ASCENDANT group

ASCENDANT GROUP LIMITED ANNUAL REPORT **2012**

FINANCIAL HIGHLIGHTS	2012	2011	% CHANGE
Net Earnings	$ 11,531,364	$ 11,121,270	3.7
Basic and Fully Diluted Earnings per Share	$ 1.07	$ 1.07	0.0
Dividends	$ 8,880,353	$ 8,832,293	0.5
Dividends per Share	$ 0.85	$ 0.85	0.0
Market Price per Share (as at 31 Dec.)	$ 12.03	$ 13.26	(9.3)
Book Value per Share (as at 31 Dec.)	$ 31.18	$ 31.45	(0.9)
Total Assets (as at 31 Dec.)	$ 414,020,567	$ 400,689,213	3.3

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VISION

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

TO OUR **SHAREHOLDERS**

Ascendant Group Limited experienced positive change amidst challenging circumstances in 2012. We are encouraged by progress made to articulate our strategic vision, diversify our business, strengthen our leadership and improve operating performance. The overall financial results for 2012, however, reflect the impacts of an anaemic economy and increasing competition, and suggest the need for continuing changes in our cost structure.

Although decisions made in prior years to reduce costs have resulted in a modest improvement in Ascendant Group's net income over 2011, electricity sales have decreased for the third consecutive year due to the persistent contraction of Bermuda's economy, as well as our customers' reducing their electricity use as a reaction to higher total electricity prices caused by increasing fuel prices.

In spite of the effect this has had on our share price and operating results, we are confident in the underlying strength of Ascendant Group and are committed to creating long-term, sustainable value that benefits shareholders, as well as employees, customers and the community.

Executing our strategic plan requires that we source the capital to grow and diversify our business. Toward that end, in October 2012, Ascendant Group took advantage of recent changes in Bermuda corporate laws and obtained relief from the requirement that local companies be at least 60% Bermudian owned. This will now enable Ascendant Group to seek capital from areas that were not previously available.

One aspect of our strategy to create long-term value for Ascendant Group is to diversify our business. While we have historically relied on Bermuda Electric Light Company Limited (BELCO) to be the foundation of our portfolio, its operations have been directly affected by the ongoing downturn in our economy, reduction in the Island's population and business activity and, to a lesser extent, nascent competition from new and renewable technologies. Therefore, we anticipate that its future earnings potential will be hampered until the economy begins to recover and costs are reduced. Consequently, we have taken steps to diversify our operations through our investment in the areas of energy and infrastructure services. As part of this strategic initiative, iFM Limited was formed in 2011. iFM is a joint venture company that is 60% owned by Ascendant Group, and 40% owned by a Bermuda-registered, exempted subsidiary of Black & McDonald Limited (B&M). B&M, a privately held Canadian company, is a leading electrical, mechanical and facilities maintenance management contractor operating across Canada, the United States and Bermuda. iFM brings together these strategic partners from Bermuda and Canada to deliver world-class facilities management services to clients in Bermuda. At the start of 2012, iFM began operations addressing separate, three-year property management agreements with The Bank of N.T. Butterfield & Son Limited and HSBC Bank Bermuda Limited and their respective affiliates in Bermuda. Also during 2012, Ascendant Group acquired a controlling interest in Air Care Limited, a leading provider of heating, ventilation, air conditioning and related services in Bermuda. With Air Care, Ascendant Group has also expanded its geographic footprint through Air Care's investment in Otis Air Conditioning Limited in the Cayman Islands.

We will continue to expand our energy and infrastructure service offerings by building on our proven success at powering, cooling, heating and providing energy-efficient appliances to homes and businesses, as well as engineering energy solutions and providing advanced building maintenance systems for commercial properties. One particular thrust of these efforts will be working with large customers to provide integrated energy and infrastructure solutions.

As we develop, competition compels us to cultivate sustainable competitive advantages. For Air Care, Bermuda Gas & Utility Company Limited, PureNERGY Renewables, Ltd., and our facilities management company, iFM, competition is familiar, as they are also facing new, capable entrants to the marketplace. Our operating companies are focused on differentiating us from the competition by ensuring customer satisfaction, affordability and new product development. We continue to observe emerging trends and adopt new technology, especially to help manage energy use.

Amongst the achievements of these companies in 2012: Air Care was recognised as Johnson Controls' Authorised Building Controls Specialist in Bermuda and as one of the Island's top 10 employers, and was selected for the Human Services Award by Caron Bermuda; Bermuda Gas introduced a low-cost, user-friendly propane gas cylinder, made of composite material, and the KitchenAid appliance product line; PureNERGY installed a 59-kilowatt photovoltaic (PV) system at BELCO headquarters, which has produced 73,401 kilowatt hours (kWh) of energy since March 2012; and iFM has been actively quoting for new facilities management opportunities.

For BELCO, the long talked about challenge of competition is emerging now in the form of direct and indirect competition on several fronts, including distributed generation and renewable energy installations. In preparation for competition, BELCO has developed interconnect agreements for small-scale residential and commercial customers, as well as a model power purchase agreement for large-scale, independent power producers. BELCO's interconnection agreements are intended to ensure safety of operation and security of electricity supply for the Island.

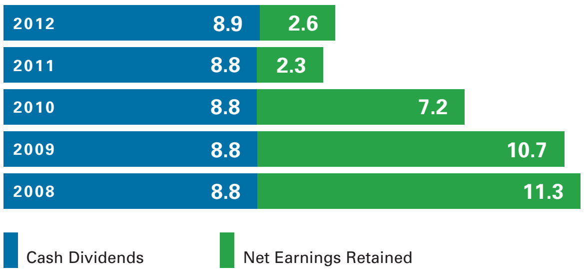
Another aspect of our strategic agenda is excellence in safety and environmental stewardship. We strive not merely to meet, but to surpass regulatory requirements, as we have done by adopting internationally recognised, independently audited ISO 14001 environmental and OSHAS 18001 safety standards for our management systems.

We work cooperatively with regulators, while encouraging fair, competitive business practices. Although we were initially disappointed by the Energy Commission's decision in February 2012 to allow only a small portion of BELCO's tariff increase requested for new base rates, in October 2012, we elected to drop further pursuit of the increase. With the reduction in electricity consumption and overall demand, we believe there is an opportunity to review and reconsider both the how, and the timing of plant replacement. We also take into account the impact of continued erosion in the economy and the continuing decrease in population since filing the rate increase application in October 2011. We recognise the Island's desire for alternatives and we will re-examine those in light of the new economic landscape that has seen fuel oil prices rise, a reduction in some renewable energy pricing and possible opportunities to deploy some alternative fuels. We will be working with Government and customers to find the best solutions for Bermuda to provide reliable, sustainable, affordable electricity.

MISSION

We will always meet our commitments.

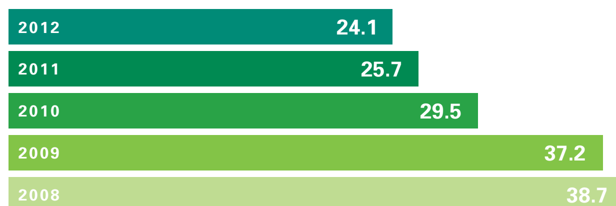
Net Earnings
(Millions of dollars)



Capitalisation
(Millions of dollars)

Book Value & Market Price of Shares
(Dollar values are per share as at 31 December of each fiscal year)

Annual Investment in Our Business
(Millions of dollars)



Electricity (kWh) Sales
(Thousands of kWh as at 31 December of each fiscal year)

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

BELCO is working to meet the Island's future electricity need as it develops a new integrated resource plan (IRP) for the next decade. The resulting IRP will utilise a new energy equation that could include liquefied natural gas (LNG) as a potential alternative fuel and must include conservation, renewables and replacement of aging plant to meet Bermuda's base-line energy requirement. Developing the IRP involves taking into account the optimisation of existing and planned generation resources, the higher cost of oil, the potential of cleaner, less carbon-intensive fuels like LNG, as well as making use of natural resources. The IRP will find the right energy mix to provide stable, reliable electricity at competitive prices.

We are sensitive to pricing to customers across Ascendant Group, especially as our companies and the community continue to feel the impact of economic contraction, which is evidenced by a declining expatriate population, along with businesses leaving or closing and rising unemployment. Government has called the past four years one of the most challenging periods in Bermuda's history and has committed to measures intended to encourage business development and employment.

As a local company, Ascendant Group plays an important part in aiding economic recovery. We pay taxes, purchase goods and services locally, employ some 440 staff, approximately 89% of whom are Bermudian, and more than half of whom are Ascendant Group shareholders. We offer apprenticeships and scholarships to qualified Bermudians and work with Government and non-profit organisations to provide technical training and to advance National Certification for industrial trades. In addition, our energy and infrastructure businesses support a high standard of living which, in turn, helps Bermuda maintain its standing as a jurisdiction of choice for international business and as an attractive tourism destination.

Ascendant Group's success is directly linked to the Island's long-term growth, stability and prosperity. Our responsibility to the country includes how we operate and invest in our business, as well as what we give back to the community. We contribute to approximately 100 different community support organisations financially and through staff involvement. For example, Ascendant Group has made a $1 million commitment to the Bermuda Hospitals Charitable Trust and a 10-year, $500,000 commitment to work in partnership with the Bermuda Department of Conservation Services on the restoration of Nonsuch Island. In 2012, more than 40 Ascendant Group staff volunteered for projects on the island, while the Company contributed $50,000 for upgrades to the residence and classrooms, including a propane refrigerator from Bermuda Gas and solar PV and thermal systems from PureNERGY to supply lighting and hot water.

Underpinning Ascendant Group's business and community commitments is our strategic vision for the Company. It was developed during intensive work involving all top leaders across our group of companies.

VALUES

Accountability • Innovation • Integrity
Reliability • Respect • Safety • Stewardship

Our *Vision* is to be Bermuda's trusted, preferred provider of energy and infrastructure solutions and our *Mission* is that we will always meet our commitments. We are committed to carry out the mission guided by our *Values*, which are: accountability, innovation, integrity, reliability, respect, safety and stewardship.

We have made some changes to optimise business effectiveness and develop leadership for the future. We have established several new functions, including Internal Audit, Corporate Treasury and Risk Management and Analysis, and Major Accounts Management, all reaching across Company lines. We have also created a management structure for our non-utility activities under one leader to bring focus and clear direction.

As we move from 2012 into 2013, there are also changes to Executive Management and the Board of Directors. After 23 years of service, Executive Vice President & Strategic Advisor Andrew D. Parsons retired from Ascendant Group in 2013. In May 2012, Kathryn R. Siggins retired from the Board of Directors after eight years of service. May 2013 brings the retirement of J. Michael Collier, who joined the Board in 1989 and served as Chairman from 2004 until May 2012, as well as Stanley A. Oliver after nine years of service as a Director of the Company. We are grateful to these individuals for their many valuable contributions to Ascendant Group's success, and extend sincere thanks and best wishes to each of them.

The Board of Directors has undertaken an assessment of the skills required for our Board to be successful in the governance of Ascendant Group. After an extensive search, a person with a needed skill set was identified. We are pleased to welcome a new Director, Michael L. Schrum, who joined the Ascendant Group Board in February 2013. Mr. Schrum is Chief Financial Officer at HSBC Bank Bermuda with responsibility for corporate finance, insurance, tax, accounting and reporting functions. He has more than 20 years of financial services expertise, having worked in London, New York and in Bermuda. Two additional individuals possessing needed skills have been identified and are being offered for election at the Annual General Meeting.

Many exciting challenges are emerging for Ascendant Group. Notable among these are a potential initiative to bring LNG to Bermuda, as well as plans to begin widespread deployment of energy efficiency and renewable energy technology across the Island. We are alert to new business opportunities in energy and infrastructure service, focused on service delivery and committed to leadership development. We don't consider "business as usual" an acceptable way of working. Rather, Ascendant Group depends on continuous improvement to ensure sustainable value for our employees, customers, the community and you, our shareholders.

REGINALD S. MINORS
Chairman of the Board

WALTER M. HIGGINS
President & Chief Executive Officer

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Management's Discussion & Analysis of Results and Financial Condition should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto.

OVERVIEW: ASCENDANT GROUP LIMITED

Ascendant Group Limited is a Bermuda-based, publicly traded holding company that provides energy and infrastructure solutions through its wholly owned subsidiaries Bermuda Electric Light Company Limited (BELCO), Bermuda Gas & Utility Company Limited and AG Holdings Limited.

The Company's consolidated earnings for 2012 increased $410,094, or 3.7%, to $11.5 million from $11.1 million in 2011. Significantly improved current year results in both Bermuda Gas and PureNERGY Renewables, Ltd. largely offset a $1.4 million decrease in BELCO's earnings from that reported in the previous year. New investments in iFM Limited and Air Care Limited during 2012 contributed $820,059 to net earnings.

Net Earnings for the Year

	2012	2011	VARIANCE	
	$000's	$000's	$000's	%
BELCO	13,160	14,596	(1,436)	(10)
Bermuda Gas	1,413	969	444	46
AG Holdings	428	(925)	1,353	146
Ascendant Group Corporate Expenses	(3,470)	(3,518)	48	1
	11,531	11,122	409	4

The Company's earnings resulted in no change to earnings per share, which remained at $1.07 in 2012, as in 2011.

The market price of Ascendant Group's shares listed on the Bermuda Stock Exchange declined 9.3% in 2012, closing the year at a price of $12.03, down from $13.26 at the end of 2011. Ascendant Group's book value also declined 0.9% in the current year from $31.45 per share at the end of 2011 to $31.18. Decline in the Company's book value is due primarily to the dilution impact of 71,663 additional shares issued in 2012 associated with long-term incentive plan, Director retention fees, retirement and Impact Award gifts and employee purchases. The 2012 cash dividend of $0.85 per share remained unchanged from 2011.

Management believes the Company's share price is undervalued, as compared to book value at the end of the year, and is not reflective of the long-term value of the organisation. Management hopes to stimulate investor interest with new leadership and steps taken to reorganise the corporate structure and management group, as well as continued diversification to expand and grow new revenue and income streams, while at the same time looking for more cost-effective ways to meet existing customer energy demands. In addition, the Company is no longer restricted to a maximum of 40% non-Bermudian ownership, which could facilitate interest from new overseas investors and have a potential positive effect on the share price.

OVERVIEW: ASCENDANT GROUP SUBSIDIARIES

BELCO

Established in 1904, BELCO remains Bermuda's sole retail supplier of electricity, operating generation plant and transmission systems to service a total of 35,770 residential, commercial and demand customers, as at the end of 2012 compared with 35,862 customers at the end of 2011.

Bermuda Gas

Established in 1936, Bermuda Gas was purchased by BELCO in 1994 and subsequently transitioned to become a direct subsidiary of Ascendant Group in 2009. Bermuda Gas employs 46 staff committed to providing the best possible solutions for every customer application, and operates four business segments: Gas, Appliance Sales, Service and Supply Chain. Bermuda Gas is the market leader for propane gas sales in Bermuda.

AG Holdings

In October 2012, AG Holdings was established to manage all of the Company's non-utility business operations which include:

- **Air Care Limited** – Acquired in May 2012, Air Care is principally involved in the sale and service of heating, ventilation and air conditioning systems, air quality monitoring, building automation and energy management, commercial plumbing, fire protection and commercial refrigeration services. Air Care employs 68 full-time staff who provide professional, responsive support 24 hours a day, 365 days a year.

- **iEPC Limited** – Launched on 1 January 2012, iEPC provides technical procurement, construction and consulting services to affiliated companies and third parties. iEPC employs nine full-time staff, most of whom were previously employed by BELCO.

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

- **PureNERGY Renewables, Ltd.** – PureNERGY was incorporated in 2008 to offer customised, small-scale renewable energy systems and solutions to Bermuda's residential and commercial markets.

- **Ascendant Properties Limited** – Ascendant Properties is the Company's property management company (formerly BELCO Properties Limited, which was incorporated in 1996).

- **inVenture Limited** – Established in 2009 to pursue diversified investment opportunities outside of the energy business, inVenture is an investment and acquisition holding company.

Other

Sigma Corporate Services Company Limited was incorporated in 2010 to provide corporate services such as information technology, human resources, government relations, corporate communications, finance and accounting, legal and internal audit to Ascendant Group and its subsidiaries. Services provided by Sigma have been absorbed into Ascendant Group to simplify and streamline the corporate structure.

PRIMARY FACTORS AFFECTING ASCENDANT GROUP'S BUSINESS

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

Bermuda's Economy – As the economy of Bermuda has weakened since 2009, core electricity sales have been adversely affected. BELCO's customer base is decreasing due to the departure of non-Bermudian labour force, as companies moved operations out of Bermuda or significantly reduced staffing. Many remaining customers are conserving more and reducing electric energy consumption, adding to the downward pressure on sales. As a result, kilowatt hour (kWh) sales have steadily declined from a high of 656.1 million kWh in 2009 to 606.3 million kWh in 2012, a decrease of 49.8 million kWh, or 7.6%. In addition, an increase in Bermuda's unemployment rate, together with consumer concern arising from economic uncertainty, has had a negative impact on revenues from the sale of other goods and services provided by the Company. Because customers have competing priorities for reduced incomes, an increased number have been unable to pay accounts in full and in a timely manner. Consequently, the Company has incurred additional costs due to bad debt provisions.

Regulatory Environment – BELCO will continue to face careful scrutiny from the Bermuda Government's Energy Commission and Departments of Energy and Environmental Protection related to its future fuel adjustment and rate requests, as well as operating licence submissions. BELCO must, therefore, carefully manage its relationships with key Government ministries and personnel to develop partnerships that determine the best energy solution for Bermuda, which will address affordability, sustainability and environmental standards and goals. As a first step on this path, the Bermuda Government recently announced plans to revise the 2011 Bermuda Energy White Paper to reflect advances in technology, as well as economic realities. As was the case with the original version, the Company has offered to provide input and support to this effort.

Operating Expenses – As sales have declined over the past several years, the Company has initiated efforts to reduce operating costs without impacting its ability to meet customers' needs for service. Compensation and benefits costs comprise one of the largest categories of expenses that the Company incurs. While the Company has taken steps to control these costs through early retirements and freezing the Defined Benefit Pension Plan, continuing decreases in sales may require further cost-reduction action. The Company will continue to review costs to ensure there is an efficient deployment of staff that possess the necessary skill sets and core competencies to meet operational requirements and maximise productivity in a safe, secure working environment.

Competition – All group entities now have competition. Customers in Bermuda have more choices for all products and services offered by the Company. The Company must ensure it is price-sensitive, as well as efficient and effective at managing costs and, most importantly, meeting customers' needs. These factors ensure that all entities under the Ascendant Group umbrella can continue to compete successfully.

Relationship with Company Unions – Collective Agreements between unionised staff and the Company's electric and gas operations expire in January 2014. Negotiations to renew these agreements will commence in 2013. Efforts will be made to ensure the Company is able to achieve effective, efficient operations while controlling labour costs and benefits, and maintaining sufficient well-trained staff to support operating activities.

Weather Conditions – Hurricanes and winter storms can result in significant costs to restore and rehabilitate electric service and mitigate revenue loss. Weather stimulates buyers to consider whether to purchase air conditioning, gas appliances and other group products and services. It also determines whether more heating or air conditioning powered by electricity or gas is required. As such, sales by most entities within Ascendant Group can be positively or negatively affected by the climate conditions in any given month or year.

RATES AND REGULATION

In October 2011, the Company requested an increase in average basic customer tariff rates of 4.3% that would have taken effect 1 January 2012. The primary reason for the rate increase request was to address financing requirements for new generation plant to replace older, inefficient units and for enhancements and upgrades to the Company's transmission and distribution network. The Energy Commission approved a 1.25% rate increase effective 1 March 2012.

The Company appealed this decision, as well as several others made by the Commission, to the Minister of Environment, Planning and Infrastructure Strategy. On 9 May 2012, the Minister upheld the Commission's decision on the rate increase, as well as several others, while overturning decisions on some other matters. The Company appealed the matter to the Supreme Court of Bermuda for a judicial review of the Minister's decision.

On 2 October 2012, the Company announced that it had discontinued its Supreme Court legal action seeking judicial review of Government's final decision of the rate change order. The Minister overturned the Commission's decisions on the remaining matters. The Company's decision to drop legal action was predicated on erosion of the local economy and a decrease in population, as well as the high price of oil used to fuel the Company's generating plant, resulting in high overall electricity prices. The Company believes there is an opportunity to review and reconsider plant replacement, also taking into account reduction in electricity consumption and overall demand, conservation, the potential of cleaner, less carbon-intensive fuel and renewable resources.

RESULTS OF OPERATIONS

BELCO

BELCO's net income fell $1.4 million to $13.2 million for the year, as compared to 2011 net income results of $14.6 million, which follows a decline of approximately $1.5 million from 2010 results of approximately $16 million.

Sales of electricity net of fuel adjustment for 2012 totalled $145.4 million, a decrease of $5.4 million versus $150.8 million in 2011. This continues the trend of declining electricity sales to both residential and commercial customers that the Company has experienced over the last several years, resulting from the persistent contraction of the Island's economy, as well as the response of our customers to higher total costs of electricity caused by higher fuel costs. Many customers are now conserving and reducing electric energy consumption, adding to the downward pressure on sales.

As previously noted, BELCO did receive approval for a modest increase in basic tariff rates commencing 1 March 2012, which enabled electric revenues to increase $1.8 million.

Fuel adjustment revenues (FAR) increased $12.7 million to $104.1 million from $91.5 million in 2011, primarily due to a 12.6% increase in the average price of fuel, which for 2012 was approximately $135.00 per barrel as compared to $119.88 per barrel in 2011. The remainder of the increase was due to a higher rate paid for more kWh purchased from the Bermuda Government's Tynes Bay waste-to-energy incinerator plant, as well as a decrease in overall fuel efficiency, as aging plant required more time out of service for maintenance. These increases were offset by $4.3 million in avoided fuel costs due to decreased generation, related directly to a decline in customer energy demand. The Company does not incur any profit or loss on fuel adjustment, hence, this revenue is offset by identical fuel costs reflected in Energy Supply expenses.

Operating expenses increased $8.9 million in 2012 to $230.9 million, compared to $222.2 million in 2011, again largely due to the aforementioned higher cost of fuel reflected in Energy Supply expenses. Material costs incurred in maintaining generation engines increased $1.7 million in 2012 due to the nature of maintenance work performed, as well as the number of maintenance outages that were required as a direct result of the age of the existing generation plant. Pension benefit costs decreased approximately $4.8 million in 2012 as all company staff previously covered under a Defined Benefit Pension Plan were transitioned to a Defined Contribution Pension Plan, effective 1 January 2012. BELCO's provision for bad debt expenses also increased due to the economic challenges being faced by all customer classes.

Bermuda Gas

Bermuda Gas' net earnings increased $444,356 to $1.4 million in 2012 from $969,104 in 2011, which was due to an improvement in margins, a reduction in operating costs and an increase in other income. Although gas and appliance sales volumes both declined during the period, stemming from increased competition and weaknesses in the local economy, Service revenues increased 7% as a result of a new billing structure that was implemented in the last quarter of 2012. Revenue from the sale of parts in the Supply Chain business segment was also up 8% as more customers chose to repair rather than replace their appliances.

Administrative costs were higher in 2012 due to increasing future healthcare costs, an increase in bad debt provision and depreciation expenses related to leasehold improvements for the new showroom. Other income increased approximately $231,000 due largely to the refund of non-vested employer pension contributions to former employees and work completed at the Grand Atlantic project in Warwick. Late payment fees were also some $87,000 higher than in 2011, as customers are paying for goods over extended periods, given economic conditions that require many to find new ways to balance use of their available funds.

AG Holdings

Net earnings from AG Holdings for 2012 of $427,676 represents an improvement of $1.4 million versus a net loss of $925,102 in 2011.

While PureNERGY posted a loss of $385,399 in 2012, this represents an improvement of $1.01 million when compared to the loss of $1.4 million sustained in 2011. The company was overhauled and streamlined during the current year, as management recognised the limitations of the renewable energy market in the short term, given current economic conditions. The company will remain small and narrowly focused, while management determines how to position it successfully to address changes in the energy solutions that Ascendant Group plans to offer the marketplace, as well as economic turnaround.

In late May 2012, the Company acquired a majority investment in Air Care, which has earned $717,063 for the seven-month period ended 31 December 2012, of which $451,779 is attributable to Ascendant Group shareholders after deducting minority interests. Air Care's results for this period are also down when compared to the same period in 2011, with reduced revenues that are indicative of local market slowdown due to weak economic conditions. The investment in Air Care provides Ascendant Group with an opportunity to enter new markets both locally and overseas and complements the services provided by other group companies.

On 30 December 2011, iFM entered into a three-year property management agreement with The Bank of N.T. Butterfield & Son Limited and its affiliates located in Bermuda. On 31 January 2012, iFM entered into a three-year property management agreement with HSBC Bank Bermuda Limited and its affiliates in Bermuda. In its first year of operation, iFM's contribution to Ascendant Group's net earnings was approximately $103,000.

LIQUIDITY AND CAPITAL EXPENDITURE

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

Cash Flows from Operating Activities – Liquidity needs are first met with net cash provided by operating activities. Net cash provided by operating activities totalled $16.7 million and $29 million for 2012 and 2011, respectively. Operating activities produced less cash in 2012 as compared to 2011, primarily due to changes in prepaid expenses associated with the funding of a shortfall in BELCO's Defined Benefit Pension Plan that was closed effective 31 December 2011, as well as trade and other payables impacted by the timing of BELCO fuel shipment payments.

Cash Flows from Investing Activities – Ascendant Group has a continuing need for cash resources and capital to invest in electric utility plant, replacement facilities and equipment and any investment activity. The acquisition of Air Care in 2012 required the use of $11.3 million in 2012 to purchase shares from that company's former owners. This was financed by a $15.5 million revolving loan from The Bank of N.T. Butterfield & Son Limited (the Bank) and is payable by Air Care. Drawdowns can be made on the facility within the initial 39 months of the facility term, during which time repayments comprise only interest accrued on the outstanding loan balance, which is calculated on a daily basis and paid on the last day of each calendar month. Air Care is also required to pay the Bank 0.25% per annum on the average daily unused portion of the loan from the initial drawdown date until the expiry of the revolving period. The loan is for a term of eight years and interest is payable at 1.5% per annum above the Bank's Bermuda Dollar base rate. The loan is secured by a debenture over Air Care's assets and undertakings and then by a guarantee from Ascendant Group. The bulk of the $24.1 million spent on acquisition of property, plant, equipment and intangible assets (2011: $25.7 million) was spent on BELCO-related capital projects. Major capital expenditure included:

- North Power Station (NPS) – $2.3 million. Costs incurred were related to preparing the proposed new NPS site, including construction of a new bulk lubricating oil storage facility, security hut, communications hub, relocation of fleet parking and refuelling facilities, relocation of the vehicle maintenance garage to Southside, St. George's and relocation of electric pole and transformer storage facilities to a different site.

- Customer initiated projects – $1.8 million (2011: $1.5 million). These projects involve the installation of new supply services.

- Distribution system refurbishment costs – $2.5 million (2011: $2.7 million). Costs incurred to improve security and integrity of the system.

- Meter installations – $1 million (2011 $1.1 million).

- Software – $1.5 million. A total of $896,000 was spent replacing the work planning and inventory management system, as the existing system was no longer supported by the vendor.

- Structures and improvements – $1.7 million. $930,000 was spent upgrading the East Power Station to extend the useful life of existing plant in light of the delayed planned construction of the NPS.

- Vehicles – $462,000. Major overhaul of bucket lift trucks, rather than purchasing new vehicles.

- Other major projects – $5.5 million. Approximately $1.5 million to address National Stadium substation requirements with the balance spent on other substations, transformers and undergrounding of overhead distribution lines.

Bermuda Gas also spent approximately $600,000 on gas equipment, vehicles and computer expenses.

Cash Flows from Financing Activities – Proceeds from the issuance of capital stock is associated with 71,663 Company shares issued during 2012 (2011: 29,088 shares) in accordance with the Company's long-term incentive plan, Directors' fees, retirement and employee service awards, as well as employee purchases. Net proceeds from bank borrowings increased in 2012, directly related to the acquisition of Air Care as noted above, and an increase in the balance drawn down by BELCO under its overdraft facility with The Bank of N.T. Butterfield & Son Limited to finance fuel shipments due to a decrease in electric sales. Dividends paid to Ascendant Group shareholders and non-controlling minority interest holders required the use of $11.2 million in cash versus $8.8 million in 2011.

MANAGEMENT'S REPORT

TO THE SHAREHOLDERS OF ASCENDANT GROUP LIMITED

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

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

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

WALTER M. HIGGINS
President & Chief Executive Officer

CHRISTOPHER A. COELHO
Senior Vice President & Chief Financial Officer

TO THE SHAREHOLDERS OF ASCENDANT GROUP LIMITED

We have audited the accompanying consolidated financial statements of Ascendant Group Limited, and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2012, and the consolidated statement of earnings, consolidated statement of retained earnings and consolidated statement of cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ascendant Group Limited and its subsidiaries as at 31 December 2012, and their financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
Chartered Accountants

Dorchester House
Hamilton, Bermuda
15 April 2013

CONSOLIDATED **BALANCE SHEET**

As at 31 December 2012

	NOTES	2012	2011
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4	$ 285,303,089	$ 285,354,028
Intangible Assets	5	14,162,173	6,439,093
		299,465,262	291,793,121
Current Assets			
Cash and Cash Equivalents	10	4,023,010	2,936,745
Accounts Receivable	3, 15, 17	24,519,928	25,611,573
Inventory	6, 13	69,133,215	73,498,685
Prepaid Expenses and Other Assets	11	16,879,152	6,849,089
		114,555,305	108,896,092
		$ 414,020,567	$ 400,689,213
CAPITALISATION AND LIABILITIES			
Capitalisation			
Capital Stock	7	$ 10,517,712	$ 10,446,049
Share Premium	7	28,703,206	27,916,530
Treasury Stock	7	(845,803)	(845,803)
Contributed Surplus		22,549,745	22,549,745
Retained Earnings		266,190,172	268,507,330
Non-controlling Interest	8	796,144	4,000
		327,911,176	328,577,851
Non-Current Liabilities			
Bank Borrowing	9, 10	11,250,809	–
Redemption Liability	18	2,509,081	–
		13,759,890	–
Current Liabilities			
Customer Deposits		268,329	301,330
Trade and Other Payables	12	22,516,269	35,110,475
Future Health Costs	11	11,537,089	10,180,830
Redemption Liability	18	2,459,088	–
Deferred Revenues		1,092,116	378,524
Bank Borrowing	9, 10	34,476,610	26,140,203
		72,349,501	72,111,362
		$ 414,020,567	$ 400,689,213

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

CONSOLIDATED **STATEMENT OF EARNINGS**

For the year ended 31 December 2012

	NOTES	2012	2011
Revenues			
Operating Revenues	16	$ 260,423,540	$ 243,986,776
Other Income		2,897,831	2,116,642
	14	263,321,371	246,103,418
Expenses			
Energy Supply		166,889,863	152,432,465
Energy Delivery		8,818,402	9,435,291
Administration and General		31,115,777	35,655,419
Gas Operations		5,399,334	5,748,280
Property Operations		245,136	168,258
Renewables Operations		347,562	906,522
inVenture Operations		7,960,921	184,560
Depreciation and Amortisation		24,477,949	24,412,141
Taxes and Rent		5,422,094	5,675,809
		250,677,038	234,618,745
Operating Income		12,644,333	11,484,673
Interest Expense			
Interest on Debt		656,600	142,226
Other		66,839	91,444
		723,439	233,670
Earnings before Undernoted Items		11,920,894	11,251,003
Foreign Exchange Loss		(393,373)	(118,640)
Change in Fair Value of Held for Trading Investments		3,843	(11,093)
Net Earnings for the Year		$ 11,531,364	$ 11,121,270
Basic and Fully Diluted Earnings per Share		$ 1.07	$ 1.07
Profit attributable to:			
Owners of the Parent		11,266,080	11,121,270
Non-controlling Interest		265,284	–
		$ 11,531,364	$ 11,121,270

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

CONSOLIDATED **STATEMENT OF RETAINED EARNINGS**

For the year ended 31 December 2012

	NOTES	2012	2011
Balance – Beginning of Year		$ 268,507,330	$ 266,218,353
Redemption Liability on Business Combination	18	(4,968,169)	–
Net Earnings for the Year		11,531,364	11,121,270
Dividends Paid		(8,880,353)	(8,832,293)
Balance – End of Year		$ 266,190,172	$ 268,507,330

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

CONSOLIDATED **STATEMENT OF CASH FLOWS**

For the year ended 31 December 2012

	NOTES	2012	2011
Cash Flows from Operating Activities			
Earnings for the Year		$ 11,531,364	$ 11,121,270
Adjustments to Cash Basis:			
Depreciation and Amortisation		24,477,949	24,412,141
Inventory Write-Off	6	397,319	30,667
Deferred Revenues		713,592	–
Changes in Non-Cash Working Capital Balances:			
Accounts Receivable		(1,109,072)	(4,651,525)
Inventory		967,788	(16,556,061)
Prepaid Expenses and Other Assets		(10,818,466)	1,593,171
Customer Deposits		(33,001)	(30,598)
Trade and Other Payables		(10,779,146)	12,522,026
Future Health Costs		1,356,260	596,456
		16,704,587	29,037,547
Cash Flow Used in Investing Activities			
Acquisition of Investment in Subsidiary		(9,483,988)	–
Acquisition of Interest in a Subsidiary from Non-controlling Interest		(1,853,723)	–
Acquisition of Property, Plant, Equipment and Intangible Assets		(24,109,656)	(25,658,905)
		(35,447,367)	(25,658,905)
Cash Flows from/(Used in) Financing Activities			
Cash Proceeds from Issuance of Capital Stock	7	858,339	392,645
Net Cash Proceeds from Bank Borrowing		30,156,059	2,640,203
Dividends Paid to Non-controlling Minority Interest Holders		(2,305,000)	–
Dividends Paid to Shareholders		(8,880,353)	(8,832,293)
		19,829,045	(5,799,445)
Increase (Decrease) in Cash and Cash Equivalents		1,086,265	(2,420,803)
Cash and Cash Equivalents Beginning of Year		2,936,745	5,357,548
Cash and Cash Equivalents End of Year		$ 4,023,010	$ 2,936,745
Supplementary Cash Flow Information			
Cash Interest Received		$ 2,010	$ 3,473
Cash Interest Paid		$ 1,706,988	$ 1,131,711

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

1 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements, as at and for the year ending 31 December 2012, have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada that are applicable to a going concern, which assumes that the Company will continue to operate for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations. The Company's financial statements are presented in Bermuda Dollars, which are on par with US Dollars. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies are as follows:

a Principles of Consolidation

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

b Sales

The sales of electricity are based on consumption recorded by meter readings taken monthly during the year. As in previous years, no account has been taken of unread consumption at the end of the financial year. Sales of propane gas and appliances are recognised upon delivery to customers. Sales of appliance parts sold over the counter are recognised at time of sale, and service sales are recognised at the time the service project is completed. Sales from contracts are provided for using the percentage of completion method. Maintenance sales are earned over the term of the individual contracts. The unearned portion, calculated on a pro-rata basis is deferred and included in the balance sheet as unearned revenue. Where revenues recognised on long-term contracts based on the percentage completion method exceed the amount billed to date, unbilled revenue is recorded.

c Property, Plant and Equipment

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

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

d Cash and Cash Equivalents

Cash and cash equivalents include cash on account and short-term, highly liquid investments with original maturities of three months or less 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 2012 and 2011.

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 Basic and Fully Diluted Earnings per Share

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

h Pensions and Employee Future Benefits

BELCO maintained a trusteed, non-contributory, Defined Benefit Pension Plan (DB Plan), covering all full-time employees hired prior to 1 January 2006. Effective 1 January 2012, all employees covered under this plan have been transitioned to a Defined Contribution Plan, as the DB Plan was frozen as at 31 December 2011. The cost of pension benefits earned by employees under the DB Plan is determined using the projected benefits method prorated on service. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The accrued benefit asset is included in prepaid expenses. Annual changes in net assets or obligations arising from changes in assumptions, plan amendments and transitional amounts are amortised over the expected average remaining service life of the employees covered by the plan. The excess of net experience gains or losses over 10% of the greater of the benefit obligation and the fair value of plan assets is amortised over the average remaining service period of active employees. BELCO's net benefit plan expense is included in administration and general expenses.

The Company maintains a Defined Contribution Plan for all employees. Contributions to the Defined Contribution Plan are expensed as incurred.

BELCO and Bermuda Gas provide post-retirement medical benefits for substantially all employees on retirement. The Company uses the accrual basis of accounting for these benefits, whereby an accrual is made for the present value of the future benefits to be provided in the reporting period in which the employee has provided the related service. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are not recognised unless the cumulative unrecognised gain or loss at the end of the previous reporting period exceeds the greater of 10% of the plan assets or liabilities.

i Intangibles

The Company classifies goodwill and computer software as intangibles. The Company no longer records amortisation on goodwill. Goodwill is tested for impairment on an annual basis, or more frequently if impairment indicators arise, using the discounted cash flow valuation method. As at 31 December 2012 and 2011, there was no impairment of the Company's goodwill. Computer software 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.

j Financial Instruments

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

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

2 FUTURE ACCOUNTING AND REPORTING CHANGES

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

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

In February 2013, the AcSB once again decided to extend the existing deferral of the mandatory IFRS changeover date for entities with qualifying activities by an additional year to 1 January 2015.

In January 2013, the International Accounting Standards Board's (IASB) indicated that it will:

- Publish an exposure draft proposing an interim reporting standard on rate-regulated activities that "grandfathers" existing recognition and measurement policies in March 2013; and
- Issue the interim standard by the end of the year.

In addition, to assist with its recently reactivated comprehensive project on accounting for rate-regulated activities, the IASB plans to issue a request for information in the second quarter of 2013 and establish a consultative group that will provide specialist analysis of accounting issues relating to this topic.

Management has, therefore, decided to defer adoption of IFRS to 1 January 2015, as the Ascendant Group is a qualifying entity, in line with the decision of the AcSB and decisions taken by most other qualifying entities that are also adopting IFRS for the first time.

3 FINANCIAL STATEMENT EFFECTS OF RATE REGULATION

In accordance with Bermuda's Energy Act 2009, BELCO is required to submit all requests for changes in basic customer tariff rates to the Bermuda Government's Energy Commission for review and either approval or denial. Included in the basic customer tariff rates is an amount required to recover the first $30 per barrel of fuel used to generate electricity. BELCO recovers the excess of total fuel costs above $30 per barrel from its customers through the fuel adjustment charge, which is also subject to prior approval by the Energy Commission. Any shortfall in the fuel adjustment recovery is included in accounts receivable. As at 31 December 2012, the fuel adjustment under-recovery was $1,106,336 (2011: $1,790,363).

4 PROPERTY, PLANT AND EQUIPMENT

	ORIGINAL COST	ACCUMULATED DEPRECIATION	2012 NET BOOK VALUE	2011 NET BOOK VALUE
Generation Plant	$ 333,965,236	$ (212,202,784)	$ 121,762,452	$ 119,503,167
Transmission Equipment	78,366,310	(39,449,188)	38,917,122	39,149,654
Distribution Equipment	182,365,100	(103,864,726)	78,500,374	82,546,818
General Plant	65,756,871	(45,526,886)	20,229,985	19,138,142
Other Physical Property	34,643,921	(8,750,765)	25,893,156	25,016,247
	$ 695,097,438	$ (409,794,349)	$ 285,303,089	$ 285,354,028

Total capital work in progress of $26,603,068 (2011: $16,554,260) is embedded in fixed assets noted above. Capital work in progress is not subject to depreciation until brought into service.

Freehold land of $15,184,983 (2011: $15,184,983) is included in fixed assets noted above. Freehold land is not subject to depreciation.

5 INTANGIBLE ASSETS

	GOODWILL	SOFTWARE IN PROGRESS	SOFTWARE	TOTAL VALUE
YEAR ENDED 31 DECEMBER 2011				
Opening net book amount	$ 718,006	$ 192,907	$ 4,179,447	$ 5,090,360
Transfers	–	(192,907)	192,907	–
Acquisitions	–	1,884,539	543,781	2,428,320
Disposals	–	–	(356,934)	(356,934)
Amortisation	–	–	(722,653)	(722,653)
Closing net book amount	$ 718,006	$ 1,884,539	$ 3,836,548	$ 6,439,093
AT 31 DECEMBER 2011				
Cost	$ 1,118,680	$ 1,884,539	$ 11,209,360	$ 14,212,579
Accumulated Amortisation	(400,674)	–	(7,372,812)	(7,773,486)
Net book amount	$ 718,006	$ 1,884,539	$ 3,836,548	$ 6,439,093
YEAR ENDED 31 DECEMBER 2012				
Opening net book amount	$ 718,006	$ 1,884,539	$ 3,836,548	$ 6,439,093
Transfers	–	(2,293,613)	2,293,613	–
Acquisitions	6,914,976	1,575,970	135,802	8,626,748
Disposals	–	–	(273,732)	(273,732)
Amortisation	–	(13,755)	(616,181)	(629,936)
Closing net book amount	$ 7,632,982	$ 1,153,141	$ $5,376,050	$ 14,162,173
AT 31 DECEMBER 2012				
Cost	$ 8,033,656	$ 1,166,896	$ 13,371,488	$ 22,572,040
Accumulated Amortisation	(400,674)	(13,755)	(7,995,438)	(8,409,867)
Net book amount	$ 7,632,982	$ 1,153,141	$ 5,376,050	$ 14,162,173

There was no impairment of intangible assets for the years ended 31 December 2012 and 2011. During the year ended 31 December 2012, $1,711,772 (2011: $2,428,320) of intangible assets, subject to amortisation, were acquired.

Goodwill acquired of $6,914,976 comprises $6,700,212, arising from the acquisition of Air Care and $214,764 of goodwill acquired from Air Care's underlying subsidiary companies.

6 INVENTORY

During the year, the Company expensed inventory totalling $152,134,093 (2011: $138,559,016) as part of normal operations. Inventory written off during the year totalled $397,319 (2011: $30,667). Inventory is comprised as follows:

	2012	2011
Materials and Supplies	$ 36,270,690	$ 33,537,124
Fuel and Lubricants	32,862,525	39,961,561
	$ 69,133,215	$ 73,498,685

7 CAPITAL STOCK

	2012	2011
Capital stock comprises:		
Authorised – 20 million shares of a par value of $1 each (2011: 20 million par value $1)	$ 20,000,000	$ 20,000,000
Issued and fully paid – 10,517,712 shares of a par value of $1 each (2011: 10,446,049 par value $1)	$ 10,517,712	$ 10,446,049

A total of 38,849 shares (2011: 9,814) were purchased by active and retired employees under an Employee Purchase Scheme in 2012 at an average price per share of $11.30 (2011: $11.60), giving rise to an increase in share premium of $400,128 (2011: $169,007). Directors received a total of 13,247 shares during the year (2011: 14,924) as part of total Directors' fee compensation, giving rise to an increase in share premium of $147,847 (2011: $194,550). The average price of the shares issued to Directors in 2012 was $12.16 (2011: $14.03). A total of 19,567 (2011: 4,350) shares were issued to employees during the year in recognition of long service, retirement and accomplishment, giving rise to an expense of $258,268 (2011: $55,170). A total of 41,200 shares were held as treasury shares, as at 31 December 2012 (2011: 41,200).

8 NON-CONTROLLING INTEREST AND JOINT VENTURE

Joint Venture

iFM was originally incorporated as a wholly owned subsidiary of inVenture on 19 January 2011. iFM is now a joint venture company that is 60% owned by inVenture, and 40% owned by a Bermuda-registered, exempted subsidiary of Black & McDonald Limited (B&M). B&M, a privately held Canadian company, is a leading electrical, mechanical and facilities maintenance management contractor operating across Canada, the United States and Bermuda. iFM brings together these strategic partners from Bermuda and Canada to deliver world-class facilities management services to clients in Bermuda.

iFM has been accounted in the Company's financial statements using the proportionate consolidation method in accordance with the shareholder's agreement.

Non-controlling Interest

On 30 May 2012, inVenture Limited, a wholly owned subsidiary of Ascendant Group Limited, acquired 7,114 shares representing a 57% interest in Air Care Limited, a privately held, primarily employee-owned company that is a leading provider of heating, ventilation and air conditioning and related services in Bermuda. The acquisition was debt financed through a revolving loan facility of $15.5 million from The Bank of N.T. Butterfield & Son Limited. The revolving loan facility is the obligation of Air Care. The remaining 5,338 shares, or 43% interest, was agreed to be acquired from minority shareholders in three annual tranches on anniversary date 1 August beginning in 2012, based on an outlined earnings before interest, depreciation and amortisation formula. On 6 September 2012, in accordance with the acquisition agreement, a further 14% interest in Air Care was acquired bringing the total interest in Air Care held by the Company as at 31 December 2012 to approximately 71%.

9 BANK BORROWING

Bank borrowing is comprised as follows:

	2012	2011
Current Liabilities		
The Bank of N.T. Butterfield & Son Limited overdraft facility	$ 34,476,610	$ 26,140,203

BELCO's overdraft facility with The Bank of N.T. Butterfield & Son Limited (the Bank), which expires on 28 February 2014, has a maximum amount of $50 million in Bermuda Dollars, bearing variable interest rates based on the Bank's Bermuda Dollar base rate on borrowings. The original limit for the facility was $40 million, however, on 24 October 2012 and on 28 February 2013, increases of $5 million were requested and approved by the Company's Board. As of 31 December 2012, total drawdown on this facility amounted to $34,476,610, bearing interest of approximately 4.8% (2011: $26.1 million, bearing interest of approximately 4.2%).

	2012	2011
Non-current Liabilities		
The Bank of N.T. Butterfield & Son Limited revolving loan facility	$ 11,250,809	$ –

In May 2012, the Company obtained, through one of its affiliated companies, a revolving loan facility in the maximum principle amount of $15.5 million from The Bank of N.T. Butterfield & Son Limited to finance the acquisition of Air Care. Drawdowns are available during a revolving period of 39 months, a period during which interest only is payable. The loan is for a term of eight years and interest is payable at 1.5% per annum above the Bank's Bermuda Dollar base rate. The loan is secured by a debenture over the assets of Air Care and undertakings as well as a guarantee from Ascendant Group. As of 31 December 2012, a total of $11,250,809 had been drawn down against the facility.

On 26 July 2012, Bermuda Gas renewed its overdraft facility agreement with the Bank. The facility, which expires on 31 July 2013, has a maximum principle amount of $1.5 million. As at 31 December 2012, there was no drawdown on this facility.

10 CAPITAL MANAGEMENT

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

	2012	2011
Capitalisation	$ 327,911,176	$ 328,577,851
Bank Borrowing	45,727,419	26,140,203
Cash and Cash Equivalents	(4,023,010)	(2,936,745)
	$ 369,615,585	$ 351,781,309

The Company's objectives, when managing capital, are to maintain sufficient liquidity and ongoing access to capital in order to allow the Company to build and maintain its operational infrastructure and administrative systems. The Company's short-term capital management strategy is to generate and 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, small-scale renovation work and other requirements. The Company's long-term strategic capital management plan considers all alternative financing options available to address large-scale plant generation expansion or replacement, and transmission and distribution projects.

11 PENSIONS AND POST-RETIREMENT MEDICAL BENEFITS

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

	2012	2011
Ascendant Group	$ 18,250	$ 18,333
BELCO	1,007,690	349,090
Bermuda Gas	152,836	154,165
Sigma	168,924	53,106
PureNERGY	10,362	7,059
	$ 1,358,062	$ 581,753

The Company provides post-retirement medical benefits for substantially all employees on retirement.

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

	PENSION BENEFIT PLAN		MEDICAL BENEFIT PLAN	
	2012	2011	2012	2011
Accrued benefit obligation				
Balance – Beginning of year	$ 144,152,800	$ 127,145,900	$ 26,314,483	$ 16,214,486
Current service cost	–	2,363,300	1,041,557	643,090
Interest cost	7,394,200	7,460,100	1,322,873	1,188,537
Curtailment	–	3,379,100	–	–
Plan amendments and net actuarial loss	20,188,700	9,622,100	8,368,361	9,837,452
Benefits paid	(6,622,900)	(5,817,700)	(1,908,318)	(1,569,082)
Balance – End of year	$ 165,112,800	$ 144,152,800	$ 35,138,956	$ 26,314,483
Plan assets				
Fair value – Beginning of year	$ 121,985,800	$ 116,502,000	–	–
Actual gain on plan assets	9,546,200	6,786,300	–	–
Employer contributions	9,136,000	4,515,200	–	–
Benefits paid	(6,622,900)	(5,817,700)	–	–
Fair value – End of year	$ 134,045,100	$ 121,985,800	–	–
Funded status – plan (deficit)	$ (31,067,700)	$ (22,167,000)	$ (35,138,956)	$ (26,314,483)
Unamortised net actuarial loss	47,210,100	30,227,200	23,601,867	16,133,653
Unamortised transitional asset	(2,359,900)	(2,841,400)	–	–
Accrued benefit asset (liability)	$ 13,782,500	$ 5,218,800	$ (11,537,089)	$ (10,180,830)

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

	PENSION BENEFIT PLAN		MEDICAL BENEFIT PLAN	
	2012 %	2011 %	2012 %	2011 %
Discount rate	4.40	5.25	4.40	5.75
Expected rate of return on plan assets	5.00	6.00	–	–
Rate of compensation increase	3.00	3.00	–	–

For measurement purposes, the annual rate of increase in the per capita cost of covered healthcare benefits was assumed to be 11% for 2012 and, thereafter, reducing 1% per year until reaching 5% after six years. In 2010, it was assumed to be 11% for 2011 and, thereafter, reducing 1% per year until reaching 5%.

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.

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

	PENSION BENEFIT PLAN		MEDICAL BENEFIT PLAN	
	2012	2011	2012	2011
Current service cost	$ –	$ 2,363,300	$ 1,041,557	$ 643,090
Interest cost	7,394,200	7,460,100	1,322,873	1,188,537
Actual gain on plan assets	(9,546,200)	(6,786,300)	–	–
Curtailment	–	3,379,100	–	–
Actuarial loss on accrued benefit obligation	20,188,700	9,622,100	8,368,361	9,837,452
Pension loss before adjustment to recognise the long-term nature of the plans	18,036,700	16,038,300	10,732,791	11,669,079
Difference between expected and actual return on assets	2,151,700	(280,700)	–	–
Difference between actuarial gain (loss) recognised and actual actuarial loss on benefit obligation	(19,134,600)	(9,068,700)	(8,368,361)	(9,332,407)
Amortisation of transitional asset	(481,500)	(481,500)	–	–
Adjustments to recognise the long-term nature of the plans	(17,464,400)	(9,830,900)	(8,368,361)	(9,332,407)
	$ 572,300	$ 6,207,400	$ 2,364,430	$ 2,336,672

12 LONG-TERM INCENTIVE PLAN

The Company initiated a long-term incentive plan, effective 1 January 2009, aimed at retaining the services of its senior management group by providing a performance award incentive divided equally between cash and shares. Plan performance targets and results were set and assessed annually. The shares vested and became unrestricted at the end of three years. A total of $256,093 (Provision as at 31 December 2011: $348,331) was paid out to retained senior managers when the plan matured at the beginning of 2012, made up of 18,547 shares having a market value of $198,826 (Total restricted shares allotted as at 31 December 2011: 18,547; market value: $245,748) and cash totalling $57,267. The long-term incentive plan has not been renewed.

13 COMMITMENTS

The Company has an arrangement with fuel suppliers to ensure adequate fuel will be available when needed for its electrical generation requirements. There were no commitments under these contracts to acquire heavy fuel in 2013, as at 31 December 2012. Commitments under these contracts to acquire heavy fuel in 2012, as at 31 December 2011, totalled US$14,995,271 (BD$15,199,508).

The Company entered into a five-year engine parts and service contract, effective 1 January 2009, with MAN Diesel & Turbo. The total value of this contract (denominated in Euro) is €8,408,065 and is payable in equal yearly amounts of €1,681,613.

14 SEGMENTED INFORMATION (IN 000s)

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

	ELECTRIC 2012	2011	ALL OTHER (a) 2012	2011	TOTAL 2012	2011
Total Revenues from External Customers	$ 251,422	$ 243,666	$ 39,366	$ 26,833	$ 290,788	$ 270,499
Intersegment Revenues	51	50	358	352	409	402
Interest Revenue	1	3	8	7	9	10
Interest Expense	123	92	600	142	723	234
Amortisation of Capital Assets	23,443	23,501	1,035	911	24,478	24,412
Segment Profit	13,082	14,544	(1,551)	(3,423)	11,531	11,121
Segment Assets	379,421	383,355	34,600	17,334	414,021	400,689
Expenditures for Segment Capital Assets	23,039	23,695	1,071	1,964	24,110	25,659

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

	2012	2011
Total Revenues for Reportable Segments	$ 290,788	$ 270,499
Cost of Goods Sold and Discounts	(27,467)	(24,396)
Total Company Revenues	$ 263,321	$ 246,103

15 FINANCIAL ASSETS AND LIABILITIES

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

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

	2012	2011
Not past due	$ 15,953,235	$ 16,392,313
Past due 31- 60 days	2,962,764	3,174,826
Past due 61- 90 days	1,147,908	1,079,768
Past due over 90 days	6,802,814	5,048,827
	26,866,721	25,695,734
Less: allowance for doubtful accounts	(5,228,955)	(3,303,462)
Less: allowance for discounts	(543,736)	(599,801)
	21,094,030	21,792,471
Fuel adjustment under-recovery	1,106,336	1,790,363
Other receivables	2,319,562	2,028,739
	$ 24,519,928	$ 25,611,573

Liquidity Risk: The Company's financial position could be adversely affected if it failed to arrange sufficient and cost-effective financing to fund, amongst other things, capital and operating expenditures, repayment of bank debt and pension funding obligations. The ability to arrange such financing is subject to numerous factors, including the results of operations and financial position of the Company, conditions in the capital and bank credit markets and general economic conditions. The Company manages short-term liquidity risk primarily by maintaining overdraft facilities totalling $51.5 million with The Bank of N.T. Butterfield & Son Limited, as mentioned in Note 9.

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

The Company's Defined Benefit 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 Bermuda Stock Exchange. The fair value of the Company's remaining financial instruments approximates their carrying value, reflecting either their nature or normal trade credit terms.

Other Risks: As at 31 December 2012, the fair value of the Company's primary Defined Benefit Pension Plan assets was $134,045,000 compared to fair value of plan assets of $121,985,800 as at 31 December 2011 (refer to Note 11). The increase in the fair value of pension plan assets during 2012 was due mainly to improved market conditions in 2012, as compared to 2011. The Company does not expect any difficulty in its ability to meet future pension funding requirements, as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under BELCO's existing bank credit facility.

16 OPERATING REVENUES

Operating revenues (except electric operations) represent consolidated sales, net of costs of goods sold, from the Company's principal operating entities and is comprised as follows:

	2012	2011
Electric operations (1)	$ 242,636,320	$ 235,384,579
Gas operations	8,132,833	8,102,575
inVenture operations (2)	9,024,632	–
Property operations	606,694	776,520
Renewables operations (loss)	23,061	(305,568)
Sigma operations	–	28,670
	$ 260,423,540	$ 243,986,776

1 Operating revenues from electric operations are shown gross of cost of goods sold and net of discounts.

2 Operating revenues from the following subsidiaries: Air Care, iFM, and iEPC Limited.

17 INSURANCE CLAIMS

In August 2010, the gas turbine generating unit GT5 experienced internal damage and had to be removed from service. The unit was repaired and returned to service on 17 August 2011. An insurance claim was filed under the Company's insurance policy for costs incurred totalling $2,354,260 to repair the physical damage to the unit. The insurance deductible under the policy at the time was $750,000. The Company's insurers formally accepted this claim as valid and the claim is presently in process. Included in accounts receivable as at 31 December 2012 is an insurance receivable totalling $1,286,924 (2011: $1,604,260). Total insurance receipts received after year end, as of the reporting date, totalled $651,951 with the balance expected to be received in 2013.

18 INVESTMENT IN AIR CARE LIMITED

On 29 May 2012, inVenture, a wholly owned subsidiary of Ascendant Group, acquired a 57% controlling interest in Air Care. Air Care, formerly a privately held, primarily employee-owned company, is a provider of heating, ventilation and air conditioning and related services in Bermuda. The acquisition is being funded by debt (Note 9) which will be repaid by cash flow from Air Care's operations over eight years. The remaining 29% interest in Air Care's capital stock will be purchased at a fixed multiple of earnings over a three-year period ending 1 August 2014. Contingent consideration for future payment of the remaining 29% interest has been recognised as a liability. The portion of the purchase price paid to acquire Air Care that was in excess of its net assets has been recognised as goodwill and is included in intangible assets.

Consideration on 31 May 2012

Cash	$ 10,568,843
Contingent consideration	7,550,211
Total consideration	$ 18,119,054
Recognised amounts of identifiable assets and liabilities assumed	
Cash	$ 1,084,855
Accounts Receivable	2,200,717
Inventory	3,000,363
Property, Plant and Equipment	741,456
Other Assets	788,404
Accounts Payable	(7,425)
Other Current Liabilities	(1,021,329)
Total identifiable net assets	6,787,041
Non-controlling interest	$ (2,918,410)
Redemption liability	7,550,211
Goodwill	6,700,212
Total	$ 18,119,054

Acquisition-related costs of $243,243 have been charged to legal expenses in the consolidated income statement for the year ended 31 December 2012.

On 6 September 2012, the Company acquired a further 14% of the issued shares of Air Care, bringing its total shareholding to 71%. The acquisition of the non-controlling interest amounted to $1,853,723 and was settled in cash, financed by bank borrowings. The outstanding redemption liability at 31 December 2012 was $4,968,169.

19 CHANGES TO PRIOR YEAR PRESENTATION

Certain prior year figures on the balance sheet have been reclassified to conform to current year presentation.

COMPARATIVE STATISTICS 2003 – 2012

		2012	2011	2010
ASCENDANT GROUP LIMITED	Net Earnings (BD$) *(3)*	11,531,364	11,121,270	16,021,283
	Earnings per Share of Common Stock (BD$) *(1) (4)*	1.07	1.07	1.54
	Fully Diluted (BD$) *(4)*	1.07	1.07	1.54
	Dividends Paid per Share (BD$)	0.85	0.85	0.85
	Shareholders' Equity (BD$)	327,911,176	328,577,851	325,892,229
	Bank Borrowing (BD$)	45,727,419	26,140,203	23,500,000
BERMUDA ELECTRIC LIGHT COMPANY LIMITED	Total Utility Plant (BD$)	660,453,518	637,696,927	618,583,902
	Maximum Demand (Kilowatts)	113,700	118,200	122,800
	Kilowatt Hours Generated (Thousands kWh)	688,179	716,784	730,224
	Annual System Load Factor	67.65%	68.07%	66.73%
	Electricity Sales (Thousands of kWh)			
	Residential	249,749	265,243	276,824
	Commercial	307,269	316,356	320,527
	Other	49,328	54,918	53,220
	Total	606,346	636,517	650,571
	Gross Revenue for Electricity Sales (BD$)			
	Residential	67,214,105	70,029,825	72,682,858
	Commercial	67,158,701	68,578,421	69,368,449
	Other	10,984,680	12,139,731	11,916,549
	Fuel Adjustment	104,088,369	91,450,263	75,602,422
	Total	249,445,855	242,198,240	229,570,278
	Net Price per Kilowatt Hour (kWh) (Cents) *(2)*			
	Residential Total (Comprised of:)	46.25	41.23	37.95
	Energy	26.20	25.66	25.45
	Fuel	20.05	15.57	12.50
	Commercial Total (Comprised of:)	45.08	39.92	37.09
	Energy	25.54	24.85	24.88
	Fuel	19.54	15.07	12.21

NOTE: 1 Figures have been adjusted for stock split and stock dividend.

NOTE: 2 Net price per kWh is net of proportionate share of annual discount expense.

NOTE: 3 Net earnings for 2005 include insurance settlement net proceeds of $8,118,040.

NOTE: 4 The 2005 earnings per share including insurance settlement net proceeds of $8,118,040 is $2.78.

2009	2008	2007	2006	2005	2004	2003
19,506,881	20,099,108	20,399,518	21,618,657	28,539,158	18,482,511	17,268,247
1.88	1.95	1.98	2.10	1.99	1.81	1.70
1.88	1.95	1.98	2.10	1.99	1.81	1.70
0.85	0.85	0.83	1.22	1.54	1.54	1.54
321,079,790	309,740,288	295,479,703	282,798,684	268,868,037	247,688,525	236,457,764
25,500,000	15,000,000	16,500,000	7,000,000	19,000,000	31,500,000	13,000,000
590,119,270	577,456,583	561,897,923	536,007,256	504,750,278	481,209,583	442,466,198
122,300	119,800	117,700	117,200	113,800	108,200	114,600
738,455	728,938	718,670	708,937	694,081	667,196	664,356
68.02%	68.67%	68.41%	67.80%	68.52%	68.48%	65.68%
271,682	268,563	275,677	271,215	268,919	257,903	251,396
326,728	319,018	314,334	311,408	302,608	293,863	295,386
57,673	57,373	53,810	48,742	45,127	43,232	43,250
656,083	644,954	643,821	631,365	616,654	594,998	590,032
68,369,024	64,386,543	62,050,283	59,533,194	57,653,222	54,080,515	52,742,764
69,925,457	67,554,268	65,532,520	64,616,922	62,313,214	59,838,817	59,993,648
12,387,449	12,241,136	11,871,254	10,152,318	9,438,419	8,956,520	9,536,736
76,374,743	98,546,435	55,193,552	49,752,428	36,171,695	26,007,761	21,911,509
227,056,674	242,728,382	194,647,609	184,054,862	165,576,550	148,883,613	144,184,657
36.82	39.35	30.43	29.10	26.47	24.48	23.90
24.44	23.38	21.80	21.23	20.69	20.20	20.18
12.38	15.97	8.63	7.87	5.78	4.28	3.72
31.31	34.75	27.75	27.51	25.43	23.77	23.14
20.78	20.64	19.88	20.07	19.88	19.62	19.54
10.53	14.11	7.87	7.44	5.55	4.15	3.60

ASCENDANT GROUP **BOARD OF DIRECTORS**

1 **Reginald S. Minors,** A.M.I.M.I.
Director since 1995
President & Chief Executive Officer,
Tools & Equipment Unlimited Ltd.

2 **Peter C. Durhager**
Director since 2003
Executive Vice President &
Chief Administrative Officer,
RenaissanceRe Holdings Ltd.

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

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

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

6 **J. Michael Collier,** J.P.
Director since 1989
Retired, President & Chief Executive Officer,
The Bank of N.T. Butterfield & Son Limited

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

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

9 **Stanley A. Oliver,** M.P.A., P.Eng
Director since 2004
Retired, Head of Civil Service

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

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

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

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

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

COMMITTEES

	EXECUTIVE	FINANCE	HUMAN RESOURCES & COMPENSATION	AUDIT & RISK	GOVERNANCE	OCCUPATIONAL HEALTH, SAFETY & ENVIRONMENT
Reginald S. Minors	▲ (Chairman)	▲			▲	▲
Peter C. Durhager	▲	▲ (Chairman)			▲	
Walter M. Higgins	▲					
Gavin R. Arton	▲	▲	▲ (Chairman)			
James B. Butterfield			▲	▲		
J. Michael Collier	▲					
A. David Dodwell		▲		▲		
L.A. Joaquin	▲			▲ (Chairman)	▲	
Stanley A. Oliver	▲		▲			▲ (Chairman)
Donna L. Pearman				▲		▲
Michael L. Schrum		▲		▲		
Richard Spurling	▲			▲	▲ (Chairman)	
Dr. Wilbert N.E. Warner			▲			▲
W. Edward Williams		▲			▲	

▲ *Chairman of Committee*

ASCENDANT GROUP **EXECUTIVE**

1 **Walter M. Higgins**
President & Chief Executive Officer, Ascendant Group and BELCO

In June 2012, Walt moved to Bermuda to join Ascendant Group after a life-long career in the US energy industry. He retired in 2007 as Director, Chairman, President & CEO of Sierra Pacific Resources in Nevada (now NVEnergy), and is a Director of SJ Industries in New Jersey, as well as Bermuda-based AEGIS Insurance Services. He graduated from the US Naval Academy with a degree in nuclear science and served 29 years in the US Naval Reserve.

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

Over the past two years, Michael has helped advance Ascendant Group's diversification as a key member of the executive team that launched inVenture, iFM and iEPC Limited. He joined the Company as a BELCO Apprentice in 1989, and has held leadership roles in BELCO Energy Delivery, Engineering, Environment and Occupational Health & Safety.

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

Denton joined BELCO as an Apprentice in 1989, using the opportunity to earn technical certification and then an engineering degree. He was named Manager of Plant Operations and Maintenance in 2009, and played a key role in the design and construction of BELCO's state-of-the-art C. Eugene Cox Operations Centre.

4 **Judith Uddin**
General Manager & Chief Operating Officer, Bermuda Gas & Utility Company Limited

In 2009, Judith brought her experience to Bermuda Gas as Assistant Financial Controller, having had a successful career as an entrepreneur in the restaurant business. She was promoted to Bermuda Gas General Manager in autumn 2011 and Chief Operating Officer in 2012.

5 **Christopher A. Coelho,** C.A.
Senior Vice President & Chief Financial Officer, Ascendant Group

Chris joined the Company in 2009, having spent more than 20 years working in the Island's highly competitive international insurance business sector. He brings to Ascendant Group broad experience in finance, management and accounting.

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

Cheryl, who joined the Company in 2012, has served as Crown Counsel in the Attorney General's Chambers, Magistrate, Bermuda Government advisor and Senior Legal Counsel to the Bermuda Monetary Authority. Her 25-year career has included experience within litigation, trusts, corporate, regulation and compliance practice areas within the public and private sectors as a member of the Bermuda Bar.

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

A member of the executive team since 2003, Robert has served as Senior Vice President of BELCO Energy Supply, Engineering and Operations, including Energy Delivery. He is currently responsible for the Company's strategic Fuel, Logistics and Supply Chain processes, as well as Safety, Health and Environment. Robert, who joined BELCO in 1983, is an experienced leader who heads a critical area of the organisation.

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

Linda, who has been a member of the executive team since 2003, was a journalist before originally joining BELCO in 1989. She established the Company's Corporate Communications department, which today includes internal and external communications, community relations and data management, media relations, advertising and special events.

ASCENDANT GROUP LIMITED

Publicly traded investment holding company for energy and infrastructure services

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BOARD OF DIRECTORS

Reginald S. Minors *(Chair)*
Peter C. Durhager *(Deputy Chair)*
Walter M. Higgins
Gavin R. Arton
James B. Butterfield
J. Michael Collier
A. David Dodwell
L.A. Joaquin
Stanley A. Oliver
Donna L. Pearman
Michael L. Schrum
Richard Spurling
Dr. Wilbert N.E. Warner
W. Edward Williams

CORPORATE OFFICERS

Walter M. Higgins
President & Chief Executive Officer

Christopher A. Coelho
Senior Vice President &
Chief Financial Officer

Cheryl-Ann Mapp
Corporate Secretary
& General Counsel

Michael D. Daniel
Senior Vice President

Linda C. Smith
Senior Vice President

Robert B. Steynor
Senior Vice President

Judith Uddin
Chief Operating Officer,
Bermuda Gas

Denton E. Williams
Senior Vice President

BERMUDA ELECTRIC LIGHT COMPANY LIMITED

Electric utility services

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Walter M. Higgins
President & Chief Executive Officer
Denton E. Williams
Senior Vice President & Chief Operating Officer

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Peter C. Durhager
L.A. Joaquin
Stanley A. Oliver
Donna L. Pearman
Michael L. Schrum
Dr. Wilbert N.E. Warner

AG HOLDINGS LIMITED*

Non-utility energy and infrastructure investment holding company

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Michael D. Daniel
President & Chief Operating Officer

BOARD OF DIRECTORS

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Gavin R. Arton
J. Michael Collier
A. David Dodwell
Reginald S. Minors
Richard Spurling
W. Edward Williams

BERMUDA GAS & UTILITY COMPANY LIMITED

Distributor of propane gas, energy-efficient appliances, parts, repair, maintenance services

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Judith Uddin
General Manager & Chief Operating Officer

BOARD OF DIRECTORS

Reginald S. Minors *(Chair)*
Walter M. Higgins
Peter C. Durhager
Christopher A. Coelho *(ex officio, CFO Ascendant Group)*
Michael D. Daniel *(ex officio, President, AG Holdings)*

AIR CARE LIMITED**

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

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Website: www.ascendantgroup.bm

IFM LIMITED***

Property and facilities management services

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Website: www.ifm.bm

PURENERGY RENEWABLES, LTD.

Renewable energy solutions

Tel: 441-299-2808 Fax: 441-295-2577
E-mail: info@purenergy.bm
Website: www.purenergy.bm

ASCENDANT PROPERTIES LIMITED

Property management company

INVENTURE LIMITED

Interim investment/acquisition holding company

* Formerly BTS Limited

** Majority interest acquired in May 2012

*** Jointly owned with Black & McDonald Limited

OFFICERS

ASCENDANT GROUP

Abayomi S. Carmichael
Treasury, Risk Management & Analysis

David Faries
Group Controller

Carol Ross-DeSilva
Internal Audit & Process Improvement

Jocene Wade-Harmon
Human Resources

Position Open *(at publication)*
Information Technology

BELCO

Ian Maule
Energy Supply

Dennis Pimental
Energy Delivery

Roger L. Todd
Engineering & System Reliability

BERMUDA GAS

Craig A. Tyrell
Operations

AG HOLDINGS

Michael Maughan
Engineering & Technical Support

Robert Platt
Air Care

SHAREHOLDER INFORMATION

INVESTOR SERVICES

Tel: 441-295-5111, Ext. 1213
E-mail: info@ascendant.bm

ASCENDANT GROUP ORDINARY SHARES

RANGE	RECORD	COUNT
BALANCES AT 31 DECEMBER 2012		
01: Up to 100	928	37,620
02: 101 to 500	918	224,168
03: 501 to 1,000	401	298,865
04: 1,001 to 5,000	539	1,276,530
05: 5,001 to 10,000	108	803,877
06: 10,001 to 100,000	133	3,282,771
07: 100,001 to 1,000,000	13	3,556,399
08: Over 1,000,000	1	1,037,482
	3,041	10,517,712

ASCENDANT GROUP ORDINARY SHARES

At 31 December 2012, the Directors of the Company held 81,884 shares; the Officers of the Company held 41,570 shares. Companies that held greater than 5% of the shares are Bermuda First Investment Company Limited with 1,037,4829, Lawrie (Bermuda) Limited with 700,000 and Argus Investment Nominees Limited with 561,046.

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

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

EXCHANGE LISTING

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

BERMUDA STOCK EXCHANGE

P.O. Box HM 1369, Hamilton HM FX, Bermuda

Tel: 441-292-7212
Website: www.bsx.com

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

SAVE TIME, MONEY & TREES

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

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

SCAN. VISIT.

CHOOSE ELECTRONIC

BANKERS

HSBC Bank Bermuda Limited
Hamilton, Bermuda

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

AUDITORS

PricewaterhouseCoopers
Hamilton, Bermuda

LEGAL COUNSEL

Conyers Dill & Pearman
Hamilton, Bermuda

Marshall Diel & Myers
Hamilton, Bermuda

Appleby (Bermuda) Limited
Hamilton, Bermuda

ECO-FRIENDLY PRODUCTION

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

THE USE OF THIS PAPER MEANS:

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ISLAND PRESS LIMITED

The 21-square-mile Bermuda archipelago is located in the Atlantic Ocean, approximately 750 miles off of the US East Coast. The Island is home to an estimated population of less than 62,000. It has a thriving business community that includes tourism and a well-established international financial services, insurance and reinsurance sector.

ASCENDANT
group

ASCENDANT GROUP LIMITED

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