



# 2023

ANNUAL REPORT



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

SHAREHOLDERS' FUNDS

**£271.0**

MILLION

TOTAL ASSETS

**£360.3**

MILLION

ASSETS UNDER MANAGEMENT  
INDIRECTLY MANAGING OVER

**£22.2**

BILLION

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

## WHY SOMERS LIMITED?



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

### SOMERS' OBJECTIVE IS:

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

### SOMERS OFFERS SHAREHOLDERS:

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

### FINANCE SECTOR:

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

### SOMERS' INVESTMENT MANAGER:

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

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### FINANCIAL CALENDAR

#### Year End

September 30

#### Annual General Meeting

March 12, 2024

#### Half Year

March 31

### NATURE OF THE COMPANY

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

# CORPORATE STRUCTURE

Investment holdings as at September 30, 2023



BANKING / ASSET FINANCING			TECHNOLOGY
<p><b>54.4%</b></p> <p><b>Resimac Group Limited</b></p> <p><b>Non-bank Lender</b></p> <p>Australian and New Zealand mortgage securitisation business</p>	<p><b>49.2%</b></p> <p><b>Thorn Group Limited</b></p> <p><b>Asset Financing</b></p> <p>Australian financial services organisation providing alternative financing solutions to consumers and commercial</p>	<p><b>20.1%</b></p> <p><b>Terra Firma Capital Corporation</b></p> <p><b>Asset Management</b></p> <p>Focused on asset and wealth management activities and interests</p>	<p><b>39.8%</b></p> <p><b>ICM Mobility Group Ltd</b></p> <p><b>Technology</b></p> <p>UK holding company focused on the mobility sector for private and public transport, and invests in businesses shaping the digital transformation of the sector</p>
WEALTH MANAGEMENT		BROKERAGE SERVICES	FINANCIAL SERVICES
<p><b>61.4%</b></p> <p><b>Waverton Investment Management Limited</b></p> <p><b>Wealth Management</b></p> <p>UK Private wealth management business. £14.7 billion funds under management and administration</p>	<p><b>16.4%</b></p> <p><b>Aura Capital</b></p> <p><b>Wealth &amp; Funds Management</b></p> <p>A financial services business based in Asia Pacific providing wealth, funds management and corporate advisory solutions to clients</p>	<p><b>33.9%</b></p> <p><b>AK Jensen</b></p> <p><b>Hedge Fund Platform</b></p> <p>A global brokerage business which provides hedge fund services to both traditional hedge funds and digital asset funds</p>	<p><b>20.0%</b></p> <p><b>Mana Capital Limited</b></p> <p><b>Financial Services</b></p> <p>Leasing solutions for technology assets, plant and equipment to NZ public sector organisations and large corporates</p>

MANAGED BY ICM

## CHAIRMAN'S STATEMENT



Central Banks across the world have significantly raised interest rates over the last 12 months in order to combat inflation that arose following Covid-19 and the initial impact of the war in Ukraine. This has caused investors and businesses to re-evaluate what return they require from their investments. For the first

time in over a decade cash became an asset class that was investable. As such, equity markets, whilst rising in 2023 have been driven by a small number of large cap technology stocks.

Our investments have continued to produce strong operating results but this has not been reflected in the share prices of our listed investments. Resimac is a good example with its valuation now trading on a mid-single digit P/E ratio, despite reporting profit before tax of over A\$90 million. As a result of this environment Somers' net asset value ("NAV") per share as at September 30, 2023 was £11.10, with a loss for the year of £32.0 million. It is important to note that the majority of this loss is unrealised and relates to mark to market movements on our investment portfolio. Post the year end we have seen an increase in the value of a number of our investments.

With effect from October 1, 2022, Somers changed its functional currency from US Dollar to Sterling following the change in the composition of the shareholding group. Somers' investments are now predominantly in either Sterling or the Australian Dollar, Somers' major

shareholders report in Sterling and Somers' largest liability is in Sterling. The results for the previous year have been restated in Sterling.

Overall the underlying operating performances of our investments continued to be positive in 2023. Waverton Investment Management Limited ("Waverton") remains Somers largest investment and has again reported a year of strong investment performance and growth in its Assets under Management and Administration ("AuMA"). We believe that Waverton's robust investment performance will continue to attract new assets and we expect Waverton to continue to grow AuM moving forward. Resimac's results reduced in the current year but still remained solid against a backdrop of significant competition in the Australian mortgage market and higher interest rates. The company's share price was broadly flat during the year reflecting the uncertainty of the direction of the Australian housing market, the uncertain economic outlook and intense competition in the mortgage market. A detailed look at Somers' portfolio is set out from page 17 of this report.

Somers was negatively impacted during the year by a weaker Australian Dollar which fell by 8.7% against Sterling. This negative currency movement contributed to the valuation decreases of our Australian investments. Post the year end the Australian Dollar has strengthened which has had a positive impact.

During the year Somers made a number of small asset realisations and a number of investments in both existing and new investee companies. We sold our entire holding in Terra Firma, a TSX listed property financing company, as part of a full sale of the business.

**Continued uncertainty in global markets may present interesting investment opportunities in the coming year.**

We received distributions from Thorn Group Limited ("Thorn") of A\$28.1 million as Thorn returned funds to shareholders as part of a wind down of its business. Post the year end, Somers completed the acquisition of 100% of Thorn for A\$20.7 million. During the year our investment in MJ Hudson plc was reduced to zero as the company completed a fire sale of its businesses to satisfy liquidity constraints. However, combined with the wind down of PCF which continued during the year, we have learnt a number of valuable lessons which we will take forward in future investments.

The level of borrowings at Somers increased during the year to £84.0 million primarily due to increased related party borrowings which were used to fund investments and general working capital. Long term bank debt decreased during the year in line with scheduled loan repayments. Whilst the level of gearing has increased during the year, due to a combination of increased borrowings and the fall in the value of Somers' investments, an external gearing level of 31.9% as at September 30, 2023 remains low and within the Company's risk parameters. Somers regularly evaluates its treasury needs including how best to rebalance its debt profile through additional but lower cost bank borrowings to be used to repay the Company's higher cost related party borrowings. Whilst Somers remains fully invested, the income that Somers has received from its investee companies in 2023 should continue, and therefore the Company is well positioned to support its existing investments and make new investments in the coming year.

Somers did not pay a dividend during the year as the Company focused on supporting its investee companies.

We believe that we are approaching the top of this current interest rate cycle. However, there remains uncertainty as to the full impact of the interest rate increases on the global economy and how long rates will stay at these levels. Our investments have adjusted to the current higher cost of capital and we expect them to emerge stronger when rates are eventually reduced. The outlook for markets in 2024 is uncertain and there remains a significant geopolitical and economic risk that may have a material impact on market volatility. Importantly we have confidence that our investee companies can continue to perform well in this market and even flourish going forward. We anticipate that there will be a number of compelling investment opportunities over the coming year across the financial services sector, and therefore we are optimistic about Somers' future.

On a personal note I will be retiring from the Board at the AGM and will not be standing for re-election. I have thoroughly enjoyed my time on the Board and want to thank my fellow directors and ICM for their input and counsel over the years. I believe that the Company is well positioned and has a bright future.



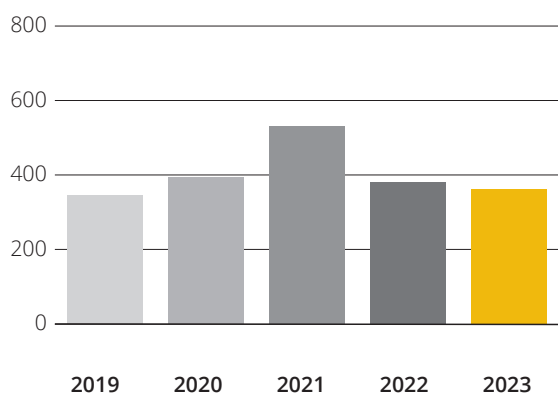
**Peter Durhager**

Chairman

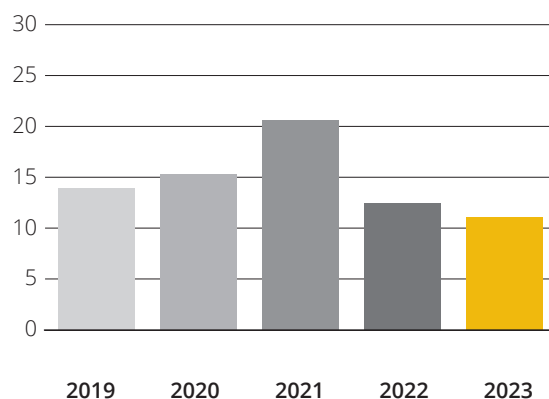
December 13, 2023

# FINANCIAL HIGHLIGHTS

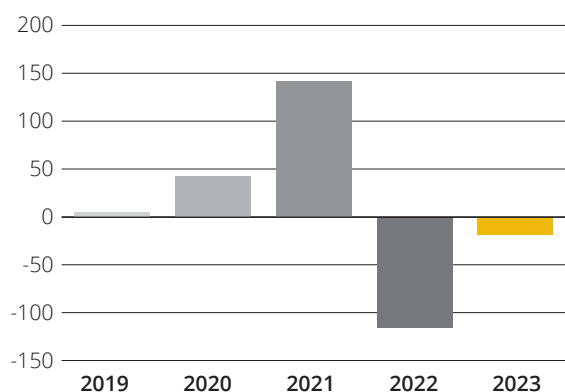
**TOTAL ASSETS** – GBP Million



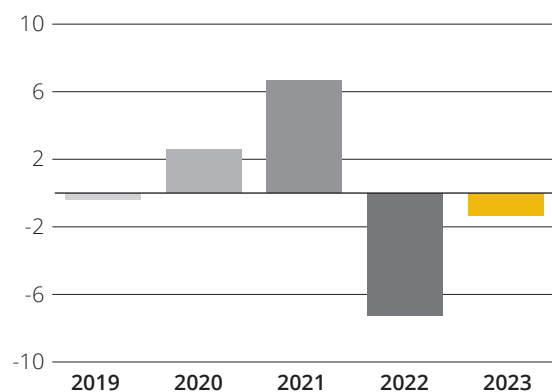
**NAV per Common Share (diluted)** – GBP



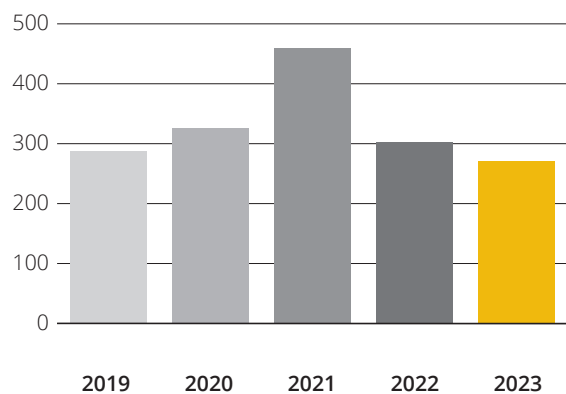
**NET INCOME** excluding Foreign Exchange – GBP Million



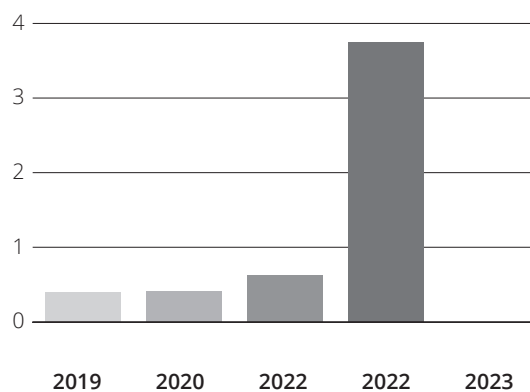
**EARNINGS** per Share (diluted) – GBP



**TOTAL EQUITY** – GBP Million



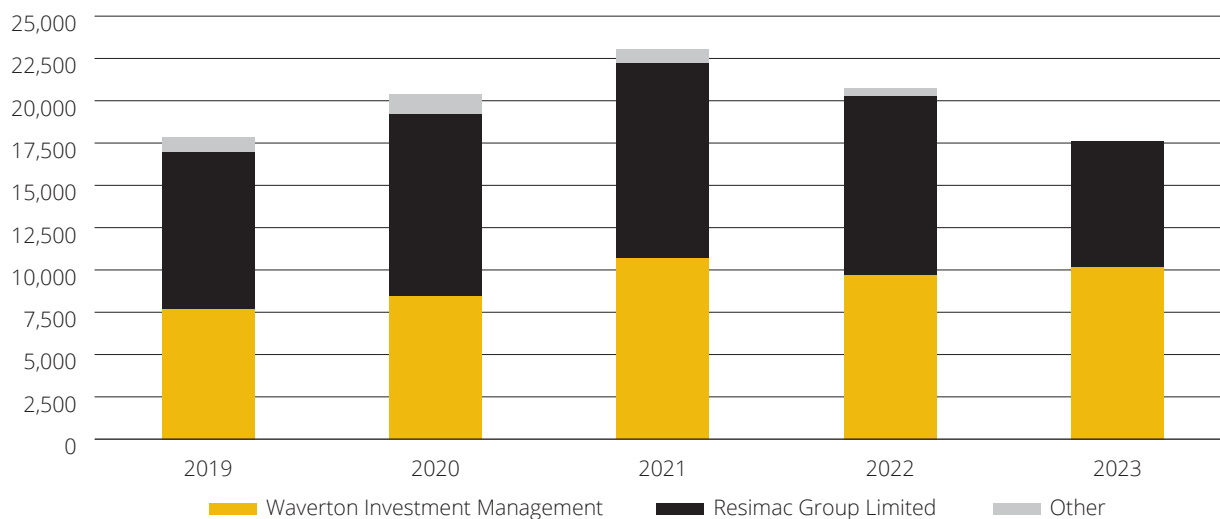
**DIVIDEND** per Common Share (diluted) – GBP





Year ended September 30, 2023	2023	2022
NAV per Share	£11.10	£12.42
Shares in Issuance (excluding shares held in treasury)	24.41m	24.41m
Total return per ordinary share	-10.61%	-33.38%
Ordinary dividend per share	-	374.0c
<b>Total assets</b>	<b>£360.33m</b>	<b>£379.32m</b>

SOMERS GROUP AuM – Subsidiaries (GBP Million)



We remain confident in our investee companies' ability to adapt to the changing world, and to deliver growth.

## KEY HIGHLIGHTS

### DEC 2022

Waverton received Investment Team of the Year at 2022 STEP Private Client Awards

### FEB 2023

Resimac announced half year results with NPAT of A\$40.7 million and Home Loan AuM of A\$14.7 billion

BNK Bank 1H23 Results: lending book growth totals \$1.2 billion, up 58%

### APR 2023

Waverton team announced in Spear's Magazine's 2023 Best Wealth Managers for High-Net-Worth Clients

Resimac Prices A\$1 billion Non-Conforming Residential Mortgage-Backed Security transaction

BNK Bank: Trading update shows total deposits up 65% from Q3 FY22

2022

2023

### MAR 2023

Resimac settled A\$1 billion Residential Mortgage Backed Securitisations ("RMBS") transaction

Aura Ventures Ranked as Top 10 VC per Astral

## AUG 2023

Resimac announced full year results with NPAT of A\$73.7 million and Home Loan AuM of A\$13.1 billion

AssetCo announced FCA approval of Ocean Dial Asset Management Limited acquisition

Resimac priced \$750 million dual-currency Prime RMBS

## JUN 2023

Thorn announced sale of Thorn Asset Finance Portfolio

AssetCo plc published its HY23 results, reporting a 39% increase in AuM

## JUL 2023

BNK Bank published its Q4 FY23 results, reporting a 30% year-on-year increase in total deposits

## MAY 2023

Waverton Investment Management published its 2022 Report and Accounts, showing net new assets up 42% from 2021

Somers and related parties announced a 19.9% strategic investment in Moneyme Limited

## SEP 2023

Terra Firma announced definitive agreement to be acquired in transaction valued at C\$46 million

ICM Mobility: Vix Technology announced the acquisition of myBus

Thorn entered into scheme implementation deed with Somers Limited

AssetCo: sale of interest in Rize ETF Limited and update on Parmenion

# GEOGRAPHICAL INVESTMENT EXPOSURE

(% of Total Investments)

BERMUDA	
Fair Value	£12.5m
% Total Investments	3.9%

UNITED KINGDOM	
Fair Value	£173.7m
% Total Investments	54.0%

AUSTRALIA	
Fair Value	£119.2m
% Total Investments	37.1%

ICM continues to focus on its long-term investment performance, and on ensuring that Somers' investments are able to deal with both current challenges along with the opportunities that will emerge.

# ABOUT THE COMPANY



## HIGHLIGHTS

### Somers underlying performance remains positive despite the higher interest rate environment.

Our investments continue to develop their business models to align with the economic environment of higher interest rates and the understanding that the rates are going to remain higher for longer as Central Banks combat high inflation following Covid-19. The majority of our investments have adjusted to this new paradigm and whilst valuations continue to be impacted we believe they have strong business models and should continue to grow as they move forward.

We completed 2023 with £22.2 billion AuM and total assets of £360.3 million whilst maintaining a modest level of leverage.

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## FINANCIAL REVIEW

Somers' financial highlights for the year ended September 30, 2023, are set out on page 6 and the results for the year are included in the attached financial statements. Following the change in the composition of the shareholding group, the Company determined that its optimal functional currency is Pounds Sterling and changed its functional and presentation currency from US Dollar to Sterling effective October 1, 2022. Accordingly, figures in this review are now presented in Sterling.

2023 was another volatile year for global markets which impacted Somers both through currency fluctuations and its impact on certain of our investment valuations. Somers' investment portfolio reduced to £321.6 million (September 30, 2022: £338.5 million) owing to the increasing interest rate environment and the impact on the valuations of financial services companies. Consequently, the Company recorded a £25.6 million loss on its investment portfolio (2022: loss of £133.7 million). This, along with currency losses, resulted in a net loss for the year of £32.0 million (2022: loss of £164.3 million) and shareholders' equity ended the year at £271.0 million (2022: £303.2 million). Basic and diluted loss per share was £1.31 compared to a basic and diluted loss of £7.24 last year. The annualised total return on shareholders' equity was negative 10.6%.

### INCOME

#### Losses on Investments

Somers recorded a £25.6 million loss on its investment portfolio for 2023 (2022: loss of £133.7 million). This loss comprised realised gains of £0.2 million and unrealised losses of £25.8 million respectively (2022: losses of £54.7 million and £79.0 million respectively). Investment gains and losses result from changes in the valuations of Somers' investments. The 2023 loss was driven principally by valuation decreases at ICM Mobility, Resimac, and PCF, but there were also more modest losses at other entities including MJ Hudson, Foxquilt Insurance Services ("Foxquilt"), and AssetCo. These losses were partially offset by gains at Waverton, AK Jensen, and Terra Firma.

Resimac makes up 33% of Somers' portfolio, and over the year its share price decreased by 6% from A\$0.975 per share to A\$0.915. Resimac reported a decline in financial results as monetary policy in Australia normalised and there was significant competition in the Australian mortgage market from the mainstream banking sector. This in turn contributed to the reduction in Resimac's share price. Resimac's funding position remained strong and its loan portfolio continues to perform.

The valuation of Somers holding in ICM Mobility decreased over the year as the comparable valuations of companies in the mobility payments sector reduced. PCF's value was reduced further in 2023 as the company is now in run off and any recoveries are expected to be modest.

Other 2023 valuation losses included MJ Hudson and AssetCo. The value of MJ Hudson was reduced to zero during the year following the delisting of its shares and the sale of its businesses.

Partially offsetting these losses were valuation gains at Waverton, Somers' largest investment, whose value was increased following an increase in their AuM and income. The asset growth was driven by a solid level of net new assets along with positive market performance. AK Jensen's carrying value increased following growth in their revenue levels and market gains in their wider sector while investment uplift was recorded for Terra Firma following the receipt of an offer for 100% of their share capital.

#### Net Interest Income

Interest income totalled £2.2 million (2022: £2.1 million), with almost all of this year's income coming from Somers loan to Provident Holdings Ltd ("Provident"). In July 2021, Somers completed the sale of Bermuda Commercial Bank Limited ("BCB"). The consideration for this sale was satisfied by a combination of cash and a loan facility of USD 52.8 million provided by Somers. This loan had a balance of \$42.8 million at September 30, 2023 and carries a fixed interest rate of 6.5%. Somers had no other material loans and receivables at year-end, so our

expectation is that interest income levels will be closely linked to the outstanding balance on the Provident loan until its final repayment.

Interest expense was £5.4 million in 2023 compared to £3.1 million a year earlier. The year on year increase followed the increase in borrowing levels and in particular the issuance of \$22.7 million of 6% loan notes towards the end of the last financial year. Non-bank borrowings also increased during the year primarily to fund investment opportunities. Our interest expense is anticipated to remain at 2023 levels through most of the current financial year but it should reduce from July 2024 onwards following repayment of the loan notes.

#### Dividend Income

Somers received distributions of £14.2 million during the year compared to £24.0 million in 2022. Of the dividends received, £9.3 million was received from Resimac and £2.9 million was received from Waverton, both of whom are generating positive levels of earnings and cash flow.

#### Foreign Exchange Movements

Somers changed its functional currency from US Dollar to Sterling effective October 1, 2022 and this change should reduce the level of foreign exchange volatility at Somers. However despite the currency change, foreign exchange losses remained high in 2023 as the main portfolio currencies depreciated against Sterling in 2023, resulting in net foreign exchange losses of £13.9 million for the year (2022: losses of £49.0 million). £116 million of Somers' net assets are denominated in Australian Dollars and during the year the Australian Dollar dropped 8.7% against Sterling. These losses were primarily unrealised. The UK has raised interest rates over the year and with the Australian economy being impacted by the slowdown in China, the result has been a weakening of the Australian Dollar against Sterling.

Currency risk is an integral consideration when making investments into non-Sterling denominated assets and ICM monitors currency movements on an ongoing basis. Foreign currency policy is discussed with the Board

on a regular basis and asset allocation or currency risk strategies may be altered as a result. There is no regular hedging of foreign currency as Somers is a long-term investor and currency fluctuations are expected to equal out over time. Somers may however engage in currency hedging to limit its exposure to currency fluctuations, although it did not engage in currency hedging throughout 2023. There were no open currency hedges at year end.

The net assets of Somers by currency and the sensitivity for further currency movements are shown in note 19 of the audited financial statements.

#### EXPENSES

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

Normal operating expenses, which exclude investment management fees, totalled £1.1 million for the year, the same level as the prior year (2022: £1.1 million).

Investment management fees are based on a fixed percentage of portfolio assets. The annual investment management fees decreased this year to £2.7 million (2022: £3.2 million) with the decrease resulting from a decrease in the size of the portfolio. No performance management fee was accrued for 2023 or 2022. Somers pays a performance fee on an annual basis upon the achievement of a cumulative hurdle rate of return based on shareholders' equity. The hurdle rate was not achieved in 2023.

#### ASSETS

Following valuation decreases and FX losses within Somers' investment portfolio, total assets ended the year lower at £360.3 million (2022: £379.3 million).

#### Financial Investments

The investment portfolio was £321.6 million at year end (2022: £338.5 million) with equity investments of £315.1 million accounting for 98.0% of this total. The

## FINANCIAL REVIEW (continued)

remaining 2.0% (£6.5 million) consisted of other financial investments.

Waverton at £137.8 million (2022: £130.1 million), Resimac at £105.4 million (2022: £123.0 million), and ICM Mobility at £30.5 million together represent 85.1% of total investments. It is anticipated that this concentration will continue to reduce as new capital flows, an increased but limited level of leverage, and net positive cash flows from existing investments allow for new investment opportunities. A table on page 17 sets out Somers' largest Investments, including individual company details.

Total investment cash purchases in 2023 were £11.9 million (2022: £10.8 million) and total 2023 cash disposals were £0.1 million (2022: £3.6 million). Somers is a long term investor with a strategy of supporting its core investments. The Company is building a portfolio of financial services companies, and the trading of investments within this portfolio is generally kept to a minimum. The investment activity in 2023 was funded from dividend income and borrowing. Investments during the year included the following:

- Additional investment of A\$3.2 million in BNK Banking Corporation Limited;
- Additional investment of £4.4m in AssetCo; and,
- Additional investment of C\$3.0 million in Foxquilt Insurance Services.

There were no material cash disposals during the year.

In addition to the above transactions, Somers also purchased from UIL its holdings in ICM Mobility and Snapper Services (UK) Limited for an aggregated consideration of £45.6 million. The consideration for these purchases was satisfied through the transfer to UIL of Somers' holdings in West Hamilton and two smaller ASX listed companies, along with a cash payment.

### Loans and Receivables

In July 2021 Somers sold its holding in BCB and the consideration for this sale was satisfied by a combination of cash and a vendor loan facility provided by Somers.

At September 30, 2023 the balance on this loan was \$42.8 million which is receivable in January 2024 unless extended under the terms of the loan facility. This loan is secured by the share capital of BCB.

As part of its investment strategy, Somers will occasionally provide lending facilities to companies within its investment portfolio. These facilities are typically used by the companies for growth or investment purposes and at September 30, 2023, such loan balances were £2.6 million (2022: £0.5 million).

### BORROWINGS

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

Total borrowings, which includes bank overdrafts and loan notes, were £84.0 million at September 30, 2023 (September 30, 2022: £69.8 million). The gearing ratio increased to 31.9% (2022: 24.1%) with the increase relating to both the higher level of borrowings and a decrease in the Company's shareholders' equity.

Interest bearing loans and borrowings increased to £65.4 million at September 30, 2023, from £49.4 million a year earlier. Borrowings consisted of bank loans of £36.6 million (2022: £41.6 million), and non-bank loans of £28.8 million (2022: £7.8 million). The bank loans consisted of a £32.5 million loan from The Bank of N.T. Butterfield & Son Limited and a \$5.0 million loan from BCB. Non-bank loans were provided by a significant shareholder of Somers, Union Mutual Pension Fund Limited, and their related party, Zeta Energy Pte Ltd. Non-bank loans were also provided by two investee companies, Resimac and Thorn.

To support its investment activity, Somers also utilises an overdraft facility with BCB and the balance on this facility was \$3.7 million at year end (2022: \$4.9 million).

In July 2022 Somers merged with SNB and all shareholders not associated with SNB were issued loan



notes amounting to \$21.00 for each ordinary share of Somers that they owned. The outstanding loan notes as of September 30, 2023 had a value of \$22.7 million. The loan notes have a two-year term and will be repaid in July 2024.

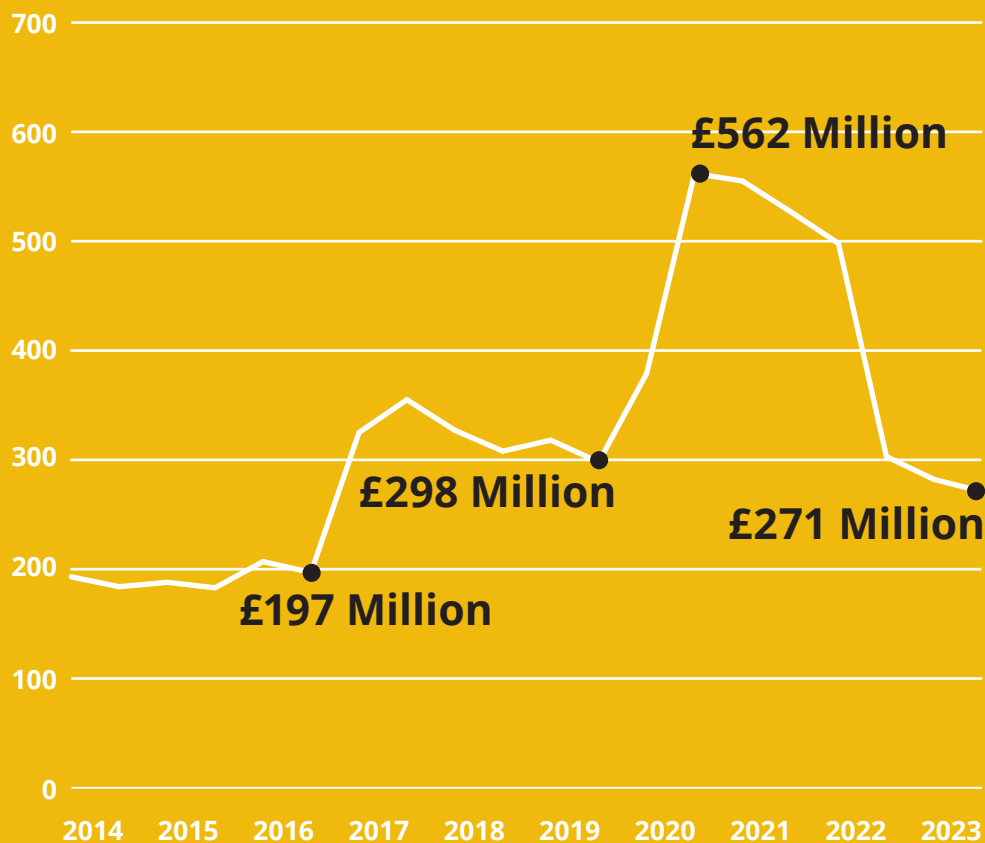
#### SHAREHOLDERS' EQUITY

Shareholders' equity decreased to £271.0 million at September 30, 2023 from £303.2 million a year earlier mainly as a result of the portfolio and exchange losses. With no buybacks or dividend reinvestments during the year, the number of issued shares remained unchanged at 24,410,115.



# SHAREHOLDERS' FUNDS

(GBP Million)

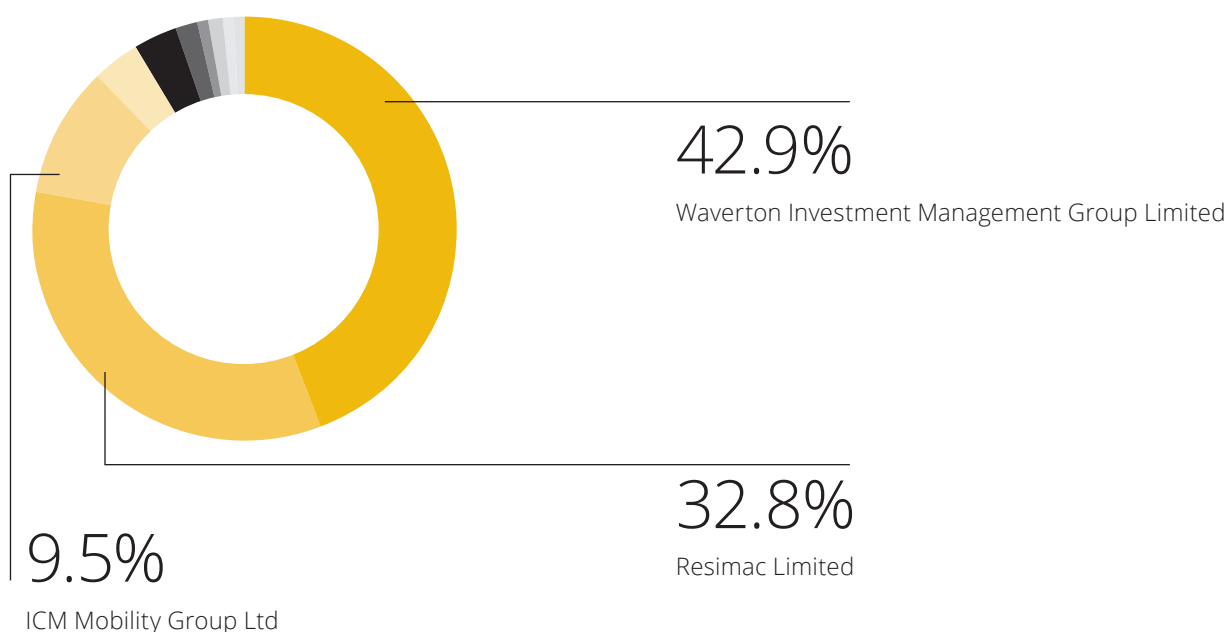


Somers' shareholders' funds ended the year at £271.0m (2022: £303.2 million), while its closing NAV per share ended the year at **£11.10** (2022: £13.82).

## TOP TEN INVESTMENTS

### CORE INVESTMENTS

Somers' investments are predominantly Bermuda, UK and Australia based with these three jurisdictions together accounting for 95.0% of total investments. In total, the Company's significant holdings account for 97.0% of total investments at September 30, 2023.



	Company	Country	Fair Value (£)	% of Total Investments
1	Waverton Investment Management Group Limited	UK	137,848,551	42.9%
2	Resimac Limited	Australia	105,388,861	32.8%
3	ICM Mobility Group Ltd	UK	30,523,440	9.5%
4	AK Jensen Group	Bermuda	11,580,881	3.6%
5	Thorn Group Limited	Australia	10,270,150	3.2%
6	Terra Firma Corp	Canada	4,832,680	1.5%
7	Mana Capital	NZ	3,358,997	1.0%
8	Aura Group	Singapore	3,340,088	1.0%
9	AssetCo	UK	2,717,794	0.8%
10	Adminis Limited	NZ	2,099,470	0.7%
	Significant investments		311,960,912	97.0%
	Other investments		9,608,803	3.0%
	<b>Total Investments</b>		<b>321,569,715</b>	<b>100.0%</b>

## SUMMARY OF CORE INVESTMENTS

Details of our Somers' top 8 investments are provided below. Details of Somers' subsidiary companies are provided in note 4 to the accounts.

### WAVERTON INVESTMENT MANAGEMENT LIMITED ("WAVERTON")



[www.waverton.co.uk](http://www.waverton.co.uk)

VALUATION

**£137.8** MILLION

Waverton is an award-winning London-based specialist investment manager which focuses on discretionary portfolio management for private clients, charities and institutions as well as offering a suite of in-house managed investment funds. Waverton reported AuMA as at September 30, 2023 of £14.7 billion, an increase of £2.3 billion from the prior year which was driven by strong net new assets and robust investment performance. Waverton's continued solid investment performance has assisted in driving net new assets against a macroeconomic environment which has not been strong for risk assets. For the 9 months ended September 30, 2023, Waverton earned revenue of £43.6 million, operating profit of £15.4 million, and net profit before tax of £9.4 million. During the year Waverton paid Somers dividends totalling £2.9 million.

REVENUE

**£43.6**  
MILLION

NET PROFIT  
BEFORE TAX

**£9.4**  
MILLION

### RESIMAC GROUP LIMITED ("RESIMAC")



[www.resimac.com.au](http://www.resimac.com.au)

VALUATION

**£105.4** MILLION

Resimac is a residential mortgage lender and multichannel distribution business specialising in prime and specialist mortgage lending. Resimac is one of Australia and New Zealand's premier non-bank lenders. It operates in targeted market segments and asset classes in Australia and New Zealand. Its primary activities are as a mortgage manager and in originating, servicing and securitising mortgage assets. As at June 30, 2023, Resimac reported a total home loan AuM of A\$13.1 billion, a decrease year on year of 14%. Resimac generated a normalised net profit after tax for the year ended June 30, 2023 of A\$73.7 million. Net interest income for the year was A\$222.5 million, a 7% decrease from 2022. Total loan settlements during the year was A\$3.7 billion. The asset finance division reported settlements of \$482 million and provisioning loan impairment expense decreased to A\$2.2 million. During the year, Resimac issued A\$2.4 billion of Australian and New Zealand Prime and Specialist RMBS.

NET PROFIT  
AFTER TAX

**A\$73.7**  
MILLION

NET INTEREST  
INCOME

**A\$222.5**  
MILLION

**ICM MOBILITY GROUP  
("ICM MOBILITY")**



[www.icmmobility.com](http://www.icmmobility.com)

**VALUATION**

**£30.5** MILLION

ICM Mobility is an unlisted investment company focused on the mobility sector, covering private and public transport. ICM Mobility invests in and partners with companies and government entities shaping the digital transformation of the mobility sector, from planning journeys and issuing smart tickets to streamlining electronic payments and providing insights. As at June 30, 2023, ICM Mobility had a number of investments including VixTech (an innovative, multi-modal automated fare collection platform that unifies account-based, closed loop and open payments into a single solution); Kuba (a modern and efficient and scalable ticketing solution provider); Snapper Services (provides mobile service based solutions designed to improve the customer experience and flexibility of transport ticketing systems) and Littlepay (offers a mass transit transaction payment solution for transit operators, authorities and agencies).

**NET ASSETS**

**£87.7**  
MILLION

**COMBINED  
REVENUES**

**\$130**  
MILLION

**AK JENSEN GROUP LIMITED  
("AKJ")**



[www.akj.com](http://www.akj.com)

**VALUATION**

**£11.6** MILLION

AKJ is a global brokerage business which provides hedge fund services to both traditional hedge funds and digital asset funds. AKJ's platform allows fund managers to set up a hedge fund at low cost, trade through AKJ's proprietary technology platform, and operate under the AKJ regulatory framework. This is attractive to new hedge fund managers who are often unable to incorporate a hedge fund due to the associated costs and regulatory burden. AKJ also offers a front-to-back, tier-one solution for digital asset hedge fund managers. During the year the value of crypto assets increased and since the year end they have increased materially. AKJ is expecting to list its Token, AKJx in early 2024 which will provide Somers with an opportunity to realise some of its investment. For the nine months ended September 30, 2023, AKJ reported revenue of \$12.6 million and an EBITDA loss of \$3.1 million. As at September 30, 2023 AKJ had 34 funds operating on its platform, held assets of \$501 million, and ecosystems assets were at an all-time high of \$1.2 billion

**ASSETS HELD**

**\$501**  
MILLION

**REVENUE OF**

**\$12.6**  
MILLION

## SUMMARY OF CORE INVESTMENTS (continued)

**THORN GROUP LIMITED**  
("THORN")



[www.thorn.com.au](http://www.thorn.com.au)

VALUATION  
**£10.3** MILLION

Thorn is an Australian asset financing company whose shares as at September 30, 2023 were listed on the ASX. Thorn is in the process of winding down its business and during the year sold its business asset finance portfolio to Resimac. In September 2023, Somers launched an offer to acquire 100% of Thorn. The offer completed post the year end. During the year Thorn returned A\$28.1 million to Somers by dividends and capital distributions. For the year ended March 31, 2023, Thorn reported revenue of A\$15.3 million (2022: A\$17.3 million) and a loss before tax of A\$1.3 million (2022: profit before tax of A\$12.9 million). Thorn's total equity as at March 31, 2023 was A\$51.0 million (which includes cash in the warehouse).

REVENUE	TOTAL EQUITY
<b>A\$15.3</b>	<b>A\$51.0</b>
MILLION	MILLION

**TERRA FIRMA CAPITAL CORP**  
("TERRA FIRMA")



[www.tfcc.ca](http://www.tfcc.ca)

VALUATION  
**£4.8** MILLION

Terra Firma is a real estate finance company that provides debt and equity financing to land developers in North America, with a primary focus on residential developments in "2nd tier" cities and in states with foreclosure friendly regulation. Terra Firma's shares are listed on the Toronto Stock Exchange. Terra Firma has found a profitable niche in developer financing and land banking and has been profitable each year since 2010. During the year an offer for 100% of the company was launched by GM Capital Corp. for C\$46 million. Post the year end the offer was accepted by shareholders and Somers sold its holding for C\$8.2 million. As at June 30, 2023, Terra Firma reported total assets of \$132.8 million and a book value per share of C\$10.50. For the same period they reported revenue of \$6.8 million, and net income of \$0.6 million.

TOTAL ASSETS	REVENUE
<b>\$132.8</b>	<b>\$6.8</b>
MILLION	MILLION

**MANA CAPITAL HOLDINGS LIMITED  
("MANA")**



[mclcapital.co.nz](http://mclcapital.co.nz)

**VALUATION**

**£3.4** MILLION

Mana is the holding company for MCL Capital Limited ("MCL"), a New Zealand operating lease provider. MCL aims to lend primarily to New Zealand government departments as well as large New Zealand corporates. MCL aims to minimise the risk of leasing assets by leasing only critical assets and/or multiple assets under different leases with overlapping time periods. Since inception, MCL has been growing its asset book and cash flows and the current sales pipeline of advanced deals is strong. In 2023, MCL wrote its first lease with New Zealand's Public Safety Network with a value of NZ\$35 million. During the year MCL successfully negotiated a new residual debt facility with Kiwibank (to replace Heartland Bank) with Westpac Banking Corporation remaining as senior lender. Somers remains interested in 20% of Mana. For the year ended March 31, 2023 MCL wrote NZ\$81.2 million of new leases, reported revenue of NZ\$53.0 million and net profit after tax of NZ\$0.5 million.

**REVENUE**

**NZ\$53.0**  
MILLION

**NEW LEASES**

**NZ\$81.2**  
BILLION

**AURA GROUP  
("AURA")**



[www.aura.co](http://www.aura.co)

**VALUATION**

**£3.3** MILLION

Aura Group is a financial services business providing tailored wealth, funds management and corporate advisory solutions to clients. It was founded in Australia in 2009, and its head office is now in Singapore with over 80 people across a number of offices across the Asia Pacific region including Sydney, Melbourne, and Singapore. Aura collectively manages and advises over A\$1 billion in both closed and open ended funds across a range of asset classes such as credit, private equity and venture capital, equities and real assets. The company's wealth management division advises families and family offices in areas such as legacy planning, investing, wealth protection and philanthropic endeavours. During the year Somers increased its holding in Aura to 16.4%. For the nine months ended September 30, 2023, Aura reported core recurring revenue of A\$10.0 million, core EBITDA loss of A\$0.6 million and gross assets under management and administration of A\$2.9 billion.

**REVENUE**

**A\$10.0**  
MILLION

**GROSS ASSETS UNDER  
MANAGEMENT AND  
ADMINISTRATION**

**A\$2.9**  
BILLION

# INVESTMENT MANAGER'S REPORT



ICM is the Investment Manager of Somers.

## OVERVIEW

The valuations of Somers investee companies have been impacted by actions taken by global central banks to reduce inflation, caused by Covid-19 and the war in Ukraine, by increasing interest rates. However, for the most part the investee

companies' operating models continue to perform strongly as they adapt to the new environment of restrictive monetary policy. Waverton remains Somers' largest investment and its investment performance continues to be solid leading to growth in its AuM. The strong investment performance not only grows existing AuM but is an important tool in attracting new assets. Resimac reported a decline in financial results as monetary policy in Australia normalised and there was significant competition in the Australian mortgage market from the mainstream banking sector. Resimac's funding position and settlements remained robust and its loan portfolio continues to perform. Each of Somers' top 8 investments is reviewed in more detail later in this report.

Somers reported a loss of £32.0 million for the twelve months to September 30, 2023, due to decreased valuations of a number of its investments resulting from negative market movements.

## GLOBAL OUTLOOK

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

In order to reduce inflation towards their targeted level, central banks have raised rates at an unprecedented rate to levels not seen since the start of the 21st century. For example, since March 2022 the US Federal Reserve raised the federal funds rate by 525 basis points (the last raise being in July 2023). This exercise has led to markets and investors re-pricing risk assets and certain sectors and assets have been marked down. For the first time in over a decade cash became an asset class that investors included as part of their portfolio. Whilst it has become clearer that we are at the top of the interest rate cycle and that the next move is likely to be a cut in interest rates, the last 12 months and the subsequent marking down of asset valuations has had a material impact on companies in the financial services sector in which Somers invests.

Business, investors and other stakeholders are having to get used to an increased cost of capital and that is having an impact on all investment decisions, whether it be buying a house or investing one's savings. We believe that whilst the interest rate increases are over we do not anticipate a significant number of cuts to rates will occur until well into 2024, and therefore believe rates will remain higher for longer.

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

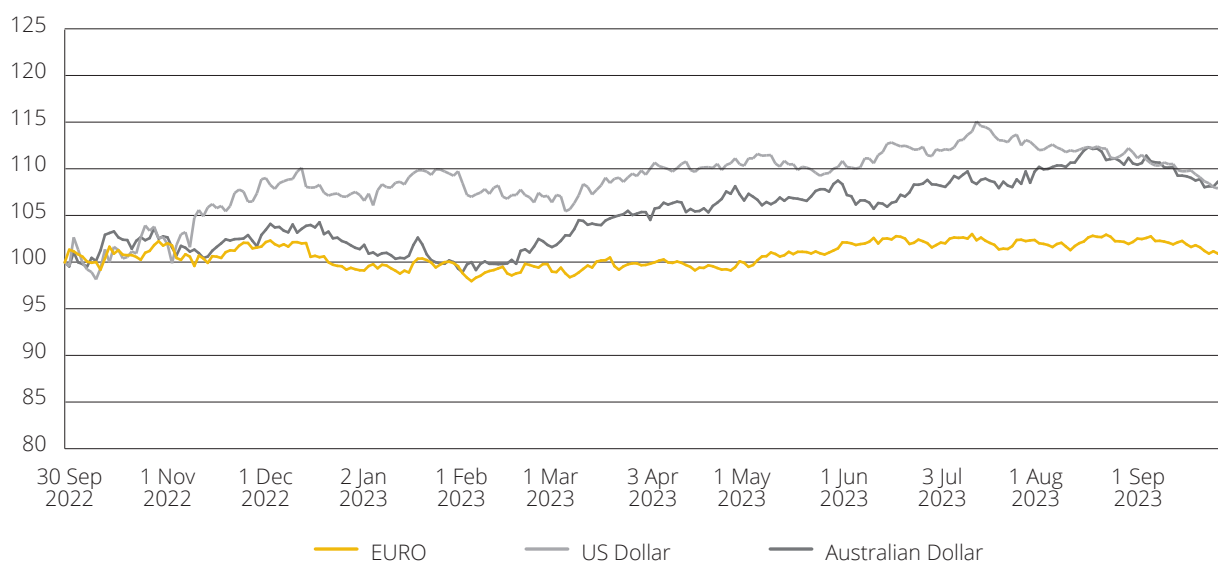
## INVESTMENT APPROACH

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

ICM is focused on individual stock selection, remaining fully invested and focusing on investments whose valuations do not reflect their true long-term value, whilst importantly being a supportive shareholder to its investee companies. ICM is a relentless bottom-up



## CURRENCY MOVEMENTS VS STERLING – September 2022 to September 2023



investor, drawing on in-depth knowledge and capability. Further details on ICM's investment approach are set out on page 28 of this report.

### FOREIGN EXCHANGE

With effect from October 1, 2022, Somers changed its reporting and functional currency to Sterling from the US Dollar. Following the merger with SNB Investments in July 2022, Somers' controlling shareholders who hold in aggregate over 99% of Somers report in Sterling. In addition, Somers' principal bank debt is denominated in Sterling and following the sale of Bermuda Commercial Bank and West Hamilton Holdings in 2022, the Company's portfolio is over 50% denominated in GBP. Somers does not normally hedge its investments, and in 2023 the Australian Dollar (representing 38.1% of the value of Somers' investments as at September 30, 2023) weakened by 8.7% against Sterling as the UK raised interest rates aggressively and the Australian economy was impacted by the slowdown in China.

### TOP 8 INVESTMENTS

Somers has a small number of concentrated investments which are essentially focused on the financial services sector. Within geographic allocations, the UK accounts for 54.0% of the portfolio (2022: 39.9%) Australia accounts for 37.1% of the portfolio (2022: 47.5%), while Bermuda is now down to 3.9% (2022: 8.2%). As at September 30, 2023, Somers' eight largest investments (those individual investments which are great than 1% of the portfolio) accounted for 95.5% of the portfolio (2022: 94.2%). An overview of each of these companies can be found in the Summary of Core Investments section on page 18 of this report.

## INVESTMENT MANAGER'S REPORT (continued)



WAVERTON  
INVESTMENT MANAGEMENT

**Waverton** is Somers' largest investment accounting for 42.9% of Somers' portfolio (2022: 38.4%). As at September 30, 2023 Somers owned 61.4% of Waverton with the balance owned by senior management and other employees.

Waverton's AuMA was approximately £14.7 billion at September 30, 2023 (2021: £12.4 billion). Stock markets had a positive year driven primarily by the mega technology companies in the US and anticipation that the cycle of rising interest rates was coming to an end. Waverton's strong investment performance enabled it to attract £0.8 billion of net new assets for the nine months to September 2023 across a number of their divisions. Waverton received a number of awards during the year including Investment Team of the Year at the STEP Private Client Awards. Post the year end Waverton completed the sale of its IFA business, Timothy James & Partners.

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

In recent years Waverton has made significant investment both in terms of its people and its infrastructure, such that new AuM has a significant effect on the company's profit. This is why the company's valuation increased during the year. For the nine months ended September 30, 2023, Waverton reported unaudited revenue of £43.6 million, operating profit of £15.4 million and a profit before tax of £9.4 million.

As a result of Waverton's investment performance and high AuM multiples in transactions in the UK wealth management sector, Somers has valued its investment in Waverton based on an AuM multiple approach whilst using EBITDA multiples as a secondary source of valuation support. Comparable AuM multiples in the sector were 2.0x and this has been used to value Waverton. The net result was an increase in the value of Somers' investment in Waverton to £137.8 million (2022: £130.1 million).



**Resimac's** shares are listed on the ASX and Somers owns approximately 54.4% of Resimac, with an additional 9.0% owned by UIL Limited, and the balance owned by institutional and retail investors.

The company generated normalised net profit after tax for the year ended June 30, 2023 of A\$73.7 million. Net interest income decreased by 7% to A\$222.5 million. Total dividends for the year were maintained at 8c per share. Total mortgage settlement flows across Resimac's combined distribution channels (i.e. both principally funded and non-principally funded) decreased to A\$3.7 billion (2021: A\$6.1 billion). Despite the inflationary environment, the company continues to focus on controlling its costs through increased technology expenditure and automation, and as a result its cost to income ratio was 43.6%. As at June 30, 2023, total home loan assets under management were A\$13.1 billion and Resimac issued A\$2.4 billion of RMBS (across both Australia and New Zealand) during the year.

The year ended June 30, 2023 was a relatively good performance for Resimac against the backdrop of rising interest rates and strong competition in the Australian mortgage market, which is impacting Resimac's margins. Whilst settlements reduced during the year they still remained strong and importantly in the current economic environment the company's loan arrears remained low. There still remains demand for mortgages from the non-bank sector, but the Australian banks who have had the benefit of fixed rate funding from the Australian Treasury have offered very attractive fixed rate mortgages. There is an indication that the competition is starting to slow, and the banks have started to repay the Covid-19 funding. We would therefore expect Resimac's settlements to reduce the decline that has been the case over the last 12-18 months.

With the increased competition in the Australian mortgage market, Resimac is continuing to grow asset finance business through Resimac Asset Finance. In July 2023, Resimac completed the acquisition of the Thorn Group's asset finance portfolio, and during the year asset finance settlements increased by 19% to A\$481 million. Resimac is targeting annualised asset finance settlements of A\$1 billion by the final quarter of the current financial year.

Resimac's share price decreased during the year and Somers investment in Resimac was valued at A\$199.9 million at year end (2022: A\$213.0 million).



**ICM Mobility** is an unlisted investment company focused on the transit mobility sector, covering private and public transport. In October 2022, Somers acquired 39.8% of ICM Mobility for £43.6 million from UIL Limited.

ICM Mobility invests in and partners with companies and government entities shaping the digital transformation of the mobility sector, from planning journeys and issuing smart tickets to streamlining electronic payments and providing insights.

As at September 30, 2023, ICM Mobility had a number of investments including VixTech (an innovative, multi-modal automated fare collection platform that unifies account-based, closed loop and open payments into a single solution); Kuba (a modern and efficient and scalable ticketing solution provider); Snapper Services (provides mobile service based solutions designed to improve the customer experience and flexibility of transport ticketing systems) and Littlepay (offers a mass transit transaction payment solution for transit operators, authorities and agencies).

Somers' valuation of ICM Mobility decreased during the year as the comparable valuations of listed technology companies reduced. Whilst there was a valuation increase at Littlepay, this was more than offset by a valuation decrease at VixTech. Somers holding in ICM Mobility was valued at £30.5 million as at September 30, 2023.



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

AKJ currently has 34 funds on its platform of which 14 are traditional and 20 are digital asset funds. As at September 30, 2023 AKJ had AuM of \$501 million and a further \$698 million of assets in its ecosystem through the prime brokerage services that it offers. In addition, there are a further 10 funds, both traditional and digital assets, that are in the process of being onboarded onto the platform.

In 2023, digital assets rebounded significantly from their 2022 lows and post year end they have continued to rally. As a result AKJ's AuM as at September 30, 2023 was at a record high and there is increased interest from fund managers in the AKJ platform which should underpin AKJ's growth as they target AuM of \$5 billion.

As a result of the improvement in market conditions AKJ expects to list its token, AKJx in the first quarter of 2024. This will give token holders such as Somers the opportunity to realise their initial investment. In the nine months ended September 30, 2023, AKJ sold \$0.5 million of AKJ Tokens and the AKJ Fund of Funds continued to perform strongly.

For the nine months ended September 30, 2023, AKJ reported unaudited revenue (excluding revenue generated from the sale of AKJ Tokens) of \$12.6 million. Somers values its investment in AKJ and AKJT Holdings at a combined \$6.2 million based on peer comparisons using an EV/Revenue multiple, and values its AKJ Tokens at €7.5 million (similar to the original cost of the investment).



**Thorn** was an Australian asset financing company whose shares as at September 30, 2023 were listed on the ASX. Thorn is in the process of winding down its business and during the year sold its business asset finance portfolio to Resimac.

During the year Thorn returned A\$28.1 million to Somers by dividends and capital distributions. For the year ended March 31, 2023, Thorn reported revenue of A\$15.3 million (2022: A\$17.3 million) and a loss before tax of A\$1.3 million (2022: profit before tax of A\$12.9 million). Thorn's total equity as at March 31, 2023 was A\$51.0 million (which includes cash in the warehouse).

In September 2023, Somers launched an offer to acquire the balance of Thorn that it did not already own. The offer

## INVESTMENT MANAGER'S REPORT (continued)

completed post the year end. It is Somers intention to continue to winddown Thorn.

As at September 30, 2023, Somers' holding in Thorn was 49.2% and Somers investment in Thorn was valued at A\$19.5 million.



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

Somers first invested in Terra Firma in 2021 as its share price was at a significant discount to its book value. Whilst the business is well operated it has not been able to grow significantly as it has been constrained by a high cost of capital. The company has not been able to meaningfully scale up third party funds.

As at September 30, 2023, Terra Firma reported total assets of C\$132.8 million and a book value per share of C\$10.50. For the same period they reported revenue of C\$6.8 million, and net income of C\$0.6 million.

During the year an offer for 100% of the company, was launched by GM Capital Corp., for C\$46 million. Post the year end the offer was accepted by shareholders and Somers sold its holding for C\$8.2 million.



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

MCL aims to minimise the risk of leasing assets by leasing only critical assets/and or multiple assets under different

leases with overlapping time periods. Since inception MCL has been growing its asset book and cash flows and the current sales pipeline of advanced deals is strong. Over the last couple of years, MCL has signed larger contracts including one with Fire and Emergency NZ for hand-held radios. Post the year end, MCL changed its residual value lender to KiwiBank from Heartland Bank. Westpac remains the company's senior lender.

For the year ended March 31, 2023 MCL wrote NZ\$81.1 million of new leases and reported revenue of NZ\$53.0 million. Somers is interested in 20% of Mana and Somers' holding in Mana is valued at N\$6.8 million.



Aura Group ("Aura") is a financial services business providing tailored wealth, funds management and corporate advisory solutions to clients. It was founded in Australia in 2009 and its head office is now in Singapore with over 100 employees across several offices around the Asia Pacific region including Sydney, Melbourne, and Singapore. As at September 30, 2023 Aura has gross funds under management and administration of A\$2.9 billion, which is a 32% increase on the prior year. Funds include private equity and venture capital, credit, real assets and multi-asset strategies. Aura has a stake in a technology platform, a small accounting practice and product distribution networks in both Japan and Korea.

Somers acquired 15.2% of Aura for A\$7.3 million in April 2021. The investment in Aura was an opportunity for Somers to participate in the rapid growth of the asset management sector in the Asia Pacific region and to be part of a strong and experienced management team. Asset management platforms in Asia Pacific are undergoing rapid growth due to pension funds looking to invest in alternative assets in Southeast Asia, the increase in technology companies in the region attracting investors, and the increase in wealth in the middle classes. During the year, Somers increased its holding in Aura to 16.4%.

For the nine months ended September 30, 2023, Aura reported core revenue of A\$10.0 million and a core EBITDA loss of A\$0.5 million which was principally due to mark to market movements on investments held by Aura and market conditions reducing the ability to realise investments. Annualised recurring revenue

decreased 2% and the company has minimal debt. Net funds under management were A\$1.7 billion a 15% increase year on year. Somers valued its investment in Aura at A\$6.3 million.

#### **OTHER INVESTMENTS**

Somers has a number of other smaller investments which are a mixture of both unlisted and listed holdings. The total value of these investments as at September 30, 2023, was £14.4 million (2022: £19.5 million).

#### **PORTFOLIO ACTIVITY**

During the year to September 30, 2023, Somers:

- Invested £11.9 million and realised £0.1 million from investee companies.
- In addition, Somers acquired from UIL 93.2 million ICM Mobility shares for £43.6 million, and 1.7 million Snapper Services shares for £1.5 million and Somers sold to UIL 1.7 million West Hamilton shares for £17.8 million, 6.8 million BNK Bank shares for £2.2 million, and 62.9 million WT Financial Group shares for £3.2 million.

#### **GEARING AND BANK DEBT**

Overall borrowings were increased year on year to £84.0 million and combined with the decrease in the value of Somers' assets, gearing as a percentage increased to 31.9% from 24.1%. The total debt figure as at September 30, 2023, of £65.4 million, relates primarily to a £32.5 million loan from The Bank of N.T. Butterfield & Son Limited. There are additional facilities with BCB including a loan facility of \$5.0 million and a \$3.0 million overdraft facility. In addition, there is £28.8 million of shareholder and investee company debt.

#### **REVENUE RETURNS**

The majority of Somers' returns are expected to be capital in nature but we do monitor Somers on a revenue return specific basis. Revenue returns include, but are not limited to, dividend and interest income less operating expenses, finance costs and taxation insofar as they are not allocated to capital. Revenue income was £9.8 million for the year (2022: £12.0 million) with the year on year decrease attributable to increased interest expense on the Company's larger borrowings. Management fees were £2.7 million (2022: £3.2 million).

#### **SHARE CAPITAL**

During the year, Somers did not buy back any shares but bought back 2,199 loan notes at an average price of \$1.00 per loan note.

# ICM'S INVESTMENT PHILOSOPHY

ICM is a long-term investor and generally operates focused portfolios with narrow investment remits. ICM has several dedicated research teams who have deep knowledge and understanding in their specific sectors, which improves the ability to source and make compelling investments. ICM has approximately USD 1.7 billion of assets directly under management and is responsible indirectly for a further USD 21.5 billion of assets in subsidiary investments.

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

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

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

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

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

01

### UNDERSTANDING

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

02

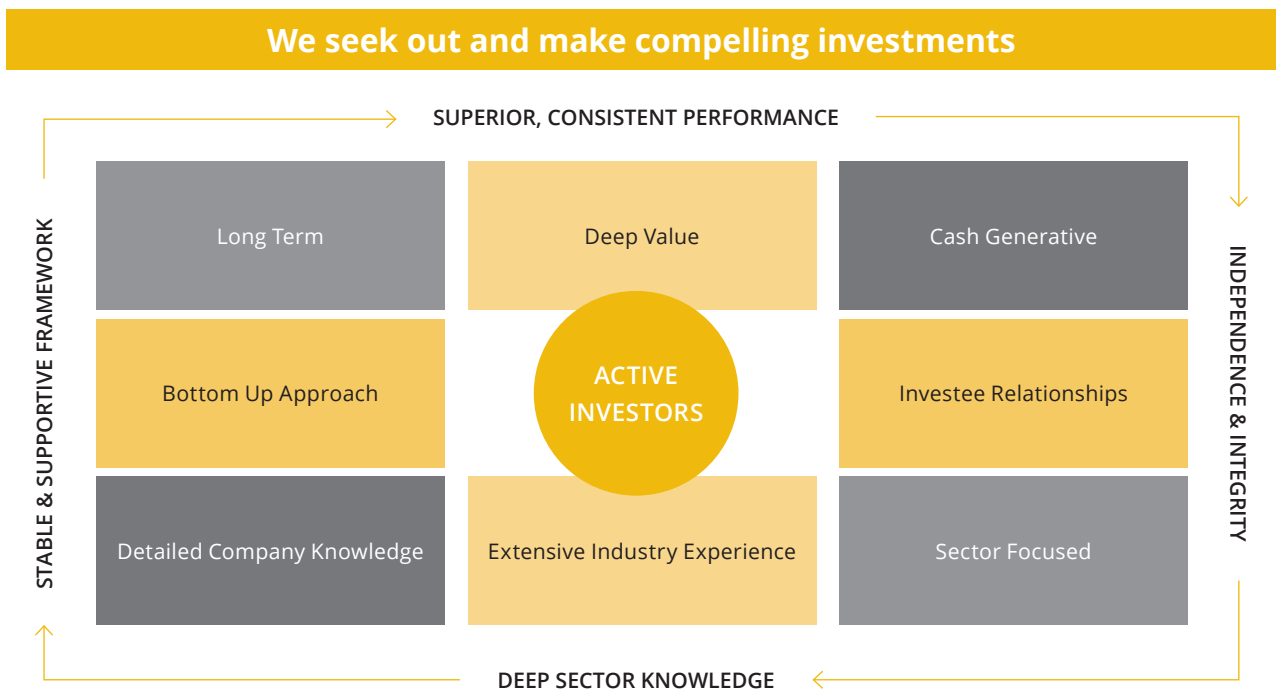
### INTEGRATION

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

03

### ENGAGEMENT

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



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

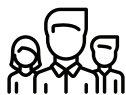
We are focused on creating sustainable long-term value for our shareholders, team, and the broader community through our:



#### VALUES

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

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



#### TEAM

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



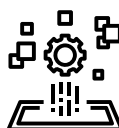
#### INVESTMENT PRACTICES

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



#### FINANCIAL

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



#### PLATFORMS

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



#### COMMUNITIES

ICM supports the ICM Foundation, which has identified sustainable, effective and focused education where the biggest impact can be made on individuals and in communities. Over the past decade ICM and their stakeholders have contributed over US\$17.6 million to not-for-profit and community organisations.

# MACRO TRENDS AFFECTING FINANCIAL SERVICES

## AI, DIGITISATION AND AUTOMATION



- Digitalisation means greater use of big data and AI, e.g. the introduction of open banking will improve financial product efficiency
- Companies continue to be disrupted by fintechs, digitalisation, automation, blockchain and AI, both internally (replacement of staff, digitisation of business processes and workflows) and externally (move to robo-advice or underwriting, automated data driven decision making, smart contracts, etc)
- Decreasing customer loyalty promotes the commoditisation of finance and requires new approaches to customer experience, with a focus on reducing friction and lead times and improving transparency and instant engagement
- Significant move towards e-commerce and mobile in an environment of demonetisation, smartphone penetration and screen-time of 4+ hours a day in developed and emerging nations

## FINTECH



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

## MONETARY POLICY



- Adapting to and operating in an era of higher interest rates compared to the last decade of quantitative easing and negative interest rates
- Financial institutions and investors can now generate a return on their fixed income portfolio for the first time in years leading to an alternative asset class than just equities
- The full impact from higher interest rates has yet to be felt and there is the potential for recession as Central Banks continue to aim to reduce inflation

## GEO-POLITICAL TENSIONS



- The war between Russia and Ukraine has had significant impacts on both inflation and the global supply chain
- Additional conflict between Israel and Hamas has the potential to unsettle larger swathes of the Middle East
- Trade tensions between the US and China continue to have long-term impact on the global economy
- Investment decisions must now consider global uncertainty, and in particular the impact that geo-political issues have on markets such as foreign exchange



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE



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

## CYBERSECURITY



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

## REGULATORY AND COMPLIANCE



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

# SOMERS' STRATEGY

## SOMERS' STRATEGY

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

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

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

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

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

other and share resources, such as technology platforms, where appropriate.

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

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

## BUSINESS MODEL

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

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

## **BORROWING**

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

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY**

The Board believes that it is in the shareholders' interests to consider ESG factors when selecting and retaining investments, and has asked ICM to take this into account when investing. ICM employs a disciplined investment process that seeks to both uncover opportunities and evaluate potential risks, while striving for the best possible return outcomes. This is covered in detail in the Board Responsibilities and Governance section, on page 38.

**We anticipate that there will be a number of interesting investment opportunities over the coming year across the financial services sector, and therefore we are optimistic about Somers' future.**

## INVESTMENT MANAGER AND TEAM

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

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

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

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

### ICM MANAGES SOME

**\$1.7** BILLION

DIRECTLY AND HAS INDIRECT INVOLVEMENT IN OVER \$21.5 BILLION IN A RANGE OF MANDATES.

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



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



**Greg Reid** joined ICM in 2014, and he is based in Ireland. His responsibilities include management of finance and risk for Somers Limited and the wider ICM Group. Prior to joining ICM, Greg was the Chief Financial Officer of Bermuda Commercial Bank Limited. Previously, he was the controller with a Bermuda based provider of accounting services to the hedge fund industry, and he has a number of years' experience in the auditing industry with the accounting firm Deloitte in Ireland. Greg is currently a non-executive director of Pentagon Global Diversified Bond Fund and several other companies related to the ICM Group. He is a Member of the Institute of Chartered Accountants in Ireland, and he holds an honours degree in Business Studies from the University of Limerick, Ireland.



**Duncan Saville** founded the ICM Group and its predecessor companies, and has been employed by the Group since 1988. Duncan is a chartered accountant with experience in corporate finance and asset management. He is an experienced non-executive director having previously been a director in multiple companies in the utility, investment, mining and technology sectors. Duncan is currently a non-executive director of Resimac Group Limited. His Fellowships include the Institute of Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors and the Financial Services Institute of Australasia, and he is a Member of the Singapore Institute of Directors.



**Charles Jillings** joined the ICM Group in 1995, and established ICM Investment Research Limited in 1997 and ICM Investment Management Limited in 2015. Charles is a director of ICM Limited and ICM Investment Management Limited, and he is responsible for the day to day running of UIL Limited and Utilico Emerging Markets Trust plc. He is a qualified chartered accountant and has extensive experience in corporate finance and asset management with over thirty years of experience in international financial markets. Charles is a director of Waverton Investment Management Limited, ICM Mobility Limited and Allectus Capital Limited, and he graduated from the University of Cape Town with a B. Com. and qualified as a South African Chartered Accountant in 1980.



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



**Stephanie Saville** joined ICM in 2018 and is a Senior Analyst (Financial Services and Special Situations), based in Epsom. She has nine years' investment experience, predominantly in public equity markets. Prior to joining ICM, Stephanie was a financial analyst at a London hedge fund. Stephanie graduated with a Bachelor of Commerce from Bond University, and a Master of Applied Finance from The University of Queensland. She is a CFA Charterholder.

## DIRECTORS

**PETER DURHAGER, Chairman**



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

**CHARLES JILLINGS**



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

**DAVID MORGAN**



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

ALASDAIR YOUNIE



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

#### DIRECTORS AND OFFICERS INTEREST IN SOMERS' SHARE CAPITAL

At September 30, 2023, the Directors of Somers and their related interests had interests in aggregate totalling 119,000 common shares representing approximately 0.5% of Somers' issued share capital.

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

## BOARD RESPONSIBILITIES AND GOVERNANCE

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

### ROLE OF THE BOARD

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

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

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

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

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

### BOARD MEETINGS

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



In the financial year ended September 30, 2023, the Board met each quarter to review the activities of Somers for that period and within those meetings strategic issues were addressed. All Directors received notice of the meetings, the agenda and supporting documents, and were able to comment on the matters to be raised at the proposed meeting. In addition to the formal quarterly, strategy, and ad-hoc meetings, the Board also receives detailed updates from the Investment Manager via update calls.

#### **BOARD CHANGES**

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

#### **BOARD COMMITTEES**

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

##### **Audit Committee**

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

##### **Remuneration Committee**

The Board as a whole fulfils the remuneration committee function in relation to the setting and periodic review of

the fees of the Directors and the Chairman. The Board considers that, given the size and nature of Somers, it would not be appropriate to establish a separate remuneration committee.

##### **Nomination Committee**

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

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

#### **REGULATORY AND COMPETITIVE ENVIRONMENT**

Somers is obliged to comply with Bermuda law, the Listing Rules of the BSX and International Financial Reporting Standards ("IFRS"). Somers is exempt from taxation, except insofar as it is withheld from income received and capital gains taxes in some jurisdictions. Under Bermuda law, Somers may not distribute income or capital reserves by way of a dividend unless, after

## BOARD RESPONSIBILITIES AND GOVERNANCE (continued)

distribution of the dividend, Somers would be able to pay its liabilities as they become due, and the realisable value of the Somers' assets would be greater than the aggregate of its liabilities, its issued share capital, and its share premium account. It is registered with the IRS in the USA under the Foreign Account Tax Compliance Act. The accounting policies of Somers are detailed in note 2 to the financial statements on page 62.

### GOING CONCERN AND COMPANY VIABILITY

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

Somers has £126 million of Level 1 equity shares in listed companies which, in most circumstances, could likely be sold to meet funding requirements, if required. All key operations required by Somers are outsourced to third party providers, and alternative providers could be engaged at relatively short notice if necessary. The Directors also considered the revenue forecast for the forthcoming year, expected cash flows from investments, future dividend payments and significant areas of possible liquidity risk, and have satisfied themselves that no material exposures exist.

### INVESTMENT MANAGEMENT ARRANGEMENTS

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

Included within the terms of the revised investment management agreement is a performance fee payable to ICM if the growth in Somers' shareholders' equity

exceeds a hurdle rate equal to the higher of 8% or 4% plus the UK Retail Price Index inflation. The fee arrangement is payable at a rate of 15% on the amount by which the growth in Somers' shareholders' equity exceeds the hurdle rate. The growth in Somers' shareholders' equity did not exceed the hurdle rate in 2023, and therefore no performance fee was payable for the year. The Board continually reviews the policies and performance of ICM. The Board's philosophy and ICM's approach are that the portfolio should consist of investments thought attractive, irrespective of their inclusion or weighting in any index. Over the long term, the Board expects the combination of Somers' and ICM's approach to generate a positive return for shareholders. The Board is satisfied with the terms of appointment of ICM.

### COMPANY SECRETARY

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

### ADMINISTRATION

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

Somers is a Bermuda incorporated investment company with an external investment manager and all Somers' day to day management and administrative functions are outsourced to third parties. As a result, Somers has no executive directors, employees or internal operations.

Somers has therefore not reported further in respect of the role of the chief executive, executive directors' remuneration, the need for an internal audit function, and nomination of a senior independent director.

#### **INTERNAL AUDIT**

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

#### **EXTERNAL AUDITOR AND AUDIT TENURE**

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

It is Somers' policy not to seek substantial non-audit services from its auditor, unless they relate to a review of the interim reports or reporting on financial information in circulars or prospectuses, as the Board considers the auditor is best placed to provide these services. If the provision of significant non-audit services were to be considered, the Board would consider whether the particular skills of the audit firm made it a suitable supplier of those services and that there was no threat to the objectivity and independence of the audit. No non-audit fees were paid to KPMG for the year ended September 30, 2023 (2022: nil).

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

discussed with KPMG and ICM prior to approval of the annual financial report.

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

#### **CUSTODY OF ASSETS**

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

#### **VALUATION OF UNLISTED INVESTMENTS**

A significant portion of Somers' investment portfolio consists of unlisted investments, and the Board has ultimate responsibility for the valuation of these investments. Please refer to the Overview of the Investment Valuation Process on page 48 for details on Somers' valuation approach for unlisted investments.

#### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY**

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

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

## BOARD RESPONSIBILITIES AND GOVERNANCE (continued)

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

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

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

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

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

ICM is a signatory to the United Nations-supported Principles for Responsible Investment, which is an international network of investors working together to

implement its six aspirational principles. ICM believes that good stewardship is essential and the principles these various bodies espouse aligns with its philosophy to protect and increase the value of its investments.

### GREENHOUSE GAS EMISSIONS

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

### SHAREHOLDER RELATIONS

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

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

### DIRECTORS' INTERESTS

The Directors' interests in the ordinary share capital of Somers are disclosed in the Directors' section on page 36 of this report. The Directors have declared any potential conflicts of interest to Somers. There are no agreements between the Company and its Directors concerning compensation for loss of office. Potential conflicts of interest are reviewed regularly by the Board. The Directors have undertaken to advise the Company Secretary and/or Chairman as soon as they become aware of any potential conflicts of interest.

#### **DIRECTORS' AND OFFICERS' LIABILITY**

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

#### **RESPONSIBILITY OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT**

The Directors have confirmed to the best of their knowledge:

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

# RISK MANAGEMENT

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

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

## THE BOARD

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

We seek to achieve this by:

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

The Board meets four times a year to consider the quarterly risk review report prepared by ICM. This report identifies the risks facing the Company and the likelihood and potential impact of each risk, together with the controls established for mitigation. The Board reviews financial reports, valuation reports and performance metrics. The effectiveness of Somers' system of internal controls, including financial, operational, compliance and risk management systems, is reviewed as part of this quarterly review process and no significant failings or weaknesses occurred during the year ended September 30, 2023, or subsequently up to the date of this annual report.

## EXTERNAL RISK ENVIRONMENT

The external environment remains challenging. Three themes dominate global events: high interest rates to combat inflation, heightened geopolitical tensions and the significant increase in global debt.

Central Banks continued to raise interest rates during the last financial year in order to combat the inflationary environment following Covid-19 and Russia's war with Ukraine. It is clear that most if not all interest rate rises have now transpired and inflation is starting to fall back to levels targeted by Central Banks. However, the full lag effect of high interest rates and the expectation that interest rates will be higher for longer may lead to a global recession. How the global economy deals with this paradigm may determine expected investment returns over the coming 12 months.

Geopolitical tensions remain high. The Ukraine conflict is ongoing and this has been joined by the war between Israel and Hamas in the Middle East. The Ukraine war does not appear to be any nearer to a resolution and there is significant risk that the fighting between Israel and Hamas may lead to a wide conflict in the region. Trade tensions between the US and China remain elevated and there is the ongoing potential of an invasion of Taiwan. The ongoing friction between China and the US is a clash of ideologies and will likely lead to ongoing resistance between the two nations and their allies. The tensions over Taiwan are symptomatic of two ideologies facing each other across the economic, political and social divide. This is concerning over the longer term.

As a result of Covid-19 and recent geopolitical events, the level of global debt has risen to a record level. With interest rates expected to stay higher for longer, the ability of countries to service the debt becomes more difficult. Deficits that are being run by governments across the world are unsustainable and without being addressed may materially impact the global financial system.

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

## ICM LIMITED

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

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

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

## RISK APPETITE

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

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

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

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

## PRINCIPAL RISKS

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

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

## INVESTMENT RISK

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

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

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

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

## RISK MANAGEMENT (continued)

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

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

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

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

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

Somers borrowing increased over the year and, accordingly our overall debt to net assets ratio increased to 31.9% as at September 30, 2023. Leverage should enhance total return where the return on Somers' underlying securities is rising and exceeds the cost of borrowing, but it will have the opposite effect where the underlying return is falling. The Board reviews the leverage levels at each quarterly Board meeting.

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

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

The concentration of Somers' investment portfolio is high. Following an increase in its valuation in over the last 12 months, Waverton now accounts for 42.9% of the total portfolio, with Resimac accounting for an additional 32.8%. Together with ICM Mobility, the three largest investments now represent 85.1% of all investments. The concentration of the portfolio exposes Somers' NAV to higher volatility and is reviewed by the Board at each quarterly meeting.

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

### **BUSINESS OPERATIONAL RISK**

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



credit risk; counterparty exposure; reputation risk; and disruptive technology.

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

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

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

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

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

## **INTERNAL FINANCIAL AND NON-FINANCIAL CONTROLS**

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

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

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

## **OUTLOOK AND FUTURE TRENDS**

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

# OVERVIEW OF THE INVESTMENT VALUATION PROCESS

In preparing the Somers' quarterly and annual financial accounts, the most important accounting judgements and estimates relate to the carrying value of our unlisted investments which are stated at fair value. At September 30, 2023, 61% of Somers' investment portfolio consisted of level 3 investments that were valued using inputs that were not based on observable market data. Given the importance of this area to the integrity of our financial reporting, the Board and ICM carefully review the valuation policies and processes and the individual valuation methodologies at each reporting date. However, the valuation of unlisted securities is inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate. As detailed in note 21, small changes to inputs may result in material changes to the carrying value of our investments.

## VALUATION PROCESS

The valuation of unlisted investments is the responsibility of the Somers Board, with valuation support and analysis provided by the valuation team at ICM. The investment portfolio is valued at fair value, and this is achieved by valuing each investment using an appropriate valuation technique and applying a consistent valuation approach for all investments. The Company's valuation policy is reviewed at least annually, with the most recent update in December 2023.

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

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

The Board reviews the unlisted valuations each quarter in conjunction with Somers' external financial reporting

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

## VALUATION METHODOLOGIES

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

### Earnings Multiples

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

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

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

#### Discounted Cash Flow

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

#### Net Assets

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

#### Recent Investments

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

#### Imminent Investment Realisation

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

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

## FIVE YEAR SUMMARY 2019-2023

(expressed in Pounds Sterling)

	2023 £	2022* £	2021* £	2020* £	2019* £
<b>Income and Expense Items</b>					
Net interest expense	(3,166,482)	(1,054,429)	(2,520,082)	(2,817,089)	(1,939,237)
Dividend income	14,203,833	23,976,518	11,672,159	6,651,856	5,841,535
(Losses)/gains on investments	(25,581,468)	(133,663,019)	147,130,975	47,858,484	3,399,498
Other (losses)/income	(13,592,723)	(49,008,731)	2,932,918	11,764,730	(12,240,254)
Total (loss)/income	(28,136,840)	(159,749,661)	159,215,970	63,457,981	(4,938,458)
Total expenses	3,796,100	4,378,190	14,719,901	9,276,403	2,681,946
Net (loss)/income before tax	(31,932,940)	(164,127,851)	144,496,069	54,181,578	(7,620,404)
Income tax expense	(41,119)	(122,477)	(22,058)	(4,128)	-
<b>Net (loss)/income</b>	<b>(31,974,059)</b>	<b>(164,250,328)</b>	<b>144,474,011</b>	<b>54,177,450</b>	<b>(7,620,404)</b>

### Balance Sheet

Financial investments	321,569,715	338,497,255	490,850,413	387,779,542	333,632,940
Other assets	38,757,767	40,820,386	40,627,819	5,968,549	10,461,752
Total assets	360,327,482	379,317,641	531,478,232	393,748,091	344,094,692
Total liabilities	89,333,797	76,131,884	72,498,118	66,942,157	56,574,831
<b>Total equity</b>	<b>270,993,685</b>	<b>303,185,757</b>	<b>458,980,114</b>	<b>326,805,934</b>	<b>287,519,861</b>

### Per Common Share

NAV per share	11.10	12.42	20.58	15.31	13.91
Share price (USD)	No bid price	No bid price	\$19.00	\$13.75	\$15.00
Dividend paid	-	3.74	0.62	0.41	0.40

\* Restated from United States Dollars to Pounds Sterling due to change in presentation currency

# FINANCIAL STATEMENTS



TOTAL EQUITY AT  
30 SEPTEMBER WAS

**£271.0**

MILLION  
(2022: £303.2 MILLION)

TOTAL ASSETS

**£360.3**

MILLION  
(2022: £379.3 MILLION)

NET ASSET VALUE  
PER SHARE OF

**£11.10**

(2022: £12.42)

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Total assets ended the year at £360.3 million down from £379.3 million last year.

# INDEPENDENT AUDITOR'S REPORT



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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders and Board of Directors of Somers Limited

#### Opinion

We have audited the consolidated financial statements of Somers Limited (the "Company"), which comprise the consolidated statement of financial position as at September 30, 2023, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matter

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

#### Valuation of unquoted financial investments

As presented in the Significant Accounting Policies in Note 2, and in Notes 3 and 21 to the consolidated financial statements, the Company holds investments in unquoted securities at September 30, 2023 with an estimated fair value of GBP195 million, representing 54% of total assets, where quoted prices do not exist. Such unquoted securities are carried at their estimated fair values based upon management's judgment using the principles of the International Private Equity and Venture Capital Association ("IPEV") valuation guidelines.

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

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



## The risk

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

## Our response to the risk

We performed the following key audit procedures:

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

## Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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.

# INDEPENDENT AUDITOR'S REPORT (continued)



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

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

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

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

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

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

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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





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

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

The Engagement Partner on the audit resulting in this independent auditor's report is Bron Turner.

*KPMG Audit Limited*

Chartered Professional Accountants  
Hamilton, Bermuda  
December 13, 2023

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2023 (Expressed in Sterling)

Notes	September 30 2023 £	September 30 2022* £	October 1 2021* £	
<b>ASSETS</b>				
18	Cash and cash equivalents	468,841	1,229,028	589,594
7, 18	Other assets	99,345	137,186	425,637
18	Interest receivable	475,164	436,484	402,397
6, 18	Loans and receivables	37,714,417	39,017,688	39,210,191
3, 18	Financial investments	321,569,715	338,497,255	490,850,413
	<b>Total assets</b>	<b>360,327,482</b>	<b>379,317,641</b>	<b>531,478,232</b>
<b>LIABILITIES</b>				
10	Bank overdraft	3,007,014	4,373,418	3,599,562
18	Interest payable	993,888	354,027	354,867
8, 18	Other liabilities	1,302,511	1,559,554	11,244,826
11	Loan notes	18,634,445	20,429,097	-
9, 18	Interest bearing loans and borrowings	65,395,939	49,415,788	57,298,863
	<b>Total liabilities</b>	<b>89,333,797</b>	<b>76,131,884</b>	<b>72,498,118</b>
	<b>NET ASSETS</b>	<b>270,993,685</b>	<b>303,185,757</b>	<b>458,980,114</b>
<b>EQUITY</b>				
12	Capital stock	2,194	1,715	1,540
12	Contributed surplus	329,757,759	260,325,844	229,443,421
	Accumulated other comprehensive loss	(724,896)	(444,585)	(183,219)
	Foreign currency translation reserve	-	87,325,907	21,663,919
	Retained deficit	(58,041,372)	(44,023,124)	208,054,453
	<b>TOTAL EQUITY</b>	<b>270,993,685</b>	<b>303,185,757</b>	<b>458,980,114</b>

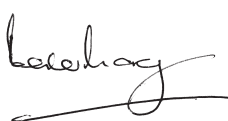
\* Restated due to change in presentation currency

See accompanying notes.

Signed on behalf of the Board:



**Peter Durhager**  
Chairman



**David Morgan**  
Director

# CONSOLIDATED STATEMENT OF INCOME

For the Year Ended September 30, 2023 (Expressed in Sterling)

Notes	2023 £	2022* £	
<b>INCOME</b>			
15,19	Interest income	2,230,246	2,073,406
19	Interest expense	(5,396,728)	(3,127,835)
	<b>Net interest expense</b>	<b>(3,166,482)</b>	<b>(1,054,429)</b>
	Net foreign exchange losses	(13,944,525)	(49,008,731)
19	Dividend income	14,203,833	23,976,518
16,19	Losses on investments	(25,581,468)	(133,663,019)
	Other income	351,802	-
	<b>Total loss</b>	<b>(28,136,840)</b>	<b>(159,749,661)</b>
<b>EXPENSES</b>			
18	Investment management fees	2,660,039	3,243,856
	Legal and professional fees	175,073	275,422
	Audit and accounting fees	197,375	168,396
18	Directors' fees	112,334	109,363
	General and administrative expenses	651,279	581,153
	<b>Total expenses</b>	<b>3,796,100</b>	<b>4,378,190</b>
	<b>Net loss before tax</b>	<b>(31,932,940)</b>	<b>(164,127,851)</b>
17	Withholding tax expense	(41,119)	(122,477)
	<b>NET LOSS AFTER TAX</b>	<b>(31,974,059)</b>	<b>(164,250,328)</b>

\*Restated due to change in presentation currency

See accompanying notes.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended September 30, 2023 (Expressed in Sterling)

	2023 £	2022* £
<b>Net loss for the year</b>	<b>(31,974,059)</b>	(164,250,328)
<b>OTHER COMPREHENSIVE LOSSES</b>		
Exchange differences on translation of foreign operations	(218,013)	(261,366)
<b>Other comprehensive losses</b>	<b>(218,013)</b>	(261,366)
<b>TOTAL COMPREHENSIVE LOSSES</b>	<b>(32,192,072)</b>	(164,511,694)

\*Restated due to change in presentation currency

See accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended September 30, 2023 (Expressed in Sterling)

Notes	Capital Stock £	Contributed Surplus £	Treasury Stock £	Accumulated Other Comprehensive Loss £	Retained Earnings/ (Deficit) £	Foreign currency translation reserve £	Total £
<b>September 30, 2021*</b>	1,540	229,443,421	-	(183,219)	208,054,453	21,663,919	458,980,114
Net loss for the period	-	-	-	-	(164,250,328)	-	(164,250,328)
Other comprehensive losses	-	-	-	(261,366)	-	-	(261,366)
12 Issue of share capital	36	6,641,973	-	-	-	-	6,642,009
Cancellation of shares under merger agreement	(88)	(18,715,408)	-	-	-	-	(18,715,496)
Exercise of warrants	229	43,250,741	-	-	-	-	43,250,970
12 Net purchase of treasury stock	-	-	(294,885)	-	-	-	(294,885)
12 Cancellation of treasury stock	(2)	(294,883)	294,885	-	-	-	-
14 Dividends	-	-	-	-	(87,827,249)	-	(87,827,249)
Change in presentation currency	-	-	-	-	-	65,661,988	65,661,988
<b>September 30, 2022*</b>	<b>1,715</b>	<b>260,325,844</b>	<b>-</b>	<b>(444,585)</b>	<b>(44,023,124)</b>	<b>87,325,907</b>	<b>303,185,757</b>
Effect of change in functional currency	<b>479</b>	<b>69,431,915</b>	<b>-</b>	<b>(62,298)</b>	<b>17,955,811</b>	<b>(87,325,907)</b>	<b>-</b>
Adjusted October 1, 2022	2,194	329,757,759	-	(506,883)	(26,067,313)	-	303,185,757
Net loss for the period	-	-	-	-	(31,974,059)	-	(31,974,059)
Other comprehensive losses	-	-	-	(218,013)	-	-	(218,013)
<b>September 30, 2023</b>	<b>2,194</b>	<b>329,757,759</b>	<b>-</b>	<b>(724,896)</b>	<b>(58,041,372)</b>	<b>-</b>	<b>270,993,685</b>

\*Restated due to change in presentation currency

See accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2023 (Expressed in Sterling)

	2023 £	2022* £
<b>OPERATING ACTIVITIES</b>		
Net loss	(31,974,059)	(164,250,328)
Adjustments to reconcile net loss to cash flows provided by operating activities:		
Losses on investments	25,581,468	133,663,019
Foreign exchange losses on investments	13,944,525	49,008,731
Interest income	(2,230,246)	(2,073,406)
Interest expense	5,396,728	3,127,835
Decrease in other assets	6,237	288,451
Decrease in other liabilities	(68,905)	(9,685,272)
<b>Net cash provided by operating activities</b>	<b>10,655,748</b>	<b>10,079,030</b>
<b>INVESTING ACTIVITIES</b>		
Drawdowns from loans and receivables	(3,557,932)	(485,796)
Repayments of loans and receivables	118,967	7,811,678
Proceeds from sale of financial investments	90,876	3,587,636
Capital distribution from investee	13,605,881	-
Purchases of financial investments	(11,875,627)	(10,819,007)
Interest received	2,191,566	2,044,118
<b>Net cash provided by investing activities</b>	<b>573,731</b>	<b>2,138,629</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from interest bearing loans and borrowings	40,662,367	34,329,298
Repayments of interest bearing loans and borrowings	(46,617,387)	(42,395,067)
Repayment of loan notes	(1,978)	(37,961)
(Decrease)/increase in overdraft facility	(1,366,404)	773,856
Purchase of treasury stock	-	(294,885)
Dividends paid	-	(313,820)
Interest paid	(4,756,867)	(3,193,200)
<b>Net cash used in financing activities</b>	<b>(12,080,269)</b>	<b>(11,131,779)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(850,790)</b>	<b>1,085,880</b>
Cash and cash equivalents, beginning of year	1,229,028	589,595
Foreign currency translation	90,603	(446,447)
<b>Cash and cash equivalents, end of year</b>	<b>468,841</b>	<b>1,229,028</b>

\*Restated due to change in presentation currency

See accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the Year Ended September 30, 2023 (Expressed in Sterling)

	2023	2022*
	£	£
<b>Non-cash investing and financing activities:</b>		
Non-cash proceeds from sale of financial investments	23,300,705	92,564,857
Settlement of purchases of financial investments through asset distribution	(47,877,673)	(53,992,925)
Loan receivable from UIL asset purchase	(458,358)	-
Loan receivable converted to equity in ICM Mobility	2,764,352	-
Loan receivable paid directly from third party	(974,663)	-
Loan payable from UIL asset purchase	22,271,468	-
Loan payable drawdown paid directly to third party	5,475,805	-
Loan payable repayment paid directly from third party	(4,501,142)	-
Issuance of shares under dividend reinvestment plan	-	6,642,009
Settlement of dividend through assets distribution	-	(80,871,420)
Warrants exercised	-	43,250,970

\*Restated due to change in presentation currency

See accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 (Expressed in Sterling)

## 1. DESCRIPTION OF BUSINESS

Somers Limited ("Somers" or "the Company") is a Bermuda exempted investment company listed on the Mezzanine Market of the Bermuda Stock Exchange with investments in the financial services sector. Somers is engaged in a single segment of business, focusing on maximising shareholder returns by identifying and investing in companies where the assessed underlying value is not reflected in the market price. The Company's registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

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

As at September 30, 2023, the significant shareholders (the "Major Shareholders") in the Company, who held, in aggregate 99.06% (2022: 99.06%) of Somers' issued share capital, are as follows:

- Union Mutual Pension Fund Limited ("Union Mutual") holds 58.64% (2022: 57.40%) – incorporated in Bermuda;
- UIL Limited ("UIL") holds 40.42% (2022: 41.66%) – incorporated in Bermuda.

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

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

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

These consolidated financial statements were authorised for issue in accordance with a resolution of the directors on December 13, 2023.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are prepared on a going concern basis. The assessment was based on information available at the end of the 2023 financial year and has considered the impact on certain key financial aspects based on multiple economic scenarios. The consolidated financial statements are

presented in Sterling. The Company changed its functional and presentational currency from United States Dollars to Sterling effective on October 1, 2022. The functional currency has been changed prospectively and the presentational currency has been changed retrospectively.

### Statement of Compliance

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

### Presentation of Consolidated Financial Statements

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

### Basis of Consolidation

Subsidiaries and associated undertakings held as part of the investment portfolio are carried at fair value through profit or loss and accounted for in accordance with IFRS 9, Financial Instruments: Recognition and Measurement. Those subsidiaries and associate undertakings that are not held for investment, or which provide services to Somers, are consolidated where Somers has control. The consolidated financial statements include the financial statements of its operating subsidiaries; Somers UK (Holdings) Limited, Somers Pte. Ltd and Somers Treasury Pty Ltd. All intercompany balances and transactions are eliminated on consolidation. Details of the subsidiaries and associates are included in notes 4 and 5 to the consolidated financial statements.

### Significant Accounting Judgments, Estimates, and Assumptions

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

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



### ***Fair Value of Financial Instruments***

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

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

### ***Impairment Losses on financial assets held at amortised cost***

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

### **Foreign Currency Translation**

#### ***Change in functional currency of Somers Limited***

Following the change in the composition of the shareholding group, the Company has determined that its functional currency is Sterling and has changed its functional currency from US Dollar to Sterling effective October 1, 2022. This change has been made prospectively in Somers Limited. Assets, liabilities and equity in the Statement of Financial Position have been translated into Sterling at the closing foreign currency rates on the date of the change.

#### ***Presentation of Somers Limited Consolidated Financial Statements***

Following the change in functional currency, the consolidated financial statements are now presented in Sterling. This represents a change in accounting policy and the change has been made retrospectively. The comparative figures in the Consolidated Financial Statements have been translated to Sterling using the following method. Assets and liabilities in the Statement of Financial Position have been translated into Sterling at the closing foreign currency rates on September 30, 2022. Income Statement and Statement of Cash Flows have been translated into Sterling using the average foreign currency rates prevailing for the period ending September 30, 2022. The equity section of the Statement of Financial Position, including retained earnings, share capital and the other reserves, has been translated into Sterling using historical rates. Exchange

differences arising on change are recognised in other comprehensive income.

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

Monetary assets and liabilities in other currencies are translated into Sterling 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 Sterling at historic rates or the rates of exchange prevailing at the dates of the transactions. In prior year, this would apply to non-USD transactions. Following the change, the USD amounts, monetary and non-monetary are translated to GBP.

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

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

### **Cash and Cash Equivalents**

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

### **Financial Instruments**

#### ***Recognition and initial measurement***

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2023 (Expressed in Sterling)

to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

## **Classification and subsequent measurement**

### **Financial assets**

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

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

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

### **Financial assets at FVTPL**

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

### **Financial assets at amortised cost**

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

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

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

### **Financial liabilities**

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

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

## **Derecognition of Financial Assets and Financial Liabilities**

### **Financial assets**

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

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

### **Financial Liabilities**

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

## **Determination of Fair Value**

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

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

## **Impairment of Financial Assets**

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

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

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

Loss allowances for receivables are measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Default events occur when the repayment terms of the agreement are not met.

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

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

#### **Presentation**

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

#### **Measurement of ECLs**

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

#### **Recognition of Income**

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

#### **Interest Income**

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

#### **Dividend Income**

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

#### **Expenses**

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

#### **Dividends on Common Shares**

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

#### **Earnings Per Share**

Basic earnings per share (EPS), is calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding during the period. The diluted EPS calculation assumes that stock warrants are only exercised and converted when the exercise price is below the average market price of the Company's shares. It also assumed that the Company will use any proceeds to purchase its common shares at their average market price during the period.

#### **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.

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

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

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

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

International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) – effective for annual periods beginning on or after May 23, 2023

Presentation of liabilities (Amendments to IAS 1) – effective for annual periods beginning on or after January 1, 2024

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2023 (Expressed in Sterling)

## 3. FINANCIAL INVESTMENTS

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

	2023 £	2022 £
<b>Financial investments at fair value through profit or loss</b>		
Equity investments	315,069,625	331,899,842
Other financial investments	6,500,090	6,597,413
<b>Total financial investments</b>	<b>321,569,715</b>	<b>338,497,255</b>

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

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

	2023 £	2022 £
<b>Financial assets at fair value through profit or loss</b>		
Fair value at beginning of year	338,497,255	490,850,413
Purchase of investments	59,753,301	64,811,932
Proceeds from disposal of investments	(23,391,581)	(96,152,493)
Capital distribution from investee	(13,605,882)	–
Net fair value movement in the year (including foreign exchange gains and losses)	(39,683,378)	(190,517,273)
Change in functional currency	–	69,504,676
<b>Fair value at end of year</b>	<b>321,569,715</b>	<b>338,497,255</b>

## 4. SUBSIDIARY UNDERTAKINGS

The following were consolidated subsidiary undertakings of the Company at September 30, 2023 and September 30, 2022.

	Country of operation, registration and incorporation	Holdings and voting rights %	
		2023	2022
Somers Treasury Pty Ltd	Australia	100%	100%
Somers Pte. Ltd	Singapore	100%	100%
Somers UK (Holdings) Limited	United Kingdom	100%	100%

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

Details of these underlying investments are as follows:

	Country of registration, incorporation and operations	Number of ordinary shares held  2023	Percentage of ordinary shares held	Number of ordinary shares held  2022		Percentage of ordinary shares held
Resimac Group Limited ("Resimac")	Australia	218,433,737	54.39%	218,433,737	53.83%	
Dfinitive Capital Limited ("Dfinitive")	Ireland	150,000	50.00%	125,000	45.45%	
Waverton Investment Management Group Limited ("Waverton")	UK	10,750,000	61.37%	10,750,000	61.81%	
PCF Group plc ("PCF")	UK	244,489,880	73.24%	244,489,880	73.24%	
West Hamilton Holdings Limited ("West Hamilton")	Bermuda	–	–	1,659,390	57.06%	

## 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:

2023	Thorn Group Limited ("Thorn")	Quest Finance Technologies ("Quest")	AK Jensen Group Limited ("AKJ")	Terra Firma Capital Corporation ("Terra Firma")	Incol Limited ("Incol")	AKJT Holdings Limited ("AKJT")	Adminis Limited ("Adminis")	ICM Mobility Group Ltd ("ICM Mobility")
Country of registration, incorporation and operations	Australia	Australia	Bermuda	Canada	Ireland	Malta	New Zealand	UK
Number of ordinary shares held	17,085,120	428,750	19,880,471	1,124,400	171,143	10,034	994,055	93,174,884
Percentage of ordinary shares held	49.15%	24.19%	33.94%	20.14%	32.00%	22.05%	32.19%	39.81%

2022	Thorn Group Limited ("Thorn")	Quest Finance Technologies ("Quest")	AK Jensen Group Limited ("AKJ")	Terra Firma Capital Corporation ("Terra Firma")	Incol Limited ("Incol")	AKJT Holdings Limited ("AKJT")
Country of registration, incorporation and operations	Australia	Australia	Bermuda	Canada	Ireland	Malta
Number of ordinary shares held	170,251,196	428,750	19,880,471	1,124,400	171,143	10,034
Percentage of ordinary shares held	48.97%	27.78%	33.94%	20.14%	32.00%	22.05%

Transactions with associate undertakings are disclosed in note 18.

## 6. LOANS AND RECEIVABLES

Loans and receivables at September 30 were as follows:

	2023 £	2022 £
Loans to unconsolidated subsidiaries	91,001	-
Loans to associates	2,190,396	175,931
Other loans	35,433,020	38,841,757
<b>Total</b>	<b>37,714,417</b>	<b>39,017,688</b>

Other loans consist of a loan to Provident Holdings Ltd ("Provident") of USD 42,817,772 (2022: USD 42,817,772) and a loan to Polycrest Limited of USD 410,625 (2022: USD 410,625).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2023 (Expressed in Sterling)

Somers sold its holding in BCB to Provident in July 2021 which was satisfied by a combination of cash and a loan facility provided by Somers to Provident. This loan carries a fixed interest rate of 6.5%. The remaining balance is receivable on January 20, 2024. This loan is secured by 7,003,318 ordinary shares in BCB. The loan is still performing, as no contractual breaches have occurred, and the credit risk has not increased significantly since initial recognition.

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

Loans to associates consist of a loan to Incol of EUR 570,000 (2022: EUR 200,000) and ICM Mobility Group Limited ("ICM Mobility") of GBP 1,696,389 (2022: nil). The loan to Incol carries a fixed interest rate of 5% and matures on June 9, 2026, the Company may elect to convert the facility amount into ordinary shares of Incol at a price of EUR 7 per share. The loan to ICM Mobility does not carry interest and is repayable on a date agreed between parties. These loans are both still performing, as no contractual breaches have occurred, and the credit risk has not increased significantly since initial recognition.

Loans to unconsolidated subsidiaries consists of a loan to Dfintive of EUR 105,000 (2022: nil). The loan carries a fixed interest rate of 5%. The loan matures on June 9, 2026, from June 9, 2024, the Company may elect to convert the facility amount into ordinary shares of Dfintive at a price of EUR 10 per share. The loan is still performing, as no contractual breaches have occurred, and the credit risk has not increased significantly since initial recognition.

## 7. OTHER ASSETS

Other assets at September 30 were as follows:

	2023 £	2022 £
Prepayments and other receivables	99,345	137,186
<b>Total</b>	<b>99,345</b>	<b>137,186</b>

## 8. OTHER LIABILITIES

Other liabilities at September 30 were as follows:

	2023 £	2022 £
Accounts payable	467,138	516,909
Accrued liabilities	835,373	1,042,645
<b>Total</b>	<b>1,302,511</b>	<b>1,559,554</b>

## 9. INTEREST BEARING LOANS AND BORROWINGS

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

	2023 £	2022 £
Loan facility from BCB	4,098,350	5,391,145
Loan facility from BNTB	32,500,000	36,252,079
<b>Total commercial borrowings</b>	<b>36,598,350</b>	<b>41,643,224</b>
Loan facility from UIL	-	550,032
Loan facility from Union Mutual	11,360,958	7,222,532
Loan facility from Zeta Energy	11,900,031	-
Loan facility from Thorn Group Limited	1,318,238	-
Loan facility from Resimac Group Limited	4,218,362	-
<b>Total</b>	<b>65,395,939</b>	<b>49,415,788</b>

### Bermuda Commercial Bank Limited ("BCB") Loan

This USD 5 million loan facility from BCB carries an interest rate of the BCB base rate (3% as at September 30, 2023) plus 2.7%. The facility is subject to annual principal repayments of USD 1.0 million, with a final repayment date of March 31, 2025. In order to secure the loan the Company has pledged 21,946,090 ordinary shares in Resimac Group Limited with a carrying value at September 30, 2023 of £10,588,444.

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

This loan facility from BNTB carries an interest rate of 5.25%. The facility is subject to bi-annual principal repayments of £2.5 million. At September 30, 2023, £32.5 million was drawn down on this facility (2022: £36.25 million). In order to secure the loans, the Company has pledged 10,750,000 ordinary shares in Waverton Investment Management Group Limited with a carrying value at September 30, 2023 of £137,848,551 and 79 million ordinary shares in Resimac Group Limited with a carrying value at September 30, 2023 of £38,115,541.

### Loan Facility from UIL

The unsecured facilities from UIL were repaid during the year.

### Loan Facility from Union Mutual

The unsecured facilities from Union Mutual carry a fixed interest rate of 7%. Each facility is repayable upon Union Mutual giving Somers not less than 12 months' notice. At year end, balances of USD 12,709,893 and AUD 1,788,447 (2022: USD 7,356,286 and AUD 1,060,547) were drawn down on these facilities.

### Loan Facility from Zeta Energy Pte Ltd ("Zeta Energy")

The unsecured facility from Zeta Energy carries a fixed interest rate of 7%. The facility is callable from 25 April 2024. At year

end, a balance of USD 14,518,075 (2022: nil) was drawn down on this facility.

### Loan Facility from Resimac Group Limited

The unsecured facility from Resimac carries a fixed interest rate of 12%. The facility is repayable on December 15, 2023. At year end, AUD 8 million (2022: nil) was drawn down on this facility.

### Loan Facility from Thorn Group Limited

The loan facility from Thorn carries a fixed interest rate of 12%. The facility is repayable on December 31, 2023. At year end, AUD 2.5 million (2022: nil) was drawn down on this facility. In order to secure the loan the Company has pledged its holding of Thorn Group Limited ordinary shares. The Company holds 17,085,120 Thorn Group Limited ordinary shares, with a carrying value at September 30, 2023 of £10,270,150.

### Compliance with Loan Covenants

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

## 10. BANK OVERDRAFT

This USD 3.675 million overdraft facility from BCB carries an interest rate of the BCB base rate (3% as at September 30, 2023) plus 4%. The facility is subject to quarterly repayments of USD 612,500, with a final repayment date of March 31, 2025. In order to secure the facility, the Company has pledged 17 million ordinary shares in Resimac Group Limited with a carrying value at September 30, 2023 of £8,202,078.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2023 (Expressed in Sterling)

## 11. LOAN NOTES

On July 26, 2022 the Company merged with SNB Investments Limited ("SNB"). On this date all shareholders not associated with SNB were issued loan notes amounting to USD 21.00 for each ordinary share of the Company that they owned. These USD 1.00 loan notes carry an interest rate of 6% have a two-year term. The outstanding loan notes as of September 30, 2023 had a value of £18,634,445 (USD 22,734,082) (2022: £20,429,097 (USD 22,736,281)).

## 12. EQUITY

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

	Authorised Shares	Par Value £	Issued & Fully Paid Shares	Par Value £	Contributed Surplus £
Balance at September 30, 2021	120,000,000	8,915	22,303,926	1,540	229,443,421
Issuance of shares under dividend reinvestment plan	-	-	449,189	36	6,641,973
Cancellation of treasury stock	-	-	(19,868)	(2)	(294,883)
Cancellation of shares under merger agreement	-	-	(1,084,992)	(88)	(18,715,408)
Issuance of shares under merger agreement	-	-	1,000	-	-
Exercise of warrants	-	-	2,760,860	229	43,250,741
Balance at September 30, 2022	120,000,000	8,915	24,410,115	1,715	260,325,844
Effect of change in functional currency	-	-	-	479	69,431,915
Adjusted October 1, 2022	120,000,000	8,915	24,410,115	2,194	329,757,759
No change in current year	-	-	-	-	-
<b>Balance at September 30, 2023</b>	<b>120,000,000</b>	<b>8,915</b>	<b>24,410,115</b>	<b>2,194</b>	<b>329,757,759</b>

### Treasury Stock

	2023		2022	
	Number of Shares	Amount £	Number of Shares	Amount £
Balance at beginning of year	-	-	-	-
Purchase of treasury stock	-	-	19,868	294,885
Cancellation of treasury stock	-	-	(19,868)	(294,885)
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



### Take-Private Transaction

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

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

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

### Warrants

On August 1, 2022 the Company issued 5,412,314 warrants pro-rata to all of its shareholders on a one for four basis (the "Warrants"). The Warrants were unlisted and the exercise price of the Warrants was USD 18.92 per share. All unexercised warrants expired on September 30, 2023.

	<b>Warrants</b>
Balance as at September 30, 2021	–
Warrants issued on August 5, 2022	5,412,314
Warrants exercised on August 5, 2022	(2,760,860)
Balance as at September 30, 2022	2,651,454
<b>Warrants expired on September 30, 2023</b>	<b>(2,651,454)</b>
<b>Balance as at September 30, 2023</b>	<b>–</b>

### Capital Management

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2023 (Expressed in Sterling)

## 13. EARNINGS PER SHARE

	Net Earnings £	Weighted Average Shares	Earnings per Share £
<b>2023</b>			
<b>Basic Loss Per Share</b>			
Net loss	(31,974,059)	24,410,115	(1.31)
Add: Incremental shares from assumed exercise of warrants (Note 12)			
Adjusted weighted average shares outstanding		24,410,115	
<b>Diluted Loss Per Share</b>			
Net loss	(31,974,059)	24,410,115	(1.31)
<b>2022</b>			
<b>Basic Loss Per Share</b>			
Net loss	(164,250,328)	22,684,824	(7.24)
Add: Incremental shares from assumed exercise of warrants (Note 12)		11,164	
Adjusted weighted average shares outstanding		22,695,988	
<b>Diluted Loss Per Share</b>			
Net loss	(164,250,328)	22,695,988	(7.24)

The weighted average number of ordinary shares outstanding during 2022 were adjusted for the bonus element of warrants exercised in 2022. No warrants were exercised in the period ending September 30, 2023.

## 14. DIVIDENDS

The Company declared and paid dividends as follows:

	2023 £	2022 £
No final dividend for the year ended September 30, 2022 (2021: 38 cents).	-	6,265,845
No special dividend for the year ended September 30, 2023 (2022: USD 4.55).	-	81,561,404
<b>Total</b>	-	87,827,249

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

	2023 £	2022 £
Paid in cash	-	313,820
Satisfied by issue of shares	-	6,642,009
Satisfied by distribution of assets	-	80,871,420
<b>Total</b>	-	87,827,249

No dividends were paid in the current year. In the year ending September 30, 2022, the Board resolved to pay a special dividend of USD 4.55 per share. The dividend was settled principally by a distribution of assets (Resimac Group Limited and The Market Herald shares) to the Somers shareholders and a small cash payment.

## 15. INTEREST INCOME

The Company earned interest income as follows:

	2023 £	2022 £
Loans and receivables	2,230,246	2,073,406
<b>Total</b>	<b>2,230,246</b>	<b>2,073,406</b>

## 16. LOSSES ON INVESTMENTS

The Company recorded the following net losses on investments:

	2023 £	2022 £
<b>Financial assets at fair value through profit or loss</b>		
Unrealised losses on investments	(25,824,451)	(78,982,492)
Realised gains/(losses) on sale of investments	242,983	(54,680,527)
<b>Total losses on investments</b>	<b>(25,581,468)</b>	<b>(133,663,019)</b>

## 17. INCOME TAX EXPENSE

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

The income tax expense for the year was as follows:

	2023 £	2022 £
Withholding taxation	41,119	122,477
<b>Total</b>	<b>41,119</b>	<b>122,477</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2023 (Expressed in Sterling)

## 18. RELATED-PARTY DISCLOSURES

As at September 30, 2023, the Major Shareholders held, in aggregate, 99.06% (2022: 99.06%) of Somers' common shares. Details of the Major Shareholders are disclosed in note 1.

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

The following transactions were carried out during the year ended September 30, 2023, between the Company and its related parties:

### Resimac Group Limited

Somers received £9,310,330 (AUD 17,474,699) (2022: £10,447,289 (AUD 18,916,089)) of dividends during the year from Resimac. Somers has entered into a loan facility with Resimac. At year end a balance of £4,218,362 (AUD 8 million) (2022: nil) was drawn down on the facility. Somers incurred interest expense of £537,465 (AUD 1,001,563) (2022: nil) on the loan during the year, of which £127,591 (AUD 241,973) (2022: nil) was payable at year end.

### PCF Group plc

Somers received £279,831 (2022: £72,126) in fees during the year from PCF.

### Waverton Investment Management Group Limited

Somers received £2,887,450 (2022: £898,700) of dividends during the year from Waverton.

### Terra Firma Capital Corporation

Somers received £164,477 (CAD 269,856) (2022: £155,560 (CAD 256,045)) of dividends during the year from Terra Firma.

### Thorn Group Limited

Somers received £1,708,883 (AUD 3,246,173) (2022: £9,899,825 (AUD 18,012,888)) of dividends and £13,650,881 (AUD 24,872,275) (2022: nil) of capital distribution during the year from Thorn. Somers has entered into a loan facility with Thorn. At year end a balance of £1,318,238 (AUD 2.5 million) (2022: nil) was drawn down on the facility. Somers incurred interest expense of £254,537 (AUD 477,243) (2022: nil) on the loan during the year, of which £10,440 (AUD 19,801) (2022: nil) was payable at year end.

### Incol Limited

Somers had a loan receivable from Incol of £494,007 (EUR 570,000) (2022: £175,937 (EUR 200,000)) at September 30, 2023. Somers earned interest of £14,284 (2022: £3,186) during the year of which £17,895 (2022: £3,665) was receivable at year end.

### Dfinitive Limited

Somers had a loan receivable from Dfinitive of £91,001 (EUR 105,000) (2022: nil) at September 30, 2023. Somers earned interest of £1,015 (2022: nil) during the year of which £1,015 (2022: nil) was receivable at year end.

### ICM Mobility Group Ltd

Somers had a loan receivable from ICM Mobility of £1,696,389 (2022: nil) at September 30, 2023. The loan does not bear interest.

### UIL Limited

Somers' loan facility with UIL was repaid during the year. Somers incurred interest expense of £51,137 (2022: £207,957) on this loan during the year.

Somers acquired the following shares from UIL during the year, 93,166,922 ICM Mobility shares at a value of £43,571,933 and 1,703,400 Snapper Services UK Limited shares at a value of £1,541,882.

Somers sold the following shares to UIL during the year, 1,659,390 West Hamilton Holdings Limited shares at a value of £17,845,950 (USD 19,677,969), 6,807,006 BNK Banking Corporation Limited shares at their fair value of £2,230,057 (AUD 3,914,028) and 62,886,087 WT Financial Group Limited shares at their fair value of £3,224,698 (AUD 5,659,748).

### Union Mutual Pension Fund Limited

Somers has entered into a number of loan facilities with Union Mutual. At year end a balance of £11,360,957 (USD 12,709,893 and AUD 1,788,447) (2022: £7,222,767) was drawn down on these facilities. Somers incurred interest expense of £811,445 (USD 924,178 and AUD 127,655) (2022: £494,814) on these loans during the year, of which £278,799 (USD 302,388 and AUD 58,678) (2022: £110,566) was payable at year end.

### Zeta Energy Pte Ltd

Somers has entered into a loan facility with Zeta Energy. At year end a balance of £11,900,031 (USD 14,518,075) (2022: nil) was drawn down on the facility. Somers incurred interest expense of £244,925 (USD 300,680) (2022: nil) on the loan during the year, of which £246,459 (USD 300,680) (2022: nil) was payable at year end.

### ICM Limited and the Board of Directors of ICM Limited

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

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

Somers has agreed to pay ICM an annual fee for its investment management services equal to 0.75% (2022: 0.75%) of the gross asset value of qualifying investments within Somers' financial investment portfolio. For the year ended September 30, 2023, this fee amounted to £2,660,039 (2022: £3,243,856), of which £600,000 (2022: £634,703) remained payable at year end. Included within the terms of the revised investment manager agreement is a performance fee payable to ICM if the growth in the Company's equity exceeds a hurdle rate equal to the higher of 8% or 4% plus the UK Retail Price Index inflation ("Hurdle Rate"). The fee arrangement is payable at a rate of 15% on the amount by which the growth in the Company's equity exceeds the Hurdle Rate, subject to a cap of 2% of Somers' net asset value. The performance fee for the year ended September 30, 2023 was nil (2022: nil).

ICM provided administration and other professional services to Somers for which Somers paid fees of £87,039 (2022: £79,095) and this is included in "Audit and accounting fees" in the Consolidated Statement of Income.

### The Board of Directors

The Company's directors' fees for the year ended September 30, 2023, amounted to £112,334 (2022: £109,363).

Charles Jillings held 119,000 shares in the Company's issued share capital. Charles Jillings was a director of Waverton during the year ended September 30, 2023 and received directors' fees of £40,000 in the year (2022: £40,000).

Alasdair Younie held 39,461 USD 1.00 loan notes at September 30, 2023 (2022: 39,461).

David Morgan was a director of Waverton and PCF during the year ended September 30, 2023 and received directors' fees of £60,000 and £42,500, respectively (2022: £50,000 and £43,000). Morwill Ltd, a company related to Mr Morgan, also received fees for providing consultancy services to Somers of £69,040 for the year (2022: £72,126). Mr Morgan held 152,003 USD 1.00 loan notes at September 30, 2023 (2022: 152,003).

Peter Durhager held 165,249 USD 1.00 loan notes at September 30, 2023 (2022: 165,249).

### Ultimate Parent Undertaking

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

## 19. RISK MANAGEMENT

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

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

Directors are responsible for the Company's risk management. The Directors' policies and processes for managing the financial risks are set out in (a) to (e) below.

### (a) Market Risk

The fair value of the financial securities held in the Company's portfolio fluctuate with changes in market prices. Market risk embodies currency risk, interest rate risk and price risk. Prices are affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Company's investments may be materially affected by economic conditions in the global financial markets and those markets where Somers has material exposures. Capital and credit markets have experienced significant volatility and disruption over recent periods. Uncertainty created by market and economic conditions and a tightening of credit could lead to declines in valuations of financial securities without regard to the underlying financial condition of the issuer.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2023 (Expressed in Sterling)

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 Sterling 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. The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on borrowings.

## Currency exposure

Currency risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of certain of the Company's assets and liabilities. Following the change in the Company's functional currency from US Dollar to Sterling effective October 1, 2022, foreign currency assets and liabilities are translated to Sterling.

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

When valuing investments that are denominated in currencies other than the functional currency, the Company is required

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

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

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

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:

	2023					
	Financial Assets £	Financial Liabilities £	Net Financial Assets £	% of Company Net Financial Assets	Hedging Contracts £	Net Exposure £
Australian Dollar	122,987,766	(6,667,907)	116,319,859	42.9%	-	116,319,859
United States Dollar	42,005,955	(49,547,850)	(7,541,895)	(2.8)%	-	(7,541,895)
Euro	8,527,094	-	8,527,094	3.1%	-	8,527,094
Canadian Dollar	5,990,100	-	5,990,100	2.2%	-	5,990,100
New Zealand Dollar	5,458,483	-	5,458,483	2.0%	-	5,458,483
Singapore Dollar	6,305	-	6,305	0.0%	-	6,305
<b>Total</b>	<b>184,975,703</b>	<b>(56,215,757)</b>	<b>128,759,946</b>	<b>47.4%</b>	<b>-</b>	<b>128,759,946</b>

2022

	Financial Assets £	Financial Liabilities £	Net Financial Assets £	% of Company Net Financial Assets	Hedging Contracts £	Net Exposure £
Australian Dollar	162,056,442	(714,951)	161,341,491	53.2%	–	161,341,491
United States Dollar	60,720,454	(38,586,566)	22,133,888	7.3%	–	22,133,888
Euro	8,041,807	–	8,041,807	2.7%	–	8,041,807
Canadian Dollar	5,118,128	–	5,118,128	1.7%	–	5,118,128
New Zealand Dollar	4,621,404	–	4,621,404	1.5%	–	4,621,404
Singapore Dollar	4,672	–	4,672	0.0%	–	4,672
<b>Total</b>	<b>240,562,907</b>	<b>(39,301,517)</b>	<b>201,261,390</b>	<b>66.4%</b>	<b>–</b>	<b>201,261,390</b>

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

#### Strengthening of Sterling

2023

	Australian Dollar \$	United States Dollar \$	Euro €	Canadian Dollar \$	New Zealand Dollar \$	Singapore Dollar \$
Net income for the year	(11,631,986)	754,190	(852,709)	(599,010)	(545,848)	(631)
NAV per share – Basic	(0.48)	0.03	(0.03)	(0.02)	(0.02)	(0.00)

2022

	Australian Dollar \$	United States Dollar \$	Euro €	Canadian Dollar \$	New Zealand Dollar \$	Singapore Dollar \$
Net income for the year	(16,134,149)	(2,213,389)	(804,181)	(511,813)	(462,140)	(467)
NAV per share – Basic	(0.66)	(0.09)	(0.03)	(0.02)	(0.02)	(0.00)

#### Weakening of Sterling

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2023 (Expressed in Sterling)

## **Interest rate exposure**

The Company's exposure to changes in interest rates relates primarily to its £7,105,364 (2022: £9,764,563) of variable rate bank loans. Apart from its bank loans, the Company had no floating rate debt obligations at September 30, 2023 (2022: nil). The Company has incurred, and expects to continue to incur, indebtedness, to leverage certain investments. Due to the foregoing, the Company is, and believes that it will continue to be, exposed to risks associated with movements in prevailing interest rates. An increase in interest rates could make it more difficult or expensive to obtain debt financing, could negatively impact the values of fixed income investments, and could decrease the returns that investments generate or cause them to generate losses.

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

External borrowings will only be undertaken if the Directors and the Investment Manager consider the prevailing interest rates to be favourable and that the terms and conditions attaching to such borrowings are acceptable, having regard to the investment objectives of the Company. As at September 30, 2023, the Company had bank loans and overdrafts of £39,605,363 (2022: £46,016,642), and loans of £28,797,589 (2022: £7,772,564) with other entities.

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

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

	2023 £	2022 £
<b>Fixed rate instruments</b>		
Financial assets	37,714,417	39,017,688
Financial liabilities	(79,932,034)	(64,453,740)
	<b>(42,217,617)</b>	<b>(25,436,052)</b>
<b>Variable rate instruments</b>		
Financial liabilities	(7,105,364)	(9,764,563)
	<b>(7,105,364)</b>	<b>(9,764,563)</b>
Total interest rate sensitivity gap	<b>(49,322,981)</b>	<b>(35,200,615)</b>

An increase in 100 basis points in interest rates as at the reporting date would have decreased net interest income by £71,054 (2022: £97,646). A decrease of 100 basis points would have increased net interest income by £71,054 (2022: £97,646).

As described above, a change in interest rates may impact the fair value of the Company's fixed rate debt instruments. At September 30, 2023 the Company had no fixed rate debt instruments within its financial investments portfolio (2022: nil) and therefore an increase in 100 basis points in interest rates as at the reporting date would have no impact on gains on investments and NAV per share.



### Exposure to other price risk

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

The valuation of unquoted investments depends upon a combination of market factors and the performance of the underlying assets. The Investment Manager monitors price risk and consults with the Board of Directors on a quarterly basis, or more frequently as the case may be. The impact on valuations of the Company's larger unquoted investments from changing certain unobservable inputs used in the Company's valuations, where the value is estimated by the Directors and Investment Manager, is presented in note 21.

The Company also has direct exposure to assets that are publicly traded on various equity markets. These represent 39.35% (2022: 49.04%) of the Company's portfolio value as at September 30, 2023.

### (b) Liquidity Risk Exposure

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

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

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

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

	2023				
	Less than 1 month £	1 – 3 months £	3 months – 1 year £	More than 1 year £	Total £
<b>Financial asset by type</b>					
Cash and cash equivalents	468,841	-	-	-	468,841
Interest receivable	475,164	-	-	-	475,164
Loans and receivables	-	-	37,129,409	585,008	37,714,417
<b>Total</b>	<b>944,005</b>	<b>-</b>	<b>37,129,409</b>	<b>585,008</b>	<b>38,658,422</b>
<b>Financial liability by type</b>					
Bank overdraft	-	-	3,007,014	-	3,007,014
Interest payable	993,888	-	-	-	993,888
Other liabilities	1,302,511	-	-	-	1,302,511
Loan notes	-	-	18,634,445	-	18,634,445
Interest bearing loans and borrowings	-	5,536,600	17,719,701	42,139,638	65,395,939
<b>Total</b>	<b>2,296,399</b>	<b>5,536,600</b>	<b>39,361,160</b>	<b>42,139,638</b>	<b>89,333,797</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2023 (Expressed in Sterling)

	2022				
	Less than 1 month £	1 - 3 months £	3 months - 1 year £	More than 1 year £	Total £
<b>Financial asset by type</b>					
Cash and cash equivalents	1,229,028	-	-	-	1,229,028
Other assets	28,285	-	-	-	28,285
Interest receivable	436,484	-	-	-	436,484
Loans and receivables	-	-	-	39,017,688	39,017,688
<b>Total</b>	<b>1,693,797</b>	<b>-</b>	<b>-</b>	<b>39,017,688</b>	<b>40,711,485</b>
<b>Financial liability by type</b>					
Bank overdraft	-	-	4,373,418	-	4,373,418
Interest payable	354,027	-	-	-	354,027
Other liabilities	1,559,554	-	-	-	1,559,554
	-	-	-	20,429,097	20,429,097
Interest bearing loans and borrowings	-	2,500,143	5,898,811	41,016,834	49,415,788
<b>Total</b>	<b>1,913,581</b>	<b>2,500,143</b>	<b>10,272,229</b>	<b>61,445,931</b>	<b>76,131,884</b>

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.

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

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

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

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

	2023 £	2022 £
Cash and cash equivalents	468,841	1,229,028
Interest receivable	475,164	436,484
Loans and receivables	37,714,417	39,017,688
<b>Total</b>	<b>38,658,422</b>	<b>40,683,200</b>

### (d) Fair Values of Financial Assets and Liabilities

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

Unquoted investments are valued based on assumptions and methodologies that may not be supported by prices from available current market transactions or by observable market data. The Directors make use of recognised valuation techniques and may take account of recent arms' length

transactions in the same or similar investments. Details of the valuation process for unquoted investments are set out in note 21.

### (e) Reliance on Investment Manager

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

## 20. SEGMENT INFORMATION

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

## 21. FINANCIAL INSTRUMENTS

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

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

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

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

### Financial Instruments Recorded at Fair Value

#### *Financial Investments at Fair Value through Profit or Loss*

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

#### *Valuation methodology*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2023 (Expressed in Sterling)

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

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

The Directors have satisfied themselves as to the methodologies used, the discount rates and key assumptions applied, and the estimated valuations at September 30, 2023. The Level 3 assets comprise a number of unlisted investments at various stages of development and each has been assessed based on its industry, location, and place in the business cycle. Where sensible, the Directors have taken into account observable data and events to underpin the valuations. Unlisted valuations which are based on observable data may be discounted to reflect the illiquid nature of the investment. These discounts have ranged between nil and 30% depending on the nature and characteristics of each investment.

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

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

## **Waverton**

Somers holds a 61.37% equity interest in Waverton and, as at September 30, 2023, carried this investment at £137.8 million (2022: £130.1 million).

Valuation Methodology: Waverton has been valued based on comparable quoted companies and in particular a multiple of Assets under Management ("AuM").

Key valuation inputs: AuM multiple of 2.0% (2022: 2.2%).

Sensitivities: We have chosen to sensitise the AuM multiple input because this input involved the most significant judgements when estimating valuation, including which comparable companies to consider and prioritise. Waverton's valuation also includes other unobservable inputs, including AuM and earnings, which are based on historic data and are less judgmental. Should the peer group multiple ascribed to Waverton's AuM be reduced/increased by 0.2% the change in valuation would be £12.3 million.

## **ICM Mobility** (including direct holding in Snapper Services)

Somers acquired a 39.81% equity interest in ICM Mobility and a 17.00% direct holding in Snapper Services during the year. As at September 30, 2023, Somers carried these investments at £32.2 million. ICM Mobility holds the remaining 83.00% of Snapper Services within its investment portfolio.

Valuation methodology: Somers has used ICM Mobility's portfolio NAV. ICM Mobility's portfolio is focused in the transit payments sector and its NAV was valued using valuation techniques consistent with IFRS and is subject to annual audit. The Directors considered ICM Mobility's sector and current market turbulence, in ICM Mobility's portfolio valuations and assessed that the valuation uncertainty was at a medium level. As at September 30, 2023 ICM Mobility's investment portfolio was heavily concentrated, and all its holdings were valued using valuation techniques. The valuation methodologies employed by ICM Mobility consisted predominantly of peer group earnings and revenue multiples with most of the entity's investments valued using these methodologies. Earnings and revenue were considered over historic, current and forecast periods. Its portfolio holdings were also heavily weighted towards the growth stage of their business life cycles resulting in a higher degree of management judgement and estimation in the determination of their fair value. ICM Mobility's fair value has been given a sensitivity of 20% to reflect a higher level of uncertainty over the managers valuations of ICM Mobility's portfolio.

Valuation inputs: Market value for portfolio of investments.

Sensitivities: Should the value of ICM Mobility move by 20% the gain or loss would be £6.4m.

## **AKJ Token Securities**

Somers holds 75 million AKJ token securities issued by AKJT and, as at September 30, 2023, carried this investment at £6.5 million (EUR 7.5 million) (2022: £6.6 million (EUR 7.5 million)).

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

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

**Valuation inputs:** Historic transaction prices for the same security.

**Sensitivities:** The nature of these assets and the volatility experienced in the fair values of crypto assets is such that the Directors do not consider it possible to predict a reasonably possible shift in these assets' values over a period of 12 months. Accordingly, a reliable sensitivity analysis showing how profit or loss would be impacted by a reasonably possible shift in the value of crypto assets is not considered feasible. Nevertheless, the Directors note that a 10% increase/decline in the value of these securities would result in a gain/loss in valuation of £0.7 million (EUR 0.8 million) which would be recognised in profit or loss. Similarly, a 50% increase/decline in the value of these securities would result in a gain/loss in valuation of £3.3 million (EUR 3.8 million).

### **AKJ Equity**

Somers holds a 33.94% equity interest in AKJ and, as at September 30, 2023, carried this investment at £5.1 million (USD 6.2 million) (2022: £3.2 million (USD 3.6 million)).

**Valuation Methodology:** AKJ has been valued based on comparable quoted companies and in particular a multiple of revenue.

**Key valuation inputs:** Revenue multiple of 1.5 times (2022: 1.0).

**Sensitivities:** Should the peer group multiple ascribed to AKJ's revenue be reduced/increased by 0.5 the change in valuation would be £1.7 million (USD 2.1 million).

### **Mana Capital**

Somers holds a 20% equity interest in Mana Capital and, as at September 30, 2023, carried this investment at £3.4 million (NZD 6.8 million) (2022: £3.5 million (NZD 6.8 million)).

**Valuation Methodology:** Mana Capital is a New Zealand operating lease provider and lends primarily to New Zealand

government departments as well as New Zealand corporates. Mana Capital has a unique product offering making it difficult to identify a strong set of closely comparable peer companies and the Directors chose to value Mana Capital using a discounted cash flow ("DCF") methodology utilising maintainable earnings discounted at appropriate rates to reflect the value of the business. Due to the subjective nature of DCF valuations, the Directors crosschecked the carrying value by applying the company's historical residual value realisation ratio to the residual value of the company's lease assets.

**Key valuation inputs:** Discount rate of 12.4%.

**Sensitivities:** Should the discount rate used in the DCF be reduced/increased by 3% the change in valuation would be £0.5 million (NZD 0.9 million).

### **Aura**

Somers holds a 16.38% equity interest in Aura and, as at September 30, 2023, carried this investment at £3.3 million (AUD 6.3 million) (2022: £4.9 million (AUD 8.4 million)).

**Valuation Methodology:** Aura has been valued based on comparable quoted companies and in particular a multiple of revenue.

**Key valuation inputs:** Revenue multiple of 2.9 times (2022: 4.2).

**Sensitivities:** On account of Aura's unique product mix, it was difficult to identify a strong set of closely comparable peer companies for Aura and a higher level of judgement was used in the selection of the multiple. Accordingly, Aura's fair value has been given a higher sensitivity to reflect a higher level of uncertainty over the revenue multiple. Should the peer group multiple ascribed to Aura's revenue be reduced/increased by 1.0 the change in valuation would be £0.9 million (AUD 1.8 million).

### **Other**

**Valuation Methodology:** Somers has a further eleven unlisted investment holdings with values ranging from nil to £2.0 million. These were valued using a variety of methods, including; fair value of the underlying net assets, and cost of recent investments; adjusted for events subsequent to acquisition that impact fair value. The total value of these eleven holdings was £6.8 million at September 30, 2023 (2022: eleven holdings with a value of £13.6 million).

**Sensitivities:** Should the value of all these lower valued investments move by 10.0%, this would have an impact on the investment portfolio value of £0.7 million or 0.2%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2023 (Expressed in Sterling)

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

	2023			Total £
	Level 1 £	Level 2 £	Level 3 £	
<b>Financial assets at fair value through profit or loss</b>				
Equity investments	126,461,607	27,678	188,580,340	315,069,625
Other financial investments	-	-	6,500,090	6,500,090
<b>Total</b>	<b>126,461,607</b>	<b>27,678</b>	<b>195,080,430</b>	<b>321,569,715</b>

	2022			Total £
	Level 1 £	Level 2 £	Level 3 £	
<b>Financial assets at fair value through profit or loss</b>				
Equity investments	159,013,404	6,970,227	165,916,211	331,899,842
Other financial investments	-	-	6,597,413	6,597,413
<b>Total</b>	<b>159,013,404</b>	<b>6,970,227</b>	<b>172,513,624</b>	<b>338,497,255</b>

Movement in Level 3 financial instruments measured at fair value:

	Equity Investments £	Other Financial Investments £	Total £
<b>Financial assets at fair value through profit or loss</b>			
At September 30, 2021	145,185,442	6,446,958	151,632,400
Total gains	47,436,502	150,455	47,586,957
Purchases	2,619,393	-	2,619,393
Transfer between levels	(29,325,126)	-	(29,325,126)
<b>At September 30, 2022</b>	<b>165,916,211</b>	<b>6,597,413</b>	<b>172,513,624</b>
Total losses	(19,734,811)	(97,323)	(19,832,134)
Purchases	51,659,244	-	51,659,244
Disposals	(17,921,894)	-	(17,921,894)
Transfer between levels	8,661,590	-	8,661,590
<b>At September 30, 2023</b>	<b>188,580,340</b>	<b>6,500,090</b>	<b>195,080,430</b>

During the year ended September 30, 2023 investments with a fair value of £8.7 million were transferred from Level 1 to Level 3 due to the investments being delisted. Investments with a fair value of £5.4 million were transferred from Level 2 to Level 1 because of increases in the level of trading in these listed securities. There were no other transfers between fair value levels for the year ended September 30, 2023.

There were no Level 3 financial liabilities held during the years ended September 30, 2023 and September 30, 2022.

## 22. SUBSEQUENT EVENTS

### **Thorn Group Limited take-over offer**

On August 25, 2023, the Company submitted a binding and conditional proposal to acquire 100% of the shares in Thorn that it does not already have a relevant interest in, by way of a scheme of arrangement, for cash consideration of AUD 1.62 per share, which was subsequently reduced to AUD 1.17 per share following the declaration of the fully franked special dividend of AUD 0.19 per share on August 31, 2023 and the capital return of AUD 0.26 per share announced on August 4, 2023, each which had a record date of September 6, 2023. On November 27, 2023, Thorn shareholders passed resolutions to approve the Scheme of Arrangement. Thereafter, the Supreme Court of New South Wales made orders approving the Scheme of Arrangement on November 30, 2023. On December 1, 2023, the Scheme of Arrangement became legally effective, and was implemented on December 11, 2023. The total consideration being AUD 20.68 million.

There have been no other significant events or transactions from September 30, 2023 to the date that these consolidated financial statements were available for issuance that require adjustments to or disclosures in the consolidated financial statements.

# COMPANY INFORMATION

**Company Number: 46441**

**[www.somers.limited](http://www.somers.limited)**

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David Morgan  
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