ANNUAL
REPORT
2017
ASCENDANT

CORE EARNINGS PER SHARE
$1.90 $/SHARE

UP 43%

NON-REGULATED EARNINGS
$3.3 MILLION

UP 504%

DIVIDENDS PER SHARE
41 ¢/SHARE

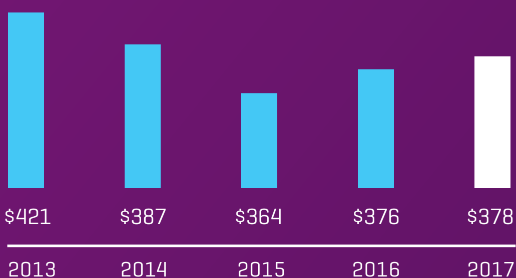
UP 37%

SHARE PRICE
$9.79

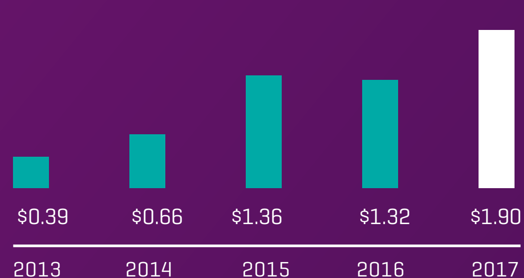
UP 45%

FINANCIAL HIGHLIGHTS

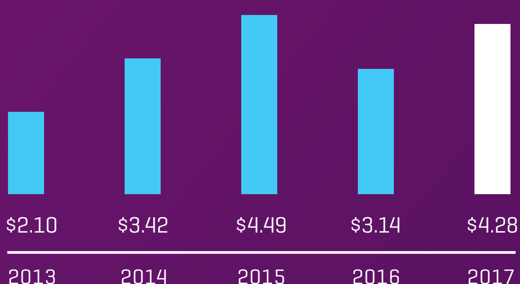
TOTAL ASSETS (Millions of dollars)



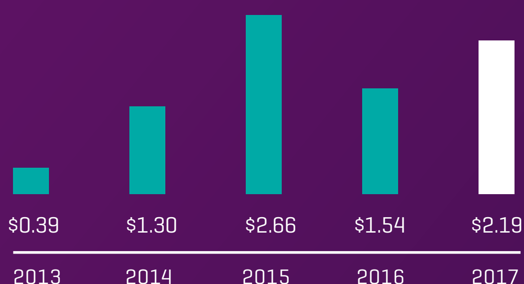
CORE EARNINGS PER SHARE



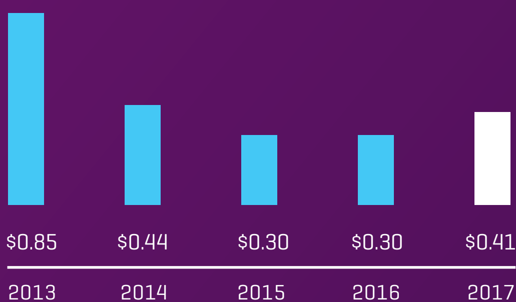
FUNDS FROM OPERATIONS PER SHARE



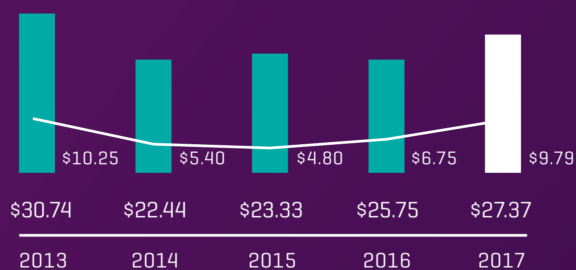
FREE CASH FLOW PER SHARE



DIVIDENDS PER SHARE



SHARE PRICE AND BOOK VALUE PER SHARE



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As one of the oldest and largest local companies, we continuously strive to support our community beyond the services that each operating company offers. In 2017 we enhanced and refined our community investment programme, bringing focus to the ways in which we can, with the passionate support of our team members, authentically live out Ascendant's mission to enhance the lives of the people of Bermuda through community initiatives.

Inspire

Bermuda's Youth through sports and cultural events that broaden their horizon and empower them to succeed; broadening their experience through culture, arts and sports;

Educate

the community by providing schools and youth education organisations with tools and manpower to assist Bermuda's youth in reaching their goals; and

Enhance

the community by partnering with organisations related to health, safety, environment and family support to enhance the quality of life of Bermudians.

MISSION

Everyday we provide the people of Bermuda with energy and services to enhance their lives.

VISION

By 2021, Ascendant Group is the most respected, sustainable and progressive energy and services organisation in the Atlantic.

CHOSEN VALUES

> teamwork
> accountability
> respect
> integrity
> safety
> continuous improvement

STRATEGIC PLAN

ENGAGED PASSIONATE PEOPLE

We have a highly motivated and engaged workforce who are passionate about the success of the Company and are highly customer focused. They are the brand ambassadors of Ascendant.

OPERATIONAL EXCELLENCE

Continual Process Improvements lead to improved costs, operation and controls that exceed stakeholders' expectations. We have been able to increase asset utilisation, improve the return on capital investments, reduce operating expenses and increase profits.

SUPERIOR CUSTOMER EXPERIENCE

We are the preferred provider of energy and services and exceed our customer expectations. Our customers view us as trusted advisors and partners. They value us for identifying and delivering progressive solutions.

GROW THE BUSINESS

Through innovative, entrepreneurial ideas and decision making, we have increased the asset base of the Company and have acquired complimentary businesses to increase shareholder value.

CHAIRMAN'S MESSAGE

Dear Shareholders,

2017 has been a year of intense forward movement for the Ascendant Group of Companies ("Ascendant"). Having spent the latter part of 2016 and the beginning of 2017 crafting a new strategic plan for Ascendant, your Team has been working extremely hard to execute on that Plan in order to create long-term value, whilst improving service and strengthening the long-term viability of the Company. Thus, it is fitting to theme the 2017 Annual Report, '*IN MOTION*'.

Ascendant's new leadership and strategic direction, mission and vision has enabled the Company to more effectively adapt to the changing regulatory and competitive environments that directly impact its businesses and future growth potential. This should ultimately provide you with a commensurate return on your investment that you deserve and expect.

As shareholders, you ultimately share in the risks and the rewards of Ascendant's journey and we recognise that in the last several years, our share price has not performed. We remain fully committed to changing this. I am pleased to report that this year's accomplishments reflect a shift in the right direction, with quarterly dividends having increased by 50% in June of this year to 11.25

AIRCARE and IFM surpassed their goals and AG Holdings now accounts for 17% of Ascendant's core earnings.

cents per share, while share value increased by 40% in 2017. We are on the right track, but there is more to be done.

Your Board is confident that Ascendant has the right leadership in place with Sean Durfy as CEO and the senior management changes that were made early in 2017. Sean's guidance, along with a more focused team and the solid, Board-supported strategy currently being executed, will benefit not only our shareholders, but importantly, all of our stakeholders. This is a critical element of our success where we are an essential service, meeting the ongoing electricity needs of the entire community.

We continue to face a number of challenges and strive to balance the sometimes divergent needs and interests of customers, employees, retirees, shareholders, lenders, the Regulator and Bermuda's community overall. The reality is that for the past decade, we have experienced a shrinking economy with declining real GDP. As GDP is directly correlated to the electricity demand, we need to be cognisant that due to BELCO's high fixed cost base, including high legacy costs, it will have a direct impact on our customers' bills.

We must also be realistic and acknowledge the impact that the positive and necessary programmes, such as energy conservation and alternative and renewable technologies, have on overall demand for electricity (and hence BELCO's bottom line). Demand ultimately decreases and this is likely not considered by stakeholders and weighed against their own expectation that BELCO will continue to meet the demands of all constituents at all times.

We will continue to work tirelessly on controlling and reducing the cost to produce and distribute electricity despite these headwinds. We also remain committed to continued transparent and authentic engagement as we work to balance the needs of all of our stakeholders.

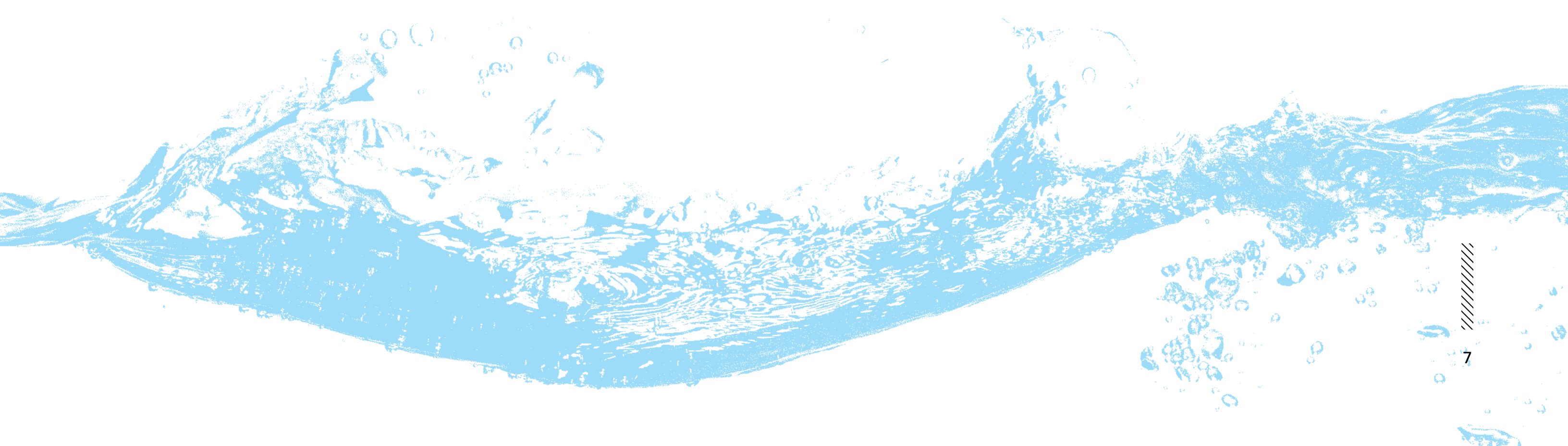
The need to diversify our non-regulated activities was identified as a critical issue for Ascendant Group going forward. The current non-regulated businesses have been successful in increasing shareholder value over the last years. AIRCARE and IFM surpassed their goals and AG Holdings now accounts for 17% of Ascendant's core earnings. We are actively reviewing growth and diversification opportunities within existing AG Holdings Companies, as well as new opportunities that align with our mission.

Since October 2016, we have placed major priority in building a productive relationship with the Regulatory Authority in order to achieve a stable regulatory compact that will enable BELCO to efficiently plan and finance the business, with the ultimate goal of bringing rates down. I am pleased that there has been some forward movement in the past few months with the issuance of licences and approval of constructing the critically needed replacement generation.

This year saw the retirement of two directors, Dr. Wilbert Warner and Jim Butterfield, following years of committed service. Both gentleman have seen Ascendant through a number of challenges and accomplishments and we are grateful for their insight, and all that they contributed during their service on the Board. We continue to methodically evolve the composition of our board in line with best practices in governance in order to meet our current and anticipated needs, which are based on our strategy and operating environment.

Looking ahead to 2018 and beyond, there is much to do. Ascendant is a terrific company, driven and supported by a passionate and capable team. We will continue to invest in both our people and our infrastructure, the return on which will yield a stronger and more sustainable company for all stakeholders.

Peter C. Durhager
Chairman of The Board



LETTER FROM OUR PRESIDENT & CEO

Dear Shareholders,

The Ascendant Team hit the ground running in 2017, with a focused approach to improving efficiencies, growing our businesses and addressing the various challenges that came our way. I am proud of the men and women of this Company, who persevere every day and whose actions are the foundation of this year's financial success.

Strategically, the Team has developed a cohesive plan to move Ascendant forward that includes the continued growth of our unregulated business, as well as maintaining our regulated electricity infrastructure. It focuses on superior customer experience, engaging our people, operational excellence, and growth, with the following objectives that are designed to measure progress in these areas:

- Transition by BELCO to a productive and stable regulatory environment that supports the investment required to deliver reliable power to its customers;
- Execute on BELCO's Capital Plan; an investment of approximately $250 million that is required to modernise BELCO's power generation and delivery systems in Bermuda including implementing new technologies such as battery storage, advanced metering infrastructure and system improvements to support the addition of renewable energy;
- Achieve a more competitive capital structure by using appropriate amounts of low-cost, long-term debt and accessing equity at the lowest possible cost;
- Reduce our cost structure by investing wisely and by increasing the efficiency of our operations; and
- Grow our non-regulated businesses, such as AIRCARE, as well as invest in electrifying transportation in Bermuda.

I am pleased to report that significant progress has been made over the course of 2017 on the execution of the Strategic Plan, the result of which is reflected in both our 2017 financial and operational results.

Ascendant's increase in core earnings was due to stable results for BELCO, significant non-regulated earnings growth at AG Holdings, specifically AIRCARE, and lower Group expenses overall. I encourage you to review the MD&A section of this report for more specific information regarding our financial performance.

BELCO undertook a major effort to ensure all Bermuda stakeholders were aware of the current situation with its aging infrastructure and its proposed Capital Plan; a 12-year journey of seeking regulatory approval to address aging infrastructure. Our plan is to replace generating units and transmission and distribution assets that have aged well beyond their useful lives.

In spite of the challenges with its aging infrastructure and the threat of decreasing electricity demand, BELCO produced stable results in 2017. Our ability to do so, is due in no small part, to our people, who continue to work every day in tough conditions to keep Bermuda shining bright in the Atlantic.

BELCO has worked cooperatively and diligently with the Regulatory Authority in the transition to a new regulatory compact. BELCO received two licenses from the Regulatory Authority on 27 October 2017 ~ its Transmission, Distribution and Retail Licence (the only one to be issued) and a Bulk Generation Licence.

Upon receiving its Bulk Generation Licence, and in accordance with that Licence, BELCO submitted its notice to decommission engines totaling 80 MW of installed capacity, with an average age of 32 years. Nine of seventeen engines, or approximately 50% of its generating capacity, will be retired by 2021.

BELCO then submitted a proposal to construct replacement generation, consisting of four new dual-fuel engines, totalling 56 MW, which will be known as the North Power Station ("NPS"), as well as a utility-scale Battery Energy Storage System ("BESS").

BELCO submitted an Integrated Resource Plan in February 2018, which will act as a guide to ensure the most cost-effective investments in power generation on the Island for the next 20 years.

The following month, the Regulatory Authority issued an order approving BELCO's replacement generation proposal.

BELCO has been very progressive with its approach in proposing modern battery energy storage technologies to complement the new generation and has secured commitments for low-cost, long-term debt financing that will enable this investment to move forward expeditiously.

In addition to new job creation during the construction phase of the NPS and BESS and the assurance of our employees' ongoing safety, there are numerous benefits that will be realised by our customers once the replacement generation is commissioned. The new infrastructure will be more cost effective, reliable, cleaner for the environment and will significantly decrease vibrations and noise levels currently experienced by nearby residents.

It is important to note that it will take almost two years before the NPS is commissioned. The challenge for our team over this period, will be to keep the existing aged infrastructure running, while moving through the decommissioning of the nine generators through 2021.

BELCO did not experience as many forced outages as expected in 2017, keeping within the anticipated target for the year. However, these outages were severe and expensive, which is indicative of equipment that has passed its useful life. This is not sustainable!

It is imperative that BELCO work on strengthening its grid infrastructure. Not only is a significant portion of BELCO's transmission lines at their end of life, the Government's mandate and policies lead us to believe that economic development and an increase to the Island's residents is right around the corner. Demand for electricity is directly correlated to GDP growth and we will need to be ready when this happens.

To this end, BELCO has completed its plans for renewal of transmission and distribution infrastructure, including plans to implement leading edge technology to improve its customer service and reduce costs. These plans will be submitted to the Regulatory Authority this year.

SAIDI results, the manner in which BELCO measures reliability (average outage duration for each customer served) improved for the third

consecutive year. We set aggressive targets that are a challenge to reach, but which drive our commitment to continuous improvement.

We have been transparent and forthright with the issues of the deteriorating electricity system and will continue to provide regular updates to all stakeholders on the implementation of the critical upgrades.

BELCO's focus for 2018 will be to concentrate on productivity and efficiency, with a plan to reduce overall electricity rates to customers over a 5-year period. We must bring electricity rates down to comparable island standards and believe that through technology, innovation, utilisation of new plant and equipment, as well as process efficiencies, this is possible. This will be our driver, and our commitment to Bermuda, for the next 5 years.

AIRCARE's current year results increased 173% to $4.1 million from $1.5 million in 2016. Its current year results include a $1.4 million increase in earnings due to the equity pick-up in earnings from each of its two Cayman Islands companies, Otis Air-Conditioning Ltd. and O Property Holdings Ltd. Core earnings after adjusting for 2016 write-offs, increased approximately 6%, or $172,000. The primary driver for improvement in profitability is related to earnings associated with a number of large HVAC, fire alarm and fire suppression system installation projects. AIRCARE continues to retain its core HVAC maintenance customer base through continued service excellence.

IFM recognised earnings of $1.1 million in 2017 as compared to $227,000 in 2016. The improvement in earnings is attributable to increased project work during the year, along with a reduction in operating costs. AGH's purchase of the 40% stake in IFM previously held by Black & McDonald Group Limited, allowed us to maximise the value in that particular company, which is reflected in IFM's improvement in earnings. We are confident that IFM will continue on the path of growth and will ultimately become recognised as the Island's leader in facilities management services.

We will also continue our focus of growing Ascendant's existing non-regulated businesses, as well as pursuing viable diversification opportunities in the form of new business start-ups and or acquisitions that are in strategic alignment of our vision of becoming the most respected, sustainable and progressive energy and services organisation in the Atlantic by 2021.

In order to achieve our vision, we will continue to strengthen the four key pillars of the Strategic Plan:

Our People will continue to be empowered to proactively engage in their own personal growth and professional performance, while also being held accountable for the specific roles and responsibilities they hold. I truly believe that if you invest in your people, they will take care of the business.

Operational Excellence has been a critical focus and we are already reaping the benefits of the process improvements that have been identified and put into place across Ascendant.

Growing the Business is key. We have spent a tremendous amount of time in 2017 analysing business opportunities and anticipate that over the next several years, we will be successful in launching new ventures that are strategically related to our core businesses. Our focus is not only in developing new businesses, but also on growing our existing businesses from within.

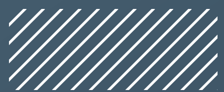
Superior Customer Experience will set Ascendant apart from its competitors. Across all business units, we are working hard to create a customer experience that is so strong, it sets the bar for other organisations to aspire to. We will continue to reach out and more importantly, listen, to our customers through direct engagement and customer satisfaction surveys moving forward.

You'll note with the design of this annual report that Ascendant has a new look and feel. Our new brand is reflective of our new strategic direction and the new energy in our company. We hope you love it as much as we do.

You have a fantastic team within the Ascendant Group of Companies – a dedicated group of women and men, who strive every day to put their best foot forward to achieve our mission – "Every day we provide the people of Bermuda with energy and services to enhance their lives."

At the end of the day, it is their consistent, dedicated and focused action that netted the positive results of 2017. Further, it is their continued dedication and hard work that will continue to move Ascendant from strength to strength. They are true ambassadors for our brand. I am proud to work with them, thank them for placing their trust in a new leadership team and look forward to further supporting them in their quest to enhance the lives of their fellow residents.

Sean M. Durfy
President & Chief Executive Officer



MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

ASCENDANT

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Management's Discussion & Analysis (the "MD&A") provides a review of the results of operations and financial condition of Ascendant Group Limited and its subsidiaries ("Ascendant", the "Company" or the "Group") during the full year of 2017 relative to 2016.

This discussion and analysis should be read in conjunction with the Company's audited Consolidated Financial Statements and Notes thereto as at and for the year ended 31 December 2017.

Ascendant's 2017 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are expressed in Bermuda dollars, which trade at par with the United States dollar, except where noted.

This MD&A contains forward-looking statements that reflect management's current beliefs with respect to the Company's future growth, results of operations, performance, business prospects and opportunities. Statements that are not historical facts, including statements about management's beliefs and expectations, are forward-looking statements. These statements are based on information currently available to Ascendant's management and should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indications of whether, or the time at which, such events, performance or results will be achieved.

The forward-looking information is based on reasonable assumptions and is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors that could cause results or events to differ from current expectations are discussed in the "Primary Factors Affecting Ascendant's Business" section of the MD&A and may also include: capital market and liquidity risk; estimated energy consumption rates; maintenance of adequate insurance coverage; changes in customer energy usage patterns; developments in technology that could reduce demand for electricity; interest rate risk; credit risk; foreign exchange risk; risks associated with pension plan performance and funding requirements; loss of service area; risk of failure of information technology infrastructure and cybersecurity risks; and availability of labour and management resources.

Readers are cautioned not to place undue reliance on forward-looking information as actual results could differ materially from the plans, expectations, estimates or intentions and statements expressed in the forward-looking information.

NON-IFRS FINANCIAL MEASURES

Certain financial measures discussed in this MD&A are not defined under IFRS and, therefore, should not be considered in isolation or as an alternative to or to be more meaningful than net earnings attributable to common shareholders or cash flow from operating activities, as determined in accordance with IFRS, when assessing our financial performance or liquidity. These measures may not be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

Core earnings, funds from operations ("FFO"), and free cash flow ("FCF") are non-IFRS measures. Core earnings excludes certain non-recurring items and discontinued operations from net earnings. FFO is an important metric as it provides a proxy for cash generated from operating activities before changes in working capital and provides the ability to evaluate cash flow trends in comparison with results from prior periods. FCF is an important metric as it represents the amount of cash that is available to invest in growth initiatives, make debt payments, pay common share dividends or repurchase common shares.

Changes in working capital are excluded from FFO and FCF to eliminate distortions that management considers temporary in nature, reflecting, among other things, the impact of seasonal factors and timing of receipts and payments. FCF is calculated by deducting from FFO non-growth capital incurred during the year. FFO per share and FCF per share are calculated using the weighted average number of common shares outstanding during the period.

STRATEGIC OVERVIEW

Ascendant is a Bermuda-based, publicly traded provider of energy and energy-related services. Its primary business is conducted through its wholly-owned, rate-regulated, fully-integrated utility, Bermuda Electric Light Company Limited ("BELCO").

At 31 December 2017, BELCO:

- Employed 258 staff or 67% of total staff employed by the Group;
- Held $333 million or 88.1% of total assets reported by the Group;
- Sold 585 million kilowatt hours to customers during 2017 resulting in total revenue of $216.4 million net of discount.

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Ascendant also has a growing non-regulated energy services business through its wholly-owned subsidiary AG Holdings Limited ("AG Holdings") and its subsidiaries and affiliates. AG Holdings is the sole owner of the following operating companies:

- AIRCARE LTD. ("AIRCARE"), offering heating, ventilation and air conditioning ("HVAC"); air quality monitoring; building automation and energy management, commercial plumbing, fire protection and commercial refrigeration services;
- IFM Limited ("IFM"), offering property and facilities management services;
- iEPC Limited ("iEPC"), offering engineering procurement, contracting and consulting services; and
- Ascendant Properties Limited ("Ascendant Properties"), the Group's property management company.

Ascendant's Vision is to be the most respected, sustainable and progressive energy and services organisation in the Atlantic by 2021. It seeks to provide the people of Bermuda with energy and services to enhance their lives in a safe, reliable and cost competitive manner.

For investors, Ascendant seeks to deliver consistent earnings, cash flow and long-term growth, and accordingly, the primary measures of performance are earnings per share ("EPS"), FFO per share and FCF per share.

The Company adopted a new strategic plan in 2016, focused on superior customer experience, engaging its people, operational excellence and growth, with objectives designed to measure progress in these areas. The intended result of this plan is to achieve the following:

- Transition by BELCO to a productive and stable regulatory environment that supports the investment required to deliver reliable power to its customers;
- Execute on BELCO's Capital Plan; an investment of approximately $250 million that is required to modernise BELCO's power generation and delivery systems in Bermuda including implementing new technologies such as battery storage, advanced metering infrastructure and system improvements to support the addition of renewable energy;
- Achieve a more competitive capital structure by using appropriate amounts of low-cost, long-term debt and accessing equity at the lowest possible cost;
- Reduce its cost structure by investing wisely and by increasing the efficiency of its operations; and
- Grow its non-regulated businesses, such as AIRCARE, as well as invest in electrifying transportation in Bermuda.

CONSOLIDATED FINANCIAL REVIEW

The following table presents an analysis of our net earnings for the years ended 31 December 2017 and 2016. Changes in the individual business units are presented in the Results of Operations section.

In $000's	2017	2016	VARIANCE	
BELCO	$23,305	$24,260	$(955)	(4%)
AG Holdings	3,290	543	2,747	NM
ABIL	534	(68)	602	NM
Corporate expenses	(8,312)	(10,853)	2,541	23%
Core earnings	18,817	13,882	4,935	36%
Discontinued operations (Bermuda Gas)	(361)	11,734	(12,095)	(103%)
Retirement benefit plan amendments (BELCO)	-	(705)	705	100%
Income on sale of property (Ascendant Properties)	759	-	759	NM
Equity pick-up in investment (AIRCARE)	985	-	985	NM
Net earnings	$20,200	$24,911	$(4,711)	(19%)

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

The Company's core earnings increased 36% to $18.8 million as a result of stable results at BELCO, significant non-regulated earnings growth at AG Holdings and lower Group expenses. The Company's net income declined 19% from $24.9 million to $20.2 million, largely reflecting the non-recurring $11.7 million gain on the sale of Bermuda Gas & Utility Company Ltd. ("Bermuda Gas") in 2016, partially offset by the pick-up of earnings in AIRCARE's investment in Otis Air-Conditioning Ltd. ("Otis") in the Cayman Islands

The following table presents an analysis of our FFO, FCF and selected per share figures for the years ended 31 December 2017 and 2016.

	2017		2016		VARIANCE	
	$000'S	$ / SHARE (BASIC)	$000'S	$ / SHARE (BASIC)	$000'S	$ / SHARE (BASIC)
Funds from operations	$42,404	$4.28	$32,951	$3.14	$9,453	$1.15
Free cash flow	$21,744	$2.19	$16,100	$1.54	$5,644	$0.65
Core earnings	$18,817	$1.90	$13,882	$1.32	$4,935	$0.59

The Company generated $42.4 million in FFO and $21.7 million in FCF during the period, compared to $33.0 million and $16.1 million respectively in 2016. The Company's strong operating cash flows allowed it to reduce its consolidated debt to $5.4 million, resulting in a year-end debt to total capitalisation ratio of 2.0%. The Company's low gearing and strong operating cash flow leaves it well positioned to raise low-cost, longer-term debt to finance its strategic priorities described above.

Over the past two years, the Company has also used its strong cash flow, together with the proceeds from the sale of Bermuda Gas in 2016, to repurchase 869,945 shares at a significant discount to book value. The share repurchase programme has positively impacted 2017 EPS and FFO per share. The EPS impact was approximately 8.4% or $0.17 per share, while the FFO per share impact was 8.2% or $0.35 per share.

The Company's growing earnings and cash flow enabled its Board to increase the regular dividend by 50% in June 2017, thus continuing the Company's long history of paying a regular dividend.

PRIMARY FACTORS AFFECTING ASCENDANT'S BUSINESS

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

Bermuda's Economy – The general economic condition of Bermuda has a significant impact on the Group as changes in population, consumer income, employment and housing are all factors that can impact sales. In 2017, Bermuda successfully hosted the 35th America's Cup event and saw a corresponding bump in the economy. Total visitor arrivals increased by 7.2% over 2016, with visitor spending up 20.3%. Longer-term, there is some hope that there will be a sustained boost to the tourism sector stemming from various new initiatives from the Bermuda Tourism Authority, an improved airport and the new hotel development in St. George's. In addition, the new Government's 2018/19 budget includes various initiatives that are intended to stimulate capital investment in Bermuda, including the potential relaxation of current foreign ownership restrictions. Separate from the positive trend on tourism, it remains to be seen how Bermuda's international business sector

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

might be impacted by tax reform in the United States, as well as changing international regulations and attitudes with respect to low tax jurisdictions.

Regulatory Environment – BELCO is an electric utility that operates within a regulated environment. As such, it is subject to the normal inherent uncertainties associated with rate setting and the associated opportunity to recover its costs and realise a timely and fair return on its investments. The underlying framework for this regulation changed with the Electricity Act 2016 (the "Act"), which became operative on 28 October 2016 and transferred independent regulatory oversight of the electricity sector from the Energy Commission (the "EC") to the Regulatory Authority (the "Authority"). BELCO continues to follow the tariff and allowed return methodology established in the EC's March 2016 directive; however we anticipate that a new retail tariff methodology will be implemented this year.

Aging Infrastructure and Asset Operations – Approximately 50% of BELCO's generation is near end-of-life and is the subject of a decommissioning and disposal notice to the Authority. Approximately 25% of BELCO's transmission and distribution system is over 60 years old. The advanced age of BELCO's infrastructure presents a variety of operational risks, including system reliability, safety, cost and availability of parts, and overall cost to maintain and operate. For this reason, BELCO's capital plan includes the required investment to ensure the continued supply of electricity to Bermuda on a reliable and cost-effective basis.

Fuel Supply – Fuel represented approximately 40% of BELCO's total operating expenses in 2017 and as such, is an important input to BELCO's operations. Both the availability and cost of fuel are important risks in BELCO's operations. Fuel costs generally track movements in crude oil, which increased 16% in 2017 from historically low prices in 2016. In order to ensure reliable and cost-competitive supply of fuel, BELCO regularly conducts competitive bids for fuel supply, whereby suppliers are selected based on their proven ability to reliably supply fuel to Bermuda, their financial stability and their supply cost.

Labour – People are essential to the Company's operation, particularly in ensuring the reliable supply of electricity to Bermuda. Compensation and benefits represent the second largest category of expenses for the Company. Over the last several years, Ascendant has taken steps to mitigate increasing legacy benefit costs through proposed changes to its retirement benefit programmes. The Company regularly reviews its staffing levels and employment policies to ensure that the right level of skilled staff are in place to meet operational requirements, replace an aging workforce and remain efficient in an evolving regulatory environment.

Relationship with Company Unions – Staff in several of our operating companies belong to bargaining units, represented by either the Electricity Supply Trade Union (the "ESTU") or the Bermuda Industrial Union (the "BIU" and collectively, the "Unions"). The Company strives to maintain productive relationships with the Unions to ensure that it maintains a motivated and well-trained staff to support operating activities.

Access to Capital – The electricity business is capital intensive and as such, access to capital at a competitive cost is essential to the continued provision of reliable and cost-effective electricity. The Company's approach to managing its capital resources is described more fully in the Liquidity and Capital Resources section.

Competition – Bermuda is a competitive marketplace for the Group's non-regulated businesses and the Act has established a framework to allow competitive sources of power generation to enter the Bermuda market through the legislated process of an integrated resource plan ("IRP") developed by the Transmission, Distribution and Retail Licencee. In 2016, the Bermuda Government undertook a competitive request for proposal process to procure up to 6MW of utility-scale solar generation at a site near the airport. In all of our operating subsidiaries, the objective is to be price-competitive, as well as efficient and effective at meeting customers' requirements in order to compete successfully.

Weather Conditions – Weather stimulates buyers to consider purchasing air conditioning and other products and services from the Group. It also has a significant impact on the amount of heating or air conditioning related electricity demand. Consequently, the operations of most Group operating subsidiaries are affected, positively or negatively, by climatic conditions. In some years, hurricanes and winter storms result in significant costs to replace damaged assets and restore electricity service, while also causing revenue to be lost through service outages. In order to mitigate some of this risk, the Company maintains commercial insurance coverage, which management believes is reasonable and consistent with other similar companies.

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Environmental Matters – BELCO's operations are subject to Bermuda environmental protection laws concerning air emissions, water discharge, noise, land use activities and the handling and disposal of materials and waste products. In order to manage its overall environmental risk and minimise the impact on the environment, BELCO implemented its Environmental Management System to the ISO 14001: 2004 standard. Under this standard, companies are required to establish, document, implement, maintain and continually improve their environmental performance with the aim of pollution minimisation. As part of its conversion to IFRS in 2015, BELCO recognised certain asset retirement and environmental clean-up obligations as liabilities on its balance sheet. As only a portion of the expense related to these obligations has been recovered in electricity tariffs, BELCO will be seeking cost recoveries as its plans for the decommissioning of these assets are developed.

RATES AND REGULATION

In 2017, BELCO's electricity rates reflected those implemented by the EC in March 2016. BELCO continues to follow the EC methodology pending a new tariff methodology under development by the Authority. The EC methodology allows for target return on rate base with excess returns allocated to a tariff stabilisation fund that can be drawn upon for subsequent return deficiencies or to defer rate increases.

2017 was an eventful year with respect to regulatory matters affecting BELCO. In February 2017, BELCO submitted to the Authority, its capital plan proposal to address the replacement of its aging generators, transmission and distribution upgrades to replace aging infrastructure and support the Country's economic development and the possible introduction of liquefied natural gas to Bermuda. The Authority elected to defer a decision on BELCO's capital plan, pending issuance of its licences.

In October 2017, the Authority issued a Bulk Generation ("BG") Licence and a Transmission, Distribution and Retail ("TD&R") Licence to BELCO (together, the "Licences"). The Licences establish operating, financial and reporting requirements for the separate businesses, along with a requirement for accounting separation of the segments following the development of separation standards, expected to be finalised in the first half of 2018. The Licences do not require BELCO to operate as separate legal entities.

In November 2017, the Authority required BELCO to submit an IRP proposal that would then initiate the public consultation process with respect to meeting Bermuda's future electricity requirements. In that same month, BELCO submitted its notice to decommission engines totaling 80 MW of installed capacity, with an average age of 32 years, in accordance with the provisions of its BG Licence. This submission was followed by a formal replacement generation proposal in December, also in accordance with its BG Licence provisions, for BELCO to build, and include in rate base, 56 MW of dual-fuel engines, to be known as the North Power Station ("NPS") and a utility-scale battery energy storage system ("BESS", and together, the "Proposal"). The IRP was submitted to the Authority in February 2018. On 6 March 2018, the Authority approved the Proposal.

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

BELCO

In $ millions	2017	2016	VARIANCE	
Gross operating revenues	$224.0	$217.7	$6.3	3%
Discounts	(7.6)	(7.6)	-	-
Net operating revenues	216.4	210.1	6.3	3%
Operating & administrative expense	78.5	72.4	(6.1)	(8%)
Purchased power/energy	3.7	1.6	(2.1)	(131%)
Fuel	85.1	77.7	(7.4)	(10%)
Depreciation, amortisation, accretion and impairment	24.4	24.7	0.3	1%
Inventory obsolescence & provision for engine decommission	6.0	0.2	(5.8)	NM
Regulatory fees	1.7	0.6	(1.1)	(183%)
Finance expenses	0.5	0.5	-	-
Total expenses	199.9	177.7	(22.2)	(12%)
Earnings before net movement in regulatory account balances	16.5	32.4	(15.9)	(49%)
Net movement in regulatory account balances	6.7	(8.8)	15.5	176%
Net earnings	$23.2	$23.6	$(0.4)	(2%)

BELCO's net earnings decreased 2%, or $0.4 million, to $23.2 million for the year, as compared to 2016 net income results of $23.6 million. While BELCO's regulated allowed return of 7% in 2016 increased to 8% in 2017, its rate base decreased from $348 million (based on the 2013 test year) to $301 million (based on 31 December 2016 balances). The decline in the rate base was due to higher depreciation levels than capital spending over the 2013 to 2016 period, as well as the write off of assets no longer in service.

BELCO's net operating revenues are comprised of base tariff net electricity sales, fuel adjustment revenue, regulatory fee revenue and other income. Base tariff net electricity sales for 2017 totaled $152.2 million, as compared to $154.2 million in 2016, a decrease of $2.0 million, or 1.3%. This decline is primarily due to lower metered sales in 2017, which decreased 1.3 million kWh, or 0.22%, from 585.8 million kWh sold in 2016 to 584.5 million kWh sold in 2017.

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

In 2017, Bermuda hosted the 35th America's Cup event, which had a positive impact on consumption across all customer classes, particularly during the months of May through July. This stemmed from an increased electricity demand associated with event-related activities and competitor team bases, residential occupancy requirements for staff and crew, increased visitor arrivals, which drove up hotel and guest house occupancy levels, and commercial and marina sales. Average temperatures in 2017 relative to 2016 also had a positive impact on electricity sales as both average cooling and heating days were higher. These increases were offset by general drops in consumption. A major factor contributing to this general decline in consumption was the retraction of America's Cup related activities, including the closure of team bases and departure of staff and crews in late 2017. Additionally, business closures and downsizing activities, increased energy efficiency and further deployment of renewable energy in the residential and commercial customer classes, coupled with one fewer day in 2017 (2016 was a leap year) also contributed to decreased sales volumes.

Revenues from the regulatory fee passed on to the consumer during the current year totaled $2.2 million (2016: Nil).

Fuel adjustment revenues increased $6.8 million from $53.9 million in 2016 to $60.7 million in 2017 due to increases in fuel costs, as noted below.

BELCO SALES STATISTICS: 2013 – 2017

	2017	2016	2015	2014	2013
Maximum demand (KILOWATTS)	110,700	110,600	108,000	106,800	110,100
Kilowatt hours generated (in 000s kWh)	662,228	653,376	662,307	648,863	665,204
Electricity sales (in 000's kWh):					
Residential	245,124	245,105	245,498	235,523	244,421
Commercial	284,866	286,588	290,552	291,350	295,043
Other	54,528	54,081	54,377	50,492	47,240
Total	584,518	585,774	590,427	577,365	586,704
Total metered connections	37,908	37,841	37,786	37,693	37,573

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

BELCO's total expenses increased $22.2 million or 12% in 2017 to $199.9 million, compared to $177.7 million in 2016. Operating and administration expense increased $6.1 million or 8% from $72.4 million in 2016 to $78.5 million in 2017. The increase in the current year is largely due to the following:

- Total labor related costs increased $2.7 million from $37.9 million in 2016 to $40.6 million in 2017. The increase is principally due to redundancy payments associated with the Group's reorganisation, BELCO's collective bargaining agreement wage bracket settlement, termination payments, head count and wage increases.
- Consulting fees and outside contractor expenses increased approximately $2.2 million in the current year from $4.3 million in 2016 to $6.5 million in 2017. A total of $534,000 was incurred in 2017 machining parts that can no longer be acquired onsite to maintain BELCO's aged diesel generating units. Station auxiliary maintenance increased by $369,000 due to increased repair, cleaning and inspection expenses due in part to aged plant as well as to timing of required inspections. BELCO also incurred $532,000 in financial advisory retainer fees.
- Included in BELCO's 2016 operating and administrative expenses was a $705,000 plan amendment loss associated with its life insurance plan, which is described in detail in the Company's Consolidated Financial Statements Note 16.

Purchased power/energy expenses increased $2.1 million from $1.6 million in 2016 to $3.7 million in 2017. This increase is due to an increase in total purchased power from the Bermuda Government Tynes Bay waste to energy incinerator plant stemming from increased installed capacity at that facility. In 2017, BELCO purchased approximately 20.1 million kWh as compared to 8.7 million in 2016.

Fuel expenses increased $7.4 million or 9.7% from $77.7 million in 2016 to $85.1 million in 2017. This is primarily due to the 9.3% increase in the average price paid for a barrel of fuel, which increased from an average price paid of $85.91 per barrel in 2016 to an average price of $93.86 per barrel in 2017. This increase was lower than the overall 16% rise in crude oil prices year over year. Duty on fuel imports remained at $31.79 and represents approximately 34% of the 2017 average price per barrel. Duty on fuel imports was last increased on 1 April 2016.

Fuel usage was relatively stable. Fuel efficiency declined in 2017 as compared to 2016 due to aged plant; however, this was largely offset by a decrease in production due to lower sales in 2017.

In light of BELCO's planned decommissioning of engines, management has reviewed its inventory, fixed assets, asset lives and asset retirement, and environmental remediation obligations to assess the impact of this event. This review resulted in the adjustments to inventory obsolescence, depreciation, environmental remediation obligation and fixed assets described below.

Depreciation, amortisation, accretion and impairment expense for 2017 of $24.4 million largely remained unchanged when compared to the $24.7 million recognised in 2016; however significant offsetting changes occurred in the current year impacting this year's expenditure, namely:

- The service life depreciation period for certain of the Company's transmission and distribution assets was extended from 24 to up to 50 years to best reflect the period over which BELCO fully utilises these assets based on management's experience, as well as a study commissioned to determine the appropriate service life depreciation period for transmission and distribution assets. This resulted in depreciation expense for these assets decreasing from $9.5 million to $4.1 million.
- In connection with the above-noted planned decommissioning, management aligned the service lives of those assets, which resulted in an increase of $824,000 in depreciation expense recognised in 2017 for these assets.
- Also as a result of this review, Management aligned the timing of environmental remediation of the old power plant site and the waste oil associated with these assets, resulting in a $1.4 million increase in BELCO's environmental year-end provision and accretion expense in the current year.
- Management wrote off $542,000 in net book value of fixed assets no longer in service.

The Company recognised a $5.1 million inventory obsolescence and provision for engine decommissioning expense associated with inventory parts used solely by the generation units set to be decommissioned. The 2017 year-end provision for these parts was established due to the increased likelihood that these parts will not be used prior to the decommissioning. A further obsolescence expense totaling $933,000 was recognised in the current year (2016: $207,000) stemming from a detailed operational review of all remaining parts inventory.

Total regulatory fee expenses associated with the Licences recognised in 2017 totaled $1.7 million (2016: $600,000). The 2016 regulatory fee expense was reversed in the current year following resolution with

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

the Authority that all regulatory fees become effective 1 April 2017. Regulatory fees associated with the TD&R Licence are noted as a dedicated charge on consumer bills as provided for under the Electricity (Regulatory Authority Fees) Regulations 2017, while BG Licence regulatory fees are recoverable through the retail tariff.

BELCO recognised $6.6 million of additional revenue due to movement in regulatory account balances in 2017. Tariff stabilisation fund withdrawals amounting to $6.6 million were made during the year to allow BELCO to meet its 2017 permitted return. In 2016, BELCO decreased revenues by $8.8 million, of which $6.6 million represented additions to the tariff stabilisation fund due to higher than permitted returns with the balance due to over recovery of fuel adjustment revenues in the year. The tariff stabilisation fund methodology is documented in detail in the Company's Consolidated Financial Statements Note 4.

AG Holdings

Net earnings from AG Holdings for 2017 of $5.0 million represents an increase of $4.5 million when compared to 2016 earnings of $543,000. AG Holdings manages the Group's non-utility, non-regulated business operations. Operating companies comprising AG Holdings subsidiaries are AIRCARE, iEPC, IFM and Ascendant Properties.

AIRCARE's current year results increased 173%, or $2.6 million, to $4.1 million from $1.5 million in 2016. AIRCARE's current year results includes a $1.4 million increase in earnings due to the equity pick-up in earnings from each of its two Cayman Islands companies, Otis and O Property Holdings Ltd. ("OPH"), of which $458,000 has been recorded as part of current year core earnings and the remainder recorded as non-core earnings. Also, results for 2016 were negatively impacted by non-recurring write-offs in inventory and receivables as well as relocation costs totaling $1.5 million.

AIRCARE's revenues derived from its Bermuda-based business was unchanged at $19.0 million in 2017. Core earnings after adjusting for 2016 write offs increased approximately 6% or $172,000. The primary driver for improvement in profitability is related to earnings associated with a number of large HVAC, fire alarm and fire suppression system installation projects. The Company continues to retain its core HVAC maintenance customer base through continued service excellence.

iEPC recorded a loss of $290,000 in 2017 as compared to 2016 net income of $62,000. This is due to a reduction in work arising from resource constraints in the current year and also reflects the transition of iEPC from a cost centre to a revenue centre in the year to position it for future growth.

AGH's ownership in **IFM** was increased to 100% following AG Holdings' purchase of the 40% stake in IFM held by partner Black & McDonald Group Limited, a privately held Canadian company, for US$607,000 in March 2017. As a result, accounting for IFM was changed from the equity method of accounting in accordance in IFRS 11 Joint Arrangements, to full consolidation in accordance with IFRS 10 Consolidated Financial Statements.

IFM recognised earnings of $1.1 million in the current year as compared to $227,000 in 2016.This improvement in earnings is attributable to increased project work in the year and a reduction in operating costs. IFM's principal facilities management and operations contract with a major client was extended in 2016 for 6 years. Concurrent with that extension, IFM entered into an energy performance contract whereby IFM is responsible for the design, implementation, measurement and verification of energy efficiency improvements to facilities owned by the client in Bermuda. The construction phase of this contract was completed in 2017.

Ascendant Properties recognised net earnings of $850,000 in 2017 as compared to a net loss of $142,000 in 2016. The increase is primarily due to profit realised on the sale of three properties totaling $759,000 (recognised as non-core earnings) during the current year, as well as AIRCARE's tenancy for all of 2017 following the move from its former Mill Creek Road location, effective September 2016.

PureNERGY RENEWABLES, Ltd. business operations were suspended to enable the Company to concentrate on its core regulated and non-regulated businesses. In 2016, PureNERGY realised a net loss of $253.000.

Ascendant Bermuda Insurance Limited

Ascendant Bermuda Insurance Limited ("ABIL") is a Class 1 insurance company licensed under the Insurance Act 1978 and provides coverage for any deductible, related plant and property losses of BELCO, subject to a maximum aggregate recovery of $600,000. ABIL recognised income of $534,000 in the current year as no major losses were incurred. In 2016, ABIL realised a net loss of $68,000 due to a claim made by BELCO related to crankshaft damage experienced in engine generating unit E3 in October 2016, requiring an increase in the outstanding loss reserve provision of $525,000.

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Unallocated Group Expenditures
Net corporate expenditures decreased $2.5 million, or 23%, in 2017 to $8.3 million from $10.9 million in 2016.

The primary reason for the decrease is an increase in shared service management fees charged to operating units, as well as a $403,000 decrease in salaries and related costs.

Discontinued Operations
The Company sold its subsidiary, Bermuda Gas, to RUBiS Energy Bermuda Ltd. ("RUBiS") in April 2016, resulting in an $11.7 million gain on sale recognised in 2016. The Company recognised a net loss of $361,000 in the current year related to this sale representing final settlement with RUBiS following final determination of Bermuda Gas' post-retirement medical plan liability. The sale of Bermuda Gas is described in Note 22.

POST-RETIREMENT BENEFIT PLANS

	DB PENSION PLAN		MEDICAL BENEFIT PLAN		LIFE INSURANCE PLAN	
In $000's	2017	2016	2017	2016	2017	2016
Accrued benefit obligation	$185,747	$171,742	$31,660	$35,603	$5,310	$4,622
Plan assets at fair value	170,627	160,038	-	-	-	-
Funded surplus / (deficit)	(15,120)	(11,704)	(31,660)	(35,603)	(5,310)	(4,622)
Impact of minimum funding requirements	-	(6,824)	-	-	-	-
Accrued benefit asset / (liability)	(15,120)	(18,528)	(31,660)	(35,603)	(5,310)	(4,622)
Total net benefit expense	$977	$1,016	$1,710	$1,811	$222	$868

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

The Company maintains a pension plan together with post-retirement medical and life benefit plans, as more fully described in Note 16 to the Consolidated Financial Statements. Over the last several years, management has restructured these plans with the goal of providing employees with a competitive benefit package within a manageable cost and risk profile. The Company completed its transition from a defined benefit to a defined contribution pension plan in 2012.

BELCO has agreed with the ESTU to phase out post-retirement medical benefits by 2030 and to eliminate post-retirement life insurance going forward. Accordingly, the Company recognised a $705,000 plan amendment loss in 2016. There were no plan amendments made in the current year to any of its post-retirement benefit plans.

The Company's approach in managing its residual defined benefit pension obligations is to choose an asset mix that balances risk and return with the goal of ensuring adequate funding for its residual obligations. Pension assets are managed by external investment managers per the pension plan's investment policy statement. The asset allocation is a well-diversified portfolio of global equity and bond investments. The Company reviews its investment manager performance and fees on a regular basis.

Liquidity and Capital Resources

The Company's primary sources of liquidity and capital resources are net funds generated from operations and $52.5 million bank credit facilities. These sources are primarily to fund capital expenditures, to service and repay debt, to fund share repurchases and to pay dividends. Given the Company's ample debt capacity, management is exploring new debt facilities to enable future funding of its capital programme.

The following table outlines the summary of cash flow for 2017 compared to 2016:

CASH FLOWS

In $000's	2017	2016	VARIANCE	
Cash and cash equivalents – beginning of year	$24,492	$7,574	$16,918	223%
Cash provided by / (used in):				
Operating activities	36,084	41,228	(5,144)	(12%)
Investing activities	(24,432)	(1,942)	(22,490)	NM
Financing activities	(9,579)	(22,368)	12,789	57%
Cash and cash equivalents – end of year	$26,565	$24,492	$2,073	8%

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Cash Flows from Operating Activities – Cash flow provided by operations, after working capital adjustments, was $36.1 million for 2017, a decrease of $5.1 million from $41.2 million in 2016. The decrease compared to 2016 was primarily driven by timing of fuel shipment payment, partially offset by an increase in cash generated from core earnings and a decrease in inventory.

Cash Flows from Investing Activities – Cash used in investing activities totaled $24.4 million in 2017, a $22.5 million increase compared to $1.9 million in 2016. Total capital expenditures were $26.1 million, a $6.5 million increase compared to $19.6 million in 2016. Capital expenditures in 2016 were offset by net cash proceeds of $17.6 million from the sale of Bermuda Gas in April 2016.

BELCO's capital expenditure represents approximately 93.5% or $24.4 million of the Company's total capital expenditure in 2017. A total of $13.7 million was spent refurbishing, upgrading and modernising the transmission and distribution system. Of this total, approximately $1.3 million was incurred on advanced metering with full deployment of the new advanced meters, communications networks and data management systems scheduled to commence mid-2018. Approximately $6.5 million was spent to reduce the frequency of cable faults arising from end of life cables and infrastructure in the City of Hamilton and at Southside, as well as to strengthen the system in the west end to ensure the 35th America's Cup event and customers in the surrounding area were not adversely impacted due to increased load on aged infrastructure. BELCO invested an additional $3.5 million at year-end to acquire copper cable as a part of its capital programme, to replace underground cable at both ends of the Island that are frequently failing and do not have sufficient capacity to meet demand as a result of age and condition.

A total of $4.9 million was spent addressing power generation requirements, including $1.6 million to replace turbochargers due to safety and aging issues, $0.8 million in connection with the proposed North Power Station and $0.9 million to ensure that the generation units scheduled to be decommissioned are able to operate until their scheduled retirement.

BELCO made a down payment of $2.5 million for the purchase of a new fleet of hybrid bucket trucks and other vehicles, to replace its aged fleet. The investment in electric vehicles is expected to significantly reduce operating (maintenance and fuel) costs over the life of these vehicles as compared to the gas and diesel powered vehicles they replaced.

BELCO also spent approximately $2.8 million to address data center and network upgrades, cyber security, upgrades to asset and inventory management systems and a new employee fitness centre.

Cash Flows from Financing Activities – Total cash used in financing activities of $9.6 million (2016 - $22.4 million) comprised $4.1 million in dividends paid (2016 - $3.1 million), $5.4 million in repayment of bank borrowings (2016 - $13.8 million), $0.4 million in share repurchases (2016 - $5.7 million), offset by $0.3 million in proceeds from issuance of capital stock (2016: $0.3 million).

Cash Flow Requirements – The Company expects that operating expenses and interest costs will generally be paid from the Company's operating cash flows, with residual cash flows available for capital expenditures, debt repayment, share repurchases and dividend payments. Capital expenditures required to complete BELCO's capital programme are expected to be financed from a combination of operating cash flow together with new sources of long-term debt and equity.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

TO THE SHAREHOLDERS OF ASCENDANT GROUP LIMITED

The accompanying audited Consolidated Financial Statements of Ascendant Group Limited and all the information in this Annual Report are the responsibility of management and are approved by the Board of Directors.

The Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards.

The significant accounting policies used are described in Note 3 to the Consolidated Financial Statements. Certain amounts in the financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the Consolidated Financial Statements.

The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures, and internal control over financial reporting. The CEO and the CFO have supervised an evaluation of the effectiveness of the Company's internal control over the financial reporting, as at 31 December 2017. Based on this evaluation, the CEO and CFO have concluded that the Company's internal control over financial reporting as at 31 December 2017 was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the presentation of its Consolidated Financial Statements for external purposes in accordance with applicable accounting principles.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit & Risk Committee.

The Audit & Risk Committee is appointed by the Board of Directors and all of its members are independent directors. The Audit & Risk Committee meets periodically with management, as well as with the internal and independent auditors, to discuss disclosure controls and procedures, internal control over financial reporting, management information systems, accounting policies, audit and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the Consolidated Financial Statements, the Management's Discussion and Analysis and the independent Auditor's Report. The Audit & Risk Committee reports its findings to the Board of Directors for consideration when approving the Consolidated Financial Statements for issuance to the shareholders. The Audit & Risk Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditor, and reviews and approves the terms of its engagement as well as the fee, scope and timing of its services.

The Consolidated Financial Statements have been audited on behalf of the shareholders by PricewaterhouseCoopers Ltd., independent auditor, in accordance with International Standards on Auditing. The independent auditor has full and free access to the Audit & Risk Committee and may meet with or without the presence of management.

Sean M. Durfy
President
& Chief Executive Officer

Robert Schaefer
Senior Vice President
& Chief Financial Officer

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Independent auditor's report

To the Shareholders and Board of Directors of Ascendant Group Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ascendant Group Limited (the Company) and its subsidiaries (together 'the Group') as at December 31, 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Ascendant Group Limited's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2017;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the consolidated financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

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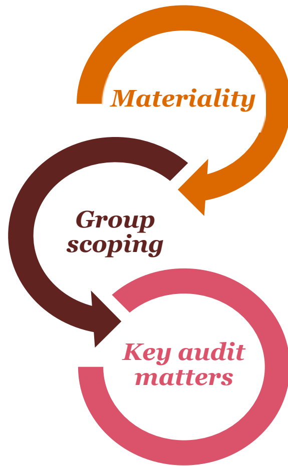
Our audit approach

Overview



- Overall group materiality: $1,100,000, which represents 0.5% of total revenues

- We performed full scope audits on the three key operating subsidiaries, being Bermuda Electric Light Company Limited ("BELCO"), Air Care Ltd. and iFM Limited
- The audit engagement team was the auditor for both the parent and the subsidiaries
- Audit coverage: 100% of consolidated revenues

- Inventory obsolescence
- Revenue recognition on projects undertaken by Air Care Ltd.
- Valuation of post retirement benefit obligations
- Valuation of environmental clean-up and asset retirement obligations

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Reference: Independent auditor's report on the Consolidated Financial Statements of Ascendant Group Limited and its subsidiaries as at December 31, 2017 and for the year then ended
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Overall group materiality	$1,100,000
How we determined it	0.5% of total revenues
Rationale for the materiality benchmark applied	We chose total revenues as the benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements and because, in our view, it is a stable benchmark in comparison to net income in recent years. On this basis we believe that revenue is an important metric for the financial performance of the Group. We chose 0.5% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $55,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Inventory obsolescence	
See note 9 to the consolidated financial statements for detail of inventory obsolescence provision and impairment.	
In November 2017 BELCO notified the electricity sector regulator of its intention to decommission nine of its generating units, comprising approximately 50% of its total existing generation capacity, between 2018 and 2020. These units, whilst currently in operation, are beyond their initial expected service life. In December 2017 BELCO submitted a proposal to the regulator to replace the decommissioned generating units with replacement generation. This proposal was approved by the regulator in March 2018. At December 31, 2017, included within the materials and supplies inventory are a number of spare parts associated with the generating units planned to be decommissioned. Given the approval of the replacement generation proposal and the increased certainty in respect of the timing of decommissioning, management performed an analysis of the spare parts to determine those considered likely, based on historical consumption and forecast usage, to be required for use in the period prior to decommissioning. Inventory in excess of this forecast usage has been written down from its original cost to its recoverable value. The amount of the impairment to materials and supplies in 2017 is $5.1m. The determination of the expected usage of spare parts inventory associated with assets scheduled for decommissioning requires estimation and judgement by management, and as such was an area of increased focus in our audit.	We obtained and inspected the correspondence between BELCO and the electricity sector regulator, including the approval in March 2018 of the replacement generation proposal. We agreed that the approach adopted by management in determining the inventory to be written down, based on an assessment of the likelihood of use, is consistent with the requirements of International Financial Reporting Standards. For a sample of inventory items subject to write down, we performed the following procedures: - agreed the historic consumption to BELCO's inventory management system; - tested the forecast usage by comparison to average historic consumption; and - assessed management's assertion that the inventory item related to generating units to be decommissioned. We compared the results of these tests to the amounts written down by management. We also performed testing over management's assessment of the provision in place in respect of inventory other than spare parts associated with generating units planned to be decommissioned. We found no material exceptions in these tests.

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition on projects undertaken by Air Care Ltd. *See note 3b to the consolidated financial statements for disclosures in respect of revenue recognition accounting policies* Project revenue at Air Care Ltd. totalled $8.3m for the year ended December 31, 2017. Certain projects undertaken by Air Care Ltd. span a period greater than one year or are incomplete as at December 31, 2017. Revenue on these projects is recognised based on the 'percentage of completion' method whereby the stage of completion of projects is determined by management based on the costs incurred and expected costs required to complete. The assessment of costs to complete projects requires estimation and judgement by management, and as such is an area of increased focus in our audit.	For a sample of projects not complete as at December 31, 2017, we reperformed the calculation of percentage of completion through testing, on a sample basis, costs incurred to date to an invoice or internal labour charge allocation. We also evaluated the current projected costs to complete, as prepared by project engineers and reviewed by senior management, against the original project budget, timetable and current status at the date of our audit procedures. For a sample of projects completed within the year, we compared the outcome of these projects with the projected costs to complete at the previous year end. We found no material exceptions in these tests.

Reference: Independent auditor's report on the Consolidated Financial Statements of Ascendant Group Limited and its subsidiaries as at December 31, 2017 and for the year then ended
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Key audit matter	How our audit addressed the Key audit matter
Valuation of post retirement benefit obligations *See notes 3(h) and 16 to the consolidated financial statements for disclosure of detail of post retirement benefit plans, accounting policies and significant assumptions used in the valuation of these obligations.* The Group has significant post retirement benefit obligations to its current and former employees, consisting of defined benefit pension, medical benefit and retiree life insurance schemes. At December 31, 2017 the gross post retirement benefit obligations totalled $222.7m. The valuation of these obligations requires significant levels of judgement and technical expertise in selecting appropriate assumptions. Changes to the key assumptions, including salary increases, inflation, discount rates, and mortality, can have a material impact on the calculation of the liability. Management engage an independent, third party actuary to assist in the determination of post retirement benefit liabilities.	We have tested the significant judgements made by management and the Group's third party actuary as set out below. We agreed the discount and inflation rates used in the valuation of the post retirement benefit obligations to relevant external benchmarks. We compared the assumptions around mortality to Canadian national and industry averages as also used by the Group's third party actuary, which are considered to represent an appropriate and generally accepted proxy for Bermuda. We compared assumptions for salary increases to historic trends, as restricted by certain amendments and curtailments set out in documents filed with the Bermuda Pension Commission. We tested employee data used by the Group's third party actuary to current and historic payroll information retained by the Group's Human Resources department. Our procedures, as set out above, included engaging our actuarial experts to assist in the assessment of the work performed by the Group's third party actuary and the determination of an independent discount rate. We did not identify any material exceptions or contradictory information in these procedures that would require adjustment to management's assumptions in respect of the post retirement benefit obligations.

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Key audit matter	How our audit addressed the Key audit matter

Valuation of environmental clean-up and asset retirement obligations

See notes 3(m) and 20 to the consolidated financial statements for disclosure of detail of accounting policies, estimation method and discount rate assumption in respect of these obligations.

As at December 31, 2017, environmental clean-up and asset retirement obligations totalled $2.9m and $15.1m respectively.

Over time, the operations of BELCO have created an environmental impact that will require remediation, primarily of the Old Power Station site at the Central Power Station. Furthermore BELCO has certain legal and constructive obligations to eventually retire its long-lived tangible assets, primarily its power generation engines and related facilities, which includes the costs of decommissioning and site restoration.

We focused on this area as these provisions require significant judgement in determining the form of remediation or decommissioning and the timing and value of projected cash flows associated with them. This includes the accuracy of site surveys, transportation costs and changes in the discount rate applied.

In 2015, management engaged a third party US engineering and environmental consultant to assist in the assessment of these obligations and whose appraisal covered 100% of the environmental clean-up provision and 45% of the asset retirement obligation. Management engaged the same third party consultant to provide an updated assessment in 2017.

In 2015 management performed an internal assessment of the asset retirement obligation for the remaining 55% of this balance. This assessment was re-evaluated in 2017.

In 2017 management revised its approach to remediation of the environmental obligation from annual treatment over a 30 year period to an approach whereby remediation activity is planned to be completed in 2023.

We obtained the reports commissioned by management and prepared by a third party US engineering and environmental consultant. We obtained management's internal assessment of the asset retirement obligation for the remaining 55% of this balance.

We assessed the independence and competence of management's third party consultant, the terms and scope of their engagement and the relevant industry standards under which their work was performed and their report prepared.

We tested the significant inputs to the assessment of both of these obligations, including BELCO labor rates, external equipment hire and transportation rates, site monitoring costs, water rights and purchase dates and service lives of power generation engines to supporting internal and external information and historical actual costs incurred in previous asset decommissioning undertaken by BELCO.

We agreed the discount and inflation rates used in the valuation of these obligations to relevant benchmarks.

We evaluated management's planned decomissioning dates for power generation assets in comparison with the service lives of these assets, and the Integrated Resource Plan and capital asset replacement proposal submitted by BELCO to the electricity sector regulator.

We recalculated the supporting discounted cash flow analyses based on the above information.

We found no material exceptions in these tests.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the engagement team. This consisted of full scope audits on the three key operating subsidiaries, being BELCO, Air Care Ltd. and iFM Limited as a result of its acquisition by the Group in the year, as these components are individually financially significant to the Group. Based on our scoping, we also performed additional audit procedures on select account balances and transactions within the Group.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Paul Byrne.

PricewaterhouseCoopers Ltd.

PricewaterhouseCoopers Ltd., Chartered Professional Accountants
Hamilton
Bermuda

April 20, 2018

2017

CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

In $000's	NOTES	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	5	$265,053	$264,085
Investment property	7	2,083	2,251
Intangible assets and goodwill	6	13,018	9,798
Long-term receivable		1,375	-
Investment in leases	24	4,132	2,309
Investment in joint venture	12	-	861
Investment in equity accounted associates	12	1,702	169
		287,363	279,473
Current assets			
Cash and cash equivalents		26,565	24,492
Investments	8	246	223
Accounts receivable	15	18,290	19,671
Long-term receivable, current portion		266	-
Investment in leases	24	265	329
Inventory	9	43,181	50,538
Prepaid expenses and other assets		1,482	1,436
		90,295	96,689
TOTAL ASSETS		$377,658	$376,162

The accompanying notes on pages 44 to 84 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2017

In $000's	NOTES	2017	2016
EQUITY AND LIABILITIES			
Non-current liabilities			
Bank borrowing	13, 15	$2,921	$3,593
Asset retirement obligation	20, 15	15,141	14,641
Environmental clean-up obligation	20, 15	2,855	1,372
Defined benefit obligation	16, 15	15,120	18,528
Other post-retirement benefits	16 ,15	36,970	40,225
		73,007	78,359
Current liabilities			
Customer deposits	15	246	251
Trade and other payables	4, 15, 21	29,098	27,932
Deferred revenues		692	1,322
Bank borrowing	13, 15	2,479	5,220
Tariff stabilisation fund	4	-	6,579
		32,515	41,304
Equity			
Share capital	10	10,205	10,166
Share premium	10	27,298	27,035
Treasury shares	10	(2,775)	(2,342)
Contributed surplus		22,550	22,550
Accumulated OCI	16	(32,333)	(32,139)
Retained earnings		245,733	229,620
Total equity		270,678	254,890
Regulatory deferral account credit balances	4	1,458	1,609
TOTAL EQUITY, LIABILITIES AND REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES		$377,658	$376,162

The accompanying notes on pages 44 to 84 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2017

In $000's	NOTES	2017	2016
CONTINUING OPERATIONS			
Revenues			
Operating revenues		$223,460	$214,450
Other income		1,681	2,575
	19	225,141	217,025
Expenses			
Operating and administrative expenses	17	91,191	87,767
Inventory obsolescence and write down related to engine decommission	9	5,988	873
Regulatory Authority fees	4	1,690	600
Purchased power/energy		3,725	1,614
Fuel		85,060	77,639
Depreciation, amortisation, accretion and impairment		25,022	25,702
		212,676	194,195
OPERATING INCOME		12,465	22,830
Finance expense			
Foreign exchange loss		372	392
Change in fair value of investments		(23)	(67)
Gain on sale of investment properties		(759)	-
Interest expense		569	722
Net finance expense		159	1,047
Share of profit of equity accounted investees	12	1,528	151
EARNINGS BEFORE NET MOVEMENT IN REGULATORY ACCOUNT BALANCES		13,834	21,934
Net movement in tariff stabilisation fund	4	6,579	(6,579)
Net movement in regulatory account deferral balances related to profit and loss	4	148	(2,178)
Earnings after net movement in regulatory account balances		20,561	13,177
Discontinued operations			
Net income for the year from discontinued operations	22	-	78
(Loss) / gain on sale of discontinued operations	22	(361)	11,656
NET EARNINGS FOR THE YEAR		20,200	24,911
BASIC EARNINGS PER SHARE FROM			
Continued operations	11	2.08	1.26
Discontinued operations	11	(0.04)	1.12
Net earnings for the year	11	2.04	2.38
Fully diluted earnings per share	11	$1.96	$2.29

The accompanying notes on pages 44 to 84 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

In $000's	NOTES	2017	2016
Net earnings for the year		$20,200	$24,911
Other comprehensive income:			
Items that were reclassified in equity:			
Reclassification of actuarial gain on disposal of subsidiary	22	-	(444)
Items that will not be reclassified to profit or loss:			
Actuarial gains / (losses) on post retirement plans:			
1) Medical Benefit Plan	16	3,997	256
2) Defined Benefit Pension Plan	16	(3,669)	(1,297)
3) Life Insurance Plan	16	(522)	(19)
		(194)	(1,060)
Total comprehensive income for the year		$20,006	$23,407

The accompanying notes on pages 44 to 84 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

In $000's	NOTES	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings for the year		$20,200	$24,911
Adjustments for:			
Loss / (gain) on sale of discontinued operations	22	361	(11,656)
Net income relating to sale of discontinued operations	22	-	(78)
Gain on sale of investment properties		(759)	-
Depreciation, amortisation and impairment		23,039	25,081
Asset retirement and environmental clean-up obligation accretion		1,983	621
Share of profit of equity accounted investees		(1,528)	(151)
Change in fair value of investments		(23)	(67)
Inventory provision and impairment	9	5,988	873
Defined benefit obligation and other post-retirement benefits		(6,857)	(6,582)
Changes in non-cash working capital balances:			
Deferred revenue		(1,376)	295
Accounts receivable, long-term receivable and investment in leases		962	(2,959)
Inventory		3,605	(6,473)
Prepaid expenses and other assets		(46)	55
Regulatory deferral account credit balances		(151)	517
Tariff stabilisation fund		(6,579)	6,579
Customer deposits		(5)	(8)
Trade and other payables		(2,730)	10,270
Net cash generated from operating activities		$36,084	$41,228

The accompanying notes on pages 44 to 84 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2017

In $000's	NOTES	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (settlement) proceeds from sale of discontinued operations		$(361)	$17,644
Net proceeds from sale of investment properties		840	-
Acquisition of subsidiary, net of cash acquired	12	1,176	-
Acquisition of property, plant, equipment and intangible assets		(26,087)	(19,586)
Net cash used in investing activities		(24,432)	(1,942)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital stock	10	302	252
Purchase of capital stock (cancelled)	10	-	(4,176)
Purchase of capital stock (treasury)	10	(433)	(1,496)
Dividends paid	10	(4,087)	(3,149)
Net repayment of bank borrowing		(5,361)	(13,799)
Net cash used in financing activities		(9,579)	(22,368)
Increase in cash and cash equivalents		2,073	16,918
Cash and cash equivalents - beginning of year		24,492	7,574
Cash and cash equivalents - end of year		26,565	24,492
SUPPLEMENTARY CASH FLOW INFORMATION			
Cash interest received		9	4
Cash interest paid		$338	$763

The accompanying notes on pages 44 to 84 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2017

In $000's	NOTES	Attributed to equity owners of the Company		
		SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES
BALANCE AT 1 JANUARY 2016		$10,710	$30,415	$(846)
Total comprehensive income for the year:				
Net earnings for the year		-	-	-
Reclassification of OCI on disposal of subsidiary	22	-	-	-
Total other comprehensive income for the year		-	-	-
Transactions with owners of the Company recognised directly in equity:				
Dividends	10	-	-	-
Movement in treasury stock	10	-	-	(1,496)
Movement in ordinary shares	10	(544)	(3,380)	-
Balance at 31 December 2016		$10,166	$27,035	$(2,342)
BALANCE AT 1 JANUARY 2017		$10,166	$27,035	$(2,342)
Total comprehensive income for the year:				
Net earnings for the year		-	-	-
Total other comprehensive income for the year		-	-	-
Transactions with owners of the Company recognised directly in equity:				
Dividends	10	-	-	-
Movement in treasury stock	10	-	-	(433)
Movement in ordinary shares	10	39	263	-
Balance at 31 December 2017		$10,205	$27,298	$(2,775)

The accompanying notes on pages 44 to 84 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

For the year ended 31 December 2017

	Attributed to equity owners of the Company			
In $000's	CONTRIBUTED SURPLUS	ACCUMULATED OCI	RETAINED EARNINGS	TOTAL
BALANCE AT 1 JANUARY 2016	$22,550	$(30,635)	$207,414	$239,608
Total comprehensive income for the year:				
Net earnings for the year	-	-	24,911	24,911
Reclassification of OCI on disposal of subsidiary	-	(444)	444	-
Total other comprehensive income for the year	-	(1,060)	-	(1,060)
Transactions with owners of the Company recognised directly in equity:				
Dividends	-	-	(3,149)	(3,149)
Movement in treasury stock	-	-	-	(1,496)
Movement in ordinary shares	-	-	-	(3,924)
Balance at 31 December 2016	$22,550	$(32,139)	$229,620	$254,890
BALANCE AT 1 JANUARY 2017	$22,550	$(32,139)	$229,620	$254,890
Total comprehensive income for the year:				
Net earnings for the year	-	-	20,200	20,200
Total other comprehensive income for the year	-	(194)	-	(194)
Transactions with owners of the Company recognised directly in equity:				
Dividends	-	-	(4,087)	(4,087)
Movement in treasury stock	-	-	-	(433)
Movement in ordinary shares	-	-	-	302
Balance at 31 December 2017	$22,550	$(32,333)	$245,733	$270,678

The accompanying notes on pages 44 to 84 are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. OPERATIONS

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

Principal Operating Subsidiaries	Principal Activity
Bermuda Electric Light Company Limited ("BELCO")	Electric utility (generation, transmission & distribution)
Ascendant Bermuda Insurance Limited ("ABIL")	Captive property insurance
AG Holdings Limited ("AG Holdings")	Parent company of the following non-utility business operations:
▪ AIRCARE Limited ("AIRCARE")	Sale and service of heating, ventilation and air conditioning ("HVAC") systems, air quality monitoring, building automation and energy management, commercial plumbing, fire protection and commercial refrigeration services
▪ IFM Limited ("IFM")	Property and facilities management services
▪ iEPC Limited ("iEPC")	Engineering procurement, contracting and consulting services
▪ Ascendant Properties Limited ("Ascendant Properties")	Property management

The Consolidated Financial Statements of the Company as at 31 December 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), are available upon request from the Company's registered office above or at www.ascendant.bm.

2. BASIS OF PREPARATION

a. Statement of compliance

These Consolidated Financial Statements, as at and for the year ended 31 December 2017, have been prepared in accordance with International Financial Reporting Standards.

These Consolidated Financial Statements were authorised for issue by the Board of Directors on 19 April 2018.

b. Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following items in the Consolidated Statement of Financial Position:

- Defined benefit obligation (measured at present value of future obligations net of plan assets measured at fair value);
- Other post-retirement benefits (measured at present value of future benefits); and
- Held for trading financial assets (measured at fair value).

c. Functional and presentation currency

These Consolidated Financial Statements are presented in Bermuda Dollars, which is the Company's functional currency. Bermuda Dollars are on par with the US Dollar.

d. Use of estimates and judgments

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

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

accounting policies that have the most significant effect on the amounts recognised in the Consolidated Financial Statements are described in the following notes:

- Note 3(l) (I) – impairment of financial assets;
- Note 3(l) (II) – impairment of non-financial assets;
- Note 3(m) – provisions including asset retirement and environmental clean-up obligations;
- Note 3(c) – useful lives of property, plant and equipment;
- Note 3(i) – useful lives of intangible assets;
- Note 3(j) – useful lives of investment property;
- Note 3(h) – defined benefit pension plan and other post-retirement benefits;
- Note 15 – allowance for impairment of receivables.

3 SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these Consolidated Financial Statements unless otherwise indicated.

a. Principles of consolidation

CONSOLIDATION

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

These Consolidated Financial Statements include the financial statements of the Company and its controlled subsidiaries, BELCO, ABIL and AG Holdings. All material intercompany accounts and transactions have been eliminated upon consolidation.

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

JOINT ARRANGEMENTS

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

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

b. Revenue recognition

The sales of electricity are based on consumption recorded by meter readings taken monthly during the year. The Company accrues for unread consumption at the end of each financial period. Delivered and installed air conditioning systems are accounted for using the percentage of completion method. HVAC and other maintenance agreement sales are earned and recognised evenly on a monthly basis over the term of the individual contracts. Any revenues collected, but unearned, are deferred and included in the Consolidated Statement of Financial Position as unearned revenue. Any revenues recognised exceeding the amount billed to date are recorded in the Consolidated Statement of Financial Position as unbilled revenue.

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

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

The Company, through its subsidiary IFM, enters into certain energy saving arrangements with customers whereby the customer can purchase energy saving equipment together with a long-term servicing agreement. Where such multiple-element arrangements exist, the amount of revenue allocated to each element is based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately. The revenue relating to the equipment is recognised when the risks and rewards of ownership are transferred to the customer, which occurs on completion of installation. Revenue relating

to the service element is recognised as the services are rendered.

Other revenues are recognised when products are delivered or services are rendered.

c. Property, plant and equipment
Property, plant and equipment are recorded at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset, and includes the cost of dismantling and removing the assets and restoring the site on which they are located. Interest cost on funds borrowed for the construction of long-term assets is capitalised. Capitalised interest is recorded as part of the asset to which it relates and is depreciated over the estimated useful life of the asset. The Company allocates the amount initially recognised in property, plant and equipment to its significant components and depreciates each component separately. Residual values, method of depreciation and useful lives of assets, and significant components of assets, are reviewed annually and adjusted where necessary.

Depreciation of property, plant and equipment is calculated on a straight-line basis. The calculation of depreciation is based on the cost less residual value of each group of assets from the actual date that they are brought into service. Depreciation is included in net earnings. Land is not depreciated.

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

The estimated useful lives for the current and comparative periods are as follows:

	2017	2016 AND PRIOR YEARS
Generation plant	24 years	24 years
Transmission equipment (Note 5)	40 to 50 years	24 years
Distribution equipment (Note 5)	24 to 50 years	24 years
General plant	3 to 24 years	3 to 24 years
Other physical assets	3 to 24 years	3 to 24 years

Gains and losses on disposal are determined by comparing proceeds with carrying amount and included in net earnings.

STRATEGIC SPARE PARTS
The Company records major spare parts and stand-by equipment, measured at cost less accumulated depreciation. Strategic spare parts are included in property, plant and equipment.

Spare parts are depreciated using the straight-line method over their estimated useful economic lives (from 16 to 31 years).

RECLASSIFICATION TO INVESTMENT PROPERTY
When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in net earnings to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain or loss recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in net earnings.

d. Cash and cash equivalents
Cash and cash equivalents include cash on account and short-term, highly liquid investments with maturities of

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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 2017 and 2016.

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 realisable 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. Earnings per share
Basic earnings per share are calculated by dividing net earnings attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the year adjusted for treasury shares held. Diluted earnings per share are determined by adjusting the weighted average number of shares for the effects of all dilutive potential shares stemming from the Company's Long Term Incentive Plan ("LTIP"). The LTIP is outlined in detail in Note 21.

h. Employee short-term and long-term benefits

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

II. DEFINED CONTRIBUTION PENSION PLAN
A defined contribution pension plan ("DC Pension Plan") is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognised as an employee benefit expense in net earnings in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

III. DEFINED BENEFIT PENSION PLAN
A defined benefit pension plan ("DB Pension Plan") is a post-employment benefit plan under which the Company promises to pay a specific pension based on the employee's salary and service life. The Company's net obligation in respect of the DB Pension Plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted while plan amendments, if any, are added or deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of the DB Pension Plan obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan and reductions in future contributions to the plan. In accordance with IFRIC 14, an additional liability is recorded whenever the present value of non-refundable future minimum required contributions relating to past service, less the present value of plan assets, exceeds the accounting liability as determined under IAS 19.

The Company recognises all actuarial gains and losses from the DB Pension Plan in other comprehensive income ("OCI") and expenses related to the DB Pension Plan in operating and administrative expenses in net earnings.

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

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net

defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB Pension Plan are recognised in net earnings.

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

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

The Company accounts for post-retirement life insurance consistent with accounting for the DB Pension Plan. BELCO's group life insurance plan is detailed in Note 16.

V. SHARE-BASED PAYMENT TRANSACTIONS
Share-based compensation normally settled in a fixed amount of cash is usually classified as a liability while share-based compensation normally settled in a fixed number of shares is classified as equity. When the share-based compensation plan is accounted for as a liability plan, the compensation is remeasured at each balance sheet date and recorded as a liability on the Consolidated Statement of Financial Position. When the share-based compensation plan is accounted for as an equity plan, the compensation is recorded in equity remeasured on the settlement date. The Company has accounted for its share-based compensation programmes as a liability plan as these awards can be, and have historically been, settled in cash.

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

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

i. Intangibles
The Company classifies goodwill and computer software as intangibles. Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis, or more frequently, if impairment indicators arise. As at 31 December 2017 and 2016 there was no impairment of the Company's goodwill. Computer software is measured at cost less accumulated amortisation and impairment losses and is amortised on a straight-line basis over periods ranging from five to ten years. Software in progress is not subject to amortisation until brought into service. Amortisation is based on cost of an asset less its residual value. The method of amortisation, residual values and useful lives of the assets are reviewed annually and adjusted where necessary.

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

Investment property is amortised over the estimated useful life of 24 years. Any gain or loss on disposal of investment property (calculated as the difference

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between the net proceeds from disposal and the carrying amount of the item) is recognised in net earnings.

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

k. Financial instruments

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

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

I. FINANCIAL ASSETS AND FINANCIAL LIABILITIES – RECOGNITION AND DERECOGNITION

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

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

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

II. FINANCIAL ASSETS – MEASUREMENT

FINANCIAL ASSETS AT FAIR VALUE THROUGH NET EARNINGS

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

LOANS AND RECEIVABLES

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

III. FINANCIAL LIABILITIES – MEASUREMENT

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

IV. FAIR VALUE HIERARCHY

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

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

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

V. SHARE CAPITAL

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

I. Impairment

I. FINANCIAL ASSETS

Financial assets not classified at fair value through net earnings are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

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

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

FINANCIAL ASSETS MEASURED AT AMORTISED COST

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

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

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

II. NON-FINANCIAL ASSETS

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying

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amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

m. Provisions

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

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

A contingent asset is not recognised in the Consolidated Financial Statements. However, a contingent asset is disclosed when an inflow of economic benefit is probable.

ASSET RETIREMENT OBLIGATIONS

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

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

ENVIRONMENTAL CLEAN-UP OBLIGATION

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when land is contaminated. The environmental clean-up obligation is both a legal and constructive obligation associated with the remediation of oily water waste and waste oil soil contamination at the Company's central power station. This obligation is based on management's best estimate of the expenditure required to settle the obligation, discounted to present value. The carrying value of the obligation is accreted over the estimated time period until the planned environmental clean-up is carried out, with the accretion charge recognised as an expense in the income statement.

WARRANTIES

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

RESTRUCTURING

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

n. Discontinued operations

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

o. Income tax

As the Company is domiciled in Bermuda, it is not subject to taxation on profit or capital gains. Accordingly, no provision for income tax or deferred tax has been made in the Consolidated Financial Statements.

p. Finance expense

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

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q. Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, Chief Financial Officer, Senior Vice President, BELCO, Senior Vice President, AG Holdings and members of the Board of Directors, who make decisions about resources to be allocated to the segment and assess its performance principally on the basis of net earnings adjusted for regulatory items as shown in Note 19, Segmented Information.

r. Standards issued, but not yet adopted
A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018; however, the Company has not applied the following new or amended standards in preparing these Consolidated Financial Statements.

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

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has elected not to early adopt.

Management's preliminary assessment of the impact of IFRS 9 is that it will not have a material impact on the Company's Consolidated Financial Statements.

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

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has elected not to early adopt. On adoption in 2018 the Company expects to use the cumulative effect adjustment method under which the comparative period would not be restated and the cumulative impact of applying IFRS 15 would be recognised at the date of the initial adoption, 1 January 2018.

During 2017, management carried out a review of the contractual arrangements that comprise the majority of its current revenue streams to determine how IFRS 15 will impact the recognition and disclosure of revenues from these arrangements. Management's assessment to date has identified that, for the majority of the Company's revenue streams, the application of IFRS 15 will have no impact on the Company's current revenue recognition approach under IAS 18 Revenue.

For revenue streams where differences have been identified from the Company's current revenue recognition approach, management's assessment of the potential impact remains ongoing at the date of the approval of these Consolidated Financial Statements; however, it is not anticipated to be material.

IFRS 16 LEASES
IFRS 16 establishes a new framework for lessee accounting, which requires that all leased assets be recognised on the balance sheet if the lease definition is met. It replaces existing lease accounting guidance contained in IAS 17 Leases.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 Revenue from contracts with customers is also early adopted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

4. RATE REGULATION

The Company's wholly owned subsidiary, BELCO, is an electric utility subject to rate regulation as outlined under the Electricity Act 2016 (the "Act"), which became operative on 28 October 2016.

NATURE AND ECONOMIC EFFECTS OF RATE REGULATION IN BERMUDA
The Act establishes a regulatory framework for the electricity sector in Bermuda, which:

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- Transfers and expands the scope associated with independent regulatory oversight of the electricity sector from the Energy Commission to the Regulatory Authority (the "Authority");
- Outlines an integrated resource planning process for setting detailed policy that is participative and encourages the achievement of competing objectives in the manner that best serves the public interest;
- Establishes policy-implementing rules and processes regarding:

1. Generation planning and procurement, which promote least cost, diversification in the primary energy sources and technologies for electricity generation and demand reduction;
2. Electricity supply restrictions, which include a licensing framework that confirms BELCO as a Transmission, Distribution and Retail ("TD&R") Licencee as well as a Bulk Generation ("BG") Licencee; facilitates competition with respect to new bulk electricity generation requirements; and is open to distributed electricity generation by end-users;
3. Electricity supply standards that promote reliable, high quality electricity supply in line with industry best practices, encourage responsive and reasonable customer service and safeguard against public safety and property loss; and
4. Tariff-setting principles that will provide for the recovery of reasonable costs inclusive of efficiently incurred operating costs, prudently incurred investment in assets, a return on investment commensurate with returns in business undertakings with comparable risks, and that is sufficient to attract needed capital.

BELCO's current base rate tariffs were approved on 31 March 2016 and implemented on 1 June 2016 pursuant to a directive issued by the Energy Commission ("EC"). Specifically, the EC approved tariff levels that would enable a 7% return on the test year (2013) rate base in 2016 and an 8% return on the year-end 2016 rate base in 2017 (excluding those assets funded by debt, which would be entitled to a recovery of their interest costs). As the changes to the base tariffs were implemented on 1 June 2016, the EC allowed for an additional supplemental surcharge be added to the base tariff to make it effective as of 1 January 2016. This supplemental surcharge was removed in January 2017.

The EC directive did not change the mechanism for fuel cost recovery as BELCO's actual fuel costs in excess of $30.00 per barrel continue to be recovered separately through the fuel adjustment rate ("FAR"). Given the relative volatility of fuel prices, FAR submissions to the Authority are currently made on a monthly basis in accordance with the EC's defined minimum reporting requirements. This relatively frequent adjustment process allows for the pass-through of actual fuel costs in a timely manner.

The Authority is not bound to follow the same tariff methodology established under the March 2016 Energy Commission Directive. BELCO continues to follow the tariff and allowed return methodology established in the directive, but it is anticipated that a new retail tariff methodology will be implemented in 2018.

Recent Events

On 27 October 2017, the Authority, following a public consultation process and amendments to the Act, issued BG and TD&R Licences to BELCO. In November 2017, BELCO submitted a notice to the Authority of its intent to decommission eight diesel generating units (D3, D8, D10, D14 and E1 to E4) and a gas turbine (GT4) totaling 80 MW, by March 2020 due to safety and reliability concerns associated with their ageing relative to their useful life expectancy. Pursuant to Condition 20 of its BG licence, on 22 December 2017, BELCO submitted a proposal to replace the decommissioned assets with 56 MW of duel fuel generating units combined with 10MW of utility-scale battery storage as a matter of urgency to ensure the safety and sustainability of electricity supply in Bermuda. The Authority issued an order on 6 March 2018 approving BELCO's proposal, including the recovery of related costs under the new retail tariff methodology.

Separate to BELCO's submissions, on 17 November 2017, the Authority issued a notice of request to BELCO, as the TD&R licensee, to prepare an Integrated Resource Plan ("IRP"). The IRP was subsequently submitted on 15 February 2018 to the Authority, inclusive of analyses of Bermuda's load forecast, existing resources and reliability, demand side management and supply options, environmental considerations, lifecycle costs and various risk analyses.

Financial statement effects of rate regulation

FUEL ADJUSTMENT RATE (FAR) REVENUES

As at 31 December 2017, the Company over-recovered $1.5 million (31 December 2016: $1.6 million) in FAR Revenues approved by the Authority in order to limit the need to increase future month FARs in light of projected increased fuel costs to be used in operations to meet demand. The Company early adopted IFRS 14, Regulatory Deferral Accounts and has accounted for

these balances as regulatory deferral account credit balances and net movement in regulatory account deferral balances related to profit and loss in accordance with this standard. The equalisation effect of rate regulation on the Company's Consolidated Statement of Comprehensive Income as at 31 December 2017 was $148,000 (31 December 2016: ($2.2 million)).

TARIFF STABILISATION FUND

In the event that the targeted return is exceeded for a given fiscal year, the EC directed that the excess differential is to be allocated to a tariff stabilisation fund ("TSF") account to be used to defer tariff increases or to make up revenue requirement shortfalls similar to the FAR balancing account concept. As at 31 December 2017, BELCO's operating earnings were less than the permitted return as determined by the EC's directive, requiring a reduction of deferred earnings through the TSF account of $6.6 million (31 December 2016: $6.6 million TSF increase).

REGULATORY AUTHORITY FEES

In its letter dated 30 June 2017, the Authority directed the Company to pay, effective 1 April 2017, the following fees payable quarterly in arrears:

1. As a Transmission, Distribution and Retail Service provider - $0.00475 per kilowatt hour sold; and
2. As a Utility Scale Electricity Generation provider - $1,000 per megawatt per annum of installed electricity generation capacity.

As a result, the Company recognised total regulatory expenses in 2017 of $1.7 million (2016: $600,000). Current year fees were reduced by $600,000 as 2016 accrued regulatory fees were reversed following regulatory fee clarification. As at 31 December 2017, the Company accrued regulatory fee expenses of $711,000 (31 December 2016: $600,000).

Only TD&R service regulatory fees may be passed onto the consumer. These regulatory fees are passed onto the consumer based on monthly metered kilowatt-hour consumption. The introduction of regulatory fees in monthly electric consumer bills commenced 1 April 2017. Total regulatory fee revenues recognised for the year totaled $2.2 million (2016: Nil).

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A reconciliation of the carrying amounts of the regulatory account balances is presented below:

FAR Revenues (Over) / Under Recovered Balance (In $000's)	**2017**	2016
BALANCE AT 1 JANUARY	$(1,609)	$(1,092)
Amounts recognised in the Consolidated Statement of Income as net movements in regulatory account deferral balances related to profit and loss	148	(2,178)
Amounts recognised in the Consolidated Statement of Income as:		
Interest expense recovery	3	270
Basic tariff equalisation	-	1,391
Balance at 31 December	$(1,458)	$(1,609)

Tariff Stabilisation Fund Balance (In $000's)	**2017**	2016
BALANCE AT 1 JANUARY	$(6,579)	$-
Decrease / (Increase) to adjust earnings to targeted return	6,579	(6,579)
Balance at 31 December	$-	$(6,579)

Regulatory Authority Fees Provision Balance (In $000's)	**2017**	2016
BALANCE AT 1 JANUARY	$(600)	$-
Fees paid during the year	1,579	-
Net fees accrued during the year	(1,690)	(600)
Balance at 31 December	$(711)	$(600)

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5. PROPERTY, PLANT AND EQUIPMENT

In $000's	LAND	GENERATION PLANT	TRANSMISSION EQUIPMENT	DISTRIBUTION EQUIPMENT
COST				
Balance at 1 January 2016	$6,014	$335,277	$84,875	$200,848
Additions	-	8,442	4,103	6,934
Disposals	-	(414)	-	(455)
Balance at 31 December 2016	$6,014	$343,305	$88,978	$207,327
Balance at 1 January 2017	$6,014	$343,305	$88,978	$207,327
Additions	-	9,233	1,924	8,302
Impairment	-	(710)	(615)	(47)
Disposals	-	-	-	-
Balance at 31 December 2017	$6,014	$351,828	$90,287	$215,582
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Balance at 1 January 2016	$-	$247,962	$47,480	$107,888
Depreciation	-	11,394	3,013	6,105
Disposals	-	(414)	-	(249)
Balance at 31 December 2016	$-	$258,942	$50,493	$113,744
Balance at 1 January 2017	$-	$258,942	$50,493	$113,744
Depreciation	-	13,014	1,731	2,796
Impairment	-	(538)	(483)	(16)
Disposals	-	-	-	-
Balance at 31 December 2017	$-	$271,418	$51,741	$116,524
CARRYING AMOUNTS				
At 31 December 2016	$6,014	$84,363	$38,485	$93,583
At 31 December 2017	$6,014	$80,410	$38,546	$99,058

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In $000's	ASSET RETIREMENT OBLIGATION	GENERAL PLANT	OTHER PHYSICAL ASSETS	TOTAL
COST				
Balance at 1 January 2016	$3,535	$64,698	$35,708	$730,955
Additions	-	1,285	584	21,348
Disposals	-	(354)	(815)	(2,038)
Balance at 31 December 2016	$3,535	$65,629	$35,477	$750,265
Balance at 1 January 2017	$3,535	$65,629	$35,477	$750,265
Additions	-	5,009	-	24,468
Impairment	-	(569)	-	(1,941)
Disposals	-	(613)	(3,204)	(3,817)
Balance at 31 December 2017	$3,535	$69,456	$32,273	$768,975
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
Balance at 1 January 2016	$854	$51,335	$7,856	$463,375
Depreciation	245	2,342	674	23,773
Disposals	-	(305)	-	(968)
Balance at 31 December 2016	$1,099	$53,372	$8,530	$486,180
Balance at 1 January 2017	$1,099	$53,372	$8,530	$486,180
Depreciation	245	2,769	734	21,289
Impairment	-	(362)	-	(1,399)
Disposals	-	(577)	(1,571)	(2,148)
Balance at 31 December 2017	$1,344	$55,202	$7,693	$503,922
CARRYING AMOUNTS				
At 31 December 2016	$2,436	$12,257	$26,947	$264,085
At 31 December 2017	$2,191	$14,254	$24,580	$265,053

Total capital work in progress of $14.4 million (2016: $16.8 million) is recorded in property, plant and equipment noted above. Capital work in progress is not subject to depreciation until brought into service.

During the current year, pursuant to an engineering re-evaluation of service lives, the Company extended the average service life of its Transmission and Distribution Equipment from 24 up to 50 years for certain asset categories. The change in service life of these assets resulted in depreciation expense decreasing from $9.5 million to $4.1 million and has been accounted for as a change in accounting estimate in accordance with IAS 8. The Company also re-evaluated the service lives of the assets to be decommissioned pursuant to the Company's letter to the Authority dated 8 November 2017 such that their carrying value would be brought to nil by their scheduled retirement. This resulted in an increase in depreciation expense of $824,000. The Company wrote off property, plant and equipment having a net book value of $542,000 (2016: $NIL) because it was removed from service.

Asset retirement obligations included in property, plant and equipment as at 31 December 2017 amounted to $2.2 million (2016: $2.4 million). There were no transfers from property, plant and equipment to investment property (Note 7) in the current year (2016: $NIL).

6. INTANGIBLE ASSETS AND GOODWILL

In $000's	GOODWILL	SOFTWARE IN PROGRESS	SOFTWARE	TOTAL
COST				
Balance at 1 January 2016	$8,034	$338	$15,099	$23,471
Acquisitions	-	140	98	238
Transfers	-	(37)	37	-
Disposals	-	-	(2,521)	(2,521)
Sale of Bermuda Gas	(1,119)	-	-	(1,119)
Balance at 31 December 2016	$6,915	$441	$12,713	$20,069
Balance at 1 January 2017	$6,915	$441	$12,713	$20,069
Acquisitions	-	406	4,100	4,506
Transfers	-	(386)	386	-
Disposals	-	(55)	-	(55)
Balance at 31 December 2017	$6,915	$406	$17,199	$24,520
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 January 2016	$401	$55	$11,429	$11,885
Amortisation	-	-	1,308	1,308
Disposals	-	-	(2,521)	(2,521)
Sale of Bermuda Gas	(401)	-	-	(401)
Balance at 31 December 2016	$-	$55	$10,216	$10,271
Balance at 1 January 2017	$-	$55	$10,216	$10,271
Amortisation	-	-	1,286	1,286
Disposals	-	(55)	-	(55)
Balance at 31 December 2017	$-	-	$11,502	$11,502
CARRYING AMOUNTS				
At 31 December 2016	$6,915	$386	$2,497	$9,798
At 31 December 2017	$6,915	$406	$5,697	$13,018

There was no impairment of intangible assets and goodwill for the years ended 31 December 2017 and 2016.

In 2016, the Company sold its subsidiary, Bermuda Gas & Utility Company Ltd. ("Bermuda Gas"), resulting in the elimination of goodwill net of accumulated amortisation noted above. See Note 22 for details.

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7. INVESTMENT PROPERTY

In $000's	2017	2016
Balance at 1 January	$2,251	$2,354
Less: Net book value of property sold	68	-
Less: Depreciation	100	103
Balance at 31 December	$2,083	$2,251

Investment property comprises a number of commercial properties that are leased to third parties. Each lease contains an initial non-cancellable period of two years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

8. INVESTMENTS

The Company's investments are all traded on the Bermuda Stock Exchange ("BSX") and therefore have been classified as Level 1 securities. There have been no transfers between the levels during the year.

9. INVENTORY

During the year, the Company utilised fuel, materials and supplies inventories totaling $95.9 million (2016: $89.8 million) as part of normal operations. Inventory is comprised as follows:

In $000's	2017	2016
Materials and supplies	$21,011	$26,918
Fuel and lubricants	22,170	23,620
	$43,181	$50,538

Inventory written off to expense during the year totalled $5.9 million (2016: $873,000). The provision for inventory obsolescence as at 31 December 2017 was $6.3 million (31 December 2016: $443,000).

On 8 November 2017, the Company notified the Authority of its intent to decommission eight diesel and one gas turbine generating units accounting for approximately 50% of its total generating capacity, which are beyond end of service, present operational risk and are costly to maintain. As a result, the Company has written down inventory by $5.1 million to recognise that there is an increased likelihood that parts held in stock to maintain these generating units may not be used prior to their decommission in 2018 (Generating Unit GT4) and 2020 (Generating Units D3, D8, D10, D14 and E1 to E4). The Company will review this specific inventory provision at the end of each year through to planned decommission. As described in Note 25, the Company received approval from the Authority in March 2018 for the replacement of these generating units.

The Company recognised inventory obsolescence expense of $933,000 (2016: $873,000) during the current year for parts that can no longer be used in operation. The Company conducted an intensive review of all inventory during the current year involving operations personnel working closely with procurement staff in determination of its year-end inventory obsolescence provision.

10. SHARE CAPITAL

The movement in share capital, share premium and treasury shares for the years ended 31 December 2017 and 2016 was as follows:

In $000's	ISSUED AND FULLY PAID SHARES (a)	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES
1 January 2016	10,710	$10,710	$30,415	$(846)
Employee share purchase plan	17	17	67	-
Directors fee compensation	34	34	134	-
Shares cancelled following share buyback	(595)	(595)	(3,581)	4,176
Shares repurchased and held as treasury shares	-	-	-	(5,672)
31 December 2016	10,166	$10,166	$27,035	$(2,342)
1 January 2017	10,166	$10,166	$27,035	$(2,342)
Employee share purchase plan	21	21	141	-
Directors' fee compensation	18	18	122	-
Shares repurchased and held as treasury shares	-	-	-	(433)
31 December 2017	10,205	$10,205	$27,298	$(2,775)

a) Total authorised share capital as at 31 December 2017: $20 million (31 December 2016: $20 million).

There were no shares issued during the years ended 31 December 2017 and 2016 attributed to the Company's long-term incentive plan described in detail in Note 21.

Dividends
The following dividends were declared and paid by the Company:

In $000's	2017	2016
$0.41 per qualified, issued and fully paid share (2016: $0.30)	$4,087	$3,149

Treasury shares
In 2017, a total of 47,128 Company shares were repurchased through an open market programme at an average cost of $9.18 per share (2016: 822,817 Company shares were repurchased at an average cost of $6.89 per share of which 595,000 shares were cancelled at an average price of $7.02 per share).

The shares repurchased in the current year (2016: 227,817 shares) were added to treasury stock to address potential dilution associated with the LTIP.

As at 31 December 2017, a total of 316,145 shares were held as treasury stock (31 December 2016: 269,017 shares).

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11. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing net earnings attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the reported period. EPS are diluted by potential shares. Potential shares are issuable under the Company's LTIP. The Company's LTIP is described in detail in Note 21.

A dilutive effect arose in 2017 and 2016 as a result of time-vested and performance-based retention shares to be issued in the future under the LTIP. The dilutive impact of these shares in the current year is to reduce earnings per share by $0.08 (2016 dilutive impact: $0.09).

The following table sets forth the computation for basic and fully diluted EPS:

In $000's	NOTES	2017	2016
NUMERATOR			
Continued operations		$20,561	$13,177
Discontinued operations		(361)	11,734
Net earnings		$20,200	$24,911
DENOMINATOR			
Weighted average number of shares outstanding – Basic		9,908	10,487
Add: Diluted potential shares from the LTIP	21	419	382
Weighted average number of shares outstanding		10,327	10,869

BASIC AND FULLY DILUTED EARNINGS / (LOSS) PER SHARE:

Basic EPS:	2017	2016
Continued operations	$2.08	$1.26
Discontinued operations	(0.04)	1.12
Net earnings	$2.04	$2.38
Fully diluted EPS:		
Continuing operations	$1.99	$1.21
Discontinued operations	(0.03)	1.08
Net earnings	$1.96	$2.29

12. JOINT VENTURE

On 17 March 2017, the Company purchased the 40% stake in IFM previously owned by Black & McDonald Limited for cash consideration of US$607,000, resulting in IFM becoming a 100% owned subsidiary. The acquisition resulted in no goodwill or intangible asset being recognised as the carrying value of assets and liabilities acquired were considered to approximate their fair value at the date of acquisition. The Company has accounted for IFM effective from this date as a subsidiary. Prior to this date, IFM had been accounted for in the Company's Consolidated Financial Statements using the equity method in accordance with IFRS 11 Joint Arrangements.

The following table summarises the consideration paid for the remaining 40% stake in IFM and the amount of assets acquired and liabilities assumed recognised at the acquisition date:

In $000's	2017
Financial assets	$3,029
Property, plant and equipment	26
Inventory/work in progress	2,236
Financial liabilities	(3,773)
Total identifiable net assets	$1,518
40% of net identifiable assets	$607
Goodwill	-
Purchase price paid for 40% stake	$607

In January 2012, AIRCARE purchased 20% of the common shares of Otis Air-Conditioning Ltd. ("Otis"), a company with operations in the Cayman Islands. AIRCARE acquired a further 12% of the common shares of Otis in 2013 and an additional 2% in 2014, resulting in a 34% ownership in Otis. In 2016, AIRCARE, together with the existing shareholders of Otis, acquired a 34% holding in a newly formed Cayman Islands company, O Property Holdings Ltd. ("OPHL"), for cash consideration of CI$170,000 (BD$204,000). OPHL holds land connected with the operating activities of Otis.

The summarised financial information of Otis as at, and for the year ended 31 December 2017, expressed in Bermuda Dollars is as follows:

In $000's	2017
Current assets	$3,793
Non-current assets	1,187
Current liabilities	1,176
Net assets	3,804
Revenue	7,738
Profit from continuing operations	1,618
Investment in associate, at 34% holding, included in the Consolidated Statement of Financial Position	$1,294

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The summarised financial information of OPHL has not been presented as the investment in this entity is not considered to be material to the Consolidated Financial Statements.

During the year a dividend of BD$204,000 was declared and paid to the Company by Otis.

13. BANK BORROWING

Bank borrowing is comprised as follows:

In $000's	AUTHORISED	2017 DRAWDOWN	2016 DRAWDOWN
The Bank of N.T. Butterfield & Son Limited - Overdraft Facilities			
BELCO	$30,000	$-	$-
Ascendant	5,000	-	3,124
The Bank of N.T. Butterfield & Son Limited - Revolving Loan Facilities			
AIRCARE	15,500	3,643	5,689
IFM	2,000	1,757	-
TOTAL BANK BORROWING	$52,500	$5,400	$8,813
LESS: CURRENT PORTION	35,000	2,479	5,220
LONG-TERM PORTION	$17,500	$2,921	$3,593

BELCO's overdraft facility, which was scheduled to expire on 31 July 2017, allowed for maximum drawings of up to $18 million, bearing interest at 1% per annum above the bank's Bermuda Dollar Base Rate on borrowings. The Company raised the overdraft limit from $18 million to $30 million when the facility was renewed and extended to 31 July 2018. There was no drawdown on this facility as at 31 December 2017 (2016: Nil).

AGL's overdraft facility, which was scheduled to expire on 31 July 2017, allowed for maximum drawings of up to $5 million, bearing interest at 1% per annum above the bank's Bermuda Dollar Base Rate on borrowings. The Company maintained the overdraft limit of $5 million when the facility was renewed and extended to 31 July 2018. There was no drawdown on this facility as at 31 December 2017 (2016: $3.1 million, bearing interest of approximately 4.8%).

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 of N.T. Butterfield & Son Limited to finance the acquisition of AIRCARE. 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 assets of AIRCARE and undertakings as well as a guarantee from the Company.

During 2017, AIRCARE made no lump-sum repayments outside of the scheduled repayment terms against the outstanding loan balance (2016: $3.5 million). The repayment in 2016 was financed primarily through an additional $3.0 million investment by the Parent Company through the use of proceeds from the sale of Bermuda Gas. The current and non-current portions of the total drawdowns against the revolving facility as at 31 December 2017 amounted to $2.2 million and $1.5 million (2016: $2.1 million and $3.6 million).

On 1 June 2016, IFM entered into a credit facility agreement with the Bank of N.T. Butterfield & Son Limited to assist in financing the acquisition, installation and maintenance of the equipment related to a specific contract. The facility, which has a term of 6 years, has a maximum principal amount of $2 million, bearing interest at the bank's Bermuda Dollar Base Rate. As at 31 December 2017 the full amount had been drawn down on this facility and repayments had commenced. The current and non-current portions of the total drawdowns against the revolving facility as at 31 December 2017 amounted to approximately $300,000 and $1.5 million (2016: $Nil and $Nil).

The Company did not breach any of its loan covenants during the year.

14. FINANCIAL RISK MANAGEMENT

Overview
The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Audit & Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit & Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

Trade and other receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management considers the demographics of the Company's customer base, including the default risk within specific segments of Bermuda's economy as well as Bermuda as a whole as these factors may have an influence on credit risk, particularly in the current economic circumstances. Sales are well diversified among a broad group of customers, predominantly within the Bermuda market.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance for bad debts is determined through a customer by customer account review and assessment for impairment based on aging of account balances, history of customer payments and regular discussions with customers to determine their ability to pay outstanding balances due to the Company.

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Investments

The Company has limited its credit risk exposure to several investments in large, well-established local businesses listed on the BSX and NYSE. The Company has not made any further investments in local or overseas company stocks in over 10 years.

These investments are marked to market monthly and reflect current fair market values as reported in the BSX and NYSE.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the Company's functional currency the Bermuda Dollar("BD"). The Company, in its normal course of business, is required to acquire both goods and services from overseas vendors requiring payment in US Dollars ("USD"), Pounds Sterling ("GBP") and the Euro ("EUR").

The Company currently mitigates its foreign currency exposure by structuring most contracts with foreign vendors providing goods or services to be paid in USD, which is traded on par with the BD and through use of foreign currency hedges as considered appropriate when addressing significant capital projects involving large foreign currency payables.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with the overall cost of such avoidance, including the cost arising from excessive administration and control.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the assessment of plans to manage those risks, including the overall policy framework, adequacy of controls and procedures, training and professional development, and contingency planning; and
- Requirements for the reporting of operational losses and proposed remedial action.

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 and administrative infrastructure. The Company's short-term capital management strategy is to generate and utilise 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 utilised. The Company currently utilises a bank overdraft facility to address fuel financing and other working capital requirements.

The Company's long-term strategic capital management plan considers all financing options available to address the capital required to replace retiring generation and

aging transmission and distribution infrastructure. There were no changes in the Company's approach to capital management during the year. The Company or any of its subsidiaries, other than ABIL, are not subject to any externally imposed minimum capital requirements.

Employee benefit obligation risks
Through its (1) DB Pension Plan, (2) Medical Benefit Plan and (3) Group Life Insurance Plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility
The plans obligations are calculated using a discount rate set with reference to corporate bond yields. If the DB Pension Plan assets do not grow by at least this rate, the net pension deficit may increase. The DB Pension Plan assets as at the end of 2017 were composed of equity securities (making up 30.8% of total plan assets) and debt securities (making up the balance). The DB Pension Plan asset mix is selected to target sufficient asset returns to ensure the adequate funding of the pension liability within a reasonable risk profile. The Company, in conjunction with its investment advisors, regularly assesses the composition of the asset portfolio to address volatility risk.

Changes in bond yields
A decrease in corporate bond yields would increase plan liabilities. For the DB Pension Plan, this will be partially offset by an increase in the value of the DB Pension Plan's bond holdings.

Inflation risks
The Company's DB Pension Plan is partially impacted by salary inflation, and higher inflation would lead to higher plan obligations. The majority of the DB Pension Plan assets are either unaffected by, or partially correlated with, inflation meaning that an increase in inflation may also increase the pension plan deficit. The Company has mitigated certain inflation risks through plan amendments made in recent years.

Life expectancy
An increases in life expectancy would lead to:

- An increase in the DB Pension Plan and medical benefit plan obligations; and
- A decrease in the group life insurance plan obligations.

The impact of changes in discount rates, salary scale and mortality rates are illustrated in the sensitivity analysis in Note 16.

15. FINANCIAL ASSETS AND LIABILITIES

The Company manages its exposure to credit, liquidity, market (including interest rate) and other risks in accordance with established risk management policies and procedures (see Note 14). The Company's financial instruments and their designations are (i) held for trading: cash and cash equivalents and investments; (ii) loans and receivables: accounts receivable; and (iii) other liabilities: bank borrowing, customer deposits, trade and other payables, asset retirement and environmental clean-up obligations.

Interest rate risk
The Company's interest-bearing assets and liabilities include cash and cash equivalents, current and non-current bank borrowing. The interest rate risk faced by the Company is largely a result of its cash and cash equivalents and bank borrowing at variable rates.

Credit risk
There is a concentration of credit risk as all Company cash is held with three 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 advanced 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 Experience Department.

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The aging of trade receivables is as follows:

In $000's	2017	2016
Not past due	$16,062	$16,086
Past due 31-60 days	2,047	2,115
Past due 61-90 days	730	859
Past due over 90 days	4,958	4,508
	23,797	23,568
Less: allowance for doubtful accounts	(4,880)	(4,189)
Less: allowance for discounts	(374)	(352)
	18,543	19,027
Other (net) receivables	(253)	644
	$18,290	$19,671

In $000's	2017	2016
ALLOWANCE FOR IMPAIRMENT		
Opening balance	$4,189	$3,962
Adjustment for IFM opening balance	30	-
Decrease in allowance	(238)	(278)
Amounts written (off) back	899	505
Closing balance	$4,880	$4,189
ALLOWANCE FOR DISCOUNTS		
Opening balance	$352	$317
Increase in discounts	22	35
Closing balance	$374	$352

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 borrowing, 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, regulatory environment, conditions in the capital and bank credit markets, and general economic conditions. The Company manages short-term liquidity risk primarily by maintaining overdraft facilities with a combined limit of $35 million with the Bank of N. T. Butterfield & Son Limited, as explained in Note 13.

The following table categorises the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows. Balances due within 12 months approximate carrying values, as the impact of discounting is not significant. In respect of bank borrowing, amounts due after one year are considered to approximate fair value given the floating interest rate. The asset retirement, environmental clean-up, and long term employee benefit plan obligations are all subject to discounting.

In $000's	CARRYING AMOUNT	LESS THAN 1 YEAR	GREATER THAN 1 YEAR
AS AT 31 DECEMBER 2017			
Bank borrowing	$5,400	$2,479	$2,921
Asset retirement obligation	15,141	-	15,141
Environmental clean-up obligation	2,855	-	2,855
Defined benefit obligation	15,120	7,743	7,377
Other post-retirement benefits	36,970	1,759	35,211
Trade and other payables	29,098	29,098	-
Customer deposits	246	246	-
Total financial liabilities	$104,830	$41,325	$63,505

In $000's	CARRYING AMOUNT	LESS THAN 1 YEAR	GREATER THAN 1 YEAR
AS AT 31 DECEMBER 2016			
Bank borrowing	$8,813	$5,220	$3,593
Asset retirement obligation	14,641	-	14,641
Environmental clean-up obligation	1,372	-	1,372
Defined benefit obligation	18,528	7,425	11,103
Other post-retirement benefits	40,225	2,006	38,219
Trade and other payables	27,932	27,932	-
Customer deposits	251	251	-
Total financial liabilities	$111,762	$42,834	$68,928

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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. Market-driven changes in interest rates can cause fluctuations in interest costs associated with the Company's bank credit facility. The Company periodically refinances its credit facility in the normal course of business.

The Company's DB Pension 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 amortised 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 BSX and NYSE. 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 2017, the fair value of the Company's primary DB Pension Plan assets was $171 million compared to fair value of plan assets of $160 million, as at 31 December 2016 (refer to Note 16). The increase in the fair value of Pension Plan assets during 2017 was due mainly to favorable market conditions in 2017, as compared to 2016. 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 the Company's existing bank credit facilities.

SENSITIVITY ANALYSIS
The analysis below illustrates the extent to which the Company's results are impacted by financial instruments and the underlying market risks (interest rate risk and commodity price risk). Sensitivity to interest rate risk on pension and other long term benefit obligations is disclosed in Note 16.

This analysis reflects the sensitivity of reasonably possible changes in Bermuda interest rates. Sensitivities are reflected in changes to net earnings. Changes in the world market price of fuel used to generate electricity do not directly impact profitability as fuel costs in excess of $30.00 per barrel are separately recovered through the FAR (refer to Note 4).

A 50 basis points increase or decrease in interest rate of both bank overdraft and revolving loan facilities would increase or decrease net earnings by approximately $45,000 (2016: $58,000).

16. POST-RETIREMENT BENEFIT PLANS

Defined Contribution Pension Plan
Total employer contributions paid to the DC Pension Plan during the year are as follows:

In $000's	2017	2016
Ascendant Group	$437	$237
BELCO	1,529	1,833
Bermuda Gas	-	13
AG Holdings	329	350
	$2,295	$2,433

The 2017 DC Pension Plan expense includes $604,000 in "top up expenses" associated with both the DB Pension Plan hard freeze finalised in 2016 and the 2017 settlement between BELCO and the Electric Supply Trade Union ("ESTU") concerning changes in post-retirement medical benefits for future retirees. Both of these changes are described more fully below.

Defined Benefit Pension Plan

Prior to 1 January 2012, the Company made contributions to a non-contributory DB Pension Plan, covering all full-time employees hired before 1 January 2006. The DB Pension Plan provides a pension benefit to members equal to a percentage of the member's average salary prior to retirement. The percentage benefit is based upon the member's years of service up to a maximum benefit of 65%, while the average salary is calculated as the average highest earnings over a consecutive three-year period in the 10 years immediately prior to retirement.

As at 31 December 2011, a "soft" freeze of the DB Pension Plan was imposed. Under the terms of this "soft" freeze, the percentage benefit was frozen, but the pensionable earnings benefit to which the fixed percentage will be applied will continue to be based on final earnings as discussed above.

Effective 1 January 2012, all full-time employees covered under the DB Pension Plan were transitioned to the DC Pension Plan for pension amounts accruing after that date.

On 20 October 2015, a Deed of Amendment was filed with the Bermuda Pension Commission (the "Pension Commission") to hard freeze benefits effective 31 December 2015 for members who were employed and remunerated on a salaried basis at 31 December 2015. The Pension Commission approved this amendment. As a result of this amendment, the Company recognised a curtailment gain of $5.0 million. In compliance with IFRS IAS 19, the associated gain resulting from the plan amendment was recognised in 2015 in operating and administrative expenses.

An additional Deed of Amendment was filed on 1 January 2016 clarifying the intent of the benefits hard freeze for members who were employed and remunerated on a salaried basis on 31 December 2015, but would not satisfy eligibility requirements to retire with an unrestricted pension by 31 December 2025. This revised amendment was approved by the Pension Commission and enables the following:

- Members retiring between 1 January 2016 and 31 December 2025 will have their DB Pension Plan soft frozen and be eligible for early retirement offerings. These members will have their DB Pension benefit hard frozen effective 1 January 2026; and
- Members due to retire after 1 January 2026 will have their DB Pension Plan hard frozen as at 31 December 2015. These employees will receive a monthly top-up to their DC Pension Plan until their former earliest unrestricted retirement date. The top-up is intended to help offset the effect of the hard freeze on the DB Pension Plan retirement benefit.

Medical Benefit Plan

The Group changed its post-retirement benefits effective 1 September 2015 by cancelling the post-retirement portion of the life insurance plan for existing and future retirees, changing the insurance provider for existing retirees and transitioning out of the post-retirement portion of the health insurance plan for future retirees, in an effort to achieve a market competitive post-retirement benefit package. The changes to the health insurance plan were the subject of legal proceedings with current BELCO retirees and also led to an agreement with the ESTU in respect of current BELCO employees following a lengthy dispute.

The legal proceedings ended in February 2017 with the Supreme Court ruling against BELCO in respect of its proposal to transition to another insurance provider for current BELCO retirees. This ruling had no financial impact as the medical benefit obligation of BELCO was determined in the current and prior years on the assumption that BELCO would be unsuccessful in this matter.

The dispute in respect of the current BELCO employees was settled on 23 January 2018 by way of an agreement between BELCO and the ESTU. Under the settlement agreement, in lieu of post-retirement medical insurance, BELCO employees who were employed prior to 7 June 2017, and had successfully completed probation on such date, could opt to make an additional contribution to the DC Pension Plan and see that contribution matched by BELCO (up to a maximum of $1,940 per annum) (the "Option"). The period during which the employees could exercise the Option ran from 1 August 2017 to 31 January 2018. The Option was also exercisable by all other employees within the Group, with their employers having to make the additional contributions for those employees who wished to take part.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

Group Life Insurance Plan
Group employees who retired prior to 1 September 2015 are entitled to a death benefit based on a prescribed multiple of final salary at time of retirement. This portion of the plan represents a non-standard benefit accounted for in accordance with IAS19 in line with DB Pension Plan accounting requirements.

Active Group employees are entitled to a death benefit while employed based on a prescribed multiple of final salary. There is no death benefit following retirement. This portion of the plan is a standard, short term employment benefit with net premiums expensed as incurred.

The Group changed its post-retirement benefits effective as of 1 September 2015, as described above. Under the settlement agreement dated 23 January 2018 between BELCO and the ESTU, all BELCO employees hired prior to 7 June 2017 who had successfully completed their probationary period on such date are entitled to a post-employment death benefit equal to $15,000 upon retirement. Such post-employment death benefit is also available to the employees of the other entities within the Group.

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	DB PENSION PLAN		MEDICAL BENEFIT PLAN		LIFE INSURANCE PLAN	
In $000's	2017	2016	2017	2016	2017	2016
ACCRUED BENEFIT OBLIGATION						
Balance - Beginning of year	$171,742	$176,422	$35,603	$35,658	$4,622	$3,785
Service cost - employer	-	-	243	270	30	-
Interest cost	6,535	6,138	1,467	1,541	192	163
Net actuarial (gain) / loss due to:						
Changes in experience	4,665	175	(5,176)	(186)	127	(101)
Changes in demographic assumptions	791	-	-	-	-	-
Changes in economic assumptions	15,304	(2,717)	1,179	(70)	395	120
Plan amendments	-	-	-	-	-	705
Benefits paid	(13,290)	(8,276)	(1,656)	(1,610)	(56)	(50)
Balance - End of year	$185,747	$171,742	$31,660	$35,603	$5,310	$4,622
PLAN ASSETS						
Fair value - Beginning of year	$160,038	$151,590	-	-	-	-
Interest credit	6,047	5,338	-	-	-	-
Employer contributions	8,054	8,617	-	-	-	-
Non-investment expenses	(216)	(216)	-	-	-	-
Benefits paid	(13,290)	(8,276)	-	-	-	-
Actuarial gain / (loss)	9,994	2,985	-	-	-	-
Fair value - End of year	$170,627	$160,038	-	-	-	-
Funded surplus / (deficit)	$(15,120)	$(11,704)	$(31,660)	$(35,603)	$(5,310)	$(4,622)
Impact of minimum funding requirements	-	(6,824)	-	-	-	-
Accrued benefit asset (liability)	$(15,120)	$(18,528)	($31,660)	$(35,603)	$(5,310)	$(4,622)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

The Company's net benefit expense recognised in Consolidated Statement of Income is:

	DB PENSION PLAN		MEDICAL BENEFIT PLAN		LIFE INSURANCE PLAN	
In $000's	**2017**	2016	**2017**	2016	**2017**	2016
Current service costs	$ -	$ -	$ 243	$ 270	$ 30	$ -
Administration costs	216	216	-	-	-	-
Net interest expense	761	800	1,467	1,541	192	163
Plan amendment	-	-	-	-	-	705
Total net benefit expense	$ 977	$ 1,016	$ 1,710	$ 1,811	$ 222	$ 868

DB Pension Plan Asset Breakdown

The following table shows the breakdown of the fair value of the Company's DB pension plan assets by major category:

In $000's	**2017**		2016	
Equity securities	$52,554	30.8%	$44,674	27.9%
Debt securities	116,708	68.4%	114,928	71.8%
Cash	1,365	0.8%	436	0.3%
Total	$170,627	100.0%	$160,038	100.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

The Company's actuarial (gains) and losses recognised in other comprehensive income at 31 December are as follows:

	DB PENSION PLAN		MEDICAL BENEFIT PLAN		LIFE INSURANCE PLAN	
In $000's	**2017**	2016	**2017**	2016	**2017**	2016
Cumulative amount at 1 January	$21,883	$20,586	$9,371	$9,183	$885	$866
Recognised during the year	3,669	1,297	(3,997)	188	522	19
Cumulative amount at 31 December	$25,552	$21,883	$5,374	$9,371	$1,407	$885

The primary actuarial assumptions in measuring the Company's accrued benefit obligations at 31 December are as follows:

	DB PENSION PLAN		MEDICAL BENEFIT PLAN		LIFE INSURANCE PLAN	
	2017	2016	**2017**	2016	**2017**	2016
ECONOMIC ASSUMPTIONS						
Discount rate (weighted-average):	3.40%	4.00%	3.70%	4.20%	3.70%	4.20%
Active member obligations	3.90%	4.60%	3.70%	4.20%	3.70%	4.20%
Inactive member obligations	3.11%	3.68%	3.70%	4.20%	3.70%	4.20%
Inflation rate	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Increase in pensionable earnings	3.00%	3.00%	N/A	N/A	N/A	3.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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.

For measurement purposes, the annual rate of increase in the per capita cost of covered healthcare was assumed to be 4.00% per annum for legacy retirees (retirees as at 31 December 2015) and 0.00% for future retirees as the Company's contributions are capped.

Assumptions regarding future mortality are based on published statistical and mortality tables. The current longevities underlying the values of the liabilities in the defined post-retirement benefit plans are as follows:

	DB PENSION PLAN		MEDICAL BENEFIT PLAN		LIFE INSURANCE PLAN	
Longevity at age 65 for current pensioners	**2017**	2016	**2017**	2016	**2017**	2016
Males	22.4	22.4	22.4	22.4	22.4	22.4
Females	24.7	24.6	24.7	24.6	24.7	24.6

	DB PENSION PLAN		MEDICAL BENEFIT PLAN		LIFE INSURANCE PLAN	
Longevity at age 65 for current members aged 45	**2017**	2016	**2017**	2016	**2017**	2016
Males	23.5	23.4	23.5	23.4	23.5	23.4
Females	25.6	25.6	25.6	25.6	25.6	25.6

Sensitivity Analysis: Post Retirement Benefits

The calculation of the various post-retirement benefit plan obligations is sensitive to the assumptions set out above. The following tables show the impact on the various post-retirement benefit plans of changes to the assumptions while holding other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the DB Pension Plan obligation to significant actuarial assumptions, the same method (present value of the DB Pension Plan obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the DB Pension Plan liability recognised within the Consolidated Statement of Financial Position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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DB PENSION PLAN (In $000's)	2017		2016	
Effect of 1% increase in discount rate	$(21,857)	-11.8%	$(20,986)	-12.2%
Effect of 1% decrease in discount rate	30,202	16.3%	26,192	15.3%
Effect of 1% increase in salary scale	4,844	2.6%	4,788	2.8%
Effect of 1% decrease in salary scale	(4,319)	-2.3%	(4,262)	-2.5%
Effect of 10% increase in mortality rates	(3,738)	-2.0%	(3,223)	-1.9%
Effect of 10% decrease in mortality rates	4,123	2.2%	3,541	2.1%

MEDICAL BENEFIT PLAN (In $000's)	2017		2016	
Effect of 1% decrease in discount rate	$4,022	12.7%	$4,665	13.1%
Effect of 1% increase in discount rate	$(3,346)	-10.6%	$(3,860)	-10.8%

LIFE INSURANCE PLAN (In $000's)	2017		2016	
Effect of 1% decrease in discount rate	$1,000	18.8%	$860	18.6%
Effect of 1% increase in discount rate	$(783)	-14.7%	$(673)	-14.6%

The following table shows the projected post-retirement cash flows (expected benefit payments) for the years following 31 December 2017:

In $000's	LESS THAN 1 YEAR	BETWEEN 1-2 YEARS	BETWEEN 2–5 YEARS	BETWEEN 6-10 YEARS	TOTAL
DB Pension Plan	$7,743	$7,918	$25,128	$45,804	**$86,593**
Medical Benefit Plan	1,597	1,661	5,381	9,692	**18,331**
Life Insurance Plan	162	169	551	1,080	**1,962**
Total	$9,502	$9,748	$31,060	$56,576	**$106,886**

In accordance with the applicable pension legislation, in 2017 the Group contributed funding of $8.1 million (2016: $8.6 million) which would target elimination of the going pension plan deficit over a period of 15 years. However, the actual outcome of the objective will be affected by investment returns and demographic experience. The weighted average duration of the defined benefit obligation is 13.5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

17. EMPLOYMENT BENEFIT EXPENSE

In $000's	2017	2016
SHORT-TERM EMPLOYEE BENEFITS		
Wages and salaries	$40,735	$39,200
Bonuses and LTIP (Note 21)	4,943	4,752
Contributions to Government Pension, DC Pension and Medical Benefit Plans	5,185	4,777
All other	1,986	1,941
	52,849	50,670
POST-EMPLOYMENT BENEFITS		
DB Pension Plan (Note 16)	977	1,016
Medical Benefit Plan (Note 16)	1,710	1,811
Life Insurance Plan (Note 16)	222	163
	2,909	2,990
POST-RETIREMENT PLAN AMENDMENTS		
Life Insurance Plan (Note 16)	-	705
	-	705
TERMINATION BENEFITS		
Redundancies and separation benefit payments	2,326	312
EQUITY TRANSACTIONS		
Directors fees (share value at issue date) (Note 10)	140	168
Discount on share purchases – active employees (Note 18)	16	9
	156	177
Total employee benefit expense	$58,240	$54,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. EQUITY SETTLED SHARE PURCHASE PLAN

The Company provides an opportunity for all of its current and retired employees to participate in an Employee Share Purchase Plan. Under the terms of the plan, an employee must have completed six months of employment to be eligible to subscribe for shares. The shares are sold at market price, as determined by the BSX at the close of business on the day of subscription, less a discount of 10%, up to a maximum of 2,000 shares in any one year. The market price prevailing on the date of application, less 10% discount, will be the price that is paid for shares even though they might not be completely paid for until some months later (up to a maximum period of one year). Shares issued under this plan must be held by the employee for a minimum period of one year under which time the related discounts will vest; any disposition of shares before this period would require the discounts previously given to be refunded to the Company. During the year ended 31 December 2017, 21,367 shares were issued to employees under the employee share purchase plan (2016: 16,745 shares issued).

19. SEGMENTED INFORMATION

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

- BELCO – Provides electric utility services and is a rate regulated company.
- AG Holdings – A subsidiary of AGL and parent company of AIRCARE, IFM, iEPC and Ascendant Properties that provide the following services:
  1) HVAC, air quality monitoring, building and energy management;
  2) Property and facility management services;
  3) Engineering procurement, contracting and consulting; and
  4) Property management.

CONTINUING OPERATIONS (In $000's)	**BELCO**	**AG HOLDINGS**	**ALL OTHER (a)**	**TOTAL**
As at 31 December 2017				
Revenues from external customers	$224,019	$31,365	$55	**$255,439**
Revenues from internal customers	30	1,296	12,996	**14,322**
Segment revenues	224,049	32,661	13,051	**269,761**
Interest expense	177	305	87	**569**
Depreciation, amortisation and accretion	24,561	503	-	**25,064**
Segment net earnings	23,305	5,034	(5,205)	**23,134**
Segment assets	332,872	32,831	28,927	**394,630**
Capital expenditure	26,065	22	-	**26,087**
Segment liabilities and regulatory deferral credit balances	$93,551	$24,461	$6,421	**$124,433**

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CONTINUING OPERATIONS (In $000's)	BELCO	AG HOLDINGS	ALL OTHER (a)	TOTAL
As at 31 December 2016				
Revenues from external customers	$217,614	$19,570	$519	$237,703
Revenues from internal customers	60	1,332	10,350	11,742
Segment revenues	217,674	20,902	10,869	249,445
Interest expense	171	495	56	722
Depreciation, amortisation and accretion	25,080	506	292	25,878
Segment net earnings	23,555	543	(12,548)	11,550
Segment assets	332,464	27,210	32,450	392,124
Capital expenditure	21,099	874	(2,388)	19,585
Segment liabilities and regulatory deferral credit balances	$104,253	$23,194	$10,138	$137,585

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

Reconciliation of segment revenues to total Group revenues is noted below:

In $000's	2017	2016
Revenues from external customers	$255,439	$237,703
Cost of goods sold and discounts	(30,298)	(20,678)
Consolidated revenues	$225,141	$217,025

Reconciliation of segment depreciation, amortisation and accretion to total Group depreciation, amortisation and accretion is noted below:

In $000's	2017	2016
Total segmented depreciation, amortisation and accretion	$25,064	$25,878
Elimination of intercompany capital transaction	(42)	(176)
Consolidated depreciation, amortisation and accretion	$25,022	$25,702

Reconciliation of segment net earnings to total Company net earnings is noted below:

In $000's	2017	2016
NET EARNINGS		
Total net earnings for reported segments	$23,134	$11,550
Elimination of inter-segment margins	(2,573)	1,627
Net income / (loss) for the year from discontinued operations	-	78
(Loss) / gain on sale of discontinued operations	(361)	11,656
Consolidated net earnings	$20,200	$24,911

Reconciliation of segment assets to total Company assets is noted below:

In $000's	2017	2016
ASSETS		
Assets for reportable segments	$394,630	$392,124
Investments in equity accounted investees	1,702	1,030
Elimination of intercompany investments and receivables	(18,674)	(16,992)
Consolidated assets	$377,658	$376,162

Reconciliation of segment liabilities to total Company liabilities is noted below:

In $000's	2017	2016
LIABILITIES		
Liabilities for reportable segments	$124,433	$137,585
Elimination of intercompany liabilities	(17,453)	(16,313)
Consolidated liabilities and regulatory credit balances	$106,980	$121,272

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For the year ended 31 December 2017

20. PROVISIONS

In $000's	ASSET RETIREMENT OBLIGATION	ENVIRONMENTAL CLEAN-UP OBLIGATION	TOTAL
Balance at 1 January 2016	$14,085	$1,307	$15,392
Accretion expense	556	65	621
Balance at 31 December 2016	$14,641	$1,372	$16,013
Balance at 1 January 2017	$14,641	$1,372	$16,013
(Decrease) increase due to changes in estimates	(234)	1,413	1,179
Accretion expense	734	70	804
Balance at 31 December 2017	$15,141	$2,855	$17,996

Asset retirement obligation
The ARO provision represents the present value of decommissioning and restoration costs associated with the Company's power generation engines and related facilities. The Company estimates that the undiscounted amount of cash flow required to settle the AROs is approximately $17.3 million (2016: $16.8 million), which will be incurred between 2021 and 2036. The discount rate used to calculate the fair value of the ARO was 5% (2016: 5%). Changes to planned dates and revisions in planned costs for decommission of a number of the Company's generating units resulted in a $234,000 decrease in the Company's 2017 year-end ARO provision and current year accretion expense.

Environmental clean-up obligation
The Company has recognised a provision for its environmental clean-up obligation with respect to the decommissioning and remediation of its Old Power Station at the Central Power Station. In 2017, management made the decision to change its remediation approach for oily water waste and waste oil from onsite collection and treatment over 30 years from 2021 to 2052 to excavation, treatment and reuse, with most work and expenditures now planned for 2023. This effort would closely follow the decommission of a significant number of its generation units and associated buildings in 2020 providing the Company with approximately 4 acres of available commercial property for future development. The present value impact of this change in remediation approach resulted in the Company increasing its environmental provision and expense in 2017 by $1.4 million. As a result, the present value of the costs to be incurred for site restoration has been estimated at approximately $2.9 million at 31 December 2017 (2016: $1.4 million). The discount rate used to calculate the fair value of the environmental clean-up obligation was 5% (2016: 5%).

21. RELATED PARTIES

Key management personnel compensation
Key management personnel include both Directors and Executives of the Group.

Compensation paid and payable to key management personnel for employee services for the year ended 31 December is as follows:

In $000's	2017	2016
Salaries, fees and other short-term employee benefits	$5,531	4,136

Effective 1 January 2013, the Company has implemented an LTIP aimed at retaining the services of its officers. The Company has outstanding awards from 2015, 2016 and 2017.

The LTIP is comprised of an initial grant of a target number of shares of the Company, based on a calculated percentage of each officer's salary divided by the average 30-day share price in the previous December. Each LTIP initial grant will vest on the third anniversary of the effective award date, multiplied by a factor of 0% - 150% based on the achievement of certain pre-determined objectives as solely determined by the Board of Directors. Under the LTIP and share retention programmes below, the Board has the right to determine whether or not payments should be made in shares or cash, or a combination thereof.

In addition to the LTIP programme, the Company granted a total of 613,914 restricted shares to certain officers for retention purposes. A total of 383,914 of the shares are payable subject to the satisfactory fulfillment of strategic and performance objectives as solely determined by the Board of Directors. The performance restricted shares will vest on either the second or the fourth anniversary of each award date and can only vest early for death, disability or change of control of the Company, in which case they would vest on an accelerated basis. The remaining 230,000 retention shares are time restricted and vest over time in accordance with the individual executive contracts. The time restricted shares can only vest early due to a change in control of the Company, in which case 100,000 shares will vest on a pro rata basis to time served and the remainder will vest on an accelerated basis.

Under the retention programme, 310,000 restricted shares will settle in cash based on the price of the stock at the time of the vesting to further enhance the alignment of our officers with the interests of our shareholders.

For the remaining retention shares, the Board has the right to determine whether or not payments should be made in shares or cash, or a combination thereof.

With respect to the LTIP and retention programme, the Company has accrued a $3.5 million liability (2016: 2.7 million) associated with its best judgment on the earned position of each tranche as of period end multiplied by the weighted average stock price for December 2017. The 2017 expense, inclusive of payroll tax was $2.4 million (2016: $2.6 million). The LTIP liability is included in trade and other payables in the Consolidated Statement of Financial Position. A summary of the overall programme and the current dilutive impact as of 31 December 2017 is as follows:

CONSOLIDATED SHARE ALLOTMENT - OUTSTANDING

				CURRENT PERIOD	
TRANCHES (in shares)	**INITIAL AWARD**	**FORFEITED / EXPIRED**	**ISSUED**	**OUTSTANDING**	**DILUTIVE**
LTIP Program					
2015 Award	180,853	(129,017)	-	51,836	51,836
2016 Award	186,699	(138,947)	-	47,752	31,851
2017 Award	63,481	-	-	63,481	21,139
Retention Program					
2018 Vest	230,290	-	-	230,290	199,493
2019 Vest	43,333	-	-	43,333	43,333
2020 Vest	340,291	-	-	340,291	71,414
Totals	1,044,947	(267,964)	-	776,983	419,066

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22. SALE OF BERMUDA GAS

In April 2016, the Company sold its subsidiary, Bermuda Gas for $17.7 million plus final adjustments to reflect the working capital in the business. The Company recognised a net gain on sale of Bermuda Gas of $11.7 million in 2016. The Company also reclassified in equity $444,000 in 2016 related to accumulated other comprehensive income in respect of Bermuda Gas' post-retirement medical benefit plan.

In 2017, the Company recognised an expense of $361,000 associated with this sale representing a final settlement adjustment.

Earnings from discontinued operations
Earnings from discontinued operations for 2016 represent Bermuda Gas operating results from 1 January 2016 to the date the company was sold in April 2016. An analysis of the results of discontinued operations is provided below:

In $000's	2017	2016
RESULTS OF DISCONTINUED OPERATIONS		
Revenue	$ -	$ 2,565
Expenses	-	(2,487)
Earnings from operating activities for the year	$ -	$ 78

23. 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 2018, as at 31 December 2017, totaled US$9.3 million (BD$9.5 million). Commitments under these contracts to acquire heavy fuel in 2017, as at 31 December 2016, totaled US$15.1 million (BD$15.3 million). The US$ and BD$ commitment balances differ due to foreign currency purchase tax. On 26 March 2018, the Board approved the award of the heavy fuel oil contract for a duration of two years following a tendering process commenced in December 2017. The new heavy fuel oil contract is expected to be executed in mid-April. The previous contract expired on 31 March 2018.

The Company entered into a five-year engine parts and service contract effective 1 January 2014, with MAN Diesel & Turbo at an annual price of € 1.1 million plus US$468,000.

The Company has a BD$6.9 million irrevocable standby letter of credit ("LOC") with the Bank of N.T. Butterfield & Son Limited in favor of The Collector of Custom in respect of customs duties on fuel imports stored at a third party facility. The LOC that was entered into on 31 March 2017 and expired on 31 March 2018, has been renewed to 31 March 2019.

In September 2017, the Company executed a Deed of Guarantee in the amount of BD$816,000 (CI$680,000) with Cayman National Bank Ltd. ("CNB"). This was in respect of financing that the OPHL is obtaining from CNB to finance the construction of a new building for Otis.

24. INVESTMENT IN LEASES

BELCO entered into an agreement with the Government of Bermuda, Ministry of Public Works on 3 September 2015 to supply, install and commission 4,440 LED streetlights, together with the associated control and monitoring systems. In accordance with IAS 17 Leases, this arrangement is considered to represent a finance lease. BELCO has recognised the present value of future lease payments, less repayments to date, in line with the commissioning of the streetlights and the lessee's entitlement to use these assets. The current and non-

current portions of BELCO lease receivable as at 31 December 2017 amounted to $127,000 and $2.3 million (2016: $260,000 and $1.6 million).

On 16 June 2016, AIRCARE entered into an agreement with the West End Development Corporation to replace streetlights damaged by hurricanes Fay and Gonzalo with new high-efficiency lights in Dockyard. In accordance with IAS 17 Leases, this arrangement is considered to represent a finance lease. AIRCARE has recognised the present value of future lease payments, less repayments to date, in line with the commissioning of the streetlights and the lessee's entitlement to use these assets.

On 1 June 2015 AIRCARE entered into an energy savings contract with the Bermuda Institute of Ocean Sciences ("BIOS"), where BIOS acquires equipment and services to reduce energy costs and related expenses within their facility. In accordance with IAS 17 Leases, this arrangement is considered to represent a finance lease. AIRCARE has recognised the present value of future lease payments, less repayments to date, in line with the installation of agreed facility improvement measures and the lessee's entitlement to use these assets.

The current and non-current portions of AIRCARE's lease receivable as at 31 December 2017 amounted to $138,000 and $1.8 million (2016: $69,000 and $747,000).

The breakdown of the investment in leases balance as at 31 December is as follows:

In $000's	**2017**	2016
Not later than one year	$265	$329
Later than one year, but not later than five years	1,778	1,692
Later than five years	2,354	617
	4,132	2,309
Total	$4,397	$2,638

25. SUBSEQUENT EVENTS

The Company has evaluated subsequent events up to 19 April 2018.

A Settlement and Release Agreement between BELCO and the ESTU outlining terms governing the final agreed settlement of their dispute and all claims arising in connection with the change to the Company's post-retirement Medical Benefit Plan effective 1 September 2015 was signed by both parties on 23 January 2018 (see Note 16).

On 6 March 2018, the Authority approved BELCO's proposed replacement of eight diesel generating units and a gas turbine totaling 80 MW with 56 MW of duel fuel generating units combined with 10MW of utility-scale battery storage, including the recovery of the costs thereof in accordance with the retail tariff methodology set pursuant to section 35 of the Electricity Act. On 27 March 2018, the Company entered into a contract, conditional on completion of financing, related to the engineering, procurement and construction of the generating units.

26. CHANGE TO PRIOR YEAR PRESENTATION

Certain prior year figures on the Consolidated Statements of Financial Position, income and cash flows have been reclassified to conform to current year presentation.

FIVE YEAR SUMMARY
2013-2017

	IFRS BASIS				GAAP BASIS
	2017	2016	2015	2014	2013
Net earnings (BD $000's)	**$20,200**	$24,911	$17,370	$17,561	$4,889
Basic earnings per share of common stock (BD$)	**$2.04**	$2.38	$1.63	$1.63	$0.39
Fully diluted earnings per share of common stock (BD$)	**$1.96**	$2.29	$1.62	$1.63	$0.39
Dividends paid per share (BD$)	**$0.41**	$0.30	$0.30	$0.44	$0.85
Book value per common stock (BD$)	**$27.37**	$25.75	$23.33	$22.44	$30.74
Price / earnings ratio	**4.79**	2.84	2.95	3.32	26.28
Dividends payout ratio	**0.20**	0.13	0.18	0.27	2.18
Total assets (BD $000's)	**$377,658**	$376,162	$363,692	$387,540	$421,193
Return on assets (%)	**5.35%**	6.62%	4.78%	4.53%	1.16%
Shareholder equity (BD $000's)	**$270,678**	$254,890	$239,608	$238,781	$325,713
Return on equity (%)	**7.46%**	9.77%	7.25%	7.35%	1.50%
Debt / total capitalisation (%)	**1.96%**	3.34%	8.62%	17.17%	11.47%
Market capitalisation (BD $000's)	**$99,906**	$68,619	$51,410	$57,681	$109,040
Share closing price (BD$)	**$9.79**	$6.75	$4.80	$5.40	$10.25
Number of shareholders	**3,090**	3,149	3,138	3,170	3,178
Total employees	**385**	398	412	454	454

BOARD OF DIRECTORS

PETER C. DURHAGER, J.P.
Chairman of the Board
Director since 2003
Chairman America's Cup Bermuda (ACBDA)
Retired Executive Vice President & Chief Administrative Officer, Renaissance Re Holdings Ltd.

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

SEAN M. DURFY
President & Chief Executive Officer, Ascendant Group Limited and BELCO

GAVIN R. ARTON
Director since 2000
Fellow of the Institute of Directors
Retired Senior Vice President of XL Capital Ltd.

LEAH DEAN
Director since 2016
Senior Vice President of Group Human Resources, Renaissance Re

A. DAVID DODWELL, J.P.
Director since 1988
President, The Reefs Resort & Club

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

DONNA L. PEARMAN, J.P.
Director since 2008
President, People's Pharmacy Ltd.

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

W. EDWARD WILLIAMS
Director since 1993
Sales Representative, Coldwell Banker (Bermuda Realty)

ALASDAIR YOUNIE
Director since 2013
Director, ICM Limited

COMMITTEES

□ Chairman of Committee

■ Committee Member

	EXECUTIVE	AUDIT & RISK	GOVERNANCE	HUMAN RESOURCES & COMPENSATION
Peter C. Durhager	□		■	
L. Anthony Joaquin	■	□	■	
Sean M. Durfy	■			
Gavin R. Arton	■			□
Leah Dean		■		■
A. David Dodwell		■		
A. Shaun Morris	■		□	■
Donna L. Pearman		■		
Michael L. Schrum			■	
W. Edward Williams			■	
Alasdair Younie		■		■

EXECUTIVE

SEAN M. DURFY
President & Chief Executive Officer,
Ascendant Group Limited and BELCO

MICHAEL D. DANIEL
Senior Vice President, Chief Strategic &
Development Officer, Ascendant Group Limited

LORIANNE GILBERT
General Counsel & Secretary
Ascendant Group Limited

ROBERT SCHAEFER
Senior Vice President & Chief Financial Officer,
Ascendant Group Limited

JUDITH UDDIN
Senior Vice President, Ascendant Group Limited
President & Chief Operating Officer,
AG Holdings Limited

DENTON E. WILLIAMS
Senior Vice President, Ascendant Group Limited
Chief Operating Officer, BELCO

CORPORATE INFORMATION

ASCENDANT GROUP LIMITED

Publicly traded investment holding company for energy and energy services

Registered Office
27 Serpentine Road
Pembroke HM07, Bermuda

Mailing Address
P.O. Box HM 3392
Hamilton HM PX, Bermuda

TEL: 441.298.6100
FAX: 441.292.8975
EMAIL: info@ascendant.bm
WEBSITE: www.ascendant.bm

Sean M. Durfy
President & Chief Executive Officer

BERMUDA ELECTRIC LIGHT COMPANY LIMITED

Electric utility services

Registered Office
27 Serpentine Road
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WEBSITE: www.belco.bm

Sean M. Durfy
President & Chief Executive Officer

Denton E. Williams
Senior Vice President & Chief Operating Officer

ASCENDANT BERMUDA INSURANCE LIMITED

Captive property insurance company

Registered Office
27 Serpentine Road
Pembroke HM07, Bermuda

Mailing Address
Power House
7 Par-la-Ville Road
Hamilton HM 11, Bermuda

AG HOLDINGS LIMITED

Non-utility energy services investment holding company

Registered Office
27 Serpentine Road
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Mailing Address
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Hamilton HM PX, Bermuda

TEL: 441.298.6100
FAX: 441.292.8975
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WEBSITE: www.ascendant.bm

Judith Uddin
President & Chief Operating Officer

IFM LIMITED

Property and facilities management services

Registered Office
27 Serpentine Road
Pembroke HM07, Bermuda

TEL: 441.299.4789
FAX: 441.295.2577
WEBSITE: www.ifm.bm

AIRCARE LTD.

HVAC, building automation systems and energy management, fire protection, commercial refrigeration, commercial LED lighting and commercial plumbing services

Registered Office
27 Serpentine Road
Pembroke HM07, Bermuda

Mailing Address
P.O. Box HM 1750
Hamilton HM GX, Bermuda

TEL: 441.292.7342
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WEBSITE: www.aircare.bm

Brendan Stones
General Manager

IEPC LIMITED

Engineering procurement, contracting and consulting

Registered Office
27 Serpentine Road
Pembroke HM07, Bermuda

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

ASCENDANT PROPERTIES

Property management company

Registered Office
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WEBSITE: www.ascendant.bm

SHAREHOLDER INFORMATION

INVESTOR SERVICES

Tel: 441.298.6100, Ext. 1213
E-mail: info@ascendant.bm

Ordinary Shares

RANGE	RECORD COUNT	BALANCE
Balances at 31 December 2017		
Up to 100	993	42,223
101 to 500	963	231,503
501 to 1,000	379	282,594
1,001 to 5,000	512	1,217,226
5,001 to 10,000	95	681,891
10,001 to 100,000	130	3,298,919
100,001 to 1,000,000	18	3,445,719
Over 1,000,000	1	1,004,800
	3,091	10,204,875

At 31 December 2017, the Directors of the Company held 113, 690 shares; the Officers of the Company held 32,296 shares.

Companies that held greater than 5% of the shares are Harcourt Account 1380430 with 1,004,800 and Wilson & Co Account 011-145935-631 with 558,400.

No rights to subscribe for shares in the Company 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

The Company'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

Save Time, Money & Trees
We encourage the Company's shareholders to help us increase efficiency, while reducing expenditure and paper usage by electing Direct Deposit of Dividends.

To sign up for electronic receipt of Direct Deposit of Dividend notification, send a message to info@ascendant.bm or download the electronic form at www.ascendant.bm and send completed to info@ascendant.bm, fax to 441.295.9427 or by mail to:
P.O. Box HM 3392
Hamilton, HMPX
Bermuda

BANKERS

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

HSBC Bank Bermuda Limited
Hamilton, Bermuda

AUDITORS

PricewaterhouseCoopers Ltd.
Hamilton, Bermuda

LEGAL COUNSEL

Lorianne Gilbert
General Counsel & Secretary
Ascendant Group Limited

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