Ascendant Group Limited
Consolidated Financial Statements

For the year ended 31 December 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

TO THE SHAREHOLDERS OF ASCENDANT GROUP LIMITED

The accompanying audited consolidated financial statements of Ascendant Group Limited and all the information in this Annual Report are the responsibility of management and are approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS).

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

The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting. The CEO and the CFO have supervised an evaluation of the effectiveness of the Company's internal control over the financial reporting, as at 31 December 2019. Based on this evaluation, the CEO and CFO have concluded that the Company's internal control over financial reporting as at 31 December 2019, was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the presentation of its consolidated financial statements for external purposes in accordance with applicable accounting principles.

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

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

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

Sean Durfy
President
& Chief Executive Officer

Robert Schaefer
Senior Vice President
& Chief Financial Officer

Independent auditor's report

To the Shareholders and Board of Directors of Ascendant Group Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ascendant Group Limited (the Company) and its subsidiaries (together 'the Group') as at December 31, 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Ascendant Group Limited's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

Basis for opinion

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

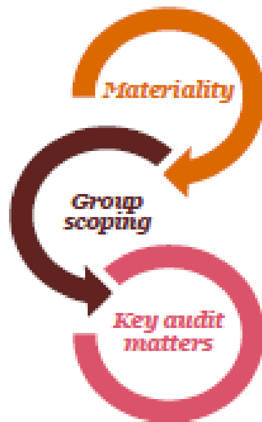
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



- Overall group materiality: $2,300,000, which represents 1% of total revenues

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

- Valuation of post retirement benefit obligations

Audit scope

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

How we tailored our group audit scope

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

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

Materiality

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

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

Overall group materiality	$2,300,000
How we determined it	1% of total revenues
Rationale for the materiality benchmark applied	We chose total revenues as the benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the consolidated financial statements and because, in our view, it is a stable benchmark in comparison to net income in recent years. On this basis we believe that revenue is an important metric for the financial performance of the Group. We chose 1% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $115,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of post retirement benefit obligations *See notes 3(h) and 17 to the consolidated financial statements for disclosure of detail of post retirement benefit plans, accounting policies and significant assumptions used in the valuation of these obligations.*	
The Group has significant post retirement benefit obligations to its current and former employees, consisting of defined benefit pension, medical benefit and retiree life insurance schemes. As at December 31, 2019 the gross post retirement benefit obligations totalled $223.2m. The valuation of these obligations requires significant levels of judgement and technical expertise in selecting appropriate assumptions. Changes to the key assumptions, including salary increases, inflation, discount rates, and mortality, can have a material impact on the calculation of the liability. Management engage an independent, third party actuary to assist in the determination of post retirement benefit liabilities.	Our approach to addressing the matter involved the following procedures, amongst others: We agreed the discount and inflation rates used in the valuation of the post retirement benefit obligations to relevant external benchmarks. We compared the assumptions around mortality to Canadian national and industry averages, which are considered to represent an appropriate and generally accepted proxy for Bermuda. We compared assumptions for salary increases to historic trends, as restricted by certain amendments and curtailments set out in documents filed with the Bermuda Pension Commission. We tested employee data used by the Group's third party actuary to current and historic payroll information. We were assisted by our actuarial experts in the assessment of the work performed by the Group's third party actuary and the determination of an independent discount rate. In determining an independent discount rate, we utilised comparable pension discount yield curves as well as our internally developed models based on industry experience and knowledge. We did not identify any material exceptions or contradictory information in these procedures that would require adjustment to management's assumptions in respect of the post retirement benefit obligations.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion & Analysis of Results and Financial Condition and Management's Responsibility for Financial Reporting (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

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

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers Ltd

PricewaterhouseCoopers Ltd., Chartered Professional Accountants
Hamilton
Bermuda

March 30, 2020

Ascendant Group Limited
Consolidated Statement of Financial Position
(In thousands of Bermuda Dollars)

	As at 31 December 2019	As at 31 December 2018
ASSETS		
Current Assets		
Cash and cash equivalents	**$32,813**	$19,468
Investments (Note 8)	**10**	10
Accounts receivable (Note 16)	**21,843**	22,012
Long-term receivables, current portion	**266**	266
Investment in leases (Note 25)	**409**	374
Inventory (Note 9)	**44,947**	41,094
Prepaid expenses and other assets	**2,633**	1,811
	102,921	85,035
Non-current assets		
Property, plant and equipment (Note 5)	**385,935**	314,157
Investment property (Note 7)	**1,888**	1,987
Intangible assets and goodwill (Note 6)	**12,421**	12,419
Long-term receivables	**745**	1,049
Investment in leases (Note 25)	**3,316**	3,768
Right-of-use asset (Note 25)	**449**	-
Investment in associates (Note 12)	**3,175**	2,302
	407,929	335,682
Regulatory deferral account debit balances (Note 4)	**5,455**	-
Total assets and regulatory deferral account debit balances	**$516,305**	$420,717

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

Ascendant Group Limited
Consolidated Statement of Financial Position (continued)
(In thousands of Bermuda Dollars)

	As at 31 December 2019	As at 31 December 2018
LIABILITIES AND EQUITY		
Current liabilities		
Customer deposits (Note 16)	**$257**	$252
Trade and other payables (Notes 4, 16)	**34,570**	30,280
Deferred revenues (Note 26)	**1,552**	1,046
Bank borrowing (Notes 14, 16)	**59,739**	2,973
	96,118	34,551
Non-current liabilities		
Bank borrowing (Notes 14, 16)	**78,325**	51,701
Asset retirement obligation (Note 21)	**16,666**	15,871
Environmental clean-up obligation (Note 21)	**3,093**	2,943
Defined benefit obligation (Note 17)	**10,900**	5,905
Other post-retirement benefits (Note 17)	**38,460**	33,136
Lease liability (Note 25)	**452**	-
Derivative financial instruments (Notes 13, 16)	**8,014**	3,015
	155,910	112,571
Total liabilities	**252,028**	147,122
Equity		
Share capital (Note 10)	**10,512**	10,526
Share premium (Note 10)	**32,839**	34,246
Treasury shares (Note 10)	**(10,247)**	(13,466)
Contributed surplus	**22,550**	22,550
Accumulated other comprehensive income (Notes 13, 17)	**(47,293)**	(27,197)
Retained earnings	**254,677**	246,451
Total equity	**263,038**	273,110
Regulatory deferral account credit balances (Note 4)	**1,239**	485
Total liabilities, equity, and regulatory deferral account credit balances	**$516,305**	$420,717

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

ASCENDANT

Ascendant Group Limited
Consolidated Statement of Income
(In thousands of Bermuda Dollars except per share information)

	Year ended 31 December	
	2019	2018
CONTINUING OPERATIONS		
Revenues		
Operating revenues	**$228,192**	$230,649
Other income	**3,776**	2,091
(Notes 20, 26)	**231,968**	232,740
Expenses		
Operating, administrative, regulatory, and energy expenses (Notes 4, 9, 18, 28)	**197,045**	202,708
Depreciation, amortisation, accretion and impairment	**25,837**	25,239
	222,882	227,947
OPERATING INCOME	**9,086**	4,793
Net finance expense (Note 28)	**2,126**	1,002
Share of earnings of associates (Note 12)	**849**	601
Earnings before net movement in regulatory account balances	**7,809**	4,392
Net movement in regulatory account deferral credit balances (Note 4)	**(824)**	1,044
Net movement in regulatory account deferral debit balances (Note 4)	**5,455**	-
	4,631	1,044
NET EARNINGS FOR THE YEAR	**$12,440**	$5,436
BASIC EARNINGS PER SHARE		
Net earnings from continuing operations (Note 11)	**$1.30**	$0.56
Fully diluted earnings per share (Note 11)	**$1.27**	$0.54

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

ASCENDANT

Ascendant Group Limited
Consolidated Statement of Comprehensive Income
(In thousands of Bermuda Dollars)

	Year ended 31 December	
	2019	2018
Net earnings for the year	**$12,440**	$5,436
Other comprehensive income:		
Items that will not be reclassified to profit and loss:		
Actuarial gains / (losses) on post retirement plans:		
1) Medical benefit plans (Note 17)	**(5,125)**	2,973
2) Defined benefit plan (Note 17)	**(9,347)**	4,526
3) Life insurance plan (Note 17)	**(625)**	652
Items that may be reclassified to profit and loss:		
Loss on cash flow hedges (Note 13)	**(4,999)**	(3,015)
	(20,096)	5,136
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**$ (7,656)**	$10,572

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

ASCENDANT

Ascendant Group Limited
Consolidated Statement of Changes in Shareholders' Equity
(In thousands of Bermuda Dollars)

	Attributed to equity owners of the Company						
	Share Capital	Share Premium	Treasury Stock	Contributed Surplus	Accumulated OCI	Retained Earnings	Total Equity
Balance at 1 January 2018	$10,205	$27,298	$(2,775)	$22,550	$(32,333)	$245,733	$270,678
Total comprehensive income for the year							
Net earnings for the year	-	-	-	-	-	5,436	5,436
Total other comprehensive income for the year	-	-	-	-	5,136	-	5,136
Transactions with shareholders recognised directly in equity:							
Dividends (Note 10)	-	-	-	-	-	(4,718)	(4,718)
Equity settled transactions (Note 10)		3,735					3,735
Movement in treasury stock (Note 10)	-	-	(10,691)	-	-	-	(10,691)
Movement in ordinary shares (Note 10)	321	3,213	-	-	-	-	3,534
Balance at 31 December 2018	$10,526	$34,246	$(13,466)	$22,550	$(27,197)	$246,451	$273,110
Balance at 1 January 2019	**$10,526**	**$34,246**	**$(13,466)**	**$22,550**	**$(27,197)**	**$246,451**	**$273,110**
Total comprehensive income for the year							
Net earnings for the year	**-**	**-**	**-**	**-**	**-**	**12,440**	**12,440**
Total other comprehensive (loss) income for the year	**-**	**-**	**-**	**-**	**(20,096)**	**-**	**(20,096)**
Transactions with shareholders recognised directly in equity:							
Dividends (Note 10)	**-**	**-**	**-**	**-**	**-**	**(4,214)**	**(4,214)**
Equity settled transactions (Note 10)	**-**	**(996)**	**4,438**	**-**	**-**	**-**	**3,442**
Movement in treasury stock (Note 10)	**(67)**	**(1,259)**	**(1,219)**	**-**	**-**	**-**	**(2,545)**
Movement in ordinary shares (Note 10)	**53**	**848**	**-**	**-**	**-**	**-**	**901**
Balance at 31 December 2019	**$ 10,512**	**$32,839**	**$(10,247)**	**$22,550**	**$(47,293)**	**$254,677**	**$263,038**

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

ASCENDANT

Ascendant Group Limited
Consolidated Statement of Cash Flows
(In thousands of Bermuda Dollars)

	Year ended 31 December	
	2019	2018
OPERATING ACTIVITIES		
Net earnings for the year	**$12,440**	$5,436
Adjustments to reconcile net earnings to net cash generated from operating activities:		
Loss on disposal of assets (Notes 5,6)	**1,611**	1,371
Depreciation, amortisation & impairment	**24,660**	24,421
Asset retirement & environmental clean-up obligation accretion	**945**	818
Right-of-use depreciation	**232**	-
Share of earnings of associates	**(849)**	(601)
Inventory provision and impairment (Note 9)	**808**	1,068
Defined benefit obligation & other post-retirement benefits	**(4,778)**	(4,898)
Non-cash employee benefits expense: share based payments (Note 10)	**3,442**	6,341
Changes in non-cash working capital balances (Note 28)	**(6,269)**	(732)
Net cash generated from operating activities	**32,242**	33,224
INVESTING ACTIVITIES		
Proceeds from sale of investments	**-**	236
Acquisition of property, plant, equipment & intangible assets	**(95,934)**	(74,843)
Net cash used in investing activities	**(95,934)**	(74,607)
FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	**406**	421
Purchase of capital stock (treasury)	**(2,545)**	(10,691)
Dividends paid	**(4,214)**	(4,718)
Cash proceeds from bank borrowing	**86,306**	56,100
Repayment of bank borrowing	**(2,916)**	(6,826)
Net cash generated from (used in) financing activities	**77,037**	**34,286**
Increase (decrease) in cash and cash equivalents	**13,345**	(7,097)
Cash and cash equivalents:		
Beginning of year	**19,468**	26,565
Cash and cash equivalents:		
End of year	**$32,813**	$19,468

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. OPERATIONS

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

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

The Consolidated Financial Statements of the Company as at 31 December 2018 and 2019, which were prepared in accordance with International Financial Reporting Standards (“IFRS”), are available upon request from the Company’s registered office above or at www.ascendant.bm.

2. BASIS OF PREPARATION

a. Statement of compliance

These Consolidated Financial Statements, as at, and for the year ended 31 December 2019, have been prepared in accordance with International Financial Reporting Standards.

These Consolidated Financial Statements were authorized for issue by the Board of Directors on 26 March 2020.

b. Basis of measurement

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

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

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

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Consolidated Financial Statements are described in the following notes:

- Note 3(l) (I) – impairment of financial assets;
- Note 3(l) (II) – impairment of non-financial assets;
- Note 3(m) – provisions including asset retirement and environmental clean-up obligations;
- Note 3(c) – useful lives of property, plant and equipment;
- Note 3(i) – useful lives of intangible assets;
- Note 3(j) – useful lives of investment property;
- Note 3(h) – defined benefit pension plan and other post-retirement benefits;
- Note 16 – allowance for impairment of receivables;
- Note 3(k)(VII); 13 – derivative financial instruments and hedging.

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

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

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

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

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

For joint ventures and associates, the Company applies the equity method of accounting and investments are initially recognised at cost. Under the equity method, the Company's share of net earnings and other comprehensive income of the joint venture or associate is included from the date that control or joint

control commences until the date control ceases.

b. Revenue recognition

The Company earns revenue through its principal activities outlined in Note 1 and recognises revenue through the following steps:

1. Identification of the contract with the customer;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the performance obligations in the contract; and
5. Recognise revenue when, or as, performance obligations are satisfied.

ELECTRICITY SALES

Revenue from electricity sales is recognised over time based on consumption recorded by meter readings taken monthly. The transaction price is based on the kilowatt hours consumed during the billing period multiplied by the regulated rate. The Company reduces revenue to the extent that early payment discounts are expected to be earned by the general customers based on historical information. The Company accrues for unread consumption at the end of each financial period.

MAINTENANCE AND FACILITIES MANAGEMENT CONTRACTS

Revenue from property and facilities management, HVAC and other maintenance agreement sales is earned over time, evenly on a monthly basis over the term of the individual contracts. The performance obligation is met when the maintenance service is rendered. The transaction price is determined by the amount agreed per the maintenance contract. In instances where a major HVAC or other component is replaced under the terms of the relevant contract, such that it is considered to represent a separate performance obligation, the associated revenue is recognised at a point in time based on the relative stand-alone selling price.

PROJECT CONTRACTS

Project revenue is earned from delivery and installation of HVAC or other equipment and is recognised as the equipment has been delivered and installed. The transaction price is based on the contractually agreed-upon price and is recognised over time, using the input cost method to measure progress against total budgeted cost, to determine the proportion of revenue to be recognised in each accounting period. Where contract modifications occur, if the change is to a past performance obligation, revenue is adjusted to reflect a cumulative catch-up adjustment based on the revised contract price. If the change is to a future performance obligation, the modification is accounted for as a prospective adjustment and recognised in future periods as the performance obligation is satisfied.

OVER-THE-COUNTER AND RETAIL SALES

Revenue for over-the-counter and retail sales is recognised at the time the item is purchased by the customer. The transaction price is the agreed upon point-of-sale price and is recognised at a point in time at the time of the sale. Trade discounts are recognised at the point of sale.

ENERGY PERFORMANCE CONTRACT

The Company, through its subsidiary IFM, enters into certain energy saving arrangements with customers whereby the customer can purchase energy saving equipment together with a long-term servicing agreement. Where such multiple-element arrangements exist, the amount of revenue allocated to each element is based upon the relative fair values of the separate performance obligations. The fair values of each element are determined based on the current market price of each of the elements when sold separately. The revenue relating to the equipment is recognised at a point in time when delivery, installation and certification has occurred. Revenue relating to the service element is recognised over time as the services are rendered. Where contract modifications occur, if the change is to a past performance obligation revenue is adjusted to reflect a cumulative catch-up adjustment based on the revised contract price. If the change is to a future performance obligation, the modification is accounted for as a prospective adjustment and recognised in future periods as the performance obligation is satisfied.

RENTAL INCOME
Rental income from investment properties is recognised on a straight-line basis over time based on the terms of the lease. The transaction price is determined based on current market rates. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

Contract balances
CONTRACT ASSETS
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. A contract asset is recorded when the Company performs by transferring goods or services to a customer before the customer pays consideration or before the Company has invoiced the customer. The Company recognises unconditional rights to consideration separately as a receivable.

TRADE RECEIVABLES
A receivable represents amounts that have been billed to the customer and only the passage of time is required before payment of the consideration is due. Refer to the accounting policies of financial instruments in Note 3(k) for the Company's policy on trade receivables.

CONTRACT LIABILITIES
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. A contract liability is recorded by the Company if a customer pays consideration before the Company transfers goods or services to the customer. Contract liabilities are recognised as revenue when the Company performs under the contract.

CONTRACT OBTAINMENT AND FULFILLMENT COSTS
The Company pays commissions to employees for obtaining certain project and maintenance contracts. The Company has elected to apply the optional practical expedient for costs to obtain the contract which allows for the Company to immediately expense sales commissions because the amortisation period of the asset that the Company otherwise would have used is one year or less. For commissions related to project and maintenance contracts delivered over a period greater than one year, the Company recognises an asset for these costs and subsequently amortises the asset over the period of the associated contract.

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

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

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

The estimated useful lives of property, plant and equipment for 2019 and 2018 are as follows:

Generation plant	24 years
Transmission equipment	40 to 50 years
Distribution equipment	24 to 50 years
General plant	3 to 24 years
Other physical assets	3 to 24 years

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

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

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

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

d. Cash and cash equivalents
Cash and cash equivalents include cash on account and short-term, highly liquid investments with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash, and which are subject to insignificant risk of change in value. No significant interest rate risk is associated with cash and cash equivalents held as at 31 December 2019 and 2018.

e. Inventory
Inventory is comprised of materials and supplies, as well as fuel and lubricants. Materials and supplies are recorded at the lower of average cost, less provision for obsolescence, and net realizable value. Fuel and lubricants are recorded at cost on a first-in, first-out basis.

f. Foreign currency translation
Monetary assets and liabilities have been translated into Bermuda Dollars at rates of exchange that approximate those rates prevailing at the Company's year-end. Transactions in foreign currencies during the year have been recorded at actual rates of exchange when incurred. Gains or losses arising on foreign currency translations are included in earnings for the year.

g. Earnings per share
Basic earnings per share is calculated by dividing net earnings attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the year adjusted for treasury shares held. Diluted earnings per share is determined by adjusting the weighted average number of shares for the effects of all dilutive potential shares stemming from the Company's employee incentive plans as outlined in detail in Note 22.

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

II. DEFINED CONTRIBUTION PENSION PLAN

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

III. DEFINED BENEFIT PENSION PLAN

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

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

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

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

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB Pension Plan are recognised in net earnings.

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

IV. OTHER LONG-TERM EMPLOYEE BENEFITS

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

The Company accounts for post-retirement life insurance consistent with accounting for the DB Pension Plan. BELCO's group life insurance plan is detailed in Note 17.

V. EMPLOYEE INCENTIVE PLANS
Effective January 1 2013, the Company implemented a Long-Term Incentive Plan ("LTIP") and a Retention Share Programme designed to attract, retain and motivate senior management and tie a meaningful portion of compensation to the achievement of strategic objectives.

Long-Term Incentive Plan
The LTIP is comprised of an initial grant of a target amount of cash or shares of the Company. Share grants were discontinued at the end of 2017. Beginning in 2018, each LTIP initial grant is divided into a performance-based award and a non-performance-based award. The performance-based award comprises 75% of the total grant and vests on the third anniversary of the effective award date, multiplied by a factor of 0% - 150% based on the achievement of certain pre-determined objectives as solely determined by the Board of Directors. The non-performance-based award comprises 25% of the total grant and vests in one-third increments over three years.

The Company's outstanding LTIP awards are accounted for as a liability, determined by reference to management's best estimate of the amounts to be settled based on the officer's salary and expected fulfilment of certain performance objectives.

Retention share programme
In addition to the LTIP programme, the Company granted restricted shares to certain officers for retention purposes. The shares are time restricted and vest over time in accordance with the individual officer's contractual agreement. The shares can only vest early due to termination or a change in control of the Company, in which case shares will vest on an accelerated basis.

Effective 1 April 2018 the Company modified the terms of its retention share programme such that awards can only be settled by way of shares. As a result of this modification, the retention share awards ceased to be accounted for as a liability and the fair value of the awards on 1 April 2018 was transferred to, and accounted for within, share premium as a component of the Company's equity.

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

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

i. Intangible assets

The Company classifies goodwill and computer software as intangible assets. Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis, or more frequently if impairment indicators arise. As at 31 December 2019 and 2018 there was no impairment of the Company's goodwill. Computer software is measured at cost less accumulated amortisation and impairment losses and is amortised on a straight-line basis over periods ranging from five to ten years.

Software in progress is not subject to amortisation until brought into service. Amortisation is based on

cost of an asset less its residual value. The method of amortisation, residual values and useful lives of the assets are reviewed annually and adjusted where necessary.

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

Investment property is amortised over the estimated useful life of 24 years. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in net earnings.

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

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

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

I. FINANCIAL ASSETS AND FINANCIAL LIABILITIES – RECOGNITION AND DERECOGNITION
The Company initially recognises loans and receivables on the date when they originated. All other financial assets and financial liabilities are initially recognised on the trade date.

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

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

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

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

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

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

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

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

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

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

VI. *PROVISION FOR BAD DEBTS*
The adoption of IFRS 9 from 1 January 2018 resulted in the Company revising its impairment methodology in respect of its trade and other receivables to apply the "expected credit loss model". This replaced the "incurred loss model" and means that a loss event will no longer need to occur before an impairment loss is recognized. The Company uses the simplified approach to measuring expected credit losses which uses a lifetime expected allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade and other receivables are written off when there is no reasonable expectation of recovery.

VII. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING
On 21 June 2018, the Company entered into interest rate swap contracts as part of its risk management strategy to limit exposure to increasing interest rates on debt financing. These derivatives qualify for hedge accounting and are recorded at fair value in the Consolidated Statement of Financial Position. Derivatives qualify for hedge accounting if they can be proven to effectively hedge the identified cash flow risk both at the inception and over the term of the derivative. Specifically for cash flow hedges, the effective portion of the change in the fair value of derivatives is deferred to accumulated other comprehensive income ("OCI") and recognised in income in the same period the related hedged item is realized. Any ineffective portion of the change in the fair value from cash flow hedges is recognised in net income in the reporting period. When the documentation of hedge effectiveness requirements are not met, the derivatives are recognised at fair value with any changes in fair value recognised in net income in the reporting period, unless deferred as a result of regulatory accounting.

I. Impairment

I. FINANCIAL ASSETS
Financial assets not classified at fair value through net earnings are assessed at each reporting date

to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

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

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

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

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

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is

reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that

would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

m. Provisions

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

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

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

ASSET RETIREMENT OBLIGATIONS

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

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

ENVIRONMENTAL CLEAN-UP OBLIGATIONS

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

WARRANTIES

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

RESTRUCTURING

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

n. Income tax

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

Statements.

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

p. Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, Chief Financial Officer, President, BELCO, President, AG Holdings, and members of the Board of Directors, who make decisions about resources to be allocated to the segment and assess its performance principally on the basis of net earnings adjusted for regulatory items as shown in Note 20, Segmented Information.

q. Leases
At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

1. The contract involves the use of an identified asset- this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
2. The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
3. The Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
    a. The Company has the right to operate the asset; or
    b. The Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee
The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1. Fixed payments, including in-substance fixed payments;
2. Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
3. Amounts expected to be payable under a residual value guarantee; and

4. The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise the extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property as a non-current asset and lease liabilities as a non-current liability on the consolidated statement of financial position.

As a lessor
When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is a major part of the economic life of the asset.

If an arrangement contains a lease and non-lease component, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income" on the consolidated statement of income.

r. Change in accounting policies and disclosures
IFRS 16 Leases
IFRS 16 replaced IAS 17 *Leases* and related interpretations and it provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. IFRS 16 applies a control model, as outlined in Note 3a, to identify leases, distinguishing between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer.

The Company adopted IFRS 16 *Leases* on 1 January 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. There were no changes to the Company's Consolidated Financial Statements as previously reported at 31 December 2018 and the year then ended as a result of the adoption of IFRS 16.

As a lessee
On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather in the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or amended on or after 1 January 2019.

The Company elected to apply recognition exemptions to short-term rental leases, leases of IT equipment

and leases of low value. For leases of other assets, which were classified as operating leases under IAS 17, the Company recognized right-of-use assets and lease liabilities.

As a lessor
The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Impact on the consolidated financial statements

In $000's	1 January 2019
Operating lease commitment at 31 December 2018	**$1,400**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**840**
Less: Short-term leases recognized on a straight-line basis as an expense	**(159)**
Lease liabilities recognised at 1 January 2019	**$681**

Right-of-use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that required an adjustment to the right-of-use asset at the date of initial application.

s. Regulatory assets and liabilities

Regulatory assets and liabilities are recorded to the extent that they represent probable future revenue or expenses associated with certain charges or credits that will be recovered from or refunded to customers through the rate making process.

4. RATE REGULATION

BELCO is an electric utility subject to rate regulation pursuant to the Electricity Act 2016 (the "Act") which became operative on 28 October 2016 (the "Operative Date"). It holds a transmission, distribution and retail ("TD&R") licence and a bulk generation licence granted under the Act. Prior to the Operative Date, BELCO was subject to rate regulation by the now defunct Energy Commission pursuant to the Energy Act 2009, and under the Act it is now regulated by the Regulatory Authority (the "Authority").

NATURE AND ECONOMIC EFFECTS OF RATE REGULATION IN BERMUDA

BELCO's base rate tariffs that were approved on 31 March 2016 pursuant to a directive issued by the Energy Commission (the "Directive") and implemented on 1 June 2016 were in effect until the end of 2019. As mandated in its TD&R licence, BELCO continued to follow the tariff and allowed return methodology established in the Directive during 2019. Under the Directive BELCO's fuel costs in excess of $30.00 per barrel were recovered through the fuel adjustment rate (the "FAR"). Given the relative volatility of fuel prices, FAR submissions were made to the Authority on a monthly basis in accordance with the minimum reporting requirements set by the Energy Commission.

The Regulatory Authority (Retail Tariff Methodology) General Determination 2018 became operative on 19 October 2018 (the "Methodology"). The Methodology, which applies to tariffs in 2020, is a cost-of-service rate methodology with certain incentives designed to drive increased efficiency over time. The Methodology allows pass through of 100% of BELCO's fuel costs through the Fuel Adjustment Rate, recovery of certain regulatory costs as a dedicated charge on consumer bills pursuant to the Electricity (Regulatory Authority Fees) Regulations 2017, and recovery of purchased power costs, operating costs, capital costs and a return on rate base through facilities and energy charges.

In the first half of 2019, BELCO filed a rate application applying the Methodology. On 25 November 2019 the Authority issued the Retail Tariff Review – Allowed Revenue Decision & Order ("2020 Revenue Order") and subsequently released the new tariffs effective 1 January 2020. These tariffs allow recovery

of BELCO's filed operating and capital cost estimates, with certain variations, plus an allowed return on rate base of 8%.

For the 2020 rate period, rate base is calculated as the opening net book value of property, plant and equipment plus certain working capital adjustments, plus allowed capital cost additions, less applicable depreciation and amortization. Allowed capital cost additions include approved spending under BELCO's capital plan once assets are placed into service plus an allowance for funds used during construction at BELCO's allowed 8% return.

Beginning in 2020, the Fuel Adjustment Rate will be trued up on a quarterly basis, instead of the monthly adjustment mechanism applied previously. Where purchased power costs or kWh sales vary from the amounts included in rates, these amounts will be trued-up annually. Capital and operating cost allowances are subject to an incentive mechanism whereby 20% of any savings will be retained by BELCO with 80% passed on to customers, whereas cost overruns will be borne 100% by BELCO.

Recent Events
BELCO plans to decommission eight diesel generating units (D3, D8, D10, D14, and E1 to E4) and a gas turbine (GT4) totaling 80 MW in late 2020 due to safety and reliability concerns associated with their age. Following publication of the Authority's approval order dated 6 March 2018, clarified by the further order of 23 May 2018, (the "NPS Order") BELCO is constructing 56 MW of duel-fuel generating units to replace the decommissioned assets. The NPS Order included recovery of related costs under the Methodology.

Pursuant to the Authority's request made in accordance with the Act, BELCO has prepared and submitted to the Authority an integrated resource plan ("Draft IRP"). The Draft IRP was submitted to the Authority on 15 February 2018, inclusive of analyses of Bermuda's load forecast, existing resources and reliability, demand side management and supply options, environmental considerations, lifecycle costs and various risk analyses. Following a process of consultation, on 25 July, the Bermuda Integrated Resource Plan dated 30 June 2019 which approved a scenario that would result , with the target of achieving a contribution of 85% of energy from renewable resources by 2035.

On 19 October 2018 the Regulatory Authority (Feed in Tariff Methodology) General Determination 2018 became effective and set the methodology by which the Authority will determine the feed-in-tariff that BELCO will pay to distributed generators that have entered into Standard Contracts with BELCO as required under the Act. In October 2019, the Authority approved a new feed-in-tariff for distributed generators of 22.65 cents per kilowatt hour

Financial statement effects of rate regulation
FUEL ADJUSTMENT RATE (FAR) REVENUES
As at 31 December 2019, the Company over-recovered $1.2 million (31 December 2018: $0.5 million) in FAR revenues approved by the Authority. In accordance with IFRS 14, Regulatory Deferral Accounts, the Company has accounted for replacement generation these balances as regulatory deferral account credit balances and net movement in regulatory account deferral balances in accordance with this standard. The equalization effect of rate regulation on the Company's Consolidated Statement of Income in 2019 was $(0.8 million) (2018: $1.0 million).

REGULATORY ASSETS
The 2020 Revenue Order allows for BELCO to recover certain costs, that were incurred in 2019 and prior periods, through future rates. The amounts relating to these costs have been recorded as regulatory deferral account debit balances and recognised on the Consolidated Statement of Income as net movement in regulatory account deferral debit balances. These assets will be amortised over their recovery periods of between one and five years.

TARIFF STABILISATION FUND
The EC directive established a tariff stabilization fund ("TSF") to be used to defer tariff increases or to make up revenue requirement shortfalls similar to the FAR balancing account concept. As at 31 December 2019, the TSF was $Nil (2018 – $Nil). The TSF will be discontinued under the Methodology.

REGULATORY AUTHORITY FEES

The Company is required to pay the following regulatory fees payable quarterly in arrears:

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

As a result, the Company recognised total regulatory expenses in 2019 of $3.0 million (2018: $3.1 million). As at 31 December 2019, the Company accrued regulatory fee expenses of $0.7 million (31 December 2018: $0.7 million).

Only TD&R service regulatory fees may be passed onto the consumer. These regulatory fees are passed onto the consumer based on monthly metered kilowatt-hour consumption. Total regulatory fee revenues recognised for the year totaled $2.6 million (2018: 2.7 million).

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

FAR Revenues (Over) / Under Recovered Balance (In $000's)	**2019**	**2018**
Balance at 1 January	$(485)	$(1,458)
Fuel costs to be approved / recovered recognised in accounts receivables	70	(71)
Amounts recognised in the Consolidated Statement of Income as net movements in regulatory account deferral credit balances	(824)	1,044
Balance at 31 December	**$(1,239)**	**$(485)**

Regulatory Authority Fees Provision Balance (In $000's)	**2019**	**2018**
Balance at 1 January	$(700)	$(711)
Fees paid during the year	3,008	3,067
Net fees accrued during the year	(3,000)	(3,056)
Balance at 31 December	**$(692)**	**$(700)**

Regulatory Deferral Account Asset (In $000's)	**2019**	**2018**
Balance at 1 January	$-	$-
Costs approved for future recovery during the year	5,455	-
Amortisation of assets recognized in the Consolidated Statement of Income as net movement in regulatory account deferral debit balances	-	-
Balance at 31 December	**$5,455**	**$-**

5. PROPERTY, PLANT AND EQUIPMENT

In $000's	Land	Bulk Generation	Transmission Distribution & Retail	Other Physical Assets	Total
Cost					
Balance at 1 January 2018	$6,014	$374, 022	$329,321	$58,693	$768,975
Additions	-	50,443	15,125	6,729	72,297
Disposals	-	(21,701)	(18,629)	(8,808)	(49,138)
Balance at 31 December 2018	$6,014	$403,689	$325,817	$56,614	$792,134
Balance at 1 January 2019	$6,014	$403,689	$325,817	$56,614	$792,134
Additions	-	73,262	21,189	2,043	96,494
Disposals	(435)	(95,154)	(33,944)	(12,018)	(141,551)
Balance at 31 December 2019	$5,579	$381,797	$313,062	$46,639	$747,077
Accumulated Depreciation					
Balance at 1 January 2018	$-	$283,280	$178,630	$42,012	$503,922
Depreciation	-	13,196	5,552	3,246	21,994
Disposals	-	(21,701)	(18,074)	(8,164)	(47,939)
Balance at 31 December 2018	$-	$274,775	$166,108	$37,094	$477,977
Balance at 1 January 2019	$-	$274,775	$166,108	$37,094	$477,977
Depreciation	-	13,340	6,374	3,408	23,122
Disposals	-	(94,924)	(33,025)	(12,008)	(139,957)
Balance at 1 December 2019	$-	$193,191	$139,457	$28,494	$361,142
Carrying amounts					
At 31 December 2018	$6,014	$128,914	$159,709	$19,520	$314,157
At 31 December 2019	$5,579	$188,606	$173,605	$18,145	$385,935

Total capital work in progress of $122.4 million (2018: $63.2 million) is recorded in property, plant and equipment noted above. Capital work in progress is not subject to depreciation until brought into service.

Asset retirement obligations included in property, plant and equipment as at 31 December 2019 amounted to $1.7 million (2018: $1.9 million).

Included in total CWIP, which is not subject to depreciation until brought into service, is $102.8 million associated with BELCO's replacement generation project, consisting of four 14 megawatt ("MW") diesel engines, replacing retiring engines that currently account for approximately 50% of the Company's current generation capacity. Planned costs are being incurred over approximately two years. This project is being financed with cash and term loan facilities totaling US$107.5 million, described in Note 14. The balance of CWIP is comprised of $15.5 million related to transmission and distribution upgrades, $0.9 million in major engine component replacements and $3.2 million in other capital expenditures.

6. INTANGIBLE ASSETS AND GOODWILL

In $000's	Goodwill	Software in Progress	Software	Total
Cost				
Balance at 1 January 2018	$6,915	$406	$17,199	$24,520
Acquisitions	-	1,039	89	1,128
Transfers	-	(206)	206	-
Disposals	-	-	(935)	(935)
Balance at 31 December 2018	$6,915	$1,239	$16,559	$24,713
Balance at 1 January 2019	$6,915	$1,239	$16,559	$24,713
Acquisitions	-	915	589	1,504
Transfers	-	(1,271)	1,271	-
Disposals	-	-	(1,562)	(1,562)
Balance at 31 December 2019	$6,915	$883	$16,857	$24,655
Accumulated amortisation and impairment losses				
Balance at 1 January 2018	$-	$-	$11,502	$11,502
Amortisation	-	-	1,555	1,555
Disposals	-	-	(763)	(763)
Balance at 31 December 2018	$-	$-	$12,294	$12,294
Balance at 1 January 2019	$-	$-	$12,294	$12,294
Amortisation	-	-	1,485	1,485
Disposals	-	-	(1,545)	(1,545)
Balance at 31 December 2019	$-	$-	$12,234	$12,234
Carrying amounts				
At 31 December 2018	**$6,915**	**$1,239**	**$4,265**	**$12,419**
At 31 December 2019	**$6,915**	**$883**	**$4,623**	**$12,421**

There was no impairment of intangible assets and goodwill for the years ended 31 December, 2019 and 2018.

7. INVESTMENT PROPERTY

In $000's	2019	2018
Balance at 1 January	$1,987	$2,083
Less: Depreciation	99	96
Balance at 31 December	**$1,888**	$1,987

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

8. INVESTMENTS

During 2018 the Company sold substantially all of its portfolio of publicly listed, Bermuda domiciled company shares through the Bermuda Stock Exchange. Profits recognised on the sale of these investments were included in other income on the Consolidated Statement of Income.

9. INVENTORY

During the year, the Company utilised materials totaling $102.4 million (2018: $104.3 million) as part of normal operations. Inventory is comprised as follows:

In $000's	2019	2018
Materials and supplies	$19,548	$18,515
Fuel and lubricants	25,399	22,579
Balance at 31 December	**$44,947**	$41,094

Inventory written off to expense during the year totaled $0.8 million (2018: $1.1 million). The provision for inventory obsolescence as at 31 December 2019 was $7.8 million (31 December 2018: $7.2 million).

In 2017, the Company notified the Authority of its intent to decommission eight diesel and one gas turbine generating units accounting for approximately 50% of its total generating capacity which are beyond end of service, present operational risk, and are costly to maintain. The write down of inventory supporting engines to be decommissioned recognises that there is an increased likelihood that parts held in stock to maintain these generating units may not be used prior to their decommission. BELCO will review this specific inventory provision at the end of each year through to planned decommission. Inventory held to support maintenance of generation engines scheduled for decommission before or during 2020 was written down by $0.8 million (2018: $0.8 million) during the year.

The Company recognised inventory obsolescence expense of $nil (2018: $266,000) during the current year for parts that can no longer be used in operation. The Company conducts an intensive review of all inventory during the year involving operations personnel working closely with procurement staff in determining its year-end inventory obsolescence provision.

10. SHARE CAPITAL

The movement in share capital, share premium, and treasury shares for the years ended 31 December 2019 and 2018 was as follows:

In $000's	Issued and Fully Paid Shares (a)	Share Capital ($1.00 par value)	Share Premium	Treasury Shares
1 January 2018	10,205	$10,205	$27,298	$(2,775)
Employee share purchase plan	41	41	427	-
Directors' fee compensation (Note 18)	40	40	420	-
Shares issued under management retention plan (Note 18)	240	240	2,366	-
Equity settled transactions	-	-	3,735	-
Shares repurchased and held as treasury shares	-	-	-	(10,691)
31 December 2018	10,526	$10,526	$34,246	$(13,466)
1 January 2019	10,526	$10,526	$34,246	$(13,466)
Employee share purchase plan	27	27	424	-
Directors' fee compensation (Note 18)	26	26	424	-
Shares issued under management retention plan (Note 18)	-	-	(4,438)	4,438
Shares cancelled following share buyback	(67)	(67)	(1,259)	1,326
Equity settled transactions	-	-	3,442	-
Shares repurchased and held as treasury shares	-	-	-	(2,545)
31 December 2019	**10,512**	**$10,512**	**$32,839**	**$(10,247)**

(a) Total authorized share capital as at 31 December 2019: $20 million (31 December 2018: $20 million).

Treasury shares

In 2019, a total of 139,395 Company shares were repurchased through an open market programme at an average cost of $18.26 per share (2018: 650,745 Company shares were repurchased at an average cost of $16.43 per share), of which 66,928 shares at an average cost of $19.81 were cancelled and the remaining 72,467 shares at an average cost of $16.83 per share have been added to the treasury stock balance.

A total of 343,333 retention shares were re-issued out of treasury stock during the year (2018: Nil) resulting in recognition of $4.4 million recorded to equity.

As at 31 December 2019, a total of 696,024 shares were held as treasury stock (31 December, 2018: 966,890 shares).

Dividends

The following dividends were declared and paid by the Company:

In $000's	2019	2018
$0.45 per qualified, issued and fully paid share (2018: $0.45)	$4,214	$4,718

11. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing net earnings attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the reported period (adjusted by treasury stock held). Earnings per share are diluted by potential shares. Potential shares are

issuable under the Company's Employee Incentive Plans as described in detail in Note 22.

A dilutive effect arose in 2019 and 2018 as a result of time-vested and performance-based retention shares to be issued in the future under the Employee Incentive Plans. The dilutive impact of these shares in the current year is to reduce earnings per share by $0.03 (2018 dilutive impact: $0.02).

The following table sets forth the computation for basic and fully diluted earnings per share:

	2019	2018
Numerator (in $000's)		
Continued operations	$12,440	$5,436
Net earnings	$12,440	$5,436
Denominator (in $000's)		
Weighted average number of shares outstanding – Basic	9,555	9,788
Add: Diluted potential shares from the LTIP (Note 22)	210	327
Weighted average number of shares outstanding	9,765	10,115
Basic and fully diluted earnings / (loss) per share:		
Basic EPS:	**2019**	**2018**
Continued operations	**$1.30**	$0.56
Net earnings	**$1.30**	$0.56
Fully diluted EPS:		
Continued operations	**$1.27**	$0.54
Net earnings	**$1.27**	$0.54

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

AIRCARE has a 34% ownership interest in the common shares of Otis Air-Conditioning Ltd. ("Otis"), a company with operations in the Cayman Islands. AIRCARE, together with the existing shareholders of Otis, have a 34% ownership interest in O Property Holdings Ltd. ("OPHL"), a Cayman Islands company. OPHL holds land connected with the operating activities of Otis.

The summarized financial information of Otis as at, and for the year ended 31 December 2019, expressed in Bermuda Dollars is as follows:

In $000's	2019	2018
Current assets	$5,444	$4,300
Non-current assets	2,239	1,835
Current liabilities	1,355	1,109
Net assets	6,329	5,026
Revenue	10,766	8,750
Profit from continuing operations	2,368	1,702
Investment in associate, at 34% holding, included in the consolidated statement of financial position	$2,152	$1,709

The summarized financial information of OPHL has not been presented as the investment in this entity is not considered to be material to the consolidated financial statements.

During the year a dividend of BD$362,000 (2018: $350,000) was declared and paid to the Company by Otis.

13. DERIVATIVE FINANCIAL INSTRUMENTS

On 21 June 2018, the Company entered into two cash flow interest rate swap contracts designated as cash flow hedges to mitigate the risk that LIBOR-based interest rates will increase over the life of its term loan facilities described in Note 14. Under the terms of the interest rate swap contracts, the Company has fixed its LIBOR interest rate expense to 3.28% on its US$91.4 million term loan facility and 3.02% on its US$16.1 million term loan facility. The interest rate swap contracts effectively hedge exposure to increases in US dollar interest rates as both notional amounts and the term of the contracts closely match new term loan facilities being hedged.

The fair value of derivative instruments is the estimated amount that the Company would receive or have to pay in order to terminate the outstanding contracts as at the consolidated statement of financial position date. As at 31 December 2019, the fair value of the two cash flow interest rate swap contracts was a loss of $8.0 million which has been recognised as a derivative liability on the Consolidated Statement of Financial Position (2018: $3.0 million was recognized as a derivative liability on the Consolidated Statement of Financial Position). The $5.0 million change in fair value of the cash flow interest rate swap agreements has been recognised in OCI (2018: $3.0 million).

The derivative financial instruments are considered to be Level 2 financial instruments in the fair value hierarchy. The Company notes the impending replacement of LIBOR, however, at December 31 2019, LIBOR is considered to remain a hedgeable risk component.

14. BANK BORROWING

Bank borrowing is comprised as follows:

In $000's	Authorized	2019 Drawdown	2018 Drawdown
The Bank of N.T. Butterfield & Son Limited - Overdraft Facilities:			
BELCO	$30,000	$-	$-
Ascendant	5,000	-	-
CIBC First Caribbean International Bank (Cayman) Limited – Revolving Credit Facility	50,000	49,940	17,420
HSBC – EKF Term Loan Facility	91,400	76,330	22,543
HSBC – Commercial Term Loan Facility	16,100	11,794	14,711
Total Bank Borrowing	**$192,500**	**$138,064**	**$54,674**
Less: Current Portion	**85,000**	**59,739**	**2,973**
Long-Term Portion	**$107,500**	**$78,325**	**$51,701**

Overdraft facilities:

BELCO's Bank of N.T. Butterfield & Son Limited overdraft facility, which expires on 31 July 2020, allows for maximum drawings of up to $30 million, bearing interest at 1% per annum above the bank's Bermuda Dollar Base Rate on borrowings. There was no drawdown on this facility as at 31 December 2019 (2018: Nil).

Ascendant has a $5 million overdraft facility with the Bank of N.T. Butterfield & Son Limited bearing interest at 1% per annum above the bank's Bermuda Dollar Base Rate on borrowings. This facility expires on 31 July, 2019. As at 31 December 2019, there was no draw down on this facility (2018: $Nil).

BELCO entered into an unsecured revolving credit facility with CIBC First Caribbean International Bank (Cayman) Limited on 18 December 2018. The facility allows for maximum drawings of up to $50 million bearing interest at three month $US LIBOR plus 2.70% per annum. Interest is payable quarterly in arrears and is calculated on an actual/360 day basis. Principal repayments are due on maturity. The facility expires on 17 December 2020. As at 31 December 2019 the Company had drawn down $49.9 million on this facility (31 December 2018: $17.4 million).

Term loan facilities:
On 21 June 2018, the Company entered into a US$91.4 million, 13.5 year unsecured term loan facility at a floating interest rate of six month US$ LIBOR plus margin and fees totaling 1.976% together with a US$16.1 million, 5 year unsecured term loan facility at a floating interest rate of three month US$ LIBOR plus a margin of 2.75%. At the time of closing of these loan facilities, the Company entered into two interest rate swaps, outlined in Note 13, to fix the interest rates of these loans for their respective terms.

These loans were entered into to fund the construction of BELCO's replacement generation and battery storage projects, and were used and will be drawn down during the construction period. The 13.5 year term loan facility will be repaid in equal installments semi-annually commencing June 2020 while the 5 year term loan facility is being repaid in equal quarterly installments which commenced September 2018. As at 31 December 2018, the Company had drawn down $88.1 million (2018 - $37.3 million) under these facilities.

15. FINANCIAL RISK MANAGEMENT

Overview
The Company has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

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

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

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

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

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

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

Effective 1 January 2018, the Company now utilized the expected credit loss model which replaces the incurred loss model previously used. Under the expected credit loss model, the Company uses the simplified approach to measure expected credit losses using a lifetime expected allowance for all trade and other receivables. To measure expected credit losses, trade and other receivables are grouped based on shared credit risk characteristics and the days past due.

Investments
During 2018, the Company sold its investments in the shares of several large, well-established local businesses listed on the BSX and NYSE.

Prior to the sale of these investments, the Company had not made any investment in local or overseas company stocks in more than 11 years. These investments were previously marked to market monthly and reflected current fair market values as reported in the BSX and NYSE.

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

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

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

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

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

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

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

- Requirements for appropriate segregation of duties, including the independent authorization of

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

The Company's objectives, when managing capital, are to maintain sufficient liquidity and ongoing access to capital in order to allow the Company to build and maintain its operational and administrative infrastructure. The Company's short-term capital management strategy is to generate and utilize positive cash flows from operations to meet annual capital expenditure and dividend payment requirements. Where a shortfall exists between internally generated cash inflows and required cash outflows, short-term debt financing will be utilized. The Company currently utilizes a bank overdraft facility to address fuel financing, and other working capital requirements.

The Company's long-term strategic capital management plan considers all financing options available to address the capital required to replace retiring generation and aging transmission and distribution infrastructure. There were no changes in the Company's approach to capital management during the year. The Company or any of its subsidiaries, other than ABIL, are not subject to any externally imposed minimum capital requirements.

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

Asset volatility
The plans obligations are calculated using a discount rate set with reference to corporate bond yields. If the DB Pension Plan assets do not grow by at least this rate, the net pension deficit may increase. The DB Pension Plan assets as at the end of 2019 were composed of equity securities (making up 50.8% (2018 - 49.1%)) of total plan assets) and debt securities and cash (making up the balance). The DB Pension Plan asset mix is selected to target sufficient asset returns to ensure the adequate funding of the pension liability within a reasonable risk profile. The Company, in conjunction with its investment advisors regularly assesses the composition of the asset portfolio to address volatility risk.

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

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

Life expectancy
An increases in life expectancy would lead to:
- An increase in the DB Pension Plan and Medical Benefit Plan obligations; and
- A decrease in the Group Life Insurance Plan obligations.

The impact of changes in discount rates, salary scale, and mortality rates are illustrated in the sensitivity analysis in Note 17.

16. FINANCIAL ASSETS AND LIABILITIES

The Company manages its exposure to credit, liquidity, market (including interest rate) and other risks in accordance with established risk management policies and procedures (see Note 15). The Company's financial instruments and their designations are (i) held for trading: cash and cash equivalents and investments; (ii) loans and receivables: accounts receivable; and (iii) other liabilities: bank borrowing, customer deposits, trade and other payables, asset retirement and environmental clean-up obligations.

Interest rate risk: The Company's interest-bearing assets and liabilities include cash and cash equivalents, current and non-current bank borrowing. The interest rate risk faced by the Company is largely a result of its cash and cash equivalents and bank borrowing at variable rates. Cash flow hedges (Note 13) are also being used to mitigate the risk of increases in interest rates on a large portion of the Company's existing debt.

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

In $000's	**2019**			2018		
	Gross carrying amount	**Expected loss rate**	**Loss allowance**	**Gross carrying amount**	**Expected loss rate**	**Loss allowance**
Not past due	**$16,824**	**1.1%**	**$186**	$16,062	0.6%	$118
Past due 31-60 days	**3,512**	**6.3%**	**220**	2,228	3.8%	84
Past due 61-90 days	**1,335**	**16.3%**	**217**	816	11.6%	95
Past due over 90 days	**5,542**	**84.5%**	**4,681**	5,358	82.2%	4,403
	27,213		**5,304**	26,796		4,700
Less: allowance for doubtful accounts	**(5,304)**			(4,700)		
Less: allowance for discounts	**(343)**			(422)		
	21,566			21,674		
Other (net) receivables	**277**			338		
	$21,843			$22,012		

In $000's	2019	2018
Allowance for impairment		
Opening balance	**$4,700**	$4,880
Increase (decrease) in allowance	**604**	(108)
Closing balance	**$5,304**	$4,700
Allowance for discounts		
Opening balance	**$422**	$374
Increase (decrease) in discounts	**(79)**	48
Closing balance	**$343**	$422

Liquidity risk: The Company's financial position could be adversely affected if it failed to arrange sufficient and cost-effective financing to fund, amongst other things, capital and operating expenditures, repayment of bank borrowing, and pension funding obligations. The ability to arrange such financing is subject to numerous factors, including the results of operations and financial position of the Company, regulatory environment, conditions in the capital and bank credit markets, and general economic conditions. The Company manages short-term liquidity risk primarily by maintaining overdraft and revolving credit facilities with a limit of $85 million (2018: $85 million) with the Bank of N. T. Butterfield & Son Limited and CIBC First Caribbean International Bank (Cayman) Limited, as explained in Note 14. The CIBC facility is due to expire in 2020, the Company will consider renewing the facility or seek alternate financing.

The following table categorizes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows. Balances due within 12 months approximate carrying values, as the impact of discounting is not significant. In respect of bank borrowing, amounts due after 1 year are considered to approximate fair value given the floating interest rate. The asset retirement, environmental clean-up, and long term employee benefit plan obligations are all subject to discounting.

In $000's	Carrying amount	Less than 1 year	Greater than 1 year
As at December 31 2019			
Bank borrowing	$138,064	$59,739	$78,325
Derivative financial instrument	8,014	-	8,014
Trade and other payables	34,570	34,570	-
Customer deposits	257	257	-
Total financial liabilities	**$180,905**	**$94,566**	**$86,339**

In $000's	Carrying amount	Less than 1 year	Greater than 1 year
As at December 31 2018			
Bank borrowing	$54,674	$2,973	$51,701
Derivative financial instrument	3,015	-	3,015
Trade and other payables	30,280	30,280	-
Customer deposits	252	252	-
Total financial liabilities	**$88,221**	**$33,505**	**$54,716**

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

course of business.

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

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

Fair values: The fair value of short-term investments is determined through reference to the last trade price of third-party stocks held and listed on the Bermuda Stock Exchange and New York Stock Exchange. The Company sold its listed short-term financial instruments in 2018. The Company has retained its investment in the Bermuda Credit Association which is accounted for at cost.

Other risks: As at 31 December 2019, the fair value of the Company's DB Pension Plan assets was $174 million compared to fair value of plan assets of $153 million, as at 31 December 2018 (refer to Note 17). The increase in the fair value of pension plan assets during 2019 was due mainly to favorable market conditions, as compared to 2018. The Company does not expect any difficulty in its ability to meet future pension funding requirements, as it expects the amounts will be financed from a combination of cash generated from operations and amounts available for borrowing under BELCO's existing bank credit facilities.

Sensitivity analysis

The analysis below illustrates the extent to which the Company's results are impacted by financial instruments and the underlying market risks (interest rate risk and commodity price risk). Sensitivity to interest rate risk on pension and other long term benefit obligations is disclosed in Note 17.

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

A 50 basis points increase or decrease in interest rate of both bank overdraft and revolving loan facilities would increase or decrease net earnings by approximately $188,000 (2018: $114,000).

17. POST-RETIREMENT BENEFIT PLANS

Defined Contribution Pension Plan

Total employer contributions paid to the defined contribution pension plan (the "DC Pension Plan") during the year are as follows:

In $000's	**2019**	**2018**
Ascendant Group	$376	$442
BELCO	1,718	1,834
AG Holdings	386	358
	$2,480	$2,634

The 2019 DC Pension Plan expense includes $0.7 million in "top up expenses" (2018: $0.8 million) associated with both the DB Pension Plan hard freeze finalized in 2016 and the 2017 settlement between BELCO and the Electric Supply Trade Union (ESTU) concerning changes in post-retirement medical benefits for future retirees. Both of these changes are described more fully below.

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

The chronology of major changes to the DB Pension Plan:

- 31 December 2011: A "soft" freeze of the DB Pension Plan was imposed. Under the terms of the "soft" freeze, the percentage benefit was frozen, but the pensionable earnings benefit to which the fixed percentage will be applied would continue to be based on final earnings as noted above.
- 1 January 2012: All full-time employees covered under the DB Pension Plan were transitioned to the DC Pension Plan for pension amounts accruing after that date.
- 20 October 2015: A Deed of Amendment was filed with the Bermuda Pension Commission (the "Pension Commission") to hard freeze benefits effective 31 December 2015 for members who were employed and remunerated on a salaried basis at 31 December 2015. The Pension Commission approved this amendment.
- 1 January 2016: An additional Deed of Amendment was filed clarifying the intent of the benefits hard freeze for members who were employed and remunerated on a salaried basis on 31 December 2015 but would not satisfy eligibility requirements to retire with an unrestricted pension by 31 December 2025. This revised amendment was approved by the Pension Commission and enables the following:
    - Members retiring between 1 January 2016 and 31 December 2025 will have their DB Pension Plan soft frozen and be eligible for early retirement offerings. These members will have their DB Pension benefit hard frozen effective 1 January 2026; and
    - Members due to retire after 1 January 2026 will have their DB Pension Plan hard frozen as at 31 December 2015. These employees will receive a monthly top-up to their DC Pension Plan until their former earliest unrestricted retirement date. The top-up is intended to help offset the effect of the hard-freeze on the DB Pension Plan retirement benefit.

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

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

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

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

Active Group employees are entitled to a death benefit while employed based on a prescribed multiple of final salary. This portion of the plan is a standard, short term employment benefit with net premiums expensed as incurred.

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

The following table provides summaries of the DB Pension Plan, Medical Benefit Plan, and Group Life Insurance Plan estimated financial positions as of 31 December:

	DB Pension Plan		Medical Benefit Plan		Life Insurance Plan	
In $000's	**2019**	2018	**2019**	2018	**2019**	2018
Accrued benefit obligation						
Balance - Beginning of year	**$159,335**	$185,747	**$28,314**	$31,660	**$4,822**	$5,310
Service cost - employer	**-**	-	**128**	181	**25**	34
Interest cost	**6,779**	6,645	**1,216**	1,141	**209**	194
Net actuarial (gain) / loss due to:						
Changes in experience	**2,708**	(931)	**(223)**	(641)	**(343)**	(87)
Changes in economic assumptions	**27,179**	(23,364)	**5,348**	(2,332)	**968**	(565)
Benefits paid	**(11,307)**	(8,762)	**(1,937)**	(1,695)	**(67)**	(64)
Balance - End of year	**$184,694**	$159,335	**$32,846**	$28,314	**$5,614**	$4,822
Plan assets						
Fair value - Beginning of year	**$153,430**	$170,627	**-**	-	**-**	-
Interest credit	**6,505**	6,503	**-**	-	**-**	-
Employer contributions	**4,938**	5,245	**-**	-	**-**	-
Non-investment expenses	**(216)**	(216)	**-**	-	**-**	-
Benefits paid	**(11,307)**	(8,762)	**-**	-	**-**	-
Actuarial gain / (loss)	**20,444**	(19,967)	**-**	-	**-**	-
Fair value - End of year	**$173,794**	$153,430	**-**	-	**-**	-
Accrued benefit liability	**$(10,900)**	$(5,905)	**$(32,846)**	$(28,314)	**$(5,614)**	$(4,822)

The Company's net benefit expense recognised in consolidated statement of income is:

	DB Pension Plan		Medical Benefit Plan		Life Insurance Plan	
In $000's	**2019**	2018	**2019**	2018	**2019**	2018
Current service costs	**$-**	$-	**$128**	$181	**$25**	$34
Administration costs	**216**	216	**-**	-	**-**	-
Net interest expense	**371**	339	**1,216**	1,141	**209**	194
Total net benefit expense	**$587**	$555	**$1,344**	$1,322	**$234**	$228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

DB Pension Plan Asset Breakdown
The following table shows the breakdown of the fair value of the Company's DB Pension Plan assets by major category:

In $000's	2019		2018	
Equity securities	**$88,372**	**50.8%**	$75,338	49.1%
Debt securities	**81,957**	**47.2%**	74,910	48.8%
Cash	**3,465**	**2.0%**	3,182	2.1%
Total	**$173,794**	**100.0%**	$153,430	100.0%

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

	DB Pension Plan		Medical Benefit Plan		Life Insurance Plan	
In $000's	**2019**	2018	**2019**	2018	**2019**	2018
Cumulative amount at 1 January	**$21,026**	$25,552	**$2,401**	$5,374	**$755**	$1,407
Recognised during the year	**9,347**	(4,526)	**5,125**	(2,973)	**625**	(652)
Cumulative amount at 31 December	**$30,373**	$21,026	**$7,526**	$2,401	**$1,380**	$755

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

	DB Pension Plan		Medical Benefit Plan		Life Insurance Plan	
	2019	2018	**2019**	2018	**2019**	2018
Economic Assumptions						
Discount rate (weighted-average)	**3.30%**	4.50%	**3.30%**	4.40%	**3.30%**	4.40%
Active member obligations	**3.30%**	4.50%	**3.30%**	4.40%	**3.30%**	4.40%
Inactive member obligations	**3.30%**	4.50%	**3.30%**	4.40%	**3.30%**	4.40%
Inflation rate	**2.25%**	2.25%	**2.25%**	2.25%	**2.25%**	2.25%
Increase in pensionable earnings	**3.00%**	3.00%	**N/A**	N/A	**N/A**	N/A

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

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

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

	DB Pension Plan		Medical Benefit Plan		Life Insurance Plan	
Longevity at age 65 for current pensioners	**2019**	2018	**2019**	2018	**2019**	2018
Males	**22.6**	22.5	**22.6**	22.5	**22.6**	22.5
Females	**24.8**	24.7	**24.8**	24.7	**24.8**	24.7

	DB Pension Plan		Medical Benefit Plan		Life Insurance Plan	
Longevity at age 65 for current members aged 45	**2019**	2018	**2019**	2018	**2019**	2018
Males	**23.6**	23.5	**23.6**	23.5	**23.6**	23.5
Females	**25.7**	25.7	**25.7**	25.7	**25.7**	25.7

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

DB Pension Plan (In $000's)	**2019**		2018	
Effect of 1% increase in discount rate	**$(22,951)**	**-12.4%**	$(18,502)	-11.6%
Effect of 1% decrease in discount rate	**28,672**	**15.5%**	22,858	14.3%
Effect of 1% increase in salary scale	**4,032**	**2.2%**	3,670	2.3%
Effect of 1% decrease in salary scale	**(3,579)**	**-1.9%**	(3,274)	-2.1%
Effect of 10% increase in mortality rates	**(3,974)**	**-2.2%**	(3,030)	-1.9%
Effect of 10% decrease in mortality rates	**4,386**	**2.4%**	3,340	2.1%

Medical Benefit Plan (In $000's)	**2019**		2018	
Effect of 1% decrease in discount rate	**$3,953**	**12.0%**	$3,308	11.7%
Effect of 1% increase in discount rate	**(3,307)**	**-10.1%**	(2,781)	-9.8%

Life Insurance Plan (In $000's)	**2019**		2018	
Effect of 1% decrease in discount rate	**$999**	**17.8%**	$836	17.3%
Effect of 1% increase in discount rate	**(788)**	**-14.0%**	(664)	-13.8%

The following table shows the projected post-retirement cash flows (expected benefit payments) for the years following 31 December 2019:

In $000's	Less than a year	Between 1–2 years	Between 2–5 years	Between 6-10 years	Total
DB Pension Plan	$8,918	$8,987	$27,620	$47,523	$93,048
Medical Benefit Plan	1,911	1,925	5,881	10,000	19,717
Life Insurance Plan	188	194	618	1,184	2,184
Total	$11,017	$11,106	$34,119	$58,707	$114,949

In accordance with the applicable pension legislation, in 2019 the Group contributed funding of $4.9 million (2018: $5.2 million) which would target elimination of the going concern pension plan deficit over a period of 15 years. However, the actual outcome of the objective will be affected by investment returns and demographic experience. The weighted average duration of the defined benefit obligation is 12.8 years.

18. EMPLOYMENT BENEFIT EXPENSE

In $000's	**2019**	2018
Short-term employee benefits		
Wages and salaries	$47,535	$49,798
Bonuses, LTIP and retention (Note 22)	8,567	8,703
Contributions to Government Pension, and DC Pension and Medical Benefit Plans	6,024	6,377
All other	1,124	2,835
	63,250	67,713
Post-employment benefits		
DB Pension Plan (Note 17)	587	555
Medical Benefit Plan (Note 17)	1,341	1,323
Life Insurance Plan (Note 17)	234	228
	2,162	2,106
Termination benefits		
Redundancies and separation benefit payments	416	4,390
Equity Transactions		
Directors fees (share value at issue date)	450	460
Shares issued under management retention plan (share value at issue date)	4,438	2,606
Discount on share purchases – active employees	45	47
	4,933	3,113
Total employee benefit expense	$70,761	$77,322

19. EQUITY SETTLED SHARE PURCHASE PLAN

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

previously given to be refunded to the Company. During the year ended 31 December 2019, 26,623 shares were issued to employees under the employee share purchase plan (2018: 40,650 shares issued).

20. SEGMENTED INFORMATION

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

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

Continuing operations (In $000's)	BELCO	AG Holdings	All other (a)	Total
As at 31 December 2019				
Segment revenues	$227,869	$37,703	$11,126	$276,698
Less: Revenues from internal customers	81	1,958	11,130	13,169
Revenues from external customers	227,788	35,745	(4)	263,529
Interest expense	1,578	69	64	1,711
Depreciation, amortisation and accretion	25,274	605	-	25,879
Segment net earnings	19,004	5,989	(12,595)	12,398
Segment assets	460,273	38,154	32,116	530,543
Capital expenditure	95,714	220	-	95,934
Segment liabilities and regulatory deferral credit balances	244,700	19,582	5,398	269,680

Continuing operations (In $000's)	BELCO	AG Holdings	All other (a)	Total
As at 31 December 2018				
Segment revenues	$230,859	$31,891	$11,886	$274,636
Less: Revenues from internal customers	76	1,574	11,902	13,552
Revenues from external customers	230,783	30,317	(16)	261,084
Interest expense	317	240	71	628
Depreciation, amortisation and accretion	24,721	560	-	25,281
Segment net earnings	15,168	4,183	(13,958)	5,393
Segment assets	381,954	33,678	24,214	439,846
Capital expenditure	73,058	1,785	-	74,843
Segment liabilities and regulatory deferral credit balances	142,448	20,217	5,442	168,107

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

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

In $000's	**2019**	2018
Revenues from external customers	**$263,529**	$261,084
Cost of goods sold and discounts	**(31,561)**	(28,344)
Consolidated revenues	**$231,968**	$232,740

In $000's	**2019**	2018
Timing of revenue recognition:		
At a point in time	**$5,519**	$5,268
Over time	**258,010**	255,816
Revenue from external customers	**$263,529**	$261,084

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

In $000's	**2019**	2018
Total segmented depreciation, amortisation and accretion	**$25,879**	$25,2881
Elimination of intercompany capital transaction	**(42)**	(42)
Consolidated depreciation, amortisation and accretion	**$25,837**	$25,239

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

In $000's	**2019**	2018
Net earnings		
Total net earnings for reported segments	**$12,398**	$5,393
Elimination of inter-segment margins	**42**	43
Consolidated net earnings	**$12,440**	$5,436

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

In $000's	**2019**	2018
Assets		
Assets for reportable segments	**$530,543**	$439,846
Investments in equity accounted investees	**3,175**	2,302
Elimination of intercompany investments and receivables	**(17,413)**	(21,431)
Consolidated assets	**$516,305**	$420,717

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

In $000's	**2019**	2018
Liabilities and regulatory credit balances		
Liabilities for reportable segments	**$269,680**	$168,107
Elimination of intercompany liabilities	**(16,413)**	(20,500)
Consolidated liabilities and regulatory credit balances	**$253,267**	$147,607

21. PROVISIONS

In $000's	ASSET RETIREMENT OBLIGATIONS	ENVIRONMENTAL CLEAN-UP OBLIGATION	TOTAL
Balance at 1 January 2018	$15,141	$2,855	$17,996
Decrease due to work related to capital projects	(27)	(54)	(81)
Accretion expense	757	142	899
Balance at 31 December 2018	**$15,871**	**$2,943**	**$18,814**
Balance at 1 January 2019	$15,871	$2,943	$18,814
Accretion expense	795	150	945
Balance at 31 December 2019	**$16,666**	**$3,093**	**$19,759**

Asset retirement obligation (ARO)

The ARO provision represents the present value of decommissioning and restoration costs associated with the Company's power generation engines and related facilities. The Company estimates that the undiscounted amount of cash flow required to settle the AROs is approximately $17.3 million (2018: $17.3 million), which will be incurred between 2021 and 2036. The discount rate used to calculate the fair value of the ARO was 5% (2018: 5%). Work relating to buildings included in the Asset Retirement Obligation has been capitalized, resulting in a $27,000 decrease in the provision in 2018. No work was capitalized in 2019.

Environmental clean-up obligation

The Company has recognized a provision for its environmental clean-up obligation with respect to the decommissioning and remediation of its Old Power Station at the Central Power Station. In 2017, management made the decision to change its remediation approach for oily water waste and waste oil from onsite collection and treatment over 30 years from 2021 to 2052 to excavation, treatment and reuse, with most work and expenditures now planned for 2023. This effort would closely follow the decommission of a significant number of its generation units and associated buildings in 2020 providing the Company with approximately 4 acres of available commercial property for future development. The present value of the costs to be incurred for site restoration has been estimated at approximately $3.1 million at 31 December 2019 (2018: $2.9 million). The discount rate used to calculate the fair value of the environmental clean-up obligation was 5% (2018: 5%). Work relating to areas on the BELCO site included in the Environmental clean-up provision has been capitalized, resulting in a $54,000 decrease in the provision in 2018. No work has been capitalized in 2019.

22. RELATED PARTIES

Key management personnel compensation

Key management personnel include both Directors and Executives of the Group.
Compensation paid and payable to key management personnel for employee services for the year ended 31 December is as follows:

In $000's	2019	2018
Salaries, fees and other short-term employee benefits	**$15,083**	$15,384

Long-Term Incentive and Retention Programs

Long-term incentive and retention programme awards are granted periodically and are generally tied to the Company's share price or the fulfillment of strategic and performance objectives. Payment of awards are either in cash or in shares, as specified in the respective awards when granted. Awards vest over two to three year periods.

The Company's outstanding cash-settled awards at 31 December 2019, accounted for as a liability and included in trade and other payables, totaled $1.8 million (at 31 December 2018: $0.8 million). The

Company's outstanding equity-settled awards totaled $2.7 million at 31 December 2019 (at 31 December 2018: $3.7 million). These balances have been included in share premium as a component of the Company's equity. The associated expense for the year ending 31 December 2019 totaled $6.0 million (year ending 31 December 2018: $6.4 million).

A total of 343,333 retention shares were re-issued out of treasury stock during the year (2018: 240,580 shares issued out of share capital), resulting in recognition of $4.4 million recorded to equity (2018: $2.6 million). In 2018 these issued shares included 120,290 shares granted and issued in the year based on performance, and a further 100,000 retention shares that were settled in cash.

A summary of the LTIP and retention share programme and the current dilutive impact as of 31 December 2019 is as follows:

CONSOLIDATED SHARE ALLOTMENT - OUTSTANDING

					Current Period	
Tranches (in shares)	**Initial Award**	**Forfeited / Expired**	**New Awards**	**Paid / Issued**	**Outstanding**	**Dilutive**
LTIP Programme						
2016 Award	186,699	(141,019)	-	(45,680)	-	-
2017 Award	63,481	(3,031)	-	(29,610)	30,840	-
Retention Programme						
2019 Vest	43,333	(10,000)	100,000	(133,333)	-	-
2020 Vest	340,291	(10,000)	186,957	(210,000)	307,248	210,607
2020 Vest – cash based	-	-	66,667	(33,333)	33,334	-
Totals	633,804	(164,050)	353,624	(451,956)	371,422	210,307

23. COMMITMENTS

The Company has an arrangement with fuel suppliers to ensure adequate fuel will be available when needed for its electrical generation requirements. Commitments under these contracts to acquire heavy fuel in 2020, as at 31 December 2019, totaled US$2.2 million (BD$2.2 million). There were no commitments to acquire heavy fuel in 2019 as at 31 December 2018. On 26 March 2018, the Board approved the award of the heavy fuel contract for a duration of two years following a tendering process commenced in December 2017.

The Company entered into a five-year engine parts and service contract effective 1 January 2019, with MAN Diesel & Turbo at an annual price of €1.1 million plus US$417,000. The Company is also committed to a four-year engine parts and service contract for the North Power Station effective 1 January 2020 at an annual price of €595,000 and $169,000.

The Company has a BD$6.9 million irrevocable standby letter of credit ("LOC") with The Bank on N.T. Butterfield & Son Limited in favor of The Collector of Customs in respect of customs duties on fuel imports stored at a third party facility. The LOC renewed and was extended to 31 March 2020.

In March 2018 the Company entered into a contract with Burmeister & Wain Scandinavian Contractor A/S for US $101 million for the construction of the North Power Plant, which is expected to be completed in the first half of 2020.

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

24. SHARE REPURCHASE PROGRAMME

In May 2018, the Company's Board of Directors authorised the repurchase of up to 1,000,000 Company shares through a share repurchase programme. This total represents approximately 10% of the Company's listed shares. The dur;ation of this program was one year commencing 23 May 2018, and therefore was completed 23 May 2019. The purpose of the share repurchase program was to facilitate and improve shareholder liquidity.

During the year ended 31 December 2019, a total of 139,395 Company shares were repurchased through an open market programme at an average cost of $18.26 per share, of which 66,928 shares at an average cost of $19.81 were cancelled and the remaining 72,467 shares at an average cost of $16.83 per share have been added to the treasury stock balance During the year ended 31 December 2018 the Company repurchased 647,845 shares at an average cost of $16.46 per share which were added to treasury stock. The balance in treasury stock as of 31 December 2019 is 696,024 shares (as of 31 December 2018: 966,890 shares).

25. LEASES

Investment in Leases

BELCO entered into an agreement with the Government of Bermuda, Ministry of Public Works on 3 September 2015 to supply, install and commission 4,440 LED streetlights together with the associated control and monitoring systems. In accordance with IFRS 16 *Leases* and IAS 17 Leases, this arrangement is considered to represent a finance lease. BELCO has recognised the present value of future lease payments, less repayments to date, in line with the commissioning of the streetlights and the lessee's entitlement to use these assets. The current and non-current portions of BELCO lease receivable as at 31 December 2019 amounted to $245,000 and $1.8 million (2018: $205,000 and $2.1 million).

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

On 1 June 2015 AIRCARE entered into an energy savings contract with the Bermuda Institute of Ocean Sciences (BIOS) where BIOS acquires equipment and services to reduce energy costs and related expenses within their facility. In accordance with IFRS 16 *Leases* and IAS 17 Leases, this arrangement is considered to represent a finance lease. AIRCARE has recognised the present value of future lease payments, less repayments to date, in line with the installation of agreed facility improvement measures and the lessee's entitlement to use these assets.

The current and non-current portions of AIRCARE's lease receivable as at 31 December 2019 amounted to $164,000 and $1.5 million (2018: $170,000 and $1.7 million).

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

In 000's	**2019**	2018
Not later than one year	**$409**	$374
Later than one year but not later than five years	**2,063**	1,936
Later than five years	**1,253**	1,832
	$3,316	$3,768
Total	**$3,725**	$4,142

Operating Leases

As a lessor

The Company leases out its investment property and has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 3 sets out information about the operating leases of investment property.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

In $000's	2019	2018
Within one year	$79	$109
Later than one year but less than five years	21	100
Total	$100	$209

As a lessee

The Company has entered into a number of operating lease arrangements largely for the purpose of renting warehouse space and land to house infrastructure for the Company's core operations. These leases have varying terms, clauses and renewal rights.

Right-of use assets

The Company leases property and land for the purpose of housing infrastructure for its core operations, the value of which is noted below:

$000's	Right-of-use assets
Balance at 1 January 2019	$681
Depreciation charge for the period	(232)
Balance at 31 December 2019	**$449**

Lease liabilities

The Company has entered into a number of operating lease arrangements largely for the purpose of renting warehouse space and land to house infrastructure for the Company's core operations. These leases have varying terms, clauses and renewal rights. The present value of lease liabilities is as outlined in the notes below:

$000's	Lease Liabilities
Balance at 1 January 2019	$681
Interest expense for the period	37
Principal payments for the period	(266)
Balance at 31 December 2019	**$452**

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

In $000's	2019	2018
Within one year	$120	$231
Later than one year but less than five years	219	188
Later than five years	264	297
Total	$603	$716

26. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's revenues are primarily derived from the sale of electricity, HVAC and other maintenance agreements, rental income and energy savings arrangements.

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Company recognises contract assets and liabilities, as described in Note 3, in the Consolidated Statement of Financial Position.

Contract assets represent unbilled amounts typically resulting from performance contracts and other arrangements with a service period that spans over two fiscal years or projects lasting more than one year. In these contracts the revenue recognised exceeds the amount billed to the customer. Contract assets are recorded in accounts receivable in the Consolidated Statement of Financial Position.

Contract liabilities consist of advance payments and billings in excess of revenue recognised. Contract liabilities are recorded in deferred revenues in the Consolidated Statement of Financial Position prior to the commencement of the services.

Contract assets and liabilities related to contracts with customers consisted of the following:

In $000's	**2019**	2018
Contract assets – current	**$610**	$491
Contract assets – non-current	**-**	246
Contract liabilities	**(1,503)**	(1,041)
Net contract liabilities	**$(893)**	$(304)

SIGNIFICANT CHANGES IN CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets have decreased as the Company has provided less services ahead of the agreed payment schedules for our fixed-price contracts.

Contract liabilities have increased due to the timing of customer prepayments and contract billings.

REVENUE RECOGNISED IN RELATION TO CONTRACT LIABILITIES

The following table shows how much of the revenue recognised in the current reporting period relates to carried forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

In $000's	**2019**	2018
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Project contracts	**$486**	$577
Maintenance contracts	**273**	57
	$759	$634
Revenue recognised from performance obligations satisfied in previous years	**$8**	$74

REMAINING LONG-TERM CONSULTING PROJECTS

The Company does not have any long-term projects or maintenance contracts. The majority of contracts entered into are for one year or less and are billed based on time incurred. . As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed. The remaining revenue to be recognised for contracts over one year would be immaterial. Revenue to be earned from contracts entered into in 2019, expected to be completed in 2020 have been included in the contract assets and liabilities balances noted above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

ASSETS RECOGNISED FROM COSTS TO FULFULL A CONTRACT
The Company has not created any assets in order to fulfil its contracts.

27. SUBSEQUENT EVENTS

The Company has evaluated subsequent events up to 26 March 2020.

POTENTIAL SALE OF THE COMPANY
On 3 June 2019 the Board of Directors announced that the Company had signed an agreement with Algonquin Power & Utilities Corp ("APUC") to sell the Company subject to shareholder and regulatory approvals. APUC's proposal offers Ascendant shareholders $36.00 per share, all cash to be paid on closing of the transaction. At a Special General Meeting held on 9 August 2019 the shareholders voted to approve the sale. In October 2019 an application for change of control of BELCO from the Company to APUC ("Application") was submitted to the Authority with an anticipated timeline for a decision of approximately four months. On 7 February 2020 the Minister of Home Affairs (the "Minister") published a Ministerial Direction by which the deadline for consideration of the Application was extended to 4 October, 2020. The Company will continue to work with the Minister to ensure that the final consideration of the Application is completed as expeditiously as possible.

COVID-19 PANDEMIC
The recent outbreak of a strain of the coronavirus referred to as COVID-19, which has spread to Bermuda and impacted local businesses as well as transportation in and out of the country, may have a negative impact on our near term financial results as a result of reduced sales, uncollectable accounts, and disrupted supply chain and operations. As a consequence of the pandemic, the Authority has issued an emergency general determination precluding BELCO from disconnecting customers or changing rates without approval for the duration of the pandemic. The longer-term impact is difficult to assess or predict at this time and depending on the scope of the spread and intensity of this coronavirus outbreak, it could have a significant adverse effect on other aspects of our operations or the operations of our significant suppliers and customers. The Company has enacted its business continuity plan to monitor and address the impacts of the COVID-19 pandemic as they emerge, including, among other things, safety of employees, workforce coverage, customer relationship management, continuity of operations, continuity of critical supplies, and financial liquidity.

28. SUPPLEMENTAL INFORMATION TO CONSOLIDATED STATEMENT OF INCOME

Operating, administrative, regulatory and energy expenses	**Year ended 31 December**	
(In $000's)	**2019**	2018
Operating and administrative expenses	**$96,238**	$101,048
Inventory write-down	**808**	1,068
Regulatory Authority fees	**3,000**	3,057
Purchased power/energy	**3,866**	3,885
Fuel	**93,132**	93,650
	$197,044	$202,708

Net finance expense	**Year ended 31 December**	
(In $000's)	**2019**	2018
Foreign exchange loss	**$415**	$420
Gain on sale of investments	**-**	(46)
Interest expense	**1,711**	628
	$2,126	$1,002

29. SUPPLEMENTAL INFORMATION TO CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in non-cash working capital balances

	Year ended 31 December	
In $000's	**2019**	2018
Deferred revenues	**$506**	$354
Accounts receivable, long-term receivable & investment in leases	**890**	(3,141)
Inventory	**(4,661)**	1,019
Prepaid expenses and other assets	**(822)**	(329)
Regulatory deferral account debit/credit balances	**754**	(973)
Regulatory deferral account asset	**(5,455)**	-
Customer deposits	**5**	6
Trade and other payables	**2,293**	2,332
Non-cash share transactions	**450**	-
Lease liability	**(229)**	-
	$(6,269)	$(732)

Net debt reconciliation

In $000's	**Revolving credit facility**	**Term loan facilities due within 1 year**	**Term loan facilities due after 1 year**	**Total**
Net debt as at 1 January 2018	$-	$2,479	$2,921	$5,400
Cash flows	-	(3,905)	(2,921)	(6,826)
Acquisitions	17,420	4,399	34,281	56,100
Net debt as at 31 December 2018	**$17,420**	**$2,973**	**$34,281**	**$54,674**
Net debt as at 1 January 2019	$17,420	$2,973	$34,281	$54,674
Cash flows	-	(2,916)	-	(2,916)
Acquisitions	32,520	9,742	44,044	86,306
Net debt as at 31 December 2019	**$49,940**	**$9,799**	**$78,325**	**$138,064**