of Shares

(Dollar values are per share as at 31 December of each fiscal year)



the months ahead, and will work to improve our response to major incidents thanks to lessons learned from the two hurricanes. We expect that the community, which saw an upturn in hurricane-related retail sales, will continue to benefit in early 2015 from post-hurricane construction activity.

FINANCIAL PERFORMANCE

While we look to the future with cautious optimism, 2014 was another challenging year for Ascendant Group. Our operating companies continued to grapple with the effects of Bermuda's prolonged economic recession, aging infrastructure, rising healthcare and pension expenses, as well as with increased competition across the board. As a result, the Company's 2014 financial performance was disappointing, albeit in line with expectations.

Net earnings increased to $5.9 million for 2014, as compared to $4.9 million in 2013. Earnings per share increased 35.9% to $0.53 in 2014 versus $0.39 in 2013. The market price continued downward, ending the year at $5.40 at 31 December 2014, down 47.3% from $10.25 at year-end 2013. Book value decreased to $30.59 in 2014, down 0.1% from $30.62 in 2013.

In June 2014, in order to retain more of the Company's earnings and cash flow for capital investment requirements, in light of the downward trend in financial performance, the Board of Directors reduced the quarterly cash dividend paid to shareholders to $0.075 (7.5¢). The decreased dividend remained in effect for the remainder of 2014, as well as for the first quarter of 2015. We are confident that in the long run shareholders will benefit from increased value, as performance improves.

INTEGRATED RESOURCE PLAN

As we look to the future, we are focused on the multiple, capital-intensive initiatives that are vital to Ascendant Group's progress. Foremost, we are preparing for the implementation of an Integrated Resource Plan (IRP). The IRP presents an optimized strategy for meeting forecast peak and base energy demand in a way that is reliable, sustainable and cost-effective for the Company and consumers. It also minimizes environmental impact through a combination of supply-side and demand-side resource options. Planning for Bermuda's long-term energy future is crucial to the country's growth and prosperity.

The comprehensive IRP presents the best, least-cost energy options for Bermuda that have the greatest social and economic benefits, including environmental benefits and job creation. Successful implementation of the IRP depends on having the appropriate regulation in place, which can provide a high degree of clarity on future rates and investment returns. This will be critical in ensuring financing, which is expected to come largely from overseas investors. To greater and lesser extents, IRP implementation would involve all Ascendant Group operating companies, namely BELCO, Bermuda Gas, iFM, Air Care, iEPC Limited, PureNERGY Renewables, Ltd., and Ascendant Properties Limited.

We expect to submit the IRP to energy regulators in the first half of 2015. Over the past two years, internationally respected consultants have been assisting us with development of the IRP, and we have worked in parallel with the Government to ensure alignment with new legislation that will be tabled in 2015. The collaborative process required to secure Bermuda's energy future was demonstrated during the November 2014 Energy Summit, which engaged the public and industry stakeholders, setting the stage for widespread, thoughtful public consultation, which is essential to the success of the IRP.

Major components of the IRP include reduced reliance on fuel oil with transition to cleaner, more sustainable LNG as the primary fuel for power generation, while replacing aging plant. Also, the introduction of distributed renewable energy resources Island-wide, including small- and utility-scale solar photovoltaic (PV) systems and solar thermal systems, and energy efficiency and energy conservation.

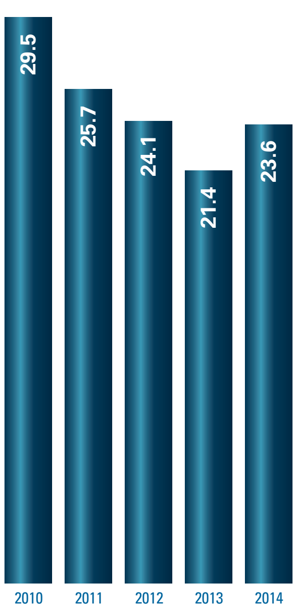
In conjunction with the renewable energy aspect of the IRP, Ascendant Group has been conducting its own solar pilot projects on Company properties managed by Ascendant Properties. The projects, which involve installation of solar PV-solar thermal hybrid systems, were launched in the second half of 2014 and will continue into the first half of 2015. The pilot projects are being managed by iEPC with installations done by PureNERGY. Also, with respect to renewable energy, in September 2014, BELCO received interim approval from the Energy Commission to purchase excess energy from four existing commercial customers' solar installations. The Commercial Renewable System Excess Energy Rate is calculated as the avoided fuel cost.

The IRP also calls for energy storage to reduce BELCO's reserve requirements for quickly providing emergency back-up power to the electricity system. In addition, the IRP incorporates combined cooling, heat and power (CCHP) resources for large commercial and industrial customers. Implementation of the IRP would also involve replacement or conversion of aging base-load engines at BELCO's Central Plant with new, more efficient equipment.

As mentioned, pervasive energy efficiency and energy conservation adoption is integral to the IRP. Energy efficiency is vital to a sustainable energy future, because saving kilowatt hours (kWh) is almost always less costly than generating kWh. In support of this, BELCO has introduced a new Energy Efficiency & Conservation function to advise consumers, as well as to develop programs that will work in coordination with the IRP and other key initiatives. During 2014, BELCO also introduced a five-tiered Graduated Facilities Charge to reduce costs for customers who use the fewest kWh, encouraging energy efficiency. In addition, BELCO put a proposal before Government to convert the 4,000 streetlights managed by Public Works to energy-efficient LED (light emitting diode) luminaires, which would require less maintenance and could accommodate wireless system monitoring and control.

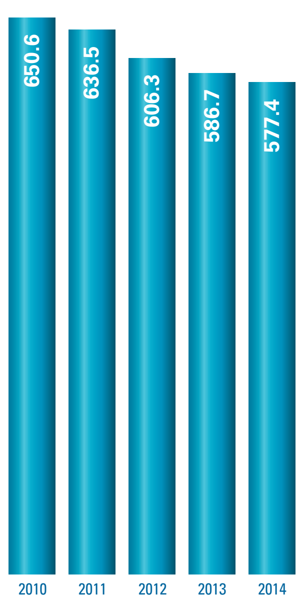
Annual Investment in Our Business

(Millions of dollars)



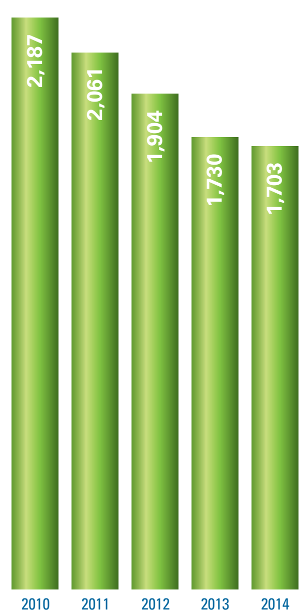
Electricity (kWh) Sales

(Millions of kWh as at 31 December of each fiscal year)



Propane Gas Sales

(Thousands of US gallons as at 31 December of each fiscal year)



> “Energy efficiency is vital to a sustainable energy future, because saving kilowatt hours (kWh) is almost always less costly than generating kWh.”

In preparation for submitting the IRP, Ascendant Group is focused on the capital-intensive transition to LNG at BELCO's Central Plant.

INFRASTRUCTURE MODERNIZATION

Bringing Bermuda's energy mix into the 21st Century will require major infrastructure improvements to enable a safe and reliable mix of renewable and conventional energy resources.

A key element of modernizing Bermuda's electricity grid is the deployment of advanced metering infrastructure (AMI). In 2014, Ascendant Group began preparing for AMI development, enlisting manufacturers and consultants to assist with a pilot project, followed by potential full deployment. We also enlisted experts to conduct in-depth, independent research into concerns that had arisen in other jurisdictions with regard to advanced meter safety, specifically concerns about the effects of radio frequency and meter combustion. Independent research demonstrated that the advanced meters being piloted for deployment in Bermuda meet or exceed international health and safety standards, and that the in-house installation method planned by BELCO ensures maximum quality control and safety.

In 2015, BELCO will pilot AMI in two phases, targeting full deployment of advanced meters Island-wide over an 18-month period, starting in 2016. Advanced meters, often referred to as “smart meters”, are digital, containing a small computer chip and radio. Advanced meters provide near real-time information about the electricity transmission and distribution system. As a result, consumers benefit from having more information about their electricity usage, which is intended to promote the uptake of energy efficiency measures. AMI will also enable BELCO to offer new options to consumers, such as an electricity prepayment plan.

With AMI, BELCO will be alerted to individual outages at customer premises, whereas the existing system can only alert system operators of outages affecting circuits and major branch lines. Precise outage information will help to improve restoration response. In conjunction with AMI deployment, BELCO will implement new outage management and interactive voice response systems to enhance customer satisfaction. In addition, AMI and other grid modernization equipment will provide BELCO with information to help operate the electricity grid more efficiently, improving power quality and system performance, while reducing expenses. AMI information and remote operating capabilities will also help to reduce electricity theft and will assist with revenue protection at BELCO.

OVERVIEW OF 2014

In 2014, BELCO's residential sales decreased to 236 million kWh, or by 3.6%, from 2013's 244 million kWh sold. The decline reflects the impact of Bermuda's diminishing population, decline in business activity, steps taken by consumers to use energy more efficiently and an increase in net metering, as more residential customers install renewable energy systems. Similarly, there was a decrease in commercial kWh sales, although KEMH and Fairmont Hamilton Princess & Beach Club contributed to a slight increase in kWh sales among our largest customers.

Less fuel was consumed as a result of lower overall demand and declining oil prices, representing a decrease in fuel costs from $121.9 million in 2013 to $117.2 million in 2014. As we enter the sixth consecutive year of decreased load and sales, we will continue to look for opportunities to reduce operating costs and fixed costs and to adjust rates in response to new economic realities. In 2015, BELCO will submit a proposal to regulators, seeking permission to change basic tariff rates.

A comprehensive cost structure review is being conducted Company-wide in light of the downward trend in earnings and the ongoing challenges that we face with regard to the economy, competition, new regulation, our infrastructure and changing customer practices and expectations.

In 2014, advances were made with respect to managing the rising pension and healthcare costs that are having an impact on many organizations on the Island and internationally. Management continued coordinating with healthcare plan providers to reduce costs and will take further steps in 2015.

At Bermuda Gas, both gas and appliance sales decreased in 2014, as compared to the prior year, while earnings from sales of parts and service increased by $101,000 year over year. Bermuda Gas focused on retaining key commercial customers, emphasizing the full array of capabilities, including propane gas supply, equipment supply and service. In addition, Accounts Receivable collection benefited from the implementation of enhanced controls, new reporting and staff coaching.

BUSINESS DEVELOPMENT

Bermuda Gas continues innovating to develop new business. In 2014, Bermuda Gas launched the residential mini-bulk propane tank to deliver operational efficiencies to the Company, while enhancing customer service. Bermuda Gas also introduced the Island's first propane-powered lawn mower, working with Bermuda's Department of Parks to demonstrate that the mowers could be as beneficial to Bermuda as they have proven to be in the United States. As a result, Government has contracted to purchase several mowers in 2015, citing the zero-turning radius, fuel efficiency and reduced maintenance costs.

During 2014, iEPC emphasized cost containment, reducing expenses by 17% from 2013. Similarly, iFM and Air Care managed expenses carefully, while actively pursuing new business relationships and striving to provide outstanding service to existing customers. The operating companies continue to take steps to make their clients' facilities as energy efficient as possible. Air Care sales team members in Bermuda earned the Linc Diamond award for 2014 sales, while Air Care's sister company in the Cayman Islands, of which Air Care is majority shareholder, received the 2014 Linc Contractor of the Year Award. Linc is an international network of more than 150 independent and company-owned mechanical contractors. Air Care also received an award for being among the Top 10 Bermuda Employers in 2014.

SAFETY IS ALWAYS FIRST

Ascendant Group operating companies achieved distinctions with respect to Occupational Health, Safety & Environment, demonstrating that safety is a top priority Company-wide. In a first for Air Care, the National Fire Protection Association and Certified Fire Protection Specialist (CFPS) Board awarded CFPS designation to one of the Company's Fire Detection Technicians. The designation is internationally recognized as a mark of achievement within the fire protection field.

At Bermuda Gas, the Certified Employee Training Program (CETP), the propane industry's preeminent training program, has been completed by all members of staff. In addition, Bermuda Gas emphasized strict adherence to the industry's NFP58 standard for all gas depot processes and produced a Bermuda-centric propane safety brochure, which was distributed to customers. Bermuda Gas also disseminated public safety messages about the proper handling of propane via the media before and after Hurricanes Fay and Gonzalo.

BELCO's Occupational Health, Safety & Environment (OHSE) Department continued efforts to implement international standards. BELCO achieved ISO 14001 certification for its Environmental Management System several years ago and was recertified in 2014 by independent auditors. The operating company continues work to align its Safety Management System with the international standard OHSAS 18001.

During 2014, the OHSE Department conducted air quality, heat and ozone assessments at the BELCO plant. They also conducted staff audiometric testing and began research into providing improved hearing protection devices. In addition, members of the OHSE Department completed the National Examination Board in Occupational Safety and Health (NEBOSH) International General Certificate program, and ensured that appropriate BELCO staff are certified as Smith System Defensive Driving Trainers. OHSE worked with Human Resources and Corporate Communications to coordinate Ascendant Group's second Health, Safety and Environment Week and Wellness Fair for all employees in spring 2014.

COMMUNITY SPIRIT

Making a material difference to the quality of life in Bermuda is important to Ascendant Group, both in terms of the products and services that we provide and the community support that we offer. In 2014,

"Making a material difference to the quality of life in Bermuda is important to Ascendant Group, both in terms of the products and services that we provide and the community support that we offer."

Ascendant Group was recognized for support to the Bermuda Hospitals Board with the naming of the Ascendant-PartnerRe Ward at KEMH. Ascendant Group also reached the halfway milestone in our 10-year commitment to Government Conservation Services, providing financial contributions and volunteer assistance to further restoration work on Nonsuch Island. In addition, we successfully held our second summer STEM Camp for middle-school students with proven aptitude for science, technology, engineering and mathematics. STEM Camp involves hands-on lessons in critical thinking and problem solving.

BELCO continued community outreach through its long-standing, generous corporate contributions program, which assists more than 100 Bermuda-registered charities annually with financial and in-kind donations. In 2014, corporate contributions were focused on those organizations and initiatives engaged in educating or assisting youth and helping the elderly, as well as environmental initiatives. In addition to supporting charitable organizations, BELCO provides some $200,000 in annual education awards and scholarships to university students, and maintains a vibrant summer student program, as well as an active mentoring program for high-school students who are interested in trades careers.

When it was announced on 2 December 2014 that the 35th America's Cup would be held in Bermuda in 2017, Ascendant Group committed to support the energy and infrastructure work that will be required to make the event successful. We embrace this extraordinary opportunity, which brings one of sailing's premier events to Bermuda's shores, shining a global spotlight on the Island and propelling economic revitalization.

At Bermuda Gas, relationships with organizations such as Greenrock, Age Concern, the Construction Association of Bermuda and Bermuda College enable the operating company to deliver genuine value to the community, while creating awareness of products and services. In 2014, a new collaboration between Bermuda Gas and Bermuda College produced a diploma program, the Major Appliance Repair & Service Diploma, intended to develop the next generation of Bermudian appliance technicians.

Also during 2014, Bermuda Gas' showroom served as the backdrop for community presentations on propane gas and the value of mini-bulk tanks for homeowners. It was the venue for The Bermudian magazine's Building Design Awards and for the City of Hamilton's Food Festival. In addition, Bermuda College's CITV cooking show, "Live, Love, Eat", was taped in the showroom.

2015 AND BEYOND

We expect that 2015 will be another challenging year for Ascendant Group, although the economy may be showing some signs of improvement, and we are making important adjustments to our business model. We look forward to further, perhaps accelerated, improvement from the impacts of lower oil prices, changes to energy industry regulation, as well as construction and other activity that will result from the upcoming America's Cup.

We are aware that traditional ways of doing business are no longer sufficient in a rapidly evolving, increasingly electronic world. We are tackling challenges head on, adopting new practices, processes and technologies that enable us to deal with the many shifting influences on our business. Ascendant Bermuda Insurance Limited, a captive insurance company, was incorporated on 28 April 2014 to provide additional coverage for deductible property losses of BELCO.

As Ascendant Group looks toward the future, we know that we must be prudent, flexible, focused on stakeholder relationships and actively pursuing investment. The Company's development depends on having a higher level of engagement with investors and capital markets than ever before. We are cultivating relationships in the investment community, laying the groundwork to raise the capital that will be required to ensure Ascendant Group's value to shareholders and the continued relevance of our operating companies to the Bermuda community.

We are confident that we will better navigate the capital markets with the direction of Chief Financial Officer Mark Takahashi, who joined Ascendant Group in February 2015, having previously been with regional Asian power company CLP Holdings Limited, Hong Kong, as Group Director and CFO. Mr. Takahashi has more than 25 years experience in international finance in Asia and the United States, as well as a background in engineering.

Our progress depends on guidance from the Board of Directors, leadership by management and the performance of our dedicated, talented employees to whom we are grateful. While we always appreciate our hard-working staff, their spirit shone especially brightly in 2014, during Hurricanes Fay and Gonzalo. The storms provided an opportunity to demonstrate to the entire community the depth of our resolve, ingenuity and commitment to the Island, while reinforcing the fact that we thrive under pressure. The same spirit that enabled us to weather 2014's storms will be the foundation for Ascendant Group's success in the months and years ahead.

PETER C. DURHAGER
Chairman of the Board

WALTER M. HIGGINS
President & Chief Executive Officer

This Management's Discussion and Analysis of Financial Condition and Results of Operations may contain forward-looking statements which involve inherent risks and uncertainties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based upon current plans, estimates and expectations. Actual results may differ materially from those projected in such forward-looking statements and, therefore, undue reliance should not be placed on them.

This discussion and analysis should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto.

EXECUTIVE OVERVIEW

Ascendant Group Limited is a Bermuda-based, publicly traded holding company that provides energy and infrastructure solutions through its wholly owned subsidiaries Bermuda Electric Light Company Limited (BELCO), Bermuda Gas & Utility Company Limited and AG Holdings Limited. In 2014, the Company formed a captive property insurance company, Ascendant Bermuda Insurance Limited (ABIL) to provide coverage for any deductible, related plant and property losses incurred by the BELCO subsidiary to a $750,000 maximum aggregate.

Ascendant Group's consolidated earnings for 2014 increased $1.0 million, or 20.4%, to $5.9 million from $4.9 million in 2013.

Fiscal years 2014 and 2013 represent a significant transitional period for the Company, as it balances the need to address the current challenging environment, while at the same time developing a road map for the future. Core to its strategy are: developing and eventually implementing the Integrated Resource Plan (IRP); achieving operational excellence through improvement to business processes, practices and organizational structure; and finding opportunities for improving operating business earnings. To this end, the Company has utilized the expertise of a number of consultants to assist management with the development of the IRP, resulting in higher operating expenses over the last two years, which is highlighted and discussed in detail in the body of this report. On a macroeconomic level, Bermuda's overall economy remains weak and continues to impact sales negatively in most of the Company's operating units. Costs incurred stemming from Hurricanes Fay and Gonzalo totaled approximately $2.9 million, of which $1.4 million is recognized in current year results with the balance capitalized.

Net Earnings for the Year

The following table presents an analysis of our net income for the years ended 31 December 2014 and 2013:

	2014	2013	VARIANCE	
	$000's	$000's	$000's	%
BELCO	9,716	5,560	4,156	74.7
Bermuda Gas	127	536	(409)	-76.3
AG Holdings	1,313	3,092	(1,779)	-57.5
ABIL	14	–	14	–
Unallocated Group Expenses	(5,282)	(4,299)	(983)	-22.9
	5,888	4,889	999	20.4

Earnings per share has increased 35.9% to $0.53 in the current year versus $0.39 for 2013. The market price of Ascendant Group's shares, as listed on the Bermuda Stock Exchange (BSX), declined 47.3% in 2014, closing the year at a price of $5.40, down from $10.25 at the end of 2013. Ascendant Group's book value declined marginally 0.1% in the current year from $30.62 per share at the end of 2013 to $30.59. The 2014 cash dividend of $0.44 per share decreased 48.2% as compared to the $0.85 cash dividend per share paid in 2013.

PRIMARY FACTORS AFFECTING ASCENDANT GROUP'S BUSINESS

The following is a summary of the primary factors we expect will continue to have the greatest impact on Ascendant Group's performance.

Bermuda's Economy – Persistent economic recession in Bermuda has had a profound impact on our operating subsidiaries. BELCO's core electricity sales have declined annually since 2009, primarily due to the Island's economic weakness. In 2014, BELCO continued to feel the effects of a diminishing customer base due to the departure of both Bermudians and the non-Bermudian labor force, as international companies consolidated operations outside of Bermuda or reduced the level of staffing on the Island. There was, however, some stabilizing of the economy, as the community was buoyed by the announcement that Bermuda would host the America's Cup in 2017. In addition, many customers are conserving and reducing their electric energy consumption, adding to the downward pressure on sales. These are the primary drivers for the steady decline in kilowatt hour (kWh) sales from the high reached in 2009 of 656.1 million kWh to 577.4 million kWh in 2014, a decrease of 78.7 million kWh, or 11.9%. Continued weakness in both Bermuda's job market and low levels of consumer confidence arising from economic uncertainty have negatively impacted revenues from the sale of goods and services provided by the Company's other operations during the year. As noted in last year's report, a significant number of customers are having difficulty paying their accounts in full and in a timely manner as a result of job losses and decreased average household wages.

Regulatory Environment – As the Island's major provider of electricity, BELCO is currently regulated by the Bermuda Government's Energy Commission for its future fuel adjustment rate and basic tariff rate requests. In 2014, the Bermuda Government took steps to establish a Regulatory Authority to oversee the Island's changing Electricity Sector, along with developing a National Electricity Sector Policy that lays the groundwork for a new Electricity Sector Act. A consultation paper was published in February 2015, and it is anticipated that the Government's new policy, as well as corresponding legislation, will be finalized in mid-2015. Separate from these regulatory authorities, BELCO is monitored by the Department of Energy and the Department of Environmental Protection. BELCO works cooperatively with all key Government stakeholders to develop collaborative results that produce the best energy solution for Bermuda, addressing issues of affordability, supply security and environmental standards and goals.

Operating Expenses – The Company continually seeks ways to manage and reduce operating costs without disruption to customer service. Fuel represents the largest cost incurred by the Company, representing approximately 49% of total expenses, so every effort is made to secure the best fuel prices, as well as to use fuel efficiently. Compensation and benefits represent the second largest category of expenses for the Company. Over the last several years, Ascendant Group has taken steps to control compensation and benefits costs through early retirements and changes to employee benefits. The Company is reviewing a number of options to reduce overall compensation and benefits costs, while ensuring that we have the optimal number of skilled, competent staff to meet operational requirements and maximize productivity in a safe, secure working environment.

Competition – BELCO, Bermuda's major provider of electricity, is feeling the impact of a growing renewable energy sector. Separate from BELCO, the group's non-utility subsidiaries operate in a highly competitive marketplace. The non-utility subsidiaries provide differentiated, high-quality energy and infrastructure services and products at competitive prices. In all of our operating units, there is a strong objective to be efficient and effective at managing costs, while reliably meeting customers' requirements.

Relationship with Company Unions – Staff in several of our operating companies belong to bargaining units, represented by either the Electricity Supply Trade Union or the Bermuda Industrial Union. The Company strives to maintain productive relationships with the unions in order to ensure that our operations are able to control compensation and benefits costs, while maintaining sufficient well-trained staff to support operating activities.

Weather Conditions – Weather stimulates buyers to consider whether to purchase air conditioning, gas appliances and other products and services from the Company. It also determines the rate at which heating or air conditioning powered by electricity or gas is consumed. Consequently, the operations of most Ascendant Group operating subsidiaries are affected, positively or negatively, by climatic conditions. In some years, hurricanes and winter storms result in significant costs to restore and rehabilitate electric service, while also mitigating revenue loss. The Company experienced an unprecedented example of storms' impact in October 2014 with back-to-back Hurricanes Fay and Gonzalo.

BELCO was the operating unit most affected by the hurricanes, and its Incident Command Team used the opportunity to produce a post-mortem report that highlighted achievements during the storms, while also making recommendations for improved storm preparation and response.

RATES AND REGULATION

Following May 2014 approval from the Bermuda Energy Commission, on 1 June 2014, BELCO introduced a revenue neutral Graduated Facilities Charge (GFC), replacing the previous $33.00 per month Facilities Charge levied on residential customers. The GFC methodology places residential customers into one of five specific tiers, based on a 12-month rolling average of their daily electricity consumption.

The introduction of the GFC generally results in residential customers with lower kWh usage receiving lower monthly facilities charges, while residential customers with higher kWh monthly usage receive increases in their overall monthly bills. Effectively, the GFC rewards less usage, helping to promote energy conservation.

There were no changes in basic tariff rates in 2014 from 2013. BELCO plans to file an application for changes to basic tariff rates in 2015 due to an extended period of under-earning by the utility, as rates have not kept pace with cost increases or been adjusted for declining sales volumes. This is due in part to the Company's decision to forego an approved rate increase in 2011.

RESULTS OF OPERATIONS

BELCO

BELCO's net income increased $4.2 million to $9.7 million for the year, as compared to 2013 net income results of $5.6 million, which follows a decline of $7.6 million from 2012 results of approximately $13.2 million.

BELCO's kWh sales declined 9.3 million kWh, or 1.59%, from 586.7 million kWh sold in 2013 to 577.4 million kWh sold in 2014, largely due to the struggling economy and related upturn in energy conservation, but also driven in part by the increased use of renewable energy and lost kWh sales due to the October hurricanes.

Electricity sales revenues, net of fuel adjustment, totaled $143.3 million in 2014, approximately the same as reported in 2013. Electricity sales revenues recognized in 2013, however, were reduced by $2.36 million, as the Company established a provision for over-billed metered sales, which were determined during the year through an audit of demand and commercial customer meter installations. In 2014, the Company added back approximately $615,000 to electricity sales revenues, following a positive adjustment to the remaining year-end provision for over-billed metered sales. The movement in electricity sales revenues, net of both fuel and sales provision adjustments is, therefore, a decrease of $2.96 million (2014: $142.68 million; 2013: $145.64 million) or 2.03%.

As reported last year, BELCO's Protection, Control & Metering (PC&M) Department conducted an audit of both demand and commercial customer meter installations to determine the accuracy and completeness of metered sales from these customer groups. This work determined that:

- A number of customers had not been billed, as the meter installation information was not entered in the billing system (in these instances, customers were subsequently notified and related sales receivables recovered).
- A number of customers had been either over- or under-billed due to meter connection issues.

The Company subsequently implemented the following policies as a result of these findings:

- In those instances where a customer was over-billed, and the amount can be readily determined, the Company would seek to credit the customer's account for the error.
- In those instances where a customer had been under-billed, the Company would not seek recovery of any unbilled amounts from the customer.

Based on 2013 actual findings and management's best estimate of liability due to over-billing of both demand and commercial class customers, given metered connection error findings and the Company's newly established policy, BELCO reduced its revenue by $2.4 million and accrued a liability of that same amount, as at 31 December 2013, for accounts that were over-billed. At the end of 2014, the PC&M Department had audited 98.6% of all demand metering installations and 74.0% of CT-rated (current transformer) commercial accounts. The audit of these two groups is now expected to be completed in 2015. Based on audit results and management's best estimate of possible error in the remaining demand and commercial customer meters still to be audited, the Company has reduced its provision for over-billed metered sales as at 31 December 2014 to $699,025.

The Company has introduced a number of operational and organizational changes to prevent these types of issues recurring.

The number of residential customers who have installed either small-scale renewable generating systems or solar water-heating systems to support part or all of their energy requirements increased in 2014. In 2011, residential net metered sales totaled 59,717 kWh, costing the Company $13,736. In 2014, this has increased to 573,416 kWh with a net cost to the Company of $139,288. The total cost of this program to the Company since its inception on 1 November 2010 is $254,464, with the Company having entered into approximately 215 interconnection agreements with residential customers. Any power generated that is in excess of the residential customer's energy demand is transferred to the Company's transmission and distribution network, with the residential customer receiving a credit against their monthly electric bill, thereby reducing their overall annual electric energy cost. The Company credits the customer's electricity account for energy it receives from them at the same rate, as approved by the Energy Commission, that it sells to its residential customers. The Company retains the cost of this electricity purchased and has not sought to recover this from its customers.

In September 2014, the Energy Commission approved an interim agreement for four existing commercial solar photovoltaic (PV) customers only, which will remain in effect until the Regulatory Authority approves commercial interconnection and independent power purchase (IPP) agreements. The interim agreement credits customers on energy received by the utility at avoided fuel cost with the rate approved each month by the Energy Commission.

As shown in the table below, BELCO's electric sales have declined 73.2 million kWh, or 11.25%, since 2010. This trend in declining electric sales is the direct result of the contraction of the Island's economy, as well as conservation measures taken by many customers to reduce their electric energy consumption.

BELCO Statistics: 2010 - 2014

	2014	2013	2012	2011	2010
Maximum Demand (KILOWATTS)	106,800	110,100	113,700	118,200	122,800
Kilowatt Hours Generated (000s kWh)	648,863	665,204	688,179	716,784	730,224
Electricity Sales (000s kWh)					
Residential	235,523	244,421	249,749	265,243	276,824
Commercial	291,350	295,043	307,269	316,356	320,527
Other	50,492	47,240	49,328	54,918	53,220
Total	577,365	586,704	606,346	636,517	650,571
Net Price per Kilowatt Hour (CENTS)					
Residential Total	44.29	44.89	44.93	41.23	37.95
Energy	26.98	27.08	26.18	25.66	25.45
Fuel	17.31	17.81	18.75	15.57	12.50
Commercial Total	36.00	36.33	36.49	33.86	31.28
Energy	21.93	21.92	21.26	21.07	20.98
Fuel	14.07	14.42	15.23	12.78	10.30
Total Metered Connections	35,766	35,666	35,770	35,862	35,668

Fuel adjustment revenues (FAR) decreased $4.3 million from $95.8 million in 2013 to $91.5 million in 2014. The average price paid for a barrel of fuel fell from $131.47 in 2013 to $128.60 in 2014 and accounts for $2.6 million of the total decrease. The balance of the decrease, or $1.7 million, is attributed primarily to a decrease in volume as approximately 18,750 fewer barrels were consumed in the year, which is directly related to the decrease in kWh sales demand. The Company does not incur any profit or loss on fuel adjustment; hence, this revenue is offset by identical fuel costs reflected in Operating and Administrative Expenses.

Total Ascendant Group operating expenses decreased $4.6 million in 2014 to $238.9 million, compared to $243.5 million in 2013, again largely due to the aforementioned decrease in fuel costs.

Other significant changes in BELCO operating expenses in 2014, as compared to 2013, include:

- Costs incurred for the Company's DB Plan decreased to $1.4 million in 2014 as compared to $2.6 million in 2013. DB plan expenses recognized in 2013 were higher, stemming from amendments to the DB Plan's investment policy and to a higher amortization of accumulated actuarial losses, resulting from a decrease in the discount rate used in the DB Plan's actuarial assumptions. At the end of 2011, the Company froze benefits accruing to active members of the DB Plan with all employees covered under the plan transitioned to a Defined Contribution Plan (DC Plan) in 2012. Management continues to consider additional amendments to the DB Plan to further mitigate risk to the Company's financial position.

- In 2013, the Company established a $500,000 year-end provision for the likely settlement of a contingent liability stemming from a dispute with IBM World Trade Corporation over end-user license fees associated with the implementation of IBM's MAXIMO system in 2012. In 2014, this matter was successfully settled, resulting in an over accrual of $258,858 written back to income.

- Restoration and rehabilitation expenses incurred as a result of Hurricanes Fay and Gonzalo totaled $2.9 million with $1.5 million capitalized and the balance of $1.4 million expensed in 2014.

- An unprecedented 10 major unplanned outages, as well as six major engine overhauls were addressed in 2014, resulting in additional labor costs when compared to 2013, totaling approximately $844,000 due to significant repair times incurred to bring baseline engines back online and in service to meet demand in a timely manner.

- Major engine overhaul costs totaling $6.4 million were incurred and deferred to be amortized and recognized in expenses in future years over the major overhaul service level period, as compared to $4.4 million in major engine overhaul expenses deferred in 2013.

- Consulting costs rose by approximately $1.3 million from $444,000 in 2013 to $1.8 million in 2014. The bulk of 2014 consulting costs were focused on improving Revenue Assurance performance, the "meter-to-bill-to-cash" process, as well as processes and procedures within the Company's PC&M Department. This spend was driven by a need to ensure non-technical losses related to theft, unbilled and under-billed meters, as well as non-billed, non-paying accounts, which were eliminated or minimized given the 2013 audit findings of demand and commercial customer meter installations, as well as a detailed review of the Company's bad debt provision requirements. Significant consulting costs were also incurred to provide assistance and support to the Company's preparation for its basic tariff rate case filing to Government in early 2015. The magnitude of changes in future operations, given the IRP, has required significant change to basic tariff rate case filings from prior years.

Bermuda Gas

Bermuda Gas' net earnings decreased $408,673, or 76%, to $126,998 in 2014 from $535,671 in 2013. Gas volumes remained basically the same, but profitability was eroded by the high cost of propane on the world market and continuing competitive pressures. Bermuda Gas' operating expenses decreased 1% from 2013, as the operating company controlled costs where possible.

AG Holdings

AG Holdings manages the Company's non-utility business operations including Air Care Limited, iEPC Limited, iFM Limited, PureNERGY Renewables, Ltd., and Ascendant Properties Limited. Net earnings from AG Holdings for 2014 of $1.3 million have decreased $1.8 million, or 57.5%, versus earnings of $3.1 million in 2013.

The primary reason for the decrease is a decline in Air Care results in 2014. For the 12 months ended 31 December 2014, Air Care earned $1.8 million (2013: $3.4 million), of which $1.6 million (2013: $2.6 million) is attributable to Ascendant Group shareholders. The $1.4 million, or 42.8%, decrease in Air Care earnings is due primarily to a significant loss sustained on the Company's controls installation project at King Edward VII Memorial Hospital. Maintenance business also decreased in 2014, as compared to 2013, due to continued weakness in the local economy. As the use of commercial office space required to support business in Bermuda has declined, so has the need for air conditioning and energy control units. Many commercial landlords have mothballed air conditioning and energy control units and, in turn, either reduced or terminated their support maintenance agreements. During the current year, the Company completed its acquisition of Air Care, increasing its equity from 85%, as at 31 December 2013, to 100% in August 2014.

iFM, the Company's joint venture with the Bermuda-registered, exempted subsidiary of Black & McDonald Limited contributed $275,000 to Ascendant Group's net earnings, versus $199,000 in the previous year, through services provided under property management agreements with The Bank of N.T. Butterfield & Son Limited and HSBC Bank Bermuda Limited and their respective affiliates located in Bermuda.

PureNERGY posted a reduced loss for the current year of $175,000 as compared with the $217,000 loss recognized in 2013. This operating unit will remain small and narrowly focused, primarily maintaining existing customer relationships, while management determines how best to position it successfully within the Company's overall IRP.

ABIL

ABIL was incorporated on 28 April 2014. The Company holds a Class 1 license under the Insurance Act 1978 of Bermuda and provides coverage for any deductible, related plant and property losses of BELCO, subject to a maximum aggregate recovery of $750,000 for the period. For the eight months ended 31 December 2014, ABIL had a net income of $14,278.

Unallocated Group Expenses

Net corporate expenditures increased $983,000, or 22.9%, in 2014 to $5.3 million from $4.3 million in 2013. Significant items that comprise this variance are as follows:

- Consulting and legal fees increased approximately $1.3 million in 2014. Several firms were engaged to support various aspects of the IRP implementation. Consulting fees were incurred in the recruitment effort to address vacancies in two key positions, Chief Financial Officer and Human Resource Vice President. Consulting fees were also incurred in addressing the accounting transition effort from Canadian Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS), transformation of Finance Groups processes and systems. Legal fees were incurred to provide litigation advice associated with various issues that arose during the current year, and to assist with regulatory work being undertaken to support the implementation of IRP initiatives.

- Research costs totaling $341,000, associated with the review of a potential business opportunity, were expensed in 2014.

- Information technology maintenance contract costs increased in 2014 by approximately $114,000, due primarily to an increase in MAXIMO end-user licenses as part of the Company's dispute settlement with IBM.

- Salary costs increased by approximately $600,000, due primarily to the transfer of staff from operating companies to the parent Company, staff additions and severance costs.

LIQUIDITY AND CAPITAL EXPENDITURE

The Company's liquidity needs are driven by factors that include: fuel prices; impact of weather on customer bills; working capital requirements of all operating entities; timing of construction of plant and expenditures associated with capital projects; repayment of debt; timing and receipt of credit sales; and amounts and timing of dividend payments.

Cash Flows from Operating Activities – Liquidity needs are first met with net cash provided by operating activities. Net cash provided by operating activities totaled $26.3 million and $38.0 million for 2014 and 2013, respectively. Operating activities produced less cash in 2014 as compared to 2013 due to a decrease in Trade and Other Payables, primarily related to a BELCO fuel shipment totaling $15.3 million received at the end of 2013 and paid for during the current year.

Cash Flows Used in Investing Activities – Ascendant Group has a continuing need for cash resources and capital to invest in electric utility plant, replacement facilities and equipment and any investment activity. During the year, Air Care minority shareholders were paid approximately $3.0 million for their remaining interest, enabling the Company to become the sole owner of Air Care. The acquisition was financed by a $15.5 million revolving loan facility from The Bank of N.T. Butterfield & Son Limited and was payable by Air Care. Draw downs were made on the facility within the initial 39 months of the facility term, during which repayments comprised only interest accrued on the outstanding loan balance, calculated on a daily basis, and paid on the last day of each calendar month. 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 Air Care's assets and undertakings and by a guarantee from Ascendant Group.

The bulk of the $23.6 million spent on acquisition of property, plant, equipment and intangible assets (2013: $21.4 million) was spent on BELCO-related capital projects. Major 2014 capital expenditure included:

Integrated Resource Plan (IRP): $1.6 million (2013: $536,000). Implementation and execution of the IRP is critical to the long-term future of both the Company and Bermuda. Key elements of the IRP include the transition to liquefied natural gas (LNG) as the primary fuel for power generation, deployment of renewable energy resources throughout the Island, improvement in energy efficiency through changes in generation plant and plant utilization, as well as energy conservation efforts. Over the last two years, significant time, effort and resources have been directed to the determination of alternative fuel/LNG use, required plant and other infrastructure changes, plant location consideration, LNG movement logistics and renewable deployment, made up of both small- and utility-scale solar photovoltaic (PV) systems and solar thermal systems.

GT5 Repairs: $606,000 (2013:Nil). Gas turbine engine 5 (GT5) is an integral part of the Company's current plant mix of engines required to meet energy demand requirements. It is expected to remain an integral part of the generation plant mix through to the end of 2025, when it is scheduled to be retired. Its value to the existing IRP is that the unit is to be converted to run on LNG, which will significantly lower the cost of generation. During the year, GT5 was taken out of service to replace parts not covered under warranty and considered unserviceable by the manufacturer to reduce risk of engine failure. Further, major rebuild of both the engine's air intake and exhaust casing was carried out, as both parts were examined and considered not serviceable due to extensive corrosion.

Grid Modernization: $969,000 (2013:Nil). In 2014, the Company prepared a three-to-five year strategic road map for the implementation of advanced metering infrastructure (AMI), associated high-value information technology, as well as changes in business programs and processes to utilize and optimize resources cost effectively. AMI is the architecture for automated, two-way communications between an advanced or "smart" meter and a utility company. The goal of AMI is to provide utility companies with near real-time data about power consumption, enabling customers to make informed choices about energy usage. Meter data management system (MDMS) technical requirements were also reviewed. MDMS refers to the key components in AMI, namely the long-term data storage and management of vast quantities of data delivered by new AMI systems. Another key component reviewed during this period was the outage management system. Once all requirements were mapped and determined, the Company tendered requests for proposal to a number of vendors and, in turn, successful bid vendors began, or will begin, work with Company staff to implement AMI and associated systems, practices and processes. An AMI pilot project phase commenced in February 2015; full AMI deployment is tentatively scheduled to be launched at the end of 2015 with completion targeted for end of first quarter 2017. Advanced meters will be installed Island-wide, providing two-way communications and enhanced capabilities related to outage management, daily network operations and greatly enhanced customer information and ability to monitor energy usage.

Rehabilitation of Transmission and Distribution Systems following Hurricanes Fay and Gonzalo: $1.53 million (2013:Nil). In October 2014, Hurricanes Fay and Gonzalo made direct hits on Bermuda, one week apart, imposing widespread damage to Bermuda's infrastructure, including the BELCO transmission and distribution network. Total costs incurred by the Company to restore and rehabilitate the system, directly related to these hurricanes, totaled $2.9 million with $1.4 million expensed and the balance, $1.5 million, capitalized. Additional expenses recognized in 2014 were associated with the write off of 228 poles, 80 transformers and 4.25 miles of high and low voltage cable, destroyed and replaced as a result of these hurricanes, totaling $363,000.

System Refurbishment and Upgrades: $3.1 million (2013: $3.1 million). Significant spend is required annually to improve the security and integrity of both the overhead and underground transmission and distribution network throughout the Island. Planned work carried out in 2014 was based on circuit inspections, fault data and customer issues reported, and typically involved the replacement of transformers, circuits, cut-outs, etc.

East Power Station Upgrades: $634,000 (2013: $2.1 million). This project originally covered three large plant improvement projects: (1) radiator upgrades for East Power Station diesel engines E3 and E4; (2) hot water upgrade (steam heating system required to heat fuel); and (3) upgrade to the 13.8 kilovolt (kV) switchboard. The first two projects were completed in 2013. The third project commenced in 2013 and remains ongoing. This project, which will replace the existing switchboard, is now scheduled to be completed in 2015.

Meter Service and New Supply: $2.8 million (2013: $3.1 million). These costs are incurred annually to address new supply service and other customer-initiated service projects. Costs include labor, installation, transformers, cables, overhead lines, etc.

Storage Area Network (SAN) Replacement: $540,000 (2013: $700,000). The SAN replacement project was a two-year project, which commenced in 2013. The existing SAN environment was nearing the end of its useful life and, in order to mitigate rising support costs, risk of higher failure rates and increasing capacity requirements, the decision was made to replace this equipment. Phase one work, carried out in 2013, focused on basic configuration and connecting existing systems to it. Phase two, carried out in 2014, focused on increasing fiber and disk capacity to increase efficiency and provide for future expansion related to other major projects such as AMI. This investment will enable the Company to meet anticipated data storage requirements for the next five to 10 years, satisfying group requirements for growth, efficiency, reliability and longevity.

Major Substation 22kV Switchgear Replacement (Mullet Bay, Harrington Sound, Fractious Street): $868,000 (2013: $34,000). The 22kV switchboards at all three substation locations are considered high risk for failure, given that they are 20-plus years old. The risk to service is further compounded by the fact these boards are no longer manufactured and spare parts are no longer available. New switchboards were, therefore, purchased in 2014 and will be installed and in service in early 2015.

Cash Flows from Financing Activities – Proceeds from the issuance of capital stock is associated with 43,679 Company shares issued during 2014 (2013: 120,349 shares) in accordance with the Company's long-term incentive plan, Directors' fees, retirement and employee service awards, as well as employee purchases.

Net proceeds from bank borrowings increased by $7.3 million in 2014 due to a $5.0 million increase in the balance drawn down by BELCO under its overdraft facility with The Bank of N.T. Butterfield & Son Limited (2014: $34.8 million; 2013: $29.8 million) used to finance fuel shipments, as well as an increase in Air Care borrowing of $2.4 million related to Air Care 2014 acquisition financing. Dividends paid to Ascendant Group shareholders in the current year totaled $4.7 million (2013: $8.97 million).

ADOPTION OF NEW ACCOUNTING STANDARDS

Transition To International Financial Reporting Standards

On 17 February 2015, the Company's Board approved management's recommendation to adopt International Financial Reporting Standards (IFRS), replacing Canadian Generally Accepted Accounting Principles (GAAP) effective 1 January 2015. This follows several years of allowed deferral to adopt IFRS by the Canadian Accounting Standards Board (AcSB) for those companies (such as Ascendant Group and its wholly owned subsidiary BELCO) qualifying as rate-regulated companies, instead of the 1 January 2011 effective date applicable for all other publicly traded companies. The issuance in January 2014 of IFRS 14, "Regulated Deferral Accounts" by the International Accounting Standards Board (IASB) permitted first-time adopters of IFRS to apply their previous GAAP accounting policy for the recognition, measurement, impairment and derecognition of regulatory deferral accounts upon adoption of IFRS. Management does not anticipate that there will be any difficulty in preparing Ascendant Group financial statements in accordance with IFRS for the year ending 31 December 2015.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS will result in changes in the Company's previous GAAP accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation of expected changes to previous GAAP accounting policies in key areas, based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for significant change.

First-Time Adoption (IFRS 1)

IFRS 1 provides guidance to entities on the general approach to be taken when adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports under IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- Optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- Mandatory exceptions to retrospective application of certain IFRS standards.

The Company has identified the following optional exemption it intends to adopt in its preparation of an opening IFRS statement of financial position as at 1 January 2014, the date of transition to IFRS:

Fair value measurement of financial assets or financial liabilities at initial recognition.

Election options (initial measurement and recognition):

- Elect to maintain at cost at transaction date (similar to GAAP - cost model); or
- Elect to revalue to fair market value at date of transition to IFRS (revaluation model).

Management have elected to adopt the cost model and thus retain existing costs at the transition date with respect to items of property, plant and equipment and investment property. It is important to note that many utility companies have adopted the cost model as deemed cost on transition to IFRS and not the revaluation model due to the difficulty in determining accurate fair value information.

Additionally, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS. IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS consolidated statement of financial position will be consistent with those made when preparing the Company's consolidated financial statements under current GAAP. If necessary, estimates will be adjusted to reflect any differences in accounting policies.

Asset Retirement Obligations (ARO) (IAS 16)

IFRS requires the recognition of an asset and related liability of estimated future costs associated with the decommission of generating plant and other assets. Under GAAP, the Company did not recognize AROs. Management expects this change will have an impact on the carrying amounts of assets, liabilities and annual depreciation expense recognized.

Rate Regulated Accounting (IFRS 14)

Upon first-time adoption of IFRS, rate regulated entities that are early adopting IFRS 14 have the ability to continue to recognize amounts previously recognized under GAAP. While no impact in previously reported retained earnings or net income is anticipated, management expects an impact on key performance ratios due to the financial reporting disclosure requirements of rate regulated balances.

Accounting for Major Spare Parts (IAS 16)

In accordance with IAS 16, management is required to make a determination of major spare parts, currently accounted for in inventory, and reclassify these items to property, plant and equipment. The reclassified amounts, if available for use, are then subject to depreciation. Management is currently in the process of completing this analysis. Management expects this change will have an impact on the carrying amounts of inventory, property, plant and equipment and the annual depreciation expense recognized.

Equity Accounting for Joint Arrangements (IFRS 11)

In accordance with IFRS 11, certain joint arrangements are required to be accounted for using the equity method instead of proportionate consolidation. The Company currently accounts for its investment in iFM using proportionate consolidation. Management is currently working on the impact of this change in basis of accounting to financial statement line items reported in 2014 under GAAP.

Recognition of Actuarial Gains / Losses (IAS 19)

In accordance with IAS 19, any actuarial gains / losses are required to be recognized immediately through other comprehensive income (OCI). Under GAAP, actuarial gains / losses were deferred and recognized over a given period through the use of the corridor approach. Under IFRS, the net defined benefit liability is recognized in the statement of financial position and is made up of the present value of the defined benefit obligation, less the fair value of plan assets. The timing of recognition of changes to the net defined benefit liability that result from plan amendments and curtailments may also change. The application of IAS 19 is expected to have an impact on previously reported retained earnings and net income and the net DB Pension liability. This is applicable to the Company's DB Pension Plan, as well as the Company's future healthcare benefit plan.

Recognition of Environmental Obligation (IAS 37)

In accordance with IAS 37, the Company is required to make a provision for future costs associated with the environmental restoration of soil and water damage arising from operations. Management is currently working to obtain a reasonable estimate for remediation and anticipates it will have this estimate resolved and available for inclusion in the 2015 interim financial statements. Management expects this change to impact previously reported provisions, retained earnings and net income, based on this estimate.

Investment Property Valuation (IAS 40)

In accordance with IFRS, the Company is required to report separately investment properties from property, plant and equipment. Upon first-time adoption of IFRS, management has the option to use the fair value at date of adoption as the "deemed cost" for these items of investment property or keep the existing historical cost model. Management has elected to keep the existing depreciated historical cost model. For disclosure purposes, the Company is required to disclose the fair value of such investment properties. Management has commissioned external valuations for the identitifed investment properties. Management may need to complete an impairment assessment should the property valuations be less than carrying value, which may result in an adjustment to previously recognized retained earnings and net income.

Related-Party Transaction Disclosures including Key Management Compensation (IAS 24)

In accordance with IAS 24, the Company is required to disclose all transactions and balances with key management personnel, including remuneration and short-term benefits. Management is currently working on these disclosure items, however, no impact on previously reported retained earnings or net income is anticipated.

MANAGEMENT'S REPORT

TO THE SHAREHOLDERS OF ASCENDANT GROUP LIMITED

The consolidated financial statements of Ascendant Group Limited presented in this report have been prepared by Company personnel in accordance with Bermudian and Canadian Generally Accepted Accounting Principles. The integrity and objectivity of the data in these financial statements are the responsibility of management. In preparing these statements, management makes informed judgments and estimates of the expected effects of events and transactions that are being reported.

The Company's system of internal accounting control is designed to provide reasonable assurance that assets are safeguarded and transactions are executed according to management's authorization. Internal accounting controls also provide assurance that transactions are recorded properly, so that financial statements can be prepared according to Generally Accepted Accounting Principles. In addition, the Company's accounting controls provide reasonable assurance that errors or irregularities, which could be material to the financial statements, are prevented or detected by employees within a timely period as they perform their assigned functions. The Company's accounting controls are continually reviewed for effectiveness by management.

The accompanying consolidated financial statements have been audited by PricewaterhouseCoopers Ltd., independent auditors. Management has made available to PricewaterhouseCoopers all of the Company's financial records and related data, as well as representations we believe to be valid and appropriate. The accompanying report of the independent auditors is based on their audit conducted in accordance with Generally Accepted Auditing Standards.

WALTER M. HIGGINS
President & Chief Executive Officer

MARK TAKAHASHI
Senior Vice President & Chief Financial Officer

TO THE SHAREHOLDERS OF ASCENDANT GROUP LIMITED

We have audited the accompanying consolidated financial statements of Ascendant Group Limited, and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated statement of earnings, retained earnings and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Bermuda and Canada, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ascendant Group Limited and its subsidiaries as at 31 December 2014 and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Dorchester House
Hamilton, Bermuda
24 April 2015

CONSOLIDATED **BALANCE SHEET**

As at 31 December 2014

	NOTES	2014	2013
ASSETS			
Current Assets			
Cash and Cash Equivalents	10	$ 10,280,882	$ 7,580,325
Accounts Receivable	3, 15	17,098,594	21,569,693
Inventory	6, 13	65,117,717	72,698,771
Prepaid Expenses and Other Assets	11	27,165,824	23,600,453
		119,663,017	125,449,242
Non-Current Assets			
Property, Plant and Equipment	4	282,053,094	281,874,805
Intangible Assets	5	12,620,510	13,868,916
		294,673,604	295,743,721
		$ 414,336,621	$ 421,192,963
LIABILITIES AND CAPITALIZATION			
Current Liabilities			
Customer Deposits		$ 263,829	$ 495,858
Trade and Other Payables	12, 16, 17	20,120,096	35,667,601
Future Health Costs	11	16,628,487	14,041,937
Redemption Liability	8	–	2,509,081
Deferred Revenues		1,048,138	566,925
Bank Borrowing	9, 10	37,612,342	29,839,636
		75,672,892	83,121,038
Non-Current Liabilities			
Bank Borrowing	9, 10	11,895,631	12,359,198
		11,895,631	12,359,198
Capitalization			
Capital Stock	7	10,681,740	10,638,061
Share Premium	7	30,203,868	29,901,982
Treasury Stock	7	(845,803)	(845,803)
Contributed Surplus		22,549,745	22,549,745
Retained Earnings		264,178,548	262,291,905
Non-controlling Interest	8	–	1,176,837
	10	326,768,098	325,712,727
		$ 414,336,621	$ 421,192,963

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED **STATEMENT OF EARNINGS**

For the year ended 31 December 2014

	NOTES	2014	2013
Revenues			
Operating Revenues		$ 244,612,514	$ 247,673,871
Other Income		1,608,239	1,884,266
	14	246,220,753	249,558,137
Expenses			
Operating and Administration Expenses		214,283,999	218,376,551
Depreciation and Amortization		24,622,188	25,122,773
		238,906,187	243,499,324
Operating Income		7,314,566	6,058,813
Interest Expense			
Interest on Debt		864,850	515,397
Other		346,025	277,800
		1,210,875	793,197
Earnings before Undernoted Items		6,103,691	5,265,616
Foreign Exchange Loss		235,340	395,148
Change in Fair Value of Held for Trading Investments		(19,521)	(18,292)
Net Earnings for the Year		$ 5,887,872	$ 4,888,760
Profit Attributed to:			
Shareholders		$ 5,640,445	$ 4,119,304
Non-controlling Interest	8	247,427	769,456
		$ 5,887,872	$ 4,888,760
Basic and Fully Diluted Earnings per Share		$ 0.53	$ 0.39

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED **STATEMENT OF RETAINED EARNINGS**

For the year ended 31 December 2014

	NOTES	2014	2013
Balance – Beginning of Year		$ 262,291,905	$ 265,924,888
Decrease in Non-controlling Interest		894,930	1,222,113
2014 Net Earnings Attributed to Shareholders		5,640,445	4,119,304
Dividends Paid		(4,648,732)	(8,974,400)
Balance – End of Year		$ 264,178,548	$ 262,291,905

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED **STATEMENT OF CASH FLOWS**

For the year ended 31 December 2014

	NOTES	2014	2013
Cash Flows from Operating Activities			
Earnings for the Year		$ 5,887,872	$ 4,888,760
Adjustments to Cash Basis:			
Depreciation and Amortization		24,622,188	25,122,773
Inventory Write-Off	6	320,222	335,857
Deferred Revenues		481,213	(525,191)
Changes in Non-Cash Working Capital Balances:			
Accounts Receivable		4,471,099	2,950,235
Inventory		7,260,832	(3,901,413)
Prepaid Expenses and Other Assets		(3,565,371)	(6,721,301)
Customer Deposits		(232,029)	227,529
Trade and Other Payables		(15,547,505)	13,151,331
Future Health Costs		2,586,550	2,504,848
		26,285,071	38,033,428
Cash Flow Used in Investing Activities			
Acquisition of Interest in a Subsidiary from Non-controlling Interest		(3,038,415)	(1,908,388)
Acquisition of Property, Plant, Equipment and Intangible Assets		(23,552,071)	(21,383,865)
		(26,590,486)	(23,292,253)
Cash Flows from/(Used in) Financing Activities			
Cash Proceeds from Issuance of Capital Stock	7	345,565	1,319,125
Net Cash Proceeds from (repayment of) Bank Borrowing		7,309,139	(3,528,585)
Dividends Paid to Shareholders		(4,648,732)	(8,974,400)
		3,005,972	(11,183,860)
Increase in Cash and Cash Equivalents		2,700,557	3,557,315
Cash and Cash Equivalents Beginning of Year		7,580,325	4,023,010
Cash and Cash Equivalents End of Year		$ 10,280,882	$ 7,580,325
Supplementary Cash Flow Information			
Cash Interest Received		$ 4,568	$ 5,639
Cash Interest Paid		$ 2,357,014	$ 2,152,333

The accompanying notes are an integral part of these Consolidated Financial Statements.

1 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements, as at and for the year ending 31 December 2014, have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada that are applicable to a going concern, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's financial statements are presented in Bermuda Dollars, which are on par with US Dollars. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies are as follows:

a Principles of Consolidation

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

b Sales

The sales of electricity are based on consumption recorded by meter readings taken monthly during the year. As in previous years, no account has been taken of unread consumption at the end of the financial year. Sales of propane gas and appliances are recognized upon delivery to customers. Sales of appliance parts sold over the counter are recognized at time of sale and service sales are recognized at the time the service project is completed. 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 completion method exceed the amount billed to date, unbilled revenue is recorded.

c Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Interest cost on funds borrowed for the construction of certain long-term assets has been capitalized. The capitalized interest is recorded as part of the asset to which it relates, and is depreciated over the estimated useful life of the asset.

Depreciation of property, plant and equipment is calculated on a straight-line basis. The calculation of depreciation is based on the cost of each group of assets from the actual date that they are brought into service.

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. No significant interest rate risk is associated with cash and cash equivalents held as at 31 December 2014 and 2013.

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 have been translated into Bermuda Dollars at rates of exchange that approximate those rates prevailing at the Company's year end. 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 earnings for the year.

g Basic and Fully Diluted Earnings per Share

Basic and fully diluted earnings per share are calculated by dividing net earnings by the weighted average number of common shares outstanding during the year.

h Pensions and Employee Future Benefits

BELCO maintained a trusteed, 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 (DC Plan). Contributions to the DC Plan are expensed as incurred. The cost of pension benefits earned by employees under the DB Plan is determined using the projected benefits method prorated on service. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The accrued benefit asset is included in prepaid expenses. Annual changes in net assets or obligations arising from changes in assumptions, plan amendments and transitional amounts are amortized over the expected average remaining service life of the employees covered by the plan. The excess of net experience gains or losses over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The Company's net benefit plan expense is included in administration and general expenses.

BELCO and Bermuda Gas have been providing certain post-retirement medical benefits for substantially all employees. 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 not recognized, unless the cumulative unrecognized gain or loss at the end of the previous reporting period exceeds 10% of the plan liabilities.

i Intangibles

The Company classifies goodwill and computer software as intangibles. The Company no longer records amortization on goodwill. Goodwill is tested for impairment on an annual basis, or more frequently if impairment indicators arise, using the discounted cash flow valuation method. As at 31 December 2014 and 2013, there was no impairment of the Company's goodwill. 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.

j Financial Instruments

The Company classifies short-term investments, included in cash and cash equivalents, as held for trading, which are measured at fair value with gains and losses recognized in the statement of earnings. Financial assets and liabilities, other than cash and cash equivalents, are measured at amortized cost, and amortization is calculated using the effective interest rate method.

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

2 FUTURE ACCOUNTING AND REPORTING CHANGES

In February 2008, the Canadian Institute of Chartered Accountants announced that Canadian Generally Accepted Accounting Principles for publicly accountable enterprises would be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after 1 January 2011. However, for companies preparing to adopt IFRS for the first time, it was unclear whether regulatory assets or liabilities currently on their balance sheets could continue to be recognized.

Beginning in 2010, the Canadian Accounting Standards Board (AcSB) decided over the course of several years to allow the deferral of mandatory conversion to IFRS for qualifying rate regulated entities. A qualifying entity is an entity that has activities subject to rate regulation, as well as the parent company of such an entity, if the parent company is publicly traded.

Ascendant Group is a qualifying entity and, in line with the decisions taken by most other qualifying entities that are also adopting IFRS for the first time, management took the deferral option provided by the AcSB since 2010 to defer the adoption of IFRS until there was resolution on rate regulated balances presently accounted for as deferred assets or liabilities.

In January 2014, the International Accounting Standards Board (IASB) issued IFRS 14, "Regulatory Deferral Accounts", an interim standard on the accounting for certain balances arising from rate regulated activities. IFRS 14 is applicable to the Company as a first-time adopter of IFRS and permits it to continue to apply its current accounting policy (refer to Note 3) for the recognition, measurement, impairment and de-recognition of regulatory deferral accounts on adoption of IFRS. IFRS 14 is effective from 1 January 2016, however, early adoption is permitted. The IASB's broader, comprehensive Rate Regulated Activities project, started in 2012 to develop an IFRS on rate regulated activities, remains ongoing.

After review of IFRS 14 and careful consideration, management and the Board have decided to proceed with the transition to IFRS, effective 1 January 2015.

3 FINANCIAL STATEMENT EFFECTS OF RATE REGULATION

In accordance with Bermuda's Energy Act 2009, BELCO is required to submit all requests for changes in basic tariff rates to the Bermuda Government's Energy Commission for review and either approval or denial. Included in the basic tariff rates is an amount required to recover the first $30.00 per barrel of fuel used to generate electricity. BELCO recovers the excess of total fuel costs above $30.00 per barrel from its customers through the fuel adjustment charge, which is also subject to prior approval by the Energy Commission. Any shortfall or over-recovery in the fuel adjustment recovery is included in accounts receivable. As at 31 December 2014, the fuel adjustment under-recovery was $246,213 (2013: $1,204,446 fuel adjustment over-recovery).

4 PROPERTY, PLANT AND EQUIPMENT

	ORIGINAL COST	ACCUMULATED DEPRECIATION	2014 NET BOOK VALUE	2013 NET BOOK VALUE
Generation Plant	$ 337,518,855	$ (228,490,069)	$ 109,028,786	$ 119,820,474
Transmission Equipment	83,554,895	(45,956,867)	37,598,028	36,061,256
Distribution Equipment	210,336,630	(118,934,546)	91,402,084	82,206,718
General Plant	70,129,081	(51,543,814)	18,585,267	18,264,464
Other Physical Property	36,100,497	(10,661,568)	25,438,929	25,521,893
	$ 737,639,958	$ (455,586,864)	$ 282,053,094	$ 281,874,805

Total capital work in progress (CWIP) of $13,667,988 (2013: $11,134,806) is embedded in fixed assets noted above. CWIP is not subject to depreciation until brought into service.

Freehold land of $15,184,983 (2013: $15,184,983) is included in fixed assets noted above. Freehold land is not subject to depreciation.

5 INTANGIBLE ASSETS

	GOODWILL	SOFTWARE IN PROGRESS	SOFTWARE	TOTAL VALUE
YEAR ENDED 31 DECEMBER 2013				
Opening net book amount	$ 7,632,982	$ 1,153,141	$ 5,376,050	$ 14,162,173
Transfers	–	(1,130,216)	1,130,769	553
Acquisitions	–	30,567	925,507	956,074
Disposals	–	–	(242,412)	(242,412)
Amortization	–	(18,340)	(989,132)	(1,007,472)
Closing net book amount	$ 7,632,982	$ 35,152	$ 6,200,782	$ 13,868,916
AT 31 DECEMBER 2013				
Cost	$ 8,033,656	$ 85,587	$ 15,184,798	$ 23,304,041
Accumulated Amortization	(400,674)	(50,435)	(8,984,016)	(9,435,125)
Net book amount	$ 7,632,982	$ 35,152	$ 6,200,782	$ 13,868,916
YEAR ENDED 31 DECEMBER 2014				
Opening net book amount	$ 7,632,982	$ 35,152	$ 6,200,782	$ 13,868,916
Transfers	–	(30,567)	30,567	–
Acquisitions	–	9,000	167,869	176,869
Disposals	–	–	–	–
Amortization	–	(4,585)	(1,420,690)	(1,425,275)
Closing net book amount	$ 7,632,982	$ 9,000	$ 4,978,528	$ 12,620,510
AT 31 DECEMBER 2014				
Cost	$ 8,033,656	$ 64,020	$ 15,383,234	$ 23,480,910
Accumulated Amortization	(400,674)	(55,020)	(10,404,706)	(10,860,400)
Net book amount	$ 7,632,982	$ 9,000	$ 4,978,528	$ 12,620,510

There was no impairment of intangible assets for the years ended 31 December 2014 and 2013. During the year ended 31 December 2014, $176,869 (2013: $956,074) of intangible assets, subject to amortization, were acquired.

6 INVENTORY

During the year, the Company utilized inventory totaling $137,479,078 (2013: $141,991,360) as part of normal operations. Inventory written off during the year totaled $320,222 (2013: $335,857). Inventory is comprised as follows:

	2014	2013
Materials and Supplies	$ 35,690,361	$ 36,331,046
Fuel and Lubricants	29,427,356	36,367,725
	$ 65,117,717	$ 72,698,771

7 CAPITAL STOCK

	2014	2013
Capital stock comprises:		
Authorized – 20 million shares of a par value of $1 each (2013: 20 million par value $1)	$ 20,000,000	$ 20,000,000
Issued and fully paid – 10,681,740 shares of a par value of $1 each (2013: 10,638,061 par value $1)	$ 10,681,740	$ 10,638,061

A total of 27,131 shares (2013: 50,231) were purchased by active and retired employees under an Employee Purchase Scheme in 2014 at an average price per share of $8.34 (2013: $10.17), giving rise to an increase in share premium of $199,102 (2013: $460,510). Directors received a total of 14,400 shares during the year (2013: 13,795) as part of total Directors' fee compensation, giving rise to an increase in share premium of $86,400 (2013: $147,580). The average price of the shares issued to Directors in 2014 was $7.00 (2013: $11.70). A total of 2,148 (2013: 56,323) shares were issued to employees during the year in recognition of long service, retirement and accomplishment, giving rise to an increase in share premium of $16,384 (2013: $590,686). A total of 41,200 shares were held as treasury shares as at 31 December 2014 (2013: 41,200).

8 NON-CONTROLLING INTEREST AND JOINT VENTURE

Joint Venture – iFM Limited

iFM Limited is a joint venture company that is 60% owned by the Company, and 40% owned by the Bermuda-registered, exempted subsidiary of 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 proportionate consolidation method in accordance with the shareholder agreement.

Non-controlling Interest – Investment in Air Care Limited

On 30 May 2012, the Company acquired 7,114 shares representing a 57% interest in Air Care Limited, a privately held, primarily employee-owned company that is a leading provider of heating, ventilation and air conditioning and related services in Bermuda. The acquisition was debt financed through a revolving loan facility of $15.5 million from The Bank of N.T. Butterfield & Son Limited. The revolving loan facility is the obligation of Air Care. The remaining 5,338 shares, or 43% interest, was agreed to be acquired from minority shareholders in three annual tranches on anniversary date 1 August, beginning in 2012, based on an outlined earnings before interest, depreciation and amortization formula. The Company completed its acquisition of Air Care in 2014 when the remaining 15% of total Air Care shares were acquired from minority shareholders. As a result, non-controlling interest (2013: $1,176,837) along with redemption liability (2013: $2,509,081) have been eliminated and profit attributed to non-controlling interest decreased to $247,427 from $769,456 in 2013. The portion of the purchase price paid to acquire Air Care that was in excess of its net assets has been recognized as goodwill and is included in intangible assets.

9 BANK BORROWING

Bank borrowing is comprised as follows:

	2014	2013
Current Liabilities		
The Bank of N.T. Butterfield & Son Limited overdraft facility	$ 34,789,745	$ 29,839,636
The Bank of N.T. Butterfield & Son Limited revolving loan facility	$ 2,822,597	$ –
	$ 37,612,342	$ 29,839,636

BELCO's overdraft facility with The Bank of N.T. Butterfield & Son Limited, which expires on 30 June 2015, has a maximum amount of $41 million in Bermuda Dollars, bearing variable interest rates based on the Bank's Bermuda Dollar base rate on borrowings. 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 31 December 2014, total drawdown on this amounted to $34,789,745, bearing interest of approximately 4.8% (2013: $29,839,636, bearing interest of approximately 4.8%). As of 31 December 2014, the current portion of the total drawdown against the revolving facility used to finance the acquisition of Air Care amounted to $2,822,597 (2013: NIL).

	2014	2013
Non-current Liabilities		
The Bank of N.T. Butterfield & Son Limited revolving loan facility	$ 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 from the Bank 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 31 December 2014, the non-current portion of the total drawdown against the revolving facility amounted to $11,895,631 (2013: $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 (2013: $750,000). As at 31 December 2014, there was no drawdown on this facility.

10 CAPITAL MANAGEMENT

The Company includes capitalization, bank borrowing and cash and cash equivalents in the definition of capital as follows:

	2014	2013
Capitalization	$ 326,768,098	$ 325,712,727
Bank Borrowing	49,507,973	42,198,834
Cash and Cash Equivalents	(10,280,882)	(7,580,325)
	$ 365,995,189	$ 360,331,236

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.

11 PENSIONS AND POST-RETIREMENT MEDICAL BENEFITS

BELCO maintained a trusteed, non-contributory DB Plan, covering all full-time employees hired before 1 January 2006. Effective 1 January 2012, all full-time BELCO employees covered under this plan have been transitioned to a DC Plan, as the DB Plan was frozen as at 31 December 2011. Total employer contributions paid to the DC Plan during the year by entity are as follows:

	2014	2013
Ascendant Group	$ 269,460	$ 247,841
BELCO	1,196,084	1,096,457
Bermuda Gas	137,235	145,983
AG Holdings	513,364	404,044
	$ 2,116,143	$ 1,894,325

The following table provides summaries of the DB pension and post-retirement medical benefit plans' estimated financial position as of 31 December:

	PENSION BENEFIT PLAN		MEDICAL BENEFIT PLAN	
	2014	2013	2014	2013
Accrued benefit obligation				
Balance – Beginning of year	$ 164,450,000	$ 165,112,800	$ 37,784,388	$ 35,138,956
Current service cost	–	–	1,040,174	981,886
Interest cost	6,593,400	7,110,800	1,964,789	1,847,960
Plan amendments and net actuarial (gain)/loss	23,098,300	(767,600)	(10,359,716)	1,479,782
Benefits paid	(7,272,700)	(7,006,000)	(1,758,347)	(1,664,196)
Balance – End of year	$ 186,869,000	$ 164,450,000	$ 28,671,288	$ 37,784,388
Plan assets				
Fair value – Beginning of year	$ 144,874,000	$ 134,045,100	–	–
Actual gain on plan assets	12,214,700	7,330,900	–	–
Employer contributions	5,232,000	10,504,000	–	–
Benefits paid	(7,272,700)	(7,006,000)	–	–
Fair value – End of year	$ 155,048,000	$ 144,874,000	–	–
Funded status – plan (deficit)	$ (31,821,000)	$ (19,576,000)	$ (28,671,288)	$ (37,784,388)
Unamortized net actuarial loss	58,686,400	43,103,400	12,051,801	23,742,451
Unamortized transitional asset	(1,396,900)	(1,878,400)	–	–
Accrued benefit asset (liability)	$ 25,468,500	$ 21,649,000	$ (16,619,487)	$ (14,041,937)

The significant actuarial assumptions in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions, as at 31 December):

	PENSION BENEFIT PLAN 2014 %	PENSION BENEFIT PLAN 2013 %	MEDICAL BENEFIT PLAN 2014 %	MEDICAL BENEFIT PLAN 2013 %
Discount rate:				
Weighted average	3.32	4.10	5.18	5.20
Active member obligations	4.50	5.50	5.00	5.20
Inactive member obligations	2.57	3.20	5.20	5.20
Expected rate of return on plan assets	3.80	4.60	–	–
Rate of compensation increase	3.00	3.00	–	–

For measurement purposes, the annual rate of increase in the per capita cost of covered healthcare benefits was assumed to be 7% for 2014 and, thereafter, reducing 1% per year until reaching 3% after four years. It has been assumed that this rate will average 4% over the future for all retirees. For current retirees, the annual rate of increase in the per capita cost of covered healthcare benefits was assumed to be 8% and, thereafter, reducing 1% per year until reaching 5% after three years. In 2013, it was assumed to be 8% and, thereafter, reducing 1% per year until reaching 5% after three years for all eligible retirees.

The discount rate used by the Company's actuary in determining the accrued pension and medical benefit obligations is, in the opinion of management, consistent with market interest rates at the measurement date of high-quality debt instruments with cash flows that match the timing and amount of the expected benefit payments.

During the year, the Company amended its healthcare plan in respect of its active employees. Plan amendments resulted in a decrease in the unamortized net actuarial loss of $10,439,004. The unamortized net actuarial loss is deducted from the plan's accrued benefit obligations to determine the year-end net accrued medical benefit plan liability (2014: $16,619,487; 2013: $14,041,937). Refer to the table on page 35.

The Company's net benefit plan expense is as follows:

	PENSION BENEFIT PLAN 2014	PENSION BENEFIT PLAN 2013	MEDICAL BENEFIT PLAN 2014	MEDICAL BENEFIT PLAN 2013
Current service cost	$ –	$ –	$ 1,040,174	$ 981,886
Interest cost	6,593,400	7,110,800	1,964,789	1,847,960
Actual gain on plan assets	(12,214,700)	(7,330,900)	–	–
Actuarial (gain)/loss on accrued benefit obligation	23,098,300	(767,600)	79,288	1,479,782
Pension (gain)/loss before adjustment to recognize the long-term nature of the plans	17,477,000	(987,700)	3,084,251	4,309,628
Difference between expected and actual return on assets	5,597,400	1,220,200	–	–
Difference between actuarial gain(loss) recognized and actual actuarial loss on benefit obligation	(21,180,400)	2,884,600	(79,288)	(1,479,782)
Amortization of transitional asset	(481,500)	(481,500)	–	–
Adjustments to recognize the long-term nature of the plans	(16,064,500)	3,623,300	(79,288)	(1,479,782)
	$ 1,412,500	$ 2,635,600	$ 3,004,963	$ 2,829,846

12 LONG-TERM INCENTIVE PLAN

Effective 1 January 2013, the Company implemented a long-term incentive plan aimed at retaining the services of its officers. This incentive plan, which expires on 1 January 2016, is a performance award, comprising shares of the Company, the value of which is calculated as a percentage of each officer's salary, and will vest on the expiry date contingent on the achievement of pre-determined objectives. The total cost of the long-term incentive plan for 2014 was $313,326 (2013: $350,000).

13 COMMITMENTS

The Company has an arrangement with fuel suppliers to ensure adequate fuel will be available when needed for its electrical generation requirements. Commitments under these contracts to acquire heavy fuel in 2015, as at 31 December 2014, totaled US$19,323,522 (BD$19,591,497). Commitments under these contracts to acquire heavy fuel in 2014, as at 31 December 2013, totaled US$2,698,200 (BD$2,735,183).

The Company entered into a five-year engine parts and service contract, effective 1 January 2014, with MAN Diesel & Turbo at a price of EU€ 1,095,000 plus US$467,790.

14 SEGMENTED INFORMATION (IN 000s)

Management has identified its reportable segments based on the different products and services that the operating companies offer.

	ELECTRIC 2014	2013	ALL OTHER 2014	2013	TOTAL 2014	2013
Total Revenues from External Customers	$ 235,823	$ 240,401	$ 43,111	$ 41,077	$ 278,934	$ 281,478
Intersegment Revenues	95	50	1,241	787	1,336	837
Interest Revenue	5	5	88	38	93	43
Interest Expense	194	166	1,017	627	1,211	793
Amortization of Capital Assets	23,157	23,778	1,465	1,345	24,622	25,123
Segment Profit	9,716	5,481	(3,828)	(592)	5,888	4,889
Segment Assets	364,723	377,403	49,615	43,790	414,337	421,193
Expenditures for Segment Capital Assets	22,277	19,933	1,276	1,451	23,553	21,384

Revenues from segments below the quantitative thresholds are attributable to seven operating segments of Ascendant Group. Those segments include propane supply, property holding, renewable energy supply, corporate services, facilities management, space conditioning and engineering consulting services companies. The accounting policies of the segments are the same as those described in Note 1, Significant Accounting Policies. Reconciliation of segment revenues to total Company revenues is noted below.

	2014	2013
Total Revenues for Reportable Segments	$ 278,934	$ 281,478
Cost of Goods Sold and Discounts	(32,713)	(31,920)
Total Company Revenues	$ 246,221	$ 249,558

15 FINANCIAL ASSETS AND LIABILITIES

The Company manages its exposure to credit, liquidity, market (including foreign exchange, interest rate and commodity) and other risks in accordance with established risk management policies and procedures. The Company's financial instruments and their designations are (i) held for trading: cash and cash equivalents; (ii) receivables: accounts receivable, less provision; and (iii) current liabilities: bank borrowing, customer deposits, trade and other payables.

Credit Risk: There is a concentration of credit risk, as all Company cash is held with two Bermuda banks. There is further credit risk as the Company may not be able to collect all of its customer accounts receivable that arise in the normal course of business, but this does not represent a significant concentration of credit risk as amounts are owed by a large number of customers on normal credit terms. The requirement for security deposits for certain customers, which are advance cash collections from customers to guarantee payment of electricity billings, further reduces the exposure to credit risk. The maximum exposure to credit risk is the net carrying value of these financial instruments. The Company manages credit risk primarily by executing its credit and collection policy, including the requirement for security deposits, through the resources of its Customer Care Department. The aging of trade receivables is as follows:

	2014	2013
Not past due	$ 11,981,652	$ 14,364,014
Past due 31- 60 days	2,287,129	2,666,371
Past due 61- 90 days	807,441	1,091,253
Past due over 90 days	7,036,971	8,674,288
	22,113,193	26,795,926
Less: allowance for doubtful accounts	(5,184,555)	(6,000,788)
Less: allowance for discounts	(352,783)	(475,772)
	16,575,855	20,319,366
Fuel adjustment (over)under-recovery	246,213	(1,204,446)
Other receivables	276,526	2,454,773
	$ 17,098,594	$ 21,569,693

Liquidity Risk: The Company's financial position could be adversely affected, if it failed to arrange sufficient and cost-effective financing to fund, amongst other things, capital and operating expenditures, repayment of bank debt and pension funding obligations. The ability to arrange such financing is subject to numerous factors, including the results of operations and financial position of the Company, conditions in the capital and bank credit markets and general economic conditions. The Company manages short-term liquidity risk primarily by maintaining overdraft facilities totaling $41.75 million with The Bank of N.T. Butterfield & Son Limited, as mentioned in Note 9.

Market Risk: Exposure to foreign exchange rate fluctuations is immaterial, as all receivables and payables are generally settled within a month. The Company is also exposed to limited commodity price risk (refer to Note 13). Market-driven changes in interest rates and changes in the Company's credit rating can cause fluctuations in interest costs associated with the Company's bank credit facilities. The Company periodically refinances its credit facilities in the normal course of business.

The Company's DB Plan is impacted by economic conditions. There is no assurance that the pension plan assets will earn the expected long-term rate of return in the future. Market-driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets from the expected long-term return on the assets. This may cause material changes in future pension liabilities and pension expense. Market-driven changes impacting the discount rate may also result in material variations in future pension liabilities and pension expense.

Carrying Values: Cash is carried at fair value. Short-term investments are designated as held for trading and are carried at fair value. The carrying value of receivables and current liabilities is amortized cost.

Fair Values: The fair value of short-term investments is determined through reference to the last trade price of third-party stocks held and listed on the Bermuda Stock Exchange. The fair value of the Company's remaining financial instruments approximates their carrying value, reflecting either their nature or normal trade credit terms.

Other Risks: As at 31 December 2014, the fair value of the Company's primary DB Plan assets was $155,048,000, compared to fair value of plan assets of $144,874,000, as at 31 December 2013 (refer to Note 11). The increase in the fair value of pension plan assets during 2014 was due mainly to improved market conditions in 2014, as compared to 2013. The Company does not expect any difficulty in its ability to meet future pension funding requirements, as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under BELCO's existing bank credit facility.

16 CONTINGENT LIABILITY

In 2013, the Company established a provision for US$500,000 in regard to a dispute between the Company and IBM World Trade Corporation (IBM) over the number of end-user licenses acquired to utilize work management system MAXIMO purchased from IBM and implemented during the year. This matter was settled in 2014 for US$241,142, comprised of the acquisition of additional utility end-user licenses, as well as commitment to vendor support and subscription fees. The balance of US$258,858 has been taken back into income in 2014.

17 OVER-BILLED METERED SALES LIABILITY

The Company conducted an audit during 2013 of both demand and commercial customer meter installations to determine the accuracy and completeness of metered sales from these customer groups. The survey's findings revealed:

- A number of customers had not been billed, as meter installation connections were not entered into the Company's billing system (customers were subsequently notified and related sales receivables recovered).
- A number of customers had been either over- or under-billed due to various meter connection issues.

As a result of these findings, the Company implemented the following policies:

- In those instances where a customer has been over-billed, and the amount can be determined, the Company will seek to credit the customer's account for the error.
- In those instances where a customer has been under-billed, and there is no evidence to indicate that the customer has made any changes to the metering equipment, the Company will not seek recovery of any unbilled amounts from the customer.

Based on actual over-bill findings and management's best estimate of further potential liability associated with over-billed demand and commercial class customers whose meters had not yet been reviewed, as well as the Company's newly established policy, the Company accrued a total liability of $2,363,000 at the end of 2013 and reduced sales by the same amount.

At 31 December 2014, the provision for over-billed metered sales has decreased to $699,025 due to settlement with several customers during the current year, totaling $1,049,376 and $614,648 in provision being written back to income, given remaining known errors expected to be settled in early 2015, as well as a revision to contingent provision for potential remaining error in customer accounts still to be audited. Audit of remaining customer accounts is expected to be completed in 2015.

18 CHANGES TO PRIOR YEAR PRESENTATION

Certain prior year figures on the consolidated statement of earnings have been reclassified to conform to current year presentation.

FIVE-YEAR SUMMARY: 2010 – 2014

	2014	2013	2012	2011	2010
Net Earnings (BD$)	5,887,872	4,888,760	11,531,364	11,121,270	16,021,283
Basic and Fully Diluted Earnings per Share of Common Stock (BD$)	0.53	0.39	1.07	1.07	1.88
Dividends Paid per Share (BD$)	0.44	0.85	0.85	0.85	0.85
Book value per Share (BD$)	30.59	30.62	31.18	31.45	31.28
Price / Earnings ratio (P/E RATIO)	10.19	26.28	11.24	12.39	7.95
Dividend Payout ratio	0.83	2.18	0.79	0.79	0.45
Total Assets (BD$)	414,336,621	421,192,963	414,020,567	400,689,213	383,123,964
Return on Assets	1.42%	1.16%	2.79%	2.78%	4.18%
Shareholder Equity (BD$)	326,768,098	325,712,727	327,911,176	328,577,851	325,892,229
Return on Equity	1.80%	1.50%	3.52%	3.38%	4.92%
Debt / Equity ratio	26.80%	29.31%	26.26%	21.95%	17.56%
Market Capitalization (BD$)	57,681,396	109,040,125	126,528,075	138,514,610	155,733,567
Share Closing Price (BD$)	5.40	10.25	12.03	13.26	14.95
Number of Shareholders	3,170	3,178	3,041	3,048	3,044
Total Employees	456	454	436	376	400
Donations & Financial Assistance (BD$)	437,788	666,824	531,301	467,651	346,307

Ascendant Group supports Government's objectives to increase energy security and meet national emissions targets. Renewable energy resources and energy conservation will be integral to achieving the Island's goals and all potential technologies are being considered. Finding the optimal, most cost-effective mix of renewable and more sustainable energy resources was the subject of discussion at the 2014 Bermuda Energy Summit, and is the foundation of our IRP.

ASCENDANT GROUP **BOARD OF DIRECTORS**

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

2 **L.A. Joaquin,** J.P., F.C.A.
Deputy Chairman
Director since 2005
Retired, Managing Partner,
Ernst & Young Bermuda

3 **Walter M. Higgins**
Director since 2012
President & Chief Executive Officer,
Ascendant Group and BELCO

4 **Gavin R. Arton,** M.B.A.
Director since 2000
Retired, Senior Vice President,
XL Capital Ltd.

5 **James B. Butterfield**
Director since 1993
Managing Director, Butterfield & Vallis

6 **A. David Dodwell,** J.P.
Director since 1988
President, The Reefs

7 **A. Shaun Morris**
Director since 2013
General Counsel & Group Chief Legal Officer
The Bank of N.T. Butterfield & Son Limited

8 **Donna L. Pearman,** J.P.
Director since 2008
President, People's Pharmacy Limited

9 **Michael L. Schrum**
Director since 2013
Chief Financial Officer,
HSBC Bank Bermuda Limited

10 **Richard Spurling**
Director since 1993
Retired, Senior Partner, Appleby

11 **Dr. Wilbert N.E. Warner,**
F.R.C.P.(C), D.A.C.P.
Director since 1999
Specialist Consultant, Internal Medicine

12 **W. Edward Williams**
Director since 1993
Sales Representative,
Coldwell Banker (Bermuda Realty)

13 **Alasdair Younie**
Director since 2013
Director, ICM Limited

COMMITTEES

	EXECUTIVE	STRATEGIC REVIEW & FINANCE	HUMAN RESOURCES & COMPENSATION	AUDIT & RISK	GOVERNANCE	CORPORATE RESPONSIBILTY
Peter C. Durhager	◉	●			●	●
L.A. Joaquin	●			◉	●	
Walter M. Higgins	●					
Gavin R. Arton	●	●	◉			
James B. Butterfield			●	●		
A. David Dodwell				●		●
A. Shaun Morris			●		●	
Donna L. Pearman				●		●
Michael L. Schrum	●	◉		●		
Richard Spurling	●			●	◉	
Dr. Wilbert N.E. Warner	●		●			◉
W. Edward Williams		●			●	
Alasdair Younie		●		●		

◉ *Chairman of Committee*

ASCENDANT GROUP **OFFICERS**

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

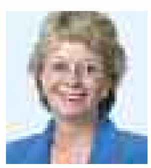
Denton E. Williams, M.I.E.T., M.I.E.E.E.
Senior Vice President, Ascendant Group
Chief Operating Officer, BELCO

Judith Uddin
General Manager & Chief Operating Officer,
Bermuda Gas

Mark Takahashi
Senior Vice President &
Chief Financial Officer, Ascendant Group

Cheryl-Ann Mapp, LL.B.
General Counsel & Corporate Secretary,
Ascendant Group

Robert B. Steynor, C. Eng.
Senior Vice President,
Fuel, Logistics, Environment & Safety
BELCO



Linda C. Smith
Senior Vice President,
Corporate Relations, Ascendant Group

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
Energy Supply

Dennis Pimentel
Energy Delivery

Roger L. Todd
Engineering & System Reliability

AG HOLDINGS

Adam Hawley
iFM

Michael Maughan
Engineering & Technical Support

Robert Platt
Air Care

CORPORATE INFORMATION

ASCENDANT GROUP LIMITED

Publicly traded investment holding company for energy and infrastructure services

HEAD OFFICE
27 Serpentine Road,
Pembroke HM 07, Bermuda

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Hamilton HM PX, Bermuda

TEL: 441.298.6100 FAX: 441.292.8975
E-MAIL: info@ascendant.bm
WEBSITE: www.ascendant.bm

Walter M. Higgins
President & Chief Executive Officer

BERMUDA ELECTRIC LIGHT COMPANY LIMITED

Electric utility services

OFFICE
27 Serpentine Road,
Pembroke HM 07, Bermuda

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P.O. Box HM 1026,
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Walter M. Higgins
President & Chief Executive Officer

Denton E. Williams
Senior Vice President
& Chief Operating Officer

BERMUDA GAS & UTILITY COMPANY LIMITED

Distributor of propane gas, energy-efficient appliances, parts and service provider

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Judith Uddin
General Manager
& Chief Operating Officer

AG HOLDINGS LIMITED

Non-utility energy and infrastructure investment holding company

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Pembroke HM 07, Bermuda

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Hamilton HM PX, Bermuda

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WEBSITE: www.ascendant.bm

Michael D. Daniel
President & Chief Operating Officer

AIR CARE LIMITED

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

OFFICE & SHOWROOM
7 Mill Creek Road,
Pembroke HM 05, Bermuda

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Hamilton HM GX, Bermuda

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WEBSITE: www.aircare.bm

IFM LIMITED*

Property and facilities management services

TEL: 441.298.6200 FAX: 441.295.2577
WEBSITE: www.ifm.bm

* Jointly owned with Black & McDonald Limited

IEPC LIMITED

Engineering procurement, contracting and consulting

TEL: 441.298.6155 FAX: 441.295.2577
WEBSITE: www.ascendant.bm

PURENERGY RENEWABLES, LTD.

Renewable energy solutions

TEL: 441.299.2808 FAX: 441.295.2577
E-MAIL: info@purenergy.bm
WEBSITE: www.purenergy.bm

ASCENDANT PROPERTIES LIMITED

Property management company

ASCENDANT BERMUDA INSURANCE LIMITED

Captive property insurance company

MAILING ADDRESS
Victoria Hall,
11 Victoria Street,
Hamilton HM 11, Bermuda

SHAREHOLDER INFORMATION

INVESTOR SERVICES

Tel: 441.295.5111, Ext. 1213
E-mail: info@ascendant.bm

ASCENDANT GROUP ORDINARY SHARES

RANGE	RECORD COUNT	BALANCE
BALANCES AT 31 DECEMBER 2014		
Up to 100	988	42,748
101 to 500	1,000	242,204
501 to 1,000	397	295,364
1,001 to 5,000	535	1,270,632
5,001 to 10,000	105	757,478
10,001 to 100,000	127	3,242,054
100,001 to 1,000,000	18	4,831,260
	3,170	10,681,740

ASCENDANT GROUP ORDINARY SHARES

At 31 December 2014, the Directors of the Company held 79,852 shares; the Officers of the Company held 77,906 shares. Companies that held greater than 5% of the shares are Harcourt Account 1380430 with 1,000,000, Lawrie (Bermuda) Limited with 700,000 and Argus Investment Nominees Limited with 561,046.

No rights to subscribe for shares in Ascendant Group have been granted to or executed by any Director or Officer.

There are no contracts of significance subsisting during or at the end of the financial year in which a Director was materially interested either directly or indirectly.

EXCHANGE LISTING

Ascendant Group's shares (AGL.BH) are listed on the Bermuda Stock Exchange (BSX).

BERMUDA STOCK EXCHANGE

P.O. Box HM 1369
Hamilton HM FX
Bermuda

TEL: 441.292.7212
WEBSITE: www.bsx.com

We encourage Ascendant Group shareholders to help us increase efficiency, while reducing expenditure and paper usage by electing to receive materials electronically.

SAVE TIME, MONEY & TREES

To sign up for electronic receipt of Direct Deposit of Dividend notification and Six-Month Reports, Annual Reports and Proxy Materials, send a message to info@ascendant.bm or download the Electronic Election Form at www.ascendant.bm

To sign up for Direct Deposit of Dividends, send a message to info@ascendant.bm or download the Dividend Direct Deposit Form at www.ascendant.bm

S C A N . V I S I T .

CHOOSE ELECTRONIC

BANKERS

The Bank of N.T. Butterfield & Son Limited
Hamilton, Bermuda

HSBC Bank Bermuda Limited
Hamilton, Bermuda

AUDITORS

PricewaterhouseCoopers Ltd.
Hamilton, Bermuda

LEGAL COUNSEL

Cheryl-Ann Mapp, LL.B.
General Counsel & Corporate Secretary,
Ascendant Group

ECO-FRIENDLY PRODUCTION

In producing this Annual Report we have chosen production methods that aim to minimize the impact on our environment. Printed using soy-based litho inks on paper made of virgin fiber sourced from sustainable and well-managed forests. Paper stock is FSC certified; mill where the paper was produced is certified in accordance with ISO 14001 and EMAS environmental guidelines. Bleaching process is Elemental Chlorine free.

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STEPHEN V. RAYNOR (PORTRAITS)

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