



ASCENDANT
group

2011 SIX-MONTH REPORT



ASCENDANT
group

ASCENDANT GROUP LIMITED

Ascendant Group is a publicly traded investment holding company.

Mission: To maximise shareholder value through investment in energy-related businesses and infrastructure opportunities.

ASCENDANT GROUP SUBSIDIARIES

Bermuda Electric Light Company Limited
Bermuda Gas & Utility Company Limited
PureENERGY Renewables, Ltd.
inVenture Limited
Sigma Corporate Services Company Limited
BELCO Properties Limited

2011 GROUP HIGHLIGHTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2011

| | 2 0 1 1 | 2 0 1 0 | % CHANGE |
|---|---------------|---------------|-------------|
| Net Earnings | \$ 3,098,299 | \$ 5,864,364 | -47.2 |
| Basic and Fully Diluted Earnings per Share | \$ 0.30 | \$ 0.56 | -46.4 |
| Cash Dividends | \$ 4,411,667 | \$ 4,400,410 | 0.3 |
| Cash Dividends per Share | \$ 0.425 | \$ 0.425 | 0.0 |
| Market Price per Share | \$ 14.00 | \$ 14.00 | 0.0 |
| Book Value per Share | \$ 31.46 | \$ 31.03 | 1.4 |
| Total Assets | \$400,180,628 | \$386,353,132 | 3.6 |

SIX-MONTH REPORT TO THE SHAREHOLDERS

As we prepare this report, we do so in the context of the United States being downgraded to a AA+ long-term credit rating by Standard & Poor's, as well as economic turmoil in the European Union, especially Italy, Greece and Spain. Economists are forecasting that economic recovery will be slow, and the Bermuda community is now sharply feeling the impact of the global economic downturn with respect to employment, consumer spending, construction and the real estate market.

Ascendant Group Limited is seeing the effects of the struggling economy in our operating companies' sales and receivables. We are preparing for a protracted period of economic uncertainty and sharpening our focus on expense reduction and improved efficiency. In the short term, we have also endeavoured to assist our customers by avoiding price increases for electricity and propane, and made a commitment to our employees that there would be no redundancies in 2011.

Ascendant Group's consolidated net earnings decreased 47.2 percent, or \$2,766,065, to \$3,098,299 for the first six months of the 2011 financial year from \$5,864,364 reported for the same period in 2010, with results from all of our operating companies weaker than in the comparative period.

Ascendant Group's share price as at 30 June 2011 of \$14.00 had not changed from the close on 30 June 2010. Reflecting the overall value of the Company, Ascendant Group's book value increased 1.4 percent to \$31.46 as at 30 June 2011, versus \$31.03 as at 30 June 2010.

Bermuda Electric Light Company Limited

BELCO's operating results for the first six months of 2011 of \$4,280,568 were down \$1,323,532, or 23.6 percent, from \$5,604,100 recorded for the first six months of 2010. This reflects both the anaemic economy and the impact of management's decision to waive an approved 1.5 percent average increase in basic tariff rates that was set to take effect on 1 January 2011. To offset the anticipated reduced revenue, BELCO implemented a cost control plan at the start of 2011 that, to date, has resulted in salaried staff wage freezes, suspension of planned new hires, overtime rate concessions by the Electricity Supply Trade Union (ESTU) and the early retirement of 26 long-serving staff members. As a result of the early retirement of these employees, the Company has incurred a one-time expense of approximately \$1.5 million, which has been recognised in the results for the first six months of 2011. It is anticipated that the majority of this one-time expense will be offset by savings in compensation-related costs for the second half of this year and will result in further cost savings going forward.

Total electric sales for the first six months of 2011 of 290.4 million kilowatt hours (kWh) was down 7.0 million kWh, or 2.4 percent, compared to 297.3 million kWh in the 2010 comparative period. The decrease in demand was primarily due to a sharp decline in residential consumption, reflecting a decrease in the number of work permit holders who had been residential unit tenants. Residential sales fell 8.4 million kWh, or 6.4 percent, to 123.1 million kWh in the current period compared to 131.5 million kWh in the 2010 period.

Sales to large demand customers increased 1.9 percent, or 2.3 million kWh, owing largely to improved hotel occupancy levels in the current year as compared to the same period in 2010, as well as to several new demand customers coming online. Commercial customer sales fell 1.8 percent, or 808,016 kWh, due to decreased average consumption.

Gross electric energy sales for the first half of 2011 of \$104.6 million were \$703,237, or 0.7 percent, higher than the \$103.9 million gross sales total recognised in the same period of 2010. This net increase is due entirely to fuel adjustment sales, which rose 7.6 percent, or \$2.5 million, to \$35.1 million compared to the six-month 2010 total of \$32.6 million. Fuel adjustment revenue is offset by identical fuel costs reflected in Energy Supply expenses.

The increase in fuel adjustment sales is due to the price paid for fuel. The average cost of fuel for the first six months of 2011 of \$106.40 per barrel is 8.9 percent, or \$8.72, higher than for the same period in 2010 of \$97.68 per barrel.

Overall operating expenses for the period were up 3.6 percent, or \$3.6 million, as compared to the first six months of 2010. This was largely driven by increases in fuel adjustment costs and the early retirement expenses noted previously. These increases were offset by decreases in defined pension fund expenditure, as well as overtime costs and materials usage, the latter resulting from fewer major overhauls and reduced fuel consumption costs, as a result of reduced demand and increased efficiencies.

Bermuda Gas & Utility Company Limited

Bermuda Gas' net income decreased \$252,868, or 40.5 percent, to \$369,948 from \$621,816, reported for the same six-month period in 2010. While the Company realised a 9.9 percent increase in appliance sales during the first half of the year, a principal driver of the decrease was management's decision not to pass along to customers the increased propane prices incurred by Bermuda Gas. This pricing strategy was taken in light of economic conditions and resulted in reduced margins on gas sales. The Company also experienced a 16.1 percent decrease in parts sales, directly attributable to the contraction in the market. Bermuda Gas' results further reflect an increase in administrative costs due to a change in the Group operating model and an

additional expense arising from a one-off, financial consulting project.

Other Operating Companies

PureENERGY incurred a loss of \$473,870 for the first half of 2011 as compared to a loss of \$239,535 for the same period in 2010. Ascendant Group's other operating companies, BELCO Properties Limited, inVenture Limited and Sigma Corporate Services Company Limited, had no significant impact on earnings.

Ascendant Group is working to manage our operating companies in the most challenging economic environment in recent memory. We are also preparing for a future that looks very different than the past, exploring innovative ways to ensure long-range sustainability that will enable us to continue contributing to Bermuda's progress.

A handwritten signature in blue ink, appearing to read 'A.L. Vincent Ingham', with a long horizontal flourish extending to the right.

A. L. VINCENT INGHAM

President & Chief Executive Officer

CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT 30 JUNE 2011

| | NOTES | 30 JUNE 2 0 1 1 | YEAR ENDED 31 DECEMBER 2 0 1 0 |
|---|-------|--------------------|--------------------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 2 | \$285,193,879 | \$286,300,457 |
| Intangible Assets | 3 | 5,596,397 | 5,090,360 |
| | | 290,790,276 | 291,390,817 |
| Current Assets | | | |
| Cash and Short-Term Investments | | 4,383,964 | 5,357,548 |
| Accounts Receivable | 7 | 19,189,277 | 20,960,048 |
| Inventory | | 71,565,017 | 56,973,292 |
| Prepaid Expenses | | 14,252,094 | 12,000,160 |
| | | 109,390,352 | 95,291,048 |
| | | \$400,180,628 | \$386,681,865 |
| CAPITAL- ISATION AND LIABILITIES | | | |
| Capitalisation | | | |
| Capital Stock | | \$ 10,439,333 | \$ 10,416,961 |
| Share Premium | | 27,838,682 | 27,552,973 |
| Treasury Stock | | (845,803) | (845,803) |
| Contributed Surplus | | 22,549,745 | 22,549,745 |
| Retained Earnings | | 268,462,885 | 269,776,253 |
| | | 328,444,842 | 329,450,129 |
| Current Liabilities | | | |
| Customer Deposits | | 317,678 | 331,928 |
| Trade, Other Payables and Future Health Costs | 7 | 34,418,108 | 33,399,808 |
| Bank Borrowing | | 37,000,000 | 23,500,000 |
| | | 71,735,786 | 57,231,736 |
| | | \$400,180,628 | \$386,681,865 |

CONSOLIDATED STATEMENT OF EARNINGS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2011

| | NOTES | 30 JUNE 2 0 1 1 | 30 JUNE 2 0 1 0 |
|---|-------|---------------------|---------------------|
| Revenues | | | |
| Operating Revenues | 5 | \$105,718,621 | \$105,283,112 |
| Other Income | | 949,220 | 725,125 |
| | 4 | 106,667,841 | 106,008,237 |
| Expenses | | | |
| Energy Supply | | 63,347,099 | 62,000,728 |
| Energy Delivery | | 5,255,384 | 4,598,047 |
| Administration and General | | 16,337,218 | 15,070,883 |
| Gas Operations | | 3,182,222 | 2,863,964 |
| Property Operations | | 67,013 | 107,998 |
| Renewables Operations | | 405,021 | 372,690 |
| Depreciation and Amortisation | | 12,297,424 | 12,188,064 |
| Taxes and Rent | | 2,538,344 | 2,668,431 |
| | | 103,429,725 | 99,870,805 |
| Operating Income | | 3,238,116 | 6,137,432 |
| Interest Expense | | | |
| Interest on Debt | | 63,301 | 109,741 |
| Other | | 31,709 | 29,611 |
| | | 95,010 | 139,352 |
| Earnings before Undernoted Items | | 3,143,106 | 5,998,080 |
| Foreign Exchange Loss | | (50,746) | (60,083) |
| Change in Fair Value of Held for Trading Investments | | 5,939 | (73,633) |
| Net Earnings for the Period | | \$ 3,098,299 | \$ 5,864,364 |
| Basic and Fully Diluted | | | |
| Earnings Per Share | | \$ 0.30 | \$ 0.56 |

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2011

| | 30 JUNE 2 0 1 1 | 30 JUNE 2 0 1 0 |
|--------------------------------------|--------------------|--------------------|
| Balance – Beginning of Period | \$269,776,253 | \$261,892,064 |
| Net Earnings for the Period | 3,098,299 | 5,864,364 |
| Cash Dividends Paid | 4,411,667 | 4,400,410 |
| Balance – End of Period | \$268,462,885 | \$263,356,018 |

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2011

| | 30 JUNE 2 0 1 1 | 30 JUNE 2 0 1 0 |
|--|--------------------|--------------------|
| Cash Flows from Operating Activities | | |
| Earnings for the Period | \$ 3,098,299 | \$ 5,864,364 |
| Adjustments to Cash Basis: | | |
| Depreciation and Amortisation | 12,297,424 | 12,188,064 |
| Specific Provisions | – | (348,000) |
| Changes in Non-Cash | | |
| Working Capital Balances | | |
| Accounts Receivable | 1,770,771 | (1,368,588) |
| Inventory | (14,591,725) | (4,321,393) |
| Prepaid Expenses | (2,251,934) | (2,627,554) |
| Customer Deposits | (14,250) | 635,506 |
| Trade, Other Payable and Future Health Costs | 2,080,078 | 11,880,784 |
| | 2,388,663 | 21,903,183 |
| Cash Flows Used in Investing Activities | | |
| Acquisition of Property, Plant, Equipment and Intangible Assets | (12,758,661) | (15,792,088) |
| Cash Flows from (Used in) Financing Activities | | |
| Cash Proceeds from Issuance of Capital Stock | 308,081 | 336,034 |
| Cash Proceeds from Bank Borrowing | 38,500,000 | 20,500,000 |
| Repayment of Bank Borrowing | (25,000,000) | (23,500,000) |
| Cash Dividends Paid to Shareholders | (4,411,667) | (4,400,410) |
| | 9,396,414 | (7,064,376) |
| Decrease in Cash and Short-Term Investments | (973,584) | (953,281) |
| Cash and Short-Term Investments | | |
| Beginning of Period | 5,357,548 | 6,453,334 |
| Cash and Short-Term Investments | | |
| End of Period | \$ 4,383,964 | \$ 5,500,053 |
| Supplementary Cash Flow Information | | |
| Cash Interest Received | \$ 461 | \$ 1,002 |
| Cash Interest Paid | \$ 523,651 | \$ 529,723 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2011

1 Significant Accounting Policies

These interim consolidated financial statements as at and for the six months ending 30 June 2011, have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. These interim consolidated financial statements follow the same accounting policies and methods of their application as in 31 December 2010 annual consolidated financial statements and should be read in conjunction with the 31 December 2010 annual consolidated financial statements. The Company's financial statements are presented in Bermuda Dollars, which are on par with US Dollars. The results of the half year are not necessarily indicative of results to be expected for the year ending 31 December 2011.

2 Property, Plant and Equipment

| | ORIGINAL COST | ACCUMULATED DEPRECIATION | NET BOOK VALUE | |
|-------------------------|------------------|-----------------------------|-----------------|-----------------------------------|
| | | | 30 JUNE 2011 | YEAR ENDED 31 DECEMBER 2010 |
| Utility Plant | \$627,750,378 | \$366,156,077 | \$261,594,301 | \$262,582,573 |
| Other Physical Property | 29,796,236 | 6,196,658 | 23,599,578 | 23,717,884 |
| | \$657,546,614 | \$372,352,735 | \$285,193,879 | \$286,300,457 |

Total capital work in progress of \$19,109,027 (31 December 2010: \$13,418,877) 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 (31 December 2010: \$15,184,983) is embedded in fixed assets noted above. Freehold land is not subject to depreciation.

3 Intangible Assets

| | GOODWILL | SOFTWARE | | 30 JUNE 2011 | YEAR ENDED 31 DECEMBER 2010 |
|--------------------------|--------------|--------------|--------------|-----------------|-----------------------------------|
| | | IN PROGRESS | SOFTWARE | | |
| Opening net book amount | \$ 718,006 | \$ 192,907 | \$ 4,179,447 | \$ 5,090,360 | \$ 5,806,406 |
| Transfers | – | (161,219) | 161,219 | – | – |
| Acquisitions | – | 1,000,413 | 83,235 | 1,083,648 | 834,666 |
| Disposals | – | (25,900) | – | (25,900) | – |
| Amortisation | – | – | (551,711) | (551,711) | (1,550,712) |
| Closing net book amount | \$ 718,006 | \$ 1,006,201 | \$ 3,872,190 | \$ 5,596,397 | \$ 5,090,360 |
| Cost | \$ 1,118,680 | \$ 1,006,201 | \$11,074,059 | \$13,198,940 | \$12,141,192 |
| Accumulated Amortisation | (400,674) | – | (7,201,869) | (7,602,543) | (7,050,832) |
| Net book amount | \$ 718,006 | \$ 1,006,201 | \$ 3,872,190 | \$ 5,596,397 | \$ 5,090,360 |

There was no impairment of intangibles for the period ended 30 June 2011. During the six-month period ended 30 June 2011, \$1,083,648 (year ended 31 December 2010: \$834,666) of intangible assets subject to amortisation were acquired.

4 Segmented Information (in 000s)

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

| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
|-----------------------|-----------|-----------|---------------|----------|-----------|-----------|
| | ELECTRIC | | ALL OTHER (a) | | TOTAL | |
| Total Revenues from | | | | | | |
| External Customers | \$105,294 | \$104,498 | \$11,201 | \$10,905 | \$116,495 | \$115,403 |
| Intersegment Revenues | 18 | 18 | 201 | 445 | 219 | 463 |
| Segment Profit | 4,280 | 5,604 | (1,182) | 260 | 3,098 | 5,864 |
| Segment Assets | 376,781 | 360,998 | 23,400 | 25,355 | 400,181 | 386,353 |

- (a) Revenues from segments below the quantitative thresholds are attributed to five operating segments of Ascendant Group Limited. Those segments include a propane supply company, property holding company, renewable energy provider, development 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.

| | 2011 | 2010 |
|--|-----------|-----------|
| Total Revenues for Reportable Segments | \$116,495 | \$115,403 |
| Cost of Goods Sold and Discounts | (9,827) | (9,395) |
| Total Company Revenues | \$106,668 | \$106,008 |

5 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:

| | 2011 | 2010 |
|-------------------------------|---------------|---------------|
| Electric Operations* | \$101,346,849 | \$100,637,771 |
| Gas Operations | 3,980,124 | 4,068,296 |
| Property Operations | 354,134 | 423,352 |
| Renewable Operations | 21,264 | 153,693 |
| Corporate Services Operations | 16,250 | - |
| | \$105,718,621 | \$105,283,112 |

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

6 Pension Benefits

BELCO maintains a trusted, non-contributory, defined benefit pension plan, covering all full-time employees hired before 31 December 2005. The total amount of defined benefit cost recognised for the six-month period ending 30 June 2011 was \$1,176,900 (2010: \$1,614,400). All employees hired after 31 December 2005 are enrolled in a defined contribution plan.

7 Insurance Claims

In August 2010, gas turbine generating unit GT5 experienced internal damage and had to be removed from service. The unit has been repaired and was returned to service in August 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 had a recorded liability of \$1,950,000, representing the quoted cost to repair the physical damage to the unit and return it to service. The Company also recorded an insurance receivable of \$1,200,000, as the deductible under the current insurance policy is \$750,000. As at 30 June 2011 there have been no changes to year-end balances. 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. As at 30 June 2011, the Company has received \$52,195 of the agreed settlement balance. 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 30 June 2011.

8 Subsequent Events

There were no subsequent events as at the date of the distribution of the six-month report.

9 Changes to Prior Period Presentations

Certain prior period figures on the Consolidated Balance Sheet, Consolidated Statement of Earnings and Consolidated Statement of Cash Flows have been reclassified to conform to current period presentation.

DIRECTORS

J. Michael Collier
Chairman

Reginald S. Minors
Deputy Chairman

Gavin R. Arton

James B. Butterfield

A. David Dodwell

Peter C. Durhager

A. L. Vincent Ingham

L. A. Joaquin

Stanley A. Oliver

Donna L. Pearman

Kathryn R. Siggins

Richard D. Spurling

Dr. Wilbert N. E. Warner

W. Edward Williams

70,327 total shares held by Directors*

**NOTE: Shares held by A.L.V. Ingham
included in Officers' total*

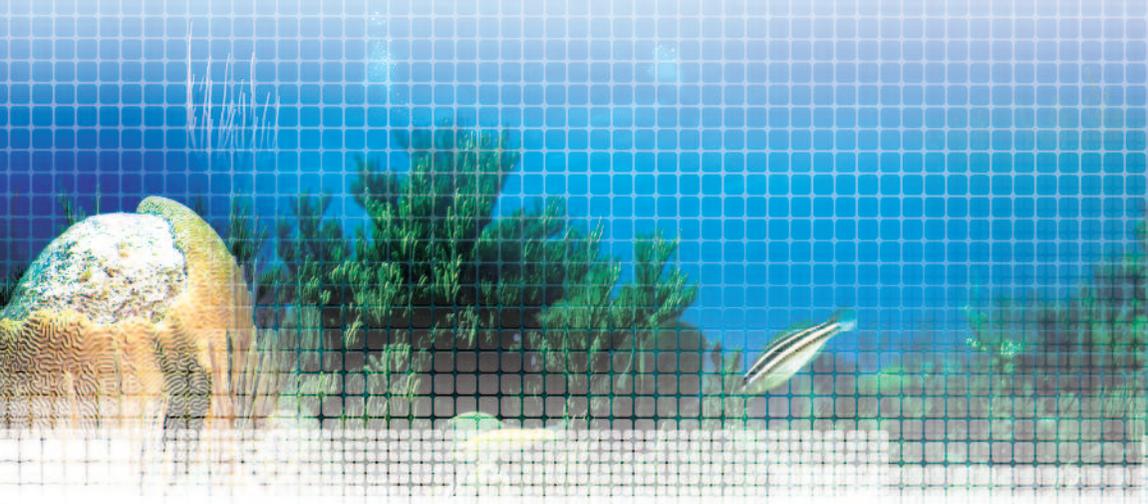
OFFICERS

A. L. Vincent Ingham
President & Chief Executive Officer

Christopher A. Coelho
Treasurer

Edith L. Robinson
Secretary & General Counsel

11,514 total shares held by Officers



**ASCENDANT
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