



2022

ANNUAL REPORT



Somers is a financial services investment company with high quality assets and minimal leverage.

Somers operates a long-term investment approach enabling it to identify attractive investments in the financial services sector which then drives positive returns.

SHAREHOLDERS' FUNDS

GROSS ASSETS

ASSETS UNDER MANAGEMENT
INDIRECTLY MANAGING OVER

US\$337.4

MILLION

US\$422.2

MILLION

US\$22.2

BILLION

SOMERS HAS A CONCENTRATED PORTFOLIO WITH INTERESTS PRINCIPALLY IN AUSTRALIA, BERMUDA AND THE UNITED KINGDOM

SOMERS' OBJECTIVE IS:

To maximise shareholder return by identifying and investing in compelling long-term investments worldwide, where the underlying value is not reflected in the market price.

SOMERS OFFERS SHAREHOLDERS:

- A high conviction portfolio focused on the financial services sector.
- Extensive knowledge and expertise.
- We apply progressive themes, like technological disruption, in our investment process to identify companies that are adapting well to change, and those that may be vulnerable.
- Key areas of focus for Somers are wealth and fund management, banking, asset financing, and embracing disruptive opportunities in the financial services sector.

FINANCE SECTOR:

- Somers offers diversified exposure to the financial service sector, including traditional bank and wealth management companies alongside disruptive financial companies. The financial services sector offers interesting investment opportunities, given the increasing use of technology in a sector which is key to the financial system and global GDP.

SOMERS' INVESTMENT MANAGER:

- ICM Limited has been Somers' investment manager since inception in 2012, and prides itself in identifying compelling investment opportunities, and working proactively with investee companies to improve the economic value of identified investments.

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FINANCIAL CALENDAR

Year End
September 30

Annual General Meeting
February 15, 2023

Half Year
March 31

NATURE OF THE COMPANY

Somers Limited is a Bermuda exempted company incorporated with limited liability whose shares are traded on the Mezzanine Market of the Bermuda Stock Exchange ("BSX"). The business activities of Somers consist of investing the funds of its shareholders in accordance with its investment objective and policy, with the aim of generating a return for shareholders with an acceptable level of risk. Somers has a low level of debt which it uses to improve shareholder returns. Somers has contracted with an external investment manager, ICM Limited (the "Investment Manager" or "ICM") to manage its investments. Somers has a board of non-executive directors who oversee and monitor the activities of the Investment Manager and the other service providers and ensures that the investment policy is adhered to.

CORPORATE STRUCTURE

Investment holdings as at September 30, 2022

BANKING / ASSET FINANCING				PROPERTY
 73.2% PCF Group plc Banking A London Stock Exchange listed bank Focus on retail and business banking	 53.8% Resimac Group Limited Non-bank Lender Australian and New Zealand mortgage securitisation business Loan portfolio of over A\$16 billion	 49.0% Thorn Group Limited Asset Financing Australian financial services organisation providing alternative financing solutions to consumers and commercial	 20.1% Terra Firma Capital Corporation Asset Management Focused on asset and wealth management activities and interests	 57.1% West Hamilton Holdings Limited Management & Property Investment Bermuda Property Holding and Management company
WEALTH MANAGEMENT	BROKERAGE SERVICES	FINANCIAL SERVICES	SPECIALIST SERVICES	
 61.8% Waverton Investment Management Limited Wealth Management UK Private wealth management business £12.4 billion funds under management and administration	 15.8% Aura Capital Wealth & Funds Management A financial services business based in Asia Pacific providing wealth, funds management and corporate advisory solutions to clients	 33.9% AK Jensen Hedge Fund Platform A global brokerage business which provides hedge fund services to both traditional hedge funds and digital asset funds	 20.0% Mana Capital Limited Financial Services Leasing solutions for technology assets, plant and equipment to NZ public sector organisations and large corporations	 8.6% MJ Hudson Fund Manager Adviser UK services specialist to the Alternative Asset Management industry

CHAIRMAN'S STATEMENT



During the year Somers merged with SNB Investments Limited ("SNB"), a company owned by Somers' major shareholders. Somers remains listed on the Mezzanine Market of the Bermuda Stock Exchange, but its shareholder base has now been reduced to a small number of larger shareholders. As part of

the merger consideration the minority shareholders in Somers were issued with two year, 6% loan notes and as such have a continuing interest in the performance of Somers.

With the world emerging from Covid-19 over the last 12 months and people returning to pre-pandemic life, the global economy has experienced a period of significant inflation. This has been driven by the measures used to combat Covid-19, including billions of dollars of liquidity pumped into the global financial system and near zero interest rates. In addition, there has been significant impact to the global supply chain caused firstly by Covid-19 and then additionally impacted by Russia's invasion of the Ukraine.

The response to the high levels of inflation around the world has been a concerted effort by global central banks to raise interest rates to a level not seen for over a decade. This has caused a re-pricing of risk assets as the cost of capital has increased. We have therefore seen increased market volatility and material falls in the value of stock markets around the world. We are now in a period of quantitative tightening rather than quantitative easing. Whilst we are probably nearing the end of the cycle of rising interest rates they are not anticipated to move back downwards for a prolonged period and as

such our investee companies are having to adjust their business and operating models for the new environment.

As a result of the negative impact on asset prices caused by the increase in interest rates, Somers' net asset value ("NAV") per share as at September 30, 2022 was \$13.82 (after a special dividend of \$4.55 in August 2022) and a loss for the year of \$210.3 million. It is important to note that the majority of this loss is unrealised and relates to mark to market movements on our investment portfolio. In fact, post the year end we have seen a pleasing rebound in some of the values of our investments.

Overall the underlying operating performances of our investments continued to be strong in 2022. Waverton Investment Management Limited ("Waverton") is now Somers largest investment which is a reflection of its strong investment performance and increased Assets under Management and Administration ("AuMA"). We believe that Waverton's robust investment performance will continue to attract new assets and we would expect Waverton to continue to grow in 2023. Resimac's results remained solid in 2022, but the company's share price was adversely impacted by concerns that higher interest rates will impact the Australian housing market. Resimac's home loan AuM was A\$15.3 billion at the year end, which reflected increased competition in the mortgage lending market. Thorn Group Limited ("Thorn") is Somers third largest investment and during the year it sold its consumer financing business, Radio Rentals, and Thorn returned A\$18.0 million to Somers through dividends and share buybacks. A detailed look at Somers' portfolio is set out from page 17 of this report.

Somers was negatively impacted during the year by a strong US Dollar as the majority of Somers' assets are denominated in the Australian Dollar and Sterling. Both the Australian Dollar and Sterling weakened against the US Dollar by 10.9% and 17.3% respectively. These

negative currency movements contributed to the valuation decreases of our investments. Post the year end the US Dollar has weakened and this is reflected in stronger valuations.

During the year Somers made a number of small asset realisations and distributed certain holdings by a special dividend to shareholders in August 2022. We made a number of investments in both existing and new investee companies. We increased our holding in PCF Group plc to improve their capital position and increased our holdings in Thorn and Aura Group. We made a number of smaller investments in listed and unlisted companies in the financial services sector in Australia, the UK and Ireland. Post the year end Somers entered into a transaction with one of its shareholders, UIL Limited, whereby Somers sold its holdings in West Hamilton ("West Hamilton") and two smaller Australian Securities Exchange ("ASX") listed companies and acquired a 40% holding in ICM Mobility Ltd, a holding company for a number of transit payments sector focused companies.

The level of borrowings at Somers was broadly flat year on year despite the issue of \$22.8 million of loan notes issued to shareholders as part of the merger with SNB. Long term bank debt decreased during the year in line with scheduled loan repayments and overall debt decreased as Somers repaid some of its related party loan facilities. Whilst the level of gearing has increased during the year, due to the fall in the value of Somers' investments, an external gearing level of 21.5% as at September 30, 2022 remains low and within the Company's risk parameters. Somers regularly evaluates its treasury needs including how best to rebalance its debt profile through additional but lower cost bank borrowings to be used to repay the Company's higher cost related party borrowings. Whilst Somers remains fully invested, the increase in income that Somers has received from its investee companies in 2022 should continue, and therefore the Company is well positioned to support its existing investments and make new investments in the coming year.

During the year Somers continued to buyback shares given the share price was trading at a discount to the Company's NAV, with 0.02m shares bought back at an average price of \$19.00 per share. The shares were cancelled prior to the merger with SNB.

Somers paid a final dividend for the year ended September 30, 2021 of \$0.38 per share. The Company then paid a special dividend of \$4.55 per share to shareholders in August 2022 which was satisfied by the distribution of Resimac and The Market Herald shares. At the same time 5,412,314 warrants were issued pro-rata to all shareholders on a one for four basis. Prior to the year end, 2,760,860 warrants were exercised and Somers received 57.2 million shares in Resimac by way of consideration of the warrant exercise. As at the year end 2,651,454 warrants remain unexercised with a maturity date of September 30, 2023.

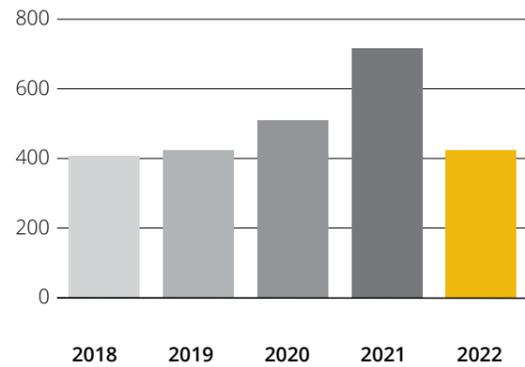
It is very clear that we are now in a new era with an increasing cost of capital and the days of 'free' money and low interest rates are behind us. With the world dealing with high inflation it is not surprising that asset prices have been under pressure as investors seek to re-price assets. Whilst we anticipate that market volatility will remain well into 2023 we believe that we are near the end of the interest rate rising cycle. Importantly we have confidence that our investee companies can continue to perform well in this market and even flourish going forward. We anticipate that there will be a number of interesting investment opportunities over the coming year across the financial services sector, and therefore we are optimistic about Somers' future.

Peter Durhager
Chairman
December 9, 2022

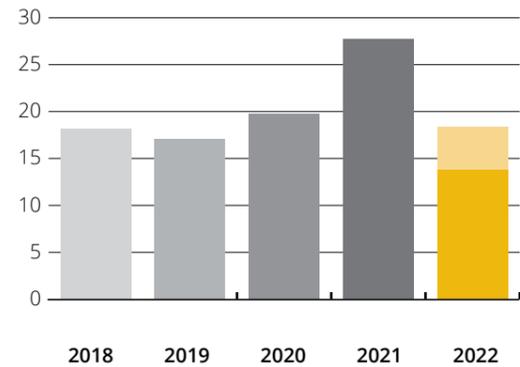
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FINANCIAL HIGHLIGHTS

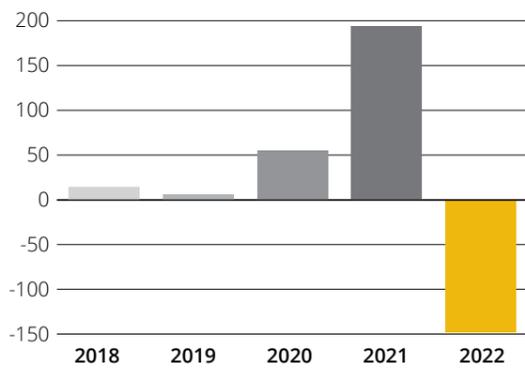
TOTAL ASSETS – USD Million



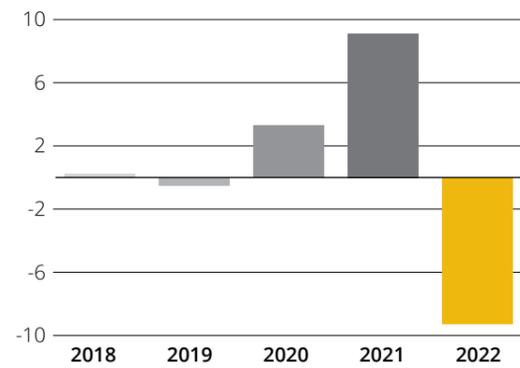
NAV per Common Share (diluted) – USD



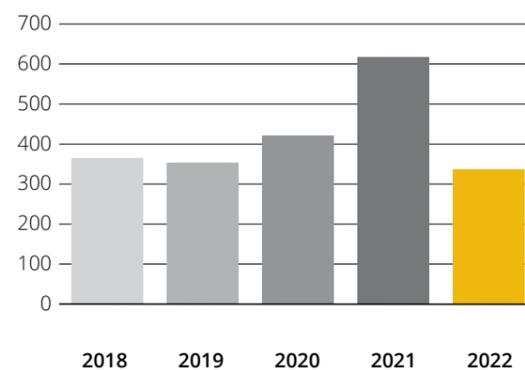
NET INCOME excluding Foreign Exchange – USD Million



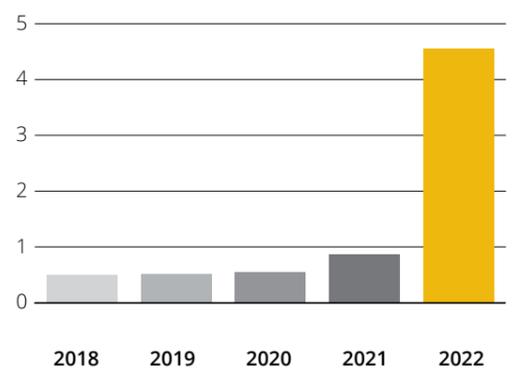
EARNINGS per Share (diluted) – USD



TOTAL EQUITY – USD Million



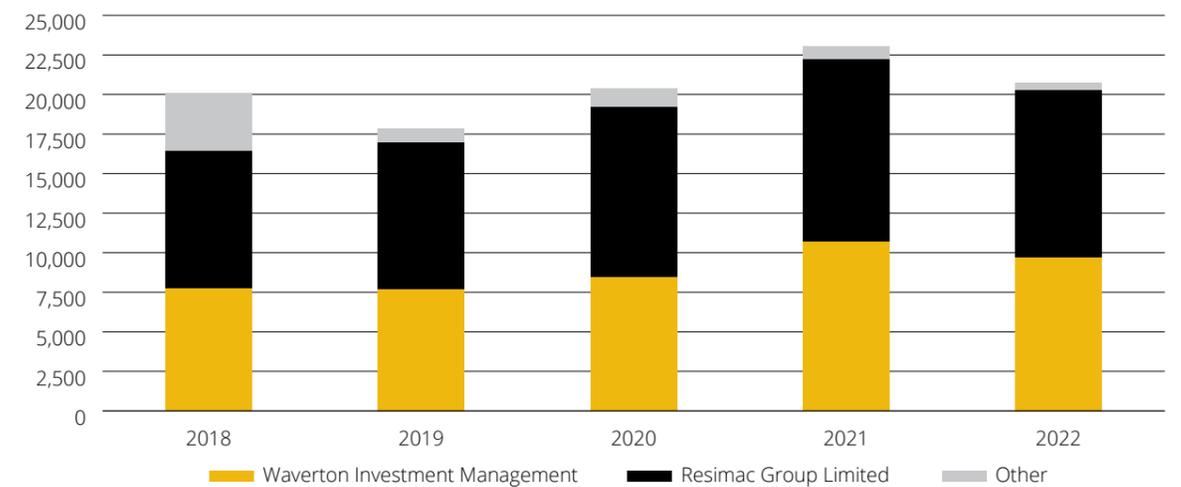
DIVIDEND per Common Share (diluted) – USD



Year ended September 30, 2022

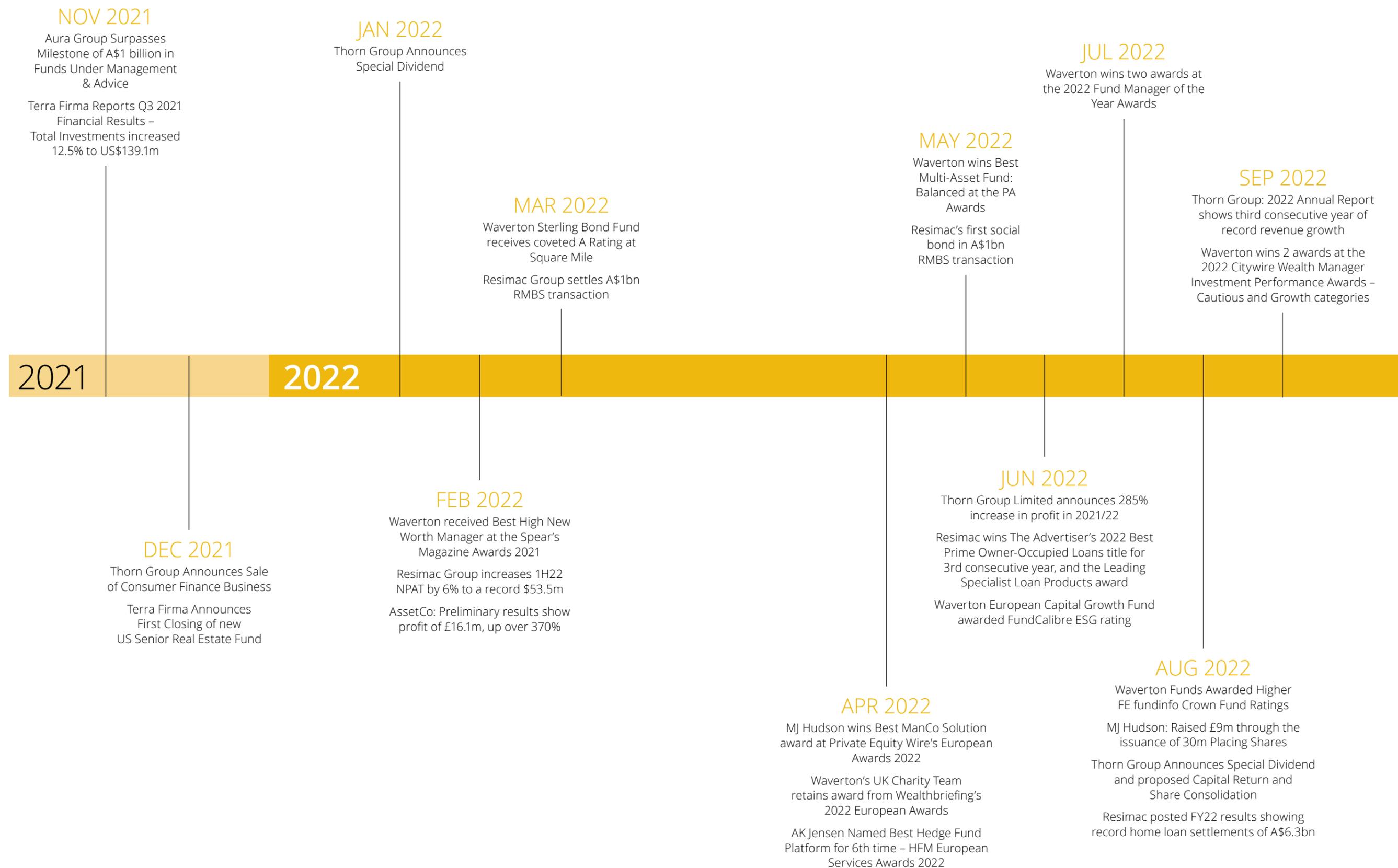
	2022	2021
NAV per Share	\$13.82	\$27.70
Shares in Issuance (excluding shares held in treasury)	24.42m	22.31m
Total return per ordinary share	-33.38%	44.52%
Ordinary dividend per share	455.0c	86.0c
Total assets	\$422.16m	\$715.42m

SOMERS GROUP AuM – Subsidiaries (US\$m)



We have confidence that our investee companies can continue to perform well in this market and flourish going forward.

KEY HIGHLIGHTS



GEOGRAPHICAL INVESTMENT EXPOSURE

(% of Total Investments)

BERMUDA	
Fair Value	\$31.0m
% Total Investments	8.2%

UNITED KINGDOM	
Fair Value	\$150.2m
% Total Investments	39.9%

AUSTRALIA	
Fair Value	\$179.0m
% Total Investments	47.5%

While global asset prices have been under pressure over the last 12 months, our investee companies are weathering the storm and have strong business models.

ABOUT THE COMPANY



HIGHLIGHTS

Somers underlying performance remains strong during a difficult year as companies adjusted to a new economic paradigm.

As the world emerged from the Covid-19 pandemic, a new challenge was faced by our investee companies as global central banks raised interest rates to combat rampant inflation which subsequently drove significant market volatility as liquidity was removed from the financial system. On the whole our companies are well positioned for this change in the economic environment and have solid business and operating models from which to grow and develop going forward.

We completed 2022 with \$22.2 billion AuM and total assets of \$422.2 million whilst maintaining a low level of leverage.

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FINANCIAL REVIEW

Somers' financial highlights for the year ended September 30, 2022, are set out on page 6 and the results for the year are set out in the attached accounts.

The year to September 30, 2022 was very disappointing for shareholders. Somers gave up all the gains of the prior year, ending the year with an NAV per share of \$13.82 which is after a special dividend in August of \$4.55 per share (September 30, 2021: \$27.70). Most of this drop was caused by a decrease in Resimac's share price, with PCF's share price also materially reduced. Compounding this, Somers incurred large FX losses following weakness in our main portfolio currencies, the Australian Dollar and Sterling. Somers recorded an annual net loss of \$210.3 million (2021: net income of \$197.8 million) and shareholders' equity ended the year at \$337.4 million (2021: \$617.8 million). Basic loss per share was \$9.27 (\$9.26 on a fully diluted basis) compared to basic and diluted earnings of \$9.11 last year. The annualised total return on shareholders' equity (including dividends) was negative 32.3%.

INCOME

Losses on Investments

Somers recorded a \$171.1 million loss on its investment portfolio for 2022 (2021: gain of \$201.4 million). This loss comprised both realised and unrealised losses of \$70.0 million and \$101.1 million respectively (2021: gains of \$8.2 million and \$193.2 million respectively). Investment gains and losses result from changes in the valuations of Somers' investments. The 2022 loss was driven principally by valuation decreases at Resimac, PCF, and The Market Herald ("TMH"), but there were also more modest losses at other entities including MJ Hudson and West Hamilton. These losses were partially offset by gains at Waverton and Thorn.

Resimac makes up 36% of Somers' portfolio, and over the year its share price decreased by 52% from A\$2.05 per share to A\$0.975. Resimac reported healthy June 2022 results in a challenging market environment that has impacted share prices across the entire Australian non-bank sector. Net profit after tax was A\$102.1 million for the year and their mortgage settlements increased to A\$6.1 billion. The difficult operating environment continued post Resimac's year end and their settlement rate has contracted leading to the expectation of lower profits levels in 2023.

PCF's value fell sharply over the year following a very difficult period for the company. PCF reported an adjusted loss before tax of £4.6 million for the 6 months to March 2022, and more recently they announced that they had terminated new lending and the business is in effect now in run off subject to any future corporate transaction.

Other 2022 valuation losses included TMH, MJ Hudson and West Hamilton. TMH's share price decreased, while MJ Hudson's share price has risen following its change in strategy to become an asset and wealth management business. West Hamilton's decrease resulted from a reduced valuation of its property assets.

The valuation of Waverton, Somers' largest investment, increased over the year following an increase in their AuM and profit levels and an improved market sentiment towards their sector. The assets growth was driven by excellent levels of net new assets which more than offset the sectors' negative market performance. These higher asset levels along with the associated increase in EBITDA and a positive outlook resulted in an uplift in Waverton's valuation.

Net Interest Income

Interest income totalled \$2.7 million (2021: \$0.7 million), with almost all of this year's income coming from Somers loan to Provident. Towards the end of last year, Somers completed the sale of BCB. The consideration for this sale was satisfied by a combination of cash and a loan facility of \$52.8 million provided by Somers. This loan had a balance of \$42.8 million at September 30, 2022 and carries a fixed interest rate of 5.625%. Somers had no other material loans and receivables at year-end, so our expectation is that interest income levels will be closely linked to the outstanding balance on the Provident loan until its final repayment.

Interest expense was \$4.0 million in 2022 compared to \$4.1 million a year earlier. Borrowings are used by Somers to fund investment opportunities and with the gearing ratio at a modest level, borrowing levels should remain at broadly similar levels into 2023. The balance of loan notes is also expected to remain close to its 2022 balance of \$22.7 million for the remainder of the year. Accordingly, interest expense is anticipated to remain at 2022 levels through the current financial year.

Dividend Income

Somers received distributions of \$30.7 million during the year compared to \$16.0 million in 2021. Of the dividends

received, \$13.4 million was received from Resimac and \$1.2 million was received from Waverton, both of whom are generating positive levels of earnings and cash flow. Additionally \$12.7 million of special dividends and capital distributions was received from Thorn. The Thorn distributions consisted of once off payments and accordingly should not be repeated in future years.

Foreign Exchange Movements

Our main portfolio currencies moved significantly against Somers in 2022 resulting in net foreign exchange losses of \$62.7 million for the year (2021: gains of \$4.0 million). \$180 million of Somers' net assets are denominated in Australian Dollars and a further \$113 million are denominated in Sterling, and during the year both of these currencies incurred large drops against the US Dollar of 10.9% and 17.3% respectively. These losses were primarily unrealised and indeed in the period since year end Somers has recovered a portion of these losses. The US Dollar acts as the world's reserve currency and difficult years such as that encountered in 2022 often result in its strengthening against other currencies. This strengthening was magnified by country specific issue impacting the UK and Australia which further weakened their exchange rates. Currency risk is an integral consideration when making investments into non-US Dollar denominated assets and ICM monitors currency movements on an ongoing basis. Foreign currency policy is discussed with the Board on a regular basis and asset allocation or currency risk strategies may be altered as a result. There is no regular hedging of foreign currency as Somers is a long-term investor and currency fluctuations are expected to equal out over time. Somers may however engage in currency hedging to limit its exposure to currency fluctuations, although it did not engage in currency hedging throughout 2022. There were no open currency hedges at year end. The net assets of Somers by currency and the sensitivity for further currency movements are shown in note 19 of the audited financial statements.

EXPENSES

Somers' cost base is actively managed and monitored on an ongoing basis and there is a focus on linking the cost base to revenue streams.

Normal operating expenses, which exclude investment management fees, totalled \$1.5 million for the year (2021: \$1.8 million), with the year on year decrease mainly attributable to one time loan facility fees in the prior year.

Investment management fees are based on a fixed percentage of portfolio assets. The annual investment management fees decreased this year to \$4.2 million (2021: \$5.4 million) with the decrease resulting from a decrease in the size of the portfolio. No performance management fee was accrued for 2022 (2021: \$13.0 million). Somers pays a performance fee on an annual basis upon the achievement of a cumulative hurdle rate of return based on shareholders' equity. The hurdle rate was not achieved in 2022.

ASSETS

Following valuation decreases and FX losses within Somers' investment portfolio, total assets ended the year materially lower at \$422.2 million (2021: \$715.4 million).

Financial Investments

The investment portfolio was \$376.7 million at year end (2021: \$660.7 million) with equity investments of \$369.4 million accounting for 98.1% of this total. The remaining 1.9% (\$7.3 million) consisted of other financial investments.

Waverton at \$144.8 million (2021: \$117.2 million), Resimac at \$136.9 million (2021: \$376.3 million), and Thorn at \$27.9 million (2021: \$22.6 million) together represent 82.2% of total investments.

It is anticipated that this concentration will continue to reduce as new capital flows, an increased but limited level of leverage, and net positive cash flows from existing investments allow for new investment opportunities. A table on page 16 sets out Somers' Summary of Top 10 Investments, including individual company details.

Total investment cash purchases in 2022 were \$13.8 million (2021: \$38.7 million) and total 2022 cash disposals were \$4.6 million (2021: \$28.7 million). Somers is a long term investor with a strategy of supporting its core investments. The Company is building a portfolio of financial services companies, and the trading of investments within this portfolio is generally kept to a minimum. The investment activity in 2022 was funded from dividend income and disposal proceeds. Investments during the year included the following:

- Additional investment of A\$2.5 million in Thorn;
- Additional investment of £4.1 million in PCF; and
- Investment of C\$2.5 million in Foxquilt Insurance Services, a Toronto based real insurance technology company.

FINANCIAL REVIEW (continued)

The main disposals during the year were the sale of A\$3.0 million of Genworth Mortgage shares and C\$2.6 million of Crown Capital Partners shares.

In addition to the above transactions, Somers also distributed 95.7 million shares in Resimac and its entire holding in TMH to its shareholders through a special dividend. 57.2 million Resimac shares were transferred back to Somers through its shareholders in lieu of the exercise of Somers warrants. Somers also sold 0.3 million Assetco plc shares to UIL during the year at their fair value of £3.8 million.

Loans and Receivables

In July 2021 Somers sold its holding in BCB and the consideration for this sale was satisfied by a combination of cash and a \$52.8 million loan provided by Somers. \$10.0 million of this loan was repaid in January 2022, with the remaining balance of \$42.8 million receivable in January 2024. This loan is secured by the share capital of BCB.

As part of its investment strategy, Somers will occasionally provide lending facilities to companies within its investment portfolio. These facilities are typically used by the companies for growth or investment purposes and at September 30, 2022, such loan balances were \$0.6 million (2021: nil).

BORROWINGS

External borrowings will only be undertaken where the Directors and ICM consider the prevailing interest rates to be favourable and that the terms and conditions attaching to such borrowings are acceptable, having regard to Somers' investment objectives.

Total borrowings, which includes bank overdrafts and loan notes, were \$82.6 million at September 30, 2022 (September 30, 2021: \$82.0 million). Despite little change in the actual borrowings level, the gearing ratio increased to 24.1% (2021: 13.1%) with the increase relating to the decrease in the Company's shareholders' equity.

Interest bearing loans and borrowings decreased to \$55.0 million at September 30, 2022, from \$77.1 million a year earlier. Borrowings consisted of bank loans of \$46.3 million (2021: \$50.6 million), and non-bank loans of \$8.7 million (2021: \$26.5 million). The bank loans consisted of a £36.3 million loan from The Bank of N.T. Butterfield & Son Limited and a \$6.0 million loan from BCB. The non-bank loans were provided by Somers' significant shareholders, UIL Limited and Union Mutual Pension Fund Limited.

To support its investment activity, Somers also utilises an overdraft facility with BCB and the balance on this facility was \$4.9 million at year end (2021: \$4.8 million).

In July 2022 Somers merged with SNB, and all shareholders not associated with SNB were issued loan notes amounting to \$21.00 for each ordinary share of Somers that they owned. The outstanding loan notes as of September 30, 2022 had a value of \$22.7 million. The loan notes have a two-year term and will be repaid in July 2024. Further details on this transaction and the resultant loan note balance are provided in note 12 of the audited financial statements.

SHAREHOLDERS' EQUITY

Shareholders' equity decreased to \$337.4 million at September 30, 2022 from \$617.8 million a year earlier mainly as a result of the portfolio losses and the special \$4.55 per share dividend distribution. During the year, shareholders invested \$8.1 million of the \$8.5 million normal dividends paid since September 2021 under the dividend reinvestment plan, Somers bought back 0.02 million shares at a cost of \$0.4 million, 1.1 million shares were cancelled in connection with the take-private transaction, and 2.8 million shares were issued following the exercise of warrants. The net result from these actions was an increase in the number of issued shares to 24,410,115 as at September 30, 2022 (2021: 22,303,926).

INVESTMENT OF

A\$2.5

MILLION
in Thorn Group.

INVESTMENT OF

£4.1

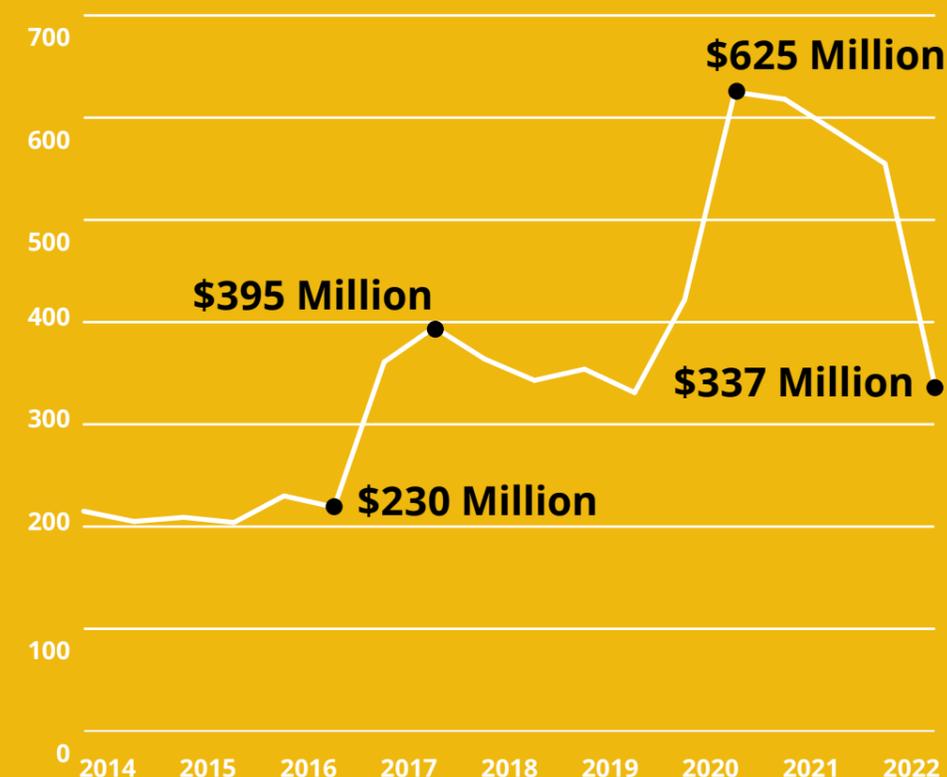
MILLION
in PCF Group plc.

INVESTMENT OF

C\$2.5

MILLION
in Foxquilt Insurance
Services Inc.

SHAREHOLDERS' FUNDS (USD Million)

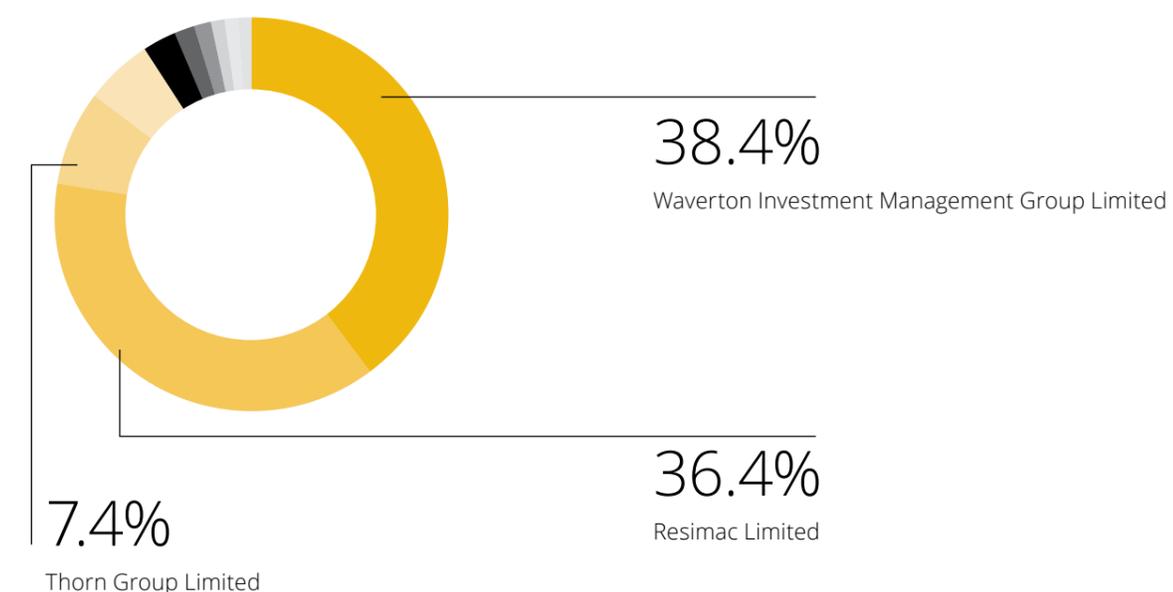


Somers' ordinary dividend per share ended the year at **455.0c** (2021: 86.0c), while its closing NAV per share was **\$13.82** (2021: \$27.70).

TOP TEN INVESTMENTS

CORE INVESTMENTS

Somers' investments are predominantly Bermuda, UK and Australia based, with these three jurisdictions together accounting for 95.6% of total investments. In total, the Company's significant holdings account for 96.9% of total investments at September 30, 2022.



	Company	Country	Fair Value (\$)	% of Total Investments
1	Waverton Investment Management Group Limited	UK	144,752,812	38.4%
2	Resimac Limited	Australia	136,941,571	36.4%
3	Thorn Group Limited	Australia	27,915,237	7.4%
4	West Hamilton Holdings Limited	Bermuda	19,417,905	5.2%
5	AK Jensen Group	Bermuda	10,960,338	2.9%
6	PCF Group plc	UK	5,442,345	1.4%
7	Aura Group	Singapore	5,409,339	1.4%
8	MJH Group Holdings Limited	Jersey	4,198,005	1.1%
9	Terra Firma Corp	Canada	3,882,585	1.0%
10	Mana Capital	NZ	3,853,181	1.0%
	Significant investments		362,773,318	96.9%
	Other investments		13,952,516	3.1%
	Total Investments		376,725,834	100.0%

SUMMARY OF CORE INVESTMENTS

Details of our Somers' top 10 investments are provided below. Details of Somers' subsidiary companies are provided in note 4 to the accounts.

WAVERTON INVESTMENT MANAGEMENT LIMITED ("WAVERTON")



www.waverton.co.uk

VALUATION
\$144.8 MILLION

Waverton is an award-winning London-based specialist investment manager which focuses on discretionary portfolio management for private clients, charities and institutions as well as offering a suite of in-house managed investment funds. Over the recent years Waverton has acquired two businesses in the wealth planning sector, and 2022 is the first full year that the business has operated and been branded as Waverton Wealth. Waverton reported AuMA as at September 30, 2022 of £12.4 billion, an increase of £0.6 billion from the prior year which was driven by strong net new assets more than offsetting negative market performance. Waverton's investment performance remains extremely strong particularly against the macroeconomic backdrop. For the 9 months ended September 30, 2022, Waverton earned revenue of £50.8 million, EBITDA of £12.8 million, and operating profit before tax of £9.3 million. During the year Waverton paid Somers dividends totalling £0.9 million.

REVENUE
£50.8
MILLION

EBITDA
£12.8
MILLION

RESIMAC GROUP LIMITED ("RESIMAC")



www.resimac.com.au

VALUATION
\$136.9 MILLION

Resimac is a residential mortgage lender and multichannel distribution business specialising in prime and specialist mortgage lending. Resimac is one of Australia and New Zealand's premier non-bank lenders. It operates in targeted market segments and asset classes in Australia and New Zealand. Its primary activities are as a mortgage manager and in originating, servicing and securitising mortgage assets. As at June 30, 2022, Resimac reported a total home loan AuM of A\$15.3 billion, an increase year on year of 11%. Resimac generated a normalised net profit after tax for the year ended June 30, 2022 of A\$104.4 million. Net interest income for the year was A\$238.1 million, a 2% decrease from 2021. Total loan settlements during the year was A\$6.3 billion and the asset finance division reported settlements of \$405 million and, provisioning loan impairment expense increased to A\$11.4 million. During the year, Resimac issued A\$5.8 billion of Australian and New Zealand Prime and Specialist RMBS.

NET PROFIT
AFTER TAX
A\$104.4
MILLION

NET INTEREST
INCOME
A\$238.1
MILLION

SUMMARY OF CORE INVESTMENTS (continued)

THORN GROUP LIMITED ("THORN")



www.thorn.com.au

VALUATION

\$27.9 MILLION

Thorn is an Australian asset financing company whose shares are listed on the ASX. During the year Thorn disposed of Radio Rentals, its business that provided leasing services to the consumer. Thorn is now focused on their Business Finance division which provides funding to small and medium sized businesses in Australia. The Business Finance division provides commercial finance through white label partners and brokers to SMEs, which is funded by a warehouse facility and mezzanine debt. During the year Somers acquired 10.8 million shares in Thorn and is now interested in 49.0% of Thorn, and Thorn returned A\$18.0 million to Somers via dividends and share buybacks. For the year ended March 31, 2022, Thorn reported revenue of A\$17.3 million (2021: A\$33.4 million) and a profit before tax of A\$12.9 million (2021: loss of A\$4.4 million). Thorn's total equity as at March 31, 2022 was A\$102.8 million (which includes cash in the warehouse).

REVENUE

A\$17.3
MILLION

PROFIT BEFORE TAX

A\$12.9
MILLION

WEST HAMILTON HOLDINGS LIMITED ("WEST HAMILTON") Sold in October 2022



www.westhamilton.bm

VALUATION

\$19.4 MILLION

West Hamilton is a BSX listed property investment and management company, with property assets in the west of Hamilton, Bermuda. The Belvedere Residences, West Hamilton's mixed-use building, which is fully occupied with all commercial space let, seven apartments let on leases and two apartments sold. The 308 space car park facility is 100% occupied with a significant waiting list. The Belvedere Building is approximately 80% occupied which in the post Covid-19 commercial property environment with a great proportion of employees working from home is positive. The company has received planning permission for a second mixed use building next to the Belvedere Residences which would contain 10 apartments and a penthouse commercial space. However, work has not yet commenced due to the increase in building costs driven by inflation and supply chain issues. For the six months ended March 31, 2022, West Hamilton reported strong results with revenue of \$1.5 million and net income for the period of \$0.9 million. Total assets amounted to \$51.5 million (September 30, 2021: \$50.4 million). Total liabilities were \$10.7 million (September 30, 2021: \$10.5 million) and net debt was \$6.4 million (September 30, 2021: \$7.7 million).

REVENUE

\$1.5
MILLION

NET INCOME

\$0.9
MILLION

AK JENSEN GROUP LIMITED ("AKJ")



www.akj.com

VALUATION

\$11.0 MILLION

AKJ is a global brokerage business which provides hedge fund services to both traditional hedge funds and digital asset funds. AKJ's platform allows fund managers to set up a hedge fund at low cost, trade through AKJ's proprietary technology platform, and operate under the AKJ regulatory framework. This is attractive to new hedge fund managers who are often unable to incorporate a hedge fund due to the associated costs and regulatory burden. AKJ also offers a front-to-back, tier-one solution for digital asset hedge fund managers. Despite the fall in the value of digital assets in 2022 AKJ's crypto platform continues to attract hedge fund managers. The macro environment has delayed the listing of the AKJ Token and it is now expected at some stage in 2023. For the nine months ended September 30, 2022, AKJ reported revenue of \$11.5 million and an EBITDA loss of \$2.5 million. As at September 30, 2022 AKJ had 38 funds operating on its platform, held assets of \$474.7 million, and sold AKJ Tokens worth \$2.6 million.

ASSETS HELD

\$474.7
MILLION

REVENUE OF

\$11.5
MILLION

PCF GROUP PLC ("PCF")



www.pcfbank.co.uk

VALUATION

\$5.4 MILLION

PCF is the AIM-quoted parent of the specialist bank, PCF Bank Limited which was granted a deposit taking license in 2017. PCF was established in 1994 and has two main lending divisions: Consumer Finance which provides finance for motor vehicles to consumers; and Business Finance which provides finance for vehicles, plant and equipment to small and medium sized businesses. PCF also provides bridge finance to property development projects. PCF experienced a very difficult 2022 as it undertook a strategic review following a prolonged period of remediation of PCF's financial controls and reporting procedures. The company's previous financial statements were restated and post the year end PCF announced that it had terminated new lending and its shares were delisted from AIM. The business is in effect now in run off subject to any future corporate transaction. For the 6 months ended March 31, 2022 PCF reported an adjusted loss before tax of £4.6 million and net loans and advances of £321 million.

ADJUSTED LOSS BEFORE TAX

£4.6
MILLION

LOAN BOOK

£321.0
MILLION

SUMMARY OF CORE INVESTMENTS (continued)

AURA GROUP ("AURA")



www.aura.co

VALUATION

\$5.4 MILLION

Aura Group is a financial services business providing tailored wealth, funds management and corporate advisory solutions to clients. It was founded in Australia in 2009, and its head office is now in Singapore with over 80 people across a number of offices across the Asia Pacific region including Sydney, Melbourne, Brisbane and Ho Cho Minh City. Aura collectively manages and advises over A\$1 billion in both closed and open ended funds across a range of asset classes such as credit, private equity and venture capital, equities and real assets. The company's wealth management division advises families and family offices in areas such as legacy planning, investing, wealth protection and philanthropic endeavours. During the year Somers increased its holding in Aura to 15.8%. For the nine months ended September 30, 2022, Aura reported core revenue of A\$8.7 million, core EBITDA of negative A\$1.2 million and funds under management and administration of A\$1.4 billion.

REVENUE

A\$8.7
MILLION

FUNDS UNDER
MANAGEMENT AND
ADMINISTRATION

A\$1.4
BILLION

MJ HUDSON GROUP LIMITED ("MJ HUDSON")



www.mjHUDSON.com

VALUATION

\$4.2 MILLION

MJ Hudson is a financial services infrastructure platform business which is listed on AIM. MJ Hudson helps alternative asset fund managers and investors operate more efficiently and invest more successfully. Its services include: law; investment advisory; ESG; investor relations and marketing; fund performance analytics; custodian bank benchmarking; AIFM and Manco; fund administration; corporate and private client services; regulatory solutions; and, middle and back office support. Its focus is to capitalise on the shift in the asset management industry from mainstream investments to alternative investments. During the year Somers invested a further £1 million as part of an institutional placing to fund deferred consideration and invest in its ESG business. During the year MJ Hudson received regulatory approval for its acquisition of Saffery Champness Fund Services Limited, a Guernsey based fund administration business. Subsequent to year end, the company's shares were suspended on AIM due to accounting issues which have led to a delay in the production of the 2022 annual financial statements. For the six months ended December 31, 2021, MJ Hudson reported revenue of £23.4 million and adjusted EBITDA of £3.4 million.

REVENUE

£23.4
MILLION

UNDERLYING EBITDA

£3.4
MILLION

TERRA FIRMA CAPITAL CORP ("TERRA FIRMA")



www.tfcc.ca

VALUATION

\$3.9 MILLION

Terra Firma is a real estate finance company that provides debt and equity financing to land developers in North America, with a primary focus on residential developments in "2nd tier" cities and in states with foreclosure friendly regulation. Terra Firma's shares are listed on the Toronto Stock Exchange. Terra Firma has found a profitable niche in developer financing and land banking and has been profitable each year since 2010. The company is funded by a credit line and two debts funds launched in Q1 2021 and Q2 2022 respectively. As at September 30, 2022, Terra Firma reported total assets of \$142.6 million and a book value per share of C\$10.94. For the same period they reported revenue of \$3.7 million, and net income of \$0.5 million. Post the year end, Terra Firma announced that it initiated a process to review potential strategic initiatives which aim to maximise shareholder value and liquidity.

TOTAL ASSETS

\$142.6
MILLION

REVENUE

\$3.7
MILLION

MANA CAPITAL HOLDINGS LIMITED ("MANA")



mclcapital.co.nz

VALUATION

\$3.9 MILLION

Mana is the holding company for MCL Capital Limited ("MCL"), a New Zealand operating lease provider. MCL aims to lend primarily to New Zealand government departments as well as large New Zealand corporates. MCL aims to minimise the risk leasing assets by leasing only critical assets/and or multiple assets under different leases with overlapping time periods. Since inception, MCL has been growing its asset book and cash flows and the current sales pipeline of advanced deals is strong. In 2022, MCL signed a NZ\$18 million transaction with the Fire and Emergency NZ for hand-held radios. MCL has a single residual value lender in Heartland Bank and Westpac as senior lender. Somers is interested in 20% of Mana. For the year ended March 31, 2022 MCL wrote NZ\$74.4 million of new leases and reported revenue of NZ\$47.0 million.

REVENUE

NZ\$47.0
MILLION

NEW LEASES

NZ\$74.4
BILLION

INVESTMENT MANAGER'S REPORT



ICM is the Investment Manager of Somers.

OVERVIEW

Somers reported a loss of \$210.3 million for the twelve months to September 30, 2022, due to decreased valuations of a number of its investments resulting from a combination

of negative market movements and a strong US Dollar.

The valuations of Somers investee companies have been impacted by recent market volatility which has been driven by inflation and a change in global central bank policy to reduce it (see Global Outlook). For the most part the investee companies' operating models continue to perform strongly and have adapted to the new paradigm. Waverton is now Somers' largest investment and had a strong 2022 through a combination of its continued impressive investment performance and net new assets. We continue to believe that the asset management industry in the UK is an attractive sector and that Waverton is a unique proposition which will continue to positively impact its valuation. Resimac reported flat year on year results despite having its margin compressed due to strong competition on the Australian mortgage market. Resimac's funding position and settlements remained strong and its loan portfolio continues to perform. Each of Somers' top 10 investments is reviewed in more detail later in this report.

GLOBAL OUTLOOK

During the Covid-19 pandemic, the world's central banks reduced interest rates to zero and injected huge amounts of liquidity into the global financial system so as to fight the negative economic impact caused by Covid-19. However, as the world started to return to normal post the pandemic there was significant pent up demand from consumers. This was coupled with significant supply chain issues as companies tried to produce goods to meet the increasing demand. All of the above would have been sufficient to increase inflation, but overlaid with Russia's war with Ukraine, inflation has risen to levels not seen since the 1970s.

Most of the global central banks have an inflation target, for example 2% in the US, as a key tenet of their monetary policy objectives. As such, to reduce inflation in 2022 and normalise monetary policy, central banks commenced a series of rapid interest rates rises. The pivot from quantitative easing, that has been the case for the best part of a decade, to quantitative tightening has sparked a re-pricing of risk assets in equity and debt markets. This volatility and the marking down of asset valuations has had a material impact on companies and Somers has not been immune to this.

Business, investors and other stakeholders are having to get used to an increased cost of capital and that is having an impact on all investment decisions, whether it be buying a house or investing one's savings. We believe that whilst most of the interest rate increases are over we do not anticipate that interest rates will return to pre Covid-19 levels any time soon. In fact we expect rates to stay at this level for a significant period as inflation rates seen in 2022 are not sustainable.

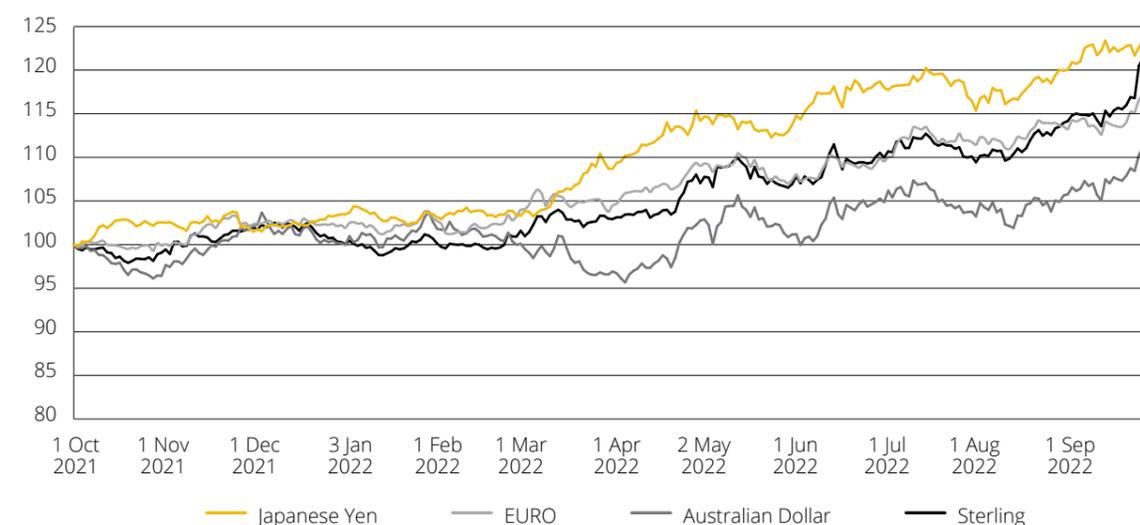
ICM continues to focus on its long-term investment performance, and on ensuring that Somers' investments are able to deal with both current challenges along with the opportunities that will emerge as we move forward in what will be a different world over the next decade. We remain confident in our investee companies' ability to adapt to the changing world, and to deliver growth.

INVESTMENT APPROACH

ICM is a long-term investor who manages Somers with a strategy focused on making investments in companies in the financial services sector. By using our dedicated analysts we are able to utilise our knowledge across many jurisdictions to evaluate and optimise investment opportunities, and undertake corporate finance led transactions.

ICM is focused on individual stock selection, remaining fully invested and focusing on investments whose valuations do not reflect their true long-term value, whilst importantly being a supportive shareholder to its investee companies. ICM is a relentless bottom-up investor, drawing on in-depth knowledge and capability. Further details on ICM's investment approach are set out on page 30 of this report.

CURRENCY MOVEMENTS VS US DOLLAR – September 2021 to September 2022



FOREIGN EXCHANGE

Somers does not normally hedge its investments, and in 2022 it was negatively impacted by this as the US Dollar strengthened appreciably due to the interest rate increases by the Federal Reserve, and as investors looked to 'hide' in the world's reserve currency. Both Sterling and the Australian Dollar (which together represent 87.4% of the value of Somers' investments as at September 30, 2022) weakened materially against the US Dollar. Sterling decreased by 17.3% against the US Dollar as the UK economy struggled to emerge from the pandemic, the implications of the Russia/Ukraine war and the continued economic fallout from Brexit. The Australian Dollar fell by 10.9% against the US Dollar as China's Zero Covid policy had an impact on the Australian economy given the strong trading relationship between the two nations due to Australia's natural resources.

TOP 10 INVESTMENTS

Somers has a small number of concentrated investments which are essentially focused on the financial services sector with over 94% of the portfolio in this sector. Within geographic allocations, Australia accounts for 47.5% of the portfolio (2021: 66.5%), the UK accounts for 39.9% of the portfolio (2021: 24.5%), while Bermuda is 8.2% (2021: 5.3%). As at September 30, 2022, Somers' ten largest investments accounted for 96.9% of the portfolio (2021: 96.3%). An overview of each of these companies can be found in the Summary of Core Investments section on page 17 of this report.

INVESTMENT MANAGER'S REPORT (continued)



Waverton is Somers' largest investment accounting for 38.4% of Somers' portfolio (2021: 17.7%). As at September 30, 2022 Somers owned 61.8% of Waverton with the balance owned by senior management and other employees.

Waverton's AuMA was approximately £12.4 billion at September 30, 2022 (2021: £11.8 billion). Stock markets were under pressure in 2022 but Waverton's strong investment performance enabled it to attract £1.4 billion of net new assets across a number of their divisions. During the year Waverton received regulatory approval and completed the acquisition of Cornerstone, a Scottish IFA business, which has subsequently been branded Waverton Wealth as Waverton focuses on its integrated wealth management offering.

Waverton's investment performance continues to be excellent, and against its peers Waverton continues to rank in the top quartile over the last twelve months, three year, five-year and ten-year periods respectively. This strong performance enables Waverton to outperform the market during a year when global markets were significantly lower.

In recent years Waverton has made significant investment both in terms of its people and its infrastructure. This is why the company is producing strong financial results which have led to a material increase in the valuation this year. For the nine months ended September 30, 2022, Waverton reported unaudited revenue of £50.8 million, EBITDA of £12.8 million and a profit before tax of £9.3 million.

As a result of Waverton's investment performance and high AuMA multiples in transactions in the UK wealth management sector, Somers has valued its investment in Waverton based on an AuMA multiple approach whilst using EBITDA multiples as a secondary source of valuation support. Comparable AuMA multiples in the sector were 2.2x and this has been used to value Waverton. The net result was a material increase in the value of Somers' investment in Waverton to £130.1 million (2021: £87.1 million).



Resimac's shares are listed on the ASX and Somers owns approximately 54% of Resimac, with the balance owned by UIL Limited, institutional and retail investors.

The company generated normalised net profit after tax for the year ended June 30, 2022 of A\$104.4 million. Net interest income decreased marginally by 2% to A\$238.1 million. Total dividends for the year increased by 25% to 8c per share. Total mortgage settlement flows across Resimac's combined distribution channels (i.e. both principally funded and non-principally funded) increased to a record A\$6.1 billion (2021: A\$4.8 billion). Despite the inflationary environment, through a focus on automation and cost control, the company's cost to income ratio only increased by 1.3% to 33.4%. As at June 30, 2022, total home loan assets under management were A\$15.3 billion and Resimac issued A\$5.8 billion of residential mortgage backed securitisations ("RMBS") during the year.

The year ended June 30, 2022 was a strong performance for Resimac against the backdrop of rising interest rates and strong competition in the Australian mortgage market, which led to a compression of Resimac's margins. Settlements remained strong and the company's loan arrears remained low. There still remains strong demand for mortgages from the non-bank sector, but the Australian banks have lowered their rates to attract business which has increased the number of consumers looking to switch mortgages.

Resimac no longer benefits from the Bank Bill Swap Rate ("BBSW") resetting below the RBA Cash Rate, with the BBSW not back to its historic norm above the RBA Cash Rate. This is due to the RBA's significant tightening policies with a number of interest rates rises in 2022.

With the increased competition in the Australian mortgage market Resimac is continuing to grow asset finance business through Resimac Asset Finance. During the year asset finance settlements increased by 212% to A\$405 million. Post the year end, Resimac released a trading update stating that they expect normalised net profit after tax for the first half of the year to be between A\$36 million to A\$40 million.

Resimac's share price decreased materially during the year and Somers investment in Resimac was valued at A\$213 million at year end (2021: A\$521.7 million).



Thorn is an Australian asset financing company whose shares are listed on the ASX. In 2022, Thorn continued to streamline its business post Covid-19 and invest in its new business strategy, including transforming its traditional retail bricks and mortar consumer model into a digital "pure play" operation, and re-entering the business finance segment with a "digital first" business model.

In late 2021, Thorn completed the sale of its consumer lending division, Radio Rentals to Credit Corp Group Limited for a total cash consideration of A\$44 million. Following the sale Thorn announced the payment of a special dividend of 7c per share totalling A\$23.8 million and an on market buyback to buyback up to 5% of its issue ordinary shares. Thorn paid further dividends of 1c per share in July 2022 and 3c per share in September 2022.

For the six months ended September 30, 2022, Thorn reported revenue of A\$7.1 million (2021: A\$10.4 million) and profit after tax of A\$0.6 million (2021: A\$13.3 million). As at September 30, 2022, Thorn's net tangible asset per share was A\$0.26, free cash was A\$73.0 million and cash in the warehouse was A\$13.7 million. Free cash increased by approximately A\$4.9 million as a result of the collection of the existing receivables books and the reduction in originations.

During the year, Somers increased its holding in Thorn to 49.0%. As at the year end, Somers investment in Thorn was valued at A\$43.4 million.



West Hamilton is a Bermuda Stock Exchange listed property investment and management company with property assets in Bermuda and in which Somers has a 57.1% equity interest.

2022 was another positive year for West Hamilton with strong occupancy in its property assets leading to positive financial results. Property prices remained strong in Bermuda and West Hamilton has assets which are in an attractive part of Hamilton, Bermuda. Whilst the economic environment in Bermuda remains challenged, the strength of the international business sector has underpinned demand for the company's products and West Hamilton received planning permission for a new mixed-use building similar to the existing Belvedere Residences. However, given the increase in building costs driven by inflation and supply chain issues, it is not anticipated that the development will commence in the near term.

The Belvedere Residences remains fully occupied and the car park facility remains 100% occupied with a significant waiting list, and the Belvedere Building is approximately 80% occupied. The location of West Hamilton's assets ensures that an older building such as the Belvedere Building can fill vacant space reasonably quickly. With an increase in popularity in city living we anticipate that the Belvedere Residences will continue to be an attractive asset.

For the six months ended March 31, 2022, West Hamilton reported revenue of \$1.5 million and net income of \$0.9 million. Total assets amounted to \$51.5 million and net debt was \$6.4 million. Somers' investment in West Hamilton has been valued using the fair value of West Hamilton's identifiable assets, and as such Somers' investment in West Hamilton is valued at \$19.4 million as at September 30, 2022.

Post the year end Somers sold its investment in West Hamilton to UIL Limited, one of Somers' major shareholders.



AKJ is a global brokerage business which provides hedge fund services to both traditional hedge funds and digital asset funds. AKJ's platform allows fund managers to set up a hedge fund at low cost, trade through AKJ's proprietary technology platform, and operate under the AKJ regulatory framework. As well as a traditional hedge Fund platform AKJ also offers a front-to-back, tier-one solution for digital asset hedge fund managers.

AKJ currently has 38 funds on its platform of which 13 are traditional and 25 are digital asset funds. As at September 30, 2022 AKJ had AuM of \$474.7 million and a further \$419.4 million of assets in its ecosystem through the prime brokerage services that it offers. In addition, there are a further 13 funds, both traditional and digital assets, that are in the process of being onboarded onto the platform.

Despite the significant issues that have arisen in digital assets in 2022, AKJ has been able to maintain the level of AuM on the platform through a combination of increasing the number of funds on the platform and the performance of the fund managers on the platform. This should bode well for the future when digital asset prices start to recover.

As a result of the decrease in value of digital assets, AKJ has put on hold its intended initial coin offering ("ICO"). However, it is hoped that the ICO will occur at some stage in 2023. In 2022, AKJ sold \$2.6 AKJ Tokens and the AKJ Fund of Funds continued to outperform other digital asset funds despite the fall in digital asset prices.

For the nine months ended September 30, 2022, AKJ reported unaudited revenue (excluding revenue generated from the sale of AKJ Tokens) of \$11.5 million. Somers values its investment in AKJ and AKJT Holdings at a combined \$3.6 million based on peer comparisons using an EV/Revenue multiple, and values its AKJ Tokens at €7.5 million (similar to the original cost of the investment).



Aura Group ("Aura") is a financial services business providing tailored wealth, funds management and corporate advisory solutions to clients. It was founded in Australia in 2009 and its head office is now in Singapore with over 100 employees across several offices around the Asia Pacific region including Sydney, Melbourne, Manila and Ho Cho Minh City. As at September 30, 2022 Aura has funds under management and administration of A\$1.4 billion, which is a 47% increase on the prior year. Funds include private equity and venture capital, credit, real assets and multi-asset strategies. Aura has a stake in a technology platform, a small accounting practice and product distribution networks in Japan and Korea.

Somers acquired 15.2% of Aura for A\$7.3 million in April 2021. The investment in Aura was an opportunity for Somers to participate in the rapid growth of the asset management sector in the Asia Pacific region and to be part of a strong and experienced management team. Asset management platforms in Asia Pacific are undergoing rapid growth due to pension funds looking to invest in alternative assets in Southeast Asia, the increase in technology companies in the region attracting investors, and the increase in wealth in the middle classes. During the year, Somers increased its holding in Aura to 15.8% at a cost of A\$0.3 million

For the nine months ended September 30, 2022, Aura reported revenue of A\$8.7 million and an EBITDA loss of A\$1.2 million which was principally due to mark to market movements on investments held by Aura. Annualised recurring revenue increased by 33% to a record A\$11.6 million and the company has minimal debt. Funds under management were A\$1.1 billion which was a record high and a 69% increase year on year. Somers valued its investment in Aura at A\$8.4 million.



MJ Hudson is a financial services support provider, capitalising on the investment management industry's shift to investing in alternatives and the outsourcing of non-core services. Their platform business helps fund managers and investors operate more efficiently and invest more successfully in both the traditional and alternative assets sector. MJ Hudson's services include law, investment advisory, ESG and sustainability, IR and marketing, fund performance analytics, custodian bank benchmarking, AIFM and ManCo fund administration, corporate and private client services, regulatory solutions and middle and back office support. The group now has offices across Europe and North America with over 200 people advising over 1,000 clients who have assets worth over \$1 trillion. MJ Hudson has expertise in all asset classes, including equities, fixed income, private equity, venture capital, hedge funds, real estate, infrastructure, energy and credit.

The company did not make any acquisitions in 2022 as they focused on bedding down acquisitions that they had made in the prior year and investing in their businesses that experienced significant growth in the year, namely ESG and the data & analytics. To that end in August 2022 MJH raised £9.2 million to invest in the business and to fund deferred consideration from previous acquisitions.

For the six months ended December 31, 2021, MJ Hudson reported a 48% increase in revenue to £23.4 million and adjusted EBITDA of £3.4 million and adjusted profit before tax of £1.6 million. As at December 31, 2021 MJ Hudson had net debt on the balance sheet of £13.0 million to fund infrastructure investments, M&A to support accelerated growth in its Irish ManCo and ESG businesses, and to provide funding to make further acquisitions. As at September 30, 2022 the share price was £0.215 and Somers 8.6% interest was valued at \$4.2 million.

Post the year end MJH announced that the publication of its financial statements for the year ended June 30, 2022 was going to be delayed due to certain accounting adjustments principally around revenue recognition. At the date of this report MJH's shares are suspended from trading on AIM.



Terra Firma is a real estate finance company that provides debt and equity financing to land developers in North America, with a primary focus on residential developments in "2nd tier" cities and in states with foreclosure friendly regulation. Terra Firma's shares are listed on the Toronto Stock Exchange. Terra Firma has found a profitable niche in developer financing and land banking and has been profitable each year since 2010. The company is funded by a credit line and two debts funds where were launched in Q1 2021 and Q2 2022 respectively.

Somers first invested in Terra Firma in 2021 as its share price was at a significant discount to its book value. Whilst the business is well operated it has not been able to grow significantly as it has been constrained by a high cost of capital. The company has not been able to meaningfully scale up third party funds. Post the year end the company announced a process to review strategic alternatives to maximise shareholder value and liquidity. Somers is supportive of this process and looks forward to the company's conclusion of its strategic review.

As at September 30, 2022, Terra Firma reported total assets of \$142.6 million and a book value per share of C\$10.94. For the same period they reported revenue of \$3.7 million, and net income of \$0.5 million.

Somers 20.1% interest in Terra Firma is valued at \$3.9 million.

INVESTMENT MANAGER'S REPORT (continued)



Mana Capital ("Mana") is the holding company for MCL Capital Limited ("MCL"), a New Zealand operating lease provider. MCL aims to lend primarily to New Zealand government departments as well as large New Zealand corporates.

MCL aims to minimise the risk leasing assets by leasing only critical assets/and or multiple assets under different leases with overlapping time periods. Since inception MCL has been growing its asset book and cash flows and the current sales pipeline of advanced deals is strong. In 2022, MCL signed a NZ\$18 million transaction with the Fire and Emergency NZ for hand-held radios. MCL has a single residual value lender in Heartland Bank and Westpac as senior lender.

For the year ended March 31, 2022 MCL wrote NZ\$74.4 million of new leases and reported revenue of NZ\$47.0 million. Somers is interested in 20% of Mana and Somers' holding in Mana is valued at NZ\$6.8 million.

OTHER INVESTMENTS

Somers has a number of other smaller investments which are a mixture of both unlisted and listed holdings. The total value of these investments as at September 30, 2022, was \$14.0 million (2021: \$24.5 million).

PORTFOLIO ACTIVITY

During the year to September 30, 2022, Somers:

- Invested \$13.8 million and realised \$4.6 million including loan repayments from investee companies.
- Distributed 95.7 million shares in Resimac and its entire holding in TMH to its shareholders via a special dividend of \$4.55 per share. 57.2 million Resimac shares were transferred back to Somers through its shareholders as consideration for the exercise of 2.8 million warrants.
- Received \$10 million of the loan due from Provident Holdings as part of the agreement pursuant to which BCB was sold in July 2021. In addition, Somers made a number of small investments in both listed and unlisted companies in Australia, the UK and Ireland.

GEARING AND BANK DEBT

During the year Somers issued \$22.8 million of 6% loan notes as part of the merger with SNB Investments. Overall borrowings were broadly flat year on year at \$82.6 million. However, with the decrease in the value of Somers' assets gearing as a percentage increased to 24.1% from 13.1%. The total debt figure as at September 30, 2022, of \$55.0 million, relates primarily to a \$40.3 million loan from The Bank of N.T. Butterfield & Son Limited. There are additional facilities with BCB including a loan facility of \$6.0 million and a \$4.9 million overdraft facility. In addition, there is \$8.7 million of shareholder debt.

REVENUE RETURNS

The majority of Somers' returns are expected to be capital in nature but we do monitor Somers on a revenue return specific basis. Revenue returns include, but are not limited to, dividend and interest income less operating expenses, finance costs and taxation insofar as they are not allocated to capital. Revenue income was \$13.4 million for the year (2021: \$9.5 million) with the year on year increase attributable to increased dividend income from our investee companies and interest on the loan to Provident Holdings. Management fees were \$4.2 million (2021: \$5.4 million).

SHARE CAPITAL

During the year, Somers bought back 0.02 million shares for a total cost of \$0.4 million.

ICM'S INVESTMENT PHILOSOPHY

ICM is a long-term investor and generally operates focused portfolios with narrow investment remits. ICM has several dedicated research teams who have deep knowledge and understanding in their specific sectors, which improves the ability to source and make compelling investments. ICM has approximately USD 1.8 billion of assets directly under management and is responsible indirectly for a further USD 22.2 billion of assets in subsidiary investments.

ICM looks to exploit market and pricing opportunities and concentrates on absolute performance. The investments are not market index driven and the investment portfolio

comprises a series of bottom-up decisions. ICM typically does not participate in either an IPO or an auction unless there is compelling value.

Somers seeks to leverage ICM's investment abilities to both identify and make investments across a range of industries within the financial services sector. New investments usually offer an attractive valuation with strong risk/return expectations at the time of investment.

When reviewing investment opportunities, as part of the investment process ICM will look to understand the material ESG factors.

ICM incorporates ESG factors into the investment process in three key ways:

01

UNDERSTANDING

In-depth analysis of the key issues that face potential and current holdings, as well as a deep understanding of the industry in which they operate.

02

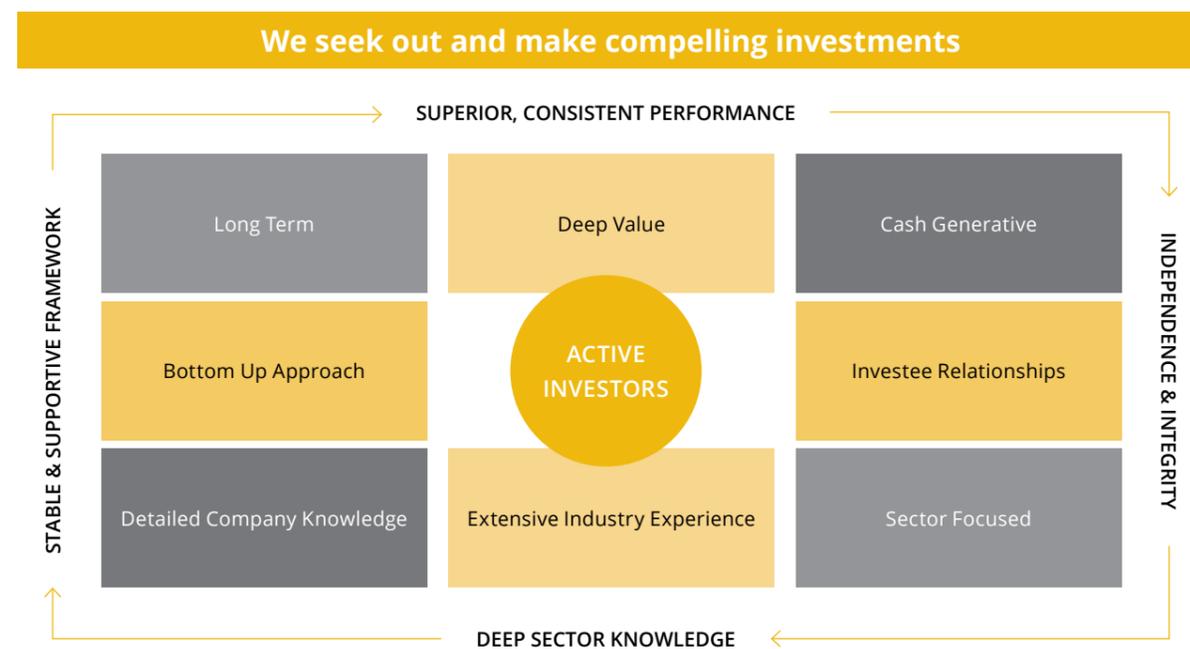
INTEGRATION

Incorporate the output of the 'Understanding' component detailed above into the full company analysis to ensure a clear and complete picture of the investment opportunity is obtained.

03

ENGAGEMENT

Engage with investee companies on the key issues on a regular basis, both virtually and on location, where possible, to discuss and identify any gaps in their ESG policy to further develop and improve their ESG disclosure and implementation.



ICM works to create value by harnessing our experience and expertise to generate and grow strong relationships with our stakeholders

We are focused on creating sustainable long-term value for our shareholders, team, and the broader community through our:



VALUES

ICM's origins date back to 1988 and our organisation has evolved with offices spanning the globe. We are focused on our values of

- Independence and Integrity
- Excellence
- Creativity and Innovation
- Accountability



TEAM

We are proud of our diverse and inclusive environment for our teams to work in, which reflects the diversity of our communities.



INVESTMENT PRACTICES

Our deep and extensive research and understanding of the companies, sectors and markets we invest in moderates our risk, and creates value for our investors. Our status as a signatory of the United Nations-supported Principles of Responsible Investment emphasises our commitment to integrating ESG factors into our investment decision making process.



FINANCIAL

Strong balance sheet and disciplined capital allocation to drive sustainable growth and shareholder value.



PLATFORMS

Technology, and digital and analytics enable our investment platforms to deliver growth for our shareholders.



COMMUNITIES

ICM supports the ICM Foundation, which has identified sustainable, effective and focused education where the biggest impact can be made on individuals and in communities. Over the past decade ICM and their stakeholders have contributed over US\$16.5 million to not-for-profit and community organisations.

MACRO TRENDS AFFECTING FINANCIAL SERVICES

DIGITISATION AND AUTOMATION



- Companies continue to be disrupted by fintechs, digitalisation, automation, blockchain and artificial intelligence, both internally (replacement of staff, digitisation of business processes and workflows) and externally (move to robo-advice or underwriting, automated data driven decision making, smart contracts, etc)
- Decreasing customer loyalty, especially in younger demographic groups, promotes the commoditisation of finance and requires new approaches to customer / user experience, with a focus on reducing friction and lead times and improving transparency and instant engagement
- Significant move towards e-commerce and mobile in an environment of demonetisation, smartphone penetration and screen-time of 4+ hours a day in developed and emerging nations

FINTECH



- Fintechs are expanding rapidly as consumers demand cheaper, efficient service with more choice. Multiple value chains continually being aggregated across banking, wealth management and insurance
- Millennial engagement and the drive to maintain relevance against other daily-user platforms have driven growth in new platforms focused on social, mobile, hyperlocal, and predictive personalisation
- Evolution of payments and the advent of blockchain / distributed ledger and cryptocurrency will change the financial services landscape long term
- Industry facing increasing threats from challenger firms working on technology enabled products which disintermediate traditional distribution and go direct to customer, such as online and P2P lending

MONETARY POLICY



- Adapting to and operating in a new era of higher interest rates and moving towards quantitative tightening compared to the last decade of quantitative easing and negative interest rates
- Financial institutions and investors can now generate a return on their fixed income portfolio for the first time in years leading to an alternative asset class than just equities
- As Central Banks around the world raise interest rates companies need to plan for potential recession as Central Banks aim to reduce inflation

GEO-POLITICAL TENSIONS



- The war between Russia and Ukraine has had significant impacts on both inflation and the global supply chain
- Trade tensions between the US and China continue to have long-term impact on the global economy which is exacerbated by China's approach to Covid-19
- Investment decisions must now consider global uncertainty, and in particular the impact that geo-political issues have on markets such as foreign exchange

ENVIRONMENTAL, SOCIAL AND GOVERNANCE



- Climate change is now an accepted reality with significant direct and indirect effects on people and the global economy. Governments and intergovernmental organisations have initiatives in place targeting reductions in the impact of man-made emissions on climate change
- Changing work dynamics include an increased focus on diversity of labour, development of the platform economy, continued investment in AI, and disruption of business processes and procedures due to ongoing impacts from Covid-19
- The rise of social media and information exchange have elevated the importance of transparency. Opaque business practices face growing scrutiny
- Effective governance remains fundamental to long-term investment performance. Corporates with strong governance are consistently demonstrating their ability to navigate economic uncertainty

CYBERSECURITY



- Sophistication and frequency of cyber-attacks in the spotlight, with companies spending larger parts of total budget on protection from wide scale privacy and data breaches. Digital enablement has necessitated a move to the cloud
- Reputational risk becoming as important as financial risk in an era of increased transparency and decreased trust. Companies are unable to control dissemination of content, customer backlash in social and online communities, with social sentiment often mirroring share price
- Increase in enforcement of material financial and civil penalties related to cyber-crime and inadequate protection of consumer data, additional concerns over voice, facial and other biometric protocols

REGULATORY AND COMPLIANCE



- Financial institutions and in particular banks are stronger than they were due to increased capital requirements but have more constrained lending policies
- Increased global focus on regulation following the 2008 financial crisis e.g. MiFID II, GDPR, Basel III shaping technology driven customer interaction, particularly around consent, KYC, identity and AML
- Stronger regulation of established institutions, contrasted by incentives and policies encouraging smaller, newer companies to compete and grow e.g. relaxing fintech capital and licencing requirements

SOMERS' STRATEGY

SOMERS' STRATEGY

Somers is an investment holding company whose shares are listed on the Mezzanine Market of the BSX. Somers' core investment markets are Australia, the UK and Bermuda.

Somers' primary objective is to deliver superior shareholder total returns through both capital appreciation and dividend payments. To achieve this, Somers seeks to invest in undervalued companies within the financial services sector and has the flexibility to make investments in a range of financial related sectors and markets. Somers will identify and invest in opportunities where the underlying value is not reflected in the market or purchase price.

The perceived undervaluation may arise from a variety of factors including the limited number of potential buyers, the paucity of lending to smaller financial service companies, and an abundant supply of financial service companies available for investments sale as the world adjusts to a higher interest rate environment. Somers may hold investments in unlisted securities when the attractiveness of the investment justifies the risk and lower liquidity associated with unlisted investments.

Key areas of focus for Somers are wealth and fund management, banking, and asset financing. Fund and asset management businesses are attractive owing to several factors, including their annuity style income, lower capital requirements, solid returns, the projected sector growth and the wider group's experience in this area. Somers is interested in areas such as FinTech and Automation and how these opportunities can add value to our investments. There are dramatic changes in the global financial ecosystem whether it be payments, artificial intelligence or block chain technology. Somers continues to review how best to unlock value in this area; whether through new investments or our existing investee companies making use of new technology.

Somers aims to maximise value for shareholders by holding a reasonably concentrated portfolio of investments and maintaining a prudent level of gearing. These investments can be either in the unlisted or listed arena. Besides looking for 'bolt-on' opportunities, Somers hopes to extract synergistic benefits from the investee companies on both costs and revenue, as companies are encouraged to collaborate with each other and

share resources, such as technology platforms, where appropriate.

Somers, through its Investment Manager, ICM, seeks to engage with and work with investee companies to achieve operational synergies and to leverage a group approach to meet various compliance, regulatory and risk requirements. Somers engages with the management of investee companies to stimulate new and better ways of processing tasks, and to mitigate risk both at the investee level, and at a Somers level. In addition, Somers also works with investee companies in cyber security, and Somers views cyber risk as one of the key risks facing companies in the financial services sector.

Somers does not expect to trade its core investments. It aims to be supportive of its investee companies, maintain regular dialogue with their management and, where appropriate, provide additional capital to ensure that the companies can develop and grow.

BUSINESS MODEL

The business model the Board has adopted to achieve its objective is to appoint an external investment manager to whom it has contractually delegated the management of the portfolio. Somers has appointed ICM to manage the portfolio in accordance with the Board's strategy of generating capital growth and income return. The ICM investment team responsible for the management of the portfolio is detailed in the Investment Management Team section of this report. Other administrative functions such as company secretarial, legal and custody are contracted to external services providers who may be associates of either Somers or ICM Limited. The Somers' Board oversees and monitors the activities of ICM and other service providers on behalf of shareholders, and ensures that the investment objectives are adhered to.

ICM actively monitors and manages all investments from point of origination to exit. Portfolio companies are managed through a monthly management information system which is supported by ICM's valuation team, and benefit from Somers' Board oversight. Proposed investments are assessed individually, and all significant new investments require approval from the Somers' Board. Overall investment targets are subject to periodic reviews, and the investment portfolio is reviewed to monitor exposure to specific geographies, economic sectors and asset classes.

BORROWING

Portfolio investments are generally funded through a mixture of shareholders' funds and debt to maximise returns to shareholders. Leverage generally increases the returns but has greater potential risk than equity funding. External borrowings will only be undertaken if the Directors and the Investment Manager consider that the terms and conditions attached to such borrowings are acceptable, having regard to the investment objective and policy of Somers. Somers will be indirectly exposed to borrowings to the extent that entities within the investment portfolio are themselves leveraged. Borrowings will generally be drawn down in US Dollars, Sterling or any currency for which there is a corresponding asset within the Company's portfolio.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

The Board believes that it is in the shareholders' interests to consider ESG factors when selecting and retaining investments, and has asked ICM to take this into account when investing. ICM employs a disciplined investment process that seeks to both uncover opportunities and evaluate potential risks, while striving for the best possible return outcomes. This is covered in detail in the Board Responsibilities and Governance section, on page 40.

Somers will identify and invest in opportunities where the underlying value is not reflected in the market or purchase price.

Somers will identify and invest in opportunities where the underlying value is not reflected in the market or purchase price.

INVESTMENT MANAGER AND TEAM

The Directors are responsible for Somers' investment policy and have overall responsibility for Somers' day to day activities. Somers has, however, entered into an Investment Management Agreement with ICM, under which ICM provides investment management services to Somers including investment analysis, portfolio monitoring, research and corporate finance.

ICM is a Bermuda based fund manager and corporate finance adviser. Other ICM clients include UIL Limited and Utilico Emerging Markets Trust plc, both listed on the London Stock Exchange; Zeta Resources Limited, listed on the Australian Securities Exchange; and our unlisted funds include Allectus Capital Limited; Pentagon Global Diversified Bond Fund and Pentagon High Conviction Bond Fund.

ICM MANAGES SOME

\$1.8 BILLION

DIRECTLY AND HAS INDIRECT INVOLVEMENT IN OVER \$22.2 BILLION IN A RANGE OF MANDATES.

ICM HAS OVER 80 STAFF BASED IN BERMUDA, CAPE TOWN, DUBLIN, HONG KONG, LONDON, SINGAPORE, SEOUL, SYDNEY, VANCOUVER AND WELLINGTON.

ICM focuses on identifying investments at valuations that do not reflect their true long-term value. ICM's investment approach is to have a deep understanding of the business fundamentals of each investment and its environment versus its intrinsic value.

The Directors believe that ICM has performed consistently since their appointment by Somers. As such, it is the view of the Directors that it is in the best interests of the shareholders to continue with the current appointment of ICM under the terms agreed.



Alasdair Younie joined the ICM Group in 2010. He is a Director of ICM and is based in Bermuda. Alasdair has extensive experience in financial markets and corporate finance and is responsible for the day to day running of the Somers Group. Alasdair qualified as a chartered accountant with PricewaterhouseCoopers and subsequently worked for six years in the corporate finance division of Arbuthnot Securities Limited in London. Alasdair is a non-executive director of Carebook Technologies Inc. and West Hamilton Holdings Limited. Alasdair graduated from Bristol University and is a Member of the Institute of Chartered Accountants in England and Wales.



Greg Reid joined the ICM Group in 2014, and is a Director of ICM Capital Research Limited, based in Ireland. His responsibilities include management of finance and risk at the Somers Group. Prior to joining ICM, Greg was the Chief Financial Officer of Bermuda Commercial Bank Limited, and previously the Controller with a Bermuda based provider of accounting services to the hedge fund industry, and an auditor. Greg is a non-executive director of Newtel Limited and the Pentagon Global Diversified Bond Fund, and he is a member of the Institute of Chartered Accountants in Ireland. Greg holds an honours degree in Business Studies from the University of Limerick, Ireland.



Duncan Saville founded the ICM Group and has been employed by ICM and its predecessor companies since 1988. He is a chartered accountant and is an experienced non-executive director having previously been a director in multiple utility, infrastructure, investment and technology companies. He is a non-executive director of Resimac Group Limited and West Hamilton Holdings Limited. He is a Fellow of the Institute of Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors and the Financial Services Institute of Australasia.



Charles Jillings joined the ICM Group in 1995, and established ICM Investment Research Limited in 1997 and ICM Investment Management Limited in 2015. Charles is a Director of ICM Limited and ICM Investment Management Limited, and he is responsible for the day to day running of UIL Limited and Utilico Emerging Markets Trust plc. He is a qualified chartered accountant and has extensive experience in corporate finance and asset management with over thirty years of experience in international financial markets. Charles is a director of Allectus Capital Limited and Waverton Investment Management Limited, and he graduated from University of Cape Town with a B. Com.



Ross Wilding joined ICM in 2012 and is a Senior Analyst working for ICM Investment Management Limited, based in Epsom, UK. Prior to joining ICM, he worked as an investment analyst at wealth manager Optima Financial (now part of Ingenious). Ross is focused on the financial services sector worldwide with particular emphasis on the Somers Limited investments. Ross completed his MBA at the Kellogg School of Management, Chicago in 2012, and is a CFA Charterholder.



Stephanie Saville joined ICM in 2018 and she is a Senior Analyst based in Epsom, UK. Prior to joining ICM, Stephanie was a financial analyst at London based Odey Asset Management. Within ICM she specialises in financials and special situations. Stephanie graduated with a Bachelor of Commerce from Bond University, and a Master of Applied Finance from The University of Queensland in 2013. She is a CFA Charterholder.

DIRECTORS

PETER DURHAGER, Chairman



Peter Durhager joined the Somers Board in September 2018. He is the Executive Director of the Allan & Gill Gray Foundation and a non-executive director of Harrington Re. He was formerly the President of RenaissanceRe Services Ltd and EVP & Chief Administrative Officer of RenaissanceRe Holdings Ltd. Mr Durhager was formerly the Chairman of Ascendant Group Limited, America's Cup Bermuda and the Bermuda Community Foundation. He founded and ran a number of financial and telecommunications businesses as well as working in the banking sector. Mr Durhager holds a bachelor's degree in Philosophy from Transylvania University in Lexington, Kentucky

CHARLES JILLINGS



Charles Jillings joined the ICM Group in 1995, and established ICM Investment Research Limited in 1997 and ICM Investment Management Limited in 2015. Charles is a Director of ICM Limited and ICM Investment Management Limited, and he is responsible for the day to day running of UIL Limited and Utilico Emerging Markets Trust plc. He is a qualified chartered accountant and has extensive experience in corporate finance and asset management with over thirty years of experience in international financial markets. Mr Jillings is a director of Allectus Capital Limited and Waverton Investment Management Limited. Mr Jillings graduated from University of Cape Town with a B. Com.

DAVID MORGAN



David Morgan has over forty years of experience in international banking, building his career at Standard Chartered Bank in Europe, North America and the Far East. Since leaving Standard Chartered in 2003, he has been involved in a wide range of business advisory and non-executive roles. Mr Morgan is currently a non-executive director of Waverton Investment Management Limited and PCF Group plc.

ALASDAIR YOUNIE



Alasdair Younie joined ICM Limited in 2010. He is a Director of ICM Limited and is based in Bermuda. Alasdair has extensive experience in financial markets and corporate finance and is responsible for the day to day running of Somers Limited. Mr Younie qualified as a chartered accountant with PricewaterhouseCoopers and subsequently worked for six years in the corporate finance division of Arbuthnot Securities Limited in London. He is a non-executive director of Carebook Technologies Inc and West Hamilton Holdings Limited. Mr Younie graduated from Bristol University and is a Member of the Institute of Chartered Accountants in England and Wales.

DIRECTORS AND OFFICERS INTEREST IN SOMERS' SHARE CAPITAL

At September 30, 2022, the Directors of Somers and their related interests had interests in aggregate totalling 119,000 common shares representing approximately 0.5% of Somers' issued share capital.

Somers' investee companies continue to have strong operating performances despite recent macroeconomic headwinds.

BOARD RESPONSIBILITIES AND GOVERNANCE

Details of how Somers is governed and managed are provided in this section. Roles, organisation and composition of the Somers' Board are explained along with information on risk management and organisational oversight. Somers endeavours to comply with established best practice in the field of corporate governance, and the Company's processes, controls and governance framework are being continually reviewed and updated towards this goal.

ROLE OF THE BOARD

Somers' Board of Directors is responsible for overall stewardship of Somers, including corporate strategy, corporate governance, setting the Company's risk appetite, risk and controls assessment, overall investment policy and gearing limits.

The Directors have a duty to take into consideration the likely consequences of any decision in the long term; the need to foster Somers' business relationships with its Investment Manager and advisers; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly to all shareholders of Somers. The Directors are responsible for the proper conduct of Somers' affairs by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed. In addition, the Directors are responsible for ensuring that the Company's policies and operations are in the best interests of Somers as a whole, and that all stakeholders are properly considered. A schedule of matters reserved for decision by the Board and detailing the responsibilities of the Board has been established. The main responsibilities include: setting the Somers' objectives, policies and standards; considering any major acquisitions or disposals of portfolio companies; ensuring that Somers' obligations to shareholders and others are understood and complied with; approving accounting policies and dividend policy; managing the capital structure including the buyback policy; setting long term objectives and strategy; assessing and managing risk; reviewing investment performance; monitoring the net borrowing position and consideration of the appropriate use of gearing; undertaking audit committee responsibilities; reviewing Directors' remuneration; undertaking nomination

responsibilities; and, assessing the Investment Manager on an ongoing basis. The Board is responsible for public documents such as the annual report and financial statements, and seeks to ensure that shareholders are provided with sufficient information to understand the risk/reward balance to which they are exposed by owning Somers' shares, through the financial information given in the annual and quarterly financial report disclosures.

Matters delegated by the Board to ICM include: implementation of the Board approved strategy; day to day operation of the business including management of the internal control framework; and, the formulation and execution of risk management policies and procedures. ICM regularly reports to the Board on risk management, financial and operational performance and progress in delivering Somers' strategic objectives. Additionally, the ICM investment management team report on the acquisition, management and disposal of investments.

The Directors monitor performance by regularly considering a number of performance indicators to assess Somers' success in achieving its investment objectives. These include share price and NAV performance, net cash flow, ROE reports at Somers and its investments, risk management and adherence to investment guidelines issues. Additionally, the Directors receive regular updates on the performance of Somers' individual investments.

BOARD MEETINGS

The Board meets at least four times a year, and between these scheduled meetings there is regular contact between Directors, the Investment Manager and the Company Secretary, including strategy meetings, financial meetings and Board update calls. The Directors are kept fully informed of investment and financial controls and other matters that are relevant to the business of Somers that should be brought to their attention. The Directors may request any agenda item to be added that they consider appropriate for Board discussion. In addition, each Director is required to inform the Board of any potential or actual conflict of interest prior to a Board discussion. The Directors also have access, where necessary in the furtherance of their duties, to independent professional advice at the expense of Somers.

In the financial year ended September 30, 2022, the Board met each quarter to review the activities of Somers for that period and held a meeting devoted to strategic issues. Additional meetings were held to consider limited objectives including the approval of the quarterly results. All Directors received notice of the meetings, the agenda and supporting documents, and were able to comment on the matters to be raised at the proposed meeting. In addition to the formal quarterly, strategy, and ad-hoc meetings, the Board also receives detailed updates from the Investment Manager via update calls.

BOARD CHANGES

Somers seeks to maintain the right sized board commensurate with the business activity of Somers. The current Board has an appropriate breadth of experience relevant to Somers and includes a balance of skills, experience and age. Applicants are assessed on their range of skills, expertise and industry knowledge, business and other experience.

BOARD COMMITTEES

As Somers is managed by ICM and therefore has no executive employees, the roles typically delegated to sub committees are fulfilled by the Board as a whole. However, this status is regularly reviewed by the Board and action will be taken to remedy any significant failings or weaknesses identified from the review of the effectiveness of the internal control and governance systems.

Audit Committee

The Board as a whole fulfils the function of an audit committee in relation to, amongst other things, monitoring the internal controls and risk management systems of Somers and its service providers, reviewing the financial statements of Somers, monitoring the independence of the external auditor and the effectiveness of the audit process, and reviewing the findings of the external auditor. The Board considers that given its size (four directors), the size of Somers and the low number of transactions, it would not currently be appropriate to establish a separate audit committee.

Remuneration Committee

The Board as a whole fulfils the remuneration committee function in relation to the setting and periodic review of the fees of the Directors and the Chairman. The Board considers that, given the size and nature of Somers, it would not be appropriate to establish a separate remuneration committee.

Nomination Committee

The Board as a whole will consider new Board appointments and fulfils the function of a nomination committee. It considers the size and structure of the Board, including the balance of expertise and skills brought by individual Directors. The Board recognises the importance of diversity and the value of refreshing of, and succession planning for, company boards. As such, these matters are discussed by the Board at least annually. The Board also seeks to have Directors in different jurisdictions who understand the key influences on businesses in their area, whether they are economic, political, regulatory or other issues. The Board's policy on diversity, including gender, is to take this into account during the recruitment process. Any new appointment is considered based on the skills and experience that the individual would bring to the Board, regardless of gender or other forms of diversity, and therefore no targets have been set against which to report. As at the date of this report, the Board consists of four men. The Board is of the view that length of service does not necessarily compromise the independence or contribution of directors of an investment company, where continuity and experience can add significantly to the strength of the Board. No limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. The Board reviews succession planning at least annually.

The Board considers that, given its size, and the size and nature of Somers, it would not be appropriate to establish a separate nomination committee.

BOARD RESPONSIBILITIES AND GOVERNANCE (continued)

REGULATORY AND COMPETITIVE ENVIRONMENT

Somers is obliged to comply with Bermuda law, the Listing Rules of the BSX and International Financial Reporting Standards ("IFRS"). Somers is exempt from taxation, except insofar as it is withheld from income received and capital gains taxes in some jurisdictions. Under Bermuda law, Somers may not distribute income or capital reserves by way of a dividend unless, after distribution of the dividend, Somers would be able to pay its liabilities as they become due, and the realisable value of the Somers' assets would be greater than the aggregate of its liabilities, its issued share capital, and its share premium account. It is registered with the IRS in the USA under the Foreign Account Tax Compliance Act. The accounting policies of Somers are detailed in note 2 to the financial statements on page 63.

GOING CONCERN AND COMPANY VIABILITY

The financial statements have been prepared on a going concern basis. The Directors consider this is the appropriate basis as they have a reasonable expectation that Somers has adequate resources to continue in operational existence for the foreseeable future, being taken as 12 months after the signing of the balance sheet. In making this assessment, the Board has considered each of Somers' principal risks and uncertainties.

Somers has \$177 million of Level 1 equity shares in listed companies which, in most circumstances, could likely be sold to meet funding requirements, if required. All key operations required by Somers are outsourced to third party providers, and alternative providers could be engaged at relatively short notice if necessary. The Directors also considered the revenue forecast for the forthcoming year, expected cash flows from investments, future dividend payments and significant areas of possible liquidity risk, and have satisfied themselves that no material exposures exist.

INVESTMENT MANAGEMENT ARRANGEMENTS

The Investment Manager is ICM, and details of the Investment Management Team are found on pages 36 and 37 of this report. Under an investment adviser agreement dated December 2014, Somers has agreed to pay ICM an annual fee for its management services equal to 0.75% of the gross asset value of Somers' qualifying financial investments, payable quarterly in arrears. The investment management agreement may be terminated by Somers, by giving ICM not less than six month's written notice of termination, or by ICM giving Somers not less than three months written notice of termination, or such lesser period of notice as Somers and ICM agree.

Included within the terms of the revised investment management agreement is a performance fee payable to ICM if the growth in Somers' shareholders' equity exceeds a hurdle rate equal to the higher of 8% or 4% plus the UK Retail Price Index inflation. The fee arrangement is payable at a rate of 15% on the amount by which the growth in Somers' shareholders' equity exceeds the hurdle rate. The growth in Somers' shareholders' equity did not exceed the hurdle rate in 2022, and therefore no performance fee was payable for the year. The Board continually reviews the policies and performance of ICM. The Board's philosophy and ICM's approach are that the portfolio should consist of investments thought attractive, irrespective of their inclusion or weighting in any index. Over the long term, the Board expects the combination of Somers' and ICM's approach to generate a positive return for shareholders. The Board is satisfied with the terms of appointment of ICM.

COMPANY SECRETARY

The Board has direct access to the advice and services of the Company Secretary, Conyers Corporate Services (Bermuda) Limited. The Company Secretary assists the Board, with advice from Somers' lawyers and financial advisers, in ensuring that Board procedures are followed, and that applicable rules and regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that the statutory obligations of Somers are met. The Company Secretary is responsible for advising the Board on all governance matters.

ADMINISTRATION

The provision of accounting and administration services to Somers has been delegated to ICM. ICM's responsibilities include assisting in the day-to-day management of Somers' business, ensuring the financial risks of Somers are properly managed, and oversight of all financial and BSX reporting. This role also includes ensuring compliance with the required standards of good corporate governance. ICM, in conjunction with the Company Secretary, also organises, prepares agendas, and ensures accurate minutes are kept of board and other corporate meetings.

Somers is a Bermuda incorporated investment company with an external investment manager and all Somers' day to day management and administrative functions are outsourced to third parties. As a result, Somers has no executive directors, employees or internal operations. Somers has therefore not reported further in respect of the role of the chief executive, executive directors' remuneration, the need for an internal audit function, and nomination of a senior independent director.

INTERNAL AUDIT

Due to the nature of Somers being an externally managed investment company with no executive employees, the Company does not have its own internal audit function. The Board has concluded that there is no current need for such a function, based on the satisfactory operation of controls within the Company's service providers.

EXTERNAL AUDITOR AND AUDIT TENURE

KPMG Audit Limited ("KPMG") has been the auditor of Somers since 2014, following a competitive tender process. The audit partner is Bron Turner. The Board has considered the independence of the auditor and the objectivity of the audit process and is satisfied that KPMG has fulfilled its obligations to shareholders as independent auditor to Somers.

It is Somers' policy not to seek substantial non-audit services from its auditor, unless they relate to a review of the interim or quarterly reports or reporting on financial information in circulars or prospectuses, as the Board considers the auditor is best placed to provide these services. If the provision of significant non-audit services were to be considered, the Board would consider whether the particular skills of the audit firm made it a

suitable supplier of those services and that there was no threat to the objectivity and independence of the audit. No non-audit fees were paid to KPMG for the year ended September 30, 2022 (2021: \$52,500).

The partner and manager of the audit team at KPMG presented their audit plan to the Board and subsequently reported on the nature, scope and results of their audit at the meeting when the draft annual financial report was considered. Members of the Board meet virtually or in person with the external auditor at least annually. The audit plan and timetable were presented by and agreed with KPMG in advance of the financial year end. Items of audit focus were discussed, agreed and given particular attention during the audit process. KPMG reported to the Board on these items, their independence and other matters. This report was considered by the Board and discussed with KPMG and ICM prior to approval of the annual financial report.

The Directors of Somers have confirmed that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

CUSTODY OF ASSETS

Somers' listed investments are held in custody by JPMorgan, Bermuda Commercial Bank and The Bank of N.T. Butterfield & Son and the Company's unlisted investments are held in custody by Bermuda Commercial Bank. Operational matters with these custodians are carried out on Somers' behalf by ICM.

VALUATION OF UNLISTED INVESTMENTS

A significant portion of Somers' investment portfolio consists of unlisted investments, and the Board has ultimate responsibility for the valuation of these investments. Please refer to the Overview of the Investment Valuation Process on page 50 for details on Somers' valuation approach for unlisted investments.

BOARD RESPONSIBILITIES AND GOVERNANCE (continued)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

Somers Board believes that it is in the shareholders' interests to reference ESG factors when selecting and retaining investments, and has asked ICM to take these into account when investing. In conjunction with assessing the financial, macro and political drivers when making and monitoring an investment, ICM therefore embeds ESG opportunities and risks into their investment process. ESG factors are built into their bottom-up in-depth analysis, however ICM does not decide whether to make an investment decision purely on ESG grounds alone.

When reviewing any investment opportunity, ICM looks at relevant and material ESG opportunities and risks which can meaningfully affect investment performance. The consideration of ESG issues forms part of the integrated research analysis, decision-making and ongoing monitoring.

The concept of responsible investing has always been a core component of the investment process, and ICM looks to determine conclusions based on objective, ascertainable facts and do not consider sentiments or interest groups.

Each investment is considered on its own merits, and intention and actions are important considerations. ESG factors help to enhance ICM's understanding of a company, as these factors affect the company's business model and its long-term ability to generate sustainable returns. ESG considerations provide a way to identify and review the long-term drivers of an investment that are not found within the financial accounts.

Investments are regularly reviewed, and ICM meets to discuss key issues ranging from high level macro developments to detailed company specific points, to ensure a high awareness of how the current portfolio and potential new investments are performing.

Where possible ICM aims to visit investment opportunities to access an in-person opportunity to ask management teams what they perceive to be the key operational, social, and environmental issues, as well as a chance to see assets operating first-hand. Given ICM is a long-term investor, engagement with management teams is and will remain paramount to the investment approach. Where necessary, ICM will question and challenge a portfolio company's management team directly to ensure a full understanding of any challenges and opportunities.

ICM recognises governance factors are fundamental to an investment, and as part of ensuring a solid corporate governance framework is enforced, ICM works actively with investee companies to incorporate stronger ESG principles and to vote in a considered manner to drive positive change. ICM will seek to exercise all voting rights attached to shares held by Somers. ICM reviews all resolutions and will vote accordingly, and the Board periodically receives a report on instances where ICM has voted against the recommendation of an investee company's management on any resolution.

ICM is a signatory to the United Nations-supported Principles for Responsible Investment, which is an international network of investors working together to implement its six aspirational principles; and is also a member of the Asian Corporate Governance Association which is focused on the implementation of effective corporate governance in Asia. ICM believes that good stewardship is essential and the principles these various bodies espouse aligns with its philosophy to protect and increase the value of its investments.

GREENHOUSE GAS EMISSIONS

All of Somers' activities are outsourced to third parties. Somers therefore has no greenhouse gas emissions to report from its operations. In addition, Somers considers itself to be a low energy user and therefore does not disclose energy and carbon information.

SHAREHOLDER RELATIONS

Shareholder communications are a high priority for the Board and every effort is made to enable shareholders understand the strategy, developments and financial performance of Somers. A financial announcement detailing the performance of Somers is released to the BSX on a biannual basis and is available for viewing on the Company's website (www.somers.limited). Members of the Board and the Investment Manager's team make themselves available at all reasonable times to meet with principal shareholders, and feedback from these meetings is provided at the quarterly Board meetings.

In addition, the Board is kept fully apprised of all market commentary on Somers by ICM and other professional advisers. Through this process the Board seeks to monitor the views of shareholders and ensure that Somers' communication programme is effective. Members of the Board and ICM are expected to be available during each Annual General Meeting to answer any questions that attending shareholders may have.

DIRECTORS' INTERESTS

The Directors' interests in the ordinary share capital of Somers are disclosed in the Directors' section on page 39 of this report. The Directors have declared any potential conflicts of interest to Somers. There are no agreements between the Company and its Directors concerning compensation for loss of office. Potential conflicts of interest are reviewed regularly by the Board. The Directors have undertaken to advise the Company Secretary and/or Chairman as soon as they become aware of any potential conflicts of interest.

DIRECTORS' AND OFFICERS' LIABILITY

Somers maintains Directors' and Officers' Liability Insurance which provides appropriate cover for any legal action brought against its Directors.

RESPONSIBILITY OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

The Directors have confirmed to the best of their knowledge:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Somers, and the undertakings included in the consolidation taken as a whole; and
- the annual report includes a fair review of the development and performance of the business, the position of Somers, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face. The Directors consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess Somers' position and performance, business model and strategy.

RISK MANAGEMENT

Somers' primary objective is to deliver superior shareholder total returns through both capital growth and income generation. Our business model involves taking risk in return for reward. Our global financial services sector mandate offers opportunities for financial returns but exposes us to market, geopolitical and economic risks.

Effective risk management is a cornerstone in the successful delivery of our strategy. It is an essential part of our business and a key element of good corporate governance.

THE BOARD

The Board has responsibility for setting the overall strategic direction of Somers. As part of this process, the Board seeks to achieve an appropriate balance between taking risk and generating returns for our shareholders. The evaluation of strategic choices and new opportunities requires a detailed risk assessment to ensure we operate within our risk tolerance and limits.

We seek to achieve this by:

- Effective and efficient continuity of operations
- Safeguarding of our assets
- Preservation and enhancement of our reputation
- Reliability of internal and external reporting
- Compliance with applicable laws and regulations
- Identifying and managing risks
- Monitoring investee companies

The Board meets four times a year to consider the quarterly risk review report prepared by ICM. This report identifies the risks facing the Company and the likelihood and potential impact of each risk, together with the controls established for mitigation. The Board reviews financial reports, valuation reports and performance metrics. The effectiveness of Somers' system of internal controls, including financial, operational, compliance and risk management systems, is reviewed as part of this quarterly review process and no significant failings or weaknesses occurred during the year ended September 30, 2022, or subsequently up to the date of this annual report.

EXTERNAL RISK ENVIRONMENT

The external environment remains challenging. Three themes continue to dominate global events: Covid-19, heightened geopolitical tensions and the outlook for inflation and interest rates.

While Covid-19 continues to disrupt, the impact on most economies is very reduced. We now expect it to recede and not be an issue going forward.

Geopolitical tensions however remain high. The Ukraine conflict is ongoing and the question now is what is next. Our view is that it will take time for both sides to exhaust their ambitions, but once they reach a neutral position a negotiated outcome would be expected. The ongoing friction between China and the US is a clash of ideologies and will likely lead to ongoing resistance between the two nations and their allies. The tensions over Taiwan are symptomatic of two ideologies facing each other across the economic, political and social divide. This is concerning over the longer term.

Inflation moved markedly higher follow the Russian invasion of the Ukraine. Coupled with surprising low unemployment globally this has driven inflation markedly higher. Central Banks have had to respond much more firmly in combating the very high inflation expectations. This in turn is slowing economic growth. We see this headwind continuing for the rest of the year. However, once the Russian/Ukraine conflict moderates we expect inflation to subside.

The one unknown in our view is the response of the labour force. The labour market remains tight and the number of unemployed are at record lows in many economies. If this continues, then the shortage of the work force will drive up wages and in turn feed inflation.

Despite this challenging backdrop, the Board considers that the Company's risk profile has remained broadly stable during the year. In making this determination, the Board has considered the continuing development of internal controls, risk processes and the composition of the investment portfolio. Most of Somers' investee companies have also continued to deliver resilient operational and financial metrics, and our dividend income increased year on year.

ICM LIMITED

The Board has delegated responsibility for day-to-day risk management to ICM subject to the overall policies, supervision, review and control of the Board. ICM reviews investment risk in the context of individual investee companies, overall portfolio composition, and acquisitions and disposal decisions.

ICM monitors the operational and regulatory risks in the business and the related risk management controls. This includes consideration of external developments, emerging risks, and the monitoring of key metrics as indicators of potential changes in the Company's risk profile. ICM also has responsibility for ensuring day to day compliance with the required standards of good corporate governance as well as oversight of all financial, regulatory and stock exchange reporting and management information.

ICM maintains Somers' risk register, which details the Company's significant risks and their owners, associated mitigating actions, and any internal risk indicators. The risk register is updated on a continuous basis and a summary risk review report is presented to the Board each quarter.

RISK APPETITE

Somers has established a risk appetite statement that documents the types and amounts of risk Somers is willing to accept in order to achieve its strategic and business objectives. An enterprise will not prosper without taking on risks, and our risk appetite framework allows us to identify and quantify these risks and link them to Somers' business objectives and strategy in a structured way.

The risk appetite statement provides investment guidance under the following headings:

- Investment return and type
- Investment level
- Diversification
- Geographic focus
- Sector expertise
- Compliance and regulation
- Investment expertise

The risk appetite statement also provides guidance on gearing, the valuation of investments, currency hedging and investment levels of authority.

PRINCIPAL RISKS

Most of Somers' principal risks are market-related and similar to those of other investment companies which invest globally in various different currencies. The Board carefully considers Somers' principal risks at its quarterly meetings and seeks to mitigate these risks through continual and regular review, policy setting, compliance with and enforcement of contractual obligations and active communication with ICM. There have been no significant changes to the principal risks during the year.

For risk management purposes, Somers categorises risk within two broad categories – investment risk and business operational risk.

INVESTMENT RISK

In absolute terms, investment risk is the risk of incurring any loss in the portfolio in pursuit of investment returns. In relative terms, the investment risk of incurring losses greater than, or of earning gains less than those of a benchmark index or an alternative investment.

Somers and its investments are materially affected by a variety of risks and uncertainties in the global financial markets and economic conditions throughout the world.

Somers monitors the following significant investment risks: Covid-19; foreign currency; concentration; interest coverage; leverage; liquidity; geographic and political; conflict of interest; tax; climate risk; ESG; Australian housing market; interest margin compression; market price; investee company business; and economic environment.

Many of these factors are outside Somers' control and may affect the level and volatility of securities prices, the amount of distributions received, and the liquidity and value of investments in the portfolio. Somers may be unable to mitigate its exposure to these conditions as efforts to manage its exposure may or may not be effective. In addition, while adverse market conditions provide opportunities to make investments in undervalued companies, such conditions also increase the risk of default or decreased operational performance which would adversely affect the profitability and valuation of these entities, and consequently, the profitability, net asset value and share price of Somers.

Please refer to note 19 of the audited financial statements for a more detailed discussion of the above principal risks and uncertainties.

RISK MANAGEMENT (continued)

A primary objective of Somers is to acquire attractive investments at the optimal price and to then to support these investments in delivering on their business plans. The investment process employed by ICM combines an assessment of economic and market conditions in the relevant countries where we invest. Fundamental analysis forms the basis of Somers' investment selection process, with an emphasis on sound balance sheets, positive cash flow potential, the ability to pay and sustain dividends and understanding market conditions. In addition, ESG factors are considered when selecting and retaining investments.

Somers' results are reported in US Dollars, whilst a large portion of its assets are priced in foreign currencies, particularly Sterling and Australian Dollars. The impact of adverse movements in exchange rates can significantly affect the returns in US Dollars of both capital and income. Such factors are out of the control of the Board and ICM, and may create distortions in the reported returns to shareholders. Somers did not enter into any currency hedges this year, but where we borrow for investment purposes we endeavour to ensure the borrowing currency matches the associated investment.

The ordinary shares of Somers may trade at a discount to their NAV. During the year, as part of the take-private transaction, Somers' shares were transferred from the main board of the BSX to the mezzanine market of the BSX. As part of this transaction, the number of shareholders was also materially reduced. However, the shares remain publicly traded albeit trading in the shares is expected to be negligible. The Board monitors the price of Somers' shares in relation to their NAV and the premium/discount at which they trade. The Board may buy back shares if there is a significant overhang of stock in the market, having regard to the percentage of shares in public hands.

The Board regularly reviews strategy in relation to a range of issues including the concentration of the portfolio, the allocation of assets between geographic regions and sectors and borrowing levels. Periodically the Board also holds a separate meeting devoted to strategy.

Somers borrowing levels remained at similar levels to last year, but, on account of the decrease in shareholders' equity, our overall debt to net assets ratio increased to 24.1% as at September 30, 2022. Leverage should enhance total return where the return on Somers' underlying securities is rising and exceeds the cost of

borrowing, but it will have the opposite effect where the underlying return is falling. The Board reviews the leverage levels at each quarterly Board meeting.

A breach of Somers' loan covenants might lead to funding being summarily withdrawn. ICM monitors compliance with the banking covenants when drawdowns are made and at the end of each quarter. The Board reviews compliance with the banking covenants at each quarterly Board meeting.

Market price risk remains a significant investment risk. The price of Somers' listed investments have fluctuated significantly over the last two years and increased market volatility has fed through to Somers' portfolio. ICM have sought to mitigate this risk by the active management of investments and exit strategies including monthly portfolio monitoring to identify and address portfolio issues promptly.

The concentration of Somers' investment portfolio is high. Following an increase in its valuation in 2022, Waverton now accounts for 38.4% of the total portfolio, with Resimac accounting for an additional 36.4%. Together with Thorn, the three largest investments now represent 82.2% of all investments. The concentration of the portfolio exposes Somers' NAV to higher volatility and is reviewed by the Board at each quarterly meeting with detailed updates on Resimac provided by ICM.

A review of economic and market conditions is included in the Investment Manager's Report section of this Report.

BUSINESS OPERATIONAL RISK

Business operational risk refers to the risk of loss that may arise from running an investment holding company and, in essence, encompasses everything except investment risk. It captures the risks arising from inadequate or failed internal processes, people and systems, and from external events. Somers monitors the following business operational risks: regulatory and compliance risk; capital risk; cyber risks; key personnel risk at our service providers; valuation of portfolio investments and in particular unquoted investments; credit risk; counterparty exposure; reputation risk; and disruptive technology.

Somers also monitors the risk of failure in execution, delivery or process (such as data entry errors), internal or external fraud (such as insider trading or forgery) and business disruption and system failures (such as telecommunications outages).

Loss of key staff by ICM could affect investment returns, and the quality of the management team is a crucial factor in delivering good performance. There are training and development programs in place for employees of ICM, and the recruitment and remuneration packages have been developed in order to retain key staff. Any material changes to the management team are considered by the Board at its next meeting.

The consequences of risks may be financial, reputational or regulatory. Business operational risks do not typically generate positive returns; therefore, the management of these risks entails minimising them to the extent practicable and subject to reasonable costs.

Operational risks arise from all of Somers' activities, and Somers' objective is to manage operational risk to limit financial losses and damage to its reputation, with achieving its investment objective of generating returns for shareholders.

The Board reviews operational issues at each Board meeting and receives reports on the operation of internal controls, regulatory and compliance issues and the risk of cybercrime. The cybersecurity risk for Somers itself is not considered to be high, but in the investee companies it is high, as it is with most organisations. However, the Board regularly seeks assurances from ICM and other service providers on the preventative steps that they are taking to mitigate this risk. Although there has been no change in overall risk in the year, the risk of cybercrime continues to be of significant concern as the nature of the risk continues to change. Somers' assets are considered to be relatively secure, so the risk is primarily of a reputational nature.

INTERNAL FINANCIAL AND NON-FINANCIAL CONTROLS

The Directors are responsible for ensuring that Somers maintains a sound system of internal financial and non-financial controls ("internal controls") to safeguard shareholders' investments and Somers' assets.

Somers' system of internal control is designed to manage and monitor rather than eliminate risk of failure to achieve Somers' investment objective and/or adhere to Somers' investment policy and/or investment limits. The system can therefore only provide reasonable and not absolute assurance against material misstatement or loss. ICM and Somers' custodians maintain their own systems of

internal controls and the Board receive regular reports from ICM on the internal control environment.

The Board meets regularly, at least four times a year. It reviews financial reports and performance against relevant stock market criteria and Somers' peer group, amongst other things. The effectiveness of Somers' system of internal controls, including financial, operational, IT, compliance and risk management systems are reviewed at the quarterly meetings. The Board confirms that the necessary actions are taken to remedy any significant failings or weaknesses identified from its review. No significant failings or weaknesses occurred during the current year or subsequently up to the date of this annual financial report.

OUTLOOK AND FUTURE TRENDS

The main trends and factors likely to affect the future development, performance and position of Somers' business can be found in the Investment Manager's Report section of this Report.

OVERVIEW OF THE INVESTMENT VALUATION PROCESS

In preparing the Somers' quarterly and annual financial accounts, the most important accounting judgements and estimates relate to the carrying value of our unlisted investments which are stated at fair value. At September 30, 2022, 51% of Somers' investment portfolio consisted of level 3 investments that were valued using inputs that were not based on observable market data. Given the importance of this area to the integrity of our financial reporting, the Board and ICM carefully review the valuation policies and processes and the individual valuation methodologies at each reporting date. However, the valuation of unlisted securities is inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate. As detailed in note 21, small changes to inputs may result in material changes to the carrying value of our investments.

VALUATION PROCESS

The valuation of the unlisted investments is the responsibility of the Somers Board, with valuation support and analysis provided by the valuation team at ICM. The investment portfolio is valued at fair value, and this is achieved by valuing each investment using an appropriate valuation technique and applying a consistent valuation approach for all investments. The Company's valuation policy is reviewed at least annually, with the most recent update in December 2022.

The concept of fair value is key to the valuation process and is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date" (International Private Equity and Venture Capital ("IPEV") guidelines, December 2022).

Maximum use is made of market based information, and the valuation methodologies used are those generally used by market participants. Valuations are compliant with IFRS fair value guidelines, and guidelines issued by the IPEV valuation board which set out recommended practice for fair valuing of unlisted investments within the IFRS framework. The valuation of unlisted investments requires the exercise of judgment, and every effort is made to ensure that this judgment is applied objectively and is not used to overstate or understate the valuation result.

The Board reviews the unlisted valuations each quarter in conjunction with Somers' external financial reporting process. The Board receives a detailed report from ICM's valuation team recommending a proposed valuation for each of Somers' investments. The report includes details of all material valuations, explanations for movements above agreed thresholds and confirmation of the valuation process adopted. Representatives of ICM and its valuation team are in attendance at these meetings to answer any questions the Board may have on the valuation process and the choice of valuation techniques and inputs. The Board reviews and challenges the assumptions behind the unlisted asset valuations.

VALUATION METHODOLOGIES

The valuation of our unlisted investments is normally determined by using one of the following valuation methodologies, and depending on the investment and relevance of the approach, any or all of these valuation methods could be used.

We would note that the application of valuation policies has wide inputs, wide approaches and therefore wide outcomes. Somers' policy is to adopt market metrics where it can such as enterprise value ("EV")/earnings before interest, tax, depreciation and amortisation ('EBITDA') and then discount for illiquidity. While the directors are comfortable with this policy and are not recommending any change, they are aware that many other investment companies adopt similar metrics and then apply a premium for control. Interestingly, if Somers were to exit several of its controlling positions, it would fully expect to realise a premium.

Earnings Multiples

This valuation methodology is used where the investment is profitable, and where a set of comparable listed companies with similar characteristics to our holding can be determined. As several investments are not traded on an active market, the valuations are then adjusted by a liquidity discount with the discount varying depending on the nature of the underlying investment entity and its sector, and whether restrictions exist on our ability to sell the asset in an orderly fashion. In certain instances, Somers may use a revenue or assets under management multiple approach if this is deemed more appropriate.

It is Somers' policy to use reported earnings adjusted for non-recurring items, which are typically sourced from the investee companies' management accounts or audited financial reports. In certain cases, current maintainable earnings provide a more reliable indicator of the company's performance, and in these instances an estimate of maintainable earnings is used in the valuation calculation.

Multiples are derived from comparable listed companies in the same business sector. Adjustments are made for relative performance versus the comparables and other company specific factors including size, product offering and growth rates.

Discounted Cash Flow

This methodology may be used for valuing investments with long term stable cash flows and uses maintainable earnings discounted at appropriate rates to reflect the value of the business. Generally, the latest historical accounts are used unless reliable forecast results for the current year are available. Earnings are adjusted where appropriate for exceptional or non-recurring items.

Net Assets

This valuation technique derives the value of an investment by reference to the value of its net assets. This technique is used for investments whose value derives mainly from the underlying fair value of their assets rather than their earnings, such as property holding companies and investment businesses. In addition, we may also use this valuation approach for investments that are not making an adequate return on assets, and for which a greater value can be realised by liquidating the business and selling its assets.

Recent Investments

For an initial or recent transaction, Somers may value its investment using the recent transaction price for a limited period following the transaction, where the transaction price continues to be representative of fair value.

Imminent Investment Realisation

Where realisation of an investment or a flotation of an investment is imminent and the pricing of the relevant transaction has been substantially agreed, a discount to the expected realisation proceeds or flotation value valuation technique is used. Judgement is applied as to the likely eventual exit proceeds and certainty of completion. This technique is only utilised where a sale or flotation process is materially complete, and the remaining risks are estimated to be small.

Please also refer to note 21 of the audited financial statements for more details on Somers' unlisted investments and the valuation methodologies adopted.

FIVE YEAR SUMMARY 2018-2022

(expressed in United States Dollars)

	2022 \$	2021 \$	2020 \$	2019 \$	2018 \$
Income and Expense Items					
Net interest expense	(1,349,811)	(3,449,740)	(3,590,020)	(2,473,832)	(631,388)
Dividend income	30,693,172	15,978,018	8,476,941	7,451,888	7,588,559
(Losses)/gains on investments	(171,106,665)	201,407,592	60,989,530	4,336,647	10,893,179
Other (losses)/income	(62,737,775)	4,014,871	14,992,647	(15,614,561)	(9,912,317)
Total (loss)/income	(204,501,079)	217,950,741	80,869,098	(6,299,858)	7,938,033
Total expenses	5,604,673	20,150,072	11,821,592	3,421,285	3,703,016
Net (loss)/income before tax	(210,105,752)	197,800,669	69,047,506	(9,721,143)	4,235,017
Income tax expense	(156,788)	(30,195)	(5,260)	-	(51,821)
Net (loss)/income	(210,262,540)	197,770,474	69,042,246	(9,721,143)	4,183,196

Balance Sheet

Financial investments	376,725,834	660,733,741	500,894,835	410,268,426	402,973,991
Other assets	45,430,484	54,689,107	7,709,575	12,864,817	4,366,226
Total assets	422,156,318	715,422,848	508,604,410	423,133,243	407,340,217
Total liabilities	84,729,927	97,589,716	86,469,185	69,570,070	43,230,069
Total equity	337,426,391	617,833,132	422,135,225	353,563,173	364,110,148

Per Common Share

NAV per share	13.82	27.70	19.78	17.10	18.15
Share price		19.00	13.75	15.00	16.00
Dividend paid	4.55	0.86	0.55	0.51	0.50

FINANCIAL STATEMENTS



TOTAL EQUITY AT
30 SEPTEMBER WAS

\$337.4

MILLION
(2021:617.8 MILLION)

ASSETS DIRECTLY AND
INDIRECTLY MANAGED

\$23.4

BILLION
(2021: \$22.9 BILLION)

FINAL DIVIDEND
PER SHARE OF

\$4.55

(2021: \$0.38)

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Total dividend payment for 2022 was \$4.55 a share, an increase of \$3.69 per share compared to 2021.

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Somers Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Somers Limited (the "Company"), which comprise the consolidated statement of financial position as at September 30, 2022, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

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.

Valuation of unquoted financial investments

As presented in the Significant Accounting Policies in Note 2, and in Notes 3 and 21 to the consolidated financial statements, the Company holds investments in unquoted securities at September 30, 2022 with an estimated fair value of US\$192 million, representing 45% of total assets, where quoted prices do not exist. Such unquoted securities are carried at their estimated fair values based upon management's judgment using the principles of the International Private Equity and Venture Capital Association ("IPEV") valuation guidelines.

The valuation of the unquoted securities held in the Company's investment portfolio is a key driver of its net asset value and total return to shareholders and results for the year. The valuation of these investments is complex and requires the application of judgment by the Investment Manager.

The fair values are based upon the market approach which estimates the enterprise value of each investee using a comparable public company multiple of revenues or earnings before interest, tax, depreciation and amortisation ("EBITDA"), assets under management ("AUM") or using information from recent comparable transactions observable in the marketplace, or the underlying net asset value.

The risk

The significance of the unquoted investments to the Company's consolidated financial statements, combined with the complexity and judgment required in estimating their fair values means this was an area of focus during our audit.

Our response to the risk

We performed the following key audit procedures:

- Obtained the Investment Manager's valuation models for valuing the unquoted equity investments.
- Challenged the Investment Manager on the methodologies followed and key assumptions used in determining the valuations in the context of the IPEV valuation guidelines.
- Using our own valuation specialists, we assessed the methodologies and assumptions used by the Investment Manager.
- Tested the key inputs used in the valuation models by obtaining the underlying financial information, including audited financial statements, management accounts, budgets and forecasts for revenues, EBITDA and AUM, which are often the key inputs used in the valuation models by the Investment Manager and compared this information to that used in the models.
- Independently sourced revenue, AUM and EBITDA multiples for comparable public companies used by the Investment Manager, considered whether those companies are comparable to the investee in each case and compared them to the multiples used in the valuations.
- Where a recent transaction was used, we obtained an understanding of the transaction and whether it was considered an arm's length transaction and was comparable for the purposes of the valuation.
- Performed media searches and other procedures to determine whether there was any contradictory evidence for any of the inputs used.
- Using our own valuation specialists, we assessed the adjustments made to the fair value estimates for control premiums and illiquidity discounts, where applicable.
- Tested the mathematical accuracy of the valuation models.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, 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.

INDEPENDENT AUDITOR'S REPORT (continued)



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 IFRS, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 skepticism 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 Company'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 Company'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 Company 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 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 Bron Turner.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
December 9, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2022 (Expressed in United States Dollars)

Notes	2022 \$	2021 \$	
ASSETS			
18	Cash and cash equivalents	1,367,830	793,653
7, 18	Other assets	152,679	572,949
18	Interest receivable	485,779	541,667
6, 18	Loans and receivables	43,424,196	52,780,838
3, 18	Financial investments	376,725,834	660,733,741
	Total assets	422,156,318	715,422,848
LIABILITIES			
10	Bank overdraft	4,867,335	4,845,370
18	Interest payable	394,010	477,686
8, 18	Other liabilities	1,735,684	15,136,660
11	Loan notes	22,736,281	-
9, 18	Interest bearing loans and borrowings	54,996,617	77,130,000
	Total liabilities	84,729,927	97,589,716
	NET ASSETS	337,426,391	617,833,132
EQUITY			
12	Capital stock	2,442	2,231
12	Contributed surplus	367,003,898	329,841,112
	Accumulated other comprehensive loss	(564,135)	(229,551)
	Retained (deficit)/earnings	(29,015,814)	288,219,340
	TOTAL EQUITY	337,426,391	617,833,132

See accompanying notes.

Signed on behalf of the Board:



Peter Durhager
Chairman



David Morgan
Director

CONSOLIDATED STATEMENT OF INCOME

For the Year Ended September 30, 2022 (Expressed in United States Dollars)

Notes	2022 \$	2021 \$	
INCOME			
15,19	Interest income (Note 15, 19)	2,654,239	673,416
19	Interest expense (Note 19)	(4,004,050)	(4,123,156)
	Net interest expense	(1,349,811)	(3,449,740)
	Net foreign exchange (losses)/ gains	(62,737,775)	3,964,534
19	Dividend income	30,693,172	15,978,018
16,19	(Losses)/gains on investments	(171,106,665)	201,407,592
	Impairment reversal on loans and receivables	-	50,337
	Total (loss)/income	(204,501,079)	217,950,741
EXPENSES			
18	Investment management fees	4,152,573	18,368,803
	Legal and professional fees	352,575	641,297
	Audit and accounting fees	215,570	260,525
18	Directors' fees	140,000	150,333
	General and administrative expenses	743,955	729,114
	Total expenses	5,604,673	20,150,072
	Net (loss)/income before tax	(210,105,752)	197,800,669
17	Income tax expense (Note 17)	(156,788)	(30,195)
	NET (LOSS)/INCOME AFTER TAX	(210,262,540)	197,770,474

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended September 30, 2022 (Expressed in United States Dollars)

	2022 \$	2021 \$
Net (loss)/income for the year	(210,262,540)	197,770,474
OTHER COMPREHENSIVE (LOSSES)/INCOME		
Exchange differences on translation of foreign operations	(334,584)	66,450
Other comprehensive (losses)/income	(334,584)	66,450
TOTAL COMPREHENSIVE (LOSSES)/INCOME	(210,597,124)	197,836,924

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended September 30, 2022 (Expressed in United States Dollars)

Notes	Capital Stock \$	Contributed Surplus \$	Treasury Stock \$	Accumulated Other Comprehensive Loss \$	Retained Earnings/ (Deficit) \$	Total \$
September 30, 2020	2,134	314,196,939	-	(296,001)	108,232,153	422,135,225
Net income for the period	-	-	-	-	197,770,474	197,770,474
Other comprehensive income	-	-	-	66,450	-	66,450
12 Issue of share capital	103	17,012,952	-	-	-	17,013,055
12 Net purchase of treasury stock	-	-	(1,368,785)	-	-	(1,368,785)
12 Cancellation of treasury stock	(6)	(1,368,779)	1,368,785	-	-	-
14 Dividends	-	-	-	-	(17,783,287)	(17,783,287)
September 30, 2021	2,231	329,841,112	-	(229,551)	288,219,340	617,833,132
Net loss for the period	-	-	-	-	(210,262,540)	(210,262,540)
Other comprehensive losses	-	-	-	(334,584)	-	(334,584)
12 Issue of share capital	45	8,089,849	-	-	-	8,089,894
Cancellation of shares under merger agreement	(108)	(22,784,768)	-	-	-	(22,784,876)
Exercise of warrants	276	52,235,195	-	-	-	52,235,471
12 Net purchase of treasury stock	-	-	(377,492)	-	-	(377,492)
12 Cancellation of treasury stock	(2)	(377,490)	377,492	-	-	-
14 Dividends	-	-	-	-	(106,972,614)	(106,972,614)
September 30, 2022	2,442	367,003,898	-	(564,135)	(29,015,814)	337,426,391

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2022 (Expressed in United States Dollars)

	2022 \$	2021 \$
OPERATING ACTIVITIES		
Net (loss)/income	(210,262,540)	197,770,474
Adjustments to reconcile net income to cash flows provided by operating activities:		
Losses/(gains) on investments	171,106,665	(201,407,592)
Foreign exchange (losses)/gains on investments	72,446,520	(5,705,713)
Interest income	(2,654,239)	(673,416)
Interest expense	4,004,050	4,123,156
Decrease in other assets	420,270	1,208,084
(Decrease)/increase in other liabilities	(13,400,976)	5,274,406
Net cash provided by operating activities	21,659,750	589,399
INVESTING ACTIVITIES		
Net decrease in loans and receivables	9,356,642	2,109,436
Proceeds from sale of financial investments	4,592,657	28,688,429
Capital distribution from investee	-	4,540,439
Purchases of financial investments	(13,849,786)	(38,668,857)
Interest received	2,616,746	185,424
Net cash provided by/(used in) investing activities	2,716,259	(3,145,129)
FINANCING ACTIVITIES		
Net (decrease)/increase in interest bearing loans and borrowings	(18,927,709)	1,092,967
Repayment of loan notes	(48,595)	-
Net purchase of treasury stock	(377,492)	(1,368,785)
Dividends paid	(382,275)	(770,232)
Interest paid	(4,087,726)	(4,215,368)
Net cash used in financing activities	(23,823,797)	(5,261,418)
Net increase/(decrease) in cash and cash equivalents	552,212	(7,817,148)
Cash and cash equivalents, beginning of year	(4,051,717)	3,765,431
Cash and cash equivalents, end of year	(3,499,505)	(4,051,717)
Comprised of:		
Cash	1,367,830	793,653
Bank overdraft	(4,867,335)	(4,845,370)
Total	(3,499,505)	(4,051,717)
Non-cash investing and financing activities:		
Issuance of shares under dividend reinvestment plan	8,089,849	17,013,055
Settlement of dividend through assets distribution	(98,500,490)	-
Warrants exercised	52,235,471	-
Non-cash proceeds from sale of financial investments	118,495,483	52,780,838
Settlement of purchases of financial investments through asset distribution	(69,118,215)	-

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022 (Expressed in United States Dollars)

1. DESCRIPTION OF BUSINESS

Somers Limited ("Somers" or "the Company") is a Bermuda exempted investment company listed on the Mezzanine Market of the Bermuda Stock Exchange with investments in the financial services sector. Somers is engaged in a single segment of business, focusing on maximising shareholder returns by identifying and investing in companies where the assessed underlying value is not reflected in the market price. The Company's registered office is at Trinity Hall, 43 Cedar Avenue, Hamilton HM 12, Bermuda.

The investment activities of Somers are managed by ICM Limited ("ICM").

As at September 30, 2022, the significant shareholders (the "Major Shareholders") in the Company, who held, in aggregate 99.06% (2021: 94.24%) of Somers' issued share capital, are as follows:

- Union Mutual Pension Fund Limited ("Union Mutual") holds 57.40% (2021: 49.59%) - incorporated in Bermuda;
- UIL Limited ("UIL") holds 41.66% (2021: 44.65%) - incorporated in Bermuda.

The Company is deemed to meet the definition of an investment entity per IFRS 10 as it continues to meet the following requirements:

- The Company has obtained funds for the purpose of providing investors with investment management services.
- The Company's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income.
- The performance of its investments is measured and evaluated on a fair value basis.

Therefore, in accordance with IFRS 10, subsidiaries held as part of the Company's investment portfolio are not consolidated but are accounted for as investments and carried at fair value through profit or loss.

These consolidated financial statements were authorised for issue in accordance with a resolution of the directors on December 9, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are prepared on a going concern basis. In this regard, together with several other factors, Somers has assessed the impact of the Covid-19 pandemic (as declared by the World

Health Organisation as a pandemic in 2020) on its business operations and ability to meet regulatory requirements. The assessment was based on information available at the end of the 2022 financial year and has considered the impact on certain key financial aspects based on multiple economic scenarios. The consolidated financial statements are presented in United States Dollars, which is the Company's functional and presentational currency. All values are rounded to the nearest dollar, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The Company has consistently applied the significant accounting policies to all periods presented in these consolidated financial statements.

Presentation of Consolidated Financial Statements

The Company presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding the maturity or settlement of the financial assets and liabilities within 12 months after the reporting date (current), and more than 12 months after the reporting date (non-current), is presented in note 19.

Basis of Consolidation

Subsidiaries and associated undertakings held as part of the investment portfolio are carried at fair value through profit or loss and accounted for in accordance with IFRS 9, Financial Instruments: Recognition and Measurement.

Those subsidiaries and associate undertakings that are not held for investment, or which provide services to Somers, are consolidated where Somers has control. The consolidated financial statements include the financial statements of its operating subsidiaries; Somers UK (Holdings) Limited, Somers Pte. Ltd and Somers Treasury Pty Ltd. All intercompany balances and transactions are eliminated on consolidation. Details of the subsidiaries and associates are included in notes 4 and 5 to the consolidated financial statements.

Significant Accounting Judgments, Estimates, and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain significant estimates, judgments, and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Estimates, judgments, and assumptions are continually evaluated, and are based on historical experience, and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2022 (Expressed in United States Dollars)

other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The estimates, judgments, and assumptions, that have a significant risk of causing material adjustments to the consolidated financial statements within the next financial year, are discussed below:

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined, in compliance with IFRS 13, using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish their fair values.

The judgments include valuation assumptions and model inputs such as revenue, EBITDA, estimated future cash flows, multiples of comparable companies, volatility and discount rates. The estimates and judgments used in the valuation of financial instruments are described in more detail in note 21.

Impairment Losses on financial assets held at amortised cost

The Company reviews its individually significant loans and receivables to assess impairment at least on an annual basis. Management judgment is required in the estimation of the amount and expected credit losses and timing of future cash flows when determining impairment losses. These estimates are based on assumptions about several factors and actual results may differ from current estimates resulting in future changes to the allowance.

Foreign Currency Translation

The consolidated financial statements are presented in United States Dollars. The Company and each of its subsidiaries determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Bermuda Dollar balances and transactions are translated into United States Dollars at par. Monetary assets and liabilities in other currencies are translated into United States Dollars at the rates of exchange prevailing at the reporting date and non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into United States Dollars at historic rates or the rates of exchange prevailing at the dates of the transactions.

Income and expense items in other currencies are translated into United States Dollars at the rates prevailing at the dates of the transactions. Realised and changes in unrealised gains and losses on investments denominated in foreign currencies and foreign currency positions are reported under net foreign exchange gains or losses in the consolidated statement of income.

Where subsidiaries are consolidated, the assets and liabilities of foreign operations are translated into US Dollars at the rate of exchange on the reporting date, and their statements of income and comprehensive income are translated at the weighted average exchange rates for the period. Exchange differences arising on translation of foreign consolidated subsidiaries are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of income as part of the gain or loss on sale.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts are included as a component of cash and cash equivalents for the purpose of the cash flow statement only.

Financial Instruments

Recognition and initial measurement

Receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the entity becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost, as described above, are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the entity changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost are classified as other financial assets. This includes cash and cash equivalents, interest receivable, dividend receivable, loans and receivables and other assets.

Financial liabilities

Financial liabilities are classified at amortised cost and subsequent to initial recognition, are measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost are classified as other financial liabilities. This includes bank overdraft, interest payable, dividends payable, accrued expenses, other liabilities and interest-bearing loans and borrowings.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred substantially all the risks and rewards of the asset.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Determination of Fair Value

The fair values of financial instruments traded in active markets at the reporting date are determined based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deductions for transaction costs. For all other financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

An analysis of fair values of financial instruments and further details as to how they are measured is provided in note 21.

Impairment of Financial Assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for receivables are measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Presentation

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

Measurement of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Recognition of Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income

Interest income is recognised in the consolidated statement of income for all interest-bearing instruments on the accrual basis, using the effective interest rate method.

Dividend Income

Dividend income is recognised when the Company's right to receive the payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2022 (Expressed in United States Dollars)

Expenses

Expenses are recognised in the consolidated statement of income on the accrual basis. Interest expense is calculated using the effective interest rate method.

Dividends on Common Shares

Dividends on common shares are recognised as a liability and are deducted from equity in the period in which they are declared.

Earnings Per Share

Basic earnings per share (EPS), is calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding during the period. The diluted EPS calculation assumes that stock warrants are only exercised and converted when the exercise price is below the average market price of the Company's shares. It also assumed that the Company will use any proceeds to purchase its common shares at their average market price during the period. Consequently, there is no imputed income on the proceeds and the number of weighted average shares are only increased by the difference between the number of warrants exercised, outstanding warrants, and the number of shares purchased by the Company.

Treasury Stock

The Company's own equity acquired by Somers or by any of its subsidiaries (treasury stock) is recognised at cost and deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of the Company's own equity instruments is recognised directly in equity.

3. FINANCIAL INVESTMENTS

The following table is an analysis of the investment portfolio disclosing fair value balances by category:

	2022 \$	2021 \$
Financial assets at fair value through profit or loss		
Equity investments	369,383,334	652,055,491
Other financial investments	7,342,500	8,678,250
Total financial investments	376,725,834	660,733,741

Other financial investments consist of contractual rights to receive financial assets from other entities.

The following table is an analysis of the investment portfolio disclosing fair value balances and fair value movements of the investments:

No gain or loss is recognised in net income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

New Standards, Interpretations, and Amendments to Published Standards Relevant to the Company

At the date of authorisation of these consolidated financial statements, the following standards affecting the company were in issue, but are not yet effective:

Presentation of liabilities (Amendments to IAS 1) – effective for annual periods beginning on or after 1 January 2023

Annual Improvements to IFRS Standards 2018 -2020 – effective for annual periods beginning on or after 1 January 2022

Reference to Conceptual Framework (Amendments to IFRS 3) – effective for annual periods beginning on or after 1 January 2022

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – effective for annual periods beginning on or after 1 January 2023

Definition of Accounting Estimates (Amendments to IAS 8) – effective for annual periods beginning on or after 1 January 2023

The Company has chosen not to early adopt these new and revised standards. Based on management's initial assessment, these standards are not expected to have a material impact on the Company.

	2022 \$	2021 \$
Financial assets at fair value through profit or loss		
Fair value at beginning of year	660,733,741	500,894,835
Purchase of investments	82,968,001	39,218,310
Proceeds from disposal of investments	(123,088,141)	(81,469,267)
Capital distribution from investee	–	(5,089,892)
Net fair value movement in the year (including foreign exchange gains and losses)	(243,887,767)	207,179,755
Fair value at end of year	376,725,834	660,733,741

4. SUBSIDIARY UNDERTAKINGS

The following were consolidated subsidiary undertakings of the Company at September 30, 2022 and September 30, 2021.

	Country of operation, registration and incorporation	Holdings and voting rights %	
		2022	2021
Somers AM Pty Ltd (Deregistered in 2022)	Australia	N/A	100%
Somers Treasury Pty Ltd	Australia	100%	100%
Somers Pte. Ltd	Singapore	100%	100%
Somers UK (Holdings) Limited	United Kingdom	100%	100%

In accordance with IFRS 10, subsidiaries held as part of the Company's investment portfolio are not consolidated but are accounted for as investments and carried at fair value through profit or loss.

Details of these underlying investments are as follows:

	Country of registration, incorporation and operations	Number of ordinary shares held	Percentage of ordinary shares held
Resimac Group Limited ("Resimac")	Australia	218,433,737	53.83%
West Hamilton Holdings Limited ("West Hamilton")	Bermuda	1,659,390	57.06%
Waverton Investment Management Group Limited ("Waverton")	UK	10,750,000	61.81%
PCF Group plc ("PCF")	UK	244,489,880	73.24%

5. ASSOCIATE UNDERTAKINGS

The associate undertakings are held as part of the investment portfolio and consequently are carried at fair value through profit or loss. The Company had the following associate undertakings at September 30, 2022:

	AK Jensen Group Limited ("AKJ")	AKJT Holdings Limited ("AKJT")	Dfinitive Capital Limited ("Dfinitive")	Incol Limited ("Incol")	Thorn Group Limited ("Thorn")	Quest Finance Technologies ("Quest")	Terra Firma Capital Corporation ("Terra Firma")
Country of registration, incorporation and operations	Bermuda	Malta	Ireland	Ireland	Australia	Australia	Canada
Number of ordinary shares held	19,880,471	10,034	125,000	171,143	170,251,196	428,750	1,124,400
Percentage of ordinary shares held	33.94%	22.05%	45.45%	32.00%	48.97%	27.78%	20.14%

Transactions with associate undertakings are disclosed in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2022 (Expressed in United States Dollars)

6. LOANS AND RECEIVABLES

Loans and receivables at September 30 were as follows:

	2022 \$	2021 \$
Loans to associates	195,800	-
Other loans	43,228,396	52,780,838
Total	43,424,196	52,780,838

Other loans consist of a loan to Provident Holdings Ltd ("Provident") of \$42,817,772 and a loan to Polycrest Limited of \$410,625.

Somers sold its holding in BCB to Provident in July 2021 which was satisfied by a combination of cash and a loan facility provided by Somers to Provident. This loan carries a fixed interest rate of 5.625%. Provident made a repayment of \$10,000,000 on January 10, 2022, with the remaining balance is receivable on January 20, 2024. This loan is secured by 7,003,318 ordinary shares in BCB. The loan is still performing, as no contractual breaches have occurred, and the credit risk has not increased significantly since initial recognition.

The loan to Polycrest Limited does not carry interest and is repayable on September 29, 2024. The loan is still performing, as no contractual breaches have occurred, and the credit risk has not increased significantly since initial recognition.

Loans to associates consists of a loan to Incol. This loan carries a fixed interest rate of 5%. The matures on April 25, 2025. The loan is still performing, as no contractual breaches have occurred, and the credit risk has not increased significantly since initial recognition.

7. OTHER ASSETS

Other assets at September 30 were as follows:

	2022 \$	2021 \$
Prepayments and other receivables	152,679	127,572
Amounts receivable from brokers	-	445,377
Total	152,679	572,949

8. OTHER LIABILITIES

Other liabilities at September 30 were as follows:

	2022 \$	2021 \$
Accounts payable	575,287	638,594
Accrued performance fees	-	12,971,764
Accrued liabilities	1,160,397	1,526,302
Total	1,735,684	15,136,660

9. INTEREST BEARING LOANS AND BORROWINGS

Interest bearing loans and borrowings at September 30 were as follows:

	2022 \$	2021 \$
Loan facility from BCB	6,000,000	7,000,000
Loan facility from Bell Potter	-	554,399
Loan facility from BNTB	40,346,250	43,075,200
Total commercial borrowings	46,346,250	50,629,599
Loan facility from UIL	612,150	12,605,751
Loan facility from Union Mutual	8,038,217	13,894,650
Total	54,996,617	77,130,000

Bermuda Commercial Bank Limited ("BCB") Loan

This \$6 million loan facility from BCB carries an interest rate of the BCB base rate (3% as at September 30, 2022) plus 2.7%. The facility is subject to annual principal repayments of \$1.0 million, with a final repayment date of March 31, 2025. In order to secure the loan the Company has pledged 21,946,090 ordinary shares in Resimac Group Limited with a carrying value at September 30, 2022 of \$13,758,552.

The Bank of N.T. Butterfield & Son Limited ("BNTB") Loan

This loan facility from BNTB carries an interest rate of 5.25%. The facility is subject to bi-annual principal repayments of GBP 2.5 million. At September 30, 2022, GBP 36.25 million was drawn down on this facility. In order to secure the loans, the Company has pledged 10,750,000 ordinary shares in Waverton Investment Management Group Limited with a carrying value at September 30, 2022 of \$144,752,812 and 79 million ordinary shares in Resimac Group Limited with a carrying value at September 30, 2022 of \$49,527,075.

Loan Facility from UIL

The unsecured facilities from UIL carry a fixed interest rate of 6%. Each facility is repayable upon UIL giving Somers not less than 12 months' notice. At year end, a balance of GBP 550,000 (2021: \$9,025,000, GBP 2,205,000 and AUD 849,300) were drawn down on these facilities.

Loan Facility from Union Mutual

The unsecured facilities from Union Mutual carry a fixed interest rate of 6%. Each facility is repayable upon Union Mutual giving Somers not less than 12 months' notice. At year end, balances of \$7,356,286 and AUD 1,060,547 (2021: \$11,242,036 and AUD 3,677,547) were drawn down on these facilities.

Compliance with Loan Covenants

Under the terms of its BCB and BNTB loan facilities, Somers is required to comply with principal lending covenants in respect of the ratio of borrowings to equity, the ratio of cash income to interest expense, and minimum net assets levels. Somers was in compliance during the year.

10. BANK OVERDRAFT

This \$4.9 million overdraft facility from BCB carries an interest rate of the BCB base rate (3% as at September 30, 2022) plus 3%. The overdraft facility matures on January 31, 2023. In order to secure the facility, the Company has pledged 17 million ordinary shares in Resimac Group Limited with a carrying value at September 30, 2022 of \$10,657,725.

11. LOAN NOTES

On July 26, 2022 the Company merged with SNB Investments Limited ("SNB"). On this date all shareholders not associated with SNB were issued loan notes amounting to \$21.00 for each ordinary share of the Company that they owned. These \$1 loan notes carry an interest rate of 6% have a two-year term. The outstanding loan notes as of September 30, 2022 had a value of \$22,736,281.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2022 (Expressed in United States Dollars)

12. EQUITY

All shares are common shares with a par value of \$0.0001 each.

	Authorised Shares	Par Value \$	Issued & Fully Paid Shares	Par Value \$	Contributed Surplus \$
Balance at September 30, 2020	120,000,000	12,000	21,341,482	2,134	314,196,939
Issuance of shares under dividend reinvestment plan	-	-	1,023,749	103	17,012,952
Cancellation of treasury stock	-	-	(61,305)	(6)	(1,368,779)
Balance at September 30, 2021	120,000,000	12,000	22,303,926	2,231	329,841,112
Issuance of shares under dividend reinvestment plan	-	-	449,189	45	8,089,849
Cancellation of treasury stock	-	-	(19,868)	(2)	(377,490)
Cancellation of shares under merger agreement	-	-	(1,084,992)	(108)	(22,784,768)
Issuance of shares under merger agreement	-	-	1,000	-	-
Exercise of warrants	-	-	2,760,860	276	52,235,195
Balance at September 30, 2022	120,000,000	12,000	24,410,115	2,442	367,003,898

Treasury Stock

	2022		2021	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance at beginning of year	-	-	-	-
Purchase of treasury stock	19,868	377,492	61,305	1,368,785
Cancellation of treasury stock	(19,868)	(377,492)	(61,305)	(1,368,785)
Balance at end of year	-	-	-	-

Take-Private Transaction

On June 13, 2022 Somers Limited received a take-private offer from SNB Investments Limited (the shareholders of which represented approximately 95% of the Company's issued share capital). The offer proposed that Somers merge with SNB, with Somers being the surviving company.

The transaction completed on July 26, 2022, and under the terms and subject to the conditions set out in the plan of merger, on that date, SNB acquired Somers by way of a statutory merger pursuant to which: each issued Somers share held by shareholders not associated with SNB was cancelled; each issued common share of SNB was cancelled and converted into the right to receive one validly issued and fully paid share of Somers as the surviving company of the merger; Somers merged with SNB; and each shareholder not associated with SNB received \$21.00 per Somers share by way of a redeemable 6% loan note to be issued by Somers (see note 11).

Accordingly, on July 26, 2022, 1,084,992 shares held by shareholders not associated with SNB were cancelled with 22,784,876 loan notes being issued to these shareholders, and 1,000 Somers shares were issued to the shareholders of SNB.

Warrants

On August 1, 2022 the Company issued 5,412,314 warrants pro-rata to all of its shareholders on a one for four basis (the "Warrants"). The Warrants are unlisted and the exercise price of the Warrants is \$18.92 per share. They will mature on September 30, 2023.

	Warrants
Balance as at September 30, 2021	-
Warrants issued on August 5, 2022	5,412,314
Warrants exercised	(2,760,860)
Balance as at September 30, 2022	2,651,454

Capital Management

The Company's capital levels are regularly reviewed by the Board of Directors in light of changes in economic conditions and the risk characteristics of the Company's activities. To maintain or adjust the capital structure, the Company may adjust the amount of dividend payments to shareholders, return capital to shareholders, or issue new capital securities. There were no changes in the Company's approach to capital management during the year.

Dividend Reinvestment Plan

The Company operates a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan based on the Company's average share price on the Bermuda Stock Exchange for a predetermined period prior to the dividend payment date.

13. EARNINGS PER SHARE

	Net Earnings \$	Weighted Average Shares	Earnings per Share \$
2022			
Basic Loss Per Share			
Net loss	(210,262,540)	22,684,824	(9.27)
Add: Incremental shares from assumed exercise of warrants (Note 12)		11,164	
Adjusted weighted average shares outstanding		22,695,988	
2021			
Basic Earnings Per Share			
Net income	197,770,474	21,698,646	9.11
Diluted Earnings Per Share			
Net income	197,770,474	21,698,646	9.11

The weighted average number of ordinary shares outstanding during the year has been adjusted for the bonus element of warrants exercised in 2022. This adjustment is made retrospectively to comparative information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2022 (Expressed in United States Dollars)

14. DIVIDENDS

The Company declared and paid dividends as follows:

	2022 \$	2021 \$
Final dividend for the year ended September 30, 2021 of 38 cents (2020: 34 cents) per common share. Paid February 2022.	8,468,503	7,255,628
No interim dividend paid in 2022 (2021: 24 cents).	-	5,228,430
Special dividend of \$4.55 (2021:24 cents) per common share. Paid August 2022.	98,504,111	5,299,229
Total	106,972,614	17,783,287

Dividends paid in cash, satisfied by the issue of shares under the dividend reinvestment plan or through distribution of assets during the years ended September 30, 2022 and 2021 were as follows:

	2022 \$	2021 \$
Paid in cash	382,230	770,232
Satisfied by issue of shares	8,089,894	17,013,055
Satisfied by distribution of assets	98,500,490	-
Total	106,972,614	17,783,287

The Board resolved to pay a special dividend of \$4.55 per share, with a payment date of August 5, 2022. The dividend was settled principally by a distribution of assets (Resimac Group Limited and The Market Herald shares) to the Somers shareholders and a small cash payment.

15. INTEREST INCOME

The Company earned interest income as follows:

	2022 \$	2021 \$
Loans and receivables	2,654,239	673,416
Total	2,654,239	673,416

16. (LOSSES)/GAINS ON INVESTMENTS

The Company recorded the following net gains on investments:

	2022 \$	2021 \$
Financial assets at fair value through profit or loss		
Unrealised (losses)/gains on investments	(101,108,226)	193,187,433
Realised (losses)/gains on sale of investments	(69,998,439)	8,220,159
Total (losses)/gains on investments	(171,106,665)	201,407,592

17. INCOME TAX EXPENSE

Somers and its Bermuda domiciled subsidiaries are not subject to income tax on their net income for the period. Somers' subsidiaries domiciled in other jurisdictions are subject to the tax laws of those jurisdictions. The Company records income taxes based on the tax rates applicable in the relevant jurisdiction.

The income tax expense for the year was as follows:

	2022 \$	2021 \$
Overseas taxation	156,788	30,195
Total	156,788	30,195

18. RELATED-PARTY DISCLOSURES

As at September 30, 2022, the Major Shareholders held, in aggregate, 99.06% (2021: 94.24%) of Somers' common shares. Details of the Major Shareholders are disclosed in note 1.

The following are considered related parties of the Company: the Major Shareholders, Somers Isles Private Trust Company Limited ("SIPTCL") (which controls 100% of Union Mutual, ICM, General Provincial Company Limited and 74.54% of UIL's ordinary shares), Mr Duncan Saville (who owns 100% of SIPTCL), entities controlled by these entities and individuals, ICM (the investment manager of Somers) and the board of directors of ICM, the subsidiaries of the Company set out under note 4, the associates of the Company set out under note 5, and the Board of Directors.

The following transactions were carried out during the year ended September 30, 2022, between the Company and its related parties:

Resimac Group Limited

Somers received \$13,373,575 (AUD 18,916,089) (2021: \$12,023,465 (AUD 16,285,983)) of dividends during the year from Resimac.

Waverton Investment Management Group Limited

Somers received \$1,191,766 (GBP 898,700) (2021: \$2,385,124 (GBP 1,720,000)) of dividends during the year from Waverton.

West Hamilton Holdings Limited

Somers received \$1,327,512 (2021: \$531,005) of dividends during the year from West Hamilton.

Thorn Group Limited

Somers received \$12,672,766 (AUD 18,012,888) (2021: \$5,945,515 (AUD 8,272,899)) of dividends during the year from Thorn Group Limited.

Incol Limited

Somers had a loan receivable from Incol of \$195,800 (EUR 200,000) (2021: nil) at September 30, 2022. Somers earned interest of \$4,079 (2021: nil) during the year of which \$4,079 (2021: nil) was receivable at year end.

UIL Limited

Somers has entered into a number of loan facilities with UIL. At year end a balance of \$612,150 (GBP 550,000) (2021: \$12,605,751 (\$9,025,000, GBP 2,205,000 and AUD 849,300)) was drawn down on these facilities. Somers incurred interest expense of \$266,206 (\$220,017, GBP 31,365 and AUD 9,082) (2021: \$720,009) on these loans during the year, of which \$10,300 (GBP 9,255) (2021: \$234,993) was payable at year end.

Somers acquired 19,426,131 Resimac shares at their fair value of \$17,297,800 (AUD 25,093,817) from UIL throughout the period.

Somers sold the following shares to UIL throughout the period, 342,343 Assetco plc shares at their fair value of \$4,630,202 (GBP 3,784,432), 17,127,747 Resimac shares at their fair value of \$14,994,452 (AUD 21,580,961) and 2,691,811 MJ Hudson plc shares at their fair value of \$1,147,825 (GBP 963,668.)

Union Mutual Pension Fund Limited

Somers has entered into a number of loan facilities with Union Mutual. At year end a balance of \$8,038,217 (\$7,356,286 and AUD 1,060,547) (2021: \$13,894,651) was drawn down on these facilities. Somers incurred interest expense of \$633,411 (\$535,197 and AUD 136,591) (2021: 277,229) on these loans during the year, of which \$123,050 (\$112,737 and AUD 16,039) (2021: \$242,693) was payable at year end.

ICM Limited and the Board of Directors of ICM Limited

ICM Limited is the investment manager to Somers and joint investment manager to UIL. The Directors of ICM are Duncan Saville, Charles Jillings and Alasdair Younie. Charles Jillings and Alasdair Younie are also directors of Somers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2022 (Expressed in United States Dollars)

In December 2019, Somers entered into a revised investment manager agreement with ICM. This revised agreement replaced an agreement entered into in December 2014 and remains in force until terminated by Somers, by giving ICM not less than six months' written notice of termination, or by ICM giving Somers not less than three months' written notice of termination, or such lesser period of notice as Somers and ICM agree.

Somers has agreed to pay ICM an annual fee for its investment management services equal to 0.75% (2021: 0.75%) of the gross asset value of qualifying investments within Somers' financial investment portfolio. For the year ended September 30, 2022, this fee amounted to \$4,152,573 (2021: \$5,397,039), of which \$706,361 (2021: \$1,238,876) remained payable at year end. Included within the terms of the revised investment manager agreement is a performance fee payable to ICM if the growth in the Company's equity exceeds a hurdle rate equal to the higher of 8% or 4% plus the UK Retail Price Index inflation ("Hurdle Rate"). The fee arrangement is payable at a rate of 15% on the amount by which the growth in the Company's equity exceeds the Hurdle Rate, subject to a cap of 2% of Somers' net asset value. The performance fee for the year ended September 30, 2022 was nil (2021: \$12,971,764).

ICM provided administration and other professional services to Somers for which Somers paid fees of \$101,250 (2021: \$100,000) and this is included in "Audit and accounting fees" in the Consolidated Statement of Income.

The Board of Directors

Directors had the following beneficial interest in the Company's issued share capital:

	2022	2021
Charles Jillings	119,000	95,926
Peter Durhager	-	7,706
David Morgan	-	7,089
Alasdair Younie	-	765

The Company's directors' fees for the year ended September 30, 2022, amounted to \$140,000 (2021: \$150,333).

Charles Jillings was a director of Waverton during the year ended September 30, 2022 and received directors' fees of \$49,888 in the year (2021: \$53,844). Mr Jillings held 913 Somers warrants at September 30, 2022.

Alasdair Younie was a director of West Hamilton during the year ended September 30, 2022 and received directors' fees of \$15,000 in the year (2021: \$15,000). Mr Younie held 39,461 \$1 loan notes at September 30, 2022.

David Morgan was a director of Waverton and PCF during the year ended September 30, 2022 and received directors' fees of \$62,360 and \$53,630, respectively (2021: \$63,940 and \$57,209). Morwill Ltd, a company related to Mr Morgan, also received fees for providing consultancy services to Somers of \$91,670 for the year (2021: \$106,629). Mr Morgan held 152,003 \$1 loan notes at September 30, 2022.

Mr Durhager held 165,249 \$1 loan notes at September 30, 2022.

Ultimate Parent Undertaking

In the opinion of the Directors, the Company's ultimate parent undertaking is Somers Isles Private Trust Company Limited, a company incorporated in Bermuda.

19. RISK MANAGEMENT

The Company's investment objective is to maximise shareholders' returns by identifying and investing in investments when management believes the underlying value is not reflected in the market price.

The Company seeks to meet its investment objective by investing in a portfolio of listed and unlisted companies. Derivative instruments may be used for purposes of hedging the underlying portfolio of investments that are denominated in foreign currencies. The Company has the power to enter into short and long-term borrowings. In pursuing its objectives, the Company is exposed to financial risks. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit and counterparty risk. The Board of Directors is responsible for the Company's risk management. The Directors' policies and processes for managing the financial risks are set out in (a) to (e) below.

(a) Market Risk

The fair value of the financial securities held in the Company's portfolio fluctuate with changes in market prices. Market risk embodies currency risk, interest rate risk and price risk. Prices are affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Company's investments may be materially affected by economic conditions in the global financial markets and those markets where Somers has material exposures. Capital and credit markets have experienced significant volatility and disruption over recent periods. Uncertainty created by market and economic conditions and a tightening of credit could lead to declines in valuations of financial

securities without regard to the underlying financial condition of the issuer.

The Board sets policies for managing these risks within the Company's objectives and meets regularly to review full, timely and relevant information on investment performance and financial results. The Investment Manager assesses exposure to market risks when making each investment decision and monitors ongoing market risk within the portfolio. The Investment Manager consults with the Board of Directors on a quarterly basis, or more frequently as required.

The Company's other assets and liabilities may be denominated in currencies other than US Dollars and may also be exposed to exchange rate risks. The Investment Manager and the Board regularly monitor these risks.

The Company does not normally hold significant cash balances. Borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Company's exposure to future changes in exchange rates.

Borrowings may be short or long term, in US Dollars and foreign currencies, and enable the Company to take a long-term view of the countries and markets in which it is invested without having to be concerned about short term volatility. Income earned in foreign currencies is ordinarily converted to US Dollars on receipt. The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on borrowings.

Currency exposure

Currency risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of certain of the Company's assets and liabilities. The Company's functional currency is the US Dollar. As a result, foreign currency assets and liabilities are translated to US Dollars.

The Company maintains investments in Australian Dollars, Sterling, Euros, Canadian Dollars, and other currencies, and may invest in financial instruments and enter into transactions denominated in currencies other than US Dollars.

When valuing investments that are denominated in currencies other than the functional currency, the Company is required to convert the values of such investments into its functional currency based on prevailing exchange rates as at the end of the applicable accounting period. Changes in exchange rates between the functional currency and other currencies could lead to significant changes in its net asset values that the Company reports from time to time and could subject such net asset values to favourable or unfavourable fluctuations. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long term opportunities for investment and capital appreciation and political developments.

The Company may engage in currency hedging to limit the Company's exposure to currency fluctuations. Currency hedging by the Company may be by means of spot and forward foreign exchange contracts or options on such contracts or by using such other derivative instruments as may be available and having the same or similar effect.

The Company's underlying investments are denominated in Australian Dollars, Sterling, Euros, Canadian Dollars, New Zealand Dollars and US Dollars.

The Investment Manager considers currency risk when making investments into non-US Dollar denominated assets and monitors currency movements on an ongoing basis. The Investment Manager discusses its foreign currency policies with the Board of Directors on a regular basis and may choose to alter its asset allocation or currency risk strategies as a result.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2022 (Expressed in United States Dollars)

At the reporting date the carrying value of the Company's financial assets and financial liabilities held in individual foreign currencies and the net exposure to foreign currencies were as follows:

2022						
	Financial Assets \$	Financial Liabilities \$	Net Financial Assets \$	% of Company Net Financial Assets	Hedging Contracts \$	Net Exposure \$
Australian Dollar	180,358,474	(795,695)	179,562,779	52.7%	-	179,562,779
Sterling	154,425,159	(40,989,848)	113,435,311	33.3%	-	113,435,311
Euro	8,950,018	-	8,950,018	2.6%	-	8,950,018
Canadian Dollar	5,696,150	-	5,696,150	1.7%	-	5,696,150
New Zealand Dollar	5,143,328	-	5,143,328	1.5%	-	5,143,328
Singapore Dollar	5,200	-	5,200	0.0%	-	5,200
Total	354,578,329	(41,785,543)	312,792,786	91.8%	-	312,792,786

2021						
	Financial Assets \$	Financial Liabilities \$	Net Financial Assets \$	% of Company Net Financial Assets	Hedging Contracts \$	Net Exposure \$
Australian Dollar	439,334,023	(3,946,853)	435,387,170	70.9%	-	435,387,170
Sterling	173,177,831	(46,113,123)	127,064,708	20.7%	-	127,064,708
Euro	10,057,523	-	10,057,523	1.6%	-	10,057,523
Canadian Dollar	8,469,300	-	8,469,300	1.4%	-	8,469,300
New Zealand Dollar	4,139,204	-	4,139,204	0.7%	-	4,139,204
Singapore Dollar	10,811	(7,794)	3,017	0.0%	-	3,017
Total	635,188,692	(50,067,770)	585,120,922	95.3%	-	585,120,922

Based on the financial assets and liabilities held, and the exchange rates at each reporting date, a strengthening or weakening of the US Dollar against each of these currencies by 10% would have had the following approximate effect on annualised income before tax and on the net asset value ("NAV") per share:

Strengthening of US Dollar

2022						
	Australian Dollar \$	Sterling £	Euro €	Canadian Dollar \$	New Zealand Dollar \$	Singapore Dollar \$
Net income for the year	(17,956,278)	(11,343,531)	(895,002)	(569,615)	(514,333)	(520)
NAV per share - Basic	(0.74)	(0.46)	(0.04)	(0.02)	(0.02)	(0.00)

2021						
	Australian Dollar \$	Sterling £	Euro €	Canadian Dollar \$	New Zealand Dollar \$	Singapore Dollar \$
Net income for the year	(43,538,717)	(12,706,471)	(1,005,752)	(846,930)	(413,920)	(302)
NAV per share - Basic	(1.95)	(0.57)	(0.05)	(0.04)	(0.02)	(0.00)

Weakening of US Dollar

The relevant weakening of the reporting currency against the above currencies would have resulted in an approximate equal but opposite effect on net income and NAV per share by amounts shown above, on the basis that all other variables remain constant.

These analyses are broadly representative of the Company's activities during the current year as a whole, although the level of the Company's exposure to currencies fluctuates throughout the year in accordance with the investment and risk management processes.

Interest rate exposure

The Company's exposure to changes in interest rates relates primarily to its \$10,867,335 (2021: \$54,920,570) of variable rate bank loans. Apart from its bank loans, the Company had no floating rate debt obligations at September 30, 2022 (2021: nil). The Company has incurred, and expects to continue to incur, indebtedness, to leverage certain investments. Due to the foregoing, the Company is, and believes that it will continue to be, exposed to risks associated with movements in prevailing interest rates. An increase in interest rates could make it more difficult or expensive to obtain debt financing, could negatively impact the values of fixed income investments, and could decrease the returns that investments generate or cause them to generate losses.

The Company is, and believes that it will continue to be, subject to additional risks associated with changes in prevailing interest rates due to the fact that its capital is invested in underlying portfolio companies whose capital structures may have a significant degree of indebtedness. Investments in leveraged companies are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. A leveraged company's income and net assets also tend to increase or decrease at a greater rate than would be the case if leverage was absent. As a result, the risk of loss associated with an investment in a leveraged company is generally greater than for those companies with comparably less debt.

External borrowings will only be undertaken if the Directors and the Investment Manager consider the prevailing interest rates to be favourable and that the terms and conditions attaching to such borrowings are acceptable, having regard to the investment objectives of the Company. As at September 30, 2022, the Company had bank loans and overdrafts of \$51,213,585 (2021: \$54,920,570), and loans of \$8,650,367 (2021: \$27,054,800) with other entities.

The majority of the Company's assets that do have interest rate exposure are at fixed rates. Excess cash held by the Company may be invested in short term fixed deposit accounts that are rolled over on a regular basis. As a result, it is not significantly exposed to interest rate risk on its other assets and liabilities.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table classifies the financial assets and liabilities by fixed and variable rate instruments.

	2022 \$	2021 \$
Fixed rate instruments		
Financial assets	43,424,196	52,780,838
Financial liabilities	(71,732,898)	(27,054,800)
	(28,308,702)	25,726,038
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(10,867,335)	(54,920,570)
	(10,867,335)	(54,920,570)
Total interest rate sensitivity gap	(39,176,037)	(29,194,532)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2022 (Expressed in United States Dollars)

An increase in 100 basis points in interest rates as at the reporting date would have decreased net interest income by \$108,673 (2021: \$549,206). A decrease of 100 basis points would have increased net interest income by \$108,673 (2021: \$549,206).

As described above, a change in interest rates may impact the fair value of the Company's fixed rate debt instruments. At September 30, 2022 the Company had no fixed rate debt instruments within its financial investments portfolio (2021: nil) and therefore an increase in 100 basis points in interest rates as at the reporting date would have no impact on gains on investments and NAV per share.

Exposure to other price risk

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in that market. As many of the Company's financial instruments are carried at fair value with fair value changes recognised in the consolidated statement of income, such changes in market conditions will affect net gains/losses on investments and the Company's net asset value.

The valuation of unquoted investments depends upon a combination of market factors and the performance of the underlying assets. The Investment Manager monitors price risk and consults with the Board of Directors on a quarterly basis, or more frequently as the case may be. The impact on valuations of the Company's larger unquoted investments from changing certain unobservable inputs used in the Company's valuations, where the value is estimated by the Directors and Investment Manager, is presented in note 20.

The Company also has direct exposure to assets that are publicly traded on various equity markets. These represent 49.04% (2021: 69.11%) of the Company's portfolio value as at September 30, 2022.

(b) Liquidity Risk Exposure

The Company's financial instruments include investments in unlisted equity investments that are not publicly traded and therefore may be illiquid. As a result, the Company may not be able to liquidate some of its investments in these instruments at an amount close to their fair value, or in a timely manner, should such liquidation be necessary to meet liquidity requirements.

The risk of the Company having insufficient liquidity is not considered by the Board to be significant, given the increase but still relatively low level of leverage, the absence of outstanding undrawn commitments and other obligations and the amount of quoted investments held in the Company's portfolio.

The Company's exposure to liquidity risk is actively managed and monitored on an ongoing basis by the Investment Manager and by the Board. The Investment Manager frequently reviews upcoming capital requirements as well as potential exit and other monetisation events. Allocations to new investments take into consideration the near term capital needs within the Company's broader investment portfolio. Where the Investment Manager believes there may be upcoming liquidity requirements, it will take necessary action to ensure that adequate funds are made available.

The contractual maturities of financial assets and financial liabilities, based on the earliest date on which payment can be required, are as follows:

	2022				Total \$
	Less than 1 month \$	1 - 3 months	3 months - 1 year \$	More than 1 year \$	
Financial asset by type					
Cash and cash equivalents	1,367,830	-	-	-	1,367,830
Other assets	31,479	-	-	-	31,479
Interest receivable	485,779	-	-	-	485,779
Loans and receivables	-	-	-	43,424,196	43,424,196
Total	1,885,088	-	-	43,424,196	45,309,284
Financial liability by type					
Bank overdraft	-	-	4,867,335	-	4,867,335
Interest payable	394,010	-	-	-	394,010
Other liabilities	1,735,684	-	-	-	1,735,684
Loan notes	-	-	-	22,736,281	22,736,281
Interest bearing loans and borrowings	-	2,782,500	6,565,000	45,649,117	54,996,617
Total	2,129,694	2,782,500	11,432,335	68,385,398	84,729,927
	2021				Total \$
	Less than 1 month \$	1 - 3 months	3 months - 1 year \$	More than 1 year \$	
Financial asset by type					
Cash and cash equivalents	793,653	-	-	-	793,653
Other assets	572,949	-	-	-	572,949
Interest receivable	541,667	-	-	-	541,667
Loans and receivables	-	-	10,000,000	42,780,838	52,780,838
Total	1,908,269	-	10,000,000	42,780,838	54,689,107
Financial liability by type					
Bank overdraft	-	-	4,845,370	-	4,845,370
Interest payable	477,686	-	-	-	477,686
Other liabilities	15,136,660	-	-	-	15,136,660
Interest bearing loans and borrowings	554,399	-	7,730,500	68,845,101	77,130,000
Total	16,168,745	-	7,730,500	68,845,101	92,744,346

Assets and liabilities with no contractual maturity are not included in this table.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2022 (Expressed in United States Dollars)

(c) Credit Risk and Counterparty Exposure

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the Company has delivered. The Company's overall credit risk is managed by the Board of Directors. The Board approves all counterparties used in such transactions, which must be settled on a basis of delivery against payment (except where local market conditions do not permit). Cash and deposits are held with reputable banks.

The Company is exposed to the risk of non-payment of loans and debt securities provided to investee companies. Generally, no collateral is received from the underlying companies. It is believed that the risk of default is low, and the capital repayments and interest payments will be made in accordance with the agreed terms and conditions. No terms and conditions have been renegotiated in the current year.

The Company's principal custodians are BCB and JPMorgan Chase. The Company has an ongoing contract with BCB for the provision of custody services and also uses JPMorgan Chase to specifically custody its listed investments. Details of securities held in custody on behalf of the Company are received and reconciled monthly.

To the extent that ICM carries out transactions (or causes transactions to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board manages this risk regularly through meetings with ICM.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2022	2021
	\$	\$
Cash and cash equivalents	1,367,830	793,653
Interest receivable	485,779	541,667
Loans and receivables	43,424,196	52,780,838
Total	45,277,805	54,116,158

(d) Fair Values of Financial Assets and Liabilities

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the consolidated statement of financial position at fair value. Borrowings under loan facilities do not have a value materially different from their capital repayment amounts. Borrowings in foreign currencies are converted into US Dollars at exchange rates ruling at each valuation date.

Unquoted investments are valued based on assumptions and methodologies that may not be supported by prices from available current market transactions or by observable

market data. The Directors make use of recognised valuation techniques and may take account of recent arms' length transactions in the same or similar investments. Details of the valuation process for unquoted investments are set out in note 21.

(e) Reliance on Investment Manager

The Company relies on the Investment Manager and its ability to evaluate investment opportunities and to provide oversight of the management of the Company's investee companies. The Investment Manager exercises a central role in the investment decision making process. Accordingly, the returns of the Company will depend on the performance of the Investment Manager.

20. SEGMENT INFORMATION

The Directors are of the opinion that the Company's activities comprise a single operating segment, which is identifying and investing in investments where the underlying value is not reflected in the market price.

21. FINANCIAL INSTRUMENTS

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical financial instruments;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial Instruments Recorded at Fair Value

Financial Investments at Fair Value through Profit or Loss

Financial assets at Fair Value through Profit or Loss that are valued in accordance with IFRS 13, using valuation techniques include unquoted equity securities. The Company adopts valuation methodologies based on the International Private Equity and Venture Capital ("IPEV") valuation guidelines and the assets are valued using models that use both observable and unobservable data. The unobservable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry, and geographical jurisdiction in which the investee operates.

Valuation methodology

The objective of using valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Company uses proprietary valuation models, which are compliant with IPEV guidelines and IFRS 13 and which are usually developed from recognised valuation techniques. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows of the financial instrument being valued, determination of the probability of counterparty default and prepayments, peer group multiple and selection of appropriate discount rates.

Fair value estimates obtained from such models are adjusted for any other factors, such as controlling interest, illiquidity, historical and projected financial data, entity specific strengths and weaknesses, or model uncertainties, to the extent that the Company believes that a third party market participant would take them into account in pricing a transaction. Where appropriate, the Directors may also engage the services of a third party valuation firm to assist with valuing certain assets.

The Directors have satisfied themselves as to the methodologies used, the discount rates and key assumptions applied, and the estimated valuations at September 30, 2022. The Level 3 assets comprise a number of unlisted investments at various stages of development and each has been assessed based on its industry, location, and place in the business cycle. Where sensible, the Directors have taken into account observable data and events to underpin the valuations. Unlisted valuations which are based on observable data may be discounted to reflect the illiquid nature of the investment. These discounts have ranged between nil and 30% depending on the nature and characteristics of each investment.

Level 3 inputs are sensitive to assumptions made when ascertaining fair value and the following section details the sensitivity of valuations to variations in key inputs. The level of change selected is considered to be reasonable, based on observation of market conditions and historic trends. For each unlisted holding valued over 1% of the total investment portfolio, the significant valuation inputs have been sensitised by a percentage deemed to reflect the relative degree of estimation uncertainty.

The key inputs and assumptions used in the valuation models are as follows:

Waverton

Somers holds a 61.81% equity interest in Waverton and, as at September 30, 2022, carried this investment at \$144.8 million (GBP 130.1 million) (2021: \$117.2 million (GBP 87.1 million)).

Valuation Methodology: Waverton has been valued based on comparable quoted companies and in particular a multiple of Assets under Management ("AuM"). Last year, we valued Waverton primarily based on a multiple of its earnings. The change in valuation approach in the period reflects our view of the most appropriate method to determine the fair value of Waverton at September 30, 2022 and considered Waverton's strong growth over the period, its future growth projections and how it derives its value.

Key valuation inputs: AuM multiple of 2.2%.

Sensitivities: We have chosen to sensitise the AuM multiple input because this input involved the most significant judgements when estimating valuation, including which comparable companies to consider and prioritise. Waverton's valuation also include other unobservable inputs, including AuM and earnings, which are based on historic data and are less judgemental. Should the peer group multiple ascribed to Waverton's AuM be reduced/increased by 0.2% the change in valuation would be \$11.7 million (GBP 10.5 million).

West Hamilton

Somers holds a 57.06% equity interest in West Hamilton and, as at September 30, 2022, carried this investment at \$19.4 million (2021: \$22.8 million).

Valuation Methodology: Fair value of West Hamilton's properties held in Hamilton, Bermuda. Certain of West Hamilton's properties are currently subject to a sales process. For properties outside of the scope of this sales process, West Hamilton appointed an independent valuer to perform property valuations and to provide his opinion as to the fair value of these properties and Somers has utilised these valuations for the purpose of valuing these holdings. For the properties subject to the sales process, Somers utilised the expected sales proceeds, for valuing these properties. In adopting this approach the Directors considered the credibility of the buyer, the stage of the sales process and the certainty of completion. The Directors also considered the fair value of the properties should the sale not complete.

Key valuation inputs: Fair value of West Hamilton's identifiable assets and liabilities.

Sensitivities: Should West Hamilton's properties increase/decline by: \$5.0 million the gain/loss in valuation would be \$2.9 million; \$10.0 million the gain/loss in valuation would be \$5.7 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2022 (Expressed in United States Dollars)

AKJ Token Securities

Somers holds 75 million AKJ token securities issued by AKJT and, as at September 30, 2022, carried this investment at \$7.3 million (EUR 7.5 million) (2021: \$8.7 million (EUR 7.5 million)).

Valuation Methodology: The token is valued with reference to the funds invested in the token to date by Somers and other investors, most of which will have flowed into the business. Consideration was given to the weighted average price of historical token investments and how the funds were utilised by AKJ. A substantial majority of the investment in the token to date occurred at a price approximating EUR 0.10 per token, with this being the key input in Somers carrying value.

In maintaining its carrying value at EUR 0.10, the Directors took consideration of the smaller number of more recent trades that occurred at values above this level and their associated transaction volumes along with the recent volatility in crypto markets.

Valuation inputs: Historic transaction prices for the same security.

Sensitivities: The nature of these assets and the volatility experienced in the fair values of crypto assets is such that the Directors do not consider it possible to predict a reasonably possible shift in these assets' values over a period of 12 months. Accordingly, a reliable sensitivity analysis showing how profit or loss would be impacted by a reasonably possible shift in the value of crypto assets is not considered feasible. Nevertheless, the Directors note that a 10% increase/decline in the value of these securities would result in a gain/loss in valuation of \$0.7 million (EUR 0.8 million) which would be recognised in profit or loss. Similarly, a 50% increase/decline in the value of these securities would result in a gain/loss in valuation of \$3.7 million (EUR 3.8 million).

Aura

Somers holds a 15.79% equity interest in Aura and, as at September 30, 2022, carried this investment at \$5.4 million (AUD 8.4 million) (2021: \$6.4 million (AUD 8.8 million)).

Valuation Methodology: Aura has been valued based on comparable quoted companies and in particular a multiple of revenue with greater weight being placed on the most directly comparable companies.

Key valuation inputs: Revenue multiple of 4.2 times.

Sensitivities: On account of Aura's unique product mix, it was difficult to identify a strong set of closely comparable peer companies for Aura and a higher level of judgement was used in the selection of the multiple. Accordingly, Aura's fair value has been given a higher sensitivity to reflect a higher level of uncertainty over the revenue multiple. Should the peer group multiple ascribed to Aura's revenue be reduced/increased by 1.0 the change in valuation would be \$1.1 million (AUD 1.6 million).

Other

Valuation Methodology: Somers has a further eleven unlisted investment holdings with values ranging from nil to \$3.9 million. These were valued using a variety of methods, including; Revenue multiple, fair value of the underlying net assets, and cost of recent investments; adjusted for events subsequent to acquisition that impact fair value. The total value of these eleven holdings was \$15.1 million at September 30, 2022 (2021: eleven holdings with a value of \$17.9 million).

Sensitivities: Should the value of all these lower valued investments move by 10.0%, this would have an impact on the investment portfolio value of \$1.5 million or 0.4%.

The following table shows an analysis of financial investments recorded at fair value by level of the fair value hierarchy:

	2022			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Equity investments	176,971,767	7,757,417	184,654,150	369,383,334
Other financial investments	-	-	7,342,500	7,342,500
Total	176,971,767	7,757,417	191,996,650	376,725,834

	2021			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Equity investments	426,169,953	30,451,415	195,434,123	652,055,491
Other financial investments	-	-	8,678,250	8,678,250
Total	426,169,953	30,451,415	204,112,373	660,733,741

Movement in Level 3 financial instruments measured at fair value:

	Equity Investments \$	Other Financial Investments \$	Total \$
Financial assets at fair value through profit or loss			
At September 30, 2020	162,720,133	6,142,500	168,862,633
Total gains recorded	57,177,806	2,535,750	59,713,556
Purchases	10,604,158	-	10,604,158
Disposals	(72,780,838)	-	(72,780,838)
Transfer between levels	37,712,864	-	37,712,864
At September 30, 2021	195,434,123	8,678,250	204,112,373
Total gains/(losses) recorded	23,406,961	(1,335,750)	22,071,211
Purchases	3,353,176	-	3,353,176
Transfer between levels	(37,540,110)	-	(37,540,110)
At September 30, 2022	184,654,150	7,342,500	191,996,650

During the year ended September 30, 2022 an investment with a fair value of \$37.5 million was transferred from Level 3 to Level 1 due to resuming of trading in this listed security. Investments with a fair value of \$3.7 million were transferred from Level 1 to Level 2 because of decreases in the level of trading in these listed securities. There were no other transfers between fair value levels for the year ended September 30, 2022.

There were no Level 3 financial liabilities held during the years ended September 30, 2022 and September 30, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2022 (Expressed in United States Dollars)

22. SUBSEQUENT EVENTS

ICM Mobility Group Limited and Snapper Services (UK) Limited

On October 11, 2022, the Company purchased from UIL its holdings in ICM Mobility Group Limited and Snapper Services (UK) Limited for an aggregated consideration of GBP 45.6m.

The consideration for the sale was satisfied through the transfer to UIL of Somers' holdings in West Hamilton Holdings Limited, BNK Banking Corporation Limited and WT Financial Group Limited and a cash payment.

Related Party Loans

In October 2022, Thorn Group Limited and Resimac Group Limited lent AUD 5m and AUD 12m to the Company, respectively.

There have been no other significant events or transactions from September 30, 2022 to the date that these consolidated financial statements were available for issuance that require adjustments to or disclosures in the consolidated financial statements.

COMPANY INFORMATION

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