



ASCENDANT
GROUP LIMITED ANNUAL REPORT 2010



INNOVATION = SUCCESS



Bermuda Electric Light Company Limited

was established in 1904 as Bermuda's sole supplier of electricity. BELCO operates generating plant and transmission and distribution systems to service over 35,000 metered connections.

Mission: to provide a secure, reliable and sustainable electric power system for the people of Bermuda.



Bermuda Gas & Utility Company Limited

was established in 1936 as a distributor of propane gas and operates an appliance and service centre. The Company was purchased in 1994.

Mission: to provide environmentally responsible energy products and services, while delivering exceptional value to customers, employees and shareholders.



PureENERGY Renewables, Ltd.

was incorporated in 2008 to offer customised, small-scale renewable systems to Bermuda's residential and commercial markets. PureENERGY delivers integrated, sustainable, renewable power solutions through a combination of technologies: solar photovoltaic, solar thermal water heating and wind turbines.

Mission: to provide alternative energy options that deliver genuine value to customers, employees and shareholders.



InVenture Limited

was established in 2009 as a vehicle for investment and diversification into new business.

Mission: To maximise shareholder value through diversified investment in non-correlated utility and infrastructure opportunities.



Sigma Corporate Services Company Limited

was incorporated in 2010 to provide corporate and shared services across the Ascendant Group, leveraging synergies and operational efficiencies.

Mission: To partner with our clients to provide corporate solutions to maximise their success.



BELCO Properties Limited

was incorporated in 1996 and is a property rental and development company established to manage those group properties that are not used in the production or distribution of electricity. It is the parent company of Serpentine Properties Limited.

BTS Limited

was established in 1995 and is a subsidiary investment holding company.

ASCENDANT GROUP HIGHLIGHTS	2010	2009	% CHANGE
Net Earnings	\$ 16,692,283	\$ 19,506,881	-14.43
Basic and Fully Diluted Earnings per Share	\$ 1.60	\$ 1.88	-14.89
Dividends	\$ 8,808,094	\$ 8,775,074	0.38
Dividends per Share	\$ 0.85	\$ 0.85	0.00
Market Price per Share (as at 31 Dec.)	\$ 14.95	\$ 15.05	-0.67
Book Value per Share (as at 31 Dec.)	\$ 31.63	\$ 31.05	1.87
Total Assets (as at 31 Dec.)	\$ 386,681,865	\$ 377,161,649	2.52

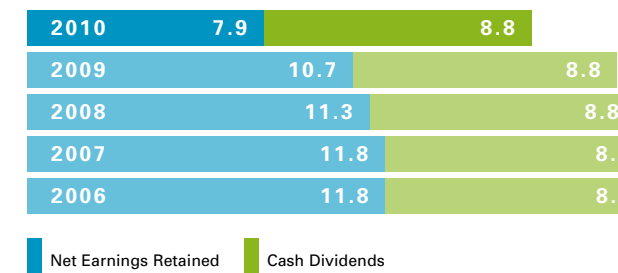
THE RIGHT EQUATION: VISION + EXPERTISE + INNOVATION = LONG-TERM VALUE

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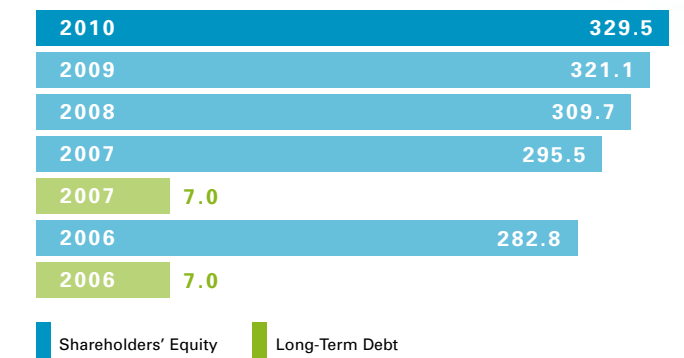
Net Earnings

(Millions of dollars)



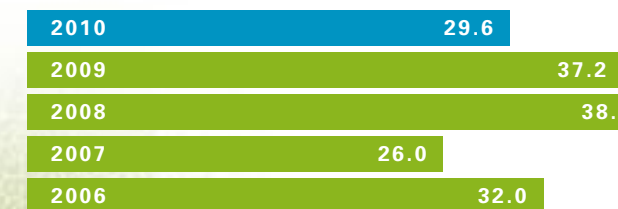
Capitalisation

(Millions of dollars)



Investment in Property, Plant and Equipment

(Millions of dollars)



Book Value and Market Price of Shares

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



TO OUR SHAREHOLDERS

Ascendant Group Limited continues to make significant changes to its organisational structure, whilst also sharpening focus on targeted revenues, improved efficiencies and business opportunities. Difficult times necessitate innovation. As the Bermuda economy experiences challenging times, we are adapting to keep our operating companies resilient and position Ascendant Group to contribute to Bermuda's economic recovery and growth.

In 2010, we incorporated Sigma Corporate Services Company Limited to provide corporate and shared services across the group, leveraging synergies and operational efficiencies. InVenture, established in late 2009, is focused on infrastructure development. The capital-intensive nature of our operations necessitates that we remain an attractive investment for both local and international financial markets. The Board of Directors is also mindful that over 85 percent of Ascendant Group employees and pensioners are shareholders, as are thousands of Bermudian families. In 2010, the Board of Directors made changes to the governance structure to support sustainable earnings and enhance shareholder value to ensure that Ascendant Group remains amongst the Island's premier investments.

Two areas of focus for the Board in 2010 were corporate governance and risk management. Newly constituted Committees are: Executive, Governance, Audit & Risk, Finance, Human Resources & Compensation and Occupational Health & Safety & Environment. The Governance Committee oversees the effectiveness of the Ascendant Group Board, its Committees and Subsidiary Boards. It also makes recommendations to the Board on matters of corporate governance, and acts as the nominating committee.

The Audit & Risk Committee's mandate has been expanded to encompass risk management, with a view to overseeing an Ascendant Group-wide Enterprise Risk Management (ERM) system. An ERM system ensures accountability and strategy for managing and mitigating organisational risks. Bermuda Electric Light Company Limited (BELCO) was our first operating company to implement an ERM system; it developed a Risk Register, comprising identified financial, systems, people, reputation, compliance and regulatory risks.

Other key changes to the Board structure: expansion of the Occupational Health & Safety & Environment Committee's mandate to encompass all subsidiaries; empowering the Executive Committee to act in place of the full Board, if necessary. Also changed: Boards' meeting schedules reconfigured; diversification of Directors on Subsidiaries' Boards; level of subsidiaries' reporting increased to give Directors more insight into each company and, equally, wider management interaction with the Board.

We are confident that our new structure will encourage the sharing of knowledge and viewpoints across Ascendant Group subsidiaries, supporting innovative approaches to planning for Bermuda's infrastructure and energy future.



J. MICHAEL COLLIER
Chairman



TO OUR STAKEHOLDERS

Ascendant Group is an integral part of the Bermuda community, as a service provider, employer, corporate and private investment, builder of infrastructure and community partner. As the second half of 2010 brought with it unquestionable evidence that the global economic downturn is having a deeper, and perhaps longer-lasting, effect on Bermuda than originally anticipated, we were ready to respond further. Our group of companies accelerated cost reduction and restructuring measures to preserve long-term sustainability and perpetuate opportunities for future growth. This included difficult decisions, affecting our people as well as long-term policies and programmes.

BELCO + BERMUDA GAS + PUREENERGY + INVENTURE + SIGMA = OPERATING COMPANIES

A previously approved 1.5 percent average increase in electricity rates, which was to have taken effect on 1 January 2011, was deferred by BELCO in December 2010 in an effort to assist the Bermuda community. BELCO also implemented a salary freeze and agreed to adjustments in overtime pay with unionised employees. While BELCO is targeting cost reductions across its operations, including working arrangement and benefits, the other Ascendant Group operating companies are also embracing opportunities for greater efficiency, synergies and growth.

Ascendant Group has the expertise, innovation, operating companies and talent to enhance our position as a leading Bermuda business. We bring to bear fundamental capabilities around large, engineering-intensive operations, as well as project management and execution, supported by our financial strength.

InVenture Limited, formed in 2009, is a vehicle for investment and diversification into new business, and is uniquely positioned to leverage our collective expertise to deliver multi-faceted infrastructure projects. In support of Group-wide activities, in 2010 we also established Sigma Corporate Services Company Limited to identify and dispatch resources, capture cost reductions and provide multi-disciplined support to enable new revenue opportunities. As Sigma matures, we will also look to it to devise new revenue streams that ultimately contribute to our consolidated results.

Offering small-scale renewable solutions to residential and commercial customers since 2008, PureENERGY Renewables, Ltd. continues to support the development of a renewable energy market for Bermuda's businesses and individuals. In support of sustainable development, companies across Ascendant Group share the commitment to provide a diversified energy portfolio, referred to as the "New Energy Equation", which is the focus of this report.

2010 ACCOMPLISHMENTS

- Formed Sigma Corporate Services Company Limited
- Established new Governance Committee of the Board, as well as full-time, in-house General Counsel position, also serving as Corporate Secretary with oversight of Corporate Governance
- Established a public-private partnership with Bermuda's Department of Conservation Services to foster ongoing restoration of Nonsuch Island

Operating separately, but planning and thinking collectively, companies within our Group are uniquely positioned to bring solutions to the Bermuda market up to and beyond the traditional electricity meter. By using propane, coupled with renewable energy options, Bermuda can reduce reliance on fuel oil-generated electricity and heighten overall awareness of energy use.

There are a number of factors driving us to be more innovative, efficient and sustainable. The energy industry is evolving in response to new technologies, regulation and competition, as well as shifting customer priorities and increasing fuel prices. We also take into account concerns about global warming and the strategic importance of reducing dependence on imported fuels, while remaining focused on our responsibility to provide secure, reliable power.

As we navigate an evolving industry and regulatory environment, we expect that, for at least the next year, one of the most critical drivers of change will be weathering the weaker economy, whilst positioning Ascendant Group companies to assist in the recovery. Although we have seen significantly reduced residential and commercial electricity sales at BELCO and negative impact on revenues of other operating companies, we are optimistic that Bermudian ingenuity will prevail.

Bermuda's reputation as a sophisticated destination for business and tourism is dependent upon maintaining a solid infrastructure, and our companies are significant contributors. Dependent upon Government approvals, in 2011 BELCO intends to invest approximately \$66 million in Bermuda's electricity infrastructure. This will include two new engines at BELCO's Central Plant and two new substations and underground cable reinforcements to accommodate distributed generation, which would include large-scale renewable energy installations, once the sites have been agreed by Government.

While funding for investment in capital projects may be challenging, given the current economic climate, we are bullish about Bermuda's future and optimistic that the new Government leadership will bring positive direction and opportunity to the Island. As is the case in many other sophisticated jurisdictions, investment in infrastructure is vital to continued success.

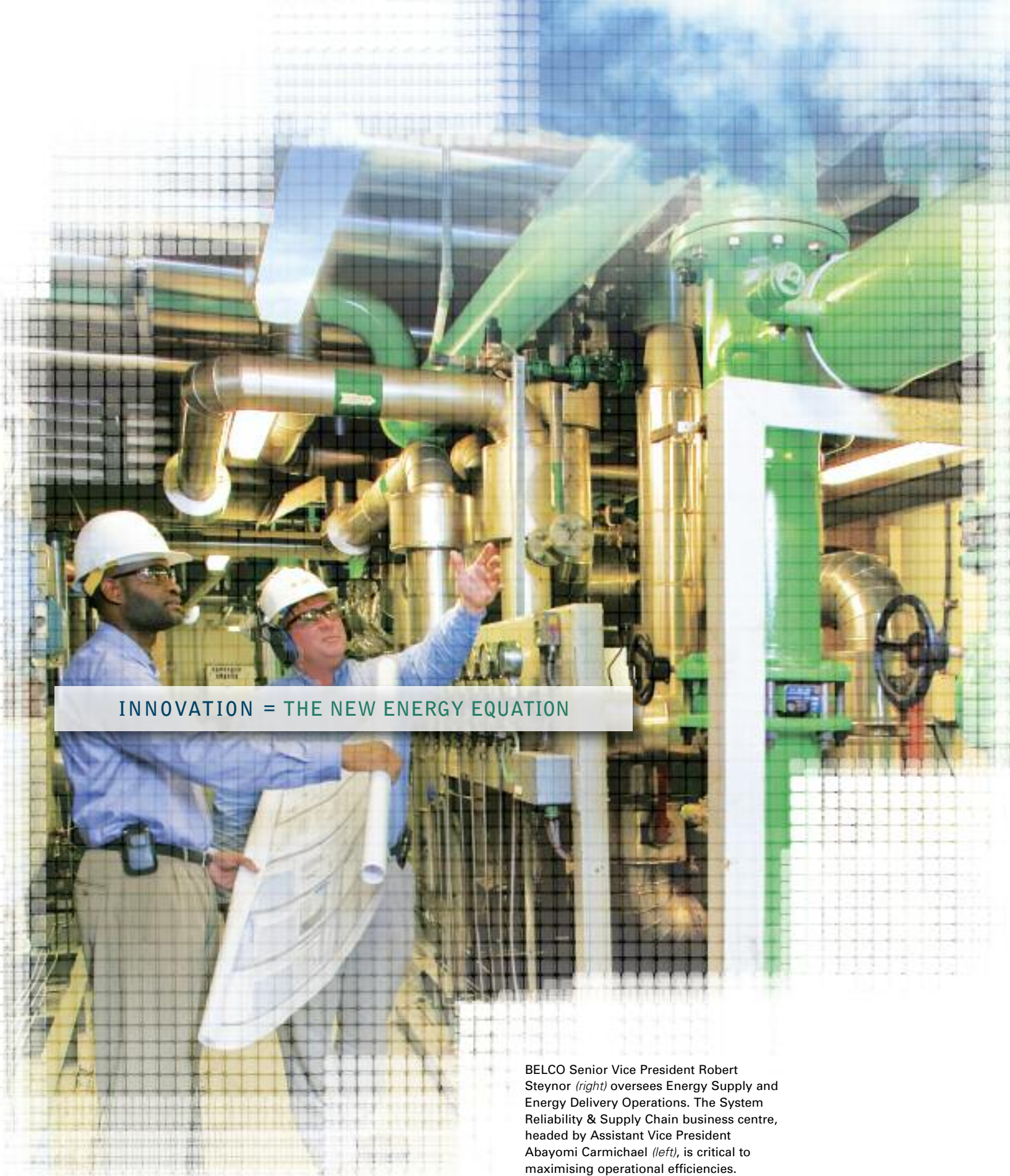
We are encouraged by early indications of increased transparency and dialogue with stakeholders, and by the establishment of the Ministries of Environment, Planning & Infrastructure Strategy, and Business Development & Tourism, as well as renewed emphasis on education, which is fundamental to the future of our society. Ascendant Group looks forward to working closely with Government as a trusted advisor and potential partner on energy and infrastructure. In particular, we hope to contribute to the development of energy policy for Bermuda. We also intend to contribute as a local business partner, helping to frame the Island's economic progress and revitalise the Bermuda brand.

We plan to participate fully in developing new, necessary infrastructure, whilst retaining that which is distinctive about the Island. Toward this end, working in partnership with Government, Ascendant Group has committed \$50,000 annually, through 2020, to help with restoration and research on Nonsuch Island, Bermuda's "Living Museum". Nonsuch Island is a unique natural treasure and we are proud to play a role in preserving it for future generations.

Ascendant Group's vision for Bermuda is aligned with views expressed by political and other business leaders. We are confident that Ascendant Group represents the answer to the right equation for energy, for the Island and for our stakeholders.



A.L. VINCENT INGHAM
President & Chief Executive Officer



INNOVATION = THE NEW ENERGY EQUATION

BELCO Senior Vice President Robert Steynor (right) oversees Energy Supply and Energy Delivery Operations. The System Reliability & Supply Chain business centre, headed by Assistant Vice President Abayomi Carmichael (left), is critical to maximising operational efficiencies.

Without question, 2010 was one of the most challenging times in BELCO’s century-long history, and we are prepared for another difficult year in 2011. Toward that end, we are focused on changing our business model to support the New Energy Equation, and to manoeuvre through the maze of the economic downturn, increasing regulation and an evolving energy industry.

BELCO HIGHLIGHTS	2 0 1 0	2 0 0 9	% CHANGE
Sales of Electricity (Net of Fuel Adjustment)	\$ 153,957,856	\$ 150,681,930	2.18
Kilowatt Hours Generated	730,223,639	738,455,497	-1.11
Barrels of Fuel Used	1,040,447	1,068,599	-2.63
Customs Duty on Barrels of Fuel	\$ 15,710,750	\$ 16,135,845	-2.63
Kilowatt Hours Sold	650,570,678	656,082,293	-0.84
Peak Load (Kilowatts)	122,800	122,300	0.41
Load Factor	66.73%	68.02%	-1.90
Number of Metered Connections	35,668	35,558	0.31

Changes to the business model are guided by BELCO’s focus on people, plant, profit and policy, as well as preservation of the core business centres, which we call Energy Supply and Energy Delivery, or generation and transmission and distribution, respectively. We are making changes to create a sustainable, environmentally responsible enterprise capable of continuing to deliver ongoing benefit to stakeholders, including employees, customers and the community at large.

The New Energy Equation calls for a re-development of BELCO’s Central Plant to meet Bermuda’s base load electricity requirement. It also calls for distributed generation and for producing 20 percent of the Island’s power from renewable and other clean energy sources by 2020. As the New Energy Equation becomes reality for Bermuda, the top priorities for customers remain price,

security and reliability of supply. BELCO’s planning takes into account these concerns, as well as competition and smart development and management of the electrical grid, enabling improved control of electricity consumption.

An important piece of the New Energy Equation was put in place with the establishment of BELCO’s Interconnection Policy for residential property owners or occupants who have a small-scale renewable energy generation system on site that does not exceed 15 kilowatts. The policy enables these residential customers to feed excess power to BELCO’s grid at the same rate that they pay for power, with effect from 1 November 2010. At the time of writing this report, there were approximately 30 participants in the programme.

2010 ACCOMPLISHMENTS

- ISO 14001 Certification of BELCO's Environmental Management System
- Re-accreditation of the Engineers-in-Training Programme
- Commissioning of three new gas turbine engines
- Two-day Open House in May 2010, attended by 725 people
- Efficient power restoration following severe winter storms and Hurricane Igor

We also advanced BELCO's Central Plant redevelopment plan to ensure that the Island continues to enjoy a robust and reliable electricity system. To meet that commitment, we filed an application with the Department of Planning for the phased, 10-year redevelopment of the Central Plant in Pembroke. Over this period, BELCO will need to retire 100 megawatts (MW) of old plant, replacing it with new, cleaner, state-of-the-art facilities. At the same time, we must also plan to meet increased demand for electricity, forecasting that an additional 20 MW of capacity will be required by 2020. The first phase of this plan will result in two new 18 MW engines housed in a new North Power Station, which needs to be in operation by 2013. Benefits associated with installing new plant include greater efficiency and less environmental impact than existing older facilities.

An important milestone in Central Plant redevelopment was reached in May 2010, when BELCO commissioned 13.5 MW of plant, powered by three 4.5 MW Rolls Royce 501KB7S gas turbine generating sets and auxiliary equipment. These new engines replaced four smaller gas turbines that had reached the end of their useful service lives. With the new gas turbines, BELCO is able to leverage advances in technology, doubling power output on the same footprint, improving plant reliability and reducing environmental impact.

Total cost of the redevelopment was approximately \$15 million. The gas turbines serve as peaking and emergency standby generators. They are smaller and more expensive to run and, as such, operate less frequently than BELCO's base load diesel engines.

The electric utility business is capital intensive, requiring financing from a variety of sources. BELCO intends to invest approximately \$66 million in Bermuda's electricity infrastructure in 2011. This includes replacement engines at the Central Plant, the addition of two new transmission substations, as well as underground cable reinforcements to accommodate distributed generation, including large-scale renewable energy installations, once sites have been agreed by Government. For the longer term, BELCO's retirement and replacement of over 100 MW of equipment over the next 10 years will require more than \$350 million of new capital, including enhancements to the transmission and distribution system, advanced metering infrastructure and other projects.

While capital expenditure is essential, BELCO's Operations group works to maximise system efficiency to manage costs. An important area of focus for this group is system reliability. BELCO's system reliability team works to maximise the return on capital investment by improving reliability of the system through analysis of operational data to improve maintenance strategy, life-cycle management and defect elimination, while also ensuring appropriate inventory management.



At BELCO, Engineering works to ensure that Bermuda has a secure, reliable and sustainable electric power system for the future. (Left to right) Senior Mechanical Engineer Roger Todd and Mechanical Engineer Athanasius Smith are amongst those working on the Central Plant redevelopment that began with the commissioning of new gas turbine engines.

BELCO is proud to have earned ISO 14001 Certification of its Environmental Management System (EMS) in 2010, becoming the first organisation in Bermuda to earn this distinction, exceeding the requirements of Bermuda's environmental regulation. During 2010, and following several years of effort, independent auditors certified that BELCO's EMS is consistent with the internationally recognised standard, ISO 14001. BELCO has committed to continuously improve its EMS. In addition, the company must pass annual independent audits in 2011 and 2012, and will undergo a re-certification audit every three years thereafter.

The programme enables BELCO to cultivate a highly skilled, professional, "home-grown" engineering staff.

Employee development, a priority for the entire Ascendant Group, is achieved at BELCO through training opportunities for all staff, including a trades apprenticeship programme and both internal and external scholarships. In 2010, two new scholarships for Bermudians were added, fostering talent development for the company and community: the C. Eugene Cox Postgraduate Engineering Scholarship and the Alfred T. Oughton Postgraduate Business Scholarship.

THE NEW ENERGY EQUATION = NEW BUSINESS MODEL + NEW CUSTOMER RELATIONSHIPS

BELCO is also working to improve other key processes. In 2010, the electric utility company commenced efforts that are intended to result in certification of its Occupational Health & Safety Management System (OHSMS) under ISO 18001 by undergoing a safety audit and introducing general safety awareness training for all staff and contractors. These efforts will continue in 2011, as BELCO works toward implementing an OHSMS that meets internationally accepted standards.

In 2010, BELCO was recognised for its professional development programme for engineers. The programme was re-accredited through 2013 by the Institution of Mechanical Engineers (IMechE) and Institution of Engineering Technology (IET), both of which are prestigious, international engineering institutions that provide a quality assured, approved route for graduate engineers to complete their professional development. Accreditation, first granted to BELCO in 1997, indicates that the programme meets the highest standards and that the company has committed qualified staff and resources to professional development.

In 2010, BELCO also implemented new programmes to put people to work and generate interest in energy careers. A new mentoring programme for high school juniors and seniors provides students with the opportunity to work at BELCO during the school year. Another programme, implemented with assistance from Government, placed six Hustle Truck workers at BELCO in a variety of maintenance jobs. BELCO also successfully issued a Request for Proposal through the Bermuda Small Business Development Corporation, engaging a contractor to repair and paint the Transport Garage. These efforts reflect BELCO's continued commitment to support the Bermuda community.

The C. Eugene Cox Operations Centre, managed by Vice President Michael Maughan (right), is where BELCO's Energy Supply and Energy Delivery (ED) operations are controlled. Dennis Pimentel, Vice President, ED-Construction, Operations & Maintenance (left) leads the team that manages the transmission and distribution system.

Managing BELCO's 20-engine Plant is a 24-hour-a-day job that requires input from a team of engineers, as well as highly skilled technicians, planners, operators, workers and helpers. Assistant Vice President Denton Williams ensures that Plant Operations & Maintenance work is managed to ensure plant efficiency and availability.



Bermuda Gas continues to pursue the five-year strategic plan that was developed in 2009, and which has successfully produced two consecutive years of growth.

2010 ACCOMPLISHMENTS

- Increased gas and appliance sales in a challenging economic climate
- Raised Bermuda Gas' profile with targeted promotions, including a propane education campaign and speaking engagements
- Title sponsorship of SKY Streetball Syndicate basketball tournament; SKY stands for 'serving knowledge to youth', emphasising sports, education and values
- Launched formal Corporate Contributions Programme, maximising the impact of appliance donations and other contributions

For 2011, Bermuda Gas has set targets based on our strategic plan for our primary lines of business: Gas Sales, Appliance Sales, Parts & Service. We are also working to maximise competitive advantage, provide superior customer service and improve operational efficiencies. At the same time, we, like all Ascendant Group subsidiaries, are focused on developing employees to industry standard; in 2011, we will concentrate on trades and professional certification of staff.

Marketing is central to Bermuda Gas' efforts to educate consumers and increase sales. Amongst our successful marketing campaigns in 2010 were the 'Dart Man' discount campaign, the annual holiday season turkey giveaway and appliance raffle, and a \$50,000 gas appliance giveaway aimed at attracting new propane customers. Bermuda Gas also had an effective presence at relevant community events, including the annual Age Concern Expo and Coldwell Banker Home Show.

C3H8 = FORMULA FOR A CLEANER ENERGY FUTURE

Since 2009, Bermuda Gas has also put considerable effort into educating consumers about energy-efficient appliances and the benefits of propane gas as an affordable, cleaner fuel. Our goal is to grow our customer base and expand the ways in which propane gas is used. While propane gas is widely recognised as a cooking fuel, we are encouraging residential and commercial use for heating and emergency power generation, and as a fuel for commercial and other vehicles. In fact, over the next few years, the Bermuda Gas fleet will be powered entirely by propane gas. Clean energy is an important component in Ascendant Group's strategies to minimise the environmental impacts of Bermuda's electricity and transport sectors. Bermuda Gas is well positioned to act as an advisor in this energy sector.

In 2011, Bermuda Gas will continue creative, targeted marketing efforts to support business development and new product line introductions. There will also be a rebranding initiative to ensure that the company's profile continues to grow and its values are reflected throughout its operation.

In addition to addressing how the company is positioned in the marketplace, Bermuda Gas has also begun work on its new location. Efforts started in 2010 will continue in 2011 to consolidate its offices, service department and warehouse under one roof at 25 Serpentine Road in Pembroke, which is a property owned by another Ascendant Group subsidiary. The move is intended to improve operational efficiency and enhance customer service.



As Bermuda Gas works toward targets set in its five-year strategic plan, Financial Controller Siobhan Fubler monitors progress in the gas company's primary lines of business: Gas Sales, Appliance Sales, Parts and Service.



INNOVATION = PROPANE + EFFICIENT APPLIANCES

Enhanced customer service and improved operational efficiencies, including increased focus on safety, are priorities for Bermuda Gas Vice President Judith Uddin (right). She is managing the consolidation of operations at 25 Serpentine Road. Ernest Marshall (left) supervises Bermuda Gas' Warehouse, which was relocated to Pembroke in 2010.



INNOVATION = RENEWABLE ENERGY OPTIONS

PureENERGY's new solar installation at BELCO is designed to supply the headquarters building with hot water, as well as 58 kilowatts of power to the offices. The installation team included General Manager Kevon Makell (left) and Project Manager Jamaal White (right).

As Bermuda looks to reduce dependence on imported fuels and to participate in the global effort to address climate change, there is a need to integrate renewable energy into Bermuda's future energy mix.

2010 ACCOMPLISHMENTS

- Participation in targeted opportunities to raise PureENERGY's profile in a competitive marketplace
- Commercial energy audit of BELCO headquarters, and permits to install a commercial solar photovoltaics and solar thermal system

Deploying small-scale renewable energy solutions and energy efficiency services is essential to Bermuda's energy future. PureENERGY is the Ascendant Group operating company that will provide both for residential and commercial customers.

PureENERGY, which was incorporated in 2008, produced below-target financial results in 2010 and, for 2011, will continue to execute its strategic plan through product and service sales, and continued improvement to customer service and project management. Whilst interest in renewable energy is high, PureENERGY has felt the impact of the economic downturn with the cancellation or postponement of several commercial installations.

One of PureENERGY's most significant projects in 2011 will be the installation of a comprehensive renewable energy system on the roof of BELCO corporate headquarters in Pembroke. Planning application was initiated by PureENERGY in the autumn of 2010 for an installation that will be PureENERGY's largest commercial solar photovoltaic (PV) installation to date. The project gives PureENERGY the opportunity to showcase its product line. It also provides BELCO first-hand experience with the equipment and helps the electric utility company to fulfil its environmental commitments.

PureENERGY is gaining recognition as a leader in the small-scale renewable market

POWER OF SUN + WIND = CONSUMER + ENVIRONMENTAL BENEFITS

Consequently, we are mindful that converting interest into sales will likely prove challenging and that competition in the small-scale renewables market is keen. Nevertheless, PureENERGY has been gaining ground in sales of solar water heaters, which are an easy and economical introduction to clean energy. PureENERGY is also focused on performing energy audits to educate consumers and help them reduce consumption, as well as grid connection consulting and sales of solar pool pumps and lighting options. The renewables company will also look to offer service and maintenance products and project financing.

and as a trusted advisor and advocate for clean energy and sustainability. The renewables company has a wealth of data about equipment use and performance, as well as grid impact, garnered from customer installations and Ascendant Group's "sustainable cottage" Beta Site in Warwick. The Beta Site incorporates solar electric, solar water heating and micro wind turbine technologies to power its base load, and has an integrated computer system that can be monitored via the Internet, providing hard data in real time.

InVenture is uniquely positioned to leverage Ascendant Group's collective expertise to deliver multi-faceted infrastructure projects that incorporate a balance of established and cutting-edge technologies.

We believe InVenture has real opportunity, as Bermuda prepares to build infrastructure to sustain and improve the provision of first-class services to residents, tourists and international business.

Across Ascendant Group, we have a diverse range of talent and expertise to call upon for a collective approach to developing new business opportunities and complex infrastructure initiatives. At the time of this writing, InVenture is working on several potential projects. As these are realised, InVenture will take a building-block approach to its portfolio, so that business opportunities in and out of Bermuda complement each other.

OPPORTUNITY + PARTNERSHIP = GROWTH

InVenture's capital requirements will not be dependent on Ascendant Group's balance sheet. Investments may include incorporating new entities, taking strategic minority interest positions, acquisitions and joint ventures. We will assess new business opportunities based upon return on investment, market position and fit with our businesses, including the core values of our potential business partners.

INNOVATION = DIVERSE RESOURCES + EXPERT MANAGEMENT

A collaborative approach supports InVenture's pursuit of projects in and outside of Bermuda.

Sigma, the newest member of the Ascendant Group, was incorporated in 2010 to house our shared and corporate service functions.

2010 ACCOMPLISHMENTS

- Hosted CARILEC Human Resources Conference at Fairmont Hamilton Princess for professionals from Caribbean electric utility companies
- Conducted Employee Opinion Survey at a pivotal time in our corporate history
- Contributed \$5,000 to The Sunshine League to purchase new beds

Ascendant Group's objective in forming Sigma is to streamline the operating companies, positioning them for changes that may occur with respect to rates and energy regulation, while at the same time gaining efficiencies through consolidation of services. Utilities in the United States began successfully adopting the service company model about a decade ago, and Ascendant Group is confident that it will benefit our organisation.

trades apprentices and lay foundations for successful careers in these fields. The course offering represents the start of a branding initiative upon which Sigma will begin to build its reputation and develop its business.

Within Ascendant Group, Sigma will undertake to identify cost-saving and operational efficiencies and will be a driver of best practices, whilst also helping to reduce

INNOVATION = HUMAN EXPERTISE + TECHNICAL PROCESSES

Ascendant Group's Business Performance and Risk Management functions have been centralised at Sigma with Vice President Carol Ross-DeSilva working to establish group-wide processes, whilst also developing synergies.

EXCELLENCE + INNOVATION + INTEGRITY = RESULTS

The first shared services transitioned into Sigma were Human Resources and Legal in 2010, with External Relations & Corporate Communications, Investor Services and Business Performance & Risk Management joining the team in 2011. Other shared and corporate service functions will be transitioned to Sigma at later dates.

Sigma will explore external revenue opportunities as transitions are successful and service excellence is realised. For example, in January 2011, Sigma announced its first public course offerings: "Preparation for the Trades" courses were made available to those seeking to bolster basic knowledge of the maths and sciences required to become

corporate risk by ensuring consistency of policies and practices across all subsidiaries. Sigma has unique knowledge and experience to help its partners in Ascendant Group achieve best business results, and intends to be the provider of choice, offering market-competitive services.

The Sigma team will work to increase internal customer satisfaction and employee engagement, including establishing the corporate services company as a great place to work with new opportunities for its own staff to develop skills and careers.



Ascendant Group is proud to have partnered with Government on the long-term restoration of Nonsuch Island, which is home to numerous endangered species. We have committed to support conservation work on the island for the next decade to ensure that future generations will be able to enjoy Bermuda's unique natural beauty.

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

ASCENDANT GROUP

Consolidated net earnings for 2010 were \$16.69 million, down from \$19.51 million in 2009. Consequently, earnings per share decreased 14.9 percent to \$1.60 from \$1.88 in 2009. Net income results of Ascendant Group's subsidiaries for 2010 were mixed, as reported in detail below.

Bermuda Gas reported improved results of \$1.32 million, as compared to 2009 net income of \$1.27 million. BELCO's earnings fell approximately \$2.95 million to \$16.71 million versus \$19.66 million in 2009. PureENERGY posted a net loss of \$0.41 million for 2010. Although this is an improvement over the 2009 net loss of \$1.10 million, this is still below expectations and, consequently, management is reviewing its options with respect to this entity. BELCO Properties Limited's earnings fell \$77,895 to \$177,876 versus \$255,771 in 2009. InVenture Limited, which was incorporated last year as a vehicle for new business opportunities, is still in the development stage and posted a net loss of \$72,035 for the year. Sigma Corporate Services Company Limited, the newest member of the Ascendant Group, broke even. Sigma was created to provide administrative services for Ascendant Group companies.

Management also views the change in Ascendant Group's book value per ordinary share as an additional measure of the Company's performance. Book value per share is a financial measure that is calculated by dividing shareholders' equity by the number of outstanding shares at any period end. Book value per share is affected primarily by net income and also the impact of any share buyback or issuance activity. The Company's book value per share increased by \$0.58 to \$31.63 in the year to 31 December 2010, as compared to an increase of \$0.98 during 2009. As previously stated, the Company's net income for 2010 was lower than 2009, hence the lower increase in book value for the year. The market price of Ascendant Group's shares declined in 2010 from an opening value of \$15.05 to a year-end price of \$14.95. Management continues to believe that the Company's shares are undervalued and not reflective of the long-term value of the organisation.

The 2010 cash dividend of \$0.85 per share was unchanged from 2009. The 2010 dividend yield, based on the year-end stock price of \$14.95, was 5.69 percent compared to 5.64 percent in 2009, based on the 2009 year-end price of \$15.05 per share.

BELCO

Electricity Operating Revenue

Sales of electricity, net of fuel adjustment income, increased \$3.29 million in 2010 to \$153.97 million, up from the \$150.68 million achieved in 2009. Basic tariff rates and facility charges increased an overall average of 3.1 percent in 2010, providing additional revenue to BELCO of \$4.55 million. However, this was offset by reduced revenue of \$1.27 million, due to a decrease in the number of kilowatt hours (kWh) sold. In addition, BELCO's 2010 sales were negatively affected by the impact from Hurricane Igor, which passed over the island on 19 September.

Immediately following the passage of the storm, approximately 29,000 customers were without power. Although power to all customers was restored within a week, the estimated effect was approximately \$0.50 million in lost sales.

Fuel adjustment revenue decreased \$0.77 million to \$75.60 million in 2010, from \$76.37 million in 2009. The decrease is attributed to improved efficiency in 2010 more than offsetting a modest 1.0 percent increase in average fuel prices in 2010. The corresponding decrease in fuel costs is reflected in the Energy Supply group costs.

The table below presents the specific kWh sales levels and changes in the various rate classes.

	2010		2009	
	'000'S KWH	% CHANGE	'000'S KWH	% CHANGE
Residential	276,824	1.9	271,682	1.2
Commercial	320,527	-1.9	326,728	2.4
Other	53,220	-7.7	57,673	0.5
Total	650,571	-0.8	656,083	1.7

Residential

Residential kWh sales increased 1.9 percent in 2010, following an increase in 2009 of 1.2 percent. Average consumption per customer increased 1.3 percent during the year to an average monthly consumption of 707.84 kWh. Increased average consumption accounted for 3.6 million kWh of the total increase of 5.1 million kWh in residential sales. The balance of the increase, 1.5 million kWh, is a result of consumption by new residential customers.

Commercial and Other

Sales in the Commercial sector were down 1.9 percent, or 6.2 million kWh, compared to an increase of 2.4 percent in 2009. During the year, significant declines in electricity consumption were noted from Elbow Beach, Fairmont Southampton Princess Resort, Tynes Bay and The Waterfront for varied reasons, such as closure for renovation, reduced occupancy and decreased operating activity. BELCO also observed reduced consumption by a large number of commercial businesses during the year, the direct result of contraction in the local economy. New commercial customer sales totalled 7.2 million kWh, while terminated commercial accounts accounted for lost sales totalling 2.1 million kWh.

BELCO's peak demand for 2010 of 122.8 MW occurred on 26 August 2010 at 2:30 p.m. The evening peak for the year of 122.5 MW was recorded on the same date at 6:30 p.m. This year's peak is 0.4 percent higher than the 2009 peak of 122.3 MW, highlighting the fact that, while new customers coming on line has increased demand, this has been offset by decreased demand by existing customers and lost demand through business closures.

Expenses

Energy Supply (fuel)

Fuel costs are the most significant of the Energy Supply expenses. This year, total fuel costs were \$107.35 million versus \$108.84 million in 2009. This decrease is due to a combination of improved efficiency and decreased generation volume related to lower kWh demand more than offsetting increased fuel costs and increased kWh's purchased from Tynes Bay. Average efficiency for 2010 was 690 kWh per barrel of fuel consumed, which is a 1.2 percent increase when compared to the average efficiency realised in 2009 of 682 kWh, leading to 12,432 fewer barrels consumed and fuel savings of \$1.25 million. Average fuel costs increased approximately \$0.96 to \$101.82, up from average fuels costs realised in 2009 of \$100.86. The increase in fuel costs resulted in an additional \$1.03 million spent on fuel during the current year. BELCO's cost per barrel of fuel included a customs duty charge of \$15.10 per barrel. The total value of customs duty on fuel consumed in 2010 was \$15.71 million (2009: \$16.14 million).

Energy Supply (net of fuel)

Energy Supply expenses increased by \$6.5 million in 2010. Approximately 55 percent of the increase is attributed to deferring less expense in 2010 than in 2009 due to fewer engine overhauls in the current year. In line with the Company's overhaul-to-overhaul accounting policy, \$3.4 million more was deferred in 2009 than in 2010. In August 2010, gas turbine engine GT5 experienced internal damage and was removed from service. The Company's insurers were notified that a formal claim would be made when final costs were determined. The Company absorbed \$0.75 million in 2010 in respect of this incident, representing the net deductible for the claim under the existing insurance policy. The claim will be formally made when costs are finalised, based on quoted repair costs net of likely insurance recovery. Premium renewal in 2010 on the Company's main property insurance policy increased \$222,122, in part due to the Company's 2009 diesel engine E7 alternator claim, as well as changes in general insurance market rates. Sludge disposal costs increased \$186,721 due to increased volume of waste oil shipped overseas, as well as to an oil spill incident that occurred and was resolved during the year. A new five-year service agreement with Siemens Industrial Turbomachinery, related to maintenance and service of new gas turbine engines, took effect in 2010, costing the Company approximately \$441,929. Significant costs were also incurred during the current year for repairs and maintenance on major engine machine parts, and to extend the useful life of existing engines to meet future demand, as the Company continues to seek Government approval to build new plant to replace aging plant. Costs incurred for these efforts in 2010 totalled \$1.12 million.

Energy Delivery

The largest single item negatively impacting current year results in this area was related to \$0.69 million of restoration costs, following the passage of Hurricane Igor in September. Significant subsequent overtime costs were also incurred to make lasting repairs, as temporary repairs were made immediately after the storm to restore service as quickly as possible. The Company is extremely proud of its employees, who worked tirelessly to ensure customer service was restored to all customers within one week of Hurricane Igor striking Bermuda.

Disposal costs increased \$83,330, due to increased volume of waste oil transported overseas. This increased volume of waste oil transported overseas in 2010 was part of an overall corporate effort to address and comply with ISO 14001 environmental standards through the removal of waste oil that had accumulated over a number of years and remained on site.

Administration and General

The Company had no inventory write-offs in 2010 versus \$0.97 million in 2009, which was primarily related to parts specifically supporting diesel generation engine D2, which was decommissioned during the year. These decreases were offset in part by a substantial increase in the Company's bad debt provision of \$0.82 million, as aged receivables have deteriorated due to weakness in the local economy, which is impacting customers.

Depreciation and Amortisation

Given the capital-intensive nature of BELCO's operations, Depreciation and Amortisation is one of the largest single operating costs, representing 11.1 percent of total operating expenditures this year. The net decrease in Depreciation and Amortisation expense of \$223,483 is primarily due to a decrease of \$341,255 in major engine overhaul amortisation. Depreciation and Amortisation increased by \$117,772, as the impact of newly capitalised assets was offset by a decrease due to existing fixed assets reaching the end of their useful life during the year.

Interest

Throughout the year, the Company maintained a \$35 million credit facility with The Bank of N.T. Butterfield & Son Limited, which matured on 28 February 2011. Subsequent to the Company's year end, this facility was renewed and now expires on 29 February 2012. Along with financing fuel shipment receipts, this facility was used during the year to address working capital requirements. Interest costs for 2010 of \$234,946 include loan facility renewal fees of \$65,625 (2009: \$61,250). The 2010 effective rate of interest on outstanding debt of 5.15 percent was slightly higher than the effective rate of interest on outstanding debt of 5.08 percent in 2009.

Construction

BELCO invested \$29.52 million in capital projects in 2010, compared to \$36.81 million in 2009.

Energy Supply capital expenditures in 2010 totalled \$10.44 million (2009: \$15.80 million).

In September 2010, the Company commissioned three new, more efficient gas turbines to provide needed capacity to meet future demand, given planned decommissioning of aged existing plant, specifically diesel engines D3, D8, and D10 in 2014. The total spent on the gas turbines project in 2010 was \$3.64 million, bringing the total project cost to \$15.67 million. This installation represents the Company's "Plan B", least-cost solution, following failure to obtain planning approval in 2007 to build new diesel plant in the North Power Station. This installation provides the Company with approximately 13.5 megawatts of generation, with an anticipated service life of 24 years, and represents one phase of the New Energy Equation. Other planned phases in the New Energy Equation include large-scale wind, solar and waste-to-energy renewable energy installations. Total costs to implement the New Energy Equation over the next four years are projected at \$92 million.

During 2010, BELCO spent \$2.27 million to acquire and install radiator fans and cooling pumps in engines D8 and D10. Acquisition and installation of this equipment was essential to increase the capacity of these generating units in order to meet customer energy demand until completion of the new North Power Station. Although engines D8 and D10 are scheduled to be decommissioned in 2014, these fans and pumps can be used elsewhere in the Plant.

A total of \$1.08 million was spent on electrical works projects in 2010, including approximately:

- \$250,000 on an oil tank management system, providing the Company with real time information on oil levels in all major oil storage vessels
- \$140,000 on an operations task management system that has automated standard engine review procedures carried out by engineering staff
- \$202,000 on an International Power Monitoring and Control (IPMC) system that provides engineering staff with information to make cost-effective decisions necessary to reduce lost generation through internal usage

During August 2010, gas turbine engine GT5 suffered internal damage while in operation and, as a result, was forced out of service. The damaged unit was subsequently shipped overseas to Siemens Industrial Turbomachinery for repairs, costing the Company, through to the end of 2010, a total of \$0.96 million. The Company has notified its insurer that a formal claim will be made once all costs to return GT5 engine to service have been determined. The Company also spent \$0.68 million during the year to make significant urgent repairs to fuel holding Tank 7. Following a formal out-of-service inspection, it was determined that the tank was not compliant with international safety standard API 653 for steel above-ground storage tanks used in the petroleum industry. If left uncorrected, significant risk existed for fuel to leak into the ground or for a worst-case catastrophic environmental failure. The repairs are expected to extend the remaining useful service life of Tank 7 by a minimum of 20 years.

Capital expenditure incurred by Energy Delivery in 2010 totalled \$12.08 million (2009: \$14.25 million).

A total of \$4.06 million (2009: \$4.16 million) was spent addressing customer-initiated projects requiring new or amended supply services. As part of the redevelopment of the King Edward VII Memorial Hospital, the Company spent \$2.10 million relocating the Hospital substation. Planning for the relocation began in mid-2009, in conjunction with the Bermuda Hospitals Board, as the existing substation that feeds the hospital and surrounding area was located within the proposed footprint for the new hospital development. Supply requirements for the new substation had been anticipated several years earlier, when the Company upgraded transmission cables to the Belmont Substation via Point Finger Road, rather than more directly over Trimmingham Hill. To clear the site and make it ready for contractors, the original substation building had to be vacated and all cables crossing the site de-energised by 1 December 2010. Through the careful planning and management of this project by the Company's Energy Delivery team, this deadline was successfully met. The new upgraded substation, situated on the corner of Point Finger and Berry Roads, is expected to provide service over a long period and to meet anticipated increased demand.

In 2010, the Company spent a total of \$2.70 million (2009: \$2.51 million) as part of its ongoing effort to improve the security of overhead and underground high- and low-voltage networks. Work carried out on main and branch service lines involved upgrading or installing additional transformers, as well as replacing low- and high-voltage cable where appropriate. This work was carried out across the entire Island during the year.

Another ongoing effort to secure reliability of service involves the review and modification of other components of the transmission system, principally switchboards, as well as transmission earthing sources, voltage restraint over current relays and other areas of the transmission system's protection controls. During the current year, the Company spent an additional \$1.27 million (2009: \$2.29 million) as part of its transmission protection modification project begun in 2009. This was deemed necessary to ensure that the existing system meets required system reliability and safety policy standards and to ensure minimisation of outages. The second and final phase of this project commenced in 2010 and will continue at least through 2011.

In the Company's Finance & Administration group, a total of \$1.38 million was spent on information technology enhancements and initiatives during the year. New vehicles purchased during the year amounted to \$474,240, addressing mounting costs to maintain older vehicles, as well as work requirements. Approximately \$0.87 million was also spent on the installation of a new roof membrane on the east section of the Company's administration building, as well as a solar water heating and photovoltaic system purchased from affiliate company PureENERGY. The new system is scheduled to commence operation in April 2011. The installation will provide power to heat BELCO headquarters' water and will supply 58 kilowatts (kWh) of power, offsetting use of power generated by the Central Plant.

BERMUDA GAS	Bermuda Gas' net earnings for the year increased to \$1.32 million from \$1.27 million in 2009, an increase of 3.9 percent. An additional 9,512 units of propane, primarily in the residential market, were sold in 2010 as compared to 2009. The Company aggressively marketed the benefit of using propane to meet consumer energy requirements as an alternative to electricity, with many residential customers, either new or existing, upgrading from cylinder to bulk propane container consumption. Appliance sales increased 15.2 percent with an additional 501 appliances sold during the year as compared to total sales in 2009. The increases noted in gas and appliance sales more than offset service sale results for the year, which decreased 7.3 percent when compared to 2009.
PUREENERGY	PureENERGY realised a net loss for the year of \$405,276 as compared to a net loss of \$1.10 million in 2009. PureENERGY continues to experience the ill effects of an economy in recession, an increase in the number of new competitors entering a slow-to-develop renewable energy market, as well as an uncertain policy, legislative, regulatory and financing framework for alternative energy products and services. These governing factors have contributed in part to PureENERGY's inability to convert public interest in renewables into bankable sales results. The Company continues to aggressively market its solar water heating, energy efficiency and security lighting products to improve profitability, and is currently exploring new ways to address customers' budget constraints in an effort to deliver affordable service and solutions.
BELCO PROPERTIES	BELCO Properties Limited realised consolidated results of \$177,876 in 2010, as compared to \$255,771 in 2009. Decreased results for the year are directly related to the loss of one of the Company's tenants during the year.
INVENTURE	InVenture, formed to pursue new investment opportunities outside of the energy business, did not secure any revenue for Ascendant Group in 2010. Total costs of \$72,035 were incurred during the year and have been included in Administration and General expenses.
SIGMA	Newly formed Sigma Corporate Services Company Limited was created to provide shared and corporate services to Ascendant Group operating companies, as well as to explore external revenue opportunities where appropriate. During the year, Sigma provided human resource and legal services across the group. In 2011, challenged with realising significant efficiency gains and reducing operational cost, Sigma will expand services to include business performance, corporate communications and marketing. Revenues in 2010 were solely derived from services provided to related entities and, thus, eliminated on consolidation, in accordance with generally accepted accounting principles. Operating expenses for 2010 of \$1,435,277 have been included in Administration and General expenses.

Future Reporting Changes

As disclosed in the 2009 annual report, the Canadian Accounting Standards Board (AcSB) requires all publicly accountable enterprises to use International Financial Reporting Standards (IFRS), effective 1 January 2011. However, IFRS is currently silent on rate-regulated activities. As a result, for companies like BELCO and Ascendant Group, preparing to adopt IFRS for the first time, it is unclear whether the regulatory assets or liabilities currently on their balance sheets can be included in IFRS-prepared opening balance sheets, and their continuing ability to recognise similar assets and liabilities going forward. For example, as reported in Note 3, supporting the 2010 consolidated financial statements in this annual report, the balance sheet of Ascendant Group contains a rate-regulated asset of \$1,294,478 at 31 December 2010. On transition to IFRS, this would potentially be written off to opening retained earnings, with future changes to under and/or over recovery of fuel costs charged directly to expenses, negatively impacting net income reported as a result.

Consequently, in September 2010, the AcSB decided to defer the requirement for qualifying rate-regulated entities to adopt IFRS for one year. 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. As a result, both BELCO and its parent company, Ascendant Group, are qualifying entities. Management has, therefore, decided to defer adoption of IFRS for one year to 1 January 2012, 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.

Current preparations for IFRS conversion by Ascendant Group and its subsidiaries are well underway. Accounting components have been fully researched, new accounting policies approved, IFRS compliant financial statements have been drafted, required system changes have been identified and management is currently working with system support staff to ensure these changes are made in a timely manner.

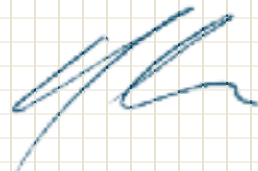
The consolidated financial statements of Ascendant Group Limited presented in this report have been prepared by Company personnel in accordance with Bermudian and Canadian Generally Accepted Accounting Principles. The integrity and objectivity of the data in these financial statements are the responsibility 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.



A.L. VINCENT INGHAM
President & Chief Executive Officer



CHRISTOPHER A. COELHO
Treasurer

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 2010, and the Consolidated Statement of Earnings, Consolidated Statement of Retained Earnings and Consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Ascendant Group Limited and its subsidiaries as at 31 December 2010 and of its financial performance and its cash flows for the year then ended, in accordance with accounting principles generally accepted in Bermuda and Canada.



PRICEWATERHOUSECOOPERS
Chartered Accountants

Dorchester House
Hamilton, Bermuda
21 April 2011

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended 31 December 2010

	NOTES	2010	2009
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4	\$ 286,300,457	\$ 281,358,237
Intangible Assets	16	5,090,360	5,806,406
		291,390,817	287,164,643
Current Assets			
Cash and Short-Term Investments		5,357,548	6,453,334
Accounts Receivable	3, 12, 17	20,960,048	18,979,361
Inventory	7	56,973,292	54,855,227
Prepaid Expenses		12,000,160	9,709,084
		95,291,048	89,997,006
		\$ 386,681,865	\$ 377,161,649
CAPITALISATION AND LIABILITIES			
Capitalisation			
Capital Stock	5	\$ 10,416,961	\$ 10,381,354
Share Premium	5	27,552,973	27,102,430
Treasury Stock	5	(845,803)	(845,803)
Contributed Surplus		22,549,745	22,549,745
Retained Earnings		269,776,253	261,892,064
		329,450,129	321,079,790
Current Liabilities			
Customer Deposits		331,928	342,431
Trade and Other Payables	14, 17	23,815,434	20,778,574
Future Health Costs	10	9,584,374	8,760,854
Bank Borrowing	6, 12	23,500,000	25,500,000
		57,231,736	55,381,859
Other Liabilities			
Specific Provisions	8	0	700,000
		\$ 386,681,865	\$ 377,161,649

	NOTES	2010	2009
Revenues			
Operating Revenues	15	\$ 231,870,024	\$ 229,056,023
Other Income		2,008,083	1,643,904
	11	233,878,107	230,699,927
Expenses			
Energy Supply		138,884,288	133,933,385
Energy Delivery		9,870,632	9,293,586
Administration and General		31,104,770	31,840,422
Gas Operations		5,670,975	5,445,604
Property Operations		159,155	163,647
Renewables Operations		749,894	747,549
Depreciation and Amortisation		23,929,453	24,152,936
Taxes and Rent		6,165,426	5,516,906
		216,534,593	211,094,035
Operating Income		17,343,514	19,605,892
Interest Expense			
Interest on Debt		234,946	258,812
Other		82,215	93,032
		317,161	351,844
Earnings before Undernoted Items		17,026,353	19,254,048
Foreign Exchange (Loss) Gain		(201,579)	401,996
Change in Fair Value of Held for Trading Investments		(132,491)	(149,163)
Net Earnings for the Year		\$ 16,692,283	\$ 19,506,881
Basic and Fully Diluted Earnings Per Share		\$ 1.60	\$ 1.88

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

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

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended 31 December 2010

	2010	2009
Balance – Beginning of Year	\$ 261,892,064	\$ 251,160,257
Net Earnings for the Year	16,692,283	19,506,881
Dividends Paid	(8,808,094)	(8,775,074)
Balance – End of Year	\$ 269,776,253	\$ 261,892,064

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	NOTES	2010	2009
Cash Flows from Operating Activities			
Earnings for the Year		\$ 16,692,283	\$ 19,506,881
Adjustments to Cash Basis:			
Depreciation and Amortisation		23,929,453	24,152,936
Inventory Write-Off		39,746	1,127,075
Specific Provisions		(700,000)	(700,000)
Changes in Non-Cash Working Capital Balances:			
Accounts Receivable		(1,980,687)	934,470
Inventory		(2,157,811)	(10,208,458)
Prepaid Expenses		(2,291,076)	(2,418,732)
Customer Deposits		(10,503)	(258,069)
Trade and Other Payables		4,373,140	4,044,997
Future Health Costs		823,520	755,468
		38,718,065	36,936,568
Cash Flow Used in Investing Activities			
Acquisition of Property, Plant, Equipment and Intangible Assets		(29,491,907)	(37,189,606)
Cash Flows from/(Used in) Financing Activities			
Cash Proceeds from Issuance of Capital Stock	5	486,150	625,803
Purchase of Treasury Stock	5	0	(18,108)
Cash Proceeds from Bank Borrowing		49,500,000	75,000,000
Repayment of Bank Borrowing		(51,500,000)	(64,500,000)
Dividends Paid to Shareholders		(8,808,094)	(8,775,074)
		(10,321,944)	2,332,621
(Decrease) Increase in Cash and Short-Term Investments			
		(1,095,786)	2,079,583
Cash and Short-Term Investments Beginning of Year			
		6,453,334	4,373,751
Cash and Short-Term Investments End of Year			
		\$ 5,357,548	\$ 6,453,334
Supplementary Cash Flow Information			
Cash Interest Received		\$ 23,074	\$ 17,858
Cash Interest Paid		\$ 1,150,736	\$ 597,390

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

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 2010, 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 seven wholly owned subsidiaries, Bermuda Electric Light Company Limited (BELCO), Bermuda Gas & Utility Company Limited, BTS Limited, InVenture Limited, BELCO Properties Limited, PureENERGY Renewables, Ltd. 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.

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 generating plant, transmission and distribution equipment, less estimated salvage value is calculated on a straight-line basis over periods ranging from 15 to 24 years. Depreciation of general plant and other physical property is calculated on a straight-line basis over periods ranging from three to 24 years. 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 Short-Term Investments

Cash and short-term investments include cash on account and short-term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash, and that are subject to insignificant risk of change in value. No significant interest rate risk is associated with cash and short-term investments held as at 31 December 2010 and 2009.

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 maintains a trustee, non-contributory, defined benefit pension plan, covering all full-time employees hired prior to 1 January 2006. The cost of pension benefits earned by employees under the defined benefit pension 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 percent 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. BELCO also maintains a defined contribution plan for all employees hired after 31 December 2005. Contributions to the defined contribution plan are expensed as incurred.

Bermuda Gas maintains a defined contribution plan. 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 percent of the plan assets or liabilities ("the corridor approach").

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 2010 and 2009, there was no impairment of the Company's goodwill. Computer software is amortised on a straight-line basis over five years. Software in progress is not subject to amortisation until brought into service.

j Financial Instruments

The Company classifies short-term investments 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 short-term investments, accounts receivable, bank borrowings, customer deposits, trade and other payables approximate the fair value because of their short-term maturities.

2 Adoption of Accounting Standards

The Canadian Institute of Chartered Accountants (CICA) issued and/or amended several accounting standards during the year; however, they are not expected to have any significant impact on the Company's 2010 fiscal year. New and/or amended accounting standards issued during the year include:

- Sections 1582, 1601 and 1602 of the CICA Handbook (Business combinations, consolidated financial statements and non-controlling interests, respectively) replace former CICA Handbook sections 1581 (Business combinations) and 1600 (Consolidated financial statements), and establish a new section for non-controlling interests in a subsidiary.
- Section 3855 of the CICA Handbook (Financial instruments – recognition and measurement) was amended to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes.

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 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 2010, the fuel adjustment under-recovery was \$1,294,478 (2009: \$92,364).

4 Property, Plant and Equipment

	ORIGINAL COST	ACCUMULATED DEPRECIATION	2010 NET BOOK VALUE	2009 NET BOOK VALUE
Generation Plant	\$ 305,704,599	\$ (195,591,395)	\$ 110,113,204	\$ 95,836,951
Transmission Equipment	73,266,193	(33,155,348)	40,110,845	43,438,492
Distribution Equipment	177,986,853	(88,924,399)	89,062,454	90,304,962
General Plant	60,013,908	(36,717,838)	23,296,070	27,706,108
Other Physical Property	29,491,804	(5,773,920)	23,717,884	24,071,724
	\$ 646,463,357	\$ (360,162,900)	\$ 286,300,457	\$ 281,358,237

Total capital work in progress of \$13,418,877 (2009: \$15,479,033) 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 (2009: \$15,184,983) is embedded in fixed assets noted above. Freehold land is not subject to depreciation.

5 Capital Stock

	2010	2009
Capital stock comprises:		
Authorised – 20 million shares of a par value of \$1 each (2009: 20 million par value \$1)	\$ 20,000,000	\$ 20,000,000
Issued and fully paid – 10,416,961 shares of a par value of \$1 each (2009: 10,381,354 par value \$1)	\$ 10,416,961	\$ 10,381,354

A total of 19,663 shares (2009: 23,744) were purchased by employees under an Employee Purchase Scheme in 2010 at an average price per share of \$13.31 (2009: \$14.54), giving rise to an increase in share premium of \$242,043 (2009: \$321,442). Directors received a total of 15,944 shares during the year (2009: 17,516) as part of total directors' fee compensation, giving rise to an increase in share premium of \$208,500 (2009: \$263,101). The average price of the shares issued to directors in 2010 was \$14.08 (2009: \$16.02). A total of 41,200 shares were held as treasury shares as at 31 December 2010 (2009: 41,200).

6 Bank Borrowing

As at 31 December 2010, the Company had a variable rate \$35 million loan facility, bearing variable interest rates based on LIBOR, with The Bank of N.T. Butterfield & Son Limited, which expires on 28 February 2011. This facility allows for draw downs in Bermuda Dollars. As at 31 December 2010, the Company has drawn down \$23.5 million, bearing interest of approximately 4.88 percent (2009: \$25.5 million bearing interest at approximately 4.75 percent). Subsequent to the Company's year end, this facility was renewed and extends to 29 February 2012.

7 Inventory

During the year, the Company expensed inventory totalling \$125,523,215 (2009: \$126,056,799) as part of normal operations. Inventory written off during the year totalled \$39,746 (2009: \$1,127,075). Inventory is comprised as follows:

	2 0 1 0	2 0 0 9
Materials and Supplies	\$ 32,512,886	\$ 29,519,438
Fuel and Lubricants	24,460,406	25,335,789
	\$ 56,973,292	\$ 54,855,227

8 Specific Provisions

	2 0 1 0	2 0 0 9
Specific provisions comprises:		
Provision for uninsured risks:		
Transmission Equipment	\$ 0	\$ 100,000
Generation Equipment	0	600,000
	\$ 0	\$ 700,000

The Company historically provided for uninsured risks as disclosed above. In 2009, the Company began its preparation for conversion to IFRS for public financial reporting by systematically eliminating all financial assets and liabilities that do not comply with IFRS requirements. The Company has written off the remainder of specific provision balances during the current year.

9 Capital Management

The Company includes capitalisation, bank borrowing, and cash and short-term investments in the definition of capital as follows:

	2 0 1 0	2 0 0 9
Capitalisation	\$ 329,450,129	\$ 321,079,790
Bank Borrowing	23,500,000	25,500,000
Cash and Short-Term Investments	(5,357,548)	(6,453,334)
	\$ 347,592,581	\$ 340,126,456

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 generation, transmission, distribution 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 also utilises a bank overdraft facility to address annual fuel-financing 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.

10 Pensions and Post-Retirement Medical Benefits

BELCO maintains a trustee, non-contributory, defined benefit pension plan, covering all full-time employees hired before 1 January 2006. For all employees hired subsequent to 31 December 2005, BELCO maintains a defined contribution plan. Contributions to the defined contribution plan amounting to \$738,154 (2009: \$622,211) were made during the year.

Bermuda Gas maintains a defined contribution plan. Contributions amounting to \$145,013 (2009: \$143,317) were made during the year.

BELCO and Bermuda Gas provide post-retirement medical benefits for substantially all employees on retirement.

The following table provides summaries of the pension and post-retirement medical benefits plans' estimated financial positions, as at 31 December:

	PENSION BENEFIT PLAN		MEDICAL BENEFIT PLAN	
	2 0 1 0	2 0 0 9	2 0 1 0	2 0 0 9
Accrued benefit obligation				
Balance – Beginning of year	\$ 115,208,600	\$ 94,612,600	\$ 15,249,496	\$ 14,379,726
Current service cost	2,910,900	2,504,700	371,213	328,518
Interest cost	6,926,200	6,647,100	1,210,178	1,139,184
Plan amendments and				
net actuarial loss	598,800	15,761,600	482,846	443,393
Benefits paid	(5,365,500)	(4,317,400)	(1,099,247)	(1,041,325)
Balance – End of year	\$ 120,279,000	\$ 115,208,600	\$ 16,214,486	\$ 15,249,496
Plan assets				
Fair value – Beginning of year	\$ 107,360,800	\$ 96,781,000	–	–
Actual gain on plan assets	9,565,800	9,492,200	–	–
Employer contributions	4,940,900	5,405,000	–	–
Benefits paid	(5,365,500)	(4,317,400)	–	–
Fair value – End of year	\$ 116,502,000	\$ 107,360,800	–	–
Funded status – plan (deficit)	\$ (3,777,000)	\$ (7,847,800)	\$ (16,214,486)	\$ (15,249,496)
Unamortised net actuarial loss	21,656,000	25,105,800	6,630,112	6,488,642
Unamortised transitional asset	(7,410,100)	(8,483,900)	–	–
Accrued benefit asset (liability)	\$ 10,468,900	\$ 8,774,100	\$ (9,584,374)	\$ (8,760,854)

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	
	2010 %	2009 %	2010 %	2009 %
Discount rate	5.75	6.00	8.00	8.00
Expected rate of return on plan assets	6.00	6.00	-	-
Rate of compensation increase	3.00	4.00	-	-

For measurement purposes, the annual rate of increase in the per capita cost of covered healthcare benefits was assumed to be 11.0 percent for 2011 and, thereafter, reducing 1.0 percent per year until reaching 5.0 percent after six years. In 2009, it was assumed to be 11.0 percent for 2010 and, thereafter, reducing 1.0 percent per year until reaching 5.0 percent.

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	
	2010	2009	2010	2009
Current service cost	\$ 2,910,900	\$ 2,504,700	\$ 371,213	\$ 328,518
Interest cost	6,926,200	6,647,100	1,210,178	1,139,184
Actual gain on plan assets	(9,565,800)	(9,492,200)	-	-
Actuarial loss on accrued benefit obligation	598,800	15,761,600	482,846	443,393
Pension loss before adjustment to recognise the long-term nature of the plans	870,100	15,421,200	2,064,237	1,911,095
Difference between expected and actual return on assets	3,136,900	4,139,300	-	-
Difference between actuarial gain (loss) recognised and actual actuarial loss on benefit obligation	312,900	(15,495,300)	341,376	(114,302)
Amortisation of transitional asset	(1,073,800)	(1,073,800)	-	-
Adjustments to recognise the long-term nature of the plans	2,376,000	(12,429,800)	341,376	(114,302)
	\$ 3,246,100	\$ 2,991,400	\$ 2,405,613	\$ 1,796,793

11 Segmented Information (in 000s)

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

	ELECTRIC		ALL OTHER (a)		TOTAL	
	2010	2009	2010	2009	2010	2009
Total Revenues from						
External Customers	\$231,253	\$228,386	\$ 22,438	\$ 20,865	\$253,691	\$249,251
Intersegment Revenues	46	46	846	855	892	901
Interest Revenue	24	23	523	279	547	302
Interest Expense	136	160	181	192	317	352
Amortisation of						
Capital Assets	22,903	23,133	1,026	1,020	23,929	24,153
Segment Profit	16,704	19,656	(12)	(149)	16,692	19,507
Segment Assets	361,219	351,165	25,463	25,997	386,682	377,162
Expenditures for						
Segment Capital Assets	29,466	36,657	818	533	30,284	37,190

a Revenues from segments below the quantitative thresholds are attributable to five operating segments of Ascendant Group. Those segments include a propane supply company, property holding company, alternative renewable energy supply provider, venture capital company and corporate services provider. 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.

	2010	2009
Total Revenues for Reportable Segments	\$ 253,691	\$ 249,251
Cost of Goods Sold and Discounts	(19,813)	(18,551)
Total Company Revenues	\$ 233,878	\$ 230,700

12 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 short-term investments; (ii) receivables: accounts receivable, less provision; and, (iii) current liabilities: bank borrowing, customer deposits, trade and other payables.

Credit Risk: There is a concentration of credit risk as all Company cash is held with two Bermuda banks. There is further credit risk as the Company may not be able to collect all of its customer accounts receivable that arise in the normal course of business, but this does not represent a significant concentration of credit risk as amounts are owed by a large number of customers on normal credit terms. The requirement for security deposits for certain customers, which are advance cash collections from customers to guarantee payment of electricity billings, further reduces the exposure to credit risk.

The maximum exposure to credit risk is the net carrying value of these financial instruments. The Company manages credit risk primarily by executing its credit and collection policy, including the requirement for security deposits, through the resources of its Customer Services Department. The aging of trade receivables is as follows:

	2 0 1 0	2 0 0 9
Not past due	\$ 14,141,205	\$ 13,768,498
Past due 31-60 days	1,969,886	1,023,158
Past due 61-90 days	583,147	916,855
Past due over 90 days	4,315,486	3,236,877
	21,009,724	18,945,388
Less: allowance for doubtful accounts	(3,396,618)	(2,719,880)
Less: allowance for discounts	(518,131)	(506,206)
	17,094,975	15,719,302
Fuel adjustment under-recovery	1,294,478	92,364
Other receivables	2,570,595	3,167,695
	\$ 20,960,048	\$ 18,979,361

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 an unsecured credit facility of \$35 million with The Bank of N. T. Butterfield & Son Limited, as mentioned in Note 6.

Market Risk: Exposure to foreign exchange rate fluctuations is immaterial as 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 facility. The Company periodically refinances its credit facility 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 BSX. 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 2010, the fair value of the Company's primary defined benefit pension plan assets was \$116.5 million compared to fair value of plan assets of \$107.4 million as at 31 December 2009. The increase in the fair value of pension plan assets during 2010 was due mainly to improved market conditions in 2010 as compared to 2009. The Company's future pension funding obligations, based on the actuarial report for 31 December 2010, decrease to \$4,542,000 (2009: \$4,940,900). The Company does not expect any difficulty in its ability to meet future pension funding requirements, as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under the existing bank credit facility.

13 Commitments

The Company has an arrangement with a fuel supplier to ensure adequate fuel will be available when needed for its electrical generation requirements. Commitments under these contracts to acquire heavy fuel in 2011, as at 31 December 2010, totalled US\$18,033,260 (BD\$18,285,829). Commitments under these contracts to acquire heavy fuel in 2010, as at 31 December 2009, totalled US\$19,464,950 (BD\$19,610,937).

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

14 Long-Term Incentive Plan

Effective 1 January 2009, the Company implemented a long-term incentive plan aimed at retaining the services of its senior management group. This incentive plan, which expires on 1 January 2012, is a performance award comprising equal parts cash and shares of the Company with performance targets and results set and assessed annually. Shares awarded under the incentive plan vest and become unrestricted at the expiry date. The total number of restricted shares allotted to the incentive plan, as at 31 December 2010, was 7,146 with a market value of \$106,833 (2009: 8,032 restricted shares; \$120,862 market value). The total cost of the incentive plan for 2010 was \$258,612 (2009: \$299,366).

15 Operating Revenues

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

	2 0 1 0	2 0 0 9
Electric operations*	\$ 222,518,439	\$ 220,396,839
Gas operations	8,571,743	8,121,542
Property operations	833,081	898,471
Renewables operations (loss)	(53,239)	(360,829)
	\$ 231,870,024	\$ 229,056,023

*Operating revenues from Electric Operations are shown gross of cost of goods sold and net of discounts.

16 Intangible Assets

	GOODWILL	SOFTWARE IN PROGRESS	SOFTWARE	TOTAL VALUE
YEAR ENDED 31 DECEMBER 2009				
Opening net book amount	\$ 718,006	\$ 2,834,400	\$ 1,633,823	\$ 5,186,229
Transfers	–	(2,834,400)	2,834,400	–
Acquisitions	–	5,788	1,238,575	1,244,363
Disposals	–	–	–	–
Amortisation	–	–	(624,186)	(624,186)
Closing net book amount	\$ 718,006	\$ 5,788	\$ 5,082,612	\$ 5,806,406
AT 31 DECEMBER 2009				
Cost	\$ 1,118,680	\$ 5,788	\$10,546,022	\$11,670,490
Accumulated Amortisation	(400,674)	–	(5,463,410)	(5,864,084)
Net book amount	\$ 718,006	\$ 5,788	\$ 5,082,612	\$ 5,806,406
YEAR ENDED 31 DECEMBER 2010				
Opening net book amount	\$ 718,006	\$ 5,788	\$ 5,082,612	\$ 5,806,406
Transfers	–	–	–	–
Acquisitions	–	187,119	647,547	834,666
Disposals	–	–	–	–
Amortisation	–	–	(1,550,712)	(1,550,712)
Closing net book amount	\$ 718,006	\$ 192,907	\$ 4,179,447	\$ 5,090,360
AT 31 DECEMBER 2010				
Cost	\$ 1,118,680	\$ 192,907	\$10,829,605	\$12,141,192
Accumulated Amortisation	(400,674)	–	(6,650,158)	(7,050,832)
Net book amount	\$ 718,006	\$ 192,907	\$ 4,179,447	\$ 5,090,360

There was no impairment of intangible assets for the years ended 31 December 2010 and 2009. During the year ended 31 December 2010, \$834,666 (2009: \$1,244,363) of intangible assets subject to amortisation were acquired.

17 Insurance Claim

In August 2010, gas turbine generating unit GT5 experienced internal damage and had to be removed from service. As at 31 December 2010, the unit was overseas undergoing repairs and planned to be returned to service by the end of May 2011. As this event was sudden and unforeseen, the Company's insurers have been notified that a claim will be submitted when the final cost of the incident has been determined. As at 31 December 2010, the Company has recorded a liability of \$1,950,000 representing the quoted cost to repair the physical damage to the unit and return it to service. The Company has also recorded an insurance receivable of \$1,200,000, as the deductible under the current insurance policy is \$750,000. The Company believes that the claim is valid under the terms and conditions of its insurance policy; however, the claim is currently under review by the insurers' appointed adjusters and, as such, has not been formally accepted by the insurers.

On 11 June 2009, the base load generating unit E7 alternator suffered a sudden and unforeseen failure, as a result of a stator earth fault. The stator was repaired and this unit was subsequently returned to service on 2 January 2010. Consequently, the Company filed a claim under its insurance policy totalling \$3,812,411. This consisted of physical damage repair costs (\$1,368,834), as well as additional fuel, oil, and labour costs incurred (\$2,543,577). The deductible under the insurance policy at the time was calculated at \$1,129,779. The Company set up an insurance receivable at the end of 2009 of \$2,350,774 net of a \$331,858 provision for potential non-collection of part of its total insurance claim. During 2010, the Company received an interim payment of \$1,300,000 on its claim, comprised of \$550,000 for the physical damage claim and \$750,000 for additional costs. In December 2010, the insurers' appointed adjusters recommended that \$78,236 of the physical damage claim be disallowed, and that the insurers settle the \$145,243 balance owed to the Company for this portion of the claim. The remaining insurance receivable of \$827,295 (net of a \$331,858 provision for potential non-collection) pertaining to additional costs incurred by the Company, remains under review by the insurers as at 31 December 2010.

18 Changes to Prior Year Presentation

Certain prior year figures on the consolidated balance sheet and consolidated statements of earnings and cash flows have been reclassified to conform to current year presentation.

		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Ascendant Group Limited	Net Earnings (BD\$) (3)	16,692,283	19,506,881	20,099,108	20,399,518	21,618,657	28,539,158	18,482,511	17,268,247	22,510,495	20,937,724
	Earnings per Share of Common Stock (BD\$) (1) (4)	1.60	1.88	1.95	1.98	2.10	1.99	1.81	1.70	2.22	2.07
	Fully Diluted (BD\$) (4)	1.60	1.88	1.95	1.98	2.10	1.99	1.81	1.70	2.22	2.07
	Dividends Paid per Share (BD\$)	0.85	0.85	0.85	0.83	1.22	1.54	1.54	1.54	1.54	1.54
	Shareholders' Equity (BD\$)	329,450,129	321,079,790	309,740,288	295,479,703	282,798,684	268,868,037	247,688,525	236,457,764	226,688,499	209,934,206
	Bank Loans and Notes (BD\$)	23,500,000	25,500,000	15,000,000	16,500,000	7,000,000	19,000,000	31,500,000	13,000,000	14,000,000	24,000,000
Bermuda Electric Light Company Limited	Total Utility Plant (BD\$)	618,583,902	590,119,270	577,456,583	561,897,923	536,007,256	504,750,278	481,209,583	442,466,198	413,715,238	401,940,100
	Maximum Demand (Kilowatts)	122,800	122,300	119,800	117,700	117,200	113,800	108,200	114,600	108,000	106,200
	Kilowatt Hours Generated (Thousands)	730,224	738,455	728,938	718,670	708,937	694,081	667,196	664,356	643,905	615,037
	Annual System Load Factor	66.73%	68.02%	68.67%	68.41%	67.80%	68.52%	68.48%	65.68%	66.47%	64.42%
	Electricity Sales (Thousands of kWh)										
	Residential	276,824	271,682	268,563	275,677	271,215	268,919	257,903	251,396	241,509	237,590
	Commercial	320,527	326,728	319,018	314,334	311,408	302,608	293,863	295,386	290,542	276,044
	Other	53,220	57,673	57,373	53,810	48,742	45,127	43,232	43,250	42,675	40,286
	Total	650,571	656,083	644,954	643,821	631,365	616,654	594,998	590,032	574,726	553,920
	Gross Revenue for Electricity Sales (BD\$)										
	Residential	72,682,858	68,369,024	64,386,543	62,050,283	59,533,194	57,653,222	54,080,515	52,742,764	50,706,892	49,891,060
	Commercial	69,368,449	69,925,457	67,554,268	65,532,520	64,616,922	62,313,214	59,838,817	59,993,648	58,107,613	55,941,143
	Other	11,916,549	12,387,449	12,241,136	11,871,254	10,152,318	9,438,419	8,956,520	9,536,736	8,840,745	8,320,345
	Fuel Adjustment	75,602,422	76,374,743	98,546,435	55,193,552	49,752,428	36,171,695	26,007,761	21,911,509	15,502,738	18,166,658
	Total	229,570,278	227,056,674	242,728,382	194,647,609	184,054,862	165,576,550	148,883,613	144,184,657	133,157,988	132,319,206
Net Price per Kilowatt Hour (Cents) (2)											
Residential	37.95	36.82	39.35	30.43	29.10	26.47	24.48	23.90	22.79	23.39	
Commercial	37.09	31.31	34.75	27.75	27.51	25.43	23.77	23.14	21.70	22.57	

NOTE: 1 Figures have been adjusted for stock split and stock dividend.
 NOTE: 2 Assuming average discount deducted and including proportionate share of Fuel Adjustment.
 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.



Ascendant Group has a positive, forward-looking view of our business and our Island home, Bermuda. We are committed to playing a vital role in the Island's progress, which includes helping to preserve the natural environment. We do so by operating in an environmentally responsible manner and by contributing to environmental initiatives.

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SIGMA CORPORATE SERVICES COMPANY LIMITED

HEAD OFFICE
27 Serpentine Road, Pembroke HM 07, Bermuda

MAILING ADDRESS
P.O. Box HM 3392, Hamilton HM PX, Bermuda
Tel: 441-299-2803 Fax: 441-298-6117
E-mail: info@sigma.bm Website: www.sigma.bm

BELCO PROPERTIES LIMITED

MAILING ADDRESS
P.O. Box HM 1026, Hamilton HM DX, Bermuda
Tel: 441-295-5111 Fax: 441-292-8975

BTS LIMITED

MAILING ADDRESS
P.O. Box HM 1026, Hamilton HM DX, Bermuda
Tel: 441-295-5111 Fax: 441-292-8975

BOARD OF DIRECTORS

J. Michael Collier (*Chair*)
Reginald S. Minors (*Deputy Chair*)
A.L. Vincent Ingham
Gavin R. Arton
James B. Butterfield
A. David Dodwell
Peter C. Durhager

L.A. Joaquin
Donna L. Pearman
Stanley A. Oliver
Kathryn R. Siggins
Richard Spurling
Dr. Wilbert N.E. Warner
W. Edward Williams

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A.L. Vincent Ingham
Peter C. Durhager
Reginald S. Minors

SHAREHOLDER INFORMATION

INVESTOR SERVICES

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

ASCENDANT GROUP ORDINARY SHARES

RANGE	RECORD	COUNT
BALANCES AT 31 DECEMBER 2010		
01: Up to 100	922	36,811
02: 101 to 500	923	225,694
03: 501 to 1,000	401	298,825
04: 1,001 to 5,000	546	1,267,822
05: 5,001 to 10,000	102	749,423
06: 10,001 to 100,000	136	3,371,782
07: 100,001 to 1,000,000	14	4,466,604
	3,044	10,416,961

ASCENDANT GROUP ORDINARY SHARES

At 31 December 2010, the Directors of the Company held 57,018 shares; the Officers of the Company held 11,514 shares. Companies that held greater than 5% of the shares are Argus Investment Nominees Limited with 561,046, Murdoch & Company with 574,422, Lawrie (Bermuda) Limited with 700,000 and BCB Foreign Clients with 793,746 shares.

No rights to subscribe for shares in Ascendant 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 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

SCAN. VISIT.



CHOOSE ELECTRONIC

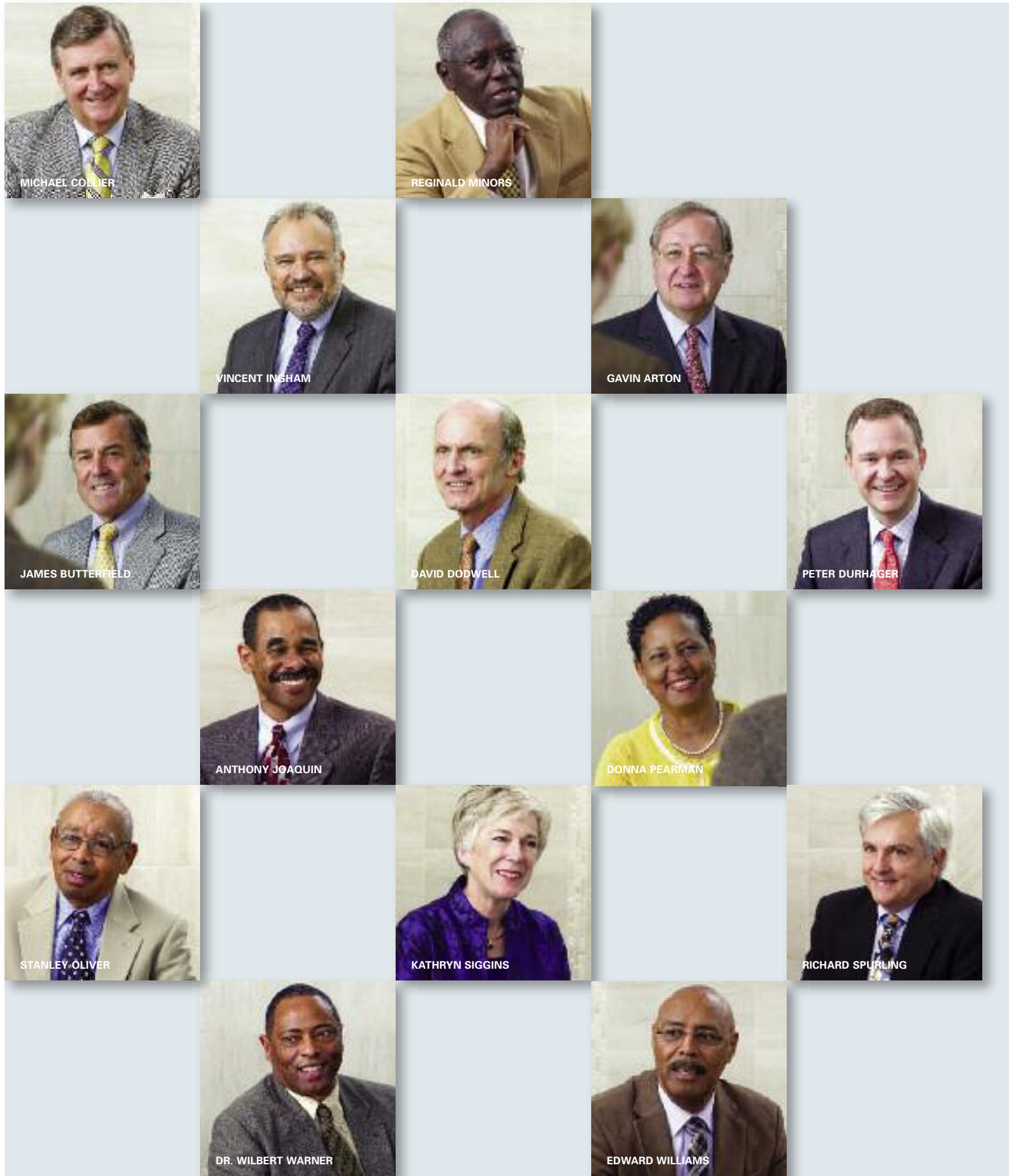
We encourage Ascendant Group Limited shareholders to help us increase efficiency and reduce expenditure and paper use by electing to receive materials electronically.

SAVE TIME, MONEY & TREES

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

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

ASCENDANT GROUP BOARD OF DIRECTORS



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

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

A.L. Vincent Ingham, J.P., P.Eng
Director since 1999
President & Chief Executive Officer,
Ascendant Group

Gavin R. Arton, M.B.A.
Director since 2000
Retired, Senior Vice President,
Global Director of Corporate Social
Responsibility, XL Capital Ltd.

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

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

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

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

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

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

Kathryn R. Siggins, F.C.A.
Director since 2004
Chief Operating Officer,
Northstar Group Holdings, Ltd.

Richard Spurling
Director since 1993
Retired, Senior Partner, Appleby

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

W. Edward Williams
Director since 1993
Property Manager,
Coldwell Banker (Bermuda Realty)

COMMITTEES

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

▲ Chairman of Committee



A.L. Vincent Ingham, J.P., PENG
President & Chief Executive Officer, Ascendant Group
 Vince has devoted most of his career to managing and shaping BELCO and now the entire Ascendant Group. He brings to his role engineering and business experience, as well as a strong vision of what the group can achieve.



Andrew D. Parsons, M.B.A., C.A.
President, BELCO
 Having joined BELCO as a senior accountant, Andrew has also managed Finance & Accounting, Information Technology, Customer Services, Purchasing, Transportation and Facilities Management. He has been a member of the executive team since 2003 and was named BELCO President in 2010.



Christopher A. Coelho, C.A.
Treasurer, Ascendant Group
Senior Vice President, Finance and Administration, BELCO
 Chris joined BELCO in 2009, after spending more than 20 years in the international business sector in Bermuda. He brings to Ascendant Group both commitment to the community and broad experience in finance, management and accounting.



Edith L. Robinson, LL.B.
General Counsel and Corporate Secretary, Ascendant Group
 Edith was called to the bar 18 years ago, and is qualified to practice law in three jurisdictions. She joined Ascendant Group in 2010 as a member of Sigma.



Michael D. Daniel, C.Eng, M.I.E.T., A.M.I.Mech.E
Senior Vice President, Engineering, Environment and Occupational Health & Safety, BELCO
 Michael joined BELCO as an apprentice in 1989. He later earned an engineering degree and held various engineering positions in Energy Delivery. He became a manager in 2003, and in 2006, moved to Energy Supply. He recently completed a management programme at Harvard Business School. Today, he leads a team that is working to plan Bermuda's sustainable energy future.



Linda C. Smith
Senior Vice President, Corporate Relations, Ascendant Group
 After a career in journalism, Linda joined BELCO in 1988 and established the company's Corporate Communications Department. In 1996, she became the first female senior manager of BELCO and has been a member of the executive team since 2003. Today, External Relations & Corporate Communications operates as a part of Sigma.



Jennifer Smatt Adkins, M.A., M.Sc.
Executive Vice President, Sigma
 In 2001, Jenny joined the organisation as BELCO Employee Relations Officer. She later developed the company's Process Office. Then, in 2010, as head of Sigma, she took on responsibility of shaping a new company that is essential to the Group's future.

BANKERS

The Bank of 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

DESIGN & PRODUCTION

ADVANTAGE LTD.

PHOTOGRAPHY

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 CHRIS BURVILLE
 ANDREW DOBSON
 JEREMY MADEIROS
 ALAN MARQUARDT

PRINTING

ISLAND PRESS LIMITED

ECO-FRIENDLY PRODUCTION:

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

THE USE OF THIS PAPER MEANS:

- 25% less wood used
- 7% less net energy used
- 8% less greenhouse gas emitted
- 11% less wastewater
- 8% less solid waste



GREEN POWER:

Renewable energy in the form of wind power is purchased for the electricity used to manufacture Strathmore Elements Solids. The Mohawk mill supports the use of non-polluting, wind-generated electricity through the purchase of Green-e certified Renewable Energy Certificates (RECs) from wind power projects. Green-e is the USA's leading independent certification and verification programme for renewable energy products. Green-e verifies Mohawk's purchases of Renewable Energy Certificates (RECs) and certifies the RECs to be sure that they meet strict environmental and consumer protection standards. Today, 100% of the electricity used to manufacture the Mohawk grades that carry the "Windpower" designation is matched with RECs.

**ASCENDANT
GROUP LIMITED**

HEAD OFFICE

27 Serpentine Road
Pembroke HM 07
Bermuda

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