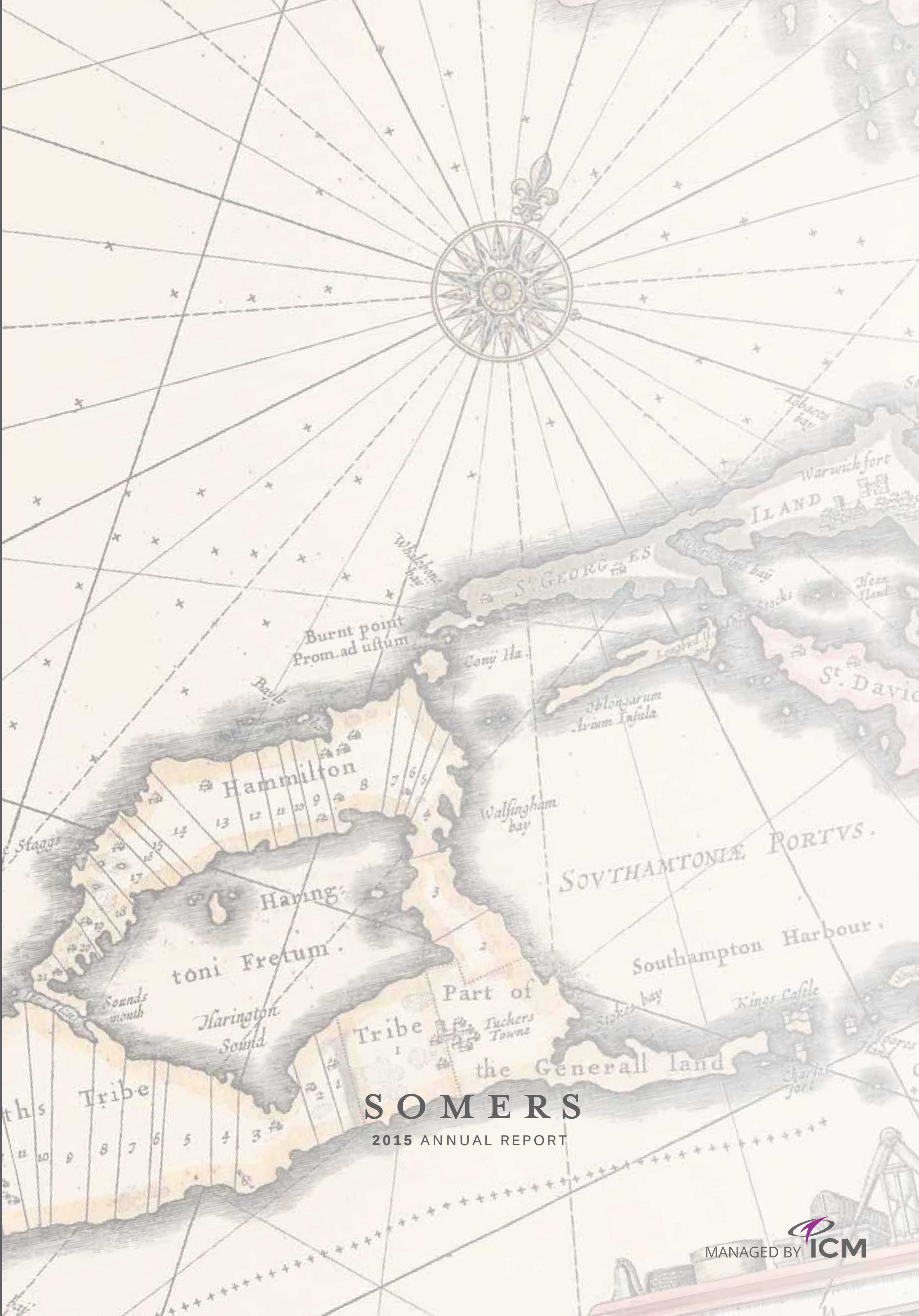


# SOMERS

**2015** ANNUAL REPORT

MANAGED BY ICM

Unknown Artist, c. 1882; Bermuda Regatta, July 4th, 1882; Oil on Canvas; Collection of the Bermuda National Gallery

Sir George Somers was an English naval hero born in 1554, and was an Admiral of the Virginia Company.

Sir George set out from England, financed privately by London based merchants and noblemen united in a common cause for profit for themselves and their nation. The Virginia Company was set up with the purpose of establishing settlements on the coast of North America. They intended to colonise the New World for Britain in competition with Spain, France and the Netherlands. They wanted to give Britons a fresh start in virgin lands, to relieve overcrowding in Britain's cities; and to be seen as the men who engineered such initiatives. On June 2, 1609, Sir George set out on the Sea Venture to achieve this goal. However, on July 24, 1609, the Sea Venture was caught in a fierce storm and was carried for several days by raging winds. They took her hundreds of miles from her scheduled course. She was wrecked off the reefs of Bermuda with no loss of life. For many months, Sir George Somers, a mapping assistant and a boatman, went out to sea in boats they built themselves, to chart both the main island and other islands. Sir George Somers remained in Bermuda for 10 more months before completing the journey to North America. He returned to Bermuda where he died on November 9, 1610. The islands became named the Somers Isles for a brief time.

The Virginia Company ran Bermuda until 1614 when the Crown briefly took over the colony's administration. The shareholders of the Virginia Company formed a second company, the Somers Isles Company in 1615, to which Bermuda was transferred. It held a royal charter for Bermuda until 1684, when it was dissolved, and the Crown assumed responsibility for the administration of Bermuda as a royal colony.

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## FINANCIAL CALENDAR

ANNUAL GENERAL MEETING MARCH 18, 2016

HALF YEAR MARCH 31, 2016, ANNOUNCEMENT JUNE 2016

### FORWARD LOOKING STATEMENTS

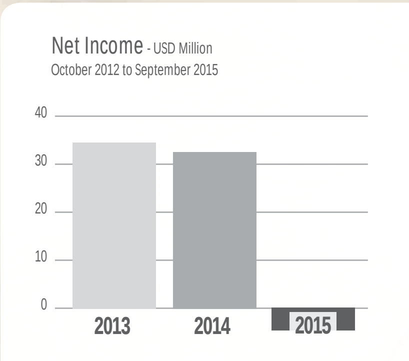
This annual report may contain "forward looking statements" with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward looking statements. The forward looking statements are based on the Directors' current views and on information known to them at the date of this report. Nothing in this publication should be construed as a profit forecast.

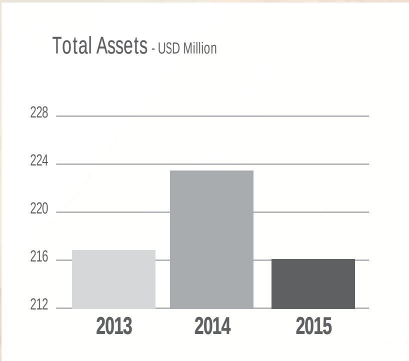
## FINANCIAL HIGHLIGHTS

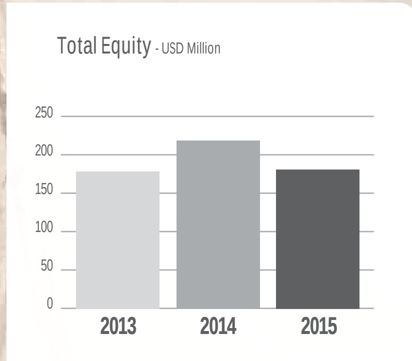
| | 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|---|
| NAV per share | $17.74 | ($18.96) | Total return per ordinary share | -4.36% | (14.99%) [1] |
| Share price | $13.00 | ($13.75) | Ordinary dividend per share | $0.42 | ($0.37) |
| Discount to NAV | 26.71% | (27.46%) | Cash from shares issued | $4.17m | ($1.99m) |
| Shares in issuance (excluding shares held in treasury) | 11.79m | (11.30m) | Cash from warrant exercise | $3.45m | ($7.45m) |
| | | | Total assets | $215.99m | ($223.58m) |

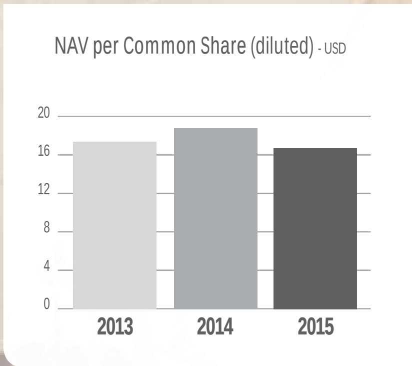
Figures in brackets are for the prior year.

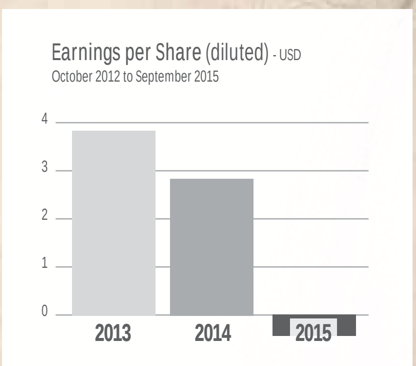
[1] Total return is calculated as change in NAV per ordinary share, plus dividends reinvested.

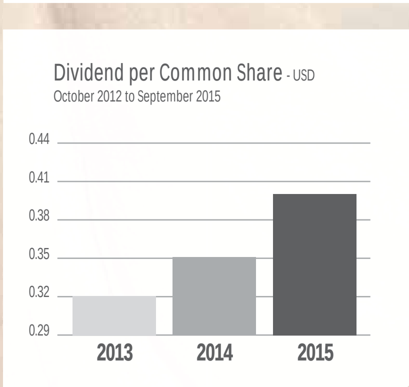



Key transactions in the year

- Sale of holding of shares and convertible loan notes in Private and Commercial Finance Group plc to BCB.
- Additional investment in Ascot Lloyd Holdings Limited bringing Somers' total potential economic interest to 44.0%.
- Acquisition of an additional 1,222,949 shares in West Hamilton Holdings Limited from BCB bringing Somers' total holdings to 57.1%.

## KEY INVESTMENTS AND CORPORATE STRUCTURE

SOMERS LIMITED ← INVESTMENT MANAGER — ICM

### BANKING / ASSET FINANCING

**BCB**

100.0%
Bermuda Commercial Bank Limited
Banking

Licensed bank in Bermuda

Focus on commercial, private banking and wealth management

Total assets $759.7 million

↓

**Private & Commercial Finance**

75.5%
Private & Commercial Finance Group plc
Asset Origination

Asset financing company listed on London Stock Exchange

Portfolio of receivables of $139.0 million

### ASSET MANAGEMENT

**WAVERTON**

62.5%
Waverton Investment Management Limited
Wealth Management

Private wealth management business formerly known as J O Hambro Investment Management

AuM over £4.3 billion

**Ascot Lloyd**

44.0%
Ascot Lloyd

Financial planning company located in London

Authorised and regulated by the Financial Conduct Authority

AuA £1.9 billion

**merrion CAPITAL GROUP**

21.8%
Merrion Capital Group

Leading Irish financial services group; providing corporate advisory, funds management and stock broking services

AuM €0.8 billion

### STOCK BROKING

**Stockdale**

84.4%
Stockdale Securities Limited

Corporate and institutional stockbroking group located in London

Adviser and broker to 60 UK and international companies

### PROPERTY

**WEST HAMILTON HOLDINGS LIMITED**

57.1%
West Hamilton Holdings Limited
Property Investment

Property investment and development company listed on Bermuda Stock Exchange

Net assets of $45.0 million

## CORE INVESTMENTS

Somers' investments are predominantly UK and Bermuda based with these jurisdictions together accounting for 97.5% of total investments. In total, the Company's core holdings account for 95.1% of total investments at September 30, 2015.

| | Company | Country | Fair Value ($) | % of Total Investments |
|---|---|---|---|---|
| 1 | Bermuda Commercial Bank Limited | Bermuda | 100,828.259 | 48.0% |
| 2 | Waverton Investment Management Limited | UK | 51,996,653 | 24.8% |
| 3 | West Hamilton Holdings Limited | Bermuda | 25,654,032 | 12.2% |
| 4 | Ascot Lloyd Holdings Limited | UK | 15,963,839 | 7.6% |
| 5 | Merrion Capital Holdings Limited | Ireland | 3,660,349 | 1.7% |
| 6 | Stockdale Securities Limited (1) | UK | 1,408,830 | 0.7% |
| | Core Investments | | 199,511,962 | 95.1% |
| | Other investments | | 10,352,293 | 4.9% |
| | Total Investments | | 209,864,255 | 100.0% |

[1] Westhouse Securities Limited changed its name to Stockdale Securities Limited on January 4, 2016.

## CHAIRMAN'S STATEMENT

I am pleased to write to you as Chairman of Somers Limited ("Somers" or the "Company") and to present the results for the year ended September 30, 2015.

As an investment holding company, Somers' total return is generated predominantly by the realised and unrealised returns achieved on our investment portfolio. Our primary markets are the UK and Bermuda and both jurisdictions underperformed in 2015 with the UK's FTSE 100, one of our primary benchmarks, down 8.5%. Somers was not immune to this downturn and our 2015 results were impacted by valuation reductions at our two largest holdings, Bermuda Commercial Bank ("BCB" or "the Bank") and Waverton Investment Management Limited ("Waverton"). Offsetting this, two of our UK based investments, Private and Commercial Finance Group plc ("PCFG") and Ascot Lloyd achieved strong growth for the year. Our investment weighting in these companies is, however, at a relatively lower level and the net overall result, coupled with the fall in Sterling, was a decrease in Somers' NAV to $17.74 per share from $18.96 a year ago.

Of our core investments, BCB is currently investing in its infrastructure and Waverton was impacted by reduced Assets under Management ("AuM") and the fall in the UK equity markets during the year. Despite this, both companies returned strong profits for 2015 albeit slightly below 2014 levels. Over the course of the year, BCB's Board and management team have been strengthened and post the year end, the Bank successfully launched its new core banking system. This will allow the Bank to broaden its product offering and become more customer-centric enabling the Bank to compete for an increased market share. The carrying value of our investment in Waverton was reduced on account of lower earnings and reduced AuM resulting from the transfer of one of the Waverton funds to a specialist fund manager.

Throughout the year, Somers remained fully invested. Investment activity was low in 2015 with the year's main transactions for Somers being the transfer of West Hamilton Holdings Limited ("West Hamilton") shares from BCB and the sale of our PCFG holdings to BCB. In addition, we invested a further £4.0 million in Ascot Lloyd. The PCFG transaction enables BCB to diversify and strengthen its earnings, improve its capital efficiency and diversify its geographic risk. BCB can assist PCFG in growing its loan book and PCFG will benefit from the strong and liquid balance sheet that a bank majority owner provides. Somers' acquisition of the West Hamilton shares consolidates the Group's share ownership in West Hamilton in one group company.

Against the backdrop of market uncertainty, currency volatility was a feature of 2015 and adverse currency movements negatively impacted Somers' NAV. Many of our larger investments, in particular Waverton, PCFG and Ascot Lloyd are denominated in Sterling and over the course of the year Sterling declined by 6.7% versus the Dollar leading to a $6.7 million reduction in Somers' NAV. Currency movements and the geographical split of our portfolio are actively monitored by the Investment Manager in consultation with the Board and are an integral component of our investment management decisions.

Somers' principal objective is to make corporate investments and acquisitions in the financial services sector with the intention of generating returns through both capital appreciation and income and the period since the 2008 global financial crisis has presented a number of opportunities to make investments at attractive valuations as many larger financial institutions reduce their balance sheets and spin off non-core business lines. On page 8 of this report, we have included a new section on strategy which provides more detail on the Company's strategy and investment approach.

### Share Price Performance and Share Buybacks

The market value of the Company's common shares on the Bermuda Stock Exchange decreased by 5.5% during the year ending September 30, 2015, to $13.00 which represents a 26.7% discount to NAV. This compares to a share price and discount of $13.75 and 27.5% respectively as at September 30, 2014.

The Board continues to monitor Somers' share price and believes that the current market price does not fully reflect the underlying value of the Company's investments, and as such, may continue to buyback shares when opportunities arise. During the year, a total of 35,282 shares were bought back at an average price of $13.77 per share. All of these shares were cancelled prior to year end.

### Dividend

The Board's objective is to maintain or increase the total annual dividend while also strengthening the Company's capital position and dividends will generally be increased in line with long term trends in earnings per share growth.

The Company paid a final dividend per share of $0.24 (2014: $0.22). The total dividend payment for the year was $0.42 a share, an increase of $0.05 per share compared to 2014. The total payment for 2015 equates to a dividend yield of 3.2% based on the Company's closing price as at September 30, 2015, and a yield of 2.4% based on the closing NAV price. Shareholders can elect to receive their dividend payment in cash or shares.

### Board Changes

During the year, J. Michael Collier retired from the Board. Michael made a very valuable contribution to Somers and on behalf of the Board, I would like to thank him for the support, enthusiasm and guidance he brought to the Company.

### Outlook

2015 was characterised by broad based macro-economic volatility and we remain cautious about the current environment. While the US and UK central banks head tentatively towards interest rate normalisation and the introduction of gradual interest rate increases, most other central banks are moving in the opposite direction. The consequences of the Global Financial Crisis remain with us and as a result, we expect the volatility witnessed in 2015 to continue in 2016. Somers' performance is driven by the results of our individual investee companies and despite this turbulent environment we expect our investee companies to continue to make good progress at the operating level and this should produce positive results for Somers.

Our focus going forward is to maintain strong returns in the medium to long term which we will do by maximising the performance from our existing portfolio, adopting a measured and selective approach to new investments and keeping an absolute focus on improving every aspect of our business. We look forward to 2016 with cautious optimism.

Warren J. McLeland

Warren McLeland
Chairman

## FINANCIAL REVIEW

The Company's financial highlights for the year ended September 30, 2015, are set out on page 2 and the results for the year are set out in the attached accounts.

Despite continued solid operating performances at our investee companies, Somers recorded a net loss of $4.1 million for the year primarily on account of net unrealised losses on the valuation of these investments and the negative impact of currency movements. This compares with net income of $32.2 million in 2014. Loss per share was $0.36 (2014: earnings of $2.89).

### Income

Somers recorded a net loss on its investments of $3.1 million for the year compared to gains last year of $28.4 million. These losses resulted from reductions in the carrying value of BCB, Waverton and Stockdale Securities Limited ("Stockdale"). The valuation of BCB, our 100% owned Bermuda bank, reduced by 11% following an unrealised decline in the fair value of BCB's investments, a reduction in the Bank's interest income, the impairment of certain intangible assets and the payment of $1.6 million of dividends to Somers. A reduction in assets under management at Waverton resulted in a 16% fall in Waverton's carrying value while Stockdale's valuation decreased during the year following weak trading performance. These losses were partially offset by valuation gains on a number of our other investee companies; PCFG was the strongest performer in the year with the value of Somers' investment increasing by £5.9 million prior to the sale of this investment to BCB. The gain followed PCFG's announcement that it outperformed its profit and operating targets during their last fiscal year. Ascot Lloyd was another pleasing performer in 2015 with EBITDA growth following the acquisition of the PFP business, increasing the value of this investment by £5.3 million. The valuation of our remaining core investments, Merrion Capital Holdings Limited ("Merrion") and West Hamilton, remained at similar levels to last year.

Interest income totalled $1.3 million (2014: $2.1 million), with $1.2 million (2014: $0.3 million) generated from convertible loan notes within our investment portfolio and $0.1 million (2014: $1.8 million) generated from lending to portfolio companies. During 2014 the Company materially reduced its lending levels with a corresponding decrease in loan interest income while additional provision of convertible loan notes funding increased interest from this source.

Somers received distributions of $2.6 million during the year compared to $7.9 million a year ago. Of the dividends received, $1.6 million of dividends were received from BCB and the remaining $1.0 million was received from Waverton which commenced paying dividends on the back of continued positive cash flows.

40% (51% on a look-through basis) of Somers' balance sheet is denominated in foreign currencies, primarily Sterling, and during the year, Sterling declined by 6.7% versus the Dollar. Net foreign exchange losses were $2.7 million for the year (2014: $0.5 million) with an additional $4.1 million of exchange losses on Somers' investment in its foreign operations (2014: $0.5 million). These losses were primarily unrealised. Currency risk is an integral consideration when making investments into non-US Dollar denominated assets and the Investment Manager monitors currency movements on an on-going basis. Foreign currency policy is discussed with the Board of Directors on a regular basis and asset allocation or currency risk strategies may be altered as a result. The Company may also engage in currency hedging to limit Somers' exposure to currency fluctuations. The Company did not engage in currency hedging throughout 2015.

### Expenses

Our cost base is actively managed and monitored on an on-going basis and we focus on linking our cost base to our revenue streams. Total expenses were significantly below 2014 levels as no performance based investment management fee was accrued for 2015. Somers may pay a performance fee on an annual basis upon achievement of a cumulative hurdle rate of return based off shareholders' equity. The hurdle rate was not achieved in 2015 and no performance fee was accrued for the year. A performance fee of $1.8 million was paid last year.

Excluding investment management fees, operating expenses increased due to increased investment, accounting and regulatory costs. In particular, we now utilise the investment expertise and support base of a wider team within ICM and it is our expectation that this expenditure will realise future benefit through a disciplined investment approach and stronger overall investment performance.

### Assets

Somers' balance sheet remains stable with total assets at September 30, 2015, of $216.0 million (2014: $223.6 million).

The investment portfolio was $209.9 million at year end with equity investments ($189.7 million) accounting for 90.4% of this total. The remaining 9.6% ($20.2 million) consisted of convertible loan note investments. Within investments, BCB at $100.8 million and Waverton at $52.0 million together represent 72.8% of total investments with West Hamilton accounting for an additional 12.2%. It is anticipated that this heavy 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 schedule of core investments is provided on page 4 and individual company details are provided in the Summary of Core Investments section of this report.

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, 2015, such loan balances were $4.5 million (2014: $4.8 million).

### Borrowings

Borrowings are modest but increased from $3.5 million a year ago to $6.0 million. In July 2015 Somers entered into a $6.0 million loan facility with The Bank of N.T. Butterfield & Son Limited. The proceeds of which were used to make a further investment in Ascot Lloyd.

### Shareholders' Equity

Shareholders' equity was $209.2 million at September 30, 2015 (2014: $215.1 million). During the year, 240,746 warrants were exercised adding $3.5 million to shareholders' equity and 46,622 treasury shares were cancelled. Additionally, $4.2 million of the $4.6 million dividends paid during the year were reinvested, under the dividend reinvestment plan, through the issuance of 297,597 shares. The net result from these actions was an increase in the number of issued shares to 11,792,805 (2014: 11,301,084). The closing diluted net asset value per share was $17.74 (2014: $18.96).

### New Investments during 2015

Somers is a mid to long term investor with a strategy of supporting and growing its core investments. We are building a portfolio of financial services companies and the trading of investments within this portfolio is kept to a minimum. Our investment activity in 2015 was funded by the exercise of warrants, retained funds from our dividend reinvestment plan, lending facilities and net positive cash flows from existing investments and proceeds from investment sales. We made the following key investments during the year:

- Acquisition of 1,222,949 common shares in West Hamilton Holdings Limited from BCB bringing Somers' total holding to 1,659,390 (57.1%); and
- Invested a further £4.0 million in Ascot Lloyd, bringing our total potential economic interest to 44.0%.

## DIRECTORS

### Warren McLeland (Chairman)

Mr. McLeland is a Science and MBA graduate and former stockbroker and investment banker. He is Chairman of RESIMAC Limited, a wholesale funder, originator, servicer and securitiser of loans based in Australia. In addition, he acts as an adviser in funds management and business strategy to companies operating in the Asia Pacific region. He is a non-executive director of UIL Limited.

### David Morgan

Mr. Morgan has over thirty five years of experience in international banking, building his career at Standard Chartered Bank in Europe and the Far East and becoming Chief Executive Officer for the UK and Europe in 1998. Since leaving Standard Chartered in 2003, he has been involved in a wide range of business advisory and non-executive roles and is currently Deputy Chairman of Bermuda Commercial Bank Limited and a non-executive director of Waverton Investment Management Limited, Private & Commercial Finance plc and Ascot Lloyd Holdings Limited.

### Alasdair Younie

Mr. Younie is a director of ICM Limited and is a qualified chartered accountant. Mr. Younie previously worked in corporate finance at Arbuthnot Securities Limited in London and is responsible for the day to day running of the Somers group. He is a non-executive director of the Ascendant Group Limited, Bermuda Commercial Bank Limited, Bermuda First Investment Company Limited and West Hamilton Holdings Limited. Mr. Younie is a member of the Institute of Chartered Accountants in England and Wales.

### Charles Jillings

Mr. Jillings is a director of ICM Limited and is a qualified chartered accountant with extensive experience in corporate finance and asset management. He is responsible for the day to day running of UIL Limited and Utilico Emerging Markets Limited and has over thirty years of experience in international financial markets. Mr. Jillings was formerly a non-executive director of Utilico Investment Trust plc and Utilico Emerging Markets Limited and is an experienced non-executive director. He is a non-executive director of Merrion Capital Holdings Limited, Waverton Investment Management Limited, KeyTech Limited and Stockdale Securities Limited.

### Duncan Saville

Mr. Saville is a director of ICM Limited and a chartered accountant with experience in corporate finance and asset management. He was formerly a non-executive director of Utilico Investment Trust plc and a non-executive director of a number of listed and unlisted companies in the utility and technology sectors. He is currently a non-executive director of Infratil Limited, New Zealand Oil and Gas Limited, Touchcorp Limited and West Hamilton Holdings Limited.

## STRATEGY

Somers Limited is a Bermuda exempted investment holding company whose shares are listed on the Bermuda Stock Exchange. Our core investment markets are currently the UK and Bermuda.

The Company's primary objective is to deliver superior total shareholder returns through both capital and income, which in turn can be expected to be reflected in share price growth. To achieve this, the Company 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. The Company 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 bank lending to smaller financial service companies and an abundant supply of financial service companies for sale as banks continue to deleverage in response to the Global Financial Crisis. Somers will 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 origination with a particular bias towards fund and asset management owing to its annuity style income, lower capital requirements, less onerous albeit increasing regulatory requirements, solid returns, the projected sector growth and the wider group's experience in this area.

Somers will generally aim to achieve a control position but is equally comfortable with a portfolio position if the purchase price or investment instrument is sufficiently attractive. The Company 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 both in the unlisted and listed arena. Besides looking for 'bolt-on' opportunities, the Company 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 where appropriate.

Somers does not expect to be trading its core investments. It aims to be supportive of its investee companies, maintain regular dialogue with the 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. The Company has appointed ICM Limited ("ICM") to manage the portfolio in accordance with the Board's strategy of generating a capital and income return. Details about the ICM investment team responsible for the management of the portfolio are 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 which may be related to Somers. The Somers' Board oversee and monitor the activities of ICM and other service providers on behalf of shareholders and ensure that the investment objectives are adhered to.

ICM actively monitor and manage all investments from point of origination. Portfolio companies are managed through a system of monthly management information which is supported by ICM's Valuation Department and Somers' Board oversight. Proposed investments are assessed individually. Overall investment targets are subject to periodic reviews and the investment portfolio is also reviewed to monitor exposure to specific geographies, economic sectors and asset classes.

### Borrowing

Portfolio investments are generally funded with a mixture of debt and shareholders' funds in order to maximise returns to shareholders whilst maintaining a strong capital base and, as a long term investor, the level of transactions within our portfolio is relatively low.

Leverage increases the potential risk to shareholders and recourse to external borrowings will only be undertaken if the Directors and the Investment Manager consider the prevailing interest rates favourable and that the terms and conditions attaching to such borrowings are acceptable, having regard to the investment objective and policy of the Company. The Company will also be indirectly exposed to borrowings to the extent that entities within the investment portfolio are themselves leveraged. Borrowings will be drawn down in US Dollars, Sterling or any currency for which there is a corresponding asset within the Company's portfolio.

### Dividends

Dividends form a key component of the total return to shareholders, and the level of potential dividend payable and income from the investment portfolio is reviewed at every Board meeting. As a Bermuda company, Somers is able to distribute both capital and income returns as dividends and the Board has the flexibility to pay dividends from capital reserves.

It is Somers' intention to pay regular, semi-annual dividends to shareholders with the split between the interim and final dividend weighted towards the final dividend. The Board's objective is to maintain or increase the total annual dividend while also strengthening the Company's financial position. Shareholders can elect to receive shares in lieu of cash dividends.

Dividends will generally be increased in line with long term trends in earnings per share growth, while sufficient profits will also be retained to support anticipated business growth and to fund further investments.

Dividends are determined taking into account historic and anticipated profits, cash flow and financial condition. The Board will also consider net debt levels and debt service obligations of the Company and any other factors that the Board may deem relevant. All dividend payments will be conditional on meeting the applicable restrictions on the payments of dividends under the Bermuda Companies Act.

## INVESTMENT MANAGEMENT TEAM

The Directors are responsible for the Company's investment policy and have overall responsibility for the Company's day to day activities. The Company has, however, entered into an Investment Management Agreement with ICM under which ICM provides investment management services to the Company 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 Limited, both listed on the London Stock Exchange, and Bermuda Commercial Bank Limited.

ICM focuses on identifying investments at valuations that do not reflect their true long term value. Their investment approach is to have a deep understanding of the business fundamentals of each investment and its environment versus its intrinsic value. ICM manages some $1.7bn directly and has indirect involvement in over $10.0bn in a range of mandates. ICM has 40 staff based in eight countries. The investment teams are led by Charles Jillings and Duncan Saville, who are both directors of ICM.

The Directors believe that ICM has performed consistently since their appointment by the Company. 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.

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### Alasdair Younie

Mr. Younie is a director of ICM and is a qualified chartered accountant. Mr. Younie previously worked in corporate finance at Arbuthnot Securities Limited in London and is responsible for the day to day running of the Somers group. He is a non-executive director of the Ascendant Group Limited, Bermuda Commercial Bank Limited, Bermuda First Investment Company Limited and West Hamilton Holdings Limited. Mr. Younie is a member of the Institute of Chartered Accountants in England and Wales.

### Charles Jillings

Mr. Jillings is a director of ICM and is a qualified chartered accountant with extensive experience in corporate finance and asset management. He is responsible for the day to day running of UIL Limited and Utilico Emerging Markets Limited and has over thirty years of experience in international financial markets. Mr. Jillings was formerly a non-executive director of Utilico Investment Trust plc and Utilico Emerging Markets Limited and is an experienced non-executive director. He is a non-executive director of Merrion Capital Holdings Limited, Waverton Investment Management Limited, KeyTech Limited and Stockdale Securities Limited.

### Sandra Pope

Ms. Pope is a qualified chartered accountant and holds the Securities & Investment Institute Certificate of Corporate Finance. She worked in corporate finance at Deloitte Haskins & Sells, Hill Samuel Bank and Close Brothers for ten years and has worked for the ICM group since 1999. She is a director of ICM IR, ICM's 100% subsidiary. She is a director of several private companies and Stockdale Securities Limited.

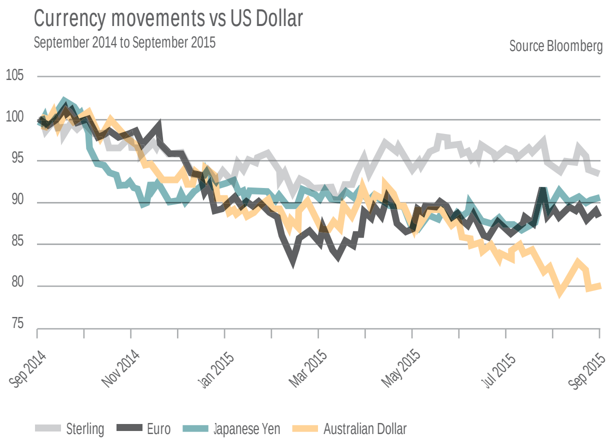
### Greg Reid

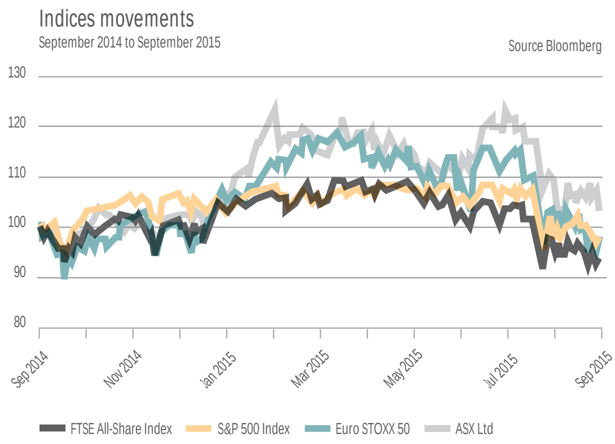
Mr. Reid, a chartered accountant, was formerly the Chief Financial Officer of BCB. Prior to joining BCB he was the Controller of a Bermuda based provider of accounting services to the fund industry. Mr. Reid has responsibility for financial operations at the Company and supports the Company's risk and investment valuation processes. Mr. Reid is a member of the Institute of Chartered Accountants in Ireland.

### Duncan Saville

Mr. Saville is a director of ICM and a chartered accountant with experience in corporate finance and asset management. He was formerly a non-executive director of Utilico Investment Trust plc and a non-executive director of a number of listed and unlisted companies in the utility and technology sectors. He is currently a non-executive director of Infratil Limited, New Zealand Oil and Gas Limited, Touchcorp Limited and West Hamilton Holdings Limited.

## INVESTMENT MANAGER'S REPORT




ICM was the Investment Manager of Somers throughout the year under review.

Somers reported a total loss of 4.4% for the twelve months to September 30, 2015. As noted earlier in this report, market volatility, which directly impacts a number of our investments, continued to increase throughout 2015. Equity markets, in particular, were more volatile in 2015 than in previous years and their performance has been muted over the last 12 months. The S&P 500 has decreased by 2.6% since October 1, 2014, and over the same period the FTSE 100 Total Return Index has decreased by 5.1%.

In addition to volatility in the equity markets there has been a significant increase in the volatility in currencies. The global Central Banks are at different stages in the economic cycle. The US is looking to start the tightening of its monetary policy whilst the ECB and the Chinese Central Bank continue to ease. The US Dollar has continued to strengthen during the year. With a number of Somers' investments based in the UK, the US Dollar's appreciation against Sterling over the last 12 months by 6.7% has reduced Somers NAV by approximately $6.8 million.

Somers' has had a mixed year with reduced earnings at its two largest investments, BCB and Waverton leading to reduced valuations which have been partially offset by increased valuations at Ascot Lloyd and PCFG. Each of the Company's core investments is reviewed in more detail later in the report.

During the year to September 30, 2015, Somers realised $25.9 million from its investments and invested $27.3 million. The main realisation during the year was the sale of the Company's holdings in PCFG (equity and convertible loan notes) for $24.2 million to BCB. Key investments were the acquisition of 1,222,949 shares in West Hamilton for $19.4 million and £4.0 million in Ascot Lloyd to fund its acquisition of the assets of PFP.

Somers' shares continue to trade at a significant discount to its NAV. The share price as at September 30, 2015, was $13.00 which is a discount of 26.7% to the NAV of $17.74. We would hope that as Somers continues to generate growth from its investments, the share price discount will narrow.

### Core Portfolio

The Company has a small number of investments which are primarily focused on the financial services sector with 87.8% of the portfolio in this sector. The major exception to this is the Company's 57.1% holding in West Hamilton, a Bermuda property investment company. Within geographic allocations, Bermuda accounts for 60.3% of the portfolio (2014: 55.2%), the UK 37.3% (2014: 42.1%) and Ireland 1.8% (2014: 2.1%).

As at September 30, 2015, the top six investments accounted for 95.1% of the portfolio versus 96.9% in the prior year.

BCB is Somers' largest investment and one of Bermuda's four licensed banks. It accounts for 48.0% of the portfolio at the year end (2014: 52.1%).

BCB produced strong results in 2015, albeit reduced from the prior year, with profit of $8.0 million (2014: $9.2 million), total customer deposits of $505.4 million (2014: $471.3 million) and total assets of $759.7 million (2014: $592.6 million). Total assets were boosted in 2015 by the consolidation of the PCFG assets. As at September 30, 2015, BCB's Tier 1 and total capital ratios were 21.1% (2014: 25.0%) and 21.1% (2014: 23.2%) respectively, exceeding the prescribed regulatory limits.

BCB is valued by Somers by reference to its book value. As a result, the valuation of BCB reduced to $100.8 million (2014: $113.8 million) primarily due to the reduction in the unrealised value of the Bank's investment portfolio.

This year represented a year of investment for BCB in both its employees and infrastructure. This culminated post the year end in BCB completing the successful launch of its new core banking system. This will allow the Bank to broaden its product offering and become more customer-centric enabling the Bank to compete for an increased market share.

Banks are under an increasing regulatory burden which has increased since the Global Financial Crisis. This brings with it an increase in the cost of dealing with added regulation and, in the case of BCB, a change in its business model to make it more capital efficient in advance of the implementation of Basel III. As a result of this, Somers agreed to sell its entire holding (equity and convertible loan notes) in PCFG to BCB for a total of $24.2 million. Following this transaction BCB then exercised its convertible loan notes and as at September 30, 2015, was interested in approximately 75.5% of PCFG. This is an extremely important transaction for BCB. It reduces BCB's reliance on its investment portfolio at a time that the bond markets are volatile, diversifies its geographic risk, enables BCB to become more capital efficient and, over time, may present a profitable lending opportunity for the Bank. PCFG reported strong results for the six months ended

September 30, 2015, with profit before tax up 80.0% to £1.6 million and a return on average assets up by 61.0% to 2.9% with the total portfolio worth £108 million (2014: £94 million). PCFG is continuing to press ahead with a deposit taking license application in the UK and is hopeful that there will be further progress on this in 2016.

2016 is an important year for BCB with new systems and new products, a new head office and the transition to a new business model. We therefore look forward to the coming year with cautious optimism.

Waverton is a London-based specialist investment manager which accounts for 24.8% of Somers portfolio (2014: 30.5%) and Somers has a 62.5% holding in Waverton.

Waverton's AuM were £4.3 billion as at September 30, 2015 (2014: £5.2 billion). Waverton's AuM were impacted by the loss of its European Fund which moved with the individual fund manager to a specialist fund management business. With reduced AuM, and increased volatility in the equity markets in 2015 and a poor performing FTSE 100, Waverton reported results at a lower level than in 2014. For the year ended September 30, 2015, Waverton earned revenue of £32.1 million (2014: £31.1 million), EBITDA of £8.3 million (2014: £8.6 million) and operating profit before tax of £9.1 million (2014: £9.5 million).

Waverton's cost based increased in 2015 due to higher property rental (Waverton moved into new premises in September 2015) and regulatory costs, and combined with the loss of the European Fund, has negatively impacted its EBITDA and thus Somers' carrying value of Waverton. Somers' investment in Waverton has been valued based on peer comparisons using an EV/EBITDA valuation methodology. Over the course of the year Waverton's maintainable EBITDA decreased to £6.4 million from £8.6 million a year earlier while the peer multiple increased by 8%. The net result was a decrease in the value of Somers' investment in Waverton to £34.4 million from £41.1 million a year earlier.

In May 2015, Waverton announced the appointment of Andrew Fleming as Chief Executive Officer. Andrew was most recently Chief Executive Officer of Cumulus Group, and from 2005 to 2013 he was Chief Executive Officer and Chief Investment Officer of Aegon Asset Management where he was instrumental in transforming both investment performance and profitability.

2016 is likely to bring a focus on growing Waverton's core private client business as well as looking to other areas of their product offering which are focused on charities and institutional global sales. Potential headwinds include continued volatility in the capital markets and weaker global growth which could negatively impact Waverton's earnings and thus Somers' valuation of its holding.

Ascot Lloyd is an independent financial adviser ("IFA") with a number of offices across the UK. On a fully diluted basis Somers is interested in 44.0% of Ascot Lloyd.

Following Ascot Lloyd's acquisition in 2014 of the assets of a subsidiary of IFG Group plc, Ascot Lloyd acquired the assets of PFP Group ("PFP") and doubled the size of its AuA which as at September 30, 2015, stood at £1.9 billion. Importantly for an IFA business, Ascot Lloyd's recurring income has grown to approximately £8.9 million. For the nine months ended September 30, 2015, Ascot Lloyd reported unaudited revenue of £9.3 million, gross profit of £8.4 million and EBITDA of £2.3 million. Somers' investment in Ascot Lloyd is valued at £10.6 million as at September 30, 2015.

2015 was a very important year for Ascot Lloyd with the acquisition of PFP. The acquisition of the PFP assets was funded by a further investment by Somers in both convertible loan notes and a new loan totalling in aggregate £4.0 million. This underlines the Company's belief that there are significant opportunities in the UK IFA sector and Ascot Lloyd is well positioned to take advantage of these opportunities.

2016 promises to be an exciting one for Ascot Lloyd as they look to continue to integrate the acquisition of PFP and drive the synergies between the two businesses. There are good opportunities for Ascot Lloyd to grow its earnings over the next 12 months and it is possible that the company may look to undertake an IPO in 2016.

West Hamilton is a Bermuda Stock Exchange listed property investment company with property assets in Bermuda and in which Somers has a 57.1% equity interest. Somers increased its stake in West Hamilton during the year when as part of the sale of its holdings in PCFG to BCB, Somers acquired 1,222,949 shares in West Hamilton at a total cost of $19.4 million. It was deemed more appropriate that the Group's holding in West Hamilton should be consolidated in one company and that Somers was a more suitable owner, being an investment company, rather than a bank, where the investment was not capital efficient.

On December 7, 2015, West Hamilton released its results for the year ended September 30, 2015. The company earned gross operating income of $2.1 million (2014: $1.8 million), with the increase due to a new tenant occupying office space that was vacant in 2014. West Hamilton reported net income for the year of $0.8 million (2014: $0.4 million). Total assets amounted to $30.3 million (2014: $29.9 million) and shareholders' equity increased by $0.8 million. A recent, independent valuation valued the property at $45.1 million. Somers' investment in West Hamilton has been valued using the fair value of West Hamilton's identifiable assets and liabilities and is valued at $25.7 million as at September 30, 2015.

It was a strong year for West Hamilton with increased occupancy in the Belvedere Building, a fully occupied parking facility which also has a significant waiting list and the commencement of the construction of nine residential apartments which are due to complete in the summer of 2016. West Hamilton is benefitting from the fact that its assets are located in an attractive part of Hamilton and recent improvements in the Bermuda economy. With the completion of the residential development due in 2016, and plans for further development, we believe that 2016 will be another positive year for the company.

Merrion is an independent financial services firm in which Somers has a 6.0% equity interest and a €2.5 million three year 3.0% convertible loan note which if converted would provide Somers a total equity interest of 21.8%.

Merrion has a number of revenue streams including Private Clients, Retail Asset Management, Fixed Income, Corporate Finance and Merrion Investment Management ("MIM"). The two main business lines are MIM, institutional asset management (24% of total 2014 revenues) and Private Clients/Stockbroking (33% of total 2014 revenues).

As at September 30, 2015, MIM had approximately €832 million assets under management and Merrion's private client business manages approximately €713 million of private client funds across 3,430 accounts, mainly on an advisory and execution only basis. For the twelve months ended September 30, 2015, Merrion recorded unaudited revenue of €11.1 million and normalised EBITDA of €0.9 million. Somers' investment in Merrion is valued at $3.7 million as at September 30, 2015.

Like a number of investment managers, Merrion has been negatively impacted by the performance of the markets in 2015 and in particular the fixed income markets. However, the addition of new employees has positioned Merrion for a profitable 2016 which should have a positive impact on Somers' holding.

## INVESTMENT MANAGER'S REPORT (CONTINUED)

Stockdale, previously Westhouse, is a London based corporate and institutional stockbroking group in which Somers has an 84.6% interest.

Stockdale's trading performance continues to show improvement and with the reduction of operating costs it is anticipated that Stockdale will be profitable in the current financial year. Stockdale is improving the quality of its corporate clients which is enabling it to complete better quality transactions and, therefore, increased fees. As at September 30, 2015, Stockdale had 60 corporate clients with an aggregate market capitalisation of £4.0 billion and generating recurring revenue of approximately £2.2 million. During the year Stockdale raised £53.3 million for its corporate clients (2014 : £43.8 million).

For the year ended September 30, 2015, Stockdale reported revenue of £10.2 million and an operating loss of £1.0 million. Somers' investment in Stockdale as at September 30, 2015, is valued at £0.9 million.

Post the year end, Stockdale completed a restructuring to reduce operating costs in order to drive profitability together with an equity recapitalisation. It is anticipated that following the approval of a management incentive scheme that Somers' holding will be reduced to 75.0%. Should Stockdale achieve its profitability hurdles over the next 3 years, employees may increase their interest in Stockdale to 45.0%, reducing Somers' interest to 55.0% at that time. This restructuring has significantly reduced Stockdale's cost base, and given the improved corporate client base, the prospects for a profitable company are enhanced. However, as with other Somers' investments, the performance of the UK capital markets will be key to Stockdale's trading performance in 2016.

### 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, 2015, was $10.4 million. These investments are not deemed to be core investments and it is likely that Somers will hold these investments for a shorter time period than the core investments set out above.

### Gearing

The Company has a very low level of gearing which as at September 30, 2015, stood at 2.9% (2014: 1.6%). This reflects a small increase in debt of $2.5 million to $6.0 million together with a small decrease in shareholders' equity to $209.2 million from $215.1 million. During the year the Company bought back 35,828 shares at an average price of $13.77 costing $0.5 million.

### Debt

Bank debt totalled $6.0 million as at September 30, 2015 (2014: $Nil). The facility expires on July 1, 2016.

### Revenue Returns

The majority of Somers' returns are capital in nature; however, we also monitor Somers on a revenue return specific basis. Revenue returns (dealing with items of a revenue nature) include, but are not limited to, dividend income, operating expenses, finance costs and taxation (insofar as they are not allocated to capital). Revenue income was $2.0 million compared to $7.4 million last year. The reduction was driven primarily by a decrease in dividends received by the Company from BCB. Management fees were significantly lower as a result of a performance fee not being earned in 2015.

The Company reported a loss for the year of $4.1 million (2014: profit of $32.2 million). The resultant loss per share was $0.36. The Company paid a final dividend of $0.24 per share bringing the total dividend for the year to $0.42 per share.

## SUMMARY OF CORE INVESTMENTS

Details of our core investments are provided below. Details of the subsidiary companies are provided in note 4 to the accounts.

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### BERMUDA COMMERCIAL BANK LIMITED ("BCB" OR THE "BANK") www.bcb.bm

*Peter Horton, CEO* – joined BCB in October 2013 having previously been Chief Executive Officer of the Bank of Maldives. He has previously held senior posts at Barclays Bank in Kenya, LEA Group in South Africa and First Caribbean International Bank in the Bahamas.

*Lasantha Thennakoon, CFO* – joined BCB in May 2014. Prior to joining BCB he worked as a senior finance professional in the banking sector in the APAC region including as Chief Financial Officer of Fiji Development Bank and the Bank of Maldives.

BCB was formed by an Act of Parliament in February 1969 when it operated under the management of Barclays Bank plc.

BCB is one of four licensed banks in Bermuda but is the only one dedicated to the needs of commercial, corporate and high net worth clients. BCB offers a full array of banking solutions, including private banking and wealth management, business banking, corporate administration, global custody and brokerage, trust administration and, through the recent acquisition of a 75.5% holding in PCFG, asset financing.

For the year ended September 30, 2015, BCB reported profit of $8.0 million (2014: $9.2 million), total customer deposits of $505.4 million (2014: $471.3 million), total assets of $759.7 million (2014: $592.6 million) (total assets were boosted in 2015 by the consolidation of the PCFG assets) and shareholder funds of $101.6 million (2014: $113.4 million). As at September 30, 2015, BCB's Tier 1 and total capital ratios were 21.1% (2014: 25.0%) and 21.1% (2014: 23.2%) respectively.

## WAVERTON INVESTMENT MANAGEMENT LIMITED ("WAVERTON") www.waverton.co.uk

WAVERTON
INVESTMENT MANAGEMENT

*Andrew Fleming, CEO* – formerly Chief Executive Officer of Cumulus Group, and from 2005 to 2013 he was Chief Executive Officer and Chief Investment Officer of Aegon Asset Management.

*David Welch, FD* – joined Waverton in 1997 after four years in treasury operations for Man Group. He became Finance Director in July 2009.

Waverton was founded in 1996 and in August 2013 Somers, in conjunction with Waverton's management and staff, acquired Waverton from Credit Suisse AG for a total cash consideration of £50.0 million ($80.9 million). Somers owns 62.5% of Waverton with management and staff owning the balance.

Waverton is a 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. Waverton is also the investment manager to nine Dublin domiciled specialist funds. It has 118 employees including 28 portfolio managers and 6 assistant portfolio managers.

Waverton had AuM of £4.3 billion as at September 30, 2015 (2014: £5.2 billion). For the year ended September 30, 2015, Waverton earned revenue of £32.1 million (2014: £31.1 million), EBITDA of £8.3 million (2014: £8.6 million) and operating profit before tax of £9.1 million (2014: £9.5 million). Following a material reduction in debt, Waverton paid a dividend during the year, of which Somers' share was £0.6 million.

## **ASCOT LLOYD HOLDINGS LIMITED** (“ASCOT LLOYD”) www.ascotlloyd.co.uk

*Richard Dunbabin, CEO* – acquired the majority interest in Ascot Lloyd in 2003. Prior to joining Ascot Lloyd, he was a consultant with Marsh & McLennan’s e-Business and product distribution division.

*Pat O’Hara, Managing Director* – has been involved in the independent financial advisory business since 1991 when he founded the IFA firm, Professional Intermediary Services. Prior to this, he was a consultant with Sun Life Assurance.

Ascot Lloyd dates back to the 1930s but following a corporate transaction in 2003 was renamed Ascot Lloyd Financial Services Limited. Somers is interested in £5.2 million 6% convertible loan notes and £3.2 million of loans (of which £2.95 million was drawn down as at September 30, 2015). On a fully diluted basis, Somers would be interested in 44.0% of Ascot Lloyd.

Ascot Lloyd is an IFA with a number of offices across the UK. It provides financial planning services for personal and corporate clients incorporating the use of protection products, investment products, pension planning and tax planning.

For the nine months ended September 30, 2015, Ascot Lloyd reported unaudited revenue of £9.3 million, gross profit of £8.4 million and EBITDA of £2.3 million. Recurring income is now £8.9 million and AuA are £1.9 billion.

## WEST HAMILTON HOLDINGS LIMITED ("WEST HAMILTON")

*Harrichand Sukdeo, CFO* – joined West Hamilton Limited as Chief Financial Officer in 2007. Prior to that, he managed substantial construction contracts in the property market for ten years. He has more than twenty years of experience in the financial sector within the insurance market.

West Hamilton is a Bermuda Stock Exchange listed property investment company with property assets in the west of Hamilton, Bermuda and in which Somers own 1,659,390 shares or 57.1%.

West Hamilton's assets include a commercial building called the Belvedere Building, a 309 space car parking facility and a soon to be completed nine residential apartment building. The Belvedere Building is approximately 90% let and the car parking facility is 100% occupied with a significant waiting list. Indications of interest in the residential development are strong and should be a positive contributor to earnings and value in 2016 and beyond.

The company earned gross operating income of $2.1 million (2014: $1.8 million) in the year ended September 30, 2015, with the increase due to a new tenant occupying a large portion of office space that was vacant in 2014. West Hamilton reported net income for the year of $0.8 million (2014: $0.4 million) and total assets amounted to $30.3 million (2014: $29.9 million).

## **MERRION CAPITAL HOLDINGS LIMITED** (“MERRION”) www.merrion-capital.com

*Patrick O’Neill, CEO* – was previously employed as a fund manager for the Merrion Discovery Fund and a partner in First New York Securities, a New York based proprietary trading firm. In addition, he is a non-executive director and principal of Montana Capital Limited.

*Ivan Fox, Non-Executive Chairman* – has over twenty five years of experience in the investment industry having held senior positions with the Bank of Ireland Asset Management, Irish Life Investment Managers and Standard Life.

Merrion was established in 1999 as an independent financial services firm providing stockbroking, corporate finance advisory and fund management services to a mainly domestic Irish client base. Somers has a fully diluted interest in Merrion of 21.8%.

Merrion has a number of revenue streams including Private Clients, Retail Asset Management, Fixed Income, Corporate Finance and Merrion Investment Management (“MIM”). Between MIM and the private client business,

Merrion has approximately €832 million of AuM. For the nine months ended September 30, 2015, Merrion recorded unaudited revenue of €11.1 million and normalised EBITDA of €0.9 million.

## SUMMARY OF CORE INVESTMENTS (CONTINUED)

### STOCKDALE SECURITIES LIMITED (“STOCKDALE”) www.stockdalesecurities.com

*Mark Brown, Executive Chairman* – joined Stockdale as Executive Chairman in November 2014. He was previously Chief Executive Officer of Collins Stewart Hawkpoint and prior to that worked as the Global Head of Research for ABN AMRO and HSBC and as Chief Executive Officer of ABN’s UK equities business.

*Andrew Proctor, CFO* – joined Stockdale in July 2013. Prior to that he was Chief Financial Officer at N+1 Singer and served in a similar role in an international CFD house and has banking and capital markets experience in Singapore and South Africa.

Stockdale was formed in 2004 with the demerger of Brown Shipley’s corporate finance and broking business into a new company part owned by Kredietbank SA Luxembourgeoise and part by management. It was renamed Westhouse Holdings plc in 2010 and subsequently acquired Arbuthnot Securities in 2012. On January 4, 2016, Westhouse was renamed Stockdale Securities Limited. As at September 30, 2015, Somers was interested in 84.4% of Stockdale.

Stockdale is a corporate and institutional stockbroking group with a focus on sectors such as growth companies and investment funds. Its targeted market is the small and mid-market capitalised companies listed in London and it generates its revenue through equity research, sales, trading and corporate finance and broking revenues. For the year ended September 30, 2015, Stockdale reported revenue of £10.2 million and an operating loss of £1.1 million.

## 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. The Company 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

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

The Directors have a duty to promote the success of the Company taking into consideration the likely consequences of any decision in the long term; the need to foster the Company's 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 the Company. The Directors are responsible for both the proper conduct of the Company's affairs and for promoting the success of the Company 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 the Company as a whole and that the interests of creditors and suppliers to the Company 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 Company's objectives, policies and standards, considering any major acquisitions or disposals of portfolio companies, ensuring that the Company's obligations to shareholders and others are understood and complied with, approving accounting policies and dividend policy, managing the capital structure, 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 also seeks to ensure that shareholders are provided with sufficient information in order to understand the risk/reward balance to which they are exposed by holding the Company's shares through the financial details 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 periodically report to the Board on risk management, financial and operational performance and progress in delivering the Company's strategic objectives. Additionally, the investment management division of ICM report on the acquisition, management and disposal of investments.

The Directors monitor performance by regularly considering a number of performance indicators to assess the Company's success in achieving its investment objectives such as share price and NAV performance, net cash flow, ROE reports at the Company and underlying investment levels, risk management and adherence to investment guidelines issues. Additionally, the Directors receive regular updates on the performance of the Company's 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 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 the Company and should be brought to the attention of the Directors. 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 Board discussion. The Directors also have access where necessary in the furtherance of their duties to independent professional advice at the expense of the Company.

In the financial year ended September 30, 2015, the Board met each quarter to review the activities of the Company for that period and held a meeting devoted solely to strategic issues. Additional meetings were held at short notice to consider limited objectives. 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 the Company. The current Board has a breadth of experience relevant to the Company and a balance of skills, experience and age. Applicants are assessed on their range of skills, expertise and industry knowledge, and business and other experience.

During the year, Somers added Mr. Duncan Saville to the Board of the Company. Mr. Saville is a chartered accountant with over thirty years of experience in the securities industry. He is an experienced non-executive director. Mr. Saville is not deemed to be independent as he is a substantial beneficial shareholder in Somers and the owner and a director of ICM, the Company's Investment Manager.

In December 2014, Mr. Michael Collier retired from the Board of Somers. Mr. Collier was a member of the Board since the Company's inception in 2012 and made a valuable contribution over that period.

# BOARD RESPONSIBILITIES AND GOVERNANCE (CONTINUED)

## Board Committees

Due to the nature of the Company being an externally managed investment company with 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*

There is no separate audit committee and the Board as a whole fulfills the function of an audit committee in relation to, amongst other things, monitoring the internal controls and risk management systems of the Company and its service providers, reviewing the financial statements of the Company, 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 (five directors), the size of the Company 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 fulfills the function of a remuneration committee in relation to the setting and periodic review of the fees of the Directors and the Chairman. The Board considers that, given its size and the size and nature of the Company, it would not be appropriate to establish a separate remuneration committee.

*Nomination Committee*

The Board as a whole will consider new Board appointments and fulfills the function of a nomination committee. The Board considers that, given its size and the size and nature of the Company, it would not be appropriate to establish a separate nomination committee.

## Going Concern

The financial statements have been prepared on a going concern basis. The Directors consider this the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being taken as 12 months after the signing of the statement of financial position. The Directors 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.

## Company Secretary

The Board has direct access to the advice and services of the Company Secretary, BCB Charter Corporate Services Limited, a related party to the Company. The Company Secretary assists the Board, with advice from the Company's 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 the Company are met. The Company Secretary is responsible for advising the Board on all governance matters.

## Shareholder Relations

Shareholder communications are a high priority for the Board and every effort is made to enable shareholders to understand the strategy, developments and financial performance of the Company. A financial announcement detailing the performance of the Company is released to the Bermuda Stock Exchange on a quarterly basis and is available for viewing on the Company's website. 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 also kept fully appraised of all market commentary on the Company by the Investment Manager and other professional advisers. Through this process, the Board seeks to monitor the views of shareholders and to ensure that the Company's communication programme is effective.

The Chairman and the Investment Manager will be available during each Annual General Meeting to answer any questions that attending shareholders may have.

## Valuation of Unlisted Investments

The majority of Somers' investment portfolio consists of unlisted investments. The valuation of these investments is the responsibility of the Somers Board with valuation support and analysis provided by the Valuation Department of 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 investment. 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 International Private Equity and Venture Capital valuation board which set out recommended practice for fair valuing 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. Valuations of the investment portfolio are performed at each quarter end and more frequently as required.

Please refer to note 18 of the audited financial statements for more details on Somers' unlisted investments and the valuation methodologies adopted.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board has responsibility for setting the overall strategic direction of the Company. 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 the:

- 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.

The Board considers that the Company's risk profile has remained 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. The Board also considered the macro-economic environment and evolving risks such as cyber security.

For risk management purposes, the Company categorises risk within two broad categories—investment risk and business operational risk.

### Investment Risk

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

The Company and its investments are materially affected by a variety of risks and uncertainties in the global financial markets and economic conditions throughout the world. These risks and uncertainties include, but are not limited to, interest rates, currency, investment prices, credit, liquidity, investment managers and valuations. These factors are outside the Company's 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. The Company 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 16 of the audited financial statements for a more detailed discussion of the above principal risks and uncertainties.

### 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. The ways in which risks may manifest themselves include: (1) failure in execution, delivery or process (such as data entry errors); (2) internal fraud (such as insider trading); (3) external fraud (such as forgery); (4) employment practices and workplace safety; (5) problems with clients, products or business practices (such as failing to protect confidential customer information); (6) business disruption and system failures (such as telecommunications outages); and (7) damage to physical assets (such as from natural disasters). 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 the Company's activities and the Company's objective is to manage operational risk so as to balance the limiting of financial losses and damage to its reputation while achieving its investment objective of generating returns to investors.

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# Independent Auditor's Report

To the Shareholders and Board of Directors
Somers Limited

We have audited the accompanying consolidated financial statements of Somers Limited and its subsidiaries (the Company), which comprise the consolidated statement of financial position as at September 30, 2015, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year ended September 30, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

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

## Auditors' Responsibility

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

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

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2015, and its financial performance and its cash flows for the year ended September 30, 2015, in accordance with International Financial Reporting Standards.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
January 27, 2016

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2015
(expressed in United States Dollars)

| **Assets** | **2015** | **2014** |
|---|---|---|
| Cash and cash equivalents (Note 15) | $ 1,108,676 | $ 216,418 |
| Other assets (Note 7) | 34,682 | 205,165 |
| Interest receivable (Note 15) | 520,134 | 86,003 |
| Loans and receivables (Note 6, 15) | 4,461,285 | 4,787,759 |
| Financial investments (Note 3, 15) | 209,864,255 | 218,284,392 |
| Total assets | 215,989,032 | 223,579,737 |
| **Liabilities** | | |
| Interest payable (Note 15) | – | 25,890 |
| Other liabilities (Note 8, 15) | 813,958 | 4,943,241 |
| Interest bearing loans and borrowings (Note 9, 15) | 6,000,000 | 3,500,000 |
| Total liabilities | 6,813,958 | 8,469,131 |
| Net assets | $ 209,175,074 | $ 215,110,606 |
| **Equity** | | |
| Capital stock (Note 10) | $ 1,179 | $ 1,130 |
| Contributed surplus (Note 10) | 162,674,966 | 155,685,600 |
| Treasury shares (Note 10) | – | (143,580) |
| Accumulated other comprehensive (loss) income | (3,838,932) | 457,791 |
| Retained earnings | 50,337,861 | 59,109,665 |
| Total equity | $ 209,175,074 | $ 215,110,606 |

See accompanying notes.

Signed on behalf of the Board:

**Warren McLeland**
Chairman

**David Morgan**
Director

## CONSOLIDATED STATEMENT OF INCOME

For the year ended September 30, 2015
(expressed in United States Dollars)

| Income | | 2015 | | 2014 |
|---|---|---|---|---|
| Interest income (Note 13, 15) | $ | 1,285,818 | $ | 2,064,080 |
| Interest expense (Note 15) | | (204,322) | | (1,369,890) |
| Net interest income | | 1,081,496 | | 694,190 |
| | | | | |
| Dividend income (Note 15) | | 2,587,780 | | 7,874,758 |
| (Losses) gains on investments (Note 14, 15) | | (3,129,227) | | 28,362,934 |
| Other income | | – | | 261,436 |
| Net foreign exchange losses | | (2,675,088) | | (519,915) |
| Impairment losses on available-for-sale financial investments (Note 3) | | – | | (958,921) |
| Total income | | (2,135,039) | | 35,714,482 |
| | | | | |
| **Expenses** | | | | |
| Investment management fees (Note 15) | | 534,783 | | 2,215,939 |
| Legal and professional fees (Note 15) | | 659,083 | | 563,181 |
| Audit and accounting fees | | 327,334 | | 216,364 |
| Directors' fees (Note 15) | | 67,333 | | 53,000 |
| General and administrative expenses (Note 15) | | 387,923 | | 484,293 |
| Total expenses | | 1,976,456 | | 3,532,777 |
| | | | | |
| (Loss) income before tax | | (4,111,495) | | 32,181,705 |
| Income tax expense | | (19,203) | | (9,170) |
| Net (loss) income | $ | (4,130,698) | $ | 32,172,535 |

See accompanying notes.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2015
(expressed in United States Dollars)

| | 2015 | 2014 |
|---|---|---|
| Net (loss) income for the year | $ (4,130,698) | $ 32,172,535 |
| **Other comprehensive loss** | | |
| Exchange differences on translation of foreign operations | (4,095,406) | (451,063) |
| Net (loss) gain on available-for-sale financial investments | (22,096) | 92,446 |
| Reclassification of gains on available-for-sale financial investments realised in net income | (179,221) | – |
| Other comprehensive loss | (4,296,723) | (358,617) |
| Total comprehensive (loss) income | $ (8,427,421) | $ 31,813,918 |

See accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2015
(expressed in United States Dollars)

| | Capital Stock | Contributed Surplus | Treasury Stock | Other Comprehensive Income (Loss) | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| October 1, 2013 | $ 1,070 | $ 148,472,640 | $ (549,900) | $ 816,408 | $ 30,885,462 | $ 179,625,680 |
| Net income for the year | – | – | – | – | 32,172,535 | 32,172,535 |
| Other comprehensive loss | – | – | – | (358,617) | – | (358,617) |
| Issue of share capital (Note 10) | 16 | 1,988,409 | – | – | – | 1,988,425 |
| Exercise of warrants (Note 10) | 62 | 7,448,758 | – | – | – | 7,448,820 |
| Net purchase of treasury stock (Note 10) | – | – | (1,817,905) | – | – | (1,817,905) |
| Cancellation of treasury stock (Note 10) | (18) | (2,224,207) | 2,224,225 | – | – | – |
| Dividends (Note 12) | – | – | – | – | (3,948,332) | (3,948,332) |
| September 30, 2014 | $ 1,130 | $ 155,685,600 | $ (143,580) | $ 457,791 | $ 59,109,665 | $ 215,110,606 |
| Net loss for the period | – | – | – | – | (4,130,698) | (4,130,698) |
| Other comprehensive loss | – | – | – | (4,296,723) | – | (4,296,723) |
| Issue of share capital (Note 10) | 30 | 4,166,328 | – | – | – | 4,166,358 |
| Exercise of warrants (Note 10) | 24 | 3,452,274 | – | – | – | 3,452,298 |
| Net purchase of treasury stock (Note 10) | – | – | (485,661) | – | – | (485,661) |
| Cancellation of treasury stock (Note 10) | (5) | (629,236) | 629,241 | – | – | – |
| Dividends (Note 12) | – | – | – | – | (4,641,106) | (4,641,106) |
| September 30, 2015 | $ 1,179 | $ 162,674,966 | $ – | $ (3,838,932) | $ 50,337,861 | $ 209,175,074 |

See accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended September 30, 2015
(expressed in United States Dollars)

| Operating activities | 2015 | 2014 |
|---|---|---|
| Net (loss) income | $ (4,130,698) | $ 32,172,535 |
| Adjustments to reconcile net (loss) income to cash flows used in operating activities: | | |
| Losses (gains) on investments | 3,129,227 | (28,362,934) |
| Foreign exchange losses on investments | 2,363,461 | 1,101,686 |
| Impairment losses on financial investments | – | 958,921 |
| Increase in interest receivable | (434,131) | (43,639) |
| Decrease (increase) in other assets | 170,483 | (205,165) |
| (Decrease) increase in interest payable | (25,890) | 25,890 |
| Decrease in other liabilities | (4,129,283) | (20,668,823) |
| Net cash used in operating activities | (3,056,831) | (15,021,529) |
| **Investing activities** | | |
| Net decrease in loans and receivables | 326,474 | 32,699,806 |
| Proceeds from sale of financial investments | 25,897,526 | 11,815,886 |
| Purchases of financial investments | (27,266,800) | (26,204,093) |
| Net cash (used in) provided by investing activities | (1,042,800) | 18,311,599 |
| **Financing activities** | | |
| Net increase (decrease) in interest bearing loans and borrowings | 2,500,000 | (8,005,454) |
| Proceeds from issue of shares | 7,618,656 | 9,437,245 |
| Net purchase of treasury stock | (485,661) | (1,817,905) |
| Dividends paid | (4,641,106) | (3,948,332) |
| Net cash provided by (used in) financing activities | 4,991,889 | (4,334,446) |
| Net increase (decrease) in cash and cash equivalents | 892,258 | (1,044,376) |
| Cash and cash equivalents, beginning of year | 216,418 | 1,260,794 |
| Cash and cash equivalents, end of year | $ 1,108,676 | $ 216,418 |

See accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015
(expressed in United States Dollars)

## 1. Description of Business

Somers Limited ("Somers") is a Bermuda exempted investment company listed on the Bermuda Stock Exchange with a number of investments in the financial services sector. Somers was incorporated on April 13, 2012, and started commercial operations on September 18, 2012.

Somers' registered office is at Bermuda Commercial Bank Building, 19 Par-la-Ville Road, Hamilton HM 11, Bermuda.

Somers is engaged in a single segment of business, focusing on maximising shareholder returns by identifying and investing in investments where the underlying value is not reflected in the market price.

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

As at September 30, 2015, the significant shareholders ("the Investor Group") in the Company, who held, in aggregate 89.18% (2014: 87.97%) of Somers' issued share capital, are as follows:

- Utilico Investments Limited ("Utilico") 49.52% (2014: 47.41%) which is incorporated in Bermuda;
- Permanent Investments Limited ("Permanent") 34.20% (2014: 35.08%) which is incorporated in Bermuda; and
- Permanent Mutual Limited ("Permanent Mutual") 5.46% (2014: Nil%) which is incorporated in Bermuda.

ICM Limited Nil% (2014: 5.48%) sold its entire holding of Somers ordinary shares to Permanent Mutual during the year.

These financial statements were authorised for issue in accordance with a resolution of the directors on January 27, 2016.

The Company has been deemed to meet the definition of an investment entity per IFRS 10 as it meets 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 investments is measured and evaluated on a fair value basis.

Further, the following characteristics which are typical of an investment entity are all present:

- The Company has more than one investment, and more than one investor.
- The Company has investors who are not its related parties.
- The Company has ownership interests in the form of equity.

The Company believes that accounting for its investments at fair value through profit and loss provides more relevant and useful information to the users of the financial statements and, from July 1, 2014, early adopted *Investment Entities (Amendments to IFRS 10, IFRS 12, and IAS 27)* ("the Amendments). The Amendments exempt an investment entity from consolidating its subsidiaries unless those subsidiaries provide services directly related to the parent company's investment activities. Non-consolidated subsidiaries are measured at fair value through profit and loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

The financial statements comprise the consolidated results of Somers, SI Asset Management Sarl, Somers Luxembourg Sarl, Somers UK (Holdings) Limited, Somers PTE. Ltd., Somers Treasury PTY Ltd and Somers AM PTY Ltd. Details of the non-consolidated subsidiaries and associates are included in notes 4 and 5 to the financial statements.

## 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 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 16.

## Investment Entity

The Company has been deemed to meet the definition of an investment entity per IFRS 10 and the Company early adopted *Investment Entities (Amendments to IFRS 10, IFRS 12, and IAS 27)* during the year ended September 30, 2014.

## Basis of Consolidation

The consolidated financial statements include the financial statements of the Company, SI Asset Management Sarl, Somers Luxembourg Sarl, Somers UK (Holdings) Limited, Somers PTE. Ltd., Somers Treasury PTY Ltd and Somers AM PTY Ltd. All intercompany balances and transactions are eliminated in full on consolidation. Non-consolidated subsidiaries, and associate undertakings held as part of the investment portfolio are carried at fair value through profit or loss and accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

## 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 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 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 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 fair values. The judgments include considerations of liquidity and model inputs such as revenue, EBITDA, estimated future cashflows, 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 18.

### *Impairment Losses on Loans and Advances*

The Company reviews its individually significant loans and advances to assess impairment at least on an annual basis. In particular, management judgment is required in the estimation of the amount and expected timing of future cash flows when determining impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ from current estimates resulting in future changes to the allowance.

### *Impairment of Available-for-Sale Financial Investments*

The Company reviews its securities classified as available-for-sale at each reporting date and more frequently when conditions warrant an impairment assessment. This requires similar judgments as those applied to the individual assessment of loans and advances.

The Company also records impairment charges on available-for-sale financial investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, management evaluates, among other factors, historical price movements, the extent to which the fair value of an investment is less than its cost and the duration of such decline.

## 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 foreign currency positions are reported under net exchange gains or losses in the consolidated statement of income.

On consolidation, 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 are recognised in a separate component of equity within 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 in the consolidated statement of cash flows consist of cash and term deposits which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and have original maturities of three months or less. Cash and cash equivalents may also include money market funds, which have daily liquidity and invest in highly liquid instruments, such as term deposits and commercial paper.

## Financial Instruments – Initial Recognition and Subsequent Measurement

### *Date of Recognition*

All financial assets and financial liabilities are initially recognised on the trade date basis, which is the date that the Company becomes a party to the contractual provisions of the instrument. This includes purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

### *Initial Recognition of Financial Instruments*

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities at fair value through profit or loss.

The Company classifies its financial assets into the following categories:

*Financial Assets and Financial Liabilities Designated at Fair Value through Profit or Loss*

Financial assets and financial liabilities designated at fair value through profit or loss are designated as such by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities, or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows of its host contract or it is clear, with little or no analysis, that it would not be separately recorded. This category comprises financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management. Derivatives are also categorised as held for trading, unless they are designated as hedges.

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of dividends, interest or increases in fair value, its investments (including those ordinarily classified as subsidiaries under IFRS 10, but exempted by that financial reporting standard from the requirement to be consolidated) are designated at fair value through profit or loss on initial recognition.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in their fair value are recorded in the consolidated statement of income.

*Financial Assets or Liabilities Held for Trading*

These assets and liabilities are recorded in the consolidated statement of financial position at fair value. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management. Items which may be included in this classification are debt securities, equities and customer loans which have been acquired for the purpose of selling or repurchasing in the near term.

*Derivatives Recorded at Fair Value through Profit or Loss*

Derivatives include foreign exchange forward contracts, index and equity option contracts, interest rate swap contracts, and warrants. Derivatives are recorded at fair value and carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives embedded in financial instruments, such as warrants, and the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not classified as held-for-trading or designated at fair value through profit or loss.

The embedded derivatives separated from the host contract are carried at fair value in the trading portfolio.

Changes in the fair value of derivatives are reported under gains or losses on investments for option contracts and under net exchange gains or losses for forward contracts in the consolidated statement of income.

### *Loans and Advances*

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short term resale and are not classified as held for trading, designated as available-for-sale, or designated at fair value through profit or loss. After initial measurement, loans and advances are measured at amortised cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The EIR amortisation is reported under interest income and losses arising from impairment are reported separately in the consolidated statement of income.

### *Available-for-Sale Financial Investments*

Available-for-sale financial investments include equity investments, debt securities and portfolio funds. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Changes in unrealised gains and losses, with the exception of foreign exchange gains and losses, which are recorded in the consolidated statement of income, are recognised directly in equity under other comprehensive income or loss. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is included in the gains or losses on investments in the consolidated statement of income.

Interest on available-for-sale financial investments is reported under interest income or expense in the consolidated statement of income using the EIR method, and dividends are recorded as dividend income in the consolidated statement of income or loss when the right of the payment has been established. The losses arising from impairment of such investments are reported under impairment losses on available-for-sale financial investments in the consolidated statement of income.

Investments in portfolio funds are initially recorded at cost and then carried at their net asset value (NAV) per unit at the consolidated financial position date which, if there are no restrictions on their redemption, represents the fair value of the investment.

## 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 18.

## Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

In assessing evidence of impairment, the Company evaluates, among other factors, counterparty/issuer/borrower financial information, the asset's historical share price, counterparty ratings, history of defaults, subordination, transaction nature, and other market and security-specific factors.

If there is objective evidence that an impairment loss has been incurred, the financial asset is written down to its realisable value, with the impairment loss being recognised in the consolidated statement of income. Any subsequent increase in the fair value of such assets that can be objectively related to an event that occurred after the impairment was initially recognised will result in a reversal of the impairment loss in the period in which the event occurs.

### *Financial Assets at Amortised Cost*

For financial assets carried at amortised cost (such as loans and advances), the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively, for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognised in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was initially recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the consolidated statement of income. Any impairment loss or recovery of impairment loss is reported separately in the consolidated statement of income.

### *Available-for-Sale Financial Investments*

For available-for-sale financial investments, the Company assesses at each reporting date whether there is evidence that an investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised, is reclassified from equity and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in the fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated statement of income.

## Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount of the asset is calculated as the greater of its value in use and its fair value less costs to sell. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

## Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The related income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

## Derivative Financial Instruments

The Company may use derivatives to manage its credit and market risk exposures. The Company does not use derivatives for trading or for speculative purposes, although certain derivatives may be embedded in the investments held by the Company.

Derivatives are carried at fair value and shown in the consolidated statement of financial position on a gross basis. These include exchange traded options, warrants and other derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. An embedded derivative is a component of a hybrid instrument that includes a non-derivative host contract, with the effect that some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivative. When an embedded derivative is separated, the host contract is accounted for based on accounting standards applicable to contracts of that type without the embedded derivative.

## Property and Equipment

Property and equipment is carried at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the property and equipment. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, which are up to fifty years for buildings, up to twenty five years for equipment, up to ten years for furniture and fixtures, up to four years for computer hardware, and the term of the lease for leasehold improvements. Land and certain property are not depreciated.

Subsequent costs, such as repairs and maintenance, are charged to the consolidated statement of income during the financial period in which they are incurred.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the consolidated statement of income in the period the asset is derecognised.

## Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised.

## 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.

### *Fees and Commissions*

Fees and commissions include fees and commissions earned from banking and custodial services, fund administration, trust, company management, financial, and corporate registrar services.

Income is recognised as revenue on the accrual basis over the period during which the services are provided.

### *Dividend Income*

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

### *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 shares. It also assumes 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 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.

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

When the Company holds its own equity instruments on behalf of its clients, those holdings are not included in the Company's consolidated statement of financial position.

### Income Taxes

Somers and its subsidiaries domiciled in Bermuda are not subject to income tax on the 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 and an income tax expense of $19,203 (2014:$9,170) was recorded in the consolidated financial statements.

### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

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

The following standards and amendments to existing standards effective for annual periods beginning on or after October 1, 2014, that are relevant, have been adopted by the Company:

### *Annual Improvements to IFRSs 2010-2012 Cycle (Amendments to IAS 24, 'Related Party Disclosures')*

On December 12, 2013, the International Accounting Standards Board (IASB) issued Annual Improvements to IFRSs 2010-2012 Cycle which provided clarification on 'management entity'. The IASB considered that an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity is also a related party of that reporting entity. These amendments are effective for periods beginning on or after July 1, 2014. The Directors have adopted these amendments and there is no impact on the Company's financial statements.

### *IFRS 12 Disclosures of Interests in Other Entities*

IFRS 12 does not affect the amounts recognised in the financial statements, but requires new disclosures about judgements made by the Board to determine whether control exists and to require summarised information on the Company's investees. These amendments are effective for periods beginning on or after January 1, 2014. The Directors have adopted these amendments and there is no impact on the Company's financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time in the financial year beginning October 1, 2014, that would be expected to have a material effect on the Company.

## New Standards and Amendments to Existing Standards That Are Relevant But Have Not Yet Been Adopted by The Company

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements and that may be relevant to the Company are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company does not intend to adopt these standards early.

### *IFRS 9 Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

### *IAS 1, Presentation of Financial Statements*

This has been amended to clarify or state the following:

- Specific single disclosures that are not material do not have to be presented even if they are the minimum requirement of a standard;
- The order of notes to the financial statements is not prescribed;
- Line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
- Specific criteria is now provided for presenting sub-totals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirement for the statement of profit or loss and OCI; and
- The presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

The amendment is effective for accounting periods beginning on or after January 1, 2016, with early adoption permitted.

### *Investment Entities, Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*

The amendments introduce clarifications on which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. IFRS 10 was amended to confirm that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. An investment entity shall measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. IAS 28 was amended to provide an exemption from applying the equity method for investment entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 was amended to clarify that the relevant disclosure requirements in the standard apply to an investment entity in which all of its subsidiaries are measured at fair value through profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Company will apply the new requirements when these amendments become effective. The Directors believe that the adoption of these amendments will not have a material impact in the financial statements of the Company.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.

## 3. Financial Investments

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

| | 2015 | 2014 |
|---|---|---|
| **Financial assets at fair value through profit or loss** | | |
| Equity investments | $ 188,816,911 | $ 195,356,074 |
| Debt securities | 20,192,084 | 20,102,115 |
| Total | $ 209,008,995 | $ 215,458,189 |
| **Available-for-sale finanical assets** | | |
| Equity investments | $ 855,260 | $ 2,826,203 |
| Total | $ 855,260 | $ 2,826,203 |
| Total financial investments | $ 209,864,255 | $ 218,284,392 |

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

| | 2015 | 2014 |
|---|---|---|
| **Financial assets at fair value through profit or loss** | | |
| Fair value at beginning of year | $ 215,458,189 | $ 166,812,881 |
| Purchase of investments | 27,266,800 | 21,736,450 |
| Proceeds from disposal of investments | (24,169,928) | – |
| Net fair value movement in the year (including foreign exchange gains and losses) | (9,546,066) | 26,908,858 |
| Fair value at end of year | $ 209,008,995 | $ 215,458,189 |
| **Available-for-sale financial assets** | | |
| Fair value at beginning of year | $ 2,826,203 | $ 11,139,594 |
| Purchase of investments | – | 4,467,643 |
| Proceeds from disposal of investments | (1,727,598) | (11,815,886) |
| Net fair value movement in the year (including foreign exchange gains and losses) | (243,345) | (965,148) |
| Fair value at end of year | $ 855,260 | $ 2,826,203 |
| Total financial investments | $ 209,864,255 | $ 218,284,392 |

### Impairment Losses on Financial Investments

During the prior year, the Company recognised impairment losses on available-for-sale financial investments, for which there had been a significant prolonged decline in fair value below their cost, as follows:

| | 2015 | 2014 |
|---|---|---|
| **Available-for-sale financial assets** | | |
| Equity investments | $ – | $ 958,921 |
| Total | $ – | $ 958,921 |

## 4. Subsidiary Undertakings

The following were subsidiary undertakings of the Company at September 30, 2015 and September 30, 2014.

| | Country of operation, registration and incorporation | Holdings and voting rights 2015 | 2014 |
|---|---|---|---|
| SI Asset Management Sarl | Luxembourg | 100% | 100% |
| Somers Luxembourg Sarl | Luxembourg | 100% | 100% |
| Somers UK (Holdings) Limited | United Kingdom | 100% | 0% |
| Somers PTE Ltd. | Singapore | 100% | 0% |
| Somers AM PTY Ltd. | Australia | 100% | 0% |
| Somers Treasury PTY Ltd. | Australia | 100% | 0% |

The Company, from July 1, 2014, early adopted *Investment Entities (Amendments to IFRS 10, IFRS 12, and IAS 27)*. 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 undertakings are as follows:

| | Bermuda Commercial Bank Limited ("BCB") | Resimac Treasury Services (UK) Ltd. ("RTSL") | Waverton Investment Management Limited ("Waverton") | Stockdale Securities Limited ("Stockdale") | West Hamilton Holdings Limited ("West Hamilton") |
|---|---|---|---|---|---|
| Country of registration, incorporation and operations | Bermuda | UK | UK | UK | Bermuda |
| Number of ordinary shares held | 7,003,318 | 100 | 10,750,000 | 311,675,119 | 1,659,390 |
| Percentage of ordinary shares held | 100% | 100% | 62.50% | 84.55% | 57.06% |

Somers acquired 100% of RTSL on June 30, 2015.

Westhouse Securities Limited changed its name to Stockdale Securities Limited on January 4, 2016.

At September 30, 2014, Somers held 436,441 (15.01%) of West Hamilton's common shares. In September 2015 Somers acquired from BCB 1,222,949 (42.05%) of West Hamilton's common shares bringing its total holding to 1,659,390 (57.06%) as at September 30, 2015.

At September 30, 2014, Somers held 29.33% of PCFG's common shares and was deemed to have control over PCFG by virtue of potential voting shares resulting from convertible loan notes that Somers held and its representation on the board of directors of PCFG. In September 2015 Somers sold its entire holding of shares and convertible loan notes in PCFG to BCB and at that point PCFG became a subsidiary of BCB.

Transactions with these related party undertakings are disclosed in note 15.

## 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, 2015:

| | Ascot Lloyd Holdings Limited ("Ascot Lloyd") | Merrion Capital Holdings Limited ("Merrion") | Incol Limited ("Incol") |
|---|---|---|---|
| Country of registration, incorporation and operations | UK | Ireland | Ireland |
| Number of ordinary shares held | 0 | 3,138 | 100,000 |
| Percentage of ordinary shares held | 0% (1) | 6.47% (2) | 23.81% |
| | £ (3) (Unaudited) | € (4) (Unaudited) | € (5) (Unaudited) |
| **Associate's consolidated statement of financial position:** | | | |
| Current assets | 2,366,954 | 16,199,706 | 357,455 |
| Non-current assets | 22,003,583 | 2,176,976 | – |
| Current liabilities | (1,567,163) | (3,918,708) | (21,550) |
| Non-current liabilities | (22,136,498) | (2,500,000) | – |
| Equity | 666,876 | 11,957,974 | 335,905 |
| **Associate's consolidated profit or loss:** | | | |
| Revenue | 13,828,200 | 11,104,493 | 6,681 |
| Expenses | (12,754,958) | (11,160,709) | (720,776) |
| Net profit (loss) after tax | 1,073,242 | (56,216) | (714,095) |

(1) Somers was deemed to have acquired significant influence over Ascot Lloyd, a UK holding company, by virtue of potential voting shares resulting from convertible loan notes that Somers held as of September 30, 2015 and its representation on the board of directors of Ascot Lloyd.

(2) Somers was deemed to have acquired significant influence over Merrion, an Irish holding company, by virtue of potential voting shares resulting from convertible loan notes that Somers held as of September 30, 2015 and its representation on the board of directors of Merrion.

(3) Amounts reported are based on the latest Ascot Lloyd accounts for the year to September 30, 2015. Figures are unaudited.

(4) Amounts reported are based on the latest Merrion accounts for the year to September 30, 2015. Figures are unaudited.

(5) Amounts reported are based on the latest Incol accounts for the year to September 30, 2015. Figures are unaudited.

Transactions with associate undertakings are disclosed in note 15.

## 6. Loans and Receivables

Loans and receivables at September 30 were as follows:

| | 2015 | 2014 |
|---|---|---|
| Loans to unconsolidated subsidiaries | $ – | $ 3,248,094 |
| Loans to associates | 4,461,285 | 1,539,665 |
| Total | $ 4,461,285 | $ 4,787,759 |

## 7. Other Assets

Other assets at September 30 were as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Accounts receivable | $ | – | $ | 205,165 |
| Prepayments and other receivables | | 34,682 | | – |
| Total | $ | 34,682 | $ | 205,165 |

Accounts receivable are not interest-bearing and are generally on terms of up to 30 days. The maximum exposure to credit risk and the fair value of the accounts receivable equate to the carrying amounts.

## 8. Other Liabilities

Other liabilities at September 30 were as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Accounts payable | $ | 182,987 | $ | 112,409 |
| Payables for financial investments purchased | | 255,400 | | – |
| Accrued investment management fees | | – | | 4,638,057 |
| Accrued liabilities | | 375,571 | | 192,775 |
| Total | $ | 813,958 | $ | 4,943,241 |

## 9. Interest-Bearing Loans and Borrowings

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

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Loan of $6,000,000 repayable July 2016 | $ | 6,000,000 | $ | – |
| Loan of $3,500,000 repaid November 2014 | | – | | 3,500,000 |
| Total | $ | 6,000,000 | $ | 3,500,000 |

### $6,000,000 Loan

This variable rate loan from the Bank of N.T. Butterfield is secured by a guarantee for $6,000,000 from ICM Limited and is repayable in full in July 2016. The loan carries an interest rate of the Butterfield Bank US$ base rate (3.75% as at September 30, 2015) plus 1.25% per annum.

### $3,500,000 Loan

This fixed interest rate loan from Utilico Investments Limited was unsecured and was repayable in full in December 2014. The loan carried an interest rate of 10.00% per annum and was repaid in full in November 2014.

### Compliance With Loan Covenants

Somers has complied with the financial covenants of its borrowing facilities during the 2015 and 2014 reporting periods, see note 10 for details.

## 10. 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 October 1, 2013 | 120,000,000 | $ | 12,000 | 10,695,790 | $ | 1,070 | $ | 148,472,640 |
| Issuance of 165,702 shares under dividend reinvestment plan | – | | – | 165,702 | | 16 | | 1,988,409 |
| Exercise of 620,735 warrants | – | | – | 620,735 | | 62 | | 7,448,758 |
| Cancellation of treasury stock | – | | – | (181,143) | | (18) | | (2,224,207) |
| Balance at September 30, 2014 | 120,000,000 | $ | 12,000 | 11,301,084 | $ | 1,130 | $ | 155,685,600 |
| Issuance of 297,597 shares under dividend reinvestment plan | – | | – | 297,597 | | 30 | | 4,166,328 |
| Exercise of 240,746 warrants | – | | – | 240,746 | | 24 | | 3,452,274 |
| Cancellation of treasury stock | – | | – | (46,622) | | (5) | | (629,236) |
| Balance at September 30, 2015 | 120,000,000 | $ | 12,000 | 11,792,805 | $ | 1,179 | $ | 162,674,966 |

### Treasury Stock

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Number of Shares | Amount | Number of Shares | Amount |
| Balance at beginning of year | 11,340 | $ 143,580 | 45,388 | $ 549,900 |
| Purchase of treasury stock | 35,282 | 485,661 | 148,095 | 1,829,905 |
| Sale of treasury stock | – | – | (1,000) | (12,000) |
| Cancellation of treasury stock | (46,622) | (629,241) | (181,143) | (2,224,225) |
| Balance at end of year | – | $ – | 11,340 | $ 143,580 |

### Regulatory Capital

Certain of Somers' unconsolidated subsidiaries have external regulatory capital requirements. BCB has complied with all minimum capital requirements prescribed by its regulator, the Bermuda Monetary Authority, for the current year. Waverton's lead regulator, the Financial Conduct Authority, sets and monitors capital requirements for Waverton and no breaches were reported during the year. Stockdale's regulator, the Financial Conduct Authority, sets and monitors capital requirements for Stockdale and no breaches were reported during the year.

With the exception of BCB, Waverton and Stockdale the other subsidiaries are not subject to external regulatory capital requirements.

### Loan Covenants

Under the terms of its bank borrowing facility, Somers is required to comply with the following financial covenants:

(a) Cash income to be a minimum of three times annual interest expense, and
(b) Minimum net assets of $150,000,000.

Somers has complied with these covenants throughout the year.

### Capital Management

The Company's capital levels are continuously reviewed by the Board of Directors in light of changes in economic conditions and the risk characteristics of the Company's activities. In order 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.

### Warrants Issued

On December 14, 2012, the Company issued 240,746 warrants over Somers shares to Utilico. The warrants had an exercise price of $14.34 per share and were due to expire on December 31, 2015. During the year all 240,746 warrants were exercised by Utilico for an exercise consideration of $3,452,298. At September 30, 2015, there are no warrants outstanding.

### Dividend Reinvestment Plan

The Company has established 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 average share price on the Bermuda Stock Exchange for a predetermined period prior to the dividend payment date.

## 11. Earnings Per Share

| | Net (Loss) Earnings | Weighted Average Shares | (Loss) Earnings Per Share |
|---|---|---|---|
| **2015 basic loss per share** | | | |
| Net loss | $ (4,130,698) | 11,624,454 | $ (0.36) |
| Add: incremental shares from assumed exercise of stock warrants (Note 10) | | – | |
| Adjusted weighted average shares outstanding | | 11,624,454 | |
| **Diluted loss per share** | | | |
| Net loss | $ (4,130,698) | 11,624,454 | $ (0.36) |
| **2014 basic earnings per share** | | | |
| Net profit | $ 32,172,535 | 11,135,076 | $ 2.89 |
| Add: incremental shares from assumed exercise of stock warrants (Note 10) | | – | |
| Adjusted weighted average shares outstanding | | 11,135,076 | |
| **Diluted earnings per share** | | | |
| Net profit | $ 32,172,535 | 11,135,076 | $ 2.89 |

## 12. Dividends

The Company declared and paid dividends as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Final dividend for the year ended September 30, 2014 of 22.0 cents (2013:20.0 cents) per common share. Paid February 2015 | $ | 2,538,463 | $ | 2,251,292 |
| Interim dividend for the year ended September 30, 2015 of 18.0 cents (2014: 15.0 cents) per common share. Paid July 2015 | | 2,102,643 | | 1,697,040 |
| Total | $ | 4,641,106 | $ | 3,948,332 |

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended September 30, 2015 and 2014 were as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Paid in cash | | 474,748 | | 1,959,907 |
| Satisfied by issue of shares | | 4,166,358 | | 1,988,425 |
| Total | $ | 4,641,106 | $ | 3,948,332 |

## 13. Interest Income

The Company earned interest income as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Loans and receivables | $ | 122,400 | $ | 1,762,672 |
| Financial assets at fair value through profit or loss | | 1,163,418 | | 301,408 |
| Total | $ | 1,285,818 | $ | 2,064,080 |

## 14. Gains on Investments

The Company recorded the following (losses) gains on investments:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Unrealised (losses) gains on investments | $ | (12,456,916) | $ | 28,271,077 |
| Realised gains on sale of investments | | 9,148,468 | | – |
| Total | $ | (3,308,448) | $ | 28,271,077 |
| **Available-for-sale financial assets** | | | | |
| Unrealised gains on investments | $ | – | $ | – |
| Realised gains on sale of investments | | 179,221 | | 91,857 |
| Total | $ | 179,221 | $ | 91,857 |
| Total (losses) gains on investments | $ | (3,129,227) | $ | 28,362,934 |

## 15. Related-Party Disclosures

As at September 30, 2015, the Investor Group held, in aggregate, 89.18% (2014: 87.97%) of Somers' common shares. Details of the Investor Group are disclosed in note 1.

The following are considered related parties of the Company: the Investor Group, General Provincial Life Pension Fund (L) Limited, which holds 61.8% of Utilico's ordinary shares, Mr Duncan Saville, who owns 100% of Permanent, Permanent Mutual and ICM, entities controlled by these entities and individuals, the subsidiaries of the Company set out under note 4, the associates of the Company set out under note 5, and the Board of Somers.

The following transactions were carried out during the year ended September 30, 2015, between the Company and its related parties above:

### Bermuda Commercial Bank Limited

Somers uses BCB for banking services and enters into transactions with BCB under the same terms as an unrelated party would receive. For the year ended September 30, 2015, Somers paid BCB interest and fees of approximately $53,005 (2014: $594,173) for banking services provided to Somers.

At September 30, 2015, Somers had deposits with BCB amounting to $823,303 (2014: $159,107).

Somers received $1,600,000 (2014: $7,500,000) of dividends during the year from BCB consisting of cash received of $1,005,257 (2014: $7,500,000) and a non-cash dividend in the form of £330,000 PCFG 6% convertible loan notes with a fair value of $594,743.

On September 17, 2015, Somers sold to BCB 15,553,800 shares in PCFG at their fair value of $4,467,574, and £5,830,446 of PCFG 6% convertible loan notes at their fair value of $19,702,354, for a total consideration of $24,169,929. The consideration received from BCB comprised a cash consideration of $4,772,027, and 1,222,949 shares in West Hamilton Holdings Limited at their carrying value, to BCB, of $19,397,902. No valuation of the shares in West Hamilton was performed at the time of the transaction. The fair value of the 1,222,949 shares at September 30, 2015, is $18,906,690, and together with Somers' existing holding of 436,441 shares, are carried at their combined fair value of $25,654,032 (see note 18).

On December 30, 2014, Somers provided a guarantee to BCB in relation to loans of £1,225,000 provided by BCB to Stockdale.

### Private & Commercial Finance Group plc

In October 2014 Somers received a dividend in the form of £330,000 PCFG 6% convertible loan notes from BCB. In September 2015 Somers sold to BCB its entire holding of 15,553,800 shares in PCFG and its entire holding of £5,830,446 PCFG 6% convertible loan notes. Somers received interest of $534,346 (2014: $95,370) from PCFG in relation to these convertible loan notes during the year.

### Waverton Investment Management Limited

Somers received $987,780 (2014: $Nil) of dividends during the year from Waverton.

During the prior year Somers provided loans to Waverton. These loans were fully repaid by Waverton during the year ended September 30, 2014. Waverton paid interest of $Nil to Somers in 2015 (2014: $1,517,839).

### Stockdale Securities Limited

At September 30, 2014, the balance of loans advanced from Somers to Stockdale Securities Limited amounted to £1,915,000. On December 17, 2014, Somers and Stockdale agreed to convert these loans into perpetual unsecured non-cumulative convertible loan notes with a face value of £1,915,000. The loan notes carry a fixed interest rate of 7% for calendar year 2015, increasing to 8% thereafter. The loan notes may be converted at any time and upon conversion Somers would own 9.6% of Stockdale's issued share capital. During the year Somers charged Stockdale interest of $203,269 (2014: $224,601) on these loan notes of which $334,464 was receivable at September 30, 2015.

At September 30, 2015, Somers held £50,000 (2014: £50,000) Stockdale perpetual convertible loan notes issued on August 9, 2010.

During the year Somers paid Stockdale $15,932 (2014: $42,117) for consultancy services, which is included in legal and professional fees in the consolidated statement of income.

Somers has issued a guarantee to a third party asset manager in relation to brokerage operations provided by Stockdale to that asset manager. The Directors believe the probability of the guarantee being called upon is remote and no fee was charged for this guarantee.

### West Hamilton Holdings Limited

In September 2015 Somers acquired from BCB 1,222,949 shares in West Hamilton at their carrying value, to BCB, of $19,397,902. This transaction reduced BCB's holding of West Hamilton shares to nil and increased Somers' holding to 1,659,390 shares representing 57.06% of West Hamilton's issued shares.

Somers received $Nil (2014: $65,213) dividends during the year from West Hamilton.

### Resimac Limited ("Resimac")

Resimac is a related party as it is controlled by entities that also control Somers. In September 2015 Somers acquired, from a third party, 490,452 equity shares in Resimac, representing 2.21% of Resimac's issued share capital, for a consideration of 1,007,869 Australian Dollars ("A$"). The shares were acquired on an arm's length basis.

During the year, Somers sold available-for-sale securities to Resimac at a market value of A$795,662.

### Resimac Treasury Services (UK) Ltd ("RTSL")

In June 2015 Somers acquired 100% of RTSL from Resimac Limited, a related party, for a consideration of A$100.

RTSL's primary asset is a subordinated tranche of mortgage backed floating rate notes of Resimac UK RMBS No.1 plc ("UK RMBS") with a face value of £23,265,704. UK RMBS is a special purpose vehicle set up to issue mortgage backed floating rate notes as part of the securitisation of a portfolio of UK residential mortgage loans. Under the terms of the acquisition agreement, Somers assumed all of RTSL's liabilities including promissory notes with a face value of £10,000,000.

No valuation of RTSL was performed at the time of the acquisition. The fair value of the interest in RTSL at September 30, 2015, is $7,969,650. The difference between the purchase price and the year end fair value is recorded in the consolidated statement of income as a gain on financial investments.

There were no other transactions with RTSL during the current or prior year.

### Ascot Lloyd Holdings Limited

During the year Somers acquired a 6% convertible loan note in Ascot Lloyd with a par value of £2.0 million and as at September 30, 2015, had three 6% convertible loan notes with a combined par value of £5.2 million. Upon conversion of the three convertible loans Somers would own 44.0% of Ascot Lloyd's diluted issued share capital.

In addition, during the year Somers provided a loan facility to Ascot Lloyd of £2.0 million bringing total loan facilities to £3.2 million, of which £2.95 million was drawn down as at September 30, 2015. The facilities have five year terms with interest currently payable at 6%.

During the year Ascot Lloyd paid interest of $448,178 (2014: $188,367) to Somers of which $161,501 was receivable at September 30, 2015.

### Merrion Capital Holdings Limited

In July 2014 Somers acquired 3,138 equity shares in Merrion for a consideration of €0.75 million and acquired €2.5 million of 3.5% convertible loan notes issued by Merrion. Upon conversion of the convertible loan notes Somers would own 21.77% of Merrion's diluted issued share capital. During the year Somers received interest of $98,889 (2014: $23,615) from Merrion.

### Incol Limited

In July 2014, Somers acquired a 24% interest in Incol. There were no transactions with Incol during the current year.

### Utilico Investments Limited

In September 2014 Somers received a $3,500,000 loan from Utilico. This unsecured loan carried a fixed interest rate of 10% and was repayable on December 15, 2014. The loan was repaid in full in November 2014. During the current year Somers received additional loan facilities of $2,750,000 from Utilico of which $2,665,000 was drawn down. These loans were unsecured, carried a fixed interest rate of 5% and were repayable on March 31, 2016. These loans were repaid in full on September 20, 2015, and the loan facilities were terminated on that date. Somers paid interest of $70,494 (2014: $25,890) to Utilico on these loans.

### ICM Limited

ICM Limited is the investment manager of Somers, BCB, Utilico and investment advisor to BCB. The Directors of ICM are Duncan Saville, Charles Jillings and Alasdair Younie. Mr Jillings and Mr Younie are Directors of Somers and Mr Saville became a director of Somers with effect from December 10, 2014.

In December 2014, Somers entered into a revised investment adviser agreement with ICM. This revised agreement replaced an agreement entered into in December 2012 and remains in force until 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.

Somers has agreed to pay ICM an annual fee for its advisory services equal to 0.50% (payable quarterly in arrears) of the gross asset value of Somers' financial investments. For the year ended September 30, 2015, this fee amounted to $534,783 (2014: $383,865), of which $Nil remained payable at year end. Included within the terms of the revised investment adviser agreement is a performance fee payable to ICM if the growth in the Company's shareholders' 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 shareholders' equity exceeds the Hurdle Rate. The growth in Somers' shareholders' equity did not exceed the Hurdle Rate in 2015 and therefore no performance fee was payable for the year ended September 30, 2015 (2014: $1,832,074).

ICM provided administration and other professional services to Somers for which Somers paid fees of $81,551 (2014: $50,000).

During the year Somers entered into an agreement with ICM, whereby ICM agreed to guarantee a $6,000,000 bank loan obtained by Somers. The annual fee for this guarantee is 1% ($60,000) of which $15,000 was expensed in the year ended September 30, 2015.

On April 1, 2015, Somers obtained a $4,166,525 loan facility from ICM. This loan was unsecured, carried a fixed interest rate of 5% and was repayable on March 31, 2016. The loan was repaid in full on September 20, 2015, and the loan facility was terminated on that date. Somers paid interest of $55,610 to ICM on the loan.

### The Board of Directors

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

| | 2015 | 2014 |
|---|---|---|
| **Directors beneficial share interests** | | |
| Duncan Saville | 4,677,540 | 4,584,591 |
| Charles Jillings | 83,000 | 83,000 |
| Warren McLeland | 43,006 | 14,341 |
| David Morgan | 6,750 | 6,750 |

Michael Collier, who retired as a Director on December 10, 2014, held 28,121 shares as at September 30, 2014.

The Company's directors' fees for the year ended September 30, 2015, amounted to $67,333 (2014: $53,000).

Charles Jillings was a director of Waverton during the year ended September 30, 2015, and received directors' fees of $61,981 for the year (2014: $66,196). Alasdair Younie was a director of West Hamilton and BCB during the year ended September 30, 2015, and received directors' fees of $6,500 and $30,875, respectively, in the year (2014: $6,500 and $5,000). Duncan Saville was a director of West Hamilton during the year ended September 30, 2015, and received directors' fees of $6,500 in the year (2014: $6,500). David Morgan was a director of BCB, Waverton, PCFG and Ascot Lloyd during the year ended September 30, 2015, and received directors' fees of $42,000, $61,981, $25,180 and $18,594, respectively (2014: $40,000, $66,196, $24,824, $19,859). Morwill Ltd, a company related to Mr. Morgan also received fees for providing services to Somers of $129,291 for the year (2014: $124,206) . Michael Collier, who retired from the Somers' board on December 10, 2014, was a director of West Hamilton during the year ended September 30, 2015. Mr Collier received directors' fees of $4,863 for the period October 1, 2014 to December 10, 2014 (October 1, 2013 to September 30, 2014: $25,000).

BCB also provides banking services to directors under normal commercial terms. At September 30, 2015, directors and parties associated with directors had deposit balances with BCB of $516,233, (2014: $58,167). At September 30, 2015, total loans and advances provided to directors by BCB amounted to $8,196 (2014: $1,901,370).

## Other

In addition, the following transactions were carried out during the year between the Company's subsidiaries and related parties:

### *BCB*

BCB provides banking services and enters into transactions with related parties of Somers under the same terms as an unrelated party would receive. Outstanding balances and/or transactions with related parties of Somers were as follows:

*Available-for-sale Financial Investments*

At September 30, 2015, BCB held $Nil investments in its available-for-sale portfolio which are considered related (2014: $5,445,552).

BCB sold $Nil securities to related parties during the year (2014: $1,500,000).

BCB purchased $Nil securities from related parties during the year (2014: $1,500,000).

*Loans and Advances to Customers*

At September 30, 2015, BCB had total loans and advances receivable from related parties of Somers amounting to $16,946,833 (2014: $18,130,111), of which $5,973,481 (2014: $2,038,645) was unsecured and $10,973,352 (2014: $16,091,465) was secured by the related parties' cash and portfolio assets managed/custodied by BCB. The undrawn portion of credit facilities with related parties of Somers at September 30, 2015 totaled $393,924 (2014: $557,764).

For the year ended September 30, 2015, BCB earned net interest and fees of $669,805 (2014: $969,853) for banking services provided to related parties of Somers.

At September 30, 2015, BCB had investments in asset-backed notes in various securitisation entities established by Resimac, totaling $28,237,946 (2014: $31,653,936).

*Deposit Liabilities*

At September 30, 2015, BCB had deposit balances placed by Somers' related parties amounting to $132,164 (2014: $4,189,776).

*Investment Adviser Agreement with ICM*

BCB has entered into an investment adviser agreement with ICM and has agreed to pay ICM an annual fee for its advisory services equal to 0.50% of the value of BCB's investment portfolio. For the year ended September 30, 2015, such fees amounted to $1,051,132 (2014: $1,198,804) of which $Nil remained payable at year end (2014: $Nil). In addition, pursuant to a consultancy agreement, a fee of $100,000 (2014: $100,000) was paid to ICM for its consultancy services.

In addition, depending upon the performance of the portfolio, BCB may, in its sole discretion, determine that the Investment Adviser should receive a payment on account of the services provided. During the year ended September 30, 2015, BCB paid the Investment Adviser a discretionary performance fee of $710,307 (2014: $1,300,000) of which $441,307 remained payable at year end (2014: $Nil).

### *RTSL*

RTSL was acquired by Somers on June 30, 2015. Prior to that date RTSL had borrowed funds and issued promissory notes to entities related to Somers with a total face value of £10,000,000 with an interest rate of twelve-month Sterling LIBOR plus 8.5%. At September 30, 2015, the promissory notes were held by the following entities:

| | | 2015 |
|---|---|---|
| Bermuda Commercial Bank Limited | £ | 7,000,000 |
| Utilico Investments Limited | £ | 2,000,000 |
| Resimac Limited | £ | 1,000,000 |
| Total | £ | 10,000,000 |

In the period June 30 to September 30, 2015, RTSL accrued interest expenses of £240,498 on the promissory notes and at September 30, 2015, total interest payable was £572,571.

At September 30, 2015, RTSL had amounts owing to Resimac of A$3,316,055 relating to costs incurred by Resimac on behalf of RTSL prior to June 30, 2015.

## 16. Risk Management

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

The Company seeks to meet its investment objective by investing principally in a portfolio of unlisted companies. Derivative instruments may be used for purposes of hedging the underlying portfolio of investments. The Company has the power to enter into short and long term borrowings. In pursuing the objective, 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 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 exposure. 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 on-going 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 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 the Company's assets and liabilities, the Net Asset Value and the market price of the US Dollar equity shares. 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 Sterling, Euros, Australian 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 the 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. To date, the Company has not engaged in currency hedging.

The Company's underlying investments are denominated in Sterling, Euros, Australian 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 on-going basis. The Investment Manager discusses its 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.

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:

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Financial Assets | Financial Liabilities | Net Financial Assets | % of Company Net Financial Assets | Hedging Contracts | Net Exposure |
| Sterling | $ 83,451,125 | $ (32,539) | $ 83,418,586 | 39.9% | $ – | $ 83,418,586 |
| Euro | 4,013,948 | (27,234) | 3,986,714 | 1.9% | – | 3,986,714 |
| Australian Dollar | 717,451 | – | 717,451 | 0.3% | – | 717,451 |
| New Zealand Dollar | 510,799 | (255,400) | 255,399 | 0.1% | – | 255,399 |
| Total | $ 88,693,323 | $ (315,173) | $ 88,378,150 | 42.3% | $ – | $ 88,378,150 |

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Financial Assets | Financial Liabilities | Net Financial Assets | % of Company Net Financial Assets | Hedging Contracts | Net Exposure |
| Sterling | $ 97,264,471 | $ (11,337) | $ 97,253,134 | 45.2% | $ – | $ 97,253,134 |
| Euro | 4,516,419 | (23,364) | 4,493,055 | 2.1% | – | 4,493,055 |
| Australian Dollar | 995,683 | – | 995,683 | 0.5% | – | 995,683 |
| Singapore Dollar | 323,227 | – | 323,227 | 0.2% | – | 323,227 |
| Total | $ 103,099,800 | $ (34,701) | $ 103,065,099 | 47.9% | $ – | $ 103,065,099 |

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 after tax and on Net Asset Value (NAV) per share:

*Strengthening of US Dollar*

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Sterling | Euro | Australian Dollar | New Zealand Dollar | Singapore Dollar |
| Net income for the year | $ (8,341,859) | $ (398,671) | $ (71,745) | $ (25,540) | $ – |
| NAV per share - basic | $ (0.71) | $ (0.03) | $ (0.01) | $ (0.00) | $ – |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Sterling | Euro | Australian Dollar | New Zealand Dollar | Singapore Dollar |
| Net income for the year | $ (9,725,313) | $ (449,306) | $ (99,568) | $ – | $ (32,323) |
| NAV per share - basic | $ (0.86) | $ (0.04) | $ (0.01) | $ – | $ (0.00) |

*Weakening of US Dollar*

The relevant weakening of the reporting currency against the above currencies would have resulted in an 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 the risk of changes in interest rates relates primarily to its holding of convertible debt securities within its financial investments portfolio and its $6,000,000 variable rate bank loan. Apart from this bank loan, the Company had no floating rate debt obligations at September 30, 2015 or September 30, 2014. 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.

At September 30, 2015 the Company held convertible debt securities with a fair value of $20,192,084 (2014: $20,102,115). These securities had fixed interest rates. Apart from one security with a fair value of $1,408,830 that had no contractual maturity, the remaining term to maturity varied between two and five years with a weighted average of 3.3 years (2014: 2.6 years). Changes to prevailing interest rates or changes in expectations of future rates may result in an increase or decrease in the value of these securities. In general, if interest rates rise, the value of fixed income securities will decline and a decline in interest rates will have the opposite effect.

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 companies with comparably less debt.

External borrowings will only be undertaken if the Directors and the Investment Manager consider the prevailing interest rates 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, 2015, the Company had bank loans of $6,000,000 (2014: $Nil) with a variable interest rate, and non-bank loans of $Nil (2014: $3,500,000)

The majority of the Company's assets are non-interest bearing and the assets that do have interest rate exposure are entirely 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 and are impacted by interest rate fluctuations as such giving the Company variable loans and cash deposits. 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.

| | | 2015 | | 2014 |
|---|---|---|---|---|
| **Fixed rate instruments** | | | | |
| Financial assets | $ | 24,653,369 | $ | 24,889,874 |
| Financial liabilities | | – | | (3,500,000) |
| | $ | 24,653,369 | $ | 21,389,874 |
| | | | | |
| **Variable rate instruments** | | | | |
| Financial assets | $ | – | $ | – |
| Financial liabilities | | (6,000,000) | | – |
| | $ | (6,000,000) | $ | – |
| | | | | |
| Total interest rate sensitivity gap | $ | 18,653,369 | $ | 21,389,874 |

An increase in 100 basis points in interest rates as at the reporting date would have decreased net interest income by $60,000 (2014: $Nil). A decrease of 100 basis points would have increased net interest income by $60,000 (2014: $Nil).

As described above, a change in interest rates may impact the fair value of the Company's fixed rate debt instruments. An increase in 100 basis points in interest rates as at the reporting date would have reduced annual net income and shareholders' equity by approximately $625,731 (2014: $415,030). A decrease of 100 basis points would have had an equal but opposite effect on net income and shareholders' equity.

### *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 statement of comprehensive income, such changes in market conditions will affect net gains 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 18.

The Company also has direct exposure to assets that are publicly traded on various equity markets. These represent 0.41% (2014: 7.49%) of the Company's portfolio fair value as at September 30, 2015.

### (b) Liquidity Risk Exposure

The Company's financial instruments primarily 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 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 review 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 equity portfolio. Where the Investment Manager believes there may be upcoming liquidity requirements, they will take necessary action to ensure that adequate funds are available.

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

| 2015 | Less than 1 month | 1-3 months | 3 months - 1 year | More than 1 year | Total |
|---|---|---|---|---|---|
| **Financial asset by type** | | | | | |
| Cash and cash equivalents | $ 1,108,676 | $ – | $ – | $ – | $ 1,108,676 |
| Other assets | – | – | – | – | – |
| Interest receivable | 520,134 | – | – | – | 520,134 |
| Loans and receivables | – | – | – | 4,461,285 | 4,461,285 |
| Financial investments | – | – | – | 10,655,460 | 10,655,460 |
| Total | $ 1,628,810 | $ – | $ – | $ 15,116,745 | $ 16,745,555 |
| **Financial liability by type** | | | | | |
| Interest payable | $ – | $ – | $ – | $ – | $ – |
| Other liabilities | 813,958 | – | – | – | 813,958 |
| Interest-bearing loans and borrowings | – | – | 6,000,000 | – | 6,000,000 |
| Total | $ 813,958 | $ – | $ 6,000,000 | $ – | $ 6,813,958 |

| 2014 | Less than 1 month | 1-3 months | 3 months - 1 year | More than 1 year | Total |
|---|---|---|---|---|---|
| **Financial asset by type** | | | | | |
| Cash and cash equivalents | $ 216,418 | $ – | $ – | $ – | $ 216,418 |
| Other assets | 205,165 | – | – | – | 205,165 |
| Interest receivable | 69,876 | 16,127 | – | – | 86,003 |
| Loans and receivables | – | – | – | 4,787,759 | 4,787,759 |
| Financial investments | – | – | – | 20,102,115 | 20,102,115 |
| Total | $ 491,459 | $ 16,127 | $ – | $ 24,889,874 | $ 25,397,460 |
| **Financial liability by type** | | | | | |
| Interest payable | $ 25,890 | $ – | $ – | $ – | $ 25,890 |
| Other liabilities | 112,409 | – | 4,638,057 | – | 4,750,466 |
| Interest-bearing loans and borrowings | 3,500,000 | – | – | – | 3,500,000 |
| Total | $ 3,638,299 | $ – | $ 4,638,057 | $ – | $ 8,276,356 |

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

### (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 including BCB, a subsidiary of the Company.

The Company is exposed to the risk of non-payment of loans and debt securities provided to investee companies. 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.

The Company's principal custodians are BCB and JPMorgan Chase Bank. The Company has an on-going contract with BCB for the provision of custody services and Somers uses JPMorgan Chase Bank 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 duties (or cause similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk regularly through meetings with ICM.

The Company's policy is to provide financial guarantees only for subsidiaries' liabilities. As set out in note 15, at September 30, 2015, the Company had issued one guarantee to a third party asset manager in relation to brokerage operations provided by a subsidiary.

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

| | 2015 | 2014 |
|---|---|---|
| Cash and cash equivalents | $ 1,108,676 | $ 216,418 |
| Other assets | – | 205,165 |
| Interest receivable | 520,134 | 86,003 |
| Loans and receivables | 4,461,285 | 4,787,759 |
| Financial investments | 20,192,084 | 20,102,115 |
| Total | $ 26,282,179 | $ 25,397,460 |

### (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 amount. 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 professional advice 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 18.

### (e) Reliance on Investment Manager

The Company relies on the Investment Manager and its ability to evaluate investment opportunities and to further develop the Company's investments. 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.

## 17. 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 to maximise shareholder returns.

## 18. 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

#### *Available-for-Sale Financial Investments*

There were no available-for-sale financial assets valued using valuation techniques during the year ended September 30, 2015 or 2014.

#### *Fair Value Through Profit or Loss Financial Investments*

Financial assets at Fair Value through Profit or Loss that are valued using valuation techniques include unquoted equity and debt securities. These 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 usually developed from recognised valuation models. 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 on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from such models are adjusted for any other factors, such as controlling interest, 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 valuation. 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 have been discounted to reflect the illiquid nature of the investment. These discounts have ranged between 10% and 30% depending on the nature and characteristics of each investment.

### Waverton - UK Incorporated
Valuation inputs: Maintainable EV/EBITDA multiple of 10.8 times. Unlisted discount applied of 10%.

Valuation Methodology: Waverton has been valued based on peer comparisons and in particular EV/EBITDA. Listed peer valuations average 10.8 times for 2015. After applying a 10% discount the valuation is £55.0 million (2014: £65.8 million). Somers holds a 62.5% equity interest in Waverton and, as at September 30, 2015, carried this investment at £34.4 million (2014: £41.1 million).

Sensitivities: Should the EBITDA of Waverton move by £1.0 million the gain or loss in valuation would be £6.1 million. Should the peer group multiple ascribed to Waverton's EBITDA be reduced/increased by 1.0 the change in valuation for Somers would be £3.6 million.

### BCB - Bermuda Incorporated
Valuation inputs: Sum-of-the-parts valuation.

Valuation Methodology: Fair value of BCB's identifiable assets and liabilities. Somers has a 100% interest in BCB and this was valued at $100.8 million (2014: $113.8 million).

Sensitivities: Should BCB's net assets increase/decline by 10% there would be an equal 10% change in the valuation.

### West Hamilton - Bermuda Incorporated
Valuation inputs: Fair value of West Hamilton's identifiable assets and liabilities.

Valuation Methodology: Somers has a 57.06% interest in West Hamilton. Somers' holding which was valued at $25.7 million at 30 September 2015. At September 30, 2014, Somers had a 15.01% direct interest in West Hamilton valued at $6.8 million.

Sensitivities: Should West Hamilton's net assets increase/decline by $5.0 million the gain/loss in valuation would be $2.9 million.

### Ascot Lloyd - UK Incorporated
Valuation inputs: Maintainable EV/EBITDA multiple of 12.0 times. Unlisted discount applied of 20%.

Valuation Methodology: The Ascot Lloyd convertible loan notes are valued by separately valuing their loan and option components and aggregating the two values. Ascot Lloyd's equity, which forms the basis for the valuation of the option component, has been valued based on peer comparisons and in particular EV/EBITDA. Listed peer valuations average 12.0 times for 2015. After applying a 20% discount, Ascot Lloyd was valued at £23.8 million.

Sensitivities: Somers' holding of Ascot Lloyd convertible notes was valued at £10.6 million at September 30, 2015. Should the value of Ascot Lloyd's equity increase/decrease by 10% there would be a £1.0 million increase/£1.0 million decrease in valuation for Somers.

### Other
Valuation Methodology: Somers has a further six unlisted holdings with values from $0.3 million to $8.0 million each. These were valued using a mixture of cost for recent investments, where no material events had taken place since acquisition which would impact fair value, EV/EBITDA, EV/Revenue, fair value of net assets, discounted cash flows using market rates, and using fair value for the equity portion of convertible loan notes. The total value of these six holdings was $14.6 million at September 30, 2015.

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

| | 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss** | | | | |
| Equity investments | $ – | $ – | $ 188,816,911 | $ 188,816,911 |
| Debt securities | – | – | 20,192,084 | 20,192,084 |
| | $ – | $ – | $ 209,008,995 | $ 209,008,995 |
| **Available-for-sale financial assets** | | | | |
| Equity investments | $ 855,260 | $ – | $ – | $ 855,260 |
| | 855,260 | – | – | 855,260 |
| Total | $ 855,260 | $ – | $ 209,008,995 | $ 209,864,255 |

| | 2014 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss** | | | | |
| Equity investments | $ 3,403,086 | $ – | $ 191,952,988 | $ 195,356,074 |
| Debt securities | – | 11,678,090 | 8,424,025 | 20,102,115 |
| | 3,403,086 | 11,678,090 | 200,377,013 | 215,458,189 |
| **Available-for-sale financial assets** | | | | |
| Equity investments | 2,826,203 | – | – | 2,826,203 |
| | 2,826,203 | – | – | 2,826,203 |
| Total | $ 6,229,289 | $ 11,678,090 | $ 200,377,013 | $ 218,284,392 |

Movement in Level 3 financial instruments measured at fair value:

| | Equity Investments | Debt Securities | Total |
|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | |
| At October 1, 2013 | $ 161,840,509 | 2,832,200 | 164,672,709 |
| Total gains (losses) recorded in profit | 23,600,771 | (299,760) | 23,301,011 |
| Purchases | 6,511,708 | 5,891,585 | 12,403,293 |
| Disposals | – | – | – |
| At September 30, 2014 | 191,952,988 | 8,424,025 | 200,377,013 |
| Total (losses) gains recorded in profit | (23,724,833) | 5,682,114 | (18,042,719) |
| Purchases | 20,588,756 | 6,085,945 | 26,674,701 |
| Disposals | – | – | – |
| At September 30, 2015 | $ 188,816,911 | 20,192,084 | 209,008,995 |

There were no Level 3 available-for-sale financial assets held during the years ended September 30, 2015 and September 30, 2014.

There were no Level 3 financial liabilities held during the years ended September 30, 2015 and September 30, 2014.

There were no transfers between fair value levels during the year or the prior year.

## 19. Subsequent Events

Effective December 15, 2015, the Board of Directors resolved to pay a final dividend for the year ended September 30, 2015, in the amount of $0.24 per share to shareholders of record at January 11, 2016, and this was paid on January 18, 2016.

## Notes

## Notes

## Notes

## COMPANY INFORMATION

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