



September 15, 2015

**Somers Limited**  
**(“Somers”, the “Company” or the “Group”)**

**Financial Results for the nine months ended June 30, 2015**

For Immediate Release - (Hamilton, Bermuda) Somers Limited, a financial services investment holding company, is pleased to announce its results for the quarter and nine months ended June 30, 2015.

Overview of the quarter ended June 30, 2015:

- Diluted net asset value (“NAV”) per share of \$18.67 as at June 30, 2015 (March 31, 2015: \$17.56);
- Consolidated net income of \$8.6 million for the quarter (June 30, 2014: net income of \$11.9 million);
- Diluted earnings per share of \$0.75 compared to diluted earnings of \$1.03 a year ago; and
- Shareholders’ equity increased by 6.3% to \$217.9 million as at June 30, 2015 (March 31, 2015: \$205.0 million).

Investment Highlights for the nine months ended June 30, 2015:

- Bermuda Commercial Bank Limited (“BCB”) reported net income of \$3.9 million;
- BCB capital ratio of 22.7%;
- BCB maintains high liquidity with 37% of its balance sheet in cash and cash equivalents;
- Waverton Investment Management Limited (“Waverton”) reported pre-tax income of £6.3 million;
- Waverton reported Assets under Management (“AuM”) as at June 30, 2015 of £4.5 billion;
- Strong operating performance by Private & Commercial Finance Group plc (“PCFG”); and
- Somers completed an additional £4.0 million investment in Ascot Lloyd in July 2015.

Commenting on the financial results, Warren McLeland, Chairman of Somers said:

“Somers enjoyed a strong third quarter with net income of \$8.6 million. This brought our year to date net income to \$1.2 million. NAV per share improved to \$18.67 from \$17.56 at March 31, 2015 (September 30, 2014: \$18.96).



Our investment portfolio has returned to a net positive year to date position following investment gains of \$6.4 million in Q3. These gains were led by PCFG whose share price appreciated following their recently announced positive operating results. On a year to date basis we have had a mixed performance from our portfolio. While PCFG has performed strongly, these gains were offset by reductions in the carrying value of our two largest holdings, BCB and Waverton. Together these two investments represents 79% of our investment portfolio and how they perform will heavily impact our overall results until the portfolio is diversified. BCB's value decreased mainly due to a reduction in the value of its investment portfolio while Waverton has been impacted by lower AuM related earnings.

Currency movements were positive in Q3 however on a year to date basis they still remain in negative territory. A number of our investments including Waverton and PCFG are denominated in Sterling and over the course of the nine month period ended June 30, 2015 Sterling declined by 3.0% versus the Dollar.

Somers is currently fully invested and has minimal leverage. However where opportunities arise we will use leverage to fund such new investment opportunities. Subsequent to the period end one such investment opportunity arose and was funded by a bank loan. We invested a further £4.0 million into Ascot Lloyd to allow that company to make an acquisition bringing our economic interest in Ascot Lloyd to 44.0%."

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## **Summary of Somers' results for the nine months ended June 30, 2015**

### **Introduction**

During the year ended September 30, 2014, Somers adopted amendments to accounting standard, IFRS 10. The Company's June 2014 results have been restated in compliance with the new accounting guidance and all references in this announcement to prior year figures use the restated comparatives.

For the nine months ended June 30, 2015, the Company recorded net income of \$1.2 million compared with restated net income of \$25.4 million a year ago. The year to date earnings per share was \$0.10 (June 30, 2014: earnings per share of \$2.30). Additionally, there were unrealised currency losses of \$1.8 million as Sterling declined against the US Dollar. The result was a small reduction in the Company's diluted net asset value per share to \$18.67 from \$18.96 at September 30, 2014.

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

Gains on investments totaled \$1.0 million for the nine month period. PCFG was the strongest performer in the period with the value of Somers' investment increasing by 53%. These gains followed PCFG's announcement that it outperformed its profit and operating targets during their last fiscal year. Ascot Lloyd continues to perform positively and EBITDA growth during the period has increased the value of this investment. Offsetting these gains was a reduction in the year to date carrying value of BCB, Waverton and Westhouse. BCB's value reduced by 7% following an unrealised decline in the fair value of BCB's investments, a reduction in the Bank's interest income, and the impairment of certain intangible assets. A reduction in assets under management at Waverton resulted in a 3% fall in Waverton's carrying value. Westhouse's valuation decreased during the period following continued weak trading performance. Somers' remaining investments showed small positive gains. An analysis of Somers' core investments is set out below.

Net foreign exchange losses were \$1.8 million for the nine month period with an additional \$1.8 million of exchange losses on Somers' investment in its foreign operations. 49% of Somers' balance sheet is denominated in foreign currencies, primarily Sterling, and during the nine month period ended June 30, 2015 Sterling declined by 3.0% versus the Dollar.

Shareholders' equity was \$217.9 million at June 30, 2015 up from \$215.1 million at September 30, 2014. During the nine month period, 240,746 warrants were exercised adding \$3.5 million to shareholders' equity. Additionally, \$2.3 million of the \$2.5 million dividends paid during the period were reinvested, under the dividend reinvestment plan, through the issuance of 161,743 shares. The net result from these actions was an increase in the number of issued shares to 11,692,573 from 11,301,084 at September 30, 2014.

## REVIEW OF INVESTMENTS

### *Bermuda Commercial Bank Limited ("BCB" or the "Bank")*

The Bank recorded a profit of \$1.75 million for the quarter ended June 30, 2015 (2014: \$3.85 million). Total revenues for the period were \$10.38 million (2014: \$9.13 million). Net profit for the nine months ended June 30, 2015 was \$3.86 million (2014: \$11.75 million).

Net interest income for the nine months was \$9.15 million (2014: \$15.05 million) and net non-interest income for the same period amounted to \$15.08 million (2014: \$13.25 million). Gains from the sale of financial investments were \$14.37 million for the nine months (2014: \$14.00 million).

Total assets were \$557.45 million at June 30, 2015 compared to \$592.57 million at September 30, 2014. Total customer deposit balances were \$445.68 million compared to \$471.28 million at September 30, 2014.

The Bank's capital position decreased to \$105.45 million at June 30, 2015 from \$113.43 million at September 30, 2014 with this change primarily resulting from unrealised mark to market movements on the Bank's financial investments portfolio, and a decline in net earnings during the year. The Bank's regulatory capital ratio at June 30, 2015 was 22.7% which is significantly above the regulatory minimum ratio.

The Bank maintained a strong liquidity position with 37% of its balance sheet in cash and cash equivalents. This structure creates a solid base for the Bank as it moves into its next fiscal year.

Somers' investment in 100% of BCB's equity was valued at \$105.5 million as at June 30, 2015 (September 30, 2014: \$113.8 million).



#### *Waverton Investment Management Limited ("Waverton")*

Waverton's Assets under Management ("AuM") were £4.5 billion as at June 30, 2015 (September 30, 2014: £5.2 billion). The reduction in Waverton's AuM following the loss of its European Fund and weaker equity markets has impacted its operating results and for the three months ended June 30, 2015 Waverton earned revenue of £8.1 million (2014: £8.2 million), EBITDA of £1.7 million (2014: £2.5 million) and profit before tax of £1.5 million (2014: £2.1 million).

Somers values its investment in Waverton on a peer comparison basis using an EV/EBITDA valuation methodology. Primarily on account of the reduction in EBITDA, Somers has reduced the value of its investment in Waverton to £39.8 million from £41.1 million at September 30, 2014.

At June 30, 2015 Waverton represented 29% of Somers' investment portfolio and its performance therefore will have a material impact on Somers' overall performance. Global equity markets have been quite volatile in recent weeks and with the potential tightening of US interest rates Waverton's earnings may be impacted. However, there are significant opportunities for Waverton to grow in a number of its business areas and we hope this will offset any potential equity market downside.

#### *Private & Commercial Finance Group plc ("PCFG")*

During the quarter PCFG announced their results for the year ended March 31, 2015. Profit before tax was up 69% to £2.1 million (2014: £1.3 million) placing PCFG ahead of their targeted 2.0% return on average assets at 2.2% while their total portfolio grew by 13% to £100 million. Portfolio growth and quality and profitability all outperformed management objectives during the period. New business originations for the year were up by 10% to £56.0 million (2014: £50.8 million) and the loan loss provisioning charge has continued to reduce. PCFG has negotiated increased bank facilities and currently has £33 million of committed facility headroom, which is sufficient for current year growth plans. This headroom includes the recent award of a £10 million facility from the British Business Bank, the commercial division of the UK Government's economic development bank.

PCFG continues to focus on its application for a deposit taking license in the UK and they have presented their business plan to the relevant authorities.

Somers' equity investment in PCFG is marked to market and as at June 30, 2015 was valued at £2.8 million while Somers' investment in PCFG convertible loan notes was valued at £12.0 million as at June 30, 2015. The combined investment is now £14.8 million.

#### *Ascot Lloyd Holdings Limited ("Ascot Lloyd")*

Ascot Lloyd is an independent financial adviser, regulated by the Financial Conduct Authority with a number of offices across the UK. Ascot Lloyd provides a financial planning service for personal and corporate clients incorporating the use of protection products, investment products, pension planning and tax planning.

The integration of the operations acquired following the acquisition from IFG plc in September 2014 continues and it is pleasing to note that the Company's trading performance is increasing month on month. Subsequent to the period end, Somers invested a further £2.0 million in convertibles loan notes and provided an additional loan of £2.0 million to Ascot Lloyd. This provides Somers a 44.0% interest in Ascot Lloyd's capital if all convertible notes were converted. The funds were used by Ascot Lloyd to fund its acquisition of the assets of PFP, another UK based IFA. The acquisition of PFP has significantly increased the size and scale of Ascot Lloyd. We expect this acquisition to be value accretive and we look forward to future growth from the combined group.



As at 30 June 2015, Somers was interested in 6% convertible loan notes and upon conversion of the convertible loan notes, Somers would be interested in approximately 32.5% of Ascot Lloyd's diluted issued share capital. In addition, Somers has made a loan to Ascot Lloyd of £1.2 million of which £0.95 million is drawn down as at June 30, 2015. Somers' investment in Ascot Lloyd as at June 30, 2015 is valued at £5.23 million (September 30, 2014: £3.20 million).

#### *Westhouse Holdings plc ("Westhouse")*

Somers is interested in 84.6% of the issued share capital of Westhouse, a London based corporate and institutional stockbroking firm.

Westhouse's trading performance continues to show improvement and it was pleasing to note that Westhouse reported a profit in the June quarter. Post the quarter end Westhouse completed a significant fund raising for one of its oil and gas clients and there are a number of corporate transactions which if completed prior to the year-end will further improve its trading performance.

For the quarter ended June 30, 2015, Westhouse reported revenue of £2.8 million and a profit before tax of £0.3 million. As at June 30, 2015, shareholders' funds in the regulated entity amounted to £2.3 million. Somers investment in Westhouse as at June 30, 2015 is valued at £1.9 million.

#### *Merrion Capital Holdings Limited ("Merrion")*

Merrion was established in 1999 as an independent financial services firm providing stockbroking, corporate finance advisory and fund management services to a mainly domestic Irish client base.

As at June 30, 2015 Merrion Investment Management had approximately €832 million assets under management and Merrion's private client business manages approximately €713 million of private client funds across 3,430 accounts, mainly on an advisory and execution only basis.

Somers acquired its investment in Merrion in July 2014 and since then Merrion has performed well including being ahead of its own budgeted forecasts for the year to date. We believe that the interaction between Merrion and some of Somers' other investments will prove positive and lead to a number of other opportunities for Merrion and these other investments.

**-ENDS-**

**Somers Limited** is a listed financial services investment holding company whose major assets include its 100% owned subsidiary, Bermuda Commercial Bank Limited, one of Bermuda's four licensed banks and a 62.5% holding in Waverton Investment Management Limited, a UK wealth manager with £4.5 billion assets under management. The Group's other investments include an approximate 68% economic interest in the London Stock Exchange listed Private & Commercial Finance Group PLC, a UK asset financing company, an 84.6% stake in Westhouse Holdings PLC, a corporate and institutional stockbroking group, a 44% economic interest in Ascot Lloyd Holdings Limited, a UK independent financial adviser and a 21% economic interest in Merrion Capital Holdings Limited, an Irish financial services group. Somers has shareholders' equity of \$218 million and minimal debt. Somers' shares are publicly traded and listed on the Bermuda Stock Exchange (Ticker: SOM.BH) and more details on the Company can be found at [www.somers.bm](http://www.somers.bm).

# SOMERS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(expressed in United States dollars - unaudited)

<b>Assets</b>	<b>JUN 30, 2015</b>	<b>SEP 30, 2014*</b>
Cash and cash equivalents	\$ 852,197	\$ 216,418
Other assets	63,376	205,165
Interest receivable	531,404	86,003
Loans and receivables	1,493,210	4,787,759
Financial investments	218,622,317	218,284,392
<b>Total assets</b>	<b>221,562,504</b>	<b>223,579,737</b>
<b>Liabilities</b>		
Interest payable	45,978	25,890
Other liabilities	764,930	4,943,241
Interest bearing loans and borrowings	2,860,905	3,500,000
<b>Total liabilities</b>	<b>3,671,813</b>	<b>8,469,131</b>
<b>Net assets</b>	<b>\$ 217,890,691</b>	<b>\$ 215,110,606</b>
<b>Equity</b>		
Capital stock	\$ 1,169	\$ 1,130
Contributed surplus	161,247,136	155,685,600
Treasury shares	(259,115)	(143,580)
Accumulated other comprehensive income	(824,675)	457,791
Retained earnings	57,726,176	59,109,665
<b>Total equity</b>	<b>\$ 217,890,691</b>	<b>\$ 215,110,606</b>

\*Audited

# SOMERS LIMITED

## CONSOLIDATED STATEMENT OF INCOME

(expressed in United States dollars - unaudited)

Income	For the three months ended		For the nine months ended	
	JUN 30, 2015	Restated JUN 30, 2014	JUN 30, 2015	Restated JUN 30, 2014
Interest income	\$ 307,639	\$ 460,099	\$ 913,504	\$ 1,770,120
Interest expense	(45,977)	(326,576)	(91,154)	(1,375,258)
Net interest income (loss)	261,662	133,523	822,350	394,862
Dividend income	993,712	5,309,542	2,593,712	7,874,758
Gains on investments	6,352,047	6,912,258	999,261	18,755,333
Other income	-	-	-	-
Net exchange gains (losses)	1,533,060	344,408	(1,827,171)	1,116,072
Impairment losses on financial investments	-	-	-	-
Total income	9,140,481	12,699,731	2,588,152	28,141,025
<b>Expenses</b>				
Investment management fees	126,282	552,677	378,318	1,662,921
Legal and professional fees	132,581	123,252	426,563	488,905
Audit and accounting fees	125,997	22,500	287,936	180,500
Directors' fees	19,250	13,250	51,083	39,750
General and administrative expenses	104,532	46,004	283,113	330,077
Total expenses	508,642	757,683	1,427,013	2,702,153
Income before tax	8,631,839	11,942,048	1,161,139	25,438,872
Income tax expense	(6,165)	(88)	(6,165)	(9,217)
Net income	\$ 8,625,674	\$ 11,941,960	\$ 1,154,974	\$ 25,429,655